



## **PUBLIC DISCLOSURE**

July 30, 2018

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Peterstown  
Charter Number **9721**

220 Market Street  
Peterstown, West Virginia 24963

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.

**Table of Contents**

**OVERALL CRA RATING ..... 1**

**SCOPE OF THE EVALUATION ..... 3**

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW ..... 4**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA ..... 5**

    LENDING TEST ..... 5

**STATE RATING ..... 6**

    STATE OF WEST VIRGINIA ..... 6

    STATE OF VIRGINIA ..... 10

**APPENDIX A: SCOPE OF THE EXAMINATION ..... 15**

**APPENDIX B: COMMUNITY PROFILES FOR FULL SCOPE AREAS**

**APPENDIX C: DEFINITIONS AND COMMON ABBREVIATIONS**

## **Overall CRA Rating: Satisfactory**

**State Name: West Virginia Rating: Satisfactory**

**State Name: Virginia Rating: Satisfactory**

The First National Bank of Peterstown (hereinafter referred to as FNBP) has a satisfactory record of meeting the credit needs of the assessment areas (AAs) in a manner consistent with its resources and capabilities. The major factors supporting this rating include:

- FNBP's quarterly average loan-to-deposit (LTD) ratio for the evaluation period is reasonable given the bank's size, financial condition, and credit needs;
- FNBP originated a majority of home mortgage loans during the evaluation period inside the bank's AAs;
- FNBP's record of originating home mortgage loans to borrowers of different income levels reflects reasonable penetration among the AAs geographies.
- FNBP's record of originating home mortgage loans to borrowers of different geographic distribution levels reflects reasonable dispersion among the AAs geographies.

## Description of Institution

The First National Bank of Peterstown (FNBP) is an independent, multi-state community bank, established in 1910, with its main office located in Peterstown, West Virginia, and one branch located in Narrows, Virginia. FNBP is a wholly owned subsidiary of Peterstown Bancorp, headquartered in Peterstown, West Virginia. FNBP does not have any subsidiaries or affiliates.

FNBP operates two full-service offices located in Monroe County, West Virginia and Giles County, Virginia, as of December 31, 2017. FNBP’s main office is located at 220 Market Street, Peterstown, West Virginia, which lies within the bank’s Monroe County Assessment Area (AA). Since the last evaluation, FNBP opened the branch office located at 110 Old Virginia Avenue, Narrows, Virginia. The Narrows branch is located in Giles County, Virginia within the Blacksburg MSA AA. There were no branches closed and there were no mergers or acquisitions during the evaluation period.

The branch office has an on-site automated teller machine (ATM) and there is a stand-alone ATM adjacent to the main office. Both ATMs accept deposits. The bank offers a variety of traditional deposit and loan products to consumers. Commercial lending is primarily to small businesses. FNBP offers online banking where customers are able to monitor account balances, transfer funds between accounts, and pay bills. FNBP offers traditional business hours at the two locations. Lobby hours are 9:00AM – 5:00PM and drive-through hours are 8:30AM – 5:00PM for weekdays, except Wednesday. Wednesday and Saturday hours are 9:00AM to 12:00PM for the lobby and drive-through. The bank’s website, <https://www.fnbp.com/>, provides detail of the products and services offered by FNBP.

FNBP reported total assets of \$61.2 million and Tier One Capital of \$7.5 million, as of December 31, 2017. The bank’s loan portfolio of approximately \$39 million represents 64 percent of total assets. The composition of the portfolio is outlined in **Table 1** below.

Table 1 – Loan Portfolio Mix	Gross Loans as of December 31, 2017*	
	Dollar (\$000’s)	Percent
Residential Mortgage Loans	\$24,092	61.90
Commercial & Industrial Including Commercial Real Estate	8,061	20.71
Individuals	2,693	6.92
Construction & Land Development	1,942	4.99
Farmland and Agricultural	2,134	5.48
Total	\$38,922	100.00

\*Data obtained from “Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only - FFIEC 041” for the quarter ended December 31, 2017.

Competition in the Monroe County AA is moderate and consists of three branches of FDIC-insured institutions of varying sizes. Only one bank, The Bank of Monroe, is similarly-situated in size and local ownership. According to the June 30, 2017 FDIC Summary of Deposits Market Share Report, FNBP ranked second of three financial institutions in the Monroe County AA, with 36.37 percent of deposits. The Bank of Monroe ranked first with one office in the AA and 50.98

percent of deposits. First Community Bank ranked third with one office in the AA and 12.65 percent of deposits.

In the Giles County AA, FNBP ranked fourth out of four financial institutions with 1.34 percent of deposits, according to the June 30, 2017 FDIC Summary of Deposits Market Share Report. The National Bank of Blacksburg ranked first of the four institutions with three offices in the AA and 40.97 percent of deposits. Branch Banking and Trust Company ranked second with two offices in the AA and 38.56 percent of deposits. Union Bank & Trust ranked third with one office in the AA and 19.13 percent of deposits.

FNBP received a satisfactory CRA rating at its last CRA Performance Evaluation (PE) dated January 27, 2014.

There are no financial or legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its AA.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated the Bank using the Small Bank CRA examination procedures, which included a Lending Test. The Lending Test evaluates the Bank's record of meeting the credit needs of its AAs through its lending activities.

The Lending Test covers two evaluation periods. The first evaluation period covers the bank's lending performance from January 1, 2015 to December 31, 2016. For 2017, the Office of Management and Budget changed the 2010 U.S. Census data. The changes resulted in differences to the MSA/MD, tract, and income designations. To reflect the Census changes, we established a second evaluation period for the bank's Lending Test, covering lending performance from January 1, 2017 to December 31, 2017. We determined this timeframe is representative of FNBP's lending strategy since the previous CRA PE.

**Table 1** above reports residential lending constitutes the majority of the Bank's lending operations, representing approximately 62 percent of the overall loan portfolio. As such, FNBP's primary loan products are residential mortgages, including home purchase, home refinance, and home improvement loans.

### **Data Integrity (DI)**

The bank reports data under the requirements of the HMDA. Prior to this evaluation, we tested the accuracy of the institution's HMDA data during a DI examination performed in December 2017. Our purpose was to validate the accuracy of the bank's HMDA data for the time period of January 1, 2015 through December 31, 2016. We identified significant errors in the bank's HMDA data that required corrections. FNBP performed corrective actions to ensure data accuracy and reliability. We validated the corrections during a second DI examination in April 2018 and determined the HMDA data was accurate and reliable for the time period stated above. We tested the accuracy of the HMDA data for Year 2017 during the second DI examination and

validated the accuracy and reliability of the data. Therefore, we utilized the HMDA data from January 1, 2015 through December 31, 2017 for this evaluation.

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

In each state where the bank has an office, statutory guidelines require a sample of AAs within that state to be selected for full-scope reviews. Consequently, the Monroe County AA and the Giles County AA were selected for full-scope reviews. Please refer to the “Scope” section under each State Rating for details regarding how we determined the selected areas.

### **Ratings**

The bank’s overall rating is a blend of state ratings for West Virginia and Virginia. The bank’s overall rating is based primarily on those areas that received full-scope reviews. We placed more weight on the West Virginia state rating because a majority of the bank’s lending and deposits are located in West Virginia. Please refer to the “Scope” section under each state rating for details regarding how the areas were weighted in arriving at the overall state rating.

### **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 in regards to 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 FBNP 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**

There were no complaints regarding the bank’s CRA performance during the evaluation period. This has a neutral impact on the overall CRA rating.

## Conclusions with Respect to Performance Criteria

FNBP’s Performance under the Lending Test is Satisfactory. FNBP’s quarterly average loan-to-deposit ratio was reasonable. A majority of FNBP’s home mortgage loans were originated inside the bank’s AAs. FNBP’s geographic distribution reflects reasonable dispersion throughout census tracts (CTs) of different income levels, and the bank’s borrower distribution reflects reasonable penetration among borrowers of different incomes.

### LENDING TEST

#### Loan-to-Deposit (LTD) Ratio

The bank’s LTD ratio was reasonable in light of its capacity to lend, other similarly situated institutions in their AAs, demographic and economic facts about the AAs, and the lending opportunities available in the bank’s AAs. The LTD ratio meets the standard for satisfactory performance. We calculated FNBP’s quarterly average net LTD ratio on a bank-wide basis. The bank’s quarterly average LTD ratio for the 17 consecutive quarters (December 31, 2013 – December 31, 2017) is 55.85 percent, a decline from the previous CRA evaluation’s average of 62.42 percent. The bank’s average LTD ratio ranged from a quarterly low of 48.61 percent in the third quarter 2013 to a high of 71.78 percent in the fourth quarter 2017.

We identified The Bank of Monroe as a similarly-situated competitor institution to FNBP in the Monroe County AA. The quarterly average net LTD ratio for The Bank of Monroe for the previous 17 quarters was 57.92 percent. The remaining four competitor institutions in the bank’s AAs are branches of large state-chartered, or nationally-chartered banks. The ratios for the competitors ranged from a quarterly low average net LTD ratio of 55.88 percent to a quarterly high average net LTD ratio of 102.11 percent.

#### Lending in Assessment Area

A majority of FNBP’s home mortgage loan products originated during the evaluation period were inside the AAs. FNBP meets the standard for satisfactory performance for lending in the AAs. The proportion of lending inside versus outside the bank’s AAs is calculated on a bank-wide basis. An analysis of the HMDA data disclosed that approximately 88 percent of these loans originated in the AAs, or approximately 83 percent of the dollar amount of originations as shown in **Table 2** below.

<b>Table 2 - Lending in FNBP’s AAs</b> (Dollar amounts in thousands)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	75	86.21	12	13.79	87	7,147	78.62	1,943	21.38	\$9,090
Home Refinance	47	87.04	7	12.96	54	5,760	86.86	871	13.14	\$6,631
Home Improvement	45	91.84	4	8.16	49	465	95.48	22	4.52	\$487
<b>Total</b>	167	<b>87.89</b>	23	12.11	190	13,372	<b>82.50</b>	2,836	17.50	\$16,208

Source: FNBP’s HMDA data for 2015, 2016 and 2017.

## **STATE RATING**

---

### **State of West Virginia**

#### **CRA rating for the state of West Virginia: Satisfactory** **The Lending test is rated Satisfactory**

The primary factors supporting the CRA rating are as follows:

- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.

#### **Description of Institution's Operations in West Virginia**

The bank's primary market is the Monroe County AA in the state of West Virginia. This AA had the highest percentage of loans and deposits for FNBP. Please refer to the market profiles for the state of West Virginia in Appendix B for detailed demographics and other performance context information for this AA.

#### **Scope of Evaluation in the state of West Virginia**

Ratings for West Virginia are based primarily on the results of the Monroe County AA's full-scope review. We gave performance in this AA the most weight as the AA accounts for 69.5 percent of the bank's loans and 94.4 percent of the bank's deposits. **Please refer to Appendix A for more information.**

We conducted one community contact in the Monroe County AA in our review. The contact was a non-profit community service organization. Please refer to the market profile for the state of West Virginia in Appendix B for detailed demographics and other performance context information for this AA.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF WEST VIRGINIA**

FNBP's conclusions with respect to performance tests in West Virginia are based on the full-scope review of the Monroe County AA.

### **LENDING TEST**

#### **Lending to Borrowers of Different Incomes**

The distribution of loans reflects reasonable penetration among borrowers of different income levels and meets the standard for satisfactory performance.

## Lending in 2015

FNBP's distribution of loans reflected reasonable penetration among borrowers of different income levels.

The percent of residential mortgage loans to low-income borrowers was near to the percent of aggregate lending data. The percent of residential mortgage loans to moderate-income borrowers was significantly below the percent of aggregate lending data. The distribution of loans to low-income borrowers was significantly below the percentage of low-income families. The distribution of loans to moderate-income borrowers was significantly below the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels was reasonable considering the demographic context in which the institution operates. While there were no low or moderate geographies in the AA, **Table 3** shows that 37.9 percent of the families were in low- or moderate-income levels.

Opportunities to lend to low- and moderate-income borrowers within the AA are limited due to the competition among the banking institutions within the AA, and FNBP's market share within its AA.

FNBP's ability to extend residential mortgage loans to low- and moderate-income borrowers is hampered by AA demographics. Specifically, of the households in the bank's AA, 19.80 percent of the AA population is age 65 or older and 24.91 percent of AA households are comprised of retired residents. In addition, 15.63 percent of the AA population is considered to be at or below poverty level.

The level of creditworthy applicants, lack of demand and lack of turnover of houses are contributing factors to low credit demand. The 2010 U.S. Census data reports that owner-occupied housing represents 65.74 percent of housing, the median housing value equals \$100,774 and the median year built for AA housing is 1970. Limited residential mortgage loan demand from low- or moderate-income families can be attributed to many low-income families consisting of more senior, long-time residents who have already owned and occupied residences in the area for many years.

**Table 3** illustrates the distribution of lending to borrowers of different income levels compared to the percentage of families in each income level based on the 2010 Census data; and the percentage of aggregate lending for 2015.

Table 3 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Monroe County AA for Year 2015			
Borrower Income Category	% of FNBP Loans	Aggregate HMDA Reporters Performance % of #	% of Families in AA
Low	6.7	7.6	22.4
Moderate	6.7	25.3	15.5
Middle	33.3	20.9	20.9
Upper	53.3	38.6	41.3
Not Available	0.0	7.6	0.0
Total*	100.0	100.0	100.0

Source: 2010 U.S. Census; 2016 FNBP HMDA Data; 2016 HMDA Aggregate Data

\*Due to rounding, totals may not equal 100%

## Lending in 2016

FNBP's distribution of loans reflected excellent penetration among borrowers of different income levels.

The percent of residential mortgage loans to low-income borrowers exceeded the percent of aggregate lending data. The percent of residential mortgage loans to moderate-income borrowers exceeded the percent of aggregate lending data. The distribution of loans to low-income borrowers was below the percentage of low-income families. The distribution of loans to moderate-income borrowers exceeded the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels was reasonable considering the demographic context in which the institution operates. While there are no low or moderate geographies in the AA, **Table 4** shows that 37.9 percent of the families are in low- or moderate-income levels.

**Table 4** illustrates the distribution of lending to borrowers of different income levels compared to the percentage of families in each income level based on the 2010 Census data; and the percentage of aggregate lending for 2016.

Table 4 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Monroe County AA for Year 2016			
Borrower Income Category	% of FNBP Loans	Aggregate HMDA Reporters Performance % of #	% of Families in AA
Low	12.3	8.6	22.4
Moderate	21.9	13.5	15.5
Middle	16.4	25.2	20.9
Upper	49.3	41.7	41.3
Not Available	0.0	11.0	0.0
Total*	100.0	100.0	100.0

Source: 2010 U.S. Census; 2016 FNBP HMDA Data; 2016 HMDA Aggregate Data

\*Due to rounding, totals may not equal 100%

## Lending in 2017

FNBP's 2017 distribution of loans reflected reasonable penetration among borrowers of different income levels.

The percent of residential mortgage loans to low-income borrowers exceeded the percent of aggregate lending data. The percent of residential mortgage loans to moderate-income borrowers was near to the percent of aggregate lending data. The distribution of loans to low-income borrowers was significantly below the percentage of low-income families in the AA. The distribution of loans to moderate-income borrowers was near to the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels was reasonable considering the demographic context in which the institution operates. While there are no low or moderate geographies in the AA, **Table 5** shows that 42.80 percent of the families are in low- or moderate-income levels.

Opportunities to lend to low- and moderate-income borrowers within the AA were limited due to the competition among the banking institutions within the AA, and FNBP’s market share within its AA.

FNBP’s ability to extend residential mortgage loans to low- and moderate-income borrowers is hampered by AA demographics. Specifically, of the households in the bank’s AA, 22.53 percent of the AA population is age 65 or older and 19.93 percent of AA households are comprised of retired residents. In addition, 17.50 percent of the AA population is considered to be at or below poverty level.

Low credit demand is also impacted by the level of creditworthy applicants, the lack of demand and the lack of turnover of houses. The 2015 American Community Survey (ACS) U.S. Census data reports that owner-occupied housing represents 63.34 percent of housing, the median housing value equals \$104,435 and the median year built for AA housing is 1975. Limited residential mortgage loan demand from low- or moderate-income families can be attributed to many low-income families consisting of more senior, long-time residents who have already owned and occupied residences in the area for many years.

**Table 5** illustrates the distribution of lending to borrowers of different income levels compared to the percentage of families in each income level based on the 2015 ACS Census data.

<b>Table 5 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Monroe County AA for Year 2017</b>			
Borrower Income Category	% of FNBP Loans	Aggregate HMDA Reporters Performance % of #	% of Families in AA
Low	6.3	5.3	24.7
Moderate	14.6	15.9	18.1
Middle	16.7	24.3	22.4
Upper	60.4	42.9	34.8
Not Available	2.1	11.6	0.0
Total	100.0	100.0	100.0

Source: 2010 U.S. Census; 2016 FNBP HMDA Data; 2016 HMDA Aggregate Data

\*Due to rounding, totals may not equal 100%

## Geographic Distribution of Loans

There are no low- or moderate-income geographies in the bank’s AA in the state of West Virginia. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

## **STATE RATING**

---

### **State of Virginia**

#### **CRA rating for the State of Virginia: Satisfactory** **The Lending test is rated Satisfactory**

The primary factors supporting the CRA rating are as follows:

- Loan distribution reflects reasonable penetration among borrowers of different incomes.
- The bank had an adequate dispersion of home mortgage loans among census tracts (CTs) of different income designations within the AA.

#### **Description of Institution's Operations in Virginia**

The bank has one AA, Giles County AA, in the state of Virginia. This AA was established in August 2015 when FNBP opened a branch office in Narrows, Virginia, located in Giles County. Giles County Virginia is within the Blacksburg-Christiansburg-Radford, Virginia MSA. The bank operates an office with an onsite ATM in this AA. Please refer to the market profile for the state of Virginia in Appendix B for detailed demographics and other performance context information for AAs that received full-scope reviews.

#### **Scope of Evaluation in the State of Virginia**

The Giles County AA received a full-scope review. The Giles County AA accounts for 16.6 percent of the bank's loans and 5.5 percent of the bank's deposits. Ratings for the state of Virginia are based primarily on the results of this AA. Please refer to Appendix A for more information.

We conducted two community contacts in the Giles County AA in our review. The contacts represented different county government organizations. Please refer to the market profiles for the state of Virginia in Appendix B for detailed demographics and other performance context information for this AA.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF VIRGINIA**

FNBP's conclusions with respect to performance tests in Virginia are based on the full-scope review of the Giles County AA.

## LENDING TEST

### Lending to Borrowers of Different Incomes

The distribution of loans reflects reasonable penetration among individuals of different income levels. FNBP's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

#### Lending in 2015

FNBP opened a branch office in Narrows, Virginia in the Giles County AA on August 18, 2015. FNBP originated one home mortgage loan for 2015. Therefore, an analysis of the penetration among borrowers of different income levels would not be meaningful.

#### Lending in 2016

FNBP's distribution of loans reflected reasonable penetration among borrowers of different income levels. The analysis for 2016 is based on originations of ten home mortgage loans in the AA.

The percent of residential mortgage loans to low-income borrowers exceeded the percent of aggregate lending data. The percent of residential mortgage loans to moderate-income borrowers was well below the percent of aggregate lending data. The distribution of loans to low-income borrowers exceeded the percentage of low-income families in the AA. The distribution of loans to moderate-income borrowers was well below the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the institution operates. While there is one moderate geography in the AA for the evaluation period, **Table 6** shows that 49.4 percent of the families are in low- or moderate-income levels.

Opportunities to lend to low- and moderate-income borrowers within the AA were limited due to the competition among the banking institutions within the AA, and FNBP's market share within its AA.

AA demographics hamper FNBP's ability to extend residential mortgage loans to low- and moderate-income borrowers. Specifically, of the households in the bank's AA, 19.43 percent of the AA population is age 65 or older and 29.84 percent of AA households are comprised of retired residents. In addition, 16.64 percent of the AA population is considered to be at or below poverty level.

The level of creditworthy applicants, lack of demand and lack of turnover of houses is a contributing factor to the low credit demand. The 2010 U.S. Census data reports that owner-occupied housing represents 65.92 percent of housing, the median housing value equals \$89,602 and the median year built for AA housing is 1963. Limited residential mortgage loan demand from low- or moderate-income families can be attributed to many low-income families consisting of more senior, long-time residents who have already owned and occupied residences in the area for many years.

**Table 6** illustrates the distribution of lending to borrowers of different income levels compared to the percentage of families in each income level based on the 2010 Census data.

Table 6 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Giles County AA for Year 2016			
Borrower Income Category	% of FNBP Loans	Aggregate HMDA Reporters Performance % of #	% of Families in AA
Low	30.0	8.4	25.3
Moderate	10.0	25.6	24.1
Middle	20.0	23.6	20.0
Upper	40.0	28.6	30.6
Not Available	0.0	13.8	0.0
Total*	100.0	100.0	100.0

Source: 2010 U.S. Census; 2016 FNBP HMDA Data; 2016 HMDA Aggregate Data

\*Due to rounding, totals may not equal 100%

### Lending in 2017

The bank's 2017 distribution of loans reflected reasonable penetration among borrowers of different income levels. The analysis for 2017 is based on originations of 20 home mortgage loans in the AA.

FNBP did not originate any residential mortgage loans to low-income borrowers during 2017. The percent of residential mortgage loans to moderate-income borrowers was well below the percent of aggregate lending data. The distribution of loans to moderate-income borrowers was well below the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels was reasonable considering the demographic context in which the institution operates. While there are no low or moderate geographies in the AA during this evaluation period, **Table 7** shows that 39.4 percent of the families are in low- or moderate-income levels.

Opportunities to lend to low- and moderate-income borrowers within the AA were limited due to the competition among the banking institutions within the AA, and FNBP's market share within its AA.

FNBP's ability to extend residential mortgage loans to low- and moderate-income borrowers is hampered by AA demographics. Specifically, of the households in the bank's AA, 20.71 percent of the AA population is age 65 or older and 27.41 percent of AA households are comprised of retired residents. In addition, 11.81 percent of the AA population is considered to be at or below poverty level.

The level of creditworthy applicants, lack of demand and lack of turnover of houses is a contributing factor to low credit demand. The 2015 ACS U.S. Census data reports that owner-occupied housing represents 66.84 percent of housing, the median housing value equals \$97,981 and the median year built for AA housing is 1964. Limited residential mortgage loan demand from low- or moderate-income families can be attributed to many low-income families

consisting of more senior, long-time residents who have already owned and occupied residences in the area for many years.

**Table 7** illustrates the distribution of lending to borrowers of different income levels compared to the percentage of families in each income level based on the 2015 ACS Census data.

<b>Table 7 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Giles County AA for Year 2017</b>			
Borrower Income Category	% of FNBP Loans	Aggregate HMDA Reporters Performance % of #	% of Families in AA
Low	0.0	12.9	16.1
Moderate	10.0	23.1	23.3
Middle	35.0	23.1	28.5
Upper	35.0	25.2	32.1
Not Available	20.0	15.7	0.0
Total*	100.0	100.0	100.0

Source: 2010 U.S. Census; 2016 FNBP HMDA Data; 2016 HMDA Aggregate Data

\*Due to rounding, totals may not equal 100%

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels. FNBP’s performance meets the standard for satisfactory performance. There were no conspicuous gaps identified within FNBP’s AA.

The AA has no low-income census tracts. Therefore, the evaluation of geographic loan distribution in the AAs reflects performance in the one moderate-income geography.

### Lending in 2015

FNBP originated one home mortgage loan for 2015. Therefore, an analysis of the penetration among borrowers of different income levels would not be meaningful.

### Lending in 2016

We considered the demographic characteristics of this moderate-income geography in evaluating geographic distribution of mortgage loans in the AA. We considered the percentage of owner-occupied housing units in this geography as well as the percentage of rental properties in the AA. Rental Occupied Units in the AA were 20.65 percent of the total housing of 5,288 in the AA with average monthly gross rent of \$559, according to the 2010 U.S. Census data. The census data reported 740 rental units, or 59.92 percent of the total rentals, are located in the moderate-income tract. We also considered there are 217 lenders making loans in this market. Celco Community Credit Union ranked first, National Bank of Blacksburg ranked second; and Branch Banking and Trust Company ranked third with respective market shares of 20.74 percent, 8.29 percent, and 7.37 percent.

The analysis is based on ten loan originations in the AA. The percent of residential mortgage loans to borrowers in moderate-income CTs is well below the percent of aggregate lending data. The percentage of home purchase loans made in the moderate-income geography is well below

the percentage of owner-occupied housing units in this geography. This performance is considered poor. **Table 8** details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1 to December 31, 2016.

Table 8 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Giles County AA for Year 2016			
Borrower Income Category	% of FNBP Loans	Aggregate HMDA Reporters Performance % of #	% of Owner-Occupied Housing Units
Low	0.0	0.0	0.0
Moderate	20.0	47.5	48.9
Middle	80.0	52.5	51.1
Upper	0.0	0.0	0.0
Not Available	0.0	0.0	0.0
Total*	100.0	100.0	100.0

Source: 2010 U.S. Census; 2016 FNBP HMDA Data; 2016 HMDA Aggregate Data

\*Due to rounding, totals may not equal 100%

### Home Mortgage Loans 2017

The ACS 2015 Census changed the income designations for the census tracts in the Giles County AA. The moderate-income census tract 9303.00 was changed to a middle-income census tract in 2017.

There were no low- or moderate-income geographies in 2017. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, review of affiliate activities, 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): (01/01/15 to 12/31/17)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Peterstown (FNBP) Peterstown, West Virginia	Residential mortgages to include home purchase, home refinance, and home improvement loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Examination</b>	<b>Other Information</b>
State of West Virginia: Monroe County AA	Full Scope	Census tracts 9302 and 9303 in Monroe County West Virginia
State of Virginia: Giles County AA	Full Scope	Census tracts 9303 and 9304 in Giles County within the Blacksburg-Christiansburg-Radford Virginia MSA (13980)

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

### Monroe County West Virginia AA

Demographic Information for Full-Scope Area: Monroe County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.00	0.00	100.00	0.00	0.0
Population by Geography	9,897	0.00	0.00	100.00	0.00	0.0
Owner-Occupied Housing by Geography	3,369	0.00	0.00	100.00	0.00	0.0
Businesses by Geography	284	0.00	0.00	100.00	0.00	0.0
Farms by Geography	28	0.00	0.00	100.00	0.00	0.0
Family Distribution by Income Level	3,047	24.7	18.1	22.3	34.8	0.0
Household Distribution by Income Level	4,325	21.2	22.8	18.1	37.8	0.0
Median Family Income Non-MSAs-WV	\$48,507	Median Housing Value				\$104,435
HUD Adjusted Median Family Income	\$49,300	Median Gross Rent				\$617
Households Below the Poverty Level	16.0%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data; 2017 HUD updated MFI.  
 Due to rounding, totals may not equal 100.00

FNBP’s AA is comprised of middle-income census tracts 9502 and 9503 located in Monroe County, West Virginia. Monroe County is located in the southeastern portion of the state, approximately 107 miles south of Charleston, West Virginia, and 38 miles west of Blacksburg, Virginia. Census tract 9502 is the middle section of Monroe County and includes the town of Union, West Virginia, the county seat of Monroe County. Census tract 9503 is the southernmost part of the county and includes the town of Peterstown, West Virginia where the bank’s main office is located. Middle-income census tract 9501 encompasses the northern part of Monroe County. Census tract 9501 is not included in the AA due to the natural boundary created by Peters Mountain and overall distance (approximately 45 minutes) from Peterstown. The three census tracts identified are middle-income nonmetropolitan underserved census tracts due to the remote rural geography. There are no low-, moderate- or upper-income tracts within the AA. The AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income geographies.

The county has one major natural division that affects the banking and marketing of lending products, resulting in two distinct sections of the county. Peters Mountain divides the county between census tracts 9502 and 9501. It effectively divides the county into the southern two thirds and the northern third. A large majority of the population (85 percent) resides in the southern section of the county, which includes the communities of Union, Peterstown, Lindside,

Red Sulpher Springs and Ballard. The remaining 15 percent of the population lives in the northern section of the county, which is significantly more rural and includes the communities of Peters Mountain and Moncove Lake State Park. Financial institutions in the northern portion of Monroe County and neighboring Greenbrier County serve the less populated northern section of the county.

According to the U.S. Department of Housing and Urban Development (HUD), the updated 2017 median family income is \$49,300. The percentage of households below poverty level is 16.1 percent. Of these households, 44.3 percent receive social security income. Housing types are typical for rural West Virginia, with 63 percent of the housing units as owner-occupied. The demographic characteristics of FNB's AA are in the table above.

We reviewed economic data from the Bureau of Labor Statistics (BLS). According to the BLS, Monroe County unemployment rates compare favorably to the state and national levels. As of December 31, 2017, the unemployment rate for Monroe County is 4.3 percent, with the State of West Virginia at 5.4 percent, and the national unemployment rate at 4.1 percent. The unemployment rate is seasonal and tends to fluctuate throughout the year. The unemployment rate for Monroe County in 2017 ranged from a high of 5.4 percent in January to a low of 3.6 percent in May.

The AA experienced modest growth. Monroe's job market increased by 3.5 percent over the last year. The local economy is comprised mainly of small, service-oriented businesses. The AA's top industries, by distribution of employees, are services, retail trade, and non-classifiable establishments. Mining and manufacturing play a far less important role to the local economy. The top three employers in Monroe County for 2017 are Goodrich Corporation, the Monroe County Board of Education and the Federal Prison System.

We conducted a community contact to determine credit and development needs in the AA. We interviewed a representative of a non-profit, charitable organization focused on projects and services to meet the needs of the Mercer, Monroe, and Summers Counties of West Virginia, such as food, shelter, and emergency preparedness. The contact stated that the need for these services is "tremendous"; however, she is not aware of any financial institutions who are involved in the community programs.

## Giles County Virginia AA

Demographic Information for Full-Scope Area: Giles County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	0.0	100.00	0.0	0.0
Population by Geography	11,250	0.0	0.0	100.00	0.0	0.0
Owner-Occupied Housing by Geography	3,533	0.0	0.0	100.00	0.0	0.0
Businesses by Geography	548	0.0	0.0	100.00	0.0	0.0
Farms by Geography	31	0.0	0.0	100.00	0.0	0.0
Family Distribution by Income Level	3,195	16.1	23.3	28.5	32.1	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,740	21.8	14.1	25.1	39.1	0.0
Median Family Income	\$53,711	Median Housing Value		\$97,981		
HUD Adjusted Median Family Income for 2017	\$62,300	Median Gross Rent		\$604		
Households Below the Poverty Level	11.81%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2015 ACS Census; 2017 HUD updated MFI.

FNBP's AA in Giles County, Virginia, is located in the southeastern portion of the state and is included within the Blacksburg-Christiansburg-Radford, Virginia MSA 13980. Giles County encompasses four CTs (9301, 9302, 9303, and 9304); with the Giles County AA comprised of middle-income CTs 9303 and 9304. The bank's branch is located at 110 Old Virginia Avenue, Narrows, VA, which was moderate-income CT 9303 in Giles County in 2015 and 2016. For 2017, census tract 9303 changed from a moderate-income census tract to a middle-income census tract due to the 2015 ACS Census data. There are no low-, moderate-, or upper-income tracts within the AA. The AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income geographies.

CTs 9301 and 9302 are not included in the bank's AA due to geographic location, commuting patterns and competition. The bank's strongest competitor, The National Bank of Blacksburg, has a full service branch located in the town of Pembroke, Virginia, which is centrally located in CT 9302. Residents of CT 9301 would travel through Pembroke to reach the bank's Narrows location, 16 miles from the center of 9301. Commuting patterns indicate more than 68 percent of the employed residents work outside the boundaries of Giles County, with the majority traveling to neighboring Montgomery County. This demographic would therefore obtain services from other financial institutions more conducive to a bank's hours of operation coinciding with an employee's work hours.

According to the U.S. Department of Housing and Urban Development (HUD), the updated 2017 median family income is \$62,300. The percentage of households below poverty level is 7.1 percent. Of these households, 44.3 percent receive social security income. Housing types are typical for rural West Virginia, with 63 percent of the housing units being owner-occupied. The demographic characteristics of FNBP's AA are in the table above.

We reviewed economic data from the Bureau of Labor Statistics (BLS). According to the BLS, Monroe County unemployment rates compare favorably to the state and national levels. As of December 31, 2017, the unemployment rate for Giles County was 3.8 percent, with the State of Virginia at 3.6 percent, and the national unemployment rate at 4.1 percent. The unemployment rate is seasonal and tends to fluctuate throughout the year. The unemployment rate for Giles County in 2017 ranged from a high of 7.2 percent in January to a low of 3.8 percent in December.

The AA experienced modest growth. The Giles County job market increased 1.5 percent over the last year. The local economy is comprised mainly of small, service-oriented businesses. The employment sectors that currently provide the highest number of employment in the county include manufacturing, retail, health and social services, and education. The top four employers in Giles County for 2017 are Celanese Acetate, Giles County School Board, BR Industrial Operations, LLC, and Giles Memorial Hospital. The majority of Giles County residents commute to neighboring Montgomery County, to work as this county is home to large employers such as Virginia Polytechnic Institute and State University, Carilion New River Valley Medical Center, and BAE Systems Ordnance Systems.

We conducted a community contact to determine credit and development needs in the AA. We interviewed a representative of a county government organization focused on projects and services to meet the safety, health and welfare needs of the families in the AA. The organization has worked with FNBP to obtain a loan to fund construction of a waterline project to improve the infrastructure, as well as provide employment in the AA. The contact stated the local banking institutions in the area demonstrate a good degree of involvement in community development activities.

We also interviewed a representative of a county government organization focused on projects and services that promote better education, health and economic prosperity to families in the AA. The organization has worked with FNBP to obtain funding for the Access to Community College Education (ACCE) summer work program, which focuses on high school students (across all demographics) to provide jobs in areas of interest and a venue for attaining a 2 year college degree at no cost to the student. The contact stated that the local banking institutions in the area demonstrate a good degree of involvement in community development activities.

## Appendix C: 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 (MSA) 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 (MD):** 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.