



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 12, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples Community National Bank
Charter Number 24456

400 Highway 27 North Bypass
Bremen, GA 30110

Office of the Comptroller of the Currency
Atlanta Field Office
3 Ravinia Drive, Suite 1950
Atlanta, Georgia 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.

Peoples Community National Bank's performance rating is supported by the following:

- ◆ The average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area ("AA") credit needs.
- ◆ A majority of loans originated are within the bank's AA.
- ◆ Lending activities represent a reasonable penetration among individuals of different income levels and businesses of different sizes.
- ◆ Geographic distribution of loans represents a reasonable dispersion.

Scope of Examination

This CRA Performance Evaluation is an assessment of Peoples Community National Bank's ("PCNB") ability to meet the credit needs of its community. Examiners conducted a full-scope review of the bank's AA, which encompasses two counties in the Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area ("MSA"). The bank was evaluated utilizing the Small Bank examination procedures focusing on the lending test. We based our analyses and conclusions on data provided by the bank, which we verified during our review. We identified the bank's primary products as business loans and 1-4 family residential real estate by the dollar amount of loans originated. The lending test covers the bank's performance from July 2007 through December 2011.

Description of Institution

PCNB is a full-service community bank headquartered in Bremen, Georgia. It is wholly-owned by PCNB Bancshares, Inc., a one bank holding company.

PCNB opened for operations on October 4, 2004, as a newly chartered financial institution. PCNB is located in Bremen, Haralson County, Georgia. This is a full service banking location with an on-site ATM. PCNB's only branch location, opened in 2007; closed in 2011. Management cited lost profits due to the current economic climate and increased regulatory burdens, for closing the branch. PCNB competes with several larger institutions including branches of large regional banks.

PCNB offers traditional loan and deposit products with commercial loans comprising the majority of lending activities. Other loan products include residential real estate, farmland, and construction loans. In addition, the bank offers loans through the Small Business Administration's government guaranteed loan program. Home Mortgage Disclosure Act ("HMDA") data was available for 2009, 2010, and 2011. As such, HMDA data was used for the residential real estate review. We sampled commercial loans for the same period to assess the bank's business lending activity.

As of December 31, 2011, the bank had total assets of \$55.9 million. Net loans totaled \$33.9 million, representing 60 percent of total assets. Total deposits were \$50.7 million with total equity capital of \$4.7 million. Primary loan types were determined based on outstanding balances as a percent of gross loans. As of December 31, 2011 the loan portfolio composition was as follows:

Loan Category	\$ (000s)	%
Commercial	11,108	32.74
Residential	10,886	32.08
Farmland	5,270	15.53
Construction	3,786	11.16
All Other Loans	2,881	08.49
Total	\$33,931	100%

* Data obtained from 12/31/2011 UBPR

These primary product types are consistent with PCNB’s business strategy and were evaluated to form conclusions on the bank’s CRA performance.

There are no known legal or financial impediments that would hinder PCNB from meeting the credit needs of its AA. The bank received a “Satisfactory” CRA rating at its prior performance evaluation dated July 23, 2007.

Description of Assessment Area

The bank has one delineated AA in Georgia, based on the location of its main office. This AA is comprised of two whole, contiguous counties (Carroll and Haralson) located within the Atlanta – Sandy Springs – Marietta MSA. The 20 census tracts for the AA are comprised of 6 middle-income census tracts, 13 moderate-income census tracts, and 1 low-income census tracts. The 6 middle-income tracts are located in Carroll County. The 1 low-income tract is located in the heart of Carrolton, Carroll County, Georgia.

Haralson and Carroll counties are located within the Atlanta-Sandy Springs-Marietta MSA MSA. The MSA is comprised entirely of 28 adjacent counties. The total population for the MSA is 5.4 million, which is over half of Georgia’s total population. The MSA is the most populous area in Georgia and is the ninth largest MSA in the United States. The MSA encompasses Atlanta, the capital of Georgia.

PCNB maintains the smallest deposit market share of 2.51 percent within the AA. There are ten other financial institutions within the AA. Nine of these are \$1 billion dollar institutions. PCNB, Charter Bank, and Bank of America have only one branch each within the AA. The other institutions have as many as nine branches serving the AA.

The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts that the bank is reasonably expected to serve.

Table 2 - Demographic Information for the PCNB's AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	20	05.00	65.00	30.00	00.00
Population by Geography	112,958	03.14	61.33	35.53	00.00
Owner-Occupied Housing by Geography	29,645	01.09	65.12	33.79	00.00
Businesses by Geography	12,945	01.88	60.83	37.29	00.00
Farms by Geography	293	00.68	73.38	25.94	00.00
Family Distribution by Income Level	30,439	32.07	22.94	22.93	22.06
Household Distribution by Income Level	41,431	03.28	62.33	34.39	00.00
Census Median Family Income (MFI)		\$43,730	Median Housing Value		\$84,997
HUD-Adjusted MFI: 2011		\$68,300	Families Below the Poverty Level		14.93%
HUD- Adjusted MFI: 2010		\$71,800	Unemployment Rate		02.93%
HUD – Adjusted MFI: 2009		\$71,700			

Source: 2000 U.S. Census, and 2011 HUD updated MFI.

Carroll County: Carroll County is situated just south of Haralson County and is the second most westward county within the Atlanta Metropolitan Area. Carrollton is the county seat of Carroll County.

Carroll County includes 16 census tracts consisting of 1 low-income, 9 moderate-income, and 6 middle-income. Carroll County is located closer to the Atlanta Metropolitan Area than Haralson County. The median housing price of \$89,453 and median household income of \$38,540 is higher than Haralson County. The unemployment rate for 2011 was 10.7 percent. This rate has more than doubled since 2008. Sixty-two percent of Carroll County residents are employed within the county. The majority of intra-county commuters travel toward Atlanta for employment opportunities.

Service related industry accounts for 52.7 percent of the industry mix. Private sector employers provide 78.9 percent of employment opportunities. Major employers in Carroll County include Bremen-Bowden Investments, Wal-Mart, Tanner Medical Center Inc., State University Of West Georgia, Southwire Company, Printpack Inc., Pilgrim's Pride Corp., Greenway Medical Technologies Inc., Fresh Express Inc., and Decostar Industries Inc.

Haralson County: Haralson County lies farthest west within the Atlanta Metropolitan Area. Buchanon is the county seat of Haralson County. The Bank's only office is located in the county.

Harralson County includes 4 census tracts consisting of 4 moderate-income census tracts. The median housing price of \$70,835 and median household income of \$31,687 are lower than Carroll County. The unemployment rate for 2011 was 10.4 percent. The rate has doubled since the prior examination in 2008; however, it is down from the 2009 rate when it exceeded 12 percent.

Service related industry accounts for 47.7 percent of the industry mix. Private sector employers provide 76.6 percent of employment opportunities. Major employers in Haralson County include Center LLC., Wal-Mart, Stoffel Seals Corp., Ingles Markets Inc., Honda Precision Parts Of Georgia Ll., HI-A Co Inc., Higgins General Hospital, Elwood Staffing Services Inc., Diamond Crystal Brands Inc., Cracker Barrel Old Country Store Inc.

Community Contact

During the CRA evaluation, we interviewed a community development organization serving Carroll, Haralson, and Heard counties. This organization revealed Carroll and Haralson counties continue to struggle through the economic conditions brought on in 2008. At the time of the economic slump, construction and construction supply industries were a primary source of wealth in the community. As the construction industry cut-back, so has the opportunities within the building supply industry. Currently, more than 50 percent of students in these counties are on free or reduced lunch programs. This is reflective of the high unemployment rate and lower income base. Due to higher than normal unemployment, workers without a GED or high-school degrees have difficulty gaining employment. Approximately 25 percent of the available work force has not earned a GED or high-school diploma. The community has a financial need for more financial literacy opportunities. The community contact advised that she was not aware of any underserved financial needs within the community.

Conclusions with Respect to Performance Criteria

Lending Test

Overall, lending performance is satisfactory given the bank's size, financial condition, and ability to meet the credit needs of its assessment area.

Loan-to-Deposit Ratio

PCNB has maintained a reasonable loan-to-deposit ("LTD") ratio during the review period. The bank's quarterly LTD ratio since September 2007 averaged 76 percent; and compares favorably to the 67 percent average ratio of nine similarly-situated banks. Quarterly peer bank averages ranged from a low of 33.8 percent to a high of 96.9 percent. The bank's LTD meets the standard for satisfactory performance.

Lending in Assessment Area

Lending in the AA for business and residential loans is satisfactory. Management originated a majority of the bank's primary loan products to borrowers within its AA. The following table details the bank's lending within the AA by number and dollar amount of loans originated during the sampling period.

Table 3 - Lending in PCNB's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	11	57.89	8	42.11	19	1,155	61.96	709	38.04	1,864
Home Improvement	4	80.00	1	20.00	5	144	44.86	177	55.14	321
Refinancing	49	60.49	32	39.51	81	6,467	58.77	4,536	41.23	11,003
Business Loans	31	79.49	8	20.51	39	10,543	76.87	3,172	23.13	13,715
Totals	95	65.97	49	34.03	144	18,309	68.06	8,594	31.94	26,903

Data Source: 2009, 2010, 2011 HMDA data.

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, given the bank's product offerings and local economic conditions.

Home Loans

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. Home purchase and home improvement loans for moderate-income families exceeded the demographic population and reflects reasonable penetration. Refinances for low- and moderate-income families is reasonable considering the AA economic conditions. A depressed economic market, 14.93 percent of households below poverty level, and 10.5 percent unemployment rate creates a difficult lending environment within the community. These characteristics have resulted in few loans to low-income borrowers. The Bank originated 12.50 percent of its home purchase loans to low-income borrowers. This is reasonable considering the current economic conditions; low- income borrowers may be unable and unwilling to purchase a home. Refinance transactions to low-income borrowers are also lower than the demographic characteristics of the AA. The limited presence of the bank in the AA and economic conditions of the community are contributing factors for the lower than expected loan production to low-income borrowers.

Table 4 - Borrower Distribution of Residential Real Estate Loans in PCNB's AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	32.07	12.50	22.94	25.00	22.93	0.00	22.06	37.50
Home Improvement	32.07	0.00	22.94	33.33	22.93	0.00	22.06	66.67
Refinancing	32.07	11.54	22.94	3.85	22.9	7.69	22.06	34.62

Data Source: 2000 US Census Data. 2009, 2010, 2011 HMDA data

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. PCNB originated 74 percent of their small business loans by number and 66 percent by dollar volume to businesses with revenues less than \$1 million. This is considered reasonable compared to demographic data that show 72 percent of businesses in the AA have revenues less than \$1 million. The following table shows the distribution of commercial loans among different sized businesses in the AA.

Table 4A - Borrower Distribution of Loans to Businesses in PCNB's AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	72.19	1.84	25.97	100%
% of Bank Loans in AA by #	74.19	25.81	0.00	100%
% of Bank Loans in AA by \$	66.49	33.51	0.00	100%

Data Source: 2000 US Census Data. Sample of Business Loans

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the bank's AA.

Home Loans

The geographic distribution of residential loans reflects reasonable dispersion throughout census tracts of different income levels. In particular, the percentage of home purchase and refinancing loans in low-income census tracts is reasonable. The percentage of home purchase, home improvement, and refinancing in moderate-income census tracts is reasonable. Following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Table 5 - Geographic Distribution of Residential Real Estate Loans in PCNB's AA								
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 Purchasing	1.09	12.50	65.12	50.00	33.79	37.50	0.00	0.00
Home Improvement	1.09	0.00	65.12	100	33.79	0.00	0.00	0.00
Refinancing	1.09	7.69	65.12	57.69	33.79	34.62	0.00	0.00

Data Source: 2000 US Census Data. 2009, 2010, 2011 HMDA data

Business Loans

The geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels. While the bank did not originate any business loans in the one low-income census tract in the AA, this is considered reasonable because only 1.88 percent of all businesses are located in this tract located in the heart of Carroll County. Therefore, opportunities for the bank to make business loans in this census tract were very

limited. However, the percentage of business loans in moderate- income census tracts is reasonable. Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Table 6 - Geographic Distribution of Loans to Businesses in PCNB’s AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	5.00	0.00	65.00	93.55	30.00	6.45	00.00	00.00

Data Source: 2000 US Census Data. Sample of Business Loans

Responses to Complaints

PCNB did not receive any CRA-related complaints during the evaluation period. No further follow up or response is necessary.

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.