



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 19, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Powell Valley National Bank
Charter Number 9924

33785 Main Street
Jonesville, Virginia 24263

Office of the Comptroller of the Currency

4419 Pheasant Ridge Road, Suite 300
Roanoke, Virginia 24014

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors that support this rating include:

- Powell Valley National Bank's (PVNB's) loan-to-deposit ratio is reasonable.
- A substantial majority of the number of loans were made within the bank's assessment areas (AAs).
- The distribution of borrowers, given the demographics of the AAs, reflects an overall reasonable dispersion and satisfactory performance.
- A majority of loans to businesses are for amounts less than \$100,000.
- The geographic distribution of loans reflects excellent dispersion throughout the AAs.

SCOPE OF EXAMINATION

This Performance Evaluation assesses the bank's performance under the Lending Test for the period January 1, 2009 through December 31, 2011. We selected loans to businesses and residential mortgage loans as primary products based on total loans originated during the evaluation period and discussions with bank management on the bank's business strategy. Our analysis was based on a sample of 46 small loans to businesses and 54 home mortgage loans originated during the evaluation period.

The Lending Test analysis is based on the bank's performance during the evaluation period using comparative demographic data from the 2000 U.S. Census.

DESCRIPTION OF INSTITUTION

Powell Valley National Bank (PVNB) is a wholly owned subsidiary of Powell Valley Bankshares, Inc., a one-bank holding company with assets of \$251 million located in Jonesville, Virginia. PVNB's main office is located in Jonesville, Virginia and has four branch offices in Virginia located in Pennington Gap in Lee County; Big Stone Gap and Wise in Wise County, and Duffield in Scott County. Since the last examination, PVNB opened one branch in Duffield, Scott County, Virginia, in August 11, 2008. Since Scott County Virginia is in a Metropolitan Statistical Area (MSA), PVNB began collecting loan data January 2, 2009, as required by the Home Mortgage Disclosure Act and first reported the data to FFIEC in 2010. The bank did not close any branches since the last Community Reinvestment Act (CRA) examination.

PVNB offers full service banking at all locations, with both lobby and drive-thru facilities. Deposit-taking automated teller machines (ATM) are located at each branch location. Non-deposit taking ATMs are located at Lee Regional Hospital and Wellmont Lonesome Pine Hospital in Big Stone Gap. The bank offers a variety of deposit accounts, which include transaction, savings, and club accounts. The bank also provides electronic fund transfer services, which include debit card access to transaction accounts, and 24-hour access to automatic teller machines at each office location. The bank also offers Internet banking services, which allow customers to monitor account activity and to use

the Internet website for bill payment services. The bank's Internet website, <http://www.powellvalleybank.com>, provides detailed information on products and services for both consumers and businesses.

A significant level of competition exists within the two assessment areas. Small competitor institutions such as Lee Bank and Trust Company, Farmers and Miners Bank, and The Peoples Bank are operating main offices within the non-metropolitan assessment area. In addition, large competitor institutions such as Bank of America, National Association and Branch Banking & Trust Company of Virginia are operating branch offices in the Kingsport-Bristol-Bristol, TN-VA MSA assessment area (Kingsport MSA).

A review of the June 30, 2012 FDIC Summary of Deposits Market Share Report, for the Virginia non-MSA AA, indicated there are 37 branches of FDIC-insured institutions, representing 14 institutions varying in asset size. In the Virginia non-MSA AA, PVNB has four offices and holds 18.41 percent of the deposit market share. A review of bank data reveals that Lee Bank and Trust Company, Farmers and Miners Bank, and The Peoples Bank are similarly situated to Powell Valley National Bank. The three institutions, which operate main offices in Lee County, are similar in asset size, operate branch offices within the county, and offer similar loan programs.

PVNB has one branch in Scott County, Virginia and holds 2.51 percent deposit market share in this AA. Scott County Virginia, which is in the Kingsport MSA, has six FDIC-insured institutions with 11 branches in the county, according to the June 30, 2012, FDIC Summary of Deposits Market Share Report.

As of December 31, 2012, PVNB's total assets equaled \$251 million. Gross loans comprised 53.78 percent of total assets. **Table 1** reflects the composition of PVNB's loan portfolio as of December 31, 2012.

Table 1. Loan Product Category	Gross Loans as of December 31, 2012*	
	Dollar amount (000's)	Percent of total loans
Residential Mortgage Loans	\$66,537	49.18%
Commercial Real Estate	\$30,750	22.73%
Consumer Loans	\$12,583	9.30%
Commercial and Industrial	\$9,348	6.91%
All Other loans	\$8,021	5.93%
Construction & Land Development	\$4,795	3.54%
Farmland/agricultural production	\$3,254	2.41%
Total	\$135,288	100%

*Data obtained from Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only - FFIEC 041 as of December 31, 2012.

The bank experienced low loan growth of 1.45 percent during calendar years 2007 through 2008 with gross loans increasing from \$172 million on September 30, 2007, to \$175 million on December 31, 2008. However, during calendar years 2009 through 2012, the bank experienced declining loan volume with gross loans decreasing 20.77 percent to \$135 million on December 31, 2012. A substantial portion of the declining loan volume was concentrated in commercial and industrial loans and consumer loans, and is attributed to the recent recession and weakening demand for larger commercial loans.

Tier 1 Capital totaled \$36.5 million, the Tier 1 Risk-Based Capital to Risk Weighted Assets ratio equaled 16.05 percent, and the Tier 1 Leverage Capital ratio equaled 14.81 percent as of December 31, 2012.

There are no legal, financial, or other factors impeding PVNB's ability to help meet the credit needs in its AAs. PVNB received a "Satisfactory" rating on its July 2007 CRA Performance Evaluation.

DESCRIPTION OF ASSESSMENT AREA(S)

Virginia non-MSA AA (Lee and Wise County and City of Norton) (Virginia Non-MSA)

Table 2. Demographic Information for Full Scope Area: Virginia non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	18	0.00	44.44	55.56	0.00	0.00
Population by Geography	67,616	0.00	46.27	53.73	0.00	0.00
Owner-Occupied Housing by Geography	30,824	0.00	45.69	54.31	0.00	0.00
Business by Geography	4,156	0.00	2,131	2,025	0.00	0.00
Farms by Geography	119	0.00	62.18	37.82	0.00	0.00
Family Distribution by Income Level	19,596	29.71	20.07	21.41	28.82	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	9,754	0.00	51.48	48.52	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		31,682 51,900 22.03%	Median Housing Value Unemployment Rate (Dec 2012 BLS)		54,466 7.1 %-8.7%	

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

Source: 2000 U.S. Census; 2011 HUD updated MFI; Bureau of Labor Statistics

The Virginia non MSA AA consists of Lee and Wise counties in their entirety, and the City of Norton. The AA includes the towns of Jonesville, Big Stone Gap, Pennington Gap, and Wise. According to the 2000 U.S. Census, this AA has eight moderate-income census tracts and ten middle-income census tracts. All ten middle-income census tracts were identified as Distressed (due to the poverty level) and Underserved (due to the remote rural geography) Middle-Income Nonmetropolitan Geographies for 2011. There are no low- or upper-income census tracts. Please refer to **Table 2** for demographic data on the AA.

Lee County, the westernmost county in Virginia, is located in the Appalachian Highlands with high mountain ridges running along the northern and southern borders of the county. The rugged mountainous terrain restricts access into the wide valley regions containing large tracts of rural farmland that is located between the northern and southern mountain ridges. These geographic barriers and inadequate infrastructure within the sparsely populated region encumber economic growth and development. However, road construction projects to upgrade U.S. Route 58 to a four-lane highway through Lee County will eventually provide a new four-lane highway connection between Interstate 75 in Corbin, Kentucky and Interstate 81 in Kingsport, Tennessee. The completion of this highway project is anticipated to help stimulate economic growth and development within this assessment area. Using the slogan *Where Virginia Begins*, Lee County has attempted to increase its tourism industry by emphasizing its role in the route used by settlers going west through the Cumberland Gap, at Lee County's western tip.

The western and central portions of rural Lee County are sparsely populated, and include the small towns of Jonesville, which is located in the central portion of the assessment area, and Pennington Gap, which is located toward the eastern portion of the county. The population of this non-metropolitan assessment area is well disbursed throughout the moderate- and middle- income areas. The largest employers in Lee County are DeRoyal Industries (medical supplies) and KCG Call Center (Inbound/Outbound Call Center);

Wise County is adjacent to Lee County in the foothills of the Appalachian Mountains. The county is part of the Appalachians and has many mountainous features, including the peak of High Knob and Powell Valley. Two state supermax prisons are located in Wise County: Red Onion State Prison, opened in 1998, and Wallens Ridge State Prison, opened in 1999. The county is rural with employment centered in coal mining, government, and manufacturing. The largest employers in Wise County are Mullican Flooring (Hardwood Flooring), Sykes Enterprises (Customer Service Center), Crutchfield Corporation (Electronics Sales & Service), Verizon Welcome Center (New Customer Welcome Contact Center), and TeleMed (Medical Answering Service).

The independent city of Norton lies within the confines of Wise County, but is not a part of the county. Because counties have historically been a strong institution in local government in most of the United States, independent cities are relatively rare outside of the Commonwealth of Virginia, whose constitution makes them a special case.

Virginia's independent cities are not politically part of a county, even though geographically they may be completely surrounded by one. An independent city in Virginia may serve as the county seat of an adjacent county, even though the city by definition is not part of that county. The largest employers for the independent city of Norton, Virginia are AT&T Relay (TDD Communications), Verizon Directory Assistance (Directory Assistance) Pepsi-Cola, 7-Up Bottling (Soft Drinks) and Norton Community Hospital.

The unemployment rates at year-end 2012 for Lee and Wise County, and the City of Norton were 8.70 percent, 7.70 percent, and 7.10 percent, respectively, compared to 5.50 percent for the State of Virginia and 7.80 percent for the national average. The recent recession adversely impacted the manufacturing sector, which resulted in many lost job opportunities and increasing unemployment rates. According to data published by the Virginia Employment Commission, claims for unemployment in the AA are concentrated in mining and support activities for mining; truck transportation; construction; and administration/support services.

Poverty rates for Lee and Wise Counties, and the City of Norton were 25.5 percent, 22.2 percent, and 19.5 percent, respectively compared to 9.5 percent for the state, according to the Bureau of Census. Of the total 27,251 households, 40 percent receive social security income, 19 percent receive retirement benefits, and another 7 percent receive other types of public assistance. According to the U.S. Department of Housing and Urban Development (HUD), the updated 2011 median family income was \$51,900. The median home value is \$54,446 with 65.6 percent owner occupied units. Median gross monthly rent for the area is \$350.

Local demographic data reflects a very homogenous community with the total number of housing units evenly distributed among the moderate- and middle-income areas. In addition, there are no significant variances regarding the percentages of owner occupied and rental occupied housing units that are disbursed among the moderate- and middle-income census tracts. However, the owner-occupied housing units in the moderate-income areas are slightly older units with a median age of 21 years with lower home values of \$49,684.

**Kingsport-Bristol-Bristol, TN-VA MSA 28700 AA (Scott County)
(Kingsport MSA)**

Table 3. Demographic Information for Full Scope Area: Kingsport MSA AA (Scott County, VA)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.00	50.00	50.00	0.00	0.00
Population by Geography	23,403	0.00	49.99	50.01	0.00	0.00
Owner-Occupied Housing by Geography	11,355	0.00	49.99	50.01	0.00	0.00
Business by Geography	1,432	0.00	40.01	59.99	0.00	0.00
Farms by Geography	80	0.00	53.75	46.25	0.00	0.00
Family Distribution by Income Level	7,121	25.47	21.11	22.62	30.80	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,537	31.35	23.07	20.64	24.94	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		\$33,682 \$49,500 19.33%	Median Housing Value Unemployment Rate (Dec 2012 BLS)			\$62,560 8.60%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census; 2011 HUD updated MFI; Bureau of Labor Statistics

Scott County, Virginia is included in the Kingsport MSA which is a component of the Johnson City–Kingsport–Bristol, Tennessee-Virginia Combined Statistical Area – commonly known as the "Tri-Cities" region. This AA was established in August 2008 when the bank opened a full service branch office in Duffield, Virginia. According to the 2000 U. S. Census this AA has three moderate income census tracts and three middle income census tracts. None of the middle income census tracts were identified as Distressed or Underserved Middle-Income Nonmetropolitan Geographies for 2011. There are no low- or upper-income census tracts. Please refer to **Table 3** for demographic data on the AA.

Scott County possesses economic development opportunities. With the recent announcements of technology related jobs with Holston Medical Group and Results, the county will attract additional related businesses in the near future as it markets the new technology park called the Scott County Regional Business and Technical Park. Scott County still has a strong industrial base in the Duffield Regional Industrial Park with companies like Gilbert-NS Lumber, Joy Mining and Machinery, Tempur Production, and VFP, Inc. that are among the largest employers in the county. These companies provide employment to the regional pool and continue to make products that are shipped all over the United States and the World.

The unemployment rate at year end 2012 for Scott County was 8.60 percent, compared to 5.50 percent for the State of Virginia and 7.80 percent for the national average. The recent recession adversely impacted the manufacturing sector, which resulted in many lost job opportunities and increasing unemployment rates. According to data published by the Virginia Employment Commission, claims for unemployment in the AA are concentrated in machinery manufacturing; administration/support services; and truck transportation.

The poverty rate for Scott County was 19.33 percent compared to 9.5 percent for the state of Virginia. According to the U.S. Department of Housing and Urban Development (HUD), the updated 2011 median family income was \$49,500. The median home value is \$62,560 with 67.56 percent owner-occupied units. Median gross monthly rent for the area is \$324.

Local demographic data reflects a very homogenous community with the total number of housing units evenly distributed among the moderate- and middle-income areas. In addition, there are no significant variances regarding the percentages of owner-occupied and rental occupied housing units that are disbursed among the moderate- and middle-income census tracts. However, the owner-occupied housing units in the moderate-income areas are slightly newer units with a median age of 18 years with lower home values of \$55,841.

COMMUNITY CONTACT

We contacted a community service organization that serves the entire AA to help identify community credit needs. The contact indicated credit needs included financing for local economic development projects that will attract new industry to the AAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered PVNB's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. Small loans to businesses and residential mortgage loan types combined received equal weight in the evaluation process.

PVNB's rating is based on the bank's performance in the non-MSA AA of Lee and Wise County and the City of Norton in Virginia; and in Scott County, Virginia, a portion of the Kingsport MSA AA.

Loan-to-Deposit Ratio

PVNB's average loan-to-deposit ratio is reasonable when compared to similarly situated institutions. The bank's quarterly average loan-to-deposit (LTD) ratio since the last CRA examination is 80.88 percent.

A significant level of competition, which is discussed under **Description of Institution**, exists within the bank's two assessment areas. Lee Bank and Trust Company, Farmers and Miners Bank, and The Peoples Bank are similarly situated to Powell Valley National Bank. The three institutions that operate main offices in Lee County are similar in asset size, operate branch offices within the county, and offer similar loan programs. A review of competitor data reveals that these three institutions also experienced moderate deposit growth and declining loan volume during the evaluation period. As shown in **Table 4**, the competitors' average net loan-to-deposit ratios are comparable with Powell Valley National Bank.

Table 4. Average Loan-to-Deposit Ratios for Competitor Institutions		
Institution Name	Asset Size (000) 12-31-2012	Average Net Loan to Deposit Ratio
Lee Bank and Trust	\$168,967	87.00
The Peoples Bank, Inc.	\$ 92,410	84.50
Farmers and Miners	\$131,408	69.07

Source: Uniform Performance Bank Reports for quarters ended September 30, 2007 through December 31, 2012.

Lending in Assessment Area

PVNB originated a substantial majority of its loans inside the AA in terms of the number of loans made. To evaluate the bank's performance in this area, we reviewed a sample of 46 small business loans and 54 real estate mortgage loans originated in Lee, Wise and Scott County, Virginia; and the City of Norton, Virginia. All loans in the sample were originated between January 1, 2009 and December 31, 2011. A substantial majority of loans were originated within the bank's assessment areas as indicated in **Table 5**. For the evaluation period, 88 percent of small business and real estate mortgage loans sampled were made inside the bank's AAs. There were no conspicuous gaps in the bank's lending patterns.

Table 5 - Lending in Assessment Areas

Loan Type	Number of Loans				Dollars of Loans (000s)					
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	47	87.04	7	12.96	54	\$2,840	76.14	\$890	23.86	\$3,730
Business	41	89.13	5	10.87	46	\$2,499	91.27	\$239	87.29	\$2,738
Totals	88	88.00	12	12.00	100	\$5,339	82.54	\$1,129	17.46	\$6,468

Source: Bank data of loan originations for evaluation period

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution of home mortgage and business loans was reasonable. More weight was given to lending in the VA non-MSA AA (Lee and Wise County and City of Norton) due to the fact that 4 of the bank's 5 branch offices are in this AA and account for 92 percent of loan originations and 98 percent of the total deposits for PVNB.

We considered that opportunities to lend to low- and moderate-income borrowers within the assessment area were limited due to the competition among the banking institutions within the assessment areas, and Powell Valley National Bank's market share within its two assessment areas.

The Virginia non-MSA AA (Lee and Wise County and City of Norton)

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes for the AA. Based on the 2000 Census Data, the level of home mortgage loans originated to low-income borrowers in the AA is less than the percentage of low-income families for the AA. Also, the level of home mortgages to moderate-income borrowers is below the percentage of moderate-income families for the AA. Please refer to **Table 5** for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

When considering the affordability of housing in the AA, however, this performance is reasonable. The median cost of housing in the AA is \$54,466 based on 2000 U.S. Census data. The HUD updated median family income for 2011 is \$51,900. This means that a low-income person earns less than \$25,949 in the AA.

We also considered the number of families that live below the poverty level and the barriers that this may have on home ownership in evaluating the borrower distribution of

consumer or home mortgage loans. Approximately 22 percent of the households in the AA live below the poverty level.

We further considered the bank's lending performance in middle-income tracts since all ten middle income census tracts were identified as Distressed (due to the poverty level) and Underserved (due to the remote rural geography) Middle-Income Nonmetropolitan Geographies for 2011. The level of home mortgages to middle-income borrowers is exceeds the percentage of middle-income families for the AA.

Table 6 depicts the bank's performance in lending to borrowers of different income levels in the Virginia non-MSA AA (Lee and Wise County and City of Norton).

Table 6 - Borrower Distribution of Residential Real Estate Loans in Virginia Non MSA AA (Lee and Wise County and City of Norton)								
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 Mortgage	29.71	13.95	20.07	13.95	21.41	34.88	28.82	37.21

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

The distribution of loans to borrowers of different incomes is reasonable given the level of poverty in the AA. A majority of loans to businesses were for amounts less than \$100 thousand. Gross annual revenue information was not available for a majority of the loans to businesses sampled. As a result, we were unable to conduct a fair assessment of the distribution of loans to business of different sizes. **Table 7** below reflects the number and dollar volume of loans sampled by gross annual revenue.

Table 7 - Borrower Distribution of Loans to Businesses in Virginia non MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	64.15	3.06	32.80	100%
% of Bank Loans in AA by #	36.36	3.03	60.61	100%
% of Bank Loans in AA by \$	82.76	1.59	15.65	100%

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

Because of a lack of definitive information regarding business revenues, we elected to focus on the size of the bank's business loans as a determinant of the amount of small business credit the bank is extending. **Table 8** summarizes the bank's lending to

businesses within the Virginia non-MSA AA (Lee and Wise County and City of Norton) by categorizing loans by size.

Table 8 - Distribution of Loans to Businesses by Loan Size in Virginia non-MSA AA (Lee and Wise County and City of Norton)				
Loan Size (000's)	Number of Loans	Percent of Number (%)	Dollar Volume of Loans (\$)	Percent of Dollar Volume (%)
\$0 - \$100,000	26	78.79	743,482	30.94
\$100,001 - \$250,000	3	9.09	340,309	14.16
\$250,001 - over	4	12.12	1,319,224	54.90
Total	33	100.00	2,403,015	100.00

Source: Bank data of loan originations for evaluation period

Kingsport MSA AA (Scott County)

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes for the AA. Based on the 2000 Census Data, the level of home mortgage loans originated to low-income borrowers in the AA is lower than the percentage of low-income families for the AA. However, the level of home mortgages to moderate-income borrowers exceeds the percentage of moderate-income families for the AA. Please refer to **Table 9** for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

When considering the affordability of housing in the AA, however, this performance is reasonable. The median cost of housing in the AA is \$62,560 based on 2000 U.S. Census data. The HUD updated median family income for 2011 is \$49,500. This means that a low-income person earns less than \$24,749 in the AA.

We also considered the number of families that live below the poverty level and the barriers that this may have on home ownership in evaluating the borrower distribution of consumer or home mortgage loans. Approximately 19 percent of the households in the AA live below the poverty level.

Table 9 - Borrower Distribution of Residential Real Estate Loans in Kingsport- MSA AA (Scott County VA)								
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 Mortgage	25.47	0.00	21.11	25.00	22.62	0.00	30.80	75.00

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

The distribution of loans to borrowers of different incomes is reasonable given the level of poverty in the AA. All loans to businesses in our sample were for amounts less than \$100 thousand. Gross annual revenue information was not available for a majority of the loans to businesses sampled. As a result, we were unable to conduct a fair assessment of the distribution of loans to business of different sizes. **Table 10** reflects the number and dollar volume of loans sampled by gross annual revenue.

Table 10 - Borrower Distribution of Loans to Businesses in Kingsport MSA AA (Scott County VA)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.69	1.89	31.42	100%
% of Bank Loans in AA by #	25.00	12.50	62.50	100%
% of Bank Loans in AA by \$	33.03	20.93	46.05	100%

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

Geographic Distribution of Loans

The geographic distribution of residential mortgage loans and loans to businesses reflects a reasonable distribution of loans in moderate-income geographies. More weight was given to lending in the Virginia non-MSA AA (Lee and Wise County and City of Norton), which has four of the bank's fove branch offices in the AA and accounts for 92 percent of loan originations and 98 percent of total deposits. The Kingsport MSA AA (Scott County VA) has one branch office and accounts for only eight percent of loan originations and two percent of total deposits. We identified no unexplained gaps in the bank's lending patterns. The AAs do not contain any low-income geographies.

The Virginia non-MSA AA (Lee and Wise County and City of Norton)

The geographic distribution of residential mortgage loans and loans to businesses reflects a reasonable distribution of loans in moderate-income geographies in the AA. The percentage of loans to borrowers living in moderate-income geographies is near to the percentage of owner-occupied units within these geographies. **Table 11** below depicts the bank's geographic distribution within the Virginia non-MSA AA (Lee and Wise County and City of Norton) for home mortgage loans.

Table 11 - Geographic Distribution of Residential Real Estate Loans in Virginia non-MSA AA (Lee and Wise County and City of Norton)								
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 mortgage	0%	0%	45.69	39.53	54.31	60.47	0%	0%

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

Loans to Small Businesses

Virginia non-MSA AA (Lee and Wise County and City of Norton)

Please refer to **Table 12** below for the facts and data used to evaluate the geographic distribution of the bank’s origination/purchase of small loans to businesses. We considered the demographic characteristics of moderate-income geographies in evaluating geographic distribution of loans to businesses.

The geographic distribution of loans to small businesses reflects reasonable dispersion. The percentage of loans to businesses in moderate-income geographies is near to the percentage of businesses in these geographies.

Table 12 - Geographic Distribution of Loans to Businesses in Virginia non-MSA AA (Lee and Wise County and City of Norton)								
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
Business	0	0.00	51.28	48.48	48.72	51.52	0	0.00

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

Kingsport MSA AA (Scott County)

The geographic distribution of residential mortgage loans and loans to businesses reflects excellent dispersion of loans in moderate-income geographies in the AA. The percentage of loans to borrowers living in moderate-income geographies exceeds the

percentage of owner-occupied units within these geographies. **Table 13** below depicts the bank’s geographic distribution within the Kingsport MSA AA (Scott County VA) for home mortgage loans.

Table 13 - Geographic Distribution of Residential Real Estate Loans in Kingsport-MSA AA (Scott County VA)								
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 mortgage	0.00	0.00	49.99	100.00	50.01	0.00	0.00	0.00

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

Loans to Small Businesses

Please refer to **Table 14** below for the facts and data used to evaluate the geographic distribution of the bank’s origination/purchase of small loans to businesses. We considered the demographic characteristics of moderate-income geographies in evaluating geographic distribution of loans to businesses.

The geographic distribution of loans to small businesses reflects excellent dispersion. The percentage of loans to businesses in moderate-income geographies exceeds to the percentage of businesses in these geographies.

Table 14 - Geographic Distribution of Loans to Businesses in Kingsport MSA AA (Scott County VA)								
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
Business	0.00	0.00	40.01	100.00	59.99	0.00	0.00	0.00

Source: Bank data of loan originations for evaluation period; 2000 U. S. Census Data

Responses to Complaints

There have been no complaints regarding PVNB's performance under CRA during this evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) in determining a national bank's (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.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.