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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**March 24, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Peterstown  
Charter Number 9721**

**220 Market Street  
Peterstown, West Virginia, 24963**

**Comptroller of the Currency  
Virginia Field Office  
3800 Electric Road, Suite 204  
Roanoke, VA 24018**

**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**

The major factors that support this rating include:

- The loan-to-deposit ratio is reasonable.
- The bank made a substantial majority of its loans within its assessment area (AA).
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels.

### **DESCRIPTION OF INSTITUTION**

The First National Bank of Peterstown (FNB) was formed in 1910. In November 2000, the bank formed its own holding company and is a wholly owned subsidiary of Peterstown Bancorp, Inc. FNB received a satisfactory rating at their last Community Reinvestment Act (CRA) evaluation conducted on September 23, 2002. FNB is located in Monroe County in southeastern West Virginia. This one bank holding company has assets of approximately \$44 million as of December 31, 2007. The bank's primary loan products are residential mortgages and consumer loans. There are no legal or financial circumstances that would impede FNB's ability to meet the credit needs of the assessment area.

FNB operates one branch office and one deposit taking automated teller machine, both located in Peterstown, West Virginia. No branches have opened or closed since the last examination.

We evaluated the bank's CRA performance in the 9502 and 9503 census tracts of Monroe County, West Virginia using small bank examination procedures. Both census tracts are middle-income tracts.

Management does not formally track loan originations by type. In order to determine the bank's primary loan products, we held discussions with management and reviewed the weekly Loan Discount Committee minutes. We selected our sample using the Bank's list of loans generated within the past 24 months preceding this evaluation. We determined that the bank's primary loan products were residential mortgages and consumer loans. Approximately sixty-six percent (66%) of the dollar volume of the bank's loan portfolio is comprised of residential mortgages. Consumer loans are a primary product in terms of number of loans, but not dollars outstanding.

As of December 31, 2007, FNB's assets totaled approximately \$44 million, of which net loans comprise approximately 68%. The following table reflects the composition of FNB's loan portfolio based on the December 31, 2007 Call Report Data.

Product Category	Gross Loans as of December 31, 2007	
	Dollars (000's)	Percent
Construction and Development and other loans including loans secured by Farmland	3,483	12
Closed end 1-4 Fam Res including Multi family and Non-Farm Non-Res	19,852	66
Loans to Depository Institutions	2,734	9
All Other loans including consumer, commerical and industrial and loans to farmers	4,006	13
<b>TOTAL</b>	<b>30,075</b>	<b>100</b>

## DESCRIPTION OF PETERSTOWN, WEST VIRGINIA ASSESSMENT AREA

FNB is located in Monroe County; a predominantly rural community located in southern West Virginia. Monroe County consists of four census tracts (9501, 9502, 9503 and 9999) and is not part of a Metropolitan Statistical Area (MSA). FNB has defined its assessment area as census tracts 9502 and 9503. The towns in the AA include Peterstown, Ballard, Bozoo, Red Sulphur Springs, Greenville, and Lindsie.

The 2007 population estimate based on the 2007 census reports for Monroe County was 13,537. This is a decrease from the 14,583 population level recorded during the 2000 census. Census tracts 9502 and 9503 make up approximately 85% (11,487) of the population level. FNB primarily provides residential real estate and consumer loans to meet the credit needs of the community. Since the last CRA examination conducted in 2002, management redefined the bank's assessment area to include census tract 9502. This was due to the Bank of Greenville acquisition by First Community Bank, N.A. in 2002. The exit from the market triggered an inflow of borrowers with lending needs to Peterstown. FNB was able to provide the small bank lending needs preferred by some customers. The leading employers in the county are the Monroe County School Board, B.F. Goodrich Union, and Stone Manufacturing Company.

Competition in the area is strong with three other similarly situated banks located in the AA. There is also competition from BB&T, National Bank, and First Community Bank, N.A., all located outside the AA.

## COMMUNITY CONTACT

We conducted two community contacts in the bank's AA; The Monroe County Coalition for Children and Families, Inc. and Peterstown United Methodist Church. Both contacts stated that the local banking industry is adequately serving the credit needs of the community and local businesses. One contact stated FNB does an excellent job in serving the community through monetary donations to community events, and by allowing certain civic organizations to use bank premises for fundraising activities.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's performance under the lending test is rated "Satisfactory".

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered the bank's volume of originations and community credit needs identified through discussions with community contacts. Consumer and residential mortgage loan types received equal weight in the evaluation process.

### Loan-to-Deposit Ratio

FNB's average quarterly loan-to-deposit ratio is reasonable given the bank's size financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio since the last CRA examination is 65.75%. This ratio is higher than two out of the three similarly situated banks in the FNB's assessment area, as illustrated in the table below. A review of bank data reveals that FNB is similarly situated to the Miners and Merchants Bank, Northern Hancock Bank and Trust Co., and Citizens Bank of Morgantown. These institutions are similar in asset size, offer similar credit products, operate in the same assessment area as FNB, and are considered small banks under CRA guidelines.

<b>Institution Name</b>	<b>Average Loan to Deposit Ratio Twenty-Two Quarters beginning September 31, 2002</b>
FNB of Peterstown	65.75
Miners and Merchants Bank	54.36
Northern Hancock Bank and Trust Co.	93.24
Citizens Bank of Morgantown	60.42

### Lending in Assessment Area

A majority of loans and other lending-related activities are in the bank's assessment area. To evaluate the bank's performance in this area, we reviewed a sample of 20 consumer loans and 22 real estate mortgage loans. All loans in the sample were originated between January 1, 2006 and March 24, 2008 and taken from the bank's list of loans originated.

<b>Table 1 - Lending in Peterstown, West Virginia Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Consumer</b>	16	80	4	20	20	48,948	57.06	36,838	42.94	85,786
<b>Residential Real Estate</b>	15	68.18	7	31.82	22	1,881,426	68.61	860,647	31.39	2,742,073
<b>Totals</b>	<b>31</b>	<b>73.81</b>	<b>11</b>	<b>26.19</b>	<b>42</b>	<b>1,930,374</b>	<b>68.26</b>	<b>897,485</b>	<b>31.74</b>	<b>2,827,859</b>

Data above is taken from the sample of loans used for this evaluation.

Table 1 above illustrates the number and percentage of loans within our sample that were in and out of the assessment area. For the evaluation period, 73.81% of the number and 68% of the dollar of consumer and real estate mortgage loans sampled were made inside the bank's assessment area. There were no conspicuous gaps in the bank's lending patterns.

### **Lending to Borrowers of Different Incomes**

Lending to borrowers of different income levels is reasonable. The loan sample for this section of the evaluation included 22 consumer loans and 43 residential loans. We included all loans located inside the AA from the *Lending in the Assessment Area* sample plus an additional 28 residential real estate loans and six consumer loans. All loans were originated between January 1, 2006 and March 24, 2008. The table below illustrates the distribution of lending to borrowers of different incomes based on our sample.

<b>Table 2 - Borrower Distribution of Residential Real Estate in the Peterstown, West Virginia Assessment Area</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
<b>Residential Mortgage</b>	18.38	2.32	20.18	13.95	19.68	23.26	41.76	60.47

Demographic information is based on the 2000 U.S. Census data.

The bank has poor penetration of residential real estate loans to individuals of low-income levels and reasonable penetration to moderate-income borrowers. The assessment area's high poverty rate of 16.83% limits the bank's opportunity for lending to low-income borrowers.

<b>Table 2B - Borrower Distribution of Consumer Loans in Peterstown, West Virginia</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Households</b>	<b>% of Number of Loans</b>	<b>% of AA Households</b>	<b>% of Number of Loans</b>	<b>% of AA Households</b>	<b>% of Number of Loans</b>	<b>% of AA Households</b>	<b>% of Number of Loans</b>
<b>Consumer Loans</b>	23.40	36.36	15.77	22.73	18.43	22.73	42.40	18.18

Demographic information is based on the 2000 U.S. Census data.

The bank has excellent penetration of consumer loans among individuals of different income (including low and moderate) levels.

### **Geographic Distribution of Loans**

There are no low- or moderate-income geographies in the bank’s assessment area. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

### **Responses to Complaints**

There were no complaints regarding the bank’s CRA performance during the evaluation period. This has a neutral impact on the bank’s overall CRA rating.

### **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.