



PUBLIC DISCLOSURE

August 24, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Peoples National Bank of Checotah
10051

300 West Gentry
Checotah, Oklahoma 74426

Office of the Comptroller of the Currency

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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, and should not 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.

Table of Contents

Overall CRA Rating.....	1
Description of Institution.....	2
Scope of the Evaluation.....	3
Discriminatory or Other Illegal Credit Practices Review.....	4
Lending Test	5
State Rating.....	5
State of Oklahoma.....	5
Appendix A: Scope of Examination.....	A-1
Appendix B: Summary of MMSA and State Ratings.....	B-1
Appendix C: Definitions and Common Abbreviations.....	C-1
Appendix D: Tables of Performance Data.....	D-1

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The lending test is rated: Outstanding.

The major factors that support this rating include:

The lending test rating is based on the one full-scope assessment area (AA) in the state of Oklahoma.

- The bank's loan-to-deposit (LTD) ratio is **reasonable**.
- A **substantial majority** of loans were originated or purchased inside the bank's AA.
- The bank exhibits **excellent** geographic distribution of loans.
- The bank exhibits **excellent** distribution of loans to individuals of different income levels.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's LTD ratio is reasonable.

People's National Bank of Checotah's (PNB) quarterly LTD ratio since the previous CRA Performance Evaluation (PE) averaged 38.30 percent. We compared the bank's LTD ratio to two similarly situated banks in their market area. The aggregate average LTD ratio for the competing banks was 48.53 percent, with a low average of 39.85 percent and a high average of 57.21 percent.

Lending in Assessment Area

A **substantial majority** of the bank's loans are inside its AA.

The bank originated or purchased 92.1 percent of its total loans inside the AA during the evaluation period. This analysis is performed at the bank, rather than the AA level.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	24	96%	1	4.0%	25	1,343	85.5%	227	14.4%	1,571
Consumer	23	88.4%	3	11.5%	26	621	86.4%	97	13.5%	719
Total	47	92.1%	4	7.8%	51	1,965	85.8%	325	14.1%	2,289

*Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data.
Due to rounding, totals may not equal 100.0*

Description of Institution

PNB is a \$137 million community bank located in Checotah, Oklahoma, and a subsidiary of Peoples National Bancshares, a one-bank holding company located in Checotah. PNB has one subsidiary, Peoples Community Development Corporation, which was organized in 1997. There have been no mergers or acquisitions since the previous CRA PE. PNB is not required to report under the Home Mortgage Disclosure Act (HMDA).

The bank has one rating area, the state of Oklahoma, with one AA. PNB's AA includes nine census tracts (CTs) in Eastern Oklahoma. The AA includes all six CTs in McIntosh County and three CTs in Muskogee County. PNB serves McIntosh County and Muskogee County through the main banking location at 300 W. Gentry, Checotah, Oklahoma, which is in a moderate-income CT.

A limited service drive-thru branch is located in a moderate-income CT at 303 North Broadway, Checotah, Oklahoma. A full-service branch with an automated teller machine (ATM) is located in the Walmart at 131 Paul Carr Drive, Checotah, Oklahoma. Bank owned ATMs are also located in the Lakeview Grocery at 418990 Texanna Rd, Eufaula, Oklahoma, a middle-income CT, and at 403 W. Gentry, Checotah, Oklahoma, a moderate-income CT. All ATMs are located inside the bank's AA. PNB's primary lending is focused on serving consumer and residential real estate loan customers within McIntosh and Muskogee counties and the surrounding areas. Most of the bank's consumer and home mortgage lending are transacted through the Checotah main branch.

The bank offers a variety of loan and deposit products to meet the needs of the local community. As of December 31, 2019, PNB's tier 1 capital totaled \$24.1 million resulting in a tier 1 leverage ratio of 17.35 percent, relative to the peer group of 12.17 percent. The bank reported total loans of \$44.7 million or 32 percent of average assets, and total deposits of \$109 million. The loan portfolio composition includes the following: 35.12 percent consumer loans, 31.7 percent 1-4 family residential, 10.38 percent farm real estate, 10.07 percent farm production, 9.03 percent commercial real estate, 2.66 percent commercial loans, and 1.04 percent other loans.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. A CRA PE was last prepared as of May 25, 2015, and the bank received an overall rating of "Outstanding."

The following table illustrates the composition of the bank's loan portfolio as of December 31, 2019, which represents 32 percent of total assets, based on the data presented in the Consolidated Reports of Condition and Income. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	Dollars (\$000's)	%
Commercial Real Estate Loans	4,040	9.03
Commercial Loans	1,191	2.66
Residential Real Estate Loans	14,185	31.70
Farm Production Loans	4,506	10.07
Farm Real Estate Loans	4,643	10.38
Consumer Loans	15,714	35.12
Other Loans	465	1.04
Total	44,744	100

Scope of the Evaluation

This PE is an assessment of PNB's ability to meet the credit needs of the community in which it operates. We completed a full-scope review of PNB's CRA activities in its AA under the small bank CRA examination procedures. This includes the lending test which evaluates the bank's record of meeting for the credit needs of the AA through its lending activities.

Conclusions regarding the lending test are based on samples of consumer loans and residential mortgage loans. The evaluation period for the lending test was January 1, 2017 through December 31, 2019. This PE is based on 2010 U.S. Census data and the updated 2015 American Community Survey (ACS) demographic information. We combined and analyzed 2017, 2018, and 2019 data due to the 2015 ACS U.S. Census that applies to the data beginning in 2017.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact of the coronavirus pandemic across the United States are not addressed in this evaluation. Bank qualifying activities will be considered in the subsequent evaluation.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under the State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is based primarily on performance in the AA.

PNB has only one AA in one state. Ratings are based solely on the results of this AA.

The state rating is based on performance in all bank AAs. Refer to the "Scope" section under the state Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next PE in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this PE.

State Rating

State of Oklahoma

CRA rating for the State of Oklahoma¹: Outstanding

The Lending Test is rated: Outstanding

The major factors that support this rating include:

- The geographic distribution of loans reflects **excellent** distribution throughout the AA.
- The distribution of loans to individuals of different income levels is **excellent**.

Description of Institution's Operations in Oklahoma

PNB operates two branches in their AA within the state of Oklahoma. The AA consists of nine CTs, including all six CTs in McIntosh County and three CTs in Muskogee County. Within the AA, there are no low-income CTs, three moderate-income CTs and six middle-income CTs. In the McIntosh County AA, there are no low-income CTs, three moderate-income, and three middle-income CTs. All three CTs in the Muskogee County AA are designated as middle-income. As indicated above, the bank's AA does not have any designated low- or upper-income CTs. Table A below reflects PNB's AA:

Table A – Demographic Information of the Assessment Area						
Assessment Area: Combined						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	33.3	66.7	0.0	0.0
Population by Geography	34,498	0.0	27.5	72.5	0.0	0.0
Housing Units by Geography	19,728	0.0	25.2	74.8	0.0	0.0
Owner-Occupied Units by Geography	10,647	0.0	23.6	76.4	0.0	0.0
Occupied Rental Units by Geography	3,075	0.0	39.4	60.6	0.0	0.0
Vacant Units by Geography	6,006	0.0	20.8	79.2	0.0	0.0
Businesses by Geography	1,470	0.0	49.6	50.4	0.0	0.0
Farms by Geography	100	0.0	21.0	79.0	0.0	0.0
Family Distribution by Income Level	9,592	24.5	17.6	23.4	34.4	0.0
Household Distribution by Income Level	13,722	27.4	17.7	17.8	37.1	0.0
Median Family Income Non-MSAs - OK		\$51,491	Median Housing Value			\$88,354
			Median Gross Rent			\$583
			Families Below Poverty Level			16.0%
<i>Source: 2015 ACS and 2019 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

Competition from other banks in the market area is considered strong. According to the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, PNB's deposit market share in their AA was 31 percent and ranked first among seven depository institutions in the AA.

We consulted one community contact within the AA to gain a better understanding of the general community credit needs, as well as, local economic conditions. The contact indicated that the local economic conditions were stable, and that general banking and credit needs for small businesses were being met. The contact further stated that the banks in the area are very involved with meeting the credit needs of the community and there are no real issues with the area banks' performance.

Scope of Evaluation in Oklahoma

PNB has only one AA which includes all six CTs in McIntosh County and three CTs in Muskogee County. PNB serves McIntosh County and Muskogee County primarily through the main banking location in Checotah, Oklahoma. This one PNB AA received a full-scope review. There are no limited-scope review areas.

LENDING TEST

The bank's performance under the Lending Test in Oklahoma is rated **Outstanding**.

Based on a full-scope review, the bank's lending performance in the state of Oklahoma is **excellent**.

Distribution of Loans by Income Level of the Geography

The bank exhibits **excellent** geographic distribution of loans in the AA.

There were no low-income CTs in the AA during the evaluation period.

Home Mortgage Loans

Refer to Table O in the state of Oklahoma section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

For 2017-2019, the percentage of bank loans in moderate-income geographies exceeded both the percentage of owner-occupied housing units and the aggregate distribution in those CTs.

Consumer Loans

Refer to Table U in the state of Oklahoma section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

For 2017-2019, the percentage of bank loans in moderate-income geographies exceeds the percentage of households in those CTs.

Distribution of Loans by Income Level of the Borrower

The bank exhibits excellent distribution of loans to individuals of different income levels given the product lines offered by the bank.

Home Mortgage Loans

Refer to **Table P** in the state of Oklahoma section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

For 2017-2019, the percentage of bank loans to low-income borrowers was somewhat lower than the percentage of low-income families but exceeds the aggregate percentage of lending to those borrowers.

For 2017-2019, the percentage of bank loans to moderate-income borrowers was near to the percentage of moderate-income families but exceeds the aggregate percentage of lending to those borrowers.

Consumer Loans

Refer to **Table V** in the state of Oklahoma section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

For 2017-2019, the percentage of bank loans to low-income borrowers was somewhat lower than the percentage of low-income households.

For 2017-2019, the percentage of bank loans to moderate-income borrowers was lower than the percentage of moderate-income households.

Responses to Complaints

PNB received no CRA-related complaints during the evaluation period.

Peoples National Bank Locations:

Main Bank	300 West Gentry, Checotah OK 74426	Census Tract #7797
Drive In Branch	303 North Broadway, Checotah OK 74426	Census Tract #7797
Wal-Mart Branch	131 Paul Carr Dr, Checotah Ok 74426	Census Tract #7797
Phone Teller	(918-473-2265)	24 Hours
Internet Banking	www.peoplesok.com	24 Hours
Mobile App	PNB Checotah	24 Hours

Hours:

Main Bank

9 A.M. to 3 P.M. Monday thru Thursday

9 A.M. to 6 P.M. Friday

Drive In Branch

8 A.M. to 6 P.M. Monday thru Friday

8 A.M. to 12 P.M. Saturday

Wal-Mart Branch

10 A.M. to 8 P.M. Monday thru Friday

10 A.M. to 3 P.M. Saturday

ATM Locations:

403 W Gentry, Checotah Ok 74426	24 Hours
131 Paul Carr Dr, Checotah Ok 74426 (Wal-Mart)	Store Hours
418990 Texanna Rd, Eufaula Ok 74432 (Lakeview Grocery)	Store Hours

Products & Services:

Loans

Consumer

Business

Agriculture

Real Estate

Government Guarantee

Rural Development

Long Term Mortgage Loan

Deposits

PNB Smart Checking

Nostalgia Checking

Peoples Choice (Plus 55 Checking)

Now Checking

HI-FI Checking

Your Business Checking

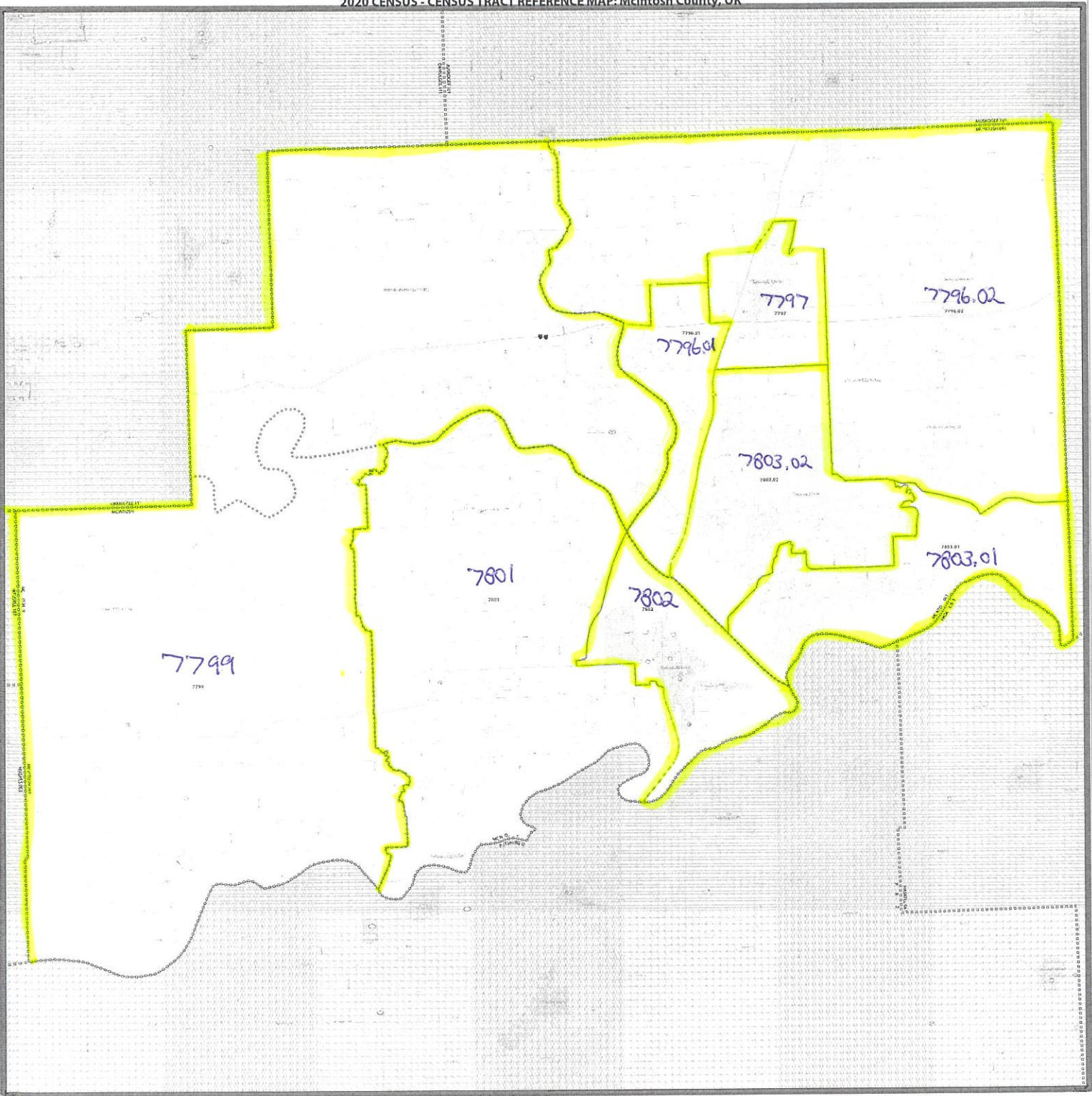
Business Checking

Statement & Piggy Bank Savings

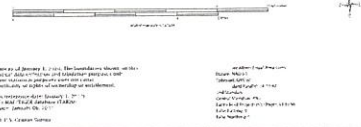
Certificate of Deposit

IRA

2020 CENSUS - CENSUS TRACT REFERENCE MAP: McIntosh County, OK



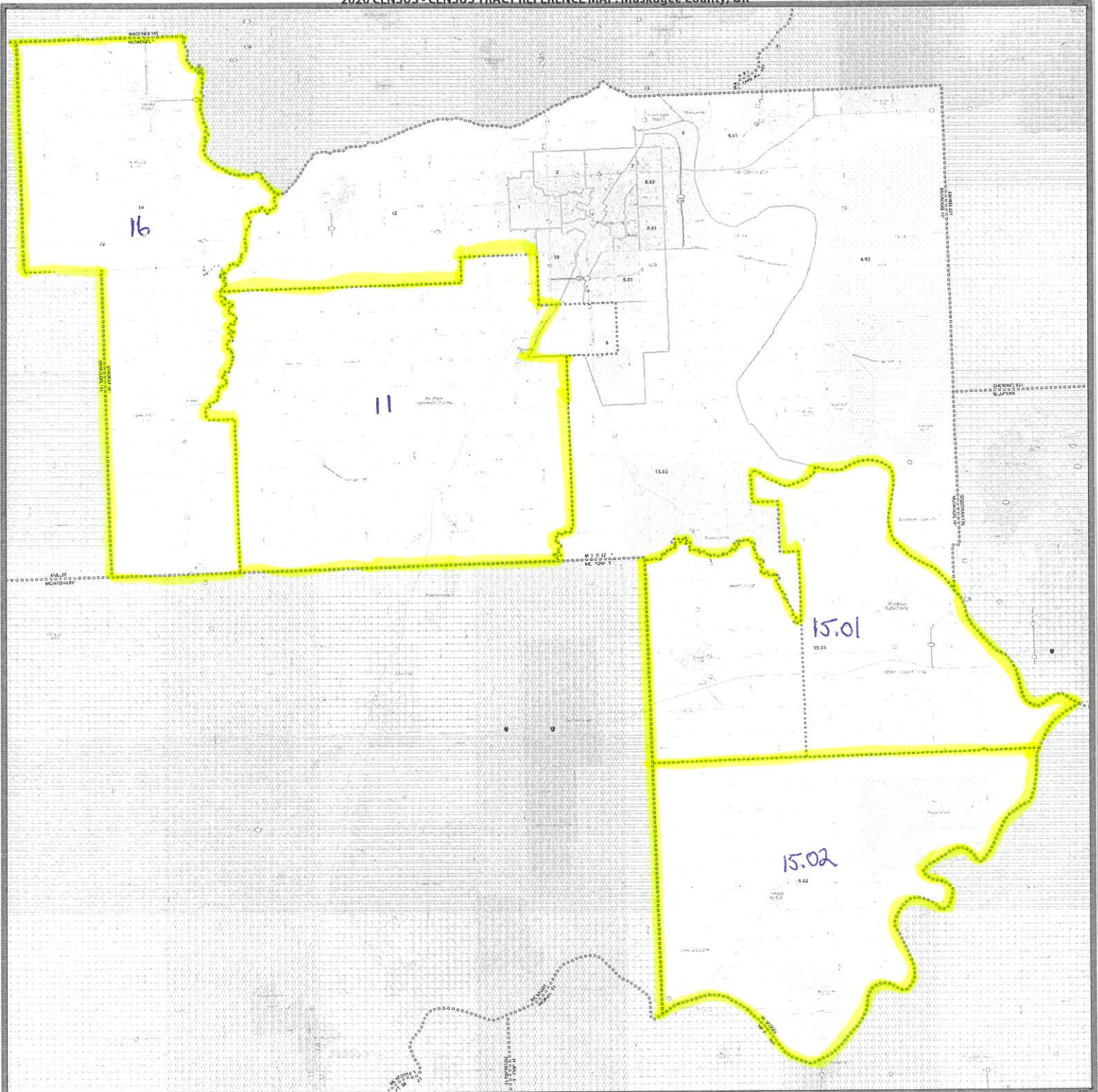
Voter Precincts		LEGEND	
Symbol	NAME	Symbol	NAME
▬▬▬▬▬	CANADA	▬▬▬▬▬	Water
▬▬▬▬▬	LAWRENCE	▬▬▬▬▬	Highway
▬▬▬▬▬	TRAVIS	▬▬▬▬▬	County Road
▬▬▬▬▬	NEW YORK 16	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1247	▬▬▬▬▬	County
▬▬▬▬▬	OKLAHOMA 1248	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1249	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1250	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1251	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1252	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1253	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1254	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1255	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1256	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1257	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1258	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1259	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1260	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1261	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1262	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1263	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1264	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1265	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1266	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1267	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1268	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1269	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1270	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1271	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1272	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1273	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1274	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1275	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1276	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1277	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1278	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1279	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1280	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1281	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1282	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1283	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1284	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1285	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1286	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1287	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1288	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1289	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1290	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1291	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1292	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1293	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1294	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1295	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1296	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1297	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1298	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1299	▬▬▬▬▬	City
▬▬▬▬▬	OKLAHOMA 1300	▬▬▬▬▬	City



Sheet 1 of 1 PARENT sheet:
 344 Sheets: 1 (Includes Parent 1: inset 0)
 NAME: McIntosh County (091)
 2020 Census, County of Oklahoma, Oklahoma State
 (04/20/2020)

7796.01 7797.00 7801.00 7803.01
 7796.02 7799.00 7802.00 7803.02

2020 CENSUS - CENSUS TRACT REFERENCE MAP: Muskogee County, OK



SYMBOL DESCRIPTION	SYMBOL	NAME	SYMBOL DESCRIPTION	SYMBOL	LEGEND
International Boundary	-----	CANADA	Suppressed Place	-----	Water
State Boundary	-----	LOUISIANA	Suppressed Place	-----	Water
County Boundary	-----	NEW YORK 36	Suppressed Place	-----	Water
City Boundary	-----	OKLAHOMA	Suppressed Place	-----	Water
Water	-----	NEW YORK 36	Suppressed Place	-----	Water
Water	-----	OKLAHOMA	Suppressed Place	-----	Water
Water	-----	NEW YORK 36	Suppressed Place	-----	Water
Water	-----	OKLAHOMA	Suppressed Place	-----	Water
Water	-----	NEW YORK 36	Suppressed Place	-----	Water
Water	-----	OKLAHOMA	Suppressed Place	-----	Water

All data boundaries and information as of January 1, 2020. The boundaries shown on this map are for informational purposes only and do not constitute a warranty of accuracy. The data is provided as a reference only and is not intended for use in any legal proceeding.

NAME: Muskogee County (10)
 STATE: Oklahoma (40)
 COUNTY: Muskogee (10)

Sheet 1 of 1 (PARENT sheet)
 Sheet 1 of 1 (DINER sheet)
 Sheet 1 of 1 (INSET sheet)

Census 2020

16 15.01
 11 15.02