



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**July 23, 2007**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Peoples Community National Bank  
Charter Number 24456**

**400 Highway 27 North Bypass  
Bremen, GA 30110**

**Comptroller of the Currency  
Georgia (Atlanta)  
3 Ravinia Drive Suite 550  
Atlanta, GA 30346**

**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**

Factors supporting the bank's satisfactory rating include the following:

- The bank's loan-to-deposit ratio is adequate when compared to similarly situated institutions and averaged 79 percent since the bank opened.
- A majority of the bank's loans are originated within the assessment area.
- The distribution of loans to borrowers of different incomes and to businesses of different sizes is good.
- The geographic distribution of loans is reasonable.

## **DESCRIPTION OF INSTITUTION**

Peoples Community National Bank (PCNB) opened for operations on October 4, 2004, as a newly chartered financial institution. The bank is a wholly owned subsidiary of PCNB Bancshares, a one bank holding company. This is the bank's first CRA Performance Evaluation. There are no legal or financial impediments impacting PCNB's ability to meet the credit needs of its assessment area (AA).

PCNB's main office is located in Bremen, Haralson County, Georgia. The main office is a full-service banking location with an on-site ATM. PCNB has no branch locations. However, a full-service branch office is scheduled to open in November 2007 in Tallapoosa, Haralson County, Georgia. PCNB competes with several larger institutions including branches of large regional banks.

As of June 30, 2007 assets totaled \$50 million, of which net loans comprise 71 percent. PCNB offers a wide array of banking products including commercial, residential real estate, and consumer products. Primary loan types were determined based on outstanding balances as a percent of gross loans. Commercial real estate loans represent 33 percent of the loan portfolio, and residential real estate loans represent another 28 percent. These primary product types are consistent with PCNB's business strategy and were evaluated to form conclusions on the bank's CRA performance.

## DESCRIPTION OF ASSESSMENT AREA

PCNB defines its AA as all of Haralson and Carroll Counties. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA is part of the Atlanta-Sandy Springs-Marietta, Georgia Metropolitan Statistical Area. The AA is bordered by Polk County to the north; Paulding, Douglas, and Fulton Counties to the east; Heard and Coweta Counties to the south; and the Alabama border to the west. Of the 20 census tracts in the AA, 1 is designated as low-income, 13 are moderate-income, and 6 are middle-income.

Haralson and Carroll Counties experienced solid population growth and stable employment since 2000. Tanner Medical Center, Wal-Mart Associates, and Southwire Company are three of the largest non-government employers in the AA. The University of West Georgia is another large employer. The area continues to demonstrate the ability to attract new businesses helping to offset the closing of several local clothing factories.

The following table includes general demographic data describing the assessment area.

<b>Demographic and Economic Characteristics of Assessment Area</b>	
<b>Population</b>	
Total Population	112,958
Number of Families	30,439
Number of Households	41,431
<b>Geographies</b>	
Number of Census Tracts	20
% Low Income Census Tracts (0)	5%
% Moderate Income Census Tracts (4)	65%
% Middle Income Census Tracts (0)	30%
% Upper Income Census Tracts (0)	0%
% Undesignated (0)	0%
<b>Median Family Income (MFI)</b>	
MFI for AA	\$58,537
HUD Updated MSA MFI	\$68,100
<b>Economic Indicators</b>	
Unemployment Rate	2.25%
2000 Median Housing Value	\$84,997
% of Households Below Poverty Level	14.93%

Source: CRA Wiz Report based on 2000 United States Census

The community contact made in conjunction with this examination was with the Haralson County Chamber of Commerce in Bremen, Georgia. The primary credit needs identified by this contact were small business and consumer-type loans. The contact commented that the local banks are working to meet the community's credit needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this CRA assessment is October 4, 2004 through July 23, 2007. Loan performance was determined by analyzing a sample of commercial real estate loans made during the evaluation period and all home purchase and refinance loans reported on the 2006 and 2007 Home Mortgage Disclosure Act Loan Application Register. We did not review home improvement loans because the bank reported only one home improvement loan during this time frame. Both loan types, commercial and residential real estate, were important to the overall conclusions and neither product carried more weight than the other.

The bank's lending activity reflects good performance. The loan-to-deposit ratio is adequate. A majority of loans are made within the AA. Lending to borrowers of different incomes and businesses of different sizes is good. And, the geographic distribution of loans throughout the AA is reasonable.

### Loan-to-Deposit Ratio

*The bank has an adequate loan-to-deposit (LTD) ratio compared to its peer.* For the first 12 quarters of operations, the bank's LTD ratio averaged 79 percent. PCNB competes with much larger banks in its AA. Although the other six locally chartered banks had an average LTD ratio of 97 percent, PCNB compares favorably when considering its capacity to lend as the smallest bank in the AA. The average ratio for the other six banks ranged from 89 percent to 101 percent.

### Lending in Assessment Area

*A majority of loans are originated within the bank's AA.*

Table 1 - Lending in PCNB's Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	20	74%	7	26%	27	\$2,617	54%	\$2,271	46%	\$4,888
Home Improvement	1	100%	0	0%	1	\$127	100%	\$0	0%	\$127
Home Refinance	27	87%	4	13%	31	\$5,225	96%	\$219	4%	\$5,444
Commercial	23	66%	12	34%	35	\$6,558	52%	\$6,146	48%	\$12,704
<b>Totals</b>	<b>71</b>	<b>76%</b>	<b>23</b>	<b>24%</b>	<b>94</b>	<b>\$14,527</b>	<b>63%</b>	<b>\$8,636</b>	<b>37%</b>	<b>\$23,163</b>

Source: data reported under HMDA and sample of loans.

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

***Lending to borrowers of different incomes and businesses of different sizes meets the standards for satisfactory performance.*** Residential real estate lending reflects good performance. The penetration of home purchase and refinance loans to low-income borrowers is reasonable when considering 15 percent of AA families live below the poverty level. The penetration of home purchase loans to moderate-income families is strong.

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	32%	21%	23%	37%	23%	26%	22%	16%
Home Refinance	32%	12%	23%	12%	23%	24%	22%	52%

*Source: data reported under HMDA; U.S. Census data. Borrower income information was not available for 5% of home purchase loans and 7% of home refinance loans.*

Lending to businesses of different sizes is good. The penetration of loans to businesses with revenues less than \$1 million is higher than the percentage of small businesses in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	55%	3%	42%	100%
% of Bank Loans in AA by #	83%	17%	0%	100%
% of Bank Loans in AA by \$	77%	23%	0%	100%

*Source: Loan sample*

## Geographic Distribution of Loans

***The geographic distribution of loans meets standards for satisfactory performance.*** The overall distribution of residential real estate loans is good, and the penetration to moderate-income census tracts is strong. Only a small percentage of owner-occupied housing is located in low-income census tracts, so the absence of home purchase loans in these tracts is indicative of the lack of lending opportunities therein.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1%	0%	65%	80%	34%	20%	0%	0%
Home Refinance	1%	4%	65%	74%	34%	22%	0%	0%

*Source: data reported under HMDA; U.S. Census data.*

The geographic distribution of commercial loans is reasonable. No loans were made in low-income census tracts, but the penetration of loans in the moderate-income census tracts is higher than the percentage of AA businesses located in the moderate-income census tracts.

<b>Table 3A - Geographic Distribution of Loans to Businesses in PCNB's Assessment Area</b>								
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
Commercial	3%	0%	61%	74%	36%	26%	0%	0%

*Source: loan sample; D & B data.*

### **Responses to Complaints**

Peoples Community National Bank did not receive any CRA related consumer complaints during this evaluation period. This has a neutral impact on the overall CRA rating.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.