



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 23, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**220 Market Street
Peterstown, WV 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory. We assigned the rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans were originated within their assessment area.
- No public complaints related to the Community Reinvestment Act (CRA) have been filed since the last CRA examination.
- Analysis reflects satisfactory penetration among individuals of different income levels.

DESCRIPTION OF INSTITUTION

The First National Bank of Peterstown (FNB) received a Satisfactory rating at its last CRA performance evaluation dated March 10, 1998. The bank is a wholly owned subsidiary of Peterstown Bancorp, a one-bank holding company with assets of \$33.6 million located in Peterstown, WV. There are no legal or financial impediments to FNB's ability to meet the credit needs of its assessment area.

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

As of June 30, 2002, FNB's assets totaled \$33.6 million, of which net loans comprise 50%. The following table reflects the composition of FNB's loan portfolio based on the June 30, 2002 call report:

Product Category	Gross Loans as of June 30, 2002	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	\$3,533	21
Residential Mortgage Loans	10,092	59
Individuals	2,656	16
Construction & Land Development	0	0
Farmland and Agriculture	735	4
Total	\$17,016	100%

Management does not formally track loan originations by type; therefore we chose primary loan types based on discussions with management about loan originations and review of Loan Discount Committee minutes. The bank's primary loan types are residential mortgage loans and consumer loans. Approximately sixty percent of the bank's loan portfolio is comprised of residential mortgages. Management indicated, and the Loan Discount Committee minutes confirmed, a large portion of loans made are consumer loans.

DESCRIPTION OF ASSESSEMENT AREA

FNB is located in Monroe County in southeastern West Virginia. Monroe County, which consists of three middle-income block numbering areas (BNA), is not part of a Metropolitan Statistical Area (MSA). FNB has defined its assessment area as BNA 9503 in the southern part of the county. Towns in the assessment area include Peterstown, Ballard, Bozoo and Red Sulphur Springs. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The total population of the assessment area is approximately 5,000. The area is characterized by low-cost, affordable housing and low unemployment. Unemployment as of June 2002 was 3.9% compared to the state unemployment figure of 6.2%. The area's top three industries by distribution of employees are government, manufacturing, and farming. Major employers in the area include the Monroe County Board of Education, Celanese, and Appalachian Power.

Although the unemployment rate is lower than the state rate, the economic situation in the assessment area is stagnant with no industrial growth, resulting in little population growth since the prior examination. An economic development agency built an industrial park in Peterstown, but no industry has shown interest in moving to the park.

Competition is strong and includes two similarly situated banks in Monroe County (Bank of Greenville and Bank of Monroe), Celco Federal Credit Union, and branches of The National Bank of Blacksburg and First Virginia located across the state line in Rich Creek, Virginia.

The following table includes general demographic data describing the assessment area.

Demographic Characteristics of the Assessment Area		
<u>Percent of Families by Income Level:</u>	Low-Income	19.84%
	Moderate-Income	13.75%
	Middle-Income	22.57%
	Upper-Income	43.84%
<u>Median Housing Characteristics</u>	Median Home Value	\$48,600
	Percent Owner Occupied Units	74.72%
	Median Gross Rent	\$257
<u>Median Income Data:</u>	2000 Census Median Family Income	\$22,654
	Updated statewide non-MSA Median Family Income	\$31,000

COMMUNITY CONTACT

We conducted one community contact during this examination with a representative of an economic development corporation located in Monroe County. The contact stated the local banking industry is adequately serving the credit needs of the community and local businesses and did not identify any unmet credit needs in the bank's assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable considering the size and structure of the bank. A review of bank data reveals that FNB is similarly situated to the Bank of Greenville and the Bank of Monroe. All institutions are similar in asset size, offer similar credit products, operate within similar assessment areas and are considered small banks under CRA guidelines. The following table reflects the loan-to-deposit ratio of FNB and the similarly situated banks:

Institution Name	Average Quarterly Loan to Deposit Ratio Eighteen quarters beginning January 1, 1998
FNB Peterstown	54.29%
Bank of Greenville	66.28%
Bank of Monroe	48.92%

Lending in Assessment Area

During the timeframe reviewed, the bank originated a majority of its loans within the assessment area. To evaluate lending in the assessment area, we reviewed the bank's two primary loan products. Our analysis included a sample of 25 residential mortgage loans and 25 consumer loans originated since the last CRA evaluation. The following table summarizes the results of our review of loans originated between January 1, 1998 and June 30, 2002:

Lending Inside/Outside the Assessment Area

Assessment Area	Home Mortgage				Consumer			
	# of Loans	% of Loans	\$ Amount of Loans	% of Loans	# of Loans	% of Loans	\$ Amount of Loans	% of Loans
BNA 9503								
Inside	17	68	1,117,138	72	17	68	108,840	69
Outside	8	32	427,000	28	8	32	48,734	31
Total	25	100	1,544,138	100	25	100	157,574	100

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

The distribution of loans, given the demographics of the assessment area, reflects reasonable penetration among borrowers of different income levels (including low- and moderate-income). This analysis was completed using the sample of loans discussed previously, excluding loans for which income was not available. The following tables reflect the results for each primary loan type:

Borrower Distribution of Home Mortgage Loans

Assessment Area BNA 9503	% of Families	# of Loans	% of Loans	\$ Amount of Loans	% of Loans
Low	19.84	1	4	30,000	2
Moderate	13.75	4	16	178,000	12
Middle	22.57	3	12	95,000	6
Upper	43.84	17	68	1,241,138	80
Total	100	25	100	1,544,138	100

The table above illustrates the distribution of home mortgage loans within the income levels compared to the percentage of families in each income level. In our sample, loans to low-income borrowers did not correlate to the percentage of low-income families in the assessment area. This is mitigated by the high percentage of owner-occupied units and availability of alternative housing such as rental units and mobile homes. Demographic information indicates 15% of the housing units in the assessment area are rental and 21% are mobile homes or trailers. The number of home mortgage loans to moderate-income borrowers closely mirrors the percentage of moderate-income families in the assessment area.

Borrower Distribution of Consumer Loans

Assessment Area BNA 9503	% of Households	# of Loans	% of Loans	\$ Amount of Loans	% of Loans
Low	23.04	8	32	62,575	40
Moderate	11.93	4	16	8,732	5
Middle	18.71	6	24	36,306	23
Upper	46.32	7	28	49,961	32
Total	100	25	100	157,574	100

The table above illustrates the distribution of consumer loans within the income levels compared to the percentage of households in each income level. The distribution of consumer loans to both low- to moderate-income borrowers is excellent.

We did not review lending to businesses of different sizes because this was not considered a primary loan product.

Geographic Distribution of Loans

A geographic distribution analysis would not be meaningful at this bank because there are no low- or moderate-income geographies in the bank's assessment area. The assessment area consists only of one middle-income geography.

Responses to Complaints

FNB has not received any CRA-related complaints since the March 10, 1998 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 a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest fair lending exam was performed in March 1998.