NEW PEOPLES BANKSHARES INC
Form FWP
July 20, 2012

Common Stock Offering
2012
Issuer
Free
Writing

Prospectus Dated July 20, 2012 Filed Pursuant to Rule 433 Registration Statement No. 333-180456

Forward-Looking Information

Certain statements in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise and are not statements of historical fact. Such statements are often characterized by the use of qualified words (and their derivatives) such as expect, believe, estimate, plan, project, anticipate or other statements concerning opinions or judgments of New Peoples Bankshares, Inc. the Company and its management about future events. Although the Company believes that its expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of and changes in: general economic conditions, the interest rate environment, legislative and regulatory requirements, competitive pressures, new products and delivery systems, inflation, changes in the stock and bond markets, technology, and consumer spending and savings habits. The Company does not update any forward-looking statements that may be made from time to time by or on behalf of the Company.

Other Information

The Company has filed a registration statement (including a prospectus) with the Securities and Exchange Commission (the SEC) for the offering to which this communication relates, and the registration statement became effective on July 6, 2012. Before you invest, you should read the prospectus in that registration statement and other documents the Company has filed with the SEC for more complete information about the Company and the offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. The final prospectus, dated July 6, 2012, was filed with the SEC on July 16, 2012. Alternatively, the Company will arrange to send you the prospectus if you request it by calling 1-276-873-6288.

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Why Are We Conducting a Common Stock Offering?
Why Are We Conducting a Common Stock Offering?

To enable us to fulfill our mission of meeting the expectations of our vested stakeholders, i.e. Shareholders, Regulators, Customers, Employees and Communities by:

Increasing our capital and improving our capital ratios to strengthen our balance sheet as we continue to resolve and manage our elevated level of nonperforming assets and potential future loan losses

Raising sufficient capital to enable compliance with our capital plan as approved by our regulators

We did not participate in TARP funds

We have not solicited out-of-market institutional investors

The Common Stock Offering is the most fair to our exiting shareholders and best source of capital available

Complying with the requirements of the Formal Written Agreement with regulators

Restoring our capital position as impacted by a cumulative net loss of $24.2 million from January 1, 2009 through March 31, 2012 due primarily to increases in our provisions for loan losses and write-downs of our other real estate owned properties

Positioning ourselves for proposed Basel III capital proposals in future years that may impact the bank

Allowing us to return to profitability more quickly

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Offering Overview
Offering Overview
Issuer:
New Peoples Bankshares, Inc. (OTCBB:NWPP)
Offering
Structure:
Common Stock Rights Offering to Existing Shareholders and Standby Public Offering, whereby shares that

are not purchased by the existing shareholders may be sold to the public
Offering Size:
Up to $25.0 Million ($10.0 Million Minimum)
Shares Offered:
6,666,667 shares @ minimum offering, or 16,676,845 shares outstanding minimum pro forma
16,666,667 shares @ maximum offering, or 26,676,845 shares outstanding maximum pro forma
Offering Price:
$1.50 per share, or 57.69% of tangible book value at March 31, 2012
Director
Commitment :
All of the Directors have collectively committed to a total of $1.0 million, or 666,667 shares, which is applied toward the $10.0 million minimum.
Directors Keene
and White Debt
Conversion
Have agreed to the conversion of $5.45 million of holding company debt plus accrued interest to common stock at the same terms as included in the offering, resulting in 3,813,225 shares issued and 762,643 warrants issued
Securities Issued:
*
Rights to acquire 1.665 shares of our common stock for each share held
*
Nontransferable stock warrant for every 5 shares purchased with a 5 year maturity and an exercise price of $1.75 per warrant. Immediately exercisable.
Use of Proceeds:
Up to $8.0 million will be applied to increase the Bank s equity capital as necessary and appropriate, to serve as a buffer for any possible future unanticipated degradation in
the Bank s loan or asset portfolios, and for
general corporate purposes. The remaining funds will be used for general corporate purposes, as well as to provide additional capital support to the Bank should that become necessary and appropriate.
Expected Closing
Rights Offering
August 15, 2012 (may extend to September 15, 2012) -
Public Offering
October 15, 2012
3

COMPETITIVE STRENGTHS
4

Our Mission
Our Mission

Our overall mission continues to be to build a high performing community bank focused on providing high quality, state of the art, golden rule
banking services within our

communities, resulting in increased shareholder value
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New Peoples
differentiating factors that provide a foundation for a
high performing institution built on customer service and franchise
value creation through profitable growth:

Leading Deposit Market Share

Core Deposit Base

Historically Strong Net Interest Margin Management

Experienced Management Team

Committed Board of Directors
6
Competitive Strengths
Competitive Strengths

Leading Deposit Market Share

#2 in the Tri-State Area Deposit Market

8.85% of the Tri-State Area deposits

Outpaced deposit growth for our market area which had a 5 year compounded annual rate of 2.3%, our growth was 4.6%

Strong market penetration with 23 convenient branch locations

Competitive Strengths

Competitive Strengths

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Note: Information as of June 30, 2011, except branch locations.

New Peoples Bank
New Peoples Bank
Branch Locations
Branch Locations
Virginia
Locations
Honaker (HQ)

Abingdon
Big Stone Gap
Bland
Bluefield
Bristol-Linden Square
Castlewood
Chilhowie
Clintwood
Gate City
Grundy
Haysi
Jonesville
Lebanon
Norton
Pound
Pounding Mill
Tazewell
Weber City
Wise
West
Virginia
Locations
Bluewell
Princeton
Tennessee
Locations
Kingsport
8

Core Deposit Base

Focused
on
high
quality,

golden
rule
banking
services
within
our
communities

Provider of superior service through one of the largest branch networks in our market area

Strong core deposit base funding our loan growth

39.15% of our deposits are in checking, money market and savings accounts

77.21% of our deposits are core deposits (Total Deposits less time deposits greater than $100,000 and brokered deposits)

Only $2.7 million in brokered deposits which is very favorable to peers

Competitive Strengths

Competitive Strengths

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Note: Information as of March 31, 2012.

Company Statistics
Company Statistics
New Peoples Bank opened in October 28, 1998
New Peoples Bankshares formed in 2001
Total Shareholders
4,437 [1]
Total Customer Relationships

47,164 [2]
Total Households
38,023 [2]
Total # of Deposits
64,099 [2]
Total # of Loans
11,841 [2]
Total # of Branches
23 [3]
# of Counties Served in VA, TN and WV
12 [3]
Market Share of Deposits in Tri-State Area based on
June 30, 2011 FDIC Deposit Summary Data
2 position in Deposit
Market Share
8.85% of total deposits
10
1
Information as of Shareholder Record Date, June 26, 2012
2
Information as of May 14, 2012
3
Information as of May 31, 2012

Historically Strong Net Interest Margin Management

Successfully managing a strong net interest margin, a key contributor to delivering consistent profitability resulting in solid returns to shareholders

Historically maintained a net interest margin over 4%

We believe we can continue this trend as we continue to improve asset quality, cultivate and grow core deposits, and effectively position ourselves to maintain or improve our net interest margin in both rising and falling interest rate cycles

Competitive Strengths

Competitive Strengths

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Net Interest Margin Trend
Net Interest Margin Trend
December 31, 2007 through March 31, 2012
December 31, 2007 through March 31, 2012
Peer Data Source: Federal Reserve Board of Governors Bank Holding Company Performance Report
12
4.11%

4.13%
4.14%
4.35%
4.29%
3.88%
3.65%
3.61%
3.76%
3.81%
3.72%
0.00%
1.00%
2.00%
3.00%
4.00%
5.00%
2007
2008
2009
2010
2011
3/31/2012
Net Interest Margin
Peer Data BHC $500 Million to $1 Billion
4.15%

Experienced Management Team

Our executive team consists of 4 officers with over 130 years of combined experience

An average of 33 years experience in the financial services industry

Strongly committed to leading the organization to profitability, strength and shareholder value

Competitive Strengths

Competitive Strengths

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Name	Position	Years of Experience	Years with NPB
Jonathan H. Mullins	President and Chief Executive Officer	31	14
Frank Sexton, Jr.	Executive Vice President and Chief Operating Officer	40	14
C. Todd Asbury	Executive Vice President, Chief Financial Officer, Secretary and Treasurer	24	8
Stephen W. Trescot	Executive Vice President and Chief Credit Officer	39	1

Committed Board of Directors

11 community leaders native to our market area

Actively
involved

in
local
economic
development
and
promotion
of
our
market area

Fully engaged in the oversight of bank management

Committed to investing $1.0 million, or 10% of the minimum offering amount

2 Directors invested $5.45 million to payoff holding company debt and have agreed to the conversion of the debt plus accrued interest to common stock after the rights offering is complete

Dedicated to increasing shareholder value through enhanced stock value

Devoted to paying dividends as soon as possible
Competitive Strengths
Competitive Strengths
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Board of Directors
Board of Directors
15
Name
Position
Committees
Director

Since
Michael G. McGlothlin
Chairman of
the Board
Executive
(Chair), Compliance, Nominating, Offering
1998
John Cox
Vice Chairman
of the Board
Asset Liability Management, Audit, Compensation
(Chair), Compliance, Executive, Nominating,
Offering
1998
Tim
W. Ball
Director
n/a
1999
Joe M. Carter
Director
Asset Liability Management,
Director Loan
1998
Charles H.
Gent, Jr.
Director
Audit, Compensation
1998
Eugene Hearl
Director
Asset
Liability Management, Audit, Compensation,
Compliance, Director Loan, Executive
2010
Harold Lynn Keene,
Jr.
Director
Asset Liability Management, Audit (Chair), Compliance,
Director Loan (Chair), Executive, Nominating, Offering
1998
A. Frank
Kilgore
Director
Compensation
1998
Fred W. Meade
Director
Compensation, Director
Loan, Executive, Nominating

1998
Jonathan H. Mullins
Director
Asset Liability Management,
Compensation,
Compliance, Executive
2010
B. Scott White
Director
Asset Liability Management,
Audit, Compliance (Chair),
Executive, Nominating, Offering
1998

FINANCIAL SNAPSHOT
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Consolidated Financial Snapshot
Consolidated Financial Snapshot
March 31, 2012 and December 31, 2011
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Balance Sheet
March 31, 2012
December 31, 2011

Total Assets
$768.4 million
$780.4 million
Total Loans
$573.8 million
$597.8 million
Total Allowance for Loan Loss
$ 18.0 million
$ 18.4 million
Total Deposits
$699.1 million
$708.3 million
Total Equity Capital
$ 26.2 million
$ 28.9 million
Tangible Book Value
$2.60
$2.87
Basic Shares Outstanding
10,010,178
10,010,178
Diluted Shares Outstanding
10,010,178
10,010,178
Equity to Assets Ratio
3.41%
3.70%
Tier 1 Leverage Ratio
3.92%
4.23%
Total Risk Based Capital Ratio
9.08%
9.15%

Consolidated
Consolidated
Financial
Financial
Snapshot
Snapshot
(continued)

(continued)
March 31, 2012 and December 31, 2011
18
Earnings
Quarter Ended
March 31, 2012
Year Ended
December 31, 2011
Net
Interest Income
$ 7.1 million
$ 32.2
million
Net Interest
Margin %
4.15%
4.29%
Provision for Loan Losses
$ 2.0 million
$ 8.0 million
Noninterest Income
$ 1.5 million
$ 5.5 million
Noninterest Expenses
$ 9.0 million
$ 39.4
million
Net (Loss)
($ 2.5 million)
($ 8.9 million)
Net (Loss)
per Share
($0.25)
($0.89)
Asset Quality
March 31, 2012
December 31, 2011
Total Non Performing Assets (NPAs)
$ 61.4 million
$ 58.9 million
NPAs/ Total Assets Ratio
7.98%
7.60%
ALLL to Total Loans Ratio
3.14%
3.07%

STRATEGIC INITIATIVES
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Our Strategy
Our Strategy

Our immediate business strategy is directed towards building shareholder value by:

Returning to profitability

Improving asset quality

Enhancing our regulatory capital levels

Over the long-term, we want to position ourselves favorably to take advantage of future growth opportunities within our markets and to pay dividends to shareholders
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STRATEGIC INITIATIVES -
RETURNING TO PROFITABILITY
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Strategic Actions and Initiatives Taken to
Strategic Actions and Initiatives Taken to
Improve **Profitability,**
Improve **Profitability,**
Asset Quality, and Capital
Asset Quality, and Capital

Improving Profitability

Continuing to maintain a net interest margin in excess of 4.00% and have historically been able to do this

Lowered our cost of deposits over 122 basis points from 2.25% at December 31, 2009 to 1.03% at March 31, 2012

Reduced total employees from 367 at December 31, 2009 to 295 at March 31, 2012, a total reduction of 72, or 19.62%

Frozen salaries in the year 2012

Reduced the 100% matching employee 401K contribution from up to 5% to up to 3% in 2012

Closed/consolidated eight underperforming branch offices since 2010, and will continue to evaluate performance of the branch network

Reduced overhead through aforementioned branch closings and a reduction in full time equivalent employees resulting in estimated annual cost savings of $1.0 million

Stabilizing asset quality issues
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Net
Net
Income/
Income/
(Loss)
(Loss)
Trend

Trend
(In
(In
thousands)
thousands)
For Years Ending December 31, 2007 Through December 31, 2011 and
For Years Ending December 31, 2007 Through December 31, 2011 and
First Quarter March 31, 2012
First Quarter March 31, 2012
23
(1) Includes a one-time non cash Goodwill impairment loss totaling $4 million.
-$10,000
-$8,000
-$6,000
-$4,000
-$2,000
$0
$2,000
$4,000
$6,000
Net Income/ (Loss)

Provision
Provision
for
for
Loan
Loan
Loss

Loss
Expense
Expense
and
and
Net
Net
Charge
Charge
Offs
Offs
(In
(In
thousands)
thousands)
For Years Ending December 31, 2007 through December 31, 2011 and
For Years Ending December 31, 2007 through December 31, 2011 and
First Quarter Ended March 31, 2012
First Quarter Ended March 31, 2012
24
2007
2008
2009
2010
2011
3/31/2012
Provision
for
Loan
Loss
$3,840
$1,500
$12,841
$22,328
$7,959
$1,950
Net Charge Offs
$2,090
$1,216
$1,157
$15,902
$14,746
$2,299
$0
$2,000
$4,000
$6,000
$8,000
$10,000
$12,000

$14,000
$16,000
$18,000
$20,000
$22,000
$24,000
Provision
for
Loan
Loss
compared
to
Net
Charge-Offs

OREO
OREO
Expenses/
Expenses/
(Gains)
(Gains)
(In

(In
thousands)
thousands)
For Years Ending December 31, 2007 through December 31, 2011 and
For Years Ending December 31, 2007 through December 31, 2011 and
First Quarter Ended March 31, 2012
First Quarter Ended March 31, 2012
25
($1,000)
($500)
$0
$500
$1,000
$1,500
$2,000
$2,500
$3,000
$3,500
$4,000
$4,500
$5,000
$5,500
$6,000
OREO Expenses/ (Gains)

STRATEGIC INITIATIVES-
IMPROVING ASSET QUALITY
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Enhanced and Reorganized Management and Board of Directors

Hired a new, outside Chief Credit Officer with over 30 years experience in credit administration and loan portfolio risk

Re-positioned our former Chief Credit Officer to Senior Loan Officer with responsibility for the Bank s loan production and business development

Appointed a new outside director, Eugene Hearl, who has over 40 years of banking experience

Formed a standing Director Loan Committee to enhance the loan approval process and Board knowledge of loan credits

Strategic Actions and Initiatives Taken to
Strategic Actions and Initiatives Taken to
Improve Profitability, **Asset Quality**, and Capital
Improve Profitability, **Asset Quality**, and Capital
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Asset Quality Improvement Initiatives

Adopted new loan policies and procedures with stricter credit underwriting standards, streamlined the loan approval process, and implemented a continuing education program for employees

Formed, fully developed and staffed a special assets department with eight full-time employees concentrating on problem asset resolution

Created and trained a commercial lending division with nine lenders and support staff managed by the Bank s Senior Lending Officer specialized to serve our commercial business

Enhanced loan concentration identification and implemented new procedures for monitoring and managing loan concentrations

Reduced all loan concentration limits below Federal Reserve guidelines

Established a new allowance for loan loss model and policy and assigned oversight to an employee with significant Allowance for Loan Loss (ALLL) experience

Hired an expert outside loan review company to periodically review our loan portfolio resulting in more accurate risk grading of our loan portfolio

Strategic Actions and Initiatives Taken to
Strategic Actions and Initiatives Taken to
Improve Profitability, Asset Quality, and Capital
Improve Profitability, Asset Quality, and Capital
28

Nonperforming
Nonperforming
Assets
Assets
(In
(In
thousands)

thousands)
December 31, 2007 through March 31, 2012
December 31, 2007 through March 31, 2012
29
2007
2008
2009
2010
2011
3/31/2012
Total NPAs
$5,364
$8,943
$34,231
$59,820
$58,912
$61,355
OREO
$2,051
$2,496
$5,643
$12,346
$15,092
$15,009
Nonaccrual Loans
$2,946
$6,414
$24,713
$45,781
$42,316
$43,679
90 Days + Accruing Interest
$267
$33
$3,875
$1,693
$1,504
$2,667
$0
$10,000
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
Nonperforming Assets

Delinquency
Delinquency
Trends
Trends
30+
30+
days

days
(In
(In
thousands)
thousands)
December 31, 2010 through March 31, 2012
December 31, 2010 through March 31, 2012
30
$0
$10,000
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
12/31/2010
3/31/2011
6/30/2011
9/30/2011
12/31/2011
3/31/2012
90 Days+
$23,404
$21,185
$31,137
$30,784
$24,820
$33,000
60-89 Days
$10,110
$5,836
$6,197
$4,752
$6,609
$3,760
30-59 Days
$22,426
$14,754
$22,269
$13,849
$24,328
$12,755
Loan Portfolio Delinquencies

31
Loan
Loan
Risk
Risk
Grades
Grades

(In
(In
millions)
millions)
December 31, 2010 through March 31, 2012
December 31, 2010 through March 31, 2012
$50
$200
$300
$350
$400
$500
$550
$600
$650
$700
$750
Loan Classifications Trend
$0
$100
$150
$250
$450
12/31/2010
3/31/2011
6/30/2011
9/30/2011
12/31/2011
3/31/2012
Doubtful
$6
$7
$7
$6
$3
$3
Substandard
$86
$94
$99
$94
$95
$97
Special Mention
$30
$35
$44
$52
$47
$49

Pass
$586
$546
$514
$477
$452
$426

Allowance for Loan Loss as % of Loans Trend
Allowance for Loan Loss as % of Loans Trend
December 31, 2007 through March 31, 2012
December 31, 2007 through March 31, 2012
32

STRATEGIC INITIATIVES
ENHANCING OUR REGULATORY CAPITAL RATIOS
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Strategic Actions and Initiatives Taken to Improve
Strategic Actions and Initiatives Taken to Improve
Profitability, Asset Quality, and **Capital**
Profitability, Asset Quality, and **Capital**

Proactively Downsized Balance Sheet and Higher Risk Assets

Reduced total assets $96.6 million from $865.0 million at March 31, 2011 to $768.4 million at March 31, 2012

Reduced gross loans over $189.8 million from $763.6 million to $573.8 million from December 31, 2009 to March 31, 2012

Reduced total deposits $83.3 million from $782.4 million at March 31, 2011 to $699.0 million at March 31, 2012, mainly higher cost time deposits

Reduced risk profile of the loan portfolio in compliance with regulatory standards

Reduced higher risk weighted assets overall for the Bank by $164.5 million since December 31, 2009

Developed a three year strategic and capital plan that incorporates these strategic initiatives including the common stock offering

Paid off Silverton line of credit at the holding company with the proceeds from the unsecured Director Notes (being converted to common stock in this offering)

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35
Strategic
Strategic
Shrinking
Shrinking
Trend
Trend

(In
(In
Millions)
Millions)
December 31, 2007-
December 31, 2007-
March 31, 2012
March 31, 2012

Risk Weighted Assets Shrinking Trend (In Millions)
Risk Weighted Assets Shrinking Trend (In Millions)
December 31, 2007-
December 31, 2007-
March 31, 2012
March 31, 2012

36
2007
2008
2009
2010
2011
3/31/2012
Total Assets
$616.9
$639.8
$645.8
$597.3
$502.4
$481.3
$400
$450
$500
$550
$600
$650
$700
Total Bank Risk Weighted Assets

Consolidated Capital Trend
Consolidated Capital Trend
Actual
Actual
and
and
Pro

Pro
Forma
Forma
(In
(In
Millions)
Millions)
December 31, 2007-
December 31, 2007-
March 31, 2012
March 31, 2012
37
$-
$10.0
$20.0
$30.0
$40.0
$50.0
$60.0
2007
2008
2009
2010
2011
3/31/2012
Total Common Equity
Proforma Minimum
Proforma Maximum

Capital Ratio Trend
Capital Ratio Trend
Actual and Pro Forma
Actual and Pro Forma
Consolidated Tier 1 Leverage Ratio
Consolidated Tier 1 Leverage Ratio
December 31, 2007 through March 31, 2012

December 31, 2007 through March 31, 2012
38
7.22%
7.72%
6.14%
4.62%
4.23%
3.92%
0.00%
2.00%
4.00%
6.00%
8.00%
10.00%
12.00%
2007
2008
2009
2010
2011
3/31/2012
Leverage Ratio
Pro Forma Min
Pro Forma Max
Minimum Leverage to Remain Well Capitalized
6.44% Min
8.50% Max

Capital Ratio Trend
Capital Ratio Trend
Actual and Pro Forma Total
Actual and Pro Forma Total
Risk Based Capital Ratio
Risk Based Capital Ratio
Consolidated

Consolidated
December 31, 2007 through March 31, 2012
December 31, 2007 through March 31, 2012
39
10.29%
10.78%
9.83%
8.87%
9.15%
9.08%
0.00%
2.00%
4.00%
6.00%
8.00%
10.00%
12.00%
14.00%
16.00%
18.00%
2007
2008
2009
2010
2011
3/31/2012
Leverage Ratio
Pro Forma Min
Pro Forma Max
Minimum Leverage to Remain Well Capitalized
12.20% Min
15.32% Max

INVESTMENT SUMMARY
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Competitive Strengths

Attractive retail deposit franchise and proven ability to grow market share to further develop and enhance our position

Provider of quality banking services to our customers through innovative products, community involvement and excellent customer service in which we have proven success

Effective management of a strong net interest margin that historically has outpaced our peers and is the key driving force to strong core earnings

Committed Board of Directors and Management that have been instrumental to resolve issues through collaborative efforts involving talents, time, experience and finances
Investment Summary
Investment Summary
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Strategic Initiatives Taken

Returning to profitability

Instituted efficiencies that will produce immediate and long term cost savings

Tied employee compensation with the interest of investors

Identified and managing credit problems and expecting loan related losses to be less than in the past

Improving asset quality

Stabilized asset quality issues

Implemented numerous policies and procedures to ensure the quality of new loans going forward

Learned valuable lessons during this extended economic recession and have implemented necessary changes to weather future similar situations, should they arise, more favorably

Investment Summary

Investment Summary

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Enhancing our regulatory capital levels

Reduced balance sheet risk resulting in stronger asset quality and lower capital requirements due to lower concentrations in certain industries and loan sectors

This stock offering is the best solution available to successfully enhance our regulatory capital levels

The Offering

First rights to purchase are to our loyal shareholders who have supported us faithfully

Priced attractively below book value

Added value, warrants offer the potential for future investment possibly at a discount

The success of this stock offering helps us to move forward and fulfill our mission and purpose

We believe the offering price and accompanying warrants provide good upside potential to investors in the offering

Investment Summary -
Investment Summary -
continued
continued
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Appendix 1 -Financial Trends and Ratios
Appendix 1 -Financial Trends and Ratios
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At and for
the Three Months
ended
March 31,

At and for the Years ended December 31,	2012	2011	2011	2010	2009	2008	2007
(Dollars in thousands and shares in whole numbers)							
Balance Sheet							
Total Assets..	$ 768,447	$ 864,665	$ 780,384	$ 852,627	$ 857,910	$ 807,898	$ 765,951
Gross Loans..	573,752	683,025	597,816	707,794	763,570	721,174	682,260
Allowance for Loan Losses.....................	(18,031)	(19,660)	(18,380)	(25,014)	(18,588)	(6,904)	(6,620)
Other Real Estate Owned........................	15,009	13,553	15,092	12,346	5,643	2,496	2,051
Deposits..	699,085	782,411	708,315	766,080	760,714	705,688	

657,033
Total Borrowings....................................
39,629
40,829
39,929
45,829
46,779
47,991
58,930
Shareholders Equity...............................
26,170
38,086
28,873
37,523
46,619
50,323
45,249
Summary of Operations
Interest Income.......................................
$ 9,022
$ 10,984
$ 41,769
$ 48,028
$ 50,378
$ 52,317
$ 51,447
Interest Expense.....................................
1,897
2,814
9,606
13,898
18,563
23,095
25,738
Net Interest Income................................
7,125
8,170
32,163
34,130
31,815
29,222
25,709
Provision for Loan Losses.......................
1,950
1,145
7,959
22,328
12,841
1,500
3,840

Noninterest Income................................
1,467
1,311
5,524
5,934
5,449
5,550
4,651
Noninterest Expense................................
8,987
7,613
39,422
31,894
29,847
26,619
23,674
Net Income before Taxes........................
(2,345)
723
(9,694)
(14,158)
(5,424)
6,653
2,846
Income Tax Expense (Benefit)................
190
174
(784)
(5,093)
(1,738)
1,916
(24)
Net Income (Loss)..................................
$ (2,535)
$ 549
$ (8,910)
$ (9,065)
$ (3,686)
$ 4,737
$ 2,870
Per Share Data
Book Value...
$ 2.61
$ 3.83
$ 2.88
$ 3.75
$ 4.66
$ 5.03
$ 4.54
Tangible Book Value..............................

2.60
3.40
2.87
3.31
4.21
4.56
4.06
Net Income (Loss), Basic........................
(0.25)
0.05
(0.89)
(0.91)
(0.37)
0.47
0.29
Net Income (Loss), Diluted.....................
(0.25)
0.05
(0.89)
(0.91)
(0.37)
0.46
0.28
Basic Shares Outstanding........................
10,010,178
10,010,178
10,010,178
10,009,468
10,008,943
9,980,348
9,957,949
Diluted Shares Outstanding.....................
10,010,178
10,010,178
10,010,178
10,009,468
10,008,943
10,234,909
10,371,577
Profitability
Return (Loss) on Average Assets............
(1.32%)
(1.96%)
(1.07%)
(1.05%)
(0.44%)
0.61%
0.42%
Return (Loss) on Average Equity............
(36.09%)

(39.76%)
(24.35%)
(19.60%)
(7.37%)
9.98%
6.60%
Net Interest Margin (1)............................
4.15%
4.12%
4.29%
4.35%
4.14%
4.13%
4.11%
Efficiency Ratio.......................................
105.06%
86.16%
104.63%
79.28%
80.10%
76.55%
77.98%

Appendix 1 (continued)
Appendix 1 (continued)
Financial Trends and Ratios
Financial Trends and Ratios
45
Liquidity Ratios
Total Loans to Deposits...........................

82.07%
87.30%
84.40%
92.39%
100.38%
102.19%
103.84%
Noninterest Bearing Deposits to
Total Deposits.......................................
16.14%
13.14%
15.48%
11.46%
11.61%
13.53%
12.74%
Nonbrokered Deposits to
Total Deposits.......................................
99.61%
97.47%
98.46%
97.41%
96.68%
98.96%
100.00%
Capital Adequacy Ratios
Total Equity to Total Assets....................
3.41%
4.44%
3.70%
4.40%
5.43%
6.23%
5.91%
Leverage Ratio..
3.92%
4.58%
4.23%
4.62%
6.14%
7.72%
7.22%
Tier 1 Capital...
6.23%
6.75%
6.57%
6.54%
8.12%
9.50%
8.73%

Total Risk-Based Capital.........................
9.02%
9.08%
9.15%
8.87%
9.83%
10.78%
10.29%
Asset Quality Ratios
Net Charge-Offs to Average Loans.........
1.57%
1.58%
2.24%
2.14%
0.15%
0.17%
0.34%
Nonperforming Loans to Total Loans.....
8.08%
6.37%
7.33%
6.71%
3.74%
0.89%
0.47%
Nonperforming Assets to Total Assets....
7.98%
6.59%
7.60%
7.02%
3.99%
1.11%
0.69%
Allowance for Loan Losses to

Gross Loans..
3.14%
2.75%
3.07%
3.53%
2.43%
0.96%
0.97%
Allowance for Loan Losses to
Nonperforming Loans..........................
38.91%
43.14%
41.94%
52.69%
65.02%

107.09%
206.04%
Other Data
Number of Branch Offices......................
27
27
27
27
31
31
30
Number of Employees.............................
295
341
312
362
367
377
371
(1) Net interest margin is calculated as tax-equivalent net interest income divided by average earning assets and represents ou
At and for
the Three Months ended
March 31,
At and for the Years ended December 31,
2012
2011
2011
2010
2009
2008
2007
(Dollars in thousands and shares in whole numbers)

Appendix 2 -
Appendix 2 -
Pro Forma Capital Table
Pro Forma Capital Table
As of March 31, 2012
($ in thousands, except per share amounts)
As Adjusted

Actual
Minimum
$10,000,000.50
Maximum
$25,000,000.50
Short-Term Debt:
Capital Notes
$ 5,450
$ -
$ -
Long-Term Debt:
Trust Preferred Securities
16,496
16,496
16,496
Stockholders' Equity:
Common Stock, $2.00 par value; authorized 50,000,000 shares;
10,010,178 shares issued and outstanding at March 31, 2012;
20,310,178 pro forma for minimum; 30,310,178 pro forma for
maximum
20,020
40,980
60,980
Additional Paid-in Capital and Warrants
21,689
15,974
10,974
Accumulated Other Comprehensive Loss
81
81
81
Retained Earnings
(15,620)
(15,620)
(15,620)
Total Stockholders' Equity
$ 26,170
$ 41,415
$ 56,415
Total Capitalization
$ 48,116
$ 57,911
$ 72,911
Per Share:
Book Value per Share
$ 2.61
$ 2.02
$ 1.85
Tangible Book Value per Share
$ 2.60

$ 2.02
$ 1.85
Capital Ratios:
Tier 1 Leverage Ratio
3.92%
6.44%
8.50%
Tier 1 Risk-Based Capital Ratio
6.27%
10.43%
14.04%
Total Risk-Based Capital Ratio
9.08%
12.20%
15.32%
Tangible Equity to Tangible Assets (period-end)
3.39%
5.31%
7.10%
(1)
The closing date of the offering is not known as of the date of this prospectus. Consequently, the amount of accrued interest on the capital notes that will be outstanding as of the closing date, and the number of

Conversion
Shares into which that interest will be convertible, are also not known as of the date of this prospectus. Therefore, the portion
interest accrued through September 15, 2012 in this table.

(2)
Assumes proceeds invested in cash with a zero risk-weightings.

(3)
Assumes proceeds added to average assets at period-end.

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Appendix 3
Appendix 3
March 31,
2012
$10 Million
Minimum-
Less Cost

Notes
Converted
Total New
Minimum
Effect
Tangible Capital
$
26,069,336
$
9,525,000.50
$
5,719,839.04
$
15,244,839.54
$
41,314,176
# of Shares
10,010,178
6,666,667
3,813,225
10,479,892
20,490,070
Book Value Per
Share
$
2.60
$
1.43
$
1.50
$
1.45
$
2.02
Dilution to
existing
shareholder
$
(0.58)
March 31,
2012
All Exercised
Subscription
Rights
$25.0 Million
Maximum -
Less Cost
Notes
Converted
Total New

Effect
Tangible Capital
$
26,069,336
$
24,525,000.50
$
5,719,839.04
$
30,244,839.54
$
56,314,176
# of Shares
10,010,178
16,666,667
3,813,225
20,479,892
30,490,070
Book Value Per
Share
$
2.60
$
1.47
$
1.50
$
1.48
$
1.85
Dilution to
Existing
Shareholders
$
(0.75)
Assuming Minimum Amount is Raised
Assuming All Subscription Rights are Exercised -
Maximum
47
Dilution
Dilution
Effect
Effect
if
if
Existing
Existing
Shareholders
Shareholders
Do

Do
Not
Not
Participate
Participate

Glossary of terms
48
Allowance for Loan Losses -
The allowance for loan losses is maintained at a level that, in management s judgment, is adequate to absorb credit losses inhe
portfolio. The loan portfolio is analyzed periodically and loans are assigned a risk rating. Allowances for impaired loans are g
present value of expected cash flows. A general allowance is made for all other loans not considered impaired as deemed appr
adequacy of the allowance, management considers the following factors: the nature of the portfolio, credit concentrations, tren

loans, the estimated value of any underlying collateral, prevailing environmental factors and economic conditions, and other in
information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on chang
cash flows on impaired loans. This evaluation is inherently subjective as it requires estimates that are susceptible to significan
Efficiency ratio -
The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of reco
loan losses when management believes that collectability of all or part of the principal is unlikely. Past due status is determine
This ratio indicates the percentage of each dollar of revenue spent to support the entity. It is computed by dividing Non-Intere
(Noninterest expense/ (Net interest income + other income)). It indicates how efficiently a bank is spending the revenues gene
provision for loan losses, nonrecurring items and income taxes.
Net interest margin -
This ratio is the average yield earned on average earning assets. It is computed by annualizing net interest income for the peri
average earning assets for the period shown. It is one of the most telling indicators of a bank s profitability as it accounts gen
Loan Risk Ratings:

Pass
-
Loans in this category are considered to have a low likelihood of loss based on relevant information analyzed about the ability
debt and other factors.

Special Mention
-
Loans in this category are currently protected but are potentially weak, including adverse trends in borrower s operations, cre
financial strength. Those loans constitute an undue and unwarranted credit risk but not to the point of justifying a substandard
relatively minor yet constitute an unwarranted risk in light of the circumstances. Special mention loans have potential weakne
corrected, weaken the loan or inadequately protect the Company s credit position at some future date.

Substandard -
A substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collat
Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; t
possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful -
Loans classified Doubtful have all the weaknesses inherent in loans classified Substandard, plus the added characteristic that t
collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improba
Other Real Estate Owned

Other real estate owned represents properties acquired through foreclosure or deed taken in lieu of foreclosure. At the time of
acquisition, these properties are recorded at the lower of cost or fair value less estimated costs to sell. Expenses incurred in co
properties and subsequent write-downs, if any, are charged to expense. Subsequent to foreclosure, management periodically c
for losses on the property. Gains and losses on the sales of these properties are credited or charged to income in the year of the
Risk weighted assets -
Risk-weighted assets are computed by adjusting each asset class for risk in order to determine a bank's real world exposure to
losses. Regulators then use the risk weighted total to calculate how much loss-absorbing capital a bank needs to sustain it thro