



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 07, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pike National Bank
Charter Number 20493

350 Rawls Drive
Mccomb, MS 39648-3605

Office of the Comptroller of the Currency

BIRMINGHAM FIELD OFFICE
100 Concourse Parkway Suite 240
Birmingham, AL. 35244

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Pike National Bank has a satisfactory rating of meeting community credit needs. This rating is based on the following:

- A substantial majority of the bank’s loans are extended within their assessment area.
- The bank’s loan-to-deposit ratio is reasonable based on the bank’s performance context and lending opportunities within its assessment area.
- The geographic distribution of loans reflects a reasonable dispersion within the assessment area.
- The distribution of loans demonstrates a reasonable penetration among borrowers of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of Pike National Bank’s ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria. Conclusions regarding lending performance are based on residential real estate, commercial real estate and consumer loans originated from January 1, 2008 to December 31, 2009. While PNB owns Pikco Finance Company, no loans from the subsidiary were included in our loan samples.

DESCRIPTION OF INSTITUTION

Pike National Bank (PNB) is a \$207 million bank which serves Pike, Lincoln and Walthall Counties with six branches located in McComb, Magnolia, Brookhaven and Tylertown. PNB is wholly owned by PCNB Corp., a one bank holding company. PNB also owns Pikco Finance Company as a subsidiary of the bank. The bank offers a full range of loan and deposit products. The following chart reflects the distribution of the loan portfolio as of June 30, 2010.

Loan Category	\$ (000)	%
Residential Real Estate Loans	30,924	25.21
Commercial Real Estate Loans	49,579	40.42
Consumer Loans	19,992	16.30
Commercial & Industrial Loans	18,997	15.49
Agricultural Loans	3,163	2.58
Total	122,655	100.00%

There are no legal impediments or other factors that inhibit the bank’s ability to meet the credit

needs of the community. The bank was rated satisfactory during the prior CRA Examination dated August 13, 2004.

DESCRIPTION OF ASSESSMENT AREA(S)

The Board designated Pike, Lincoln and Walthall Counties as its assessment area. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low or moderate-income geographies.

This assessment area has a total population of 87,262 based on 2000 census information. The county has four moderate-income tracts, eleven middle-income tracts, and one upper-income tract. All of the middle income tracts have been designated as distressed areas. The unemployment rate increased from 3.6% year-end 2000 to an average of 12.7% as of July 21, 2010. Competition among financial institutions is strong with several state and national banks located throughout the assessment area. Major employers in the county include Sanderson Farms, King Daughter's Medical Hospital and Southwest MS Regional Medical Hospital, and Wal-Mart. Contact with local business organizations revealed residential mortgages and commercial loans are the primary credit needs of the assessment area. The following table provides a description of the assessment area based on census data and 2009 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	23,898
Number of Households	32,907
<i>Geographies</i>	
Number of Census Tracts	16
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	25.00%
% Middle-Income Census Tracts	68.75%
% Upper-Income Census Tracts	6.25%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$31,242
2009 HUD-Adjusted MFI	\$41,900
<i>Economic Indicators</i>	
Unemployment Rate (2000) Census	3.56%
Unemployment Rate (July 31, 2010) www.fdic.gov	12.73%
2000 Median Housing Value	\$55,993
% of Households Below Poverty Level	22.92%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

PNB has demonstrated satisfactory performance in meeting the credit needs of the community. The following sections provide detail of our assessment of each performance criteria.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of Pike National Bank (PNB) is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio is comparable to other banks headquartered in the assessment area. PNB's loan-to-deposit ratio since the prior CRA Examination averaged 79.69%. The average loan-to-deposit ratio of banks within the assessment area, regardless of size during the same time period was 70.19%.

Institution	Assets (000s) (as of 6/30/10)	Average LTD Ratio
Pike National Bank, McComb	207,062	79.69%
Bank of Brookhaven, Brookhaven	117,099	58.23%
Citizens Bank, Columbia	349,452	79.98%
First Bank, McComb	341,496	62.86%

Lending in Assessment Area

A substantial majority of lending activity is located within the assessment area. Our review focused on the bank's primary product lines: residential real estate, commercial real estate and consumer loans. We reviewed a sample of 20 residential real estate, 20 commercial real estate and 20 consumer loans. This sample revealed approximately 88% of the number and 91% of the dollar amount of loans were extended in the assessment area. The breakdown by loan category is illustrated below:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	19	95.00%	1	5.00%	20	\$1,685	98.91%	\$18	1.09%	\$1,704
Commercial RE	19	95.00%	1	5.00%	20	\$786	96.70%	\$27	3.30%	\$813
Consumer	15	75.00%	5	25.00%	20	\$396	63.49%	\$228	36.51%	\$624
Totals	53	88.33%	7	11.67%	60	\$2,867	91.30%	\$273	8.70%	\$3,141

Source: Loan Sample.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

PNB’s distribution of loans by income level of the borrower is reasonable given the demographics of the assessment areas. The median cost of housing is \$56 thousand while a low-income person earns less than \$21 thousand based on the HUD updated 2009 median family income. Additionally, 23% of the households in the assessment area live below the poverty level with unemployment above state and national averages at 12%. Community contacts also noted economic conditions have significantly impacted the area with little movement in housing stock. One contact noted the need for more affordable housing with the current average sales price of homes at \$120 thousand. We considered these mitigating factors in our lending analysis to low and moderate-income borrowers.

The distribution of residential loans by borrower income level is poor. The percentage of loans to low and moderate income-borrowers is below the percentage of low and moderate-income families and is reflective of the factors discussed above.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	25.66%	3.45%	18.11%	6.90%	18.34%	34.48%	37.89%	55.17%

Source: Loan Sample; U.S. Census data.

The distribution of consumer loans reflects a reasonable penetration. Loans to low income borrowers is less than the percentage of low income households. However, the percentage of loans to moderate-income households exceeds the percentage of these households in the assessment area. While the percentage of loans to low-income borrowers is less than the demographic percentage, PNB’s subsidiary, Pikco Finance Company, provides an alternative for consumer financing to all borrowers.

Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
% of Total	27.78%	16.00%	16.31%	24.00%	16.82%	16.00%	39.08%	44.00%

Source: Loan Sample; U.S. Census data.

The distribution of loans to businesses reflects a reasonable penetration. Approximately nineteen percent of businesses do not report their revenues; therefore the percentage of businesses by income level may not accurately reflect a true percentage in each income category. Our sample of business loans inside the assessment area revealed a substantial majority of the bank’s business loans were to businesses with revenues less than \$1 million.

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.23%	2.13%	18.64%	100.00%
% of Bank Loans in AA by #	85.71%	14.29%	0.00%	100.00%
% of Bank Loans in AA by \$	70.33%	29.67%	0.00%	100.00%

Source: Loan sample, Dunn and Bradstreet data.

Geographic Distribution of Loans

Pike National Bank has a reasonable dispersion of loans within the assessment area. The assessment area has no low-income tracts, four moderate-income tracts, eleven middle-income tracts and one upper-income tract. The percentage of loans in our sample closely approximates the percentage of owner occupied residences in moderate-income census tracts within the assessment area for residential real estate loans and the percentage of households in moderate-income census tracts within the assessment area for consumer loans. Furthermore, the bank continues to lend in the middle income tracts which have been designated as distressed areas.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans						
% of Total	0%	0.00%	21.85%	20.69%	74.86%	79.31%	3.29%	0.00%

Source: Loan Sample; U.S. Census data.

Geographic Distribution of Consumer Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA of Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
% of Total	0%	0.00%	24.70%	22.73%	71.25%	77.27%	4.06%	0.00%

Source: Loan Sample; U.S. Census data.

Our sample revealed the percentage of loans to businesses in moderate-income tracts is less than the percentage of businesses in these tracts. However, the majority of assessment area businesses are located in the middle income tracts which have all been designated as distressed areas.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00%	0.00%	22.07	14.29	73.53	82.14	4.39	3.57

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

Pike National Bank has not received any CRA related complaints during the assessment period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.