



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 30, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Altavista
Charter Number 9295

622 Broad Street
Altavista, VA 24517-0000

Office of the Comptroller of the Currency

Virginia Field Office
3800 Electric Road, Suite 204
Roanoke, VA 24018-0503

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 given the bank's size, financial condition, and assessment area credit needs.
- The bank made a majority of its loans within its assessment area.
- The geographic distribution of residential loans reflects reasonable penetration among families located in low-and-moderate-income census tracts.
- The distribution of loans to businesses of different sizes is not reasonable among businesses of different sizes.
- The geographic distribution of owner-occupied residential loans to borrowers of different income levels is reasonable.
- The geographic distribution of business loans does not reflect reasonable penetration among businesses located in low-and-moderate-income census tracts.

SCOPE OF EXAMINATION

This Performance Evaluation assesses the bank's performance under the Lending Test. The evaluation covers the bank's performance from January 1, 2005 through September 30, 2007, using comparative demographic data from the 2000 U. S. Census. The First National Bank of Altavista (FNB) became a Home Mortgage Disclosure Act (HMDA) reporter in 2005. Our analysis includes a sample of 29 loans to businesses and all residential loans originated between January 1, 2005 and September 30, 2007. Altavista's Operating Plan targets residential and small business lending as its primary products. As of September 30, 2007, the Uniform Bank Performance Report showed residential loans and loans to businesses represented 24.49% and 50.53% of the loan portfolio respectively.

We conducted a data integrity examination of the bank's HMDA loans and found the data accurate and reliable for use in this examination.

DESCRIPTION OF INSTITUTION

FNB is an intra-state community bank headquartered in Altavista, Virginia. FNB is wholly owned by Pinnacle Bankshares Corporation, a one-bank holding company also headquartered in Altavista. Pinnacle stock is traded over the counter under the symbol "PPBN". FNB has no affiliate relationships.

FNB is a full service community bank. FNB has seven full service branches located in central Virginia and a loan production office at Smith Mountain Lake, VA. During the review period, FNB closed the Brookville Plaza branch on May 16, 2006 and opened three new branches – Forest Branch, Timberlake Branch and Amherst Branch. Total

assets as of September 30, 2007 were \$277.6 million. As of September 30, 2007, Tier I Leverage Capital was 9.59%, or \$25.7 million. Tier I Risk-Based Capital was 10.21% for the same time-period. FNB's capital position provides the bank sufficient ability to meet various credit needs of its communities. There are no legal or financial circumstances that would impede the bank's ability to help meet the credit needs of its assessment area. FNB received a "Satisfactory" rating on its July 2003 CRA Public Evaluation.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB has one assessment area that consists of 53 census tracts. Of the total, three are low-income census tracts and eight are moderate-income census tracts. The AA includes the counties of Amherst, Campbell and Bedford and the cities of Bedford and Lynchburg, all of which are part of the Lynchburg, VA MSA 31340.

Lynchburg MSA: Lynchburg is a moderately growing community located in the eastern foothills of the Blue Ridge Mountains in Central Virginia. The city of Lynchburg has an urban population of over 96,000, including the suburbs of Madison Heights, Timberlake and Forest. The 2000 census by the U.S. Census Bureau lists the Metropolitan Statistical Area of Lynchburg (which includes Amherst, Bedford and Campbell counties and the cities of Bedford and Lynchburg) as having a population of 193,928. Altavista is a township located approximately 15 miles south of Lynchburg and benefits from Lynchburg's economic growth.

The area's economy is based on the many high-tech manufacturing companies located here including cellular communications, nuclear energy, and machinery. This manufacturing and research orientation represents a shift from the mill-based economy of the past, which included foundries, shoes and textiles. Education is well represented here with four area private colleges and a public community college. Health care includes two hospitals, one of which, Lynchburg General, has been recently renovated into a state-of-the-art facility for the next century. The median home price is \$96,180 and the median family income is \$44,171. Households below the poverty level are 12%, and the unemployment rate is 2.3%.

Banking competition is moderate. National, regional and local financial institutions are represented, including Bank of America, Wachovia, BB&T, and SunTrust. There is one independent state-chartered institution located in FNB's AA of similar size and deposit market share.

We made one community contact. We spoke with a representative of the Office of Economic Development office located in Lynchburg, VA. This individual indicated she would like to see more participation from local banks in economic development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance is rated “Satisfactory”.

In evaluating performance under the Lending Test, we considered FNB’s business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. Our sample focused on residential loans and loans to businesses. We derived our business loan sample statistically, using the bank’s loan trial. Residential mortgage loans were weighted more heavily than loans to businesses, because we considered all residential mortgage loans originated during the evaluation period versus sampling loans to businesses.

Loan-to-Deposit Ratio

The quarterly average loan-to-deposit ratio is 85.6% since the last CRA examination, which is reasonable compared to the quarterly averages over the same timeframe of one similarly situated bank (89.8%).

Lending in Assessment Area

Lending within the AA is reasonable. The bank originated a majority of its loans inside the assessment area. Of the residential loans originated during the evaluation period, 63% were located within the AA. Of the initial 28 business loans sampled, 68% were within the assessment areas.

Loan Type	Number of Loans					Dollar of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	351	62.83	210	37.17	561	33,682	63.21	19,602	36.79	53,284
Business	19	67.86	9	32.14	28	2,344	74.93	784	25.07	3,128
Totals	370	62.82	219	37.18	589	36,026	63.86	20,386	36.14	56,412

Source: HMDA data; sample of business loans.

Lending to Borrowers of Different Incomes

Lending to borrowers of different income levels is reasonable. Lending to low- and moderate-income borrowers exceeds the standard for home improvement loans. Lending to low- and moderate-income borrowers meets the standard for residential refinance loans. Lending to low-income borrowers does not meet the standard for home purchase loans. Lending to moderate-income borrowers exceeds the standard for home purchase loans.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Altavista AA								
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 Improvement	19.29	21.62	18.21	20.27	23.10	22.97	39.40	35.14
Refinance	19.29	15.94	18.21	18.12	23.10	19.57	39.40	46.38
Home Purchase	19.29	10.10	18.21	23.23	23.10	16.16	39.40	50.51

Source: 2000 U.S. Census data and HMDA data..

Lending to Businesses of Different Sizes

FNB’s overall lending to businesses of different sizes is not reasonable. Loans to businesses with gross revenues under \$1,000,000 is significantly below the standard.

Table 2A - Borrower Distribution of Loans to Businesses in Altavista AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67.89%	4.95%	27.16%	100%
% of Bank Loans in AA by #	25.00%	55.00%	20.00%	100%
% of Bank Loans in AA by \$	27.82%	67.18%	4.99%	100%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable penetration among borrowers of different geographies. The distribution of loans to businesses located in low- or moderate-income geographies is not reasonable.

Lending to Borrowers in Different Geographies

Residential lending in geographies of different income levels is reasonable. FNB exceeds the standard for home improvement lending in low-income geographies, but does not meet the standard for lending in moderate-income geographies. FNB does not meet the standard for refinance lending in low-income geographies, but meets the standard in lending in moderate-income geographies. The bank exceeds the standard for home purchase lending in low-income geographies, and meets the standard for home purchase lending in moderate-income geographies.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Altavista AA								
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 Improvement	1.06	1.28	10.10	2.56	66.55	74.36	22.28	21.79
Refinance	1.06	0.65	10.10	8.50	66.55	75.16	22.28	15.69
Home Purchase	1.06	1.76	10.10	9.17	66.55	74.17	22.28	15.00

Source: 2000 U.S. Census data and HMDA data..

FNB’s geographic distribution of loans to businesses within its AA is not reasonable. None of the loans sampled were originated to businesses located in low- or moderate-income geographies.

Table 3A – Geographic Distribution of Loans to Businesses/Farms in Altavista AA								
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 loans	4.84%	0	12.94%	0	60.87%	80.00%	21.34%	20.00%

Source: 2000 U.S. Census data and sample of business loans.

Responses to Complaints

There have been no complaints regarding the bank’s performance under CRA during this evaluation period. This has a neutral impact on the 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.