



PUBLIC DISCLOSURE

April 24, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grundy National Bank
Charter Number 15247

20957 Riverside Drive
Grundy, Virginia 24614

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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA RATING: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Major factors supporting the rating are:

- *The bank originated a majority of its loans inside the assessment areas during the review period;*
- *The bank's borrower distribution of loans reflects excellent dispersion of loans and meets the standards for satisfactory performance;*
- *The bank's geographic distribution of home loans reflects excellent dispersion throughout the census tracts of different income levels; and*
- *The bank's performance under the Community Development test is satisfactory.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

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

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county 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.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Rated Area: A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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) and the Thrift Financial Reporting (TFR) 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 One 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.

Description of Institution

Grundy National Bank (GNB) is a \$314 million bank headquartered in Grundy, Virginia. It is one hundred percent owned by GNB Bankshares Corporation, a one bank holding company. The Bank does not have any subsidiaries or affiliates.

GNB is a full service community bank serving the Virginia counties of Buchanan, Tazewell, and Washington. The bank offers a range of traditional loan and deposit products including a Hometown Personal Checking Account which is a low cost demand deposit product with no minimum balance and no maintenance fee. GNB is mainly a commercial lender with approximately \$71.6 million in commercial loans which represents 58 percent of their total portfolio as of December 31, 2016. Loans on 1-4 family properties are the next largest category of loans at \$23.8 million or approximately 19 percent of the total.

We determined 1-4 family loans to be the primary product for this examination based on the composition of the balance sheet and the small dollar amount of consumer loans compared to 1-4 family.

The bank operates 8 total branches including 3 branches in Richlands, North Tazewell, and Claypool Hill, Virginia that do business as Clinch Valley Bank. This is solely a “doing business as” arrangement and all assets and liabilities of all branches are included in the consolidated reports of condition and income. All branches also operate drive-through window banking. The bank operates 7 ATMs which are located at all the branches except the Stiltner’s Creek Branch in Grundy.

The most recent CRA exam of the institution was completed as of May 27, 2014, and gave the bank an overall satisfactory rating.

There are no legal or financial circumstances present that would hinder the bank’s ability to meet the credit needs of its AA.

Description of Assessment Areas (AA's)

GNB has two assessment areas, one located in the Kingsport-Bristol Tennessee-Virginia metropolitan statistical area (#28700) and one non-MSA, which includes all of Buchanan and Tazewell Counties.

Buchanan Tazewell Non-MSA AA (Buchanan/Tazewell AA)

The Buchanan/Tazewell AA is made up of the entire Buchanan and Tazewell counties of Virginia. GNB has 7 branches within the AA, representing 87.5 percent of its branch network. The AA accounted for approximately 94.5 percent of the bank's total deposits.

As of June 30, 2016, GNB ranked 1st in total deposits in the area with a 15.5 percent market share and 7 of 8 branches located in this AA. Total deposits in the AA as were \$235.3 million. The largest deposit competitors include: TruPoint Bank; Branch Banking and Trust Company (BB&T); and The National Bank of Blacksburg with 6, 3, and 7 branches each respectively in the AA.

GNB is ranked 5th overall mortgage lender in Buchanan County with 4.88 percent market share out of a total of 53 lenders. The top 3 competitors in the county include: Trupoint Bank with 25.61 percent market share, New Peoples Bank with 16.83 percent, and Vanderbilt Mortgage with 12.68 percent.

GNB is ranked 15th overall mortgage lender in Tazewell County with 1.38 percent of the market share out of 119 total lenders. The top 3 competitors in the county include First Community Bank with 8.74 percent market share, Wells Fargo with 8.65 percent, BB&T with 7.08 percent.

Table 1 - Demographic Information for Buchanan/Tazewell AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	18	0.00	22.22	77.78	0.00
Population by Geography	69,176	0.00	21.69	78.31	0.00
Owner-Occupied Housing by Geography	20,469	0.00	21.16	78.84	0.00
Business by Geography	3,261	0.00	19.69	80.31	0.00
Farms by Geography	100	0.00	7.00	93.00	0.00
Family Distribution by Income Level	19,313	25.94	20.50	21.08	32.48
Distribution of Low and Moderate Income Families throughout AA Geographies	8,968	0.00	25.14	74.86	0.00
Median Family Income		\$48,460			
FFIEC Adjusted Median Family Income for 2016		\$52,300	Median Housing Value		\$75,202
Households Below Poverty Level		20%			
Buchanan County 2016 Unemployment Rate – 10.8%					
Tazewell County 2016 Unemployment Rate – 7.5%					

* Unemployment rates taken from the Bureau of Labor Statistics

According to 2010 US census data, the total population in the AA was 69,176 with 20,469 households and 19,313 families. The AA consists of 18 census tracts. None of the tracts are low income or upper income. Approximately 22.2 percent are moderate income geographies, and 77.8 percent are middle income geographies.

The 2016 FFIEC median adjusted family income for the AA was \$52,300. Within the AA, 25.9 percent of families were low income, 20.5 percent of families were moderate income, and 20 percent of households were below the poverty level.

The unemployment rate for 2016 for Buchanan and Tazewell Counties were 10.8 percent and 7.5 percent respectively. These rates are higher than the Virginia average for 2016 of 4.0 percent and Buchanan County’s average is more than two and a half times that of the state.

As of the 3rd quarter of 2016, the Virginia Employment commission reports the largest employers in Buchanan County to be the Buchanan County School Board, Buchanan Minerals LLC, and Keen Mountain Correctional Institute. They report the largest employers in Tazewell to be Walmart followed by the Tazewell County School Board and the Clinch Valley Community Hospital.

The area has historically depended heavily on the coal industry and has suffered economically in recent years as these jobs continue to dwindle.

Washington County Bristol City MSA AA (Washington County AA)

GNB's Washington County AA is made up of Washington County, Virginia and four census tracts located in Bristol City, Virginia. These 17 tracts are part of the larger Kingsport-Bristol Tennessee-Virginia metropolitan statistical area. This assessment area meets the requirements of the regulation and doesn't arbitrarily exclude any low or moderate income geographies.

Table 2 - Demographic Information for Washington County AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	17	5.88	17.65	58.82	17.65
Population by Geography	72,711	3.94	17.13	66.51	12.43
Owner-Occupied Housing by Geography	21,762	3.42	14.69	68.28	13.62
Business by Geography	4,640	1.77	22.16	62.59	13.49
Farms by Geography	260	0.38	10.77	76.15	12.69
Family Distribution by Income Level	20,976	23.14	16.29	20.14	40.44
Distribution of Low and Moderate Income Families throughout AA Geographies	8,270	8.95	18.85	64.81	7.39
Median Family Income		\$48,038	Median Housing Value		\$123,578
FFIEC Adjusted Median Family Income for 2016		\$50,700			
Households Below Poverty Level		17%			4.5%

* Unemployment rates taken from the Bureau of Labor Statistics

According to the 2010 census, the total population of the AA was 72,711 with 21,762 households and 20,976 families. The AA consists of 17 census tracts including 5.9 percent low income geographies, 17.65 percent moderate income geographies, 58.82 percent middle income geographies, and 17.65 percent upper income geographies.

The 2016 FFIEC Adjusted Median Family Income for 2016 was \$50,700. Within this AA 23.14 percent of families were low income, 16.29 percent were moderate income, 20.14 percent were middle income, and 40.44 percent were upper income. Approximately 17 percent of households in the AA were below the poverty level. According to the Bureau of Labor Statistics, the 2016 unemployment rate for Washington County was 4.5 percent, which is slightly higher than the Virginia average of 4.0 percent for the same year.

Moody's Analytics shows the largest employers in the MSA for 2016 to be Eastman Chemical Co., Wellmont Health System, and Holston Medical group.

The bank's operation in this assessment area are limited. Only one branch out of 8 is located in this AA.

As of June 30, 2016, GNB ranked 24th in total deposits in the area with a 0.32 percent market share and 1 of 8 branches located in this AA. Total deposits in the AA were \$13.8 million. The largest deposit competitors include First Tennessee Bank; The First Bank and Trust Company; and the BB&T; with 6, 7, and 11 branches each respectively in the AA.

GNB is ranked 68th overall mortgage lender in Washington County with 0.18 percent market share out of a total of 162 lenders. The top 3 competitors in the county include Eastman Credit Union with 10.28 percent market share, Vanderbilt Mortgage with 7.65 percent, and Highlands Union Bank with 6.42 percent.

GNB is ranked 48th overall mortgage lender in the city of Bristol with 0.41 percent of the market share out of 93 total lenders. The top 3 competitors in the city include Eastman Credit Union with 20.69 percent market share, First Bank and Trust Company with 6.90 percent, and Quicken Loans with 6.49 percent.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the Lending Test is January 1, 2014 through December 31, 2016. Conclusions regarding the bank's lending performance are based on HMDA (Home Mortgage Disclosure Act) reportable loan data originated or purchased between January 1, 2014, and December 31, 2016.

The evaluation period for the Community Development (CD) test is from May 28, 2014 through April 24, 2017. The Lending Test includes a review of GNB's record of originating loans that meet the CD definition and benefit GNB's AAs. The investment test includes a review of GNB's record of funding of investments, grants and donations that meet the CD definition and benefit the AAs. Any CD qualified investments originated during prior evaluation periods that remained outstanding as of May 28, 2014, were given appropriate consideration. The service test included an assessment of the availability GNB's services and its record of providing financial expertise to organizations within the banks AA.

Data Integrity

Prior to this evaluation, we reviewed HMDA data and bank evaluations of the data from 2014, 2015, and 2016. We concluded that the data was accurate and reliable for use in the examination.

Selection of Areas for Full-Scope Review

We performed a full-scope review of the bank's Buchanan/Tazewell AA as this AA contained the majority of the bank's deposits, and branches. As of June 30, 2016, the non-MSA AA contained 94 percent of the bank's total deposits and 84 percent of the bank's rated area loans. Seven of the eight total branches are located in this assessment area.

We performed a limited-scope review of the Washington County AA since this AA contained a significantly smaller volume of deposits (6 percent), and branches (1).

Ratings

GNB's overall CRA rating is a blend of its performance under the Lending, and Community Development Tests. Under each of those tests, performance in the full-scope AA weighed more heavily in the overall rating.

Other

In conjunction with this evaluation, we completed one contact with a community organization regarding the community and credit needs in the Washington County AA. The organization is an economic development group that focus on recruiting businesses to the county and helping existing businesses grow. The contact identified two credit and community development needs of the area. The needs included loans to small farms as they make up a substantial portion of the business in the county, as well as a need for venture capital to enable the economy to grow outside of the farming industry.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) and 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA'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 (HUD), and the Consumer Financial Protection Bureau (CFPB).

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

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

Responses to Complaints

The bank did not receive any CRA related complaints during the review period.

Conclusions with Respect to Performance Tests

LENDING TEST

GNB's performance under the lending test is satisfactory. GNB has excellent geographic dispersion of loans and excellent penetration to borrowers of different income levels. The bank originated a majority of loans inside the assessment areas during the evaluation period. While GNB's loan to deposit ratio is less than reasonable, this is mitigated by the high poverty and unemployment rates in the full-scope AA which significantly affects the ability of low and moderate income borrowers to afford loans.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is calculated on a bank-wide basis and is not calculated by individual AA. GNB's loan-to-deposit ratio is less than reasonable. We calculated the quarterly average of 48.3 percent beginning on June 30, 2014, and for each of the 12 quarters through March 31, 2017.

Competitors of similar asset size in the same markets have higher LTD ratios. We calculated peer average including GNB and 3 other banks of similar size and in the same markets to be 67.8 percent for the same time period. The 3 peer banks selected had quarterly averages ranging from approximately 56 percent to 92 percent over the same time period.

Lending in Assessment Area

The proportion of lending inside versus outside the bank's assessment area is calculated on a bank wide basis and is not calculated by individual AA. For the evaluation period, a majority of HMDA reportable loans were made inside the bank's AAs. Approximately 81.7 percent of the number of loans and 62.7 percent of the dollar volume were originated inside the AA. The percentages in numbers of loans made inside the AAs by loan type for the combined three-year period are as follows: home improvement loans 80 percent, home refinance loans 87.5 percent, and home purchase 77.4 percent. Please see the table below.

Table 3 - Lending in GNB's AA 2014-2016 in the Buchanan/Tazewell AA <i>(Dollar amounts in thousands)</i>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	41	77.36	12	22.64	53	3,624	71.82	1,422	28.18	5,046
Home Improvement	24	80.00	6	20.00	30	943	23.64	3,046	76.36	3,989
Home Refinance	42	87.5	6	12.5	48	3,869	87.73	541	12.27	4,410
Total	107	81.68	24	18.32	131	8,436	62.74	5,009	37.26	13,445

* Source: 2014 -2016 HMDA Data based on 2010 US Census

Lending to Borrowers of Different Incomes

The bank's lending penetration to borrowers of different income is excellent.

Full-scope Buchanan/Tazewell AA

Lending penetration to borrowers of different income levels in the full-scope Buchanan/Tazewell AA is excellent based on lending to moderate income individuals. The percentage of home purchase loans to moderate income individuals exceeded the percentage of moderate income families. The percentage of home improvement loans to moderate income individuals was near to the percentage of moderate income families in the AA. Finally, GNB's percentage of home refinance loans to moderate income individuals significantly exceeded the percentage of moderate income families in the AA.

GNB's percentage of home purchase loans originated exceeds the percentage of low income families in the AA. The percentage of home improvement loans to low income borrowers was near to the percentage of families in the AA and the percentage of home refinance loans to low income individuals is significantly less than the percentage of low income families in the AA.

Limited-scope Washington County AA

The bank's performance in the limited-scope AA is inconsistent with its performance in the full-scope AA. The bank did not originate any loans to low or moderate income borrowers in the limited-scope AA.

The lack of lending to low and moderate income borrowers can be explained by looking at the median family income in the AA of \$50,700 and the median housing value of \$123,578. Low and moderate income levels would be approximately 50 percent and 80 percent of the median family income at less than \$25,350 and \$40,560. Considering these demographics it would be difficult for low- and moderate-income borrowers to purchase homes in this AA.

Table 4 - Distribution of Residential Real Estate Loans by Borrower Income Levels in the Buchanan/Tazewell AA 2014-2016														
Borrower Income Level		Low		Moderate		Middle		Upper		Overall	Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans		Market Share			
Home Purchase	28	25.94	30.77	20.50	23.08	21.08	11.54	32.48	34.62	4.48	3.13	6.98	5.33	2.06
Home Improvement	22	25.94	14.29	20.50	19.05	21.08	42.86	32.48	23.81	5.53	4.00	2.08	7.69	8.16
Home Refinance	38	25.94	7.89	20.50	42.11	21.08	26.32	32.48	23.68	4.37	4.35	5.00	1.56	5.88

Table 5 - Distribution of Residential Real Estate Loans by Borrower Income Levels in the Washington County AA 2014-2016														
Borrower Income Level		Low		Moderate		Middle		Upper		Overall	Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans		Market Share			
Home Purchase	13	23.14	0.00	16.29	0.00	20.14	60.00	40.44	40.00	0.84	0.00	0.69	0.66	1.18
Home Improvement	2	23.14	0.00	16.29	0.00	20.14	0.00	40.44	100.0	0.00	0.00	0.00	0.00	0.00
Home Refinance	2	23.14	0.00	16.29	0.00	20.14	0.00	40.44	100.0	0.00	0.00	0.00	0.00	0.00

Geographic Distribution of Loans

The bank’s geographic distribution of home loans reflects excellent dispersion throughout the census tracts of different income levels.

Full-scope Buchanan/Tazewell AA

Geographic Distribution of Loans in the full-scope Buchanan/Tazewell AA reflects excellent dispersion of loans. The AA does not include any low income tracts. The number of home purchase, and home improvement loans originated in moderate income census tracts significantly exceeds the percentage of owner occupied units in those tracts. The number of refinance loans in moderate income census tracts exceeds the number of owner occupied units.

Limited-scope Washington County AA

The bank’s performance in the limited-scope Washington County AA is inconsistent with performance in the Buchanan/Tazewell AA. The bank did not make any loans in low or moderate income geographies in the AA during the review period.

Considering the median family income in this AA is \$50,700 and the median housing value is \$123,578, low and moderate income levels would be approximately 50 percent and 80 percent of the median family income at \$25,350 and \$40,560 respectively. It would be difficult for borrowers earning these income amounts to purchase housing in this AA.

Table 6 - Distribution of Residential Real Estate Loans by Census Tract Income Levels in the Buchanan/Tazewell AA 2014-2016														
Census Tract Income Level		Low		Moderate		Middle		Upper		Overall	Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	Market Share (%) by Geography				
Home Purchase	28	0.00	0.00	21.16	67.86	78.84	32.14	0.00	0.00	3.39	0.00	8.00	2.70	0.00
Home Improvement	22	0.00	0.00	21.16	54.55	78.84	45.45	0.00	0.00	5.47	0.00	8.00	4.64	0.00
Home Refinance	38	0.00	0.00	21.16	28.95	78.84	71.05	0.00	0.00	3.51	0.00	10.81	2.42	0.00

Table 7 - Distribution of Residential Real Estate Loans by Census Tract Income Levels in the Washington County AA 2014-2016														
Census Tract Income Level		Low		Moderate		Middle		Upper		Overall	Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	Market Share (%) by Geography				
Home Purchase	13	3.42	0.00	14.69	0.00	68.28	69.23	13.62	30.77	0.73	0.00	2.15	0.22	1.68
Home Improvement	2	3.42	0.00	14.69	0.00	68.28	100.0	13.62	0.00	0.00	0.00	0.00	0.00	0.00
Home Refinance	2	3.42	0.00	14.69	0.00	68.28	100.00	13.62	0.00	0.00	0.00	0.00	0.00	0.00

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test is rated satisfactory. During the evaluation period, the bank provided \$27 thousand in qualified donations to help meet the needs of the Buchanan/Tazewell full-scope AA. Additionally, the bank provided adequate financial services to CD organizations serving the AA. While performance in the limited-scope Washington County AA was inconsistent with performance in the full-scope AA.

Number and Amount of Community Development Loans

GNB provided an adequate level of CD loans during the evaluation period. We determined that eight loans, totaling approximately \$2.2 million qualified for CD lending consideration. These loans provided community services, economic development opportunities to LMI individuals, and revitalization and stabilization.

Full-scope Buchanan/Tazewell AA

GNB provided an adequate level of CD lending in the full-scope Buchanan/Tazewell AA during the review period. The bank provided funding for 6 CD loans in the AA totaling \$1.3 million including:

- \$350 thousand to renovate and open a medical facility in a distressed and underserved tract;
- \$400 thousand to open a new business in a moderate income tract that will provide additional low and moderate income jobs;
- \$211 and \$50 thousand separately to open a medical office in a distressed and underserved tract;
- \$10 thousand to open a new retail store in a moderate income tract that will create low and moderate income jobs; and,
- \$245 thousand to open a new business in a moderate income census tract that will support permanent low and moderate income job creation.

Limited-scope Washington County AA

Performance in the limited-scope MSA AA was not inconsistent with performance in the full-scope AA. The bank originated 2 community development loans in the AA totaling \$975 thousand during the review period.

Number and Amount of Qualified Investments

The bank provided an adequate level of qualified investments throughout its AA. GNB has approximately \$1.2 million outstanding book balance from prior period investments. Approximately \$1.1 million benefit the statewide region.

Full-Scope Buchanan/Tazewell AA

GNB provided an adequate level of qualified investments in the full-scope Buchanan/Tazewell AA. While the bank did not purchase any qualified investments during the review period, they did make approximately \$27.3 thousand in donations that directly benefitted the AA. Donations were made to 11 different organizations with varying missions including providing special learning programs for children in schools where more than 50 percent of students receive free or reduced lunch, food pantries, and donations made directly to low and moderate income individuals in the assessment area.

Limited-scope Washington County AA

Performance in the limited-scope Washington County AA assessment area was not inconsistent with performance in the full-scope area. Although the bank did not make any qualified donations that benefitted this assessment area during the review period, a \$100 thousand prior period investment bond was considered when comparing performance to the full-scope AA.

Extent to Which the Bank Provides Community Development Services

GNB provides an adequate level of CD services. While performance in the full-scope AA was adequate, performance in the limited-scope AA was inconsistent and weaker than the full-scope area.

Full-scope Buchanan Tazewell non-MSA AA

GNB provides an adequate level of CD services in the full-scope non-MSA AA. During the review period, Directors and employees of the bank volunteered at several organizations throughout the AA. These organizations support missions such as teaching low and moderate income students financial and money management skills and the importance of practicing good credit habits and teaching financial skills to low and moderate income adults with intellectual and mental disabilities.

In addition to the services listed above, 3 branches in the full-scope AA are located in moderate-income tracts including the Stiltner's Creek, Deel, and Hurley Branches.

Limited-scope Washington County AA

Performance in the limited-scope MSA AA is inconsistent with performance in the full-scope AA. The bank did not have any qualified CD services in the Washington County AA during the review period. However, the bank's only branch in this AA, the Abingdon branch is located in a moderate income tract.

Responsiveness to Community Development Needs

GNB demonstrates adequate responsiveness to the CD needs of its AA.