



## PUBLIC DISCLOSURE

January 29, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank of Blacksburg  
Charter Number **12229**

100 South Main Street  
Blacksburg, Virginia 24060

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: Satisfactory**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

*The National Bank of Blacksburg has a satisfactory record of meeting the needs of the assessment area. The major factors that support this rating are as follows:*

- *The bank's average loan-to-deposit (LTD) ratio is reasonable compared to similarly situated institutions;*
- *A majority of the loans originated during the evaluation period were inside the bank's assessment areas (AAs);*
- *The distribution of borrowers, given the demographics of the AAs, reflects an overall reasonable dispersion and satisfactory performance;*
- *The geographic distribution of loans reflects reasonable dispersion throughout the AAs;*
- *The bank demonstrates adequate responsiveness to community development needs.*

## **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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 five years and used to determine the income level category of geographies. 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 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 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 (MSA):** 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.

**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) 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**

The National Bank of Blacksburg (NBB) is a \$1.2 billion intrastate bank headquartered in Blacksburg, Virginia (VA). The bank is solely owned by its holding company, National Bankshares, Inc. (NBI). NBI also operates an insurance and brokerage subsidiary, National Bankshares Financial Services, Inc., which does business as National Bankshares Insurance Services and National Bankshares Investment Services. National Bankshares, Inc.'s common stock trades on the Nasdaq Capital Market under the symbol "NKSH".

NBB is a full service community bank, with 26 branches and 21 automated teller machines (ATMs) serving the cities of Radford and Galax, and the counties of Carroll, Giles, Grayson, Pulaski, Bland, Smyth, Tazewell, Washington, Wythe, and Montgomery in VA; and portions of the adjacent counties of McDowell and Mercer in West Virginia (WV) in the three assessment areas. The bank has one stand-alone ATM located at 1100 E. Main Street, Pulaski, VA. In 2014, the bank opened one branch at 2280 Kraft Drive, Blacksburg, VA, which is located in a middle-income census tract in Montgomery County in the Blacksburg-Christiansburg-Radford, VA MSA. The bank did not close any branches during the evaluation period.

NBB ranked second among depository institutions in its combined assessment areas with a deposit market share of 12.49 percent as of June 30, 2016. Major competitors are Skyline National Bank, Branch Bank & Trust (BB&T), First Community Bank, Hometown Bank, First Bank and Trust Company, and Union Bank and Trust.

The bank's primary focus is on retail banking. NBB offers a variety of deposit and loan products to meet consumer and commercial banking needs. The bank's Internet website, <http://www.nbbank.com>, provides detailed information on products and services for both consumers and businesses. Banking services are standard, with the addition of mobile banking, on-line banking and 24-hour telephone banking services.

There are no legal, financial or other factors impeding NBB's ability to help meet the credit needs in its AAs. NBB received a "Satisfactory" rating on its January 2015 CRA Performance Evaluation.

As of December 31, 2016, Tier I Capital was approximately \$180 million, Tier I Risk-based Capital to Risk-weighted Assets equaled 25.14 percent, and Tier 1 Leverage Capital equaled 14.96 percent.

NBB's business strategy focuses on loans to businesses, residential mortgage loans, and consumer loans. The bank is primarily a real estate lender, with approximately 81 percent of the loan portfolio consisting of real estate secured loans. NBB reported total loans of \$648 million, or 52.68 percent of total assets as of December 31, 2016.

For purposes of this evaluation, we considered loans to businesses and residential mortgage loans as primary products, based on the bank's business strategy and balances outstanding. As a percentage of total loans outstanding as of December 31, 2016, loans

to businesses, which included loans secured by nonfarm non-residential property and commercial and industrial loans, represented approximately 42 percent; and residential mortgage loans, including multi-family, were 40 percent. Please refer to **Table 1** below for a summary of the Institution's loan types during the evaluation period.

Table 1 - Loan Categories for Evaluation Period*		
Type of Loan	Balance Outstanding (\$000s)	% of Total \$ Loans
Non-Farm/Non-Residential	\$233,833	36.07
1-4 Family Residential	\$158,024	24.38
Multi-family Residential	\$101,763	15.70
Other	\$45,479	7.02
Commercial & Industrial	\$36,767	5.67
Construction & Land Development	\$36,332	5.60
Loans to Individuals	\$33,052	5.10
Secured by Farmland & other loans to Farmers	\$2,980	0.46
Total	\$648,230	100.00

\*Schedule RC-C Part 1 - Loans and Leases as reported in the Consolidated Reports of Condition and Income as of December 31, 2016.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

NBB was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The Community Development (CD) test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, services and qualified investments. The evaluation period under the Lending Test covers the bank's performance from January 1, 2014 through December 31, 2016. The evaluation period for the CD test was from January 5, 2014 through December 31, 2016.

Information regarding the bank's financial performance was as of December 31, 2016, whereas information regarding the bank's deposit market share within the counties comprising its AAs was as of June 30, 2016.

### Data Integrity

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). Prior to this evaluation, we tested the accuracy of the institution's HMDA data during a data integrity review performed in January 2017. Our purpose was to validate the accuracy of the bank's HMDA data for January 1, 2014 through December 31, 2016. At that time, we determined that the HMDA data was materially accurate and reliable. We did find a minimal number of errors in the bank's HMDA data collected and reported on its Loan Application Register for Year 2016. Management corrected the errors during its data scrub in February 2017 prior to the March 1, 2017 submission to the FFIEC. Community development loans, investments and services submitted by bank management were verified to ensure they met the regulatory definition for community development.

## **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, a sample of AAs within that state are selected for full-scope reviews. NBB does business in three defined AAs within the state of Virginia. The Blacksburg-Christiansburg-Radford MSA 13980 AA (“Blacksburg AA”) and the Southwest Virginia-West Virginia non-MSA AA (“SW Virginia AA”) were selected for full scope review as the majority of the bank’s operations are within these AAs. The Blacksburg AA accounted for 72 percent of home mortgage loans originated during the evaluation period and approximately 67 percent of the bank’s deposits as of December 31, 2016. The SW Virginia AA accounted for 24 percent of home mortgage loans originated during the evaluation period and approximately 32 percent of the bank’s deposits as of December 31, 2016.

The Kingsport-Bristol-Bristol Tennessee-Virginia MSA 28700 AA (“Washington County AA”) received a limited scope review due to low volume of loan activity and deposits in this AA. This AA accounted for approximately four percent of home mortgage loans originated during the evaluation period, and approximately 1 percent of total deposits as of December 31, 2016.

## **Ratings**

The bank’s overall rating is based primarily on those areas that received full-scope reviews.

The bank’s overall rating is based on the rating for the Virginia Commonwealth. The state rating is based on a blend of ratings from all three AAs in Virginia. A full-scope review was performed for the Blacksburg AA and the SW Virginia AA. A limited scope review was performed for the Washington County AA.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered the bank’s business strategy and financial condition, the number and types of loans originated and outstanding, and community credit needs identified through discussions with community contacts. We also considered the state of the area economy, business climate, and market demographics to determine the extent to which opportunities to lend are present.

Based on discussions with bank management, NBB’s primary loan types are home mortgage loans and small business loans. To achieve the lending test rating, more weight was placed on the home mortgage loans originated in the Blacksburg AA because a majority of the bank’s lending and deposits are located in this AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §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 assessment area 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 Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] 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.

## **Responses to Complaints**

NBB did not receive any complaints about its performance in helping to meet credit needs in its AAs during the evaluation period.

## **Conclusions with Respect to Performance Tests**

The bank's loan-to-deposit ratio is reasonable, and a majority of loans are originated inside the AA. The bank's borrower distribution reflects reasonable penetration among borrowers of different incomes. Geographic distribution reflects reasonable dispersion throughout the census tracts of different income levels.

NBB's rating is based on the bank's performance in the three AAs in Virginia. More weight and consideration was given to lending in the Blacksburg AA as this is the area in which a substantial majority of the bank's offices are located, and hence the substantial majority of loans are originated. Consideration was also given to the lending in the SW Virginia AA and the Washington County AA reviews of these AAs.

The distribution of loans by income level of the borrower received greater consideration than the distribution of loans by income level of the geography. This is due to the limited number of moderate-income tracts in the full-scope AAs. There are no low-income tracts in the AAs, and 18, or approximately 19 percent of total tracts are designated as moderate-income. A majority of low- and moderate-income families live in middle-income tracts in the AAs, with 18 middle-income tracts in the SW Virginia AA designated as distressed or underserved nonmetropolitan middle-income tracts due to the remote rural location or poverty level.

## **Lending Test**

Overall lending levels reflect reasonable responsiveness to meeting AA credit needs. The bank ranked fourth in overall market share among 298 HMDA reporters in the combined three AAs, with 4.70 percent of the market share for originated or purchased mortgage loans. NBB ranked sixth for home purchase loans, second for home improvement loans, and fifth for home mortgage refinance loans with respective market shares of 3.95 percent, 12.47 percent, and 3.65 percent. Residential real estate lending market shares reflect strong competition in the AAs.

### **Lending Activity**

To evaluate NBB's CRA lending performance, we focused on its record of lending in its AAs, loan-to-deposit (LTD) ratio since the last CRA evaluation (including a comparison to similarly situated institutions), record of lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of lending in the bank's AAs.

### **Loan-to-Deposit Ratio**

NBB's average quarterly LTD ratio is reasonable, considering the low dollar loans it is willing to make and the opportunities to lend within the assessment areas. The bank's average quarterly LTD ratio since the last CRA evaluation period is 61.43 percent. This ratio has slightly declined since the prior CRA evaluation, which posted an average quarterly LTD ratio of 61.73 percent. This ratio is also below the average of 89.08 percent for similarly situated banks in the bank's AA. The bank is conservative in their lending practices, and the LTD ratio has remained fairly consistent since the last CRA evaluation.

NBB’s average quarterly LTD ratio ranked last compared to competitor banks during the evaluation period. The competitor banks primarily are large, multi-state national banks and large state banks with multiple branches within the same AAs as NBB. These banks offer highly competitive rates on loans and deposit products, which has led to their capturing a higher percentage of the market share. Competitor banks and the average quarterly LTD ratios are displayed in Table 2.

Table 2 - Competitor Banks		
Bank Name	Total Assets (,000)	Average Loan-to-Deposit Ratio* (percentage)
Union Bank & Trust	\$ 7,571,682	95.53
The First Bank and Trust Company	\$ 1,428,755	93.62
Hometown Bank	\$ 472,973	90.69
First Community Bank	\$ 2,453,941	89.78
Branch Banking and Trust Company	\$ 203,893,266	84.24
Skyline National Bank	\$ 332,122	80.61

\*Average Loan-to-Deposit Ratio for Quarters ended March 31, 2014 through December 31, 2016.

### Lending in Assessment Area

Table 3 reports that a majority of loans were inside the bank’s AAs. Overall 90 percent of loans made during the evaluation period were inside the bank’s AAs. By loan product, 90 percent of business loans, and 91 percent of home mortgage loans were made inside the bank’s AAs.

Table 3 - Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	\$	\$	%	\$	%	\$
Home Purchase Loans	475	92.77	37	7.23	512	100,739	94.80	5,523	5.20	106,262
Home Improvement Loans	359	84.67	65	15.33	424	7,832	87.36	1,133	12.64	8,965
Refinanced Mortgage Loans	228	96.20	9	3.80	237	40,645	97.30	1,127	2.70	41,772
<b>Total Home Mortgage Loans</b>	<b>1,062</b>	<b>90.54</b>	<b>111</b>	<b>9.46</b>	<b>1,173</b>	<b>149,216</b>	<b>95.04</b>	<b>7,783</b>	<b>4.96</b>	<b>156,999</b>
Small Loans to Businesses	60	89.55	7	10.45	67	27,760	71.47	11,080	28.53	38,840
<b>Totals</b>	<b>1,122</b>	<b>90.48</b>	<b>118</b>	<b>95.16</b>	<b>1,240</b>	<b>176,976</b>	<b>90.37</b>	<b>18,863</b>	<b>9.63</b>	<b>195,839</b>

Source: Data reported under HMDA from January 1, 2014 - December 31, 2016 and a sample of small loans to businesses for the same period.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

NBB’s borrower distribution reflects an overall reasonable dispersion. The distribution of borrowers reflects reasonable penetration among individuals of different income levels. The distribution of home mortgage loans was reasonable. We considered the lack of affordability for low- and moderate-income individuals to purchase a home in each of the three AAs. Overall, there are no low-income tracts in the bank’s three AAs and 18

moderate-income tracts. Demographic data from the 2010 U.S. Census indicated households below the poverty level were 14.91 percent for Washington County AA, 19.24 percent for the SW Virginia AA, and 20.04 percent for the Blacksburg AA.

## Conclusions for Areas Receiving Full-Scope Reviews

### Blacksburg AA

Overall lending levels in the Blacksburg AA reflect reasonable responsiveness to meeting AA credit needs. NBB ranked sixth for home purchase loans, first for home improvement loans, and fourth for home mortgage refinance loans in the Blacksburg AA with respective market shares of 6.12 percent, 17.26 percent, and 6.04 percent. Residential lending market shares reflect strong competition with 217 residential lenders in the AA, most of which are not financial institutions.

The borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes, given the demographics of the AA. The overall distribution of HMDA loans is reasonable. As reported in Table 4, the percentage of total HMDA loans to low-income borrowers is below the percentage of low-income families in the AA. The percentage of total HMDA loans to moderate-income families is somewhat below the percentage of moderate-income families in the AA. See Table 4 for borrower distribution of home mortgage loan segments.

Table 4 - Borrower Distribution of Home Mortgage Loans in Blacksburg AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.45	6.83	16.30	12.05	20.87	17.67	41.39	63.45
Home Improvement	21.45	23.33	16.30	23.89	20.87	23.33	41.39	29.44
Home Refinance	21.45	12.20	16.30	13.01	20.87	13.01	41.39	61.79
<b>Total HMDA Loans<sup>1</sup></b>	<b>21.45</b>	<b>11.59</b>	<b>16.30</b>	<b>12.59</b>	<b>21.06</b>	<b>43.06</b>	<b>40.17</b>	<b>16.88</b>

Source: 2010 U.S. Census. Data reported under HMDA for evaluation period January 1, 2014-December 31, 2016.

The weighted average of median housing in this AA is \$165,207. According to the 2016 FFIEC updated MSA median family income, low-income families earn less than \$28,150. Additionally, 20 percent of households are below the poverty level. The lack of affordability limits the opportunities for home purchase lending to low-income individuals. For this reason, it is deemed reasonable for the number of loans made to low-income families to be below the number of families that represent these income tracts.

The distribution of loans to small businesses (those with less than \$1 million in gross annual revenues) is reasonable. By number volume, the percentage of loans to small businesses is proportionate to the percentage of small businesses in the AA as reported in Table 5.

<sup>1</sup> Loans for which borrower income was available.

Table 5 - Borrower Distribution of Loans to Businesses in Blacksburg AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.82	5.16	15.02	100%
% of Bank Loans in AA by #	55.00	35.00	10.00	100%
% of Bank Loans in AA by \$	23.27	54.61	22.12	100%

Source: Business purpose loan sample for January 1, 2014 – December 31, 2016; Dun and Bradstreet data.

## SW Virginia AA

The borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The overall distribution of HMDA loans is reasonable. As reported in Table 6, the percentage of total HMDA loans to low-income families is below the percentage of low-income families in the AA. The percentage of total HMDA loans to moderate-income borrowers exceeds the percentage to moderate-income families in the AA. See Table 6 for borrower distribution of home mortgage loan segments.

Table 6 - Borrower Distribution of Home Mortgage Loans in SW Virginia AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.29	8.93	19.24	23.21	23.02	23.21	34.45	44.64
Home Improvement	23.29	24.39	19.24	32.52	23.02	19.51	34.45	23.58
Home Refinance	23.29	9.68	19.24	22.58	23.02	22.58	34.45	45.16
<b>Total HMDA Loans<sup>2</sup></b>	<b>23.29</b>	<b>17.54</b>	<b>19.24</b>	<b>26.32</b>	<b>23.02</b>	<b>21.49</b>	<b>34.45</b>	<b>31.14</b>

Source: 2010 U.S. Census. Data reported under HMDA for evaluation period January 1, 2014-December 31, 2016.

The weighted average of median housing in this AA is \$89,050. According to the 2016 FFIEC updated MSA median family income, low-income families earn less than \$25,830. Additionally, 19 percent of households are below the poverty level. The lack of affordability limits the opportunities for home purchase lending to low-income individuals. For this reason, it is deemed reasonable for the number of loans made to low-income families to be below the number of families that represent these income tracts.

The distribution of loans to small businesses (those with less than \$1 million in gross annual revenues) is reasonable. By number volume, the percentage of loans to small businesses is proportionate to the percentage of small businesses in the AA as reported in Table 7.

<sup>2</sup> Loans for which borrower income was available.

Table 7 - Borrower Distribution of Loans to Businesses in SW Virginia AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81.26	4.79	13.95	100%
% of Bank Loans in AA by #	65.00	25.00	10.00	100%
% of Bank Loans in AA by \$	40.40	33.65	25.95	100%

Source: Small Business loan sample; Dun and Bradstreet data.

## Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank’s performance under the lending test in the Washington County AA is not inconsistent with the bank’s overall Satisfactory performance under the lending test in Virginia. NBB originated 36 home mortgage loans in the Washington County AA. Please refer to Table 8 for the facts and data that support these conclusions.

Table 8 - Borrower Distribution of Home Mortgage Loans in Washington County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.62	4.76	16.13	9.52	20.25	19.05	43.01	66.67
Home Improvement	20.62	33.33	16.13	0.00	20.25	0.00	43.01	66.67
Home Refinance	20.62	0.00	16.13	11.11	20.25	11.11	43.01	77.78
<b>Total HMDA Loans<sup>3</sup></b>	<b>20.62</b>	<b>8.33</b>	<b>16.13</b>	<b>8.34</b>	<b>20.25</b>	<b>13.89</b>	<b>43.01</b>	<b>69.44</b>

Source: 2010 U.S. Census. Data reported under HMDA for evaluation period January 1, 2014-December 31, 2016.

The distribution of loans to small businesses (those with less than \$1 million in gross annual revenues) is not inconsistent with the overall Satisfactory performance under the lending test in Virginia. Please refer to Table 9 for the facts and data that support these conclusions.

Table 9 - Borrower Distribution of Loans to Businesses in Washington County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.37	5.39	11.24	100%
% of Bank Loans in AA by #	75.00	10.00	15.00	100%
% of Bank Loans in AA by \$	51.91	1.38	46.71	100%

Source: Small Business loan sample; Dun and Bradstreet data.

## CONCLUSIONS FOR AREAS RECEIVING FULL-SCOPE REVIEWS

### Geographic Distribution of Loans

There are no low-income census geographies in the AAs. Therefore, the evaluation of geographic loan distribution in the AAs reflects performance in nineteen moderate-income geographies. Consideration is also given to the eighteen designated distressed or

<sup>3</sup> Loans for which borrower income was available.

underserved middle income tracts in the SW Virginia AA. This designation is given to these tracts due to the remote rural location and poverty level of these census tracts.

We considered the demographic characteristics of moderate-income geographies in evaluating geographic distribution of mortgage loans in the AAs. We considered the percentage of owner-occupied housing units in these geographies as well as the percentage of rental properties in the AAs. These are limiting factors that impact the bank’s ability to make mortgage loans to individuals residing in moderate-income geographies. We also considered the number of competitors making loans in this market.

As shown on the following pages, NBB’s geographic distribution of loans reflects reasonable dispersion and is indicative of reasonable performance. Overall, the bank made loans in moderate-income geographies proportionate to the percentage of owner-occupied housing units located in the AA. More weight is given to the bank’s performance in the SW Virginia AA due to the number of moderate income geographies in the area (10), and the presence of eighteen (18) designated distressed or underserved middle income tracts. We identified no apparent gaps or areas of low penetration in the bank’s lending patterns.

## CONCLUSIONS FOR AREAS RECEIVING FULL-SCOPE REVIEWS

### Blacksburg AA

There are 33 census tracts located in this AA. There are no low-income census tracts, and six moderate-income tracts located in the AA. The percentage of households living below the poverty level is 20.04 percent. The percentage of owner-occupied housing units located in the moderate-income tract totals 55.58 percent.

Overall, the distribution of HMDA loans in the Blacksburg AA reflects reasonable dispersion among the geographic areas. As reported in Table 10, the percentage of total HMDA loans to moderate-income borrowers is near to the percentage of owner-occupied housing in moderate-income geographies in the AA. See Table 10 for geographic distribution of home mortgage loan segments.

Table 10 – Geographic Distribution of Home Mortgage Loans in Blacksburg AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0 00	20.91	16.12	55.58	43.42	23.51	40.46
Home Improvement	0 00	0 00	20.91	27.37	55.58	49.47	23.51	23.16
Home Refinance	0 00	0 00	20.91	16.90	55.58	47.18	23.51	35.92
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>20.91</b>	<b>17.88</b>	<b>55.58</b>	<b>45.35</b>	<b>23.51</b>	<b>36.77</b>

Source: 2010 U.S. Census. Data reported under HMDA for evaluation period January 1, 2014-December 31, 2016.

As reported in Table 11, the distribution of loans to businesses reflects reasonable dispersion in the AA. The percentage of loans to businesses is somewhat below the percentage of businesses located in the moderate-income geographies.

Table 11- Geographic Distribution of Loans to Businesses in Blacksburg AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business Loans	0.00	0.00	19.09	15.00	52.98	80.00	25.70	5.00

Source: Small Business Loan sample; Dun and Bradstreet data.

### SW Virginia AA

There are 50 census tracts located in the AA, of which 10 are moderate-income tracts. In addition, there are 18 designated distressed or underserved nonmetropolitan middle-income census tracts located in Bland, Grayson and Smyth Counties and the City of Galax in Virginia; and Mercer County, West Virginia, which are included in this AA. There are no low-income census tracts in the AA. The percentage of households living below the poverty level is 19.24 percent. The percentage of owner-occupied housing units located in the moderate-income tracts total 83.94 percent.

The distribution of HMDA loans in the SW Virginia AA reflects reasonable dispersion among the geographic areas. As reported in Table 12, the percentage of total HMDA loans to moderate-income borrowers is well below to the percentage of owner-occupied housing in moderate-income geographies in the AA. See Table 12 for geographic distribution of home mortgage loan segments.

Table 12 - Geographic Distribution of Home Mortgage Loans in SW Virginia AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	16.06	10.17	83.94	89.83	0.00	0.00
Home Improvement	0.00	0.00	16.06	8.80	83.94	91.20	0.00	0.00
Home Refinance	0.00	0.00	16.06	8.82	83.94	91.18	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>16.06</b>	<b>7.89</b>	<b>83.94</b>	<b>92.11</b>	<b>0.00</b>	<b>0.00</b>

Source: 2010 U.S. Census. Data reported under HMDA for evaluation period January 1, 2014 - December 31, 2016.

As reported in Table 13, the distribution of loans to businesses reflects reasonable dispersion in the AA. The percentage of loans to businesses is near to the percentage of businesses located in the moderate-income geographies.

Table 13 - Geographic Distribution of Loans to Businesses in SW Virginia AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Of AA Businesses	% of Number of Loans	% Of AA Businesses	% of Number of Loans	% Of AA Businesses	% of Number of Loans	% Of AA Businesses	% of Number of Loans
Small Business Loans	0.00	0.00	21.94	40.00	59.30	60.00	18.76	0.00

Source: Small Business Loan sample; Dun and Bradstreet data.

### Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank’s performance under the lending test in the Washington County AA is not inconsistent with the bank’s overall Satisfactory performance under the lending test in Virginia. NBB originated 36 home mortgage loans in the Washington County AA. Please refer to Table 14 for the facts and data that support these conclusions.

Table 14 - Geographic Distribution of Home Mortgage Loans in Washington County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	12.14	14.29	70.28	61.90	17.58	23.81
Home Improvement	0.00	0.00	12.14	0.00	70.28	16.67	17.58	83.33
Home Refinance	0.00	0.00	12.14	11.11	70.28	66.67	17.58	22.22
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>12.14</b>	<b>11.11</b>	<b>70.28</b>	<b>55.56</b>	<b>17.58</b>	<b>33.33</b>

Source: 2010 U.S. Census. Data reported under HMDA for evaluation period January 1, 2014-December 31, 2016.

As reported in Table 15, the distribution of loans to businesses is not inconsistent with the dispersion in the AA. The percentage of loans to businesses is near to the percentage of businesses located in the moderate-income geographies.

Table 15 - Geographic Distribution of Loans to Businesses in Washington County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Of AA Businesses	% of Number of Loans	% Of AA Businesses	% of Number of Loans	% Of AA Businesses	% of Number of Loans	% Of AA Businesses	% of Number of Loans
Small Business Loans	0.00	0.00	16.24	15.00	83.76	80.00	0.00	5.00

Source: Small Business Loan sample; Dun and Bradstreet data.

## **Community Development Test**

The Community Development test is rated Satisfactory. The bank's community development performance demonstrates adequate responsiveness to community development needs in the assessment areas. The bank provides adequate community development loans, qualified investments, and services considering the bank's capacity and the need and availability of such opportunities.

### **Number and Amount of Community Development Loans Conclusions for Areas Receiving Full-Scope Reviews**

#### **Blacksburg AA**

Community development lending had a positive impact on lending performance in the Blacksburg AA. During the evaluation period, NBB originated two community development loans totaling \$1.4 million.

One loan in the amount of \$1.3 million was to refund three Rural Development Bonds for the purpose of financing the costs of designing, constructing and equipping the Christiansburg Aquatic Center. This project is located in a moderate-income CT and provides services to low-and moderate-income individuals. The loan for \$100 thousand was originated to fund accounts receivable collections of Medicaid, Medicare, and Private Insurance of a community health center that provides medical and dental services for underserved residents in the counties of Floyd, Giles, Montgomery, and the City of Radford.

#### **SW Virginia AA**

Community development lending had a positive impact on lending performance in the SW Virginia AA. During the evaluation period, NBB originated three community development loans totaling \$13.3 million. One loan in the amount of \$300 thousand was a line of credit to help fund upfront costs associated with new projects for a public service authority in the AA. A second loan in the amount of \$500 thousand for the renewal of this line of credit for the upfront costs associated with new projects. The loan in the amount of \$12.5 million providing funding to a municipality in the AA for the purpose of refunding three Rural Development Bonds at a lower interest rate. The Rural Development Bonds original purpose was for construction of water and sewer lines for New River Regional Water Authority which is in a moderate income tract.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the Lending Test in the Washington County AA is not consistent with the bank's overall performance under the Lending Test in Virginia. During the evaluation period, the bank did not originate any community development loans in the Washington County AA.

Opportunities to lend in the AA for community development purposes are limited. NBB participates in two lending programs that support small business and downtown redevelopment. During the evaluation period, the bank originated no loans under these programs. Borrowers typically are drawn to these programs to take advantage of low or subsidized interest rates. However, interest rates on conventional business loans remained low during the evaluation period. Additionally, the bank originates loans for community development purposes, in amounts less than \$1 million that are considered, by definition in the CRA, small loans to businesses.

### **Number and Amount of Qualified Investments**

Qualifying investments are investments, deposits, membership shares, or grants that have as their purpose community development, as defined in the CRA regulation. The opportunity and availability of qualified community development related investments within the bank's assessment areas is limited.

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test in Virginia is adequate. Based on a full-scope review, the bank's performance in the Blacksburg AA is adequate and the bank's performance in the SW Virginia AA is poor.

#### **Blacksburg AA**

The bank has an adequate level of qualified investments in the AA. The bank was credited for prior period qualified investments in the total amount of \$1.6 million for the Blacksburg AA.

NBB made current investments totaling \$66 thousand to community development organizations that provide direct support, services and activities that impact moderate-income geographies and low- and moderate-income individuals in the AA. Recipients included:

- An organization that builds and repairs houses using volunteer labor and donations;
- An organization that provides high quality primary and specialty health care to people in the New River Valley who are uninsured, and who can't afford access to health care;
- An organization that provides temporary housing and food pantries;
- An organization that offers housing, food and educational support services and resources for low-income families;
- An organization that funds economic development activities and programs to revitalize or stabilize moderate-income areas in the AA; and,
- Financial literacy programs designed into the school curriculum for high schools in the AA.

NBB also made approximately \$60 thousand in donations and contributions to charitable and civic organizations. All funds are specifically targeted to benefit low-and moderate-income persons within the AA or to support organizations whose major purpose is providing economic development, revitalizing central business districts, and offering assistance to attract, expand, and retain small business entities, payrolls, and job levels throughout the AA.

## **SW Virginia AA**

NBB made investments totaling approximately \$6 thousand to community development organizations that provide direct support, services and activities that impact moderate-income geographies and low- and moderate-income individuals in the AA. Recipients included:

- An organization that offers programs to assist special needs individuals, low-income families and seniors. Financial assistance was given to 20 percent of children in childcare programs from low-income families; and
- An organization that provides financial assistance, food, clothing, and temporary shelter for the purpose of reducing poverty and promoting self-sufficiency of the low-income families in the AA.

NBB also made approximately \$8 thousand in donations and contributions to charitable and civic organizations. All funds are specifically targeted to benefit low-and moderate-income persons within the AA.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the investment test in the Washington County AA is not inconsistent with the bank's overall performance in the state. NBB made no grants in the Washington County AA during the evaluation period.

During the evaluation period, the bank did not purchase any qualified investments in this AA. The bank was given credit for prior period investments in the total amount of \$2 million for the Washington County AA. NBB made approximately \$2 thousand in donations and contributions to charitable and civic organizations. All funds are specifically targeted to benefit low-and moderate-income persons within the AA. This had a positive impact on the evaluation of community development activities in the AAs.

## **Statewide Investments**

### **Virginia Housing Development Authority**

The bank made two qualifying Virginia Housing Development Authority (VHDA) investments during the review period of \$2 million. The remaining book value total is \$2.01 million. The bank also purchased \$1 million prior-period qualified investments for VHDA. The remaining book value for the prior period investments is \$1.03 million. The investments are located in the broader statewide or regional area that includes the bank's

assessment area and have the potential to benefit the bank's AA. The VHDA finances the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy or ownership by families of low or moderate income in the Commonwealth of Virginia. The proceeds from the bonds, notes, and other obligations issued by the VHDA are used to make mortgage loans. NBB's AA is located in the Commonwealth of Virginia, and has the ability to benefit from the efforts of the VHDA.

## **Extent to Which the Bank Provides Community Development Services**

### **Conclusions for Area Receiving a Full-Scope Review**

The bank's performance under the service test is Adequate. Based on a full-scope review, the bank's performance in the Blacksburg AA and the SW Virginia AA is adequate.

#### **Blacksburg AA**

Officers and staff contributed their services to eleven community service organizations in the AA during the evaluation period. Their services consistently addressed community development needs through service on committees and boards of Directors for organizations that provide assistance to small businesses, affordable housing and services to low- and moderate-income (LMI) areas or individuals.

#### **SW Virginia AA**

Officers and staff contributed their services to two community service organizations in the AA during the evaluation period. Their services addressed community development needs through service on committees and boards of directors for organizations that provide assistance to small businesses and health services to LMI areas or individuals.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the service test in the Washington County AA is weaker than the bank's overall performance in the state of Virginia. During the evaluation period, bank officers or employees did not participate in community development services in the Washington County AA. While there were no bank employees reported to have been involved in qualified community development services, there were bank personnel involved in charitable or civic organizations that provide indirect service to LMI persons or geographies. This has a negligible effect on our overall assessment given the bank's minimal market presence in this AA.

### **Responsiveness to Community Development Needs**

The bank is responsive to community credit needs and opportunities to lend for community development purposes in the Blacksburg AA. The bank adequately responds to community credit needs and opportunities to lend for community development purposes in the SW Virginia AA and the Washington County 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 metropolitan and nonmetropolitan areas 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (1/1/2014 to 12/31/2016) Investment and Service Tests and CD Loans: (1/5/2014 to 12/31/2016)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The National Bank of Blacksburg (NBB) Blacksburg, Virginia	Home Mortgage Loans and Loans to Small Businesses	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Blacksburg-Christiansburg-Radford VA MSA 13980 (Blacksburg AA)	Full Scope	All census tracts in Giles, Montgomery, & Pulaski County and Radford City, VA
Southwest VA non-MSA	Full Scope	All census tracts in Bland, Carroll, Grayson, Smyth, Tazewell, and Wythe County and Galax City. Census tract 9542 and 9545.01 in McDowell County, WV and census tracts 16, 17, 19, 20, 21, & 22 in Mercer County, WV
Washington County VA (in the Kingsport-Bristol-Bristol TN-VA MSA 28700 (Washington County AA)	Limited Scope	All census tracts in Washington County, VA.

## Appendix B: Community Profiles for Full-Scope Areas

### Assessment Areas Receiving Full-Scope Reviews

#### Blacksburg AA

Demographic Information for Full Scope Area: Blacksburg Christiansburg Radford VA MSA 13980						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	33	0.00	18.18	45.45	27.27	9.09
Population by Geography	162,958	0.00	17.62	46.61	30.57	5.21
Owner-Occupied Housing by Geography	38,733	0.00	20.91	55.58	23.51	0.00
Business by Geography	8,302	0.00	19.09	52.98	25.70	2.23
Farms by Geography	333	0.00	14.11	60.96	23.42	1.50
Family Distribution by Income Level	36,693	21.45	16.30	20.87	41.39	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,851	0.00	31.75	53.43	14.82	0.00
Median Family Income		56,273	Median Housing Value		165,207	
FFIEC Adjusted Median Family Income for 2016		56,300	Unemployment Rate			
Households Below Poverty Level		20%				

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

Source: 2010 US Census and 2016 FFIEC updated MFI

NBB operates 15 of its 26 bank branches in the Blacksburg AA. This AA includes the counties of Giles, Montgomery, and Pulaski, and the city of Radford. These geographies represent the entirety of the Blacksburg AA. This AA consists of 33 census tracts: six moderate-income tracts, 15 middle-income tracts, nine upper-income tracts, and three undesignated income tracts. There are no low-income tracts and no designated distressed or underserved middle income tracts in this AA.

NBB ranks first with 23.00 percent of the deposit market share in the Blacksburg AA, according to the Deposit Market Share Report prepared by the FDIC as of June 30, 2017. The report listed the bank’s primary competitors as Union Bank & Trust; Wells Fargo Bank, N.A., Carter Bank and Trust, and BB&T with deposit market share of 20.50 percent, 15.16 percent, 9.04 percent; and 8.88 percent, respectively.

The area, locally referred to as the New River Valley (or NRV), is known for its higher education facilities, transportation projects, quality of life, and favorable cost of living. This MSA is dominated by the presence of Virginia Polytechnic Institute and State University (Virginia Tech), and Radford University. Blacksburg, the larger of the towns, is home to Virginia Tech, while Radford, the only city in the group, is home to Radford University. While Christiansburg, a town which lies between Blacksburg and Radford in both population and geographic location, does not have an institution of higher education, it is home to retail stores, restaurants, and a historic downtown.

The MSA is one of the faster-growing MSAs in Virginia. In 2014, eight businesses announced plans to invest \$117 million and create 520 new jobs in the Blacksburg-Christiansburg-Radford metro area, according to data from the Virginia Economic Development Partnership. That includes several projects in Montgomery County, including expansions by Wolverine Advance Materials, TORC Robotics, and LUNA Innovations as well as the announcement that Italy-based InMotion was establishing its first U.S. manufacturing operations in Blacksburg.

Government and manufacturing sectors are the highest percentage of employers in the AA with 29.0 percent and 16.8 percent, respectively. Virginia Tech and Radford University are the two largest employers in the government sector. Major employers in the AA are: Virginia Tech, Volvo Group North America, Inc., Montgomery County School Board, Radford University, and Moog Components Group Inc.

According to the Bureau of Labor Statistics, unemployment in the AA was 3.3 percent in December 2017, which is slightly below the state average for Virginia of 3.7 percent; and well below the national average of 4.1 percent for that month.

We conducted a community contact to determine credit and development needs in the AA. We interviewed a representative of a non-profit, independent economic development organization focused on projects that attract visitors and retail prospects. The organization has worked with the local banks in the AA to establish the Discover Blacksburg Fund, which is a loan guarantee fund used to facilitate retail, which will in turn stimulate job creation, business growth and enhance the tax base. The contact stated that the local banking institutions in the area demonstrate a good degree of involvement in community development activities.

## SW Virginia AA

Demographic Information for Full Scope Area: NBB - SW Virginia non MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	50	0.00	20.00	80.00	0.00	0.00
Population by Geography	189,274	0.00	15.55	84.45	0.00	0.00
Owner-Occupied Housing by Geography	58,408	0.00	16.06	83.94	0.00	0.00
Business by Geography	9,937	0.00	16.24	83.76	0.00	0.00
Farms by Geography	682	0.00	17.74	82.26	0.00	0.00
Family Distribution by Income Level	52,534	23.29	19.24	23.02	34.45	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	22,343	0.00	19.91	80.09	0.00	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		46,410 50,645 19%	Median Housing Value		89,050	

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

Source: 2010 US Census and 2016 FFIEC updated MFI

The SW Virginia AA is located in southwestern Virginia, and includes the counties of Bland, Carroll, Grayson, Smyth, Tazewell, Wythe, and the city of Galax in the Virginia Commonwealth. The bank has added two census tracts in McDowell County and six census tracts in Mercer County in the state of West Virginia. These 8 census tracts in West Virginia are contiguous to the counties in Virginia included in the SW Virginia AA. The AA consists of 10 moderate-income tracts, 40 middle-income tracts. Thirteen of the 40 middle-income tracts are designated underserved middle-income tracts in this AA due to the remote rural location. Another six of the 40 middle-income tracts are designated distressed middle-income tracts in this AA due to high poverty levels. There are no low- or upper-income tracts in this AA. NBB operates 10 of its 26 bank branches in the SW Virginia AA.

NBB ranks third with 11.01 percent of the deposit market share in the SW Virginia AA, according to the Deposits Market Share Report prepared by the FDIC as of June 30, 2017. The report listed the bank's primary competitors as BB&T, Carter Bank & Trust, Skyline National Bank, and First Community Bank with deposit market shares of 19.69 percent, 14.26 percent, 9.25 percent, and 8.76 percent, respectively.

Southwestern Virginia differs from the rest of the commonwealth in that its culture is more closely associated with Appalachia than the other regions of Virginia. While endowed with abundant natural resources, Appalachia has long been associated with and struggled with poverty. With the decline in the number of coal jobs and the decline of tobacco as a cash crop, Southwest Virginia is increasingly turning to tourism as a source of economic development. Collectively, Southwest Virginia's craft, music, agritourism, and outdoor recreation are referred to as the region's "creative economy." The center of Southwest Virginia's creative economy movement is Heartwood, a regional visitors' center with a

restaurant and craft galleries located off of Interstate 81 in the town of Abingdon. This \$17 million facility, built through a collaborative state and regional partnership, opened in 2011 and serves as the hub of regional networks and driving trails that cater to visitors.

Major employment sectors in this AA are: government; manufacturing; and retail trade. Major employers are: Food City, Utility Trailer Manufacturing of Glade Springs, Walmart; Mountain States Health, and Teleperformance USA.

According to the Virginia Employment Commission (VEC), Local Area Unemployment Statistics, unemployment in the AA was 3.9 percent in December 2017, which is slightly above the state average for Virginia of 3.7 percent; and slightly below the national average of 4.1 percent for that month.

A community contact in the AA was reviewed to determine credit and development needs in the AA. This contact was with a non-profit community development organization. The contact stated that there is a need in this area for more interaction between local and county officials, and businesses to attract more business to move into downtown Bluefield, VA. The contact stated that the local banking institutions in the area demonstrate a good degree of involvement in community development activities.

**Assessment Areas Receiving Limited-Scope Reviews**

**Washington County AA**

Demographic Information for Limited Scope Area: - Washington County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	17	5.88	17.65	58.82	17.65	0.00
Population by Geography	72,711	3.94	17.13	66.51	12.43	0.00
Owner-Occupied Housing by Geography	21,762	3.42	14.69	68.28	13.62	0.00
Business by Geography	4,640	1.77	22.16	62.59	13.49	0.00
Farms by Geography	260	0.38	10.77	76.15	12.69	0.00
Family Distribution by Income Level	20,976	23.14	16.29	20.14	40.44	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	8,270	8.95	18.85	64.81	7.39	0.00
Median Family Income		48,038	Median Housing Value		123,578	
FFIEC Adjusted Median Family Income for 2016		50,700				
Households Below Poverty Level		17%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census and 2016 FFIEC updated MFI

This AA is within the Kingsport-Bristol-Bristol TN-VA 28700 MSA. The bank’s AA is Washington County, which is located in Virginia. NBB has one branch in this AA located in Abingdon, Virginia. Washington County consists of two moderate-income census tracts, eight middle-income census tracts, and three upper-income census tracts. There are no low-income tracts and no designated distressed or underserved middle-income tracts in this AA.

Major employment sectors in the AA are Manufacturing, Government, Retail Trade, and Health Care and Social Assistance. The top five employers in this AA, according to the VEC, Quarterly Census of Employment and Wages, Second Quarter 2017 are: Washington County Schools, Food City, Mountain State Health, Bristol Compressors International, and Camac Corporation.

According to the Bureau of Labor Statistics, the unemployment rate for Washington County, VA as of December 2017 was 3.5 percent, which is slightly below the state average for Virginia of 3.7 percent and was below the national average of 4.1 percent for that month.