

PUBLIC DISCLOSURE

October 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Altavista
Charter Number 9295
Broad and Seventh Streets
P.O. Box 29
Altavista, Virginia 24517**

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

NOTE: *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.*

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Altavista** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 26, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The First National Bank of Altavista has a satisfactory record of meeting the credit needs of its community, including low- and moderate-income individuals. This assessment is based on an appropriate level of loan originations, a good level of lending within the bank's assessment area, and an excellent level of lending to borrowers of different income levels and businesses of different sizes.

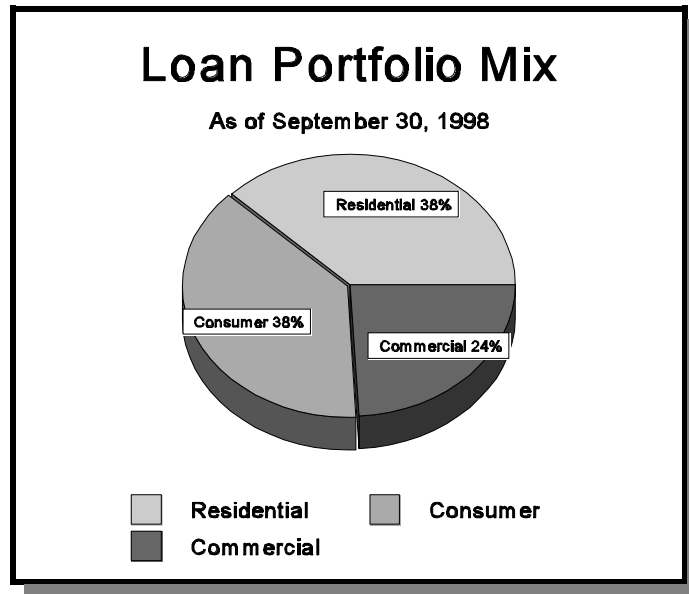
The following table indicates the performance level of **The First National Bank of Altavista** respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF ALTAVISTA</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans	Not performed considering the demographics of the assessment area.		
Response to Complaints	No complaints were received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Altavista (FNB) has total assets of \$135 million and is located in Altavista, Virginia and Campbell County. Altavista is 20 miles south of Lynchburg, 40 miles north of Danville, and 42 miles east of Roanoke. FNB is a wholly owned subsidiary of Pinnacle Bankshares Corporation. Pinnacle Bankshares is a \$135 million corporation located at FNB's main office in downtown Altavista. FNB has two offices within the city limits of Altavista. Both offices have automated teller machines and drive-up facilities. The bank's last CRA examination was conducted in October 1994 and the bank's rating was "Satisfactory."

FNB offers a variety of banking products and services to help meet the credit needs of its community. Credit needs include residential, consumer, agricultural, and commercial loans. The type and quantity of loans in the bank's portfolio reflect positively on the bank's efforts to meet the credit needs of its community. Management focuses on consumer lending but also makes commercial loans. There are no financial or legal impediments restricting the lending activities of the bank. The bank's loan portfolio represents 64% of total assets. The following graph illustrates the composition of the bank's loan portfolio:



DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes Campbell, Pittsylvania, and Bedford Counties. Pittsylvania and Bedford Counties are contiguous counties to Campbell. Portions of the

bank’s assessment area (AA) are part of the Lynchburg and Danville Metropolitan Statistical Areas (MSA). The cities of Lynchburg and Danville are not included in the assessment area because of strong competition from larger financial institutions based in the cities. Additionally, FNB’s focus is serving the population of the identified counties.

The AA consists of 59 census tracts (CTS). Thirty-one of the CTS are populated while the remaining 28 are unpopulated. Based on income levels, the 31 populated CTS consists of two moderate-income CTS (6%), 26 middle-income CTS (84%), and three upper-income CTS (10%). There are no low-income tracts in the AA. The population of the assessment area totals 148,883, and there are 43,926 families in the assessment area. The MSA median family income for the assessment area is \$40,900. The following table shows the number and percentage of families by income for the assessment area:

Families of the AA by Income Levels		
Income Level	# of Families	% of Total Families
Low	7,338	17
Moderate	8,024	18
Middle	10,711	24
Upper	17,853	41
Total	43,926	100

The economy of the area includes a diversified manufacturing segment and a full range of retail and service firms. Major employers of the area include The Lane Company, Inc., Klopman Fabric Divisions/Burlington, Abbott Laboratories/Ross Products, and BGF Industries, Inc. Unemployment for the AA is single digit.

Discussions with FNB management and community contacts identified credit needs as small dollar consumer loans, residential real estate, and small business loans. The bank has used bank products to address these needs.

FNB’s major competitors are One Valley Bank, NA and Wachovia Bank, NA. Both competitors have offices in Altavista and are branches of large banks (assets greater than \$250 million) that are subsidiaries of multibank holding companies. Other competitors include mortgage companies, mobile home lenders, and finance companies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

FNB's loan-to deposit ratio is reasonable given the credit needs of the assessment area. The loan-to-deposit ratio has averaged 73.32% since June 1995. The local peer average was 82%. The peer group includes local banks with total assets less than \$250 million that are located in the AA. The loan-to-deposit ratio of the peer banks range from 71% to 99%. FNB's ratio falls within the range.

Lending in the Assessment Area

A majority of all the bank's lending activities are within the bank's assessment area. Bank-supplied data of loans by census tract shows that 78% of the number and 85% of the dollar volume of the bank's loan portfolio were extended within the assessment area. The accuracy of this bank-generated data was confirmed during the exam.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

First National Bank has excellent lending penetration among borrowers of different income levels and to business of different sizes given the demographics of the AA. During 1998, the bank collected income information from all borrowers of residential real estate purpose loans. This information was verified during the exam. A sample was taken of consumer loans to review consumer lending by income level. A review of residential loans made in 1998 revealed that, 15% of the residential loans were granted to low-income borrowers, 17% to moderate-income borrowers, and 37% and 31% to middle- and upper-income borrowers, respectively. The consumer loan sample of 63 loans showed that consumer loans were made to 40% of the low-income borrowers, 40% of moderate-income, 11% of middle-income and 9% of upper income. The following table illustrates lending to various income levels:

1998 Residential and Consumer Lending by Income Level						
Income Level	All Residential Mortgages		% of Families in the Assessment Area	Consumer Sample		% of Families in the Assessment Area
	#	% of total		#	% of total	
Low	9	15	17	25	40	17
Moderate	10	17	18	25	40	18
Middle	22	37	24	7	11	24
Upper	18	31	41	6	9	41
Total	59	100	100	63	100	100

FNB is making loans to businesses of various sizes. A sample of commercial purpose loans revealed that 9 out of 14 commercial loan relationships or 64% were to small businesses. A small business is defined as a business with annual revenues less than one million dollars.

Geographic Distribution of Loans

Based on the demographics of the AA and the fact that there are no low income geographies and only two moderate income geographies, a geographic analysis of FNB's distribution of loans is not meaningful. Based on our review of lending inside the AA, the bank's distribution of loans reflects a reasonable dispersion throughout their AA. The bank's lending pattern does not exhibit any conspicuous, unexplainable gaps.

Response to Complaints

The bank has received no CRA related complaints.

Compliance with Anti-Discrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were noted during our fair lending review.