



PUBLIC DISCLOSURE

July 6, 2020

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank
Charter Number 9295

622 Broad Street
Altavista, Virginia 24517

Office of the Comptroller of the Currency
Roanoke Field Office
4419 Pheasant Ridge Road, Suite 300
Roanoke, Virginia 24014

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, and should not 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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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The community development test is rated: Satisfactory.

The Lending Test rating is based on First National Bank's (FNB) performance in the State of Virginia. The major factors that support this rating include:

- The average quarterly loan-to-deposit (LTD) ratio for FNB is reasonable, given the bank's size, financial condition and assessment area's (AA) credit needs.
- The bank exhibits reasonable geographic distribution of loans in the AAs.
- The bank exhibits reasonable distribution of lending to borrowers of different income levels and businesses of different sizes in the AAs.

The Community Development (CD) Test rating is based on the bank's performance in the State of Virginia. The major factors that support this rating include:

- FNB's CD performance exhibits adequate responsiveness to the CD needs of the AA through CD lending, qualified investments, donations and grants, and CD services.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's LTD ratio is reasonable. The bank's average quarterly LTD ratio for the thirteen consecutive quarters since the previous Community Reinvestment Act (CRA) Performance Evaluation is 86.57 percent. FNB's average quarterly LTD ratios ranged from a quarterly high of 89.92 percent as of September 30, 2019, to a quarterly low of 83.46 percent as of March 31, 2017.

FNB's average quarterly LTD ratio is near to the quarterly average LTD ratio for competitor financial institutions at 87.39 percent. Direct competitor financial institutions included Virginia-headquartered banks with assets both lower than and greater than FNB, which ranged from \$240 million to \$746 million. The quarterly average LTD ratio for these similar institutions over the same thirteen consecutive quarters ranged from a quarterly low of 75.05 percent, to a quarterly high of 99.13 percent.

Lending in Assessment Area

A majority of the bank's loans are inside its AAs.

The bank originated and/or purchased 77.2 percent of its total loans inside the bank's AAs during the evaluation period. This analysis considered FNB's lending record on a bank-wide basis. In order to evaluate FNB's lending in its AAs over the evaluation period, we measured and analyzed FNB's record of originating loans inside its AA compared to those originated outside of its AAs.

FNB's origination of a majority of loans within its AAs during the evaluation period was given favorable consideration when analyzing the geographic distribution of lending. We compared the volume and dollar

amounts of residential loans originated within the AAs to the volume and dollar amounts of loans outside of the AAs originated by FNB during the evaluation period. FNB’s residential real estate loan originations included loans for purposes of home purchase, home improvement, and home refinance. FNB originated 76.9 percent by number and 74.6 percent by dollar amount of loans inside its AAs. For the sample of Small Business loan originations, FNB originated 85.0 percent by number and 97.4 percent by dollar amount inside its AAs.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|-----------|-------------|------------|---------------------------------|-------------|--------------|-------------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2017 | 74 | 74.7 | 25 | 25.3 | 99 | 8,422 | 63.2 | 4,913 | 36.8 | 13,335 |
| 2018 | 55 | 75.3 | 18 | 24.7 | 73 | 5,638 | 76.6 | 1,720 | 23.4 | 7,357 |
| 2019 | 91 | 77.8 | 26 | 22.2 | 117 | 9,050 | 78.6 | 2,460 | 21.4 | 11,510 |
| Subtotal | 220 | 76.1 | 69 | 23.9 | 289 | 23,109 | 71.8 | 9,093 | 28.2 | 32,202 |
| Small Business 2017-19 | 17 | 85.0 | 3 | 15.0 | 20 | 2,221 | 97.4 | 59 | 2.6 | 2,280 |
| Total | 237 | 76.7 | 72 | 23.3 | 309 | 25,330 | 73.5 | 9,152 | 26.5 | 34,482 |

*Source: Bank HMDA Data for 01/01/2017 – 12/31/2019; Bank loan data for Small Business loans for 01/01/2017 – 12/31/2019.
Due to rounding, totals may not equal 100.00%*

Description of Institution

First National Bank is a federally-chartered community bank headquartered in Altavista, Virginia. FNB is wholly owned by a single-bank holding company, Pinnacle Bankshares Corporation. FNB’s main office is located in a moderate-income census tract (CT) in Altavista, Virginia. FNB operates ten full-service branches located in Amherst, Bedford, and Campbell counties; and the city of Lynchburg, Virginia. The bank operates three branches in moderate-income CTs, five branches in middle-income CTs, and two branches in upper-income CTs. The bank recently opened a loan production office (LPO) in Charlottesville, Virginia. The lending test for the CRA Evaluation does not include loan originations in LPOs as these are not considered branches under the CRA. There were no branch closures during the evaluation period. The Odd Fellows Branch located in a middle-income census tract in Lynchburg was opened November 22, 2017, and the Downtown Lynchburg Branch, located in a middle-income census tract in Lynchburg, was opened May 15, 2019.

Branch operating hours are convenient and consistent with the offerings of the bank’s competition. All full-service offices maintain reasonable hours of operation, including Saturday morning hours. The bank offers normal business hours during the week and offers Saturday drive-in hours at its Timberlake location. Currently, due to the COVID-19 Pandemic and the resulting restrictions on public gatherings, etc., the branch lobbies are now closed to the general public but do offer appointment only services to their customers. Customers are provided with 24-hour access to deposits through the bank’s ATM network.

All ten branches operate full-time Automated Teller Machines (ATMs). There is one stand-alone ATM at Colleen Exxon located in Arrington, Virginia. The bank also operates 14 stand-alone ATMs at Quik-E Foods locations throughout the bank's AA.

FNB offers a full range of insured deposit products consisting of savings accounts, certificates of deposits, checking accounts, and individual retirement accounts. In addition, FNB offers a wide variety of loans including commercial, commercial real estate, commercial construction, land, loans to small businesses, agricultural loans, various types of consumer loans, and home mortgage loans. Home mortgage loan products include purchase, refinance, home improvement, and construction of one- to-four family and multi-family dwellings at fixed and adjustable rates. Other services offered include telephone banking, ATM debit cards, VISA check cards, online banking, online bill pay, mobile banking, mobile wallet, mobile capture, pop money, overdraft protection plans, wire transfers, and safe deposit boxes. FNB customers may also submit a secondary market mortgage application online and open deposit accounts online without face-to-face contact.

There are no legal or financial impediments to the bank’s ability to meet the needs of its assessment area. The bank’s performance under the CRA was rated “Satisfactory” as a result of the previous performance evaluation dated April 24, 2017.

As of December 31, 2019, the bank’s assets totaled \$499 million, deposits totaled \$450 million, and gross loans totaled \$393 million or 78.8 percent of total assets. The following table provides additional detail of the loan portfolio by product type.

| Loan Product Category | Gross Loans as of December 31, 2019* | |
|-------------------------------------|--------------------------------------|------------------|
| | Dollar Amount Outstanding (000’s) | % of Total Loans |
| Residential Mortgage Loans | 98,034 | 24.92 |
| Consumer | 99,214 | 25.22 |
| Commercial Real Estate | 99,192 | 25.22 |
| Commercial and Industrial | 57,261 | 14.56 |
| Construction/Land Development | 17,336 | 4.41 |
| Multifamily | 13,814 | 3.51 |
| Farm Residential/Farmland | 4,342 | 1.10 |
| Other | 4,327 | 1.10 |
| Less unearned income on loans above | (199) | (0.40) |
| Total | 393,321 | 100.00 |

**Data obtained from December 31, 2019 “Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only – FFIEC 041”.*

Scope of the Evaluation

Evaluation Period/Products Evaluated

FNB's performance relative to the CRA was evaluated under the Intermediate Small Bank (ISB) examination procedures. The ISB procedures include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs of its AAs through funding CD loans and investments and participating in CD services.

FNB's primary loan products are residential (home) mortgage loans and loans to small businesses. The evaluation period for home mortgage loans and loans to small businesses is January 1, 2017 through December 31, 2019. Lending performance is compared to 2015 American Community Survey (ACS) census data and 2018 Dun and Bradstreet data. All other activities, inclusive of CD loans, qualified investments, and CD services were evaluated across the evaluation period of April 25, 2017 through December 31, 2019.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the COVID-19 Pandemic has had on economies across the United States are not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of the AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment area(s) located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA), are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Please refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Please refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

FNB has one AA that consists of the counties and independent city delineated as Lynchburg¹ AA. For purposes of this evaluation, we performed a full-scope review for this AA.

Ratings

The bank's overall rating is based on the rating for the State of Virginia as the bank has only one AA, the Lynchburg AA.

¹ See page 7 for a complete description of the AA

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Virginia

CRA rating for the State of Virginia: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The average quarterly LTD ratio for FNB is reasonable, given the bank’s size, financial condition and assessment area (AA) credit needs.
- The bank exhibits reasonable geographic distribution of loans in the AA.
- The bank exhibits reasonable distribution of lending to borrowers of different income levels and businesses of different sizes in the AA.
- FNB’s CD performance exhibits adequate responsiveness to the CD needs of the AA through CD lending, qualified investments, CD donations and grants, and services.

Description of Institution’s Operations in Virginia

FNB only maintains branches within Virginia, therefore there is no difference in the description of the institution’s operations at the overall level and the state level. Please see the *Description of Institution* section for additional details.

Lynchburg AA

| Demographic Information of the Assessment Area Assessment Area: Lynchburg Virginia MSA #31340 | | | | | | |
|--|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 60 | 1.7 | 23.3 | 60.0 | 15.0 | 0.0 |
| Population by Geography | 256,989 | 1.9 | 18.4 | 61.1 | 18.6 | 0.0 |
| Housing Units by Geography | 114,007 | 2.1 | 18.8 | 62.3 | 16.9 | 0.0 |
| Owner-Occupied Units by Geography | 70,208 | 1.5 | 12.2 | 65.1 | 21.2 | 0.0 |
| Occupied Rental Units by Geography | 29,135 | 3.2 | 33.9 | 51.1 | 11.7 | 0.0 |
| Vacant Units by Geography | 14,664 | 2.7 | 19.8 | 70.9 | 6.5 | 0.0 |
| Businesses by Geography | 15,093 | 1.2 | 20.2 | 56.8 | 21.8 | 0.0 |
| Farms by Geography | 708 | 0.8 | 6.9 | 72.9 | 19.4 | 0.0 |
| Family Distribution by Income Level | 66,286 | 20.8 | 17.5 | 21.6 | 40.0 | 0.0 |
| Household Distribution by Income Level | 99,343 | 24.3 | 16.0 | 18.0 | 41.8 | 0.0 |
| Weighted average Median Family Income MSA – 31340 Lynchburg, VA MSA | | \$60,256 | Median Housing Value | | | \$166,909 |
| | | | Median Gross Rent | | | \$746 |
| | | | Families Below Poverty Level | | | 11.0% |

Source: 2015 ACS and 2018 D&B Data. Due to rounding, totals may not equal 100.0%

() The NA category consists of geographies that have not been assigned an income classification.*

FNB has one AA which consists of the Lynchburg MSA #31340. The MSA is located in southern Virginia between the Roanoke and Charlottesville MSAs. The AA consists of four counties (Amherst, Appomattox, Bedford, and Campbell), and one independent city (Lynchburg) which are divided into 60 census tracts. According to the 2015 ACS US census data, there are three low-income tracts, thirteen moderate-income tracts, thirty-six middle income tracts, and eight upper-income tracts in the AA. None of the census tracts in the Lynchburg AA were arbitrarily excluded by the bank from its assessment area. The largest portion of the population in the AA are middle-income families representing 60 percent of the families in the assessment area followed by moderate-income families at 23 percent.

The economic conditions in the AA are struggling to gain momentum. According to Moody's Analytics as of December 2019, the Lynchburg economy is moving in "fits and starts". Payrolls, which underwhelmed earlier in 2019, strengthened in the fourth quarter only to have most of those gains erased in December. Job growth is barely above zero and is the lowest in Virginia. Job losses in manufacturing and government have dampened year-to-date net hiring. On the bright side, education and healthcare are driving gains. Following a steep expansion in the labor force and an unfavorable mix of net job creation, wage pressures have softened, and average hourly earnings are down from last year's peak. Growth at Liberty University and in consumer industries will provide some support but retaining skilled youth will be a challenge given the dearth of high-wage services. Therefore, the changing economy does not bode well for income growth since service jobs in the area predominantly pay low wages. A depleted factory base and middling population trends suggest Lynchburg AA will at best be an average long-term performer.

According to U.S. Bureau of Labor Statistics, the unemployment rate for the Lynchburg AA ranged from 5.0 percent in January 2017, to 2.9 percent in December 2019. These unemployment rates are comparable to the national unemployment rate of 4.7 percent, and 3.5 percent for the same time period. The State of Virginia unemployment rates were below the MSA and the national unemployment rates for the same time period, reporting 4.0 percent in January 2017, and 2.7 percent in December 2019. Major employers in the assessment area are Liberty University, Centra Health, Babcock & Wilcox Nuclear, Walmart Stores, Inc., and Framatome.

FNB's AA contains several institutions that compete for customer deposits. According to the FDIC Summary of Deposits Report as of June 30, 2019, FNB holds 8.69 percent of the market share in the Lynchburg AA, ranking fifth position out of 16 financial institutions that have an office(s) in this AA. The leading competitors are Wells Fargo Bank, NA, Branch Banking and Trust Company (BB&T), and Bank of the James with deposit market shares of 22.02 percent, 16.16 percent, and 11.25 percent, respectively.

Community Contacts

As part of the performance evaluation process, the OCC contacted a community representative to gain insight regarding the credit needs and economic conditions of assessment area. During this evaluation we interviewed a community contact from a non-profit organization in the AA to determine the credit and development needs in the bank's AA. The analysis also takes into consideration comments provided by a community organization serving FNB's AA. The contact in the Lynchburg AA identified financing for affordable housing programs for low-, and moderate-income borrowers. The contact stated that many potential low-income borrowers may not consider homeownership since they are unaware of banks' programs to provide financial assistance to such borrowers. She also suggested that bank partner with realtors to emphasize the availability of programs to assist low-income potential homeowners.

Scope of Evaluation in the State Virginia

FNB has one AA as all bank offices are located within the Lynchburg AA. Therefore, the bank's one AA will receive a full-scope review. There were no AA that received a limited scope review.

Conclusions with Respect to Performance Tests in Virginia

LENDING TEST

The bank's performance under the Lending Test in the State of Virginia is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review of the Lynchburg AA, the bank's lending performance in the State of Virginia is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the state. We placed the greatest emphasis on lending in moderate-income geographies, due to the relative lack of low-income CTs within the bank's AA. There are three low-income tracts and thirteen moderate-income tracts in the AA. In reaching a conclusion, we weighed the lending performance of home mortgage loans more heavily as it is based on the total Home Mortgage Data Act (HMDA) loan originations for the evaluation period and small loans to business analysis is based on a sample of such loans.

Home Mortgage Loans

Please refer to Table O in the State of Virginia section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

FNB demonstrated excellent distribution of home mortgage loans to borrowers located in low and moderate-income tracts. The percentage of loans originated in low-income CTs is near to the percentage of owner-occupied housing units in low -income CTs. The percentage of loans originated in moderate-income CTs exceeds the percentage of owner-occupied housing units in moderate-income CTs. The percentage of loans in low-, and moderate-income CTs exceeds aggregate lending in low-, and moderate-income tracts in the AA for the evaluation period.

Small Loans to Businesses

Please refer to Table Q in the State of Virginia section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The distribution of small loans to businesses in CTs of different income levels in the Lynchburg AA is reasonable. During the evaluation period, FNB did not originate any loans in the one low-income census tract. Bank loan data indicated that FNB originated one loan to small businesses during the evaluation period. Given that there are only 1.2 percent of businesses in the one low-income census tract, the geographic distribution is considered reasonable. The percentage of loans originated in moderate-income CTs exceeds the percentage of businesses and the aggregate lending in moderate-income CTs in the AA for the evaluation period.

Lending Gap Analysis

We found no conspicuous gaps or areas of low activity in the bank's lending patterns.

Distribution of Loans by Income Level of the Borrower

FNB exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank. In reaching a conclusion, we weighed the low-income borrowers more heavily as a higher percentage of families lives within these census income tracts. We weighed the lending performance of home mortgage loans more heavily as it is based on the total HMDA loan originations for the evaluation period and small loans to business analysis is based on a sample of such loans.

Home Mortgage Loans

Please refer to Table P in the State of Virginia section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution of loans reflects reasonable penetration among individuals of different income levels, given the demographics of the AA. The percentage of home mortgage loans to low-income borrowers is significantly below the percentage of families in the low-income CTs and is near to the percentage of aggregate lending in these geographies. The percentage of home mortgage loans to moderate-income borrowers is near to the percentage of families in the moderate-income CTs and is somewhat below the percentage of aggregate lending in these geographies.

Our analysis takes into consideration the lack of affordability for low- and moderate-income families to purchase a home. The weighted average median cost of housing is \$166,909 for the 2015 ACS US Census. The weighted average FFIEC updated MSA median family income in the AA is \$60,256. The median family income for low-income families is less than 50 percent, or \$30,128, and the median family income for moderate-income families is greater than 50 percent and less than 80 percent, or \$48,205. Hence, the cost of housing is 5.5 times low-income family earnings, and approximately 3.5 times moderate-income family earnings. This lack of affordability limits the opportunity to originate home mortgage loans to low- and moderate-income borrowers. Given the lack of opportunity to lend to low-income and moderate-income borrowers, the bank's performance is reasonable.

Small Loans to Businesses

Please refer to Table R in the State of Virginia section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

Gross annual revenue information was not available for the loans to businesses. As a result, we were unable to conduct a fair assessment of the distribution of loans to businesses of different sizes.

Responses to Complaints

There were no CRA-related complaints received by the bank or the regulatory agency regarding performance in meeting the credit needs of the bank's established AA since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in the State of Virginia is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank exhibits reasonable responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s AA.

Number and Amount of Community Development Loans

FNB provided an adequate level of qualified loans that were responsive to the community development needs and initiatives of the AA. During the evaluation period, the bank originated eight community development loans totaling \$1 million, representing 2.5 percent of Tier 1 Capital.

The responsiveness to community development needs has a positive impact on the lending test. These CD loans supported such activities as affordable housing and essential community services for low- and moderate-income individuals and neighborhoods in the AA. Examples of CD loans include:

- Two loan commitments for amounts up to \$300 and \$375 thousand to a political subdivision of the State of Virginia to build as many affordable housing units as possible for HUD renters. FNB will provide 30-year fixed rate mortgages to new homeowners for homes built by the organization.
- Two term loans totaling \$162 thousand and one revolving line of credit in the amount of \$40 thousand to a non-profit organization that provides community services to assist people to find and sustain recovery from substance use disorders.
- A \$100 thousand line of credit to a non-profit organization to create affordable housing in the Lynchburg region for low-income families with disabilities.
- A \$53 thousand loan to purchase affordable housing for Section 8 renters.

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank’s level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

| Community Development Loans | | | | |
|-----------------------------|-------|--------------|-----------|---------------|
| Assessment Area | Total | | | |
| | # | % of Total # | \$(000's) | % of Total \$ |
| Lynchburg AA | 8 | 100 | 1,030 | 100 |

Number and Amount of Qualified Investments

The Qualified Investment table, shown below, sets forth the information and data used to evaluate the bank’s level of qualified CD investments. This table includes all CD investments, including prior period investments that remain outstanding as of the examination date.

The bank’s level of investment and donations demonstrates adequate responsiveness to the needs of its AA given the bank’s performance context. The bank did not purchase any qualified investments in the

AA during the assessment period. The bank received credit for two prior period investments, still outstanding, totaling \$926 thousand. The prior period investments to Virginia Housing Development Authority (VHDA) finances the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy or ownership by families of low or moderate income in the State of Virginia. The proceeds from the issues, bonds, notes, and other obligations issued by the VHDA are used to make mortgage loans.

Competition for qualified investments in the Lynchburg AA is strong. A limited number of qualified investments are issued, and it is often difficult for small community banks to compete with the large nationwide and regional banks for purchasing.

| Qualified Investments | | | | | | | | | | |
|-----------------------|---------------------------|-----------|----------------|-----------|-------|--------------|-----------|---------------|-----------------------------------|-----------|
| Assessment Area | Prior Period ² | | Current Period | | Total | | | | Unfunded Commitments ³ | |
| | # | \$(000's) | # | \$(000's) | # | % of Total # | \$(000's) | % of Total \$ | # | \$(000's) |
| Lynchburg AA | 2 | 926 | 23 | 72 | 25 | 100 | 998 | 100 | 0 | 0 |

FNB made 23 grants, contributions, and donations during the evaluation period for approximately \$72 thousand to 23 eligible organizations during the evaluation period. Donations made were to service organizations that promote community development through affordable housing, youth programs, health care, as well as food and housing assistance to low- and moderate-income families in the State of Virginia. Notable donations included:

- \$50 thousand to Ever-Fi for financial education courses for school children of the Lynchburg AA.
- \$23 thousand to Lynchburg Regional Business Alliance. The organization leads regional economic development through enhancing the business climate, cultivating talent, and generating jobs in the AA.
- \$20 thousand to Lynchburg Beacon of Hope. The organization offers Lynchburg’s young people fair and equitable access to higher education and technical certification training programs after high school. The goal is to both train and retain Lynchburg’s workforce of the future.
- \$11 thousand to Greater Lynchburg Community Foundation. The foundation provides grants and charitable donations for health services, children and family programs, and crisis programs.

FNB made donations to non-profit, civic, and other community service organizations, totaling \$121 thousand, that did not meet the definition of community development for CRA credit. These donations, however, demonstrate the bank's commitment to supporting all organizations in its AA that may indirectly support the organizations that do.

Extent to Which the Bank Provides Community Development Services

FNB bank has excellent responsiveness in providing community development services within the AA. Bank officers and employees spent a significant number of hours providing financial and technical expertise to 23 separate organizations that provide community services to low-, and moderate-income

² 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.
³ 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

individuals and families, support affordable housing, and promote economic development within their AA. Examples of CD services include:

- Six employees serve on five community service organization to provide financial literacy workshops.
- Two bank officers serve on the finance committee of a non-profit organization that provides affordable and accessible housing opportunities to people with disabilities and low incomes in the AA.
- An officer provides financial and banking expertise as a member of a private non-profit corporation that provides vocational training and long-term employment for people with disabilities or disadvantages in the AA.

Appendix A: Scope of Examination

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 MSA(s) and non-MSA(s) 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”.

| | | |
|---|---|---------------------------------------|
| Time Period Reviewed: | 1/1/2017 to 12/31/2019 | |
| Bank Products Reviewed: | Home mortgage loans, and small business loans Community development loans, qualified investments, grants and donations, and community development services | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| NONE | | |
| List of Assessment Areas and Type of Examination | | |
| Rating and Assessment Areas | Type of Exam | Other Information |
| State: | | |
| Virginia | Full Scope | All census tracts in the Lynchburg AA |

Appendix B: Summary of MMSA and State Ratings

| RATINGS - First National Bank | | | |
|--------------------------------------|-----------------------------|-----------------------|---|
| Overall Bank: | Lending Test Rating* | CD Test Rating | Overall Bank/State/Multistate Rating |
| First National Bank | Satisfactory | Satisfactory | Satisfactory |
| MMSA or State: | | | |
| State of Virginia | Satisfactory | Satisfactory | Satisfactory |

() The Lending Test and Community Development Test carry equal weight in the overall rating.*

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family.

Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Only applicable tables are included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography

2017-19

| Assessment Area: | Total Home Mortgage Loans | | | | Low-Income Tracts | | | Moderate-Income Tracts | | | Middle-Income Tracts | | | Upper-Income Tracts | | | Not Available-Income Tracts | | |
|------------------|---------------------------|---------------|--------------|----------------|-----------------------------------|--------------|------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|------------|
| | # | \$ | % of Total | Overall Market | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt | % of Owner-Occupied Housing Units | % Bank Loans | Aggt |
| Lynchburg AA | 220 | 23,109 | 100.0 | 8,072 | 1.5 | 1.4 | 1.0 | 12.2 | 29.1 | 13.9 | 65.1 | 59.5 | 59.0 | 21.2 | 10.0 | 26.1 | 0.0 | 0.0 | 0.0 |
| Total | 220 | 23,109 | 100.0 | 8,072 | 1.5 | 1.4 | 1.0 | 12.2 | 29.1 | 13.9 | 65.1 | 59.5 | 59.0 | 21.2 | 10.0 | 26.1 | 0.0 | 0.0 | 0.0 |

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.00%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower

2017-19

| Assessment Area: | Total Home Mortgage Loans | | | | Low-Income Borrowers | | | Moderate-Income Borrowers | | | Middle-Income Borrowers | | | Upper-Income Borrowers | | | Not Available-Income Borrowers | | |
|------------------|---------------------------|---------------|--------------|----------------|----------------------|--------------|------------|---------------------------|--------------|-------------|-------------------------|--------------|-------------|------------------------|--------------|-------------|--------------------------------|--------------|-------------|
| | # | \$ | % of Total | Overall Market | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt | % Families | % Bank Loans | Aggt |
| Lynchburg AA | 220 | 23,109 | 100.0 | 8,072 | 20.8 | 10.0 | 9.8 | 17.5 | 17.3 | 20.6 | 21.6 | 21.4 | 20.3 | 40.0 | 26.8 | 32.5 | 0.0 | 24.5 | 16.8 |
| Total | 220 | 23,109 | 100.0 | 8,072 | 20.8 | 10.0 | 9.8 | 17.5 | 17.3 | 20.6 | 21.6 | 21.4 | 20.3 | 40.0 | 26.8 | 32.5 | 0.0 | 24.5 | 16.8 |

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.00%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography

2017-19

| Assessment Area: | Total Loans to Small Businesses | | | | Low-Income Tracts | | | Moderate-Income Tracts | | | Middle-Income Tracts | | | Upper-Income Tracts | | | Not Available-Income Tracts | | |
|------------------|---------------------------------|--------------|--------------|----------------|-------------------|--------------|------------|------------------------|--------------|-------------|----------------------|--------------|-------------|---------------------|--------------|-------------|-----------------------------|--------------|------------|
| | # | \$ | % of Total | Overall Market | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | Aggt |
| Lynchburg AA | 20 | 2,280 | 100.0 | 3,955 | 1.2 | 0.0 | 1.4 | 20.2 | 25.0 | 18.6 | 56.8 | 35.0 | 54.4 | 21.8 | 40.0 | 25.6 | 0.0 | 0.0 | 0.0 |
| Total | 20 | 2,280 | 100.0 | 3,955 | 1.2 | 0.0 | 1.4 | 20.2 | 25.0 | 18.6 | 56.8 | 35.0 | 54.4 | 21.8 | 40.0 | 25.6 | 0.0 | 0.0 | 0.0 |

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.00%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues

2017-19

| Assessment Area: | Total Loans to Small Businesses | | | | Businesses with Revenues <= IMM | | | Businesses with Revenues > IMM | | Businesses with Revenues Not Available | |
|------------------|---------------------------------|--------------|--------------|----------------|---------------------------------|--------------|-------------|--------------------------------|--------------|--|--------------|
| | # | \$ | % of Total | Overall Market | % Businesses | % Bank Loans | Aggt | % Businesses | % Bank Loans | % Businesses | % Bank Loans |
| Lynchburg AA | 20 | 2,280 | 100.0 | 3,955 | 83.3 | -- | 53.9 | 5.3 | -- | 11.4 | -- |
| Total | 20 | 2,280 | 100.0 | 3,955 | 83.3 | -- | 53.9 | 5.3 | -- | 11.4 | -- |

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.00%