



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 08, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Altavista
Charter Number 9295**

**622 Broad Street
Altavista, VA 24517**

**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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

This rating is based on the following:

- The First National Bank of Altavista originated a substantial majority of its loans in its assessment areas.
- First National Bank has a good distribution of loans, and lending activity is representative of the geographic distribution of households and owner-occupied units in both assessment areas.
- There have been no CRA-related complaints during this evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank of Altavista (FNB) is located in Altavista, Virginia and operates two offices in Altavista, and three in Lynchburg, VA. Automated Teller Machines (ATMs) are located at each of the Altavista locations and two of the Lynchburg branches in addition to nine stand-alone non-deposit taking ATMs which are in various Quik-E Food stores within the assessment areas. FNB is the solely owned bank of Pinnacle Bankshares Corporation located in Altavista, Virginia. Pinnacle Bankshares had approximately \$205 million in assets as of March 31, 2003. During this evaluation period, FNB did not undergo any significant changes in its corporate structure. There are no legal or financial impediments to FNB's ability to meet the credit needs of its assessment areas. The Bank received a Satisfactory rating at the last CRA examination dated October 26, 1998.

FNB of Altavista offers a full range of traditional banking products including numerous types of deposit accounts, loan products for both consumers and businesses, and telephone banking. FNB's hours of operation, including the drive-through, vary by branch but generally include lobby hours until 5pm Monday through Thursday, and until 6 pm on Friday.

As of March 31, 2003, net loans comprised 66.34% of FNB's \$205 million in total assets. The bank's primary loan products are residential real estate loans and consumer loans. We identified these products using bank management's report of loans by purpose code and the Uniform Bank Performance Report for 3/31/03. The bank's loan portfolio is divided as follows:

Product Category	Average Gross Loans as of March 31, 2003	
	Dollar (in millions)	Percent
Consumer	\$64	46%
Auto - \$56M		
Home Equities - \$5.8M		
Other - \$3.2M		
Home Mortgages Including Home Improvement	\$40	29%
Commercial and Commercial Real Estate	\$33	24%
Small Farm	\$1	1%
Total	\$138	100%

DESCRIPTION OF ASSESSMENT AREAS

FNB has two assessment areas (AA) for CRA evaluation purposes. The first AA consists of 83 census tracts located in the Lynchburg, Virginia MSA. The second AA consists of nineteen census tracts in Pittsylvania County which is part of the Danville, Virginia MSA. Both assessment areas meet the requirements of the CRA regulation.

FNB's competitors for both AAs include the community banks of Central National Bank, the Bank of the James, Community First, and Bedford Federal Savings and Loan, all with branches located in FNB's AAs. To determine the credit needs of the AAs, we reviewed community contacts performed by other regulatory agencies and contacted representatives from Bedford County Administrative offices and Campbell County's Economic Development Department. One individual did identify venture capital for new small businesses as a specific credit need for the Lynchburg MSA. Overall, both contacts had positive views of the banks in the AAs. One contact did indicate that there had been some minor individual complaints about banks regarding fees charged but no significant complaints relative to discrimination.

Lynchburg MSA 4640 Assessment Area

FNB has defined the Counties of Bedford and Campbell and the Cities of Bedford and Lynchburg as one assessment area. These areas are part of the Lynchburg MSA 4640 which had a 1990 U.S. Census population of 165,380 and a 2001 unemployment rate of 4.6-4.8%. As of May 2003, the Lynchburg MSA's unemployment rate was 4.8% compared to the state rate of 3.9% and the national rate of 5.8%. Major employers in the area include manufacturing, insurance companies, colleges, and local government. The economic outlook for the Lynchburg AA is relatively stable. Over the past two to three years, the area has experienced greater job loss than jobs created primarily due to advancements in technology and losses in the textile industry.

FNB's Lynchburg MSA assessment area is 1,802 square miles and consists of 83 census tracts. Three of the tracts are low-income (4%), nine are moderate-income (11%), twenty-two are middle-income (27%), seven are upper-income (8%) and forty-two are N/A (50%). The Lynchburg MSA has a weighted average MSA Median Family Income of \$50,000. Within the Lynchburg AA, 19% of families are low-income, 19% are moderate-income, 23% are middle-income, and 39% are upper-income. The Lynchburg AA has a median housing value of \$64,903, and 65% owner-occupied housing.

The City of Lynchburg is 50 square miles and is located near the geographical center of the state. The eastern edge of the Blue Ridge Mountains borders the City. The population of the City is 65,200. Lynchburg is home to 3,000 businesses and the area is a thriving industrial economy that manufactures a wide variety of products including commercial equipment, integrated circuits, and pharmaceuticals. The area boasts a highly skilled labor force of over 110,000. The City has operated under a Council/Manager form of government since 1920. As of May 2003, the City's unemployment rate was 5.8%.

Bedford County and Bedford City are entirely separate entities, independent of each other, but the City of Bedford is encompassed by the County. Bedford is located between the metropolitan areas of Lynchburg and Roanoke and is part of the Lynchburg MSA. The County was formed in 1754 and is 764 square miles in the west-central portion of VA's central plateau. Boundaries include Blue Ridge Mountains on the West, James River on the Northeast, and Smith Mountain Lake on the South. A 7-member elected Board of Supervisors represents an election district of about 8,500 citizens. The Board has overall administrative and legislative responsibilities. The area has been designated a Certified Business location by the VA Dept of Economic Development and offers a good mix of industry, commerce, and agriculture. Bedford has an excellent labor environment with a labor force of 25,930 of which 29% is employed in manufacturing. The top industries/employers are manufacturing, service, retail trade, local government, and construction. The population as of 1999 totaled 57,500 and the unemployment rate as of May 2003 was 3.7%.

Campbell County is located in the foothills of the Blue Ridge Mountains in VA's western piedmont and is a one-half hour drive from Roanoke, Charlottesville, and Danville. The County has historically emerged from a tobacco producer to a center for industrial manufacturing, and has evolved from an agricultural economy to a strong manufacturing economy. Top employers include furniture repair, textiles, and nuclear product companies. As of May 2003, the county's unemployment rate was 5.4%.

Danville MSA 1950 Assessment Area

FNB has defined Pittsylvania County as one assessment area. This County which has nineteen census tracts, is part of the Danville MSA 1950. One tract is moderate-income (5%), thirteen are middle-income (69%), one is upper-income (5%), and four are N/A (21%). There are no low-income tracts in the Danville AA. Within the Danville AA, 18.69% of families are low-income, 17.31% are moderate-income, 23.98% are middle-income, and 40.02% are upper-income. The Danville AA has a population of 55,655, a median housing value of \$47,282, and 71% owner-

occupied housing. The weighted average of the MSA's updated median family income is \$43,300.

Pittsylvania County was founded in 1767 and is the largest county in Virginia. The County is 982 square miles and is located in the high plateau area of the Southern Piedmont Region. It borders North Carolina and is adjacent to the City of Danville. The County seat is Chatham. Four rivers, Roanoke, Dan, Pigg, & Bannister have total shoreline in the County of 196 miles. The area is one of the state's leading manufacturing and service centers and its industrial base now includes manufacturers and processors that produce a range of products from truck and airplane tires to tools, glass, and clothing. Thirty-three percent of the industries are manufacturing, 14% educational, health, & social services, 12% retail trade, 8% construction, and 33% smaller industries. The total population of the County in 2000 was 61,745. As of May 2003, the unemployment rate for Pittsylvania County was 7.2% compared to the state rate of 3.9% and the national rate of 5.8%.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is considered reasonable. Analysis of this performance factor has limited meaning as there are no similarly situated banks to FNB of Altavista. There are several other banking institutions operating in the AAs; however, none are similar to FNB due to asset size and branch networks. Discussions with the Bank's CRA Officer indicated that the most comparable banks were Central National Bank (NB) in Lynchburg and Bedford Federal Savings & Loan. Peer data was not available on the Savings & Loan; however, for comparative purposes, we did perform the loan-to-deposit analysis on Central NB. Central NB operates the same number of offices in and outside the market area and is a community bank but has fewer total assets and approximately one-half the market share of deposits compared to FNB. FNB's average quarterly loan-to-deposit ratio for the period 10/98 through 3/31/03 is good at 72.82% while Central NB reflects a lower loan-to-deposit ratio of 65.94% for that same time period.

Lending in Assessment Area

Since the previous CRA examination, FNB of Altavista originated a substantial majority of its loans, both number and dollar, within the assessment areas. We selected a sample of 22 consumer loans originated between October 1998 to March 2003 and 380 residential mortgages originated between 2000-2002 to evaluate the Bank's performance in this area. The residential mortgage data was obtained from the Bank's Home Mortgage Disclosure Act (HMDA) statements which were verified for accuracy. These loans covered the bank's primary loan products. The following table provides a synopsis of the sample results:

	Number of Loans	Percent of Number	Dollar of Loans	Percent of Dollar
Inside AA	380	95.00%	\$23,678,519	93.00%
Outside AA	22	5.00%	\$1,730,993	7.00%
Total Loans Sampled	402	100.00%	\$25,409,512	100.00%

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

Lending to borrowers of different incomes is reasonable. To evaluate FNB's performance in this area, we used the original 380 files located in the AAs. Four additional loans originated in the AAs were added to ensure the consumer loan sample size was large enough to provide a reasonable picture of the bank's performance.

Lynchburg MSA 4640 Assessment Area

FNB's loan distribution closely approximates the income characteristics in the Lynchburg assessment area as outlined in the following tables. Given the demographic characteristics of the Lynchburg assessment area, FNB's lending to borrowers of different incomes is considered reasonable.

Residential Real Estate Loans

Income Level	% of Families	Number of Loans	Percent Number	Dollar of Loans	Percent Dollar
Low	19.03%	32	12.70%	\$928,000	5.17%
Moderate	18.57%	57	22.62%	\$2,987,000	16.65%
Middle	23.21%	70	27.78%	\$4,992,000	27.83%
Upper	39.19%	93	36.90%	\$9,032,000	50.35%
Total	100.00%	252	100.00%	\$17,939,000	100.00%

Consumer Loans

Income Level	% of Households	Number of Loans	Percent Number	Dollar of Loans	Percent Dollar
Low	23.46%	7	35%	\$31,030	7.99%
Moderate	16.17%	4	20%	\$55,524	14.29%
Middle	20.12%	2	10%	\$47,151	12.13%
Upper	40.25%	7	35%	\$254,861	65.59%
Total	100.00%	20	100.00%	\$388,566	100.00%

Danville MSA 1950 Assessment Area

FNB's lending to borrowers of different incomes is reasonable relative to the demographic characteristics of the Danville assessment area. Therefore, we considered the bank's performance in this area reasonable.

Residential Real Estate Loans

Income Level	% of Families	Number of Loans	Percent Number	Dollar of Loans	Percent Dollar
Low	18.69%	15	17.44%	\$432,000	10.00%
Moderate	17.31%	26	30.23%	\$647,000	14.98%
Middle	23.98%	20	23.26%	\$771,000	17.85%
Upper	40.02%	25	29.07%	\$2,470,000	57.17%
Total	100.00%	86	100.00%	\$4,320,000	100.00%

Consumer Loans

Income Level	% of Households	Number of Loans	Percent Number	Dollar of Loans	Percent Dollar
Low	21.11%	4	20.00%	\$33,307	11.09%
Moderate	14.64%	9	45.00%	\$147,398	49.09%
Middle	19.06%	4	20.00%	\$38,025	12.67%
Upper	45.19%	3	15.00%	\$81,500	27.15%
Total	100.00%	20	100.00%	\$300,230	100.00%

Geographic Distribution of Loans

FNB has a reasonable distribution of loans and actively lends in all geographies in its Lynchburg MSA assessment area. We did not identify any conspicuous gaps; however, the sample selected did indicate that FNB has no penetration of consumer loans to households that are in low-income tracts. This is not a concern as less than 6% of households are in the low-income tract. With the limited sample size of 20 consumer loans, this is not unusual.

Residential Real Estate Loans

Income Level of Tract	% of Owner-Occupied Units	Number of Loans	% Number of loans	Dollar of loans originated	% Dollar of Loans
Low	1.16%	1	0.39%	\$31,000	0.17%
Moderate	7.05%	12	4.67%	\$549,000	3.02%
Middle	74.41%	200	77.82%	\$13,545,000	74.63%
Upper	17.38%	42	16.34%	\$4,026,000	22.18%
N/A	0.00%	2	0.78%	N/A	N/A
Total	100.00%	257	100.00%	\$18,151,000	100.00%

Consumer Loans

Income Level of Tract	% Households	Number of Loans	% Number of loans	Dollar of loans originated	% Dollar of Loans
Low	5.85%	0	0.00%	\$0	0%

Moderate	16.85%	1	5.00%	\$1,200	0.30%
Middle	68.72%	16	80.00%	\$356,864	89.34%
Upper	8.58%	3	15.00%	\$41,379	10.36%
Total	100.00%	20	100.00%	\$399,443	100.00%

Geographic Distribution of Loans - Danville 1950 MSA

FNB has a reasonable distribution of loans and actively lends in all geographies in its Danville assessment area. The Danville AA does not have any low-income tracts. We did not identify any conspicuous gaps; however, the sample selected did indicate that FNB has no penetration of consumer loans to households that are in moderate- income tracts. Again this is not of concern or unusual given that there is only one moderate-income tract and that only 8% of households are located in the moderate-income tract. With the limited sample size of 20 consumer loans, this is not unusual.

Residential Real Estate Loans

Income Level of Tract	% of Owner-Occupied Units	Number of Loans	% Number of loans	Dollar of loans originated	% Dollar of Loans
Moderate	6.26%	1	1.09%	\$40,000	0.88%
Middle	85.34%	91	98.91%	\$4,529,000	99.12%
Upper	8.40%	0	0.00%	\$0	0.00%
Total	100.00%	92	100.00%	\$4,569,000	100.00%

Consumer Loans

Income Level of Tract	% Households	Number of Loans	% Number of loans	Dollar of loans originated	% Dollar of Loans
Moderate	8.30%	0	0.00%	\$0	0.00%
Middle	86.81%	20	100.00%	\$299,960	100.00%
Upper	4.89%	0	0.00%	\$0	0.00%
Total	100.00%	20	100.00%	\$299,960	100.00%

Responses to Complaints

No CRA-related complaints have been filed since the prior CRA examination.

Fair Lending Review

An analysis of the most recent years public comments, consumer complaint information, and lending data was performed according to the OCC's risk based fair lending approach. Based on

its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.