

AGREEMENT BY AND BETWEEN
First National Bank
Ronceverte, West Virginia
and
The Comptroller of the Currency

First National Bank, Ronceverte, West Virginia (“Bank”), and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank and his findings are contained in the Report of Examination (“ROE”) for the examination that commenced on April 2, 2012. The Comptroller has found unsafe and unsound banking practices relating to asset quality, earnings, and the secondary market mortgage operation.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the Articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Jeffery B. King
Assistant Deputy Comptroller
Virginia Field Office
4419 Pheasant Ridge Road, Suite 300
Roanoke, Virginia 24014

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) outside directors, of which none shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within forty-five (45) days of the date of this Agreement, and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action(s) needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's initial report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report. Quarterly reports shall be forwarded to the Assistant Deputy Comptroller within forty-five (45) days of calendar quarter-end.

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT AND OVERSIGHT

(1) Within ninety (90) days, and on an ongoing basis thereafter, the Board shall ensure that the Bank has competent and effective Board oversight and management in place on a full-time basis in all senior executive officer positions to carry out the Board's policies; ensure compliance with this Agreement; ensure compliance with applicable laws, rules, and regulations; and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within sixty (60) days, the Board or a designated Board Committee comprised of independent directors, shall complete a review of the Bank's management structure, the Board's committee structure, and leadership of the Bank at the Board level. The findings and recommendations of the Board or designated Board Committee thereof shall be set forth in a written report to the Board. The Assistant Deputy Comptroller shall retain the right to determine the adequacy of the report and its compliance with the terms of this Agreement. At a minimum, the report shall contain:

- (a) an assessment of Board processes in place to respond to the findings of control functions, such as internal audit, loan review and compliance, and to determine appropriate corrective actions, assignment of management responsibilities, tracking progress, and enforcing accountability;
- (b) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (c) an assessment of whether Board members are receiving timely and adequate information on the conditions, risks and operations of the Bank to enable them to fulfill their fiduciary responsibilities and other responsibilities under law;
- (d) recommendations to expand the scope, frequency and sufficiency of information provided to the Board by management;
- (e) an evaluation of each executive officer's duties and capacity to effectively carry out such duties; and
- (f) recommendations to correct or eliminate any deficiencies in the supervision or organizational structure of the Bank.

(3) Within thirty (30) days after completion of the assessment required by paragraph (2) of this Article, the Board shall develop, adopt and thereafter ensure Bank implementation and adherence to a written plan, with specific time frames, that incorporates the Board's or designated Board Committee's recommendations and will correct any deficiencies identified above. Copies of the Board's written plan shall be forwarded to the Assistant Deputy Comptroller. In the event the written plan, or any portion thereof, is not implemented, the Board

shall promptly advise the Assistant Deputy Comptroller, in writing, of specific reasons for deviating from the plan.

(4) If the Board at any time determines that an officer's performance, skills or abilities needs improvement, the Board will, within thirty (30) days following its determination, require the Bank to develop and implement a written program, with specific time frames, to improve the officer's performance, skills and abilities. Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller. At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

(5) If a senior executive officer position, as defined in 12 C.F.R. § 5.51(c)(3), is or at any time becomes vacant, the Board shall within ninety (90) days of such vacancy identify a capable person to fill that position and submit to the OCC the notice and information required under 12 U.S.C. § 1831i and 12 C.F.R. § 5.51. If the Bank is unable to locate an acceptable person to fill the vacancy within ninety (90) days, the Bank may request an extension of time in writing from the Assistant Deputy Comptroller. Immediately following receipt of written non-objection from the OCC pursuant to 12 C.F.R. § 5.51, the Board shall appoint a capable person to the vacant position, whom shall be vested with sufficient executive authority to ensure the

Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(6) The Board, or a designated Board committee, shall perform, at least annually, a written performance appraisal for each Bank executive officer that establishes objectives by which the officer's effectiveness will be measured, evaluates performance according to the position's description and responsibilities, and assesses accountability for action plans to remedy issues raised in Reports of Examination or audit reports. Upon completion, copies of the performance appraisals shall be submitted to the Assistant Deputy Comptroller. The Board shall ensure that the Bank addresses any identified deficiencies in a manner consistent with paragraphs (4) and (5) of this Article.

ARTICLE IV

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) identification of the root cause of the basis of criticism;

- (b) identification of the expected sources of repayment;
- (c) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (d) an analysis of the appropriateness of accrual status;
- (e) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (f) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;
- (g) a decision on whether to retain and rehabilitate the credit or remove it from the bank, including consideration of alternative courses of actions such as loan modifications, restructurings, foreclosures, or auctions;
- (h) implementation of formal, written workout plans for each commercial lending relationship and other real estate owned (OREO) properties in excess of one hundred and fifty thousand dollars (\$150,000). The workout plans shall be updated on a quarterly basis; and
- (i) implementation of a formal written criticized asset reduction plan, in conjunction with the loan workout plans, that establishes goals for the reduction of criticized assets expressed in dollar terms and measured as a percentage of Tier One Capital plus Allowance for Loan and Lease Losses (ALLL), and includes rolling target dates of three, six, and nine month interval periods.

(3) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination and whose aggregate loans or other extensions exceed one hundred fifty thousand dollars (\$150,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(6) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE V

PROFIT PLAN

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements for the next three fiscal years which incorporate the estimated impact to earnings from write-downs of OREO and implementation of workout plans described in Article IV of this Agreement;
- (c) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (d) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The budgets and related documents required in paragraph (1) above shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1) above for each year this Agreement remains in effect. The budget for each year shall be submitted at least thirty (30) days before the start of each fiscal year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

ARTICLE VI

INTERNAL AUDIT

(1) Within sixty (60) days, the Board must ensure all banking activities, operations, and services are included in the Bank's risk-based audit scope, regardless of whether the audit is performed by the internal auditor or an outsourced vendor.

(2) Within sixty (60) days, the Board must ensure the annual audit schedule identifies all audit activities, including audits performed in support of or at the request of the Bank's external auditors, regardless of assigned risk value.

(3) At least annually, the Audit Committee must ensure assigned risk values are evaluated for appropriateness, including an assessment of any changes in the product or service, changes in regulation, changes in Bank policy, or audit findings in that particular area.

ARTICLE VII

SECONDARY MARKET MORTGAGE OPERATIONS

(1) The Board shall ensure that the Bank's secondary market mortgage operation has appropriate policies, procedures, controls, and oversight in place, including, but not limited to sufficient staffing, audit and consumer compliance review processes.

(2) At least ninety days (90) prior to the bank engaging in any secondary market mortgage operations, the Bank shall provide the Assistant Deputy Comptroller with a copy of a written secondary market mortgage program addressing appropriate policies, procedures, controls, and oversight for the secondary market mortgage operation, including, but not limited to, sufficient staffing, audit and consumer compliance review processes.

(3) Prior to adopting a secondary market mortgage program, the Board shall obtain written supervisory non-objection from the Assistant Deputy Comptroller. Once the Assistant Deputy Comptroller has provided written supervisory non-objection, the Board shall adopt, implement and ensure adherence to the secondary market mortgage program.

ARTICLE VIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board, or a designated Board committee, is required to ensure adherence to, and undertake to perform certain obligations of the Bank, including the obligation to implement plans, policies or other actions, it is intended to mean that the Board shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Agreement, and that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement;
- (b) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or

obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/
Jeffery B. King
Assistant Deputy Comptroller
Virginia Field Office

10-1-12
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>/s/</u> Aaron Ambler	<u>10/1/12</u> Date
<u>/s/</u> Matthew L. Burns	<u>10/1/12</u> Date
<u>/s/</u> Michael Campbell	<u>10/1/12</u> Date
<u>/s/</u> D. Allen Carson	<u>10/1/12</u> Date
<u>/s/</u> Cathy Justice	<u>10/1/12</u> Date
<u>/s/</u> Deborah Lesley	<u>10/1/12</u> Date
<u>/s/</u> Jason Ream	<u>10/1/12</u> Date
<u>/s/</u> William R. Satterfield, Jr.	<u>10/1/12</u> Date
<u>/s/</u> Ron Snyder	<u>10/1/12</u> Date
<u>/s/</u> Kevin Workman	<u>10/1/12</u> Date