



## **Intermediate Small Bank**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**February 21, 2006**

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

**Patrick Henry National Bank  
Charter Number 16613**

**2770 Riverside Drive  
Bassett, VA 24055**

**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.**

The Lending Test is rated: **SATISFACTORY**

The Community Development Test is rated: **SATISFACTORY**

The major facts that support this rating include:

- The bank's average loan-to-deposit (LTD) ratio is reasonable compared to similarly situated competitors.
- The bank made a substantial majority of its loans within its assessment areas (AAs).
- The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- A majority of loans to businesses were for amounts less than \$100,000.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The bank's community development performance demonstrates adequate responsiveness to community development needs in its AAs.

## **Scope of Examination**

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests. The evaluation under the Lending Test covers the bank's performance from January 1, 2004 through December 31, 2005, excluding community development loans. We sampled small loans to businesses originated during calendar years 2004 and 2005. We reviewed home purchase, home improvement, and refinance loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2004 and 2005. The evaluation period for community development loans, investments, and services is February 4, 2002 through February 21, 2006.

The analysis is based on the bank's performance in each state where they do business using comparative demographic data from the 2000 U.S. Census. These conclusions were factored into the final ratings and the bank's performance overall.

## **Description of Institution**

Patrick Henry National Bank (PHNB) is a full-service interstate community bank headquartered in Bassett, Virginia (VA) with operations in VA and North Carolina (NC). PHNB serves the city of Martinsville, and the counties of Henry and Patrick in VA (Martinsville AA), and the Greensboro-High Point NC MSA 24660 that includes the counties of Guilford, Randolph, and Rockingham (Greensboro AA). PHNB operates 19 offices; 11 in VA, 8 in NC. The bank offers basic deposit and loan products for consumers and businesses. Seven branch offices were opened during the evaluation period; one each in the communities of Bassett, Fieldale, Ararat, Ridgeway, Woolwine, and Martinsville in VA, and one in Ashboro, NC. All are in middle-income geographies.

PHNB's business strategy focuses on loans to businesses including loans secured by non-farm, non-residential property, construction and development, residential mortgage loans and consumer loans. As of December 31, 2005, loans to businesses represented approximately 60%, residential mortgages 17.4%, and loans to individuals 4% of total loans outstanding. For purposes of this evaluation, we considered loans to business and residential mortgage loans as primary products based on the volume of originations and balances outstanding. Loans to individuals are a primary product in terms of volume, but not dollars outstanding. We found that loans for amounts less than \$5,000 accounted for 64% of the total number and 9% of the total dollar volume of loans originated during the evaluation period. These loans are generally classified as consumer loans.

We used HMDA data to assess performance related to home mortgage loans. We selected a sample of business purpose loans by borrower name, using monthly reports prepared manually for the Board of Directors. Bank operating and management information systems are unable to produce a list of consumer loans originated during the evaluation period.

As of December 31, 2005, Tier 1 Capital was \$23.9 million, Tier 1 Risk-based C to Risk weighted Assets equaled 10.2%, and Tier 1 leverage capital equaled 6.2%.

There are no legal, financial or other factors impeding PHNB's ability to help meet the credit needs in its AAs. PHNB received a "Satisfactory" rating on its February 2002 CRA Performance evaluation.

## **Conclusions About Performance Tests**

PHNB's overall rating is a blend of the VA and NC State ratings. The VA rating was given the most weight because the largest majority of PHNB's outstanding loans and deposits and loans originated during the evaluation period are located there.

We took into consideration PHNB's business strategy and types of credit offered. PHNB does not advertise when entering new markets, nor do they market bank products and services for new or established branches. The bank offers basic credit products. They do not offer home-equity lines of credit, participate in government loan guarantee programs, or offer debit or credit cards. These factors, coupled with competition from large regional, national, and community banks, have a negative impact on PHNB's ability to grow deposits and loans. We also considered the bank's branch locations. PHNB typically establishes branches in facilities vacated by larger banks. These locations may not be ideal for generating new business, but do permit the bank to return service to un-served or under-served neighborhoods and rural areas.

PHNB has one AA in VA and one AA in NC. We conducted full-scope reviews for the Martinsville AA in VA and the Greensboro AA in NC.

## Lending Test

### Loan-to-Deposit Ratio

PHNB's average LTD ratio is reasonable compared to similarly situated financial institutions in VA. There were no similarly situated banks in NC. The bank's quarterly average LTD ratio since the last CRA examination is 60%. This ratio is below those of similarly situated banks in VA (88%) but considered reasonable within the context of competitive factors previously discussed.

### Lending in Assessment Areas

A substantial majority of loans and other lending related activities were inside the bank's AAs. For the evaluation period, 94% of loans were made inside the banks AAs. By loan type, 93% of home mortgage loans, and 100% of business loans were made inside the bank's AAs.

Loan Type	Number of Loans				Total	Dollars of Loans (000s)				
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Loans to businesses	66	100.00	0	0.00	66	4,183	100.00	0	0.00	4,183
HMDA Loans	363	93.08	27	6.92	390	9,293	79.04	2,465	20.96	11,758
Totals	429	94.08	27	5.92	456	13,476	84.54	2,465	15.46	15,941

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

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. The distribution of HMDA loans and small loans to businesses was excellent. A substantial majority of loans to businesses were for amounts less than \$100,000. Refer to the State Rating sections for VA and NC for related facts and data.

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. The distribution of HMDA loans was excellent. The distribution of loans to businesses is reasonable. There are no apparent gaps or areas of low penetration in the bank's lending patterns in VA. We identified gaps and areas of low penetration in NC. Refer to the State Rating sections for VA and NC for related facts and data.

### Responses to Complaints

There were no complaints regarding the bank's CRA performance during the evaluation period.

## **Community Development Test**

The bank's community development performance demonstrates adequate responsiveness to community development needs in its AAs through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs.

### **Number and amount of community development loans**

The bank funded ten community development loans totaling \$195,000 through a qualified community development organization to support the development of affordable housing. The bank committed an additional \$900,000 to the organization for 27 loans not yet funded.

### **Number and amount of qualified investments**

The bank made 11 qualified investments and contributions totaling \$26,300 during the evaluation period. The bank also retained two prior period investments totaling \$420,800. Community development investments equal 1.9% of the bank's Tier 1 Capital. Investments and contributions went to organizations that provide health, human services, and housing for low- and moderate-income individuals and geographies, and to organizations that offer technical support and credit programs for small business, small farms, and economic development in distressed geographies.

### **Extent to which the bank provides community development services**

The bank offers lifetime free checking and loans that require no minimum funding amount. Branches are established in locations vacated by larger banks. Two of the bank's officers provided technical services and support to two qualified community development organizations. During the evaluation period and across the bank's AAs, eight officers and employees provided technical services and support to 14 qualified community development organizations.

### **Bank's responsiveness through such activities to community development lending, investment, and services needs**

The bank participates in one lending program in NC that provides financing for affordable housing. During the evaluation period, the bank originated ten loans under this program.

## **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.

## Virginia State Rating

**The overall CRA rating for Virginia: SATISFACTORY**

**The lending test is rated: SATISFACTORY**

**The community development test is rated: SATISFACTORY**

The major factors that support this rating include:

- The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels and reasonable penetration among businesses of different sizes.
- A majority of loans to businesses were for amounts less than \$100,000.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- The bank's community development performance demonstrates adequate responsiveness to community development needs in its AA.

### Description of Bank's Operations in Virginia

PHNB operates 11 bank branches in VA. As of June 30, 2005, PHNB had deposits of \$308.7 million in VA, which represented less than a 1% deposit market share in the state, and ranked 55th out of 169 financial institutions operating in the state of VA. PHNB's primary competitors in its AAs are Branch Banking and Trust Company of Virginia, SunTrust, and Smith River Community Bank, N.A.

Approximately 87% of PHNB's total deposits, 84% of residential real estate loans originated, and 53% of small loans to businesses sampled during this evaluation period are located in the state of VA.

Refer to the market profile for the Martinsville, VA AA in the Appendix for demographics and other performance context information.

### Conclusions About Performance Criteria

PHNB's performance in VA is rated **Satisfactory**. Based on a full-scope review, PHNB's performance in the Martinsville, VA AA is reasonable.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered PHNB's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. We also took into consideration the limitations that high rates of unemployment place on the bank's opportunities to lend. Overall, residential real estate loans, and small loans to businesses were considered PHNB's primary products. The number and volume of HMDA loans was significantly greater than the number of small loans to businesses in our sample. As a result, HMDA loan types received more weight in the evaluation process than small loans to businesses.

In evaluating performance under the Community Development Test we considered the bank's capacity to lend and invest in its community, the availability of investment and community development lending opportunities, and the bank's responsiveness in providing services to the communities in which it does business.

## Lending Test

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

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels and businesses of different sizes. The distribution of HMDA loans is excellent. The bank made 41% of HMDA loans to low-income, and 25% to moderate-income borrowers compared to the proportion of low- (20%) and moderate-income families (20%) in the AA. The distribution of loans to businesses that are small (those with less than \$1 million in gross annual revenues) is reasonable.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home purchase	20.14	24.14	19.60	3.45	23.99	37.93	36.28	34.48
Home improvement	20.14	47.96	19.60	28.57	23.99	16.84	36.28	6.63
Home refinance	20.14	27.14	19.60	24.29	23.99	30.00	36.28	18.57
<b>Total HMDA</b>	<b>20.14</b>	<b>40.68</b>	<b>19.60</b>	<b>25.08</b>	<b>23.99</b>	<b>22.03</b>	<b>36.28</b>	<b>12.21</b>

Business Revenues (or Sales) <sup>1</sup>	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.91	4.86	26.22	100%
% of Bank Loans in AA by #	52.94	35.29	11.76	100%
% of Bank Loans in AA by \$	33.52	60.41	6.07	100%

A substantial majority of the loans to small businesses were for amounts less than \$100,000.

<sup>1</sup> Business demographics are based on 2004 statistics.



<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in the Martinsville VA AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	31	91.18	731	46.54
\$100,001 - \$250,000	2	5.88	319	20.29
\$250,001 - \$1,000,000	1	2.94	520	33.16

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The distribution of HMDA loans is excellent. The distribution of small loans to businesses is poor. The bank made no loans to businesses in moderate-income geographies. There are no apparent gaps or areas of low penetration in the bank's lending patterns in VA.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in the Martinsville VA AA</b>								
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 purchase	0	0	7.77	16.13	88.26	83.87	3.98	0.00
Home improvement	0	0	7.77	4.55	88.26	94.44	3.98	1.01
Home refinance	0	0	7.77	13.33	88.26	85.33	3.98	1.33
<b>Total HMDA</b>	<b>0</b>	<b>0</b>	<b>7.77</b>	<b>7.89</b>	<b>88.26</b>	<b>91.12</b>	<b>3.98</b>	<b>0.99</b>

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in the Martinsville VA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0	0.00	11.75	0.00	86.32	100.00	1.93	0.00

### Responses to Complaints

There were no complaints regarding the bank's CRA performance during the evaluation period.

### Community Development Test

The bank's community development performance demonstrates adequate responsiveness to community development needs in its AA through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities in the bank's AA.

### **Number and amount of community development loans**

The bank made no community development loans in the VA AA during the evaluation period. Opportunities for qualified community development loans are limited. The area is rural and predominantly middle-income. Loan amounts are typically well below \$1 million. Loans for less than \$1 million that would qualify under the definition of community development are treated as small business loans.

### **Number and amount of qualified investments**

The bank made eight qualified investments and contributions totaling approximately \$25,300 during the evaluation period that provide direct benefit to the AA, and two prior period investments of \$421,000 that provide benefit to a wider geographic area that included the AA. Investments and contributions went to organizations that provide health, human services, and housing for low- and moderate-income individuals and geographies, and to organizations that offer technical support and credit programs for small business, small farms, and economic development in distressed geographies.

### **Extent to which the bank provides community development services**

The bank offers lifetime free checking and loans that require no minimum funding amount. Branches are established in locations vacated by larger banks. During the evaluation period and across the bank's AA, six officers and employees provided technical services and support to 15 qualified community development organizations.

### **Bank's responsiveness through such activities to community development lending, investment, and services needs**

The bank is responsive to community credit needs within the context of the products and services offered and opportunities to lend for community development purposes. Bank officers are involved in the community.

## North Carolina State Rating

**The CRA rating for North Carolina: SATISFACTORY**

**The lending test is rated: SATISFACTORY**

**The community development test is rated: SATISFACTORY**

The major factors that support this rating include:

- The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- A majority of small loans to businesses were for amounts less than \$100,000.
- The bank's community development performance demonstrates adequate responsiveness to community development needs in its AA.

### Description of Bank's Operations in North Carolina

PHNB operates eight bank branches in NC. All are located in the Greensboro AA. As of June 30, 2005, PHNB had deposits of \$45.4 million in NC, which represented less than a 1% deposit market share in the state, and ranked 96th out of 133 financial institutions operating in the state of NC. The bank is ranked 19<sup>th</sup> among 29 financial institutions with a 0.5% market share of deposits in the AA.

Approximately 13% of PHNB's total deposits, 16% of residential real estate loans originated, and 47% of small loans to businesses sampled during this evaluation period are located in the state of NC.

Refer to the market profile for the Greensboro, NC AA in Appendix C for demographics and other performance context information.

### Conclusions About Performance Criteria

PHNB's performance in NC is rated **Satisfactory**. Based on a full-scope review, PHNB's performance in the Greensboro AA is reasonable.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered PHNB's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. Overall, residential real estate loans, and small loans to businesses were considered PHNB's primary products. The number and volume of HMDA loans was greater than the number of small loans to businesses in our sample. As a result, HMDA loan types received more weight in the evaluation process than small loans to businesses.

In evaluating performance under the Community Development Test we considered the bank's capacity to lend and invest in its community, the availability of investment and community development lending opportunities, and the bank's responsiveness in providing services to the communities in which it does business.

## Lending Test

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

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels and businesses of different sizes. The distribution of HMDA loans is excellent. The distribution of loans to businesses that are small (those with less than \$1 million in gross annual revenues) is excellent.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in the Greensboro NC AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home purchase	19.32	25.00	18.43	37.50	23.23	25.00	39.02	12.50
Home improvement	19.32	30.77	18.43	53.85	23.23	15.38	39.02	0.00
Home refinance	19.32	9.09	18.43	22.73	23.23	54.55	39.02	13.64
<b>Total HMDA</b>	<b>19.32</b>	<b>21.43</b>	<b>18.43</b>	<b>39.39</b>	<b>23.23</b>	<b>32.14</b>	<b>39.02</b>	<b>7.14</b>

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in the Greensboro NC AA</b>				
Business Revenues (or Sales) <sup>2</sup>	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.48	6.38	28.14	100%
% of Bank Loans in AA by #	77.14	8.57	14.29	100%
% of Bank Loans in AA by \$	44.47	51.71	3.82	100%

A majority of the loans to small businesses were for amounts less than \$100,000.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in the Greensboro NC AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	27	77.14	596	17.59
\$100,001 - \$250,000	6	17.14	1,201	35.42
\$250,001 - \$1,000,000	2	5.71	1,594	46.99

<sup>2</sup> Business demographics are based on 2004 statistics.

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The distribution of HMDA loans is excellent. Although no HMDA loans were made in low-income geographies, we took into consideration the small number of owner-occupied dwellings in the geographies. The distribution of small loans to businesses is excellent. There are no apparent gaps or areas of low penetration in the bank's lending patterns in Rockingham County. We identified very little loan production in Guilford County or Randolph County. The branch in Randolph County opened during the evaluation period in April 2004, however, the two Guilford County branches opened in 2000. Combined deposits for both Guilford County branches total approximately \$6 million, which equates to 13% of total bank deposits in NC.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in the Greensboro NC AA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 purchase-9	1.58	0.00	13.70	44.44	56.38	55.56	28.34	0.00
Home improvement-26	1.58	0.00	13.70	38.46	56.38	61.54	28.34	0.00
Home refinance-23	1.58	0.00	13.70	39.13	56.38	60.87	28.34	0.00
<b>Total HMDA</b>	<b>1.58</b>	<b>0.00</b>	<b>13.70</b>	<b>39.66</b>	<b>56.38</b>	<b>60.34</b>	<b>28.34</b>	<b>0.00</b>

**Table 3A - Geographic Distribution of Loans to Businesses/Farms in the Greensboro NC AA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	3.34	2.86	19.99	31.43	49.62	60.00	27.05	5.71

## Responses to Complaints

There were no complaints regarding the bank's CRA performance during the evaluation period.

## Community Development Test

The bank's community development performance demonstrates adequate responsiveness to community development needs in its AAs through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities in the bank's AA.

### **Number and amount of community development loans**

PHNB actively participates in the Community Investment Corporation of NC (CICNC) affordable housing loan program. The bank funded ten community development loans totaling \$195,000 and committed an additional \$900,000 to the organization for 27 loans not yet funded.

### **Number and amount of qualified investments**

The bank made three qualified contributions totaling approximately \$1,000 during the evaluation period that provided direct benefit to the AA. Investments and contributions went to organizations that provide health, human services, and housing for low- and moderate-income individuals and geographies. The number and volume of bank contributions reflects an interest in supporting community development organizations, but could be improved based on the bank's capacity and the number of organizations located within the bank's AA.

### **Extent to which the bank provides community development services**

The bank offers lifetime free checking and loans that require no minimum funding amount. Branches are established in locations vacated by larger banks. Two of the bank's officers provided technical services and support to two qualified community development organizations.

### **Bank's responsiveness through such activities to community development lending, investment, and services needs**

The bank is responsive to community credit needs within the context of the products and services offered and opportunities to lend for community development purposes. Bank officers are involved in the community. Contributions to community development organizations and organizations that provide community development services could improve.

## Appendix

### Scope of Examination Table

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (January 1, 2004 through December 31, 2005) Community Development Test: (February 4, 2002 through February 21, 2006)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Patrick Henry National Bank (PHNB) Bassett, VA	Loans to businesses, home purchase, home improvement and home refinance loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Virginia Martinsville VA Non-MSA	Full-scope	The city of Martinsville and the counties of Henry and Patrick in their entirety The counties of Guildford, Randolph and Rockingham in their entirety
State of North Carolina Greensboro-High-Point, NC MSA 24660	Full-scope	

# State of Virginia Market Profile

## Martinsville, VA

Demographic Information for Full Scope Area: Martinsville, VA Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	21	0.00	14.29	80.95	4.76	0.00
Population by Geography	92,753	0.00	10.13	86.46	3.41	0.00
Owner-Occupied Housing by Geography	28,828	0.00	7.77	88.26	3.98	0.00
Business by Geography	4,649	0.00	12.41	85.74	1.85	0.00
Farms by Geography	178	0.00	3.93	94.38	1.69	0.00
Family Distribution by Income Level	26,923	20.14	19.60	23.99	36.28	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	10,698	0.00	13.01	85.13	1.86	0.00
Median Family Income		38,987	Median Housing Value		\$70,272	
HUD Adjusted Median Family Income for 2005		44,900	Unemployment Rate		2.67%	
Households Below Poverty Level		14.00%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census and 2005 HUD updated MFI.

The Martinsville AA is comprised of Patrick and Henry counties and the City of Martinsville in Virginia. The area is located in southern Virginia along the North Carolina border approximately one-hour south of Roanoke, VA and an equal distance north of Greensboro, NC. Manufacturing and retail services provide the largest number of jobs in the area.

There are no low-income geographies in the AA. There are three moderate-income geographies in the AA. The percentage of households below the estimated poverty level for the year 2003 of 14.5% ranks well above the Virginia state average of 9.9%. The area's averaged unemployment rate as of November 2005 of 6.0% was well above Virginia's unemployment rate of 3.2%. Service businesses account for 37%, retail businesses 20%, and construction 9% of business concerns in the AA.

PHNB operates 11 branches in the Martinsville AA. As of June 30, 2005, PHNB reported total deposits in the AA of \$308.8 million, or 87.2% of the bank's total deposits, and 22.7% of the local deposit market share. PHNB ranked second of 11 financial institutions in the market. PHNB does not operate ATMs or offer debit or credit cards.

PHNB's primary business focuses are commercial lending, residential real estate, and small business. Credit products are basic. The bank does not offer home equity lines of credit.

We made one community contact with an organization that provides affordable housing to determine the community credit and development needs of the AA. Identified needs centered on the affordability of housing. Based on our contact and review, the level of available qualified investments in this AA is limited. There are few organizations that present investment



opportunities. Additionally, there have historically been few community development loan opportunities.

# State of North Carolina Market Profile

## Greensboro, NC MSA 24660

Demographic Information for Full Scope Area: Greensboro AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	142	4.93	23.24	49.30	22.54	0.00
Population by Geography	643,430	4.49	17.33	52.94	25.25	0.00
Owner-Occupied Housing by Geography	171,747	1.58	13.70	56.38	28.34	0.00
Business by Geography	41,920	3.38	21.61	48.98	26.03	0.00
Farms by Geography	1,358	1.62	9.13	67.67	21.58	0.00
Family Distribution by Income Level	174,353	19.32	18.43	23.23	39.02	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	65,813	7.46	25.12	55.44	11.98	0.00
Median Family Income		48,807	Median Housing Value		105,099	
HUD Adjusted Median Family Income for 2005		55,400	Unemployment Rate		2.70%	
Households Below Poverty Level		11.00%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census and 2005 HUD updated MFI.

The Greensboro AA is comprised of Guilford, Randolph, and Rockingham Counties in North Carolina and makes up the Greensboro, NC MSA 24660. The area is in the northern part of the state approximately one hour south of the bank's headquarters in Bassett, VA. Manufacturing and retail services provide the largest number of jobs in the area.

There are seven low-income and 33 moderate-income geographies in this AA. The estimated percentage of households below the poverty level for the calendar year 2003 of 13.6% closely resembles the North Carolina State rate of 13.4%. The area's unemployment rate as of November 2005 of 5.1% was similar to North Carolina's rate of 5.0%. Service businesses account for 37%, retail businesses 16%, and construction 9% of business concerns in the AA.

PHNB operates eight branches in the Greensboro AA. As of June 30, 2005, PHNB reported total deposits of \$45.4 million in the AA. This represents 0.5% of the local deposit market share. PHNB ranked 19th in the market out of 29 institutions.

PHNB's primary business focuses are commercial lending, residential real estate and consumer lending in the AA. PHNB also engages in small business lending in this AA.

We made one community contact with a local organization that provides support to small businesses to determine the community credit and development needs of the AA. Our review identified small business and start up business loans as credit needs. Based on our contact and review, the level of available qualified investments in this AA is limited. There are several large regional and national banks doing business in the area that have developed strong ties to the most active of the community development organizations. There is little opportunity for involvement

by other banks.