



## PUBLIC DISCLOSURE

May 27, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grundy National Bank  
Charter Number 15247

22112 Riverside Drive  
Grundy, Virginia 24614

Roanoke Field Office  
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 Lending Test is rated: Satisfactory.**

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

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, credit needs within the assessment areas, and the bank's market share within the assessment areas.
- The bank made the majority of its loans inside its assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income borrowers), given the demographics of the assessment areas.
- The bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas.

## **Scope of Examination**

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests for Intermediate Small Banks. The Lending Test evaluates the bank's record of meeting the credit needs of its assessment areas (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, 2012 through December 31, 2013. The evaluation period for community development loans, investments, and services is February 15, 2011 through May 27, 2014.

Information regarding the bank's financial performance was as of March 31, 2014, whereas information regarding the bank's deposit market share within the counties comprising its AAs was as of June 30, 2013.

### **Data Integrity**

Grundy National Bank's public lending information is materially accurate. We performed a data integrity review in November 2013 to validate the accuracy of the bank's Home Mortgage Data Act (HMDA) data for January 1, 2011 through September 30, 2013. At that time, we determined that the HMDA data was reliable. We did not find errors in the bank's HMDA data collected and reported on its Loan Application Register. We

determined that home mortgage loans were not a primary loan product by either number of loans or by dollar amount of loans. Therefore, we did not complete an analysis of lending activities for the bank's home mortgage loan products.

### Determination of Bank's Primary Loan Products

We determined the bank's primary loan products based on bank-generated reports of loan origination data from January 1, 2012 through December 31, 2013. The primary loan product was determined to be Consumer Loans based on total number of loans and total dollar amount.

One of the credit needs in the bank's AAs is small-dollar consumer loans. Grundy National Bank's lending policy does not restrict the minimum loan amount for consumer loans. As of the date of our evaluation, the bank report reflected a total of 367 loans with original loan amounts of less than \$1,500. The total current outstanding balance for these loans is \$349,000. This lending practice and philosophy addresses that credit need within the bank's assessment areas. The small-dollar loans are beneficial to consumers in the AAs to reduce dependence on payday loan or deposit advance products and offer reasonably priced auto loans that help consumers afford reliable transportation.

We sampled Consumer Loans originated between January 1, 2012 and December 31, 2013 using the numerical sampling methodology defined in the Comptroller's Handbook, Sampling Methodologies, dated August 1998.

Home mortgage loans and small loans to businesses were not primary loan products and were not included in the lending analysis. Please refer to Table 1 for loan origination data for each loan type during the evaluation period.

Loan Type	Table 1 – Loan Originations by Loan Type			
	Total Number of Loans	% of Number	Total \$ of Loans (\$000)	% of Total \$ of Loans
Small Business	709	17.95	24,153	49.90
Consumer	3,169	80.25	19,004	39.26
Home Mortgage	71	1.80	5,248	10.84
Total loans for evaluation period	3,949		48,405	

\*Institution's Monthly Board Reports of New Loans by loan type, total number, and total dollar for the period of January 1, 2012 to December 31, 2013.

## Description of Institution

Grundy National Bank (GNB) is an intrastate bank, established in 1964, with its main office headquartered in Grundy, Virginia. The bank is owned by GNB Bankshares

Corporation, a \$341 million single-bank holding company. GNB Bankshares stock is closely held and is not listed on any public exchange or over-the-counter (OTC) bulletin.

GNB is a full-service community bank serving the counties of Buchanan, Tazewell, and Washington in southwestern Virginia. The bank operates eight full-service branches, all with drive-thru facilities, within its AA. The bank also operates seven Automated Teller Machines (ATMs): five adjacent to bank branches and two located within supermarkets. Three branch locations are located in moderate-income census tracts in Buchanan County and the branch location in Washington County is located in a moderate-income census tract. During this evaluation period, the bank has not opened and has not closed a banking location.

The three banking locations within Tazewell County (Richlands, North Tazewell and Claypool Hill) are operated under the name, "Clinch Valley Bank, a division of Grundy National Bank". This is merely a "doing business as" (d.b.a.) arrangement with the assets and deposits of these three locations incorporated and reported on the bank's Consolidated Report of Condition and Income for A Bank With Domestic Offices Only – FFIEC 041 (commonly referred to as the Call Report).

GNB's strategy is to offer a variety of deposit and loan products to meet consumer and commercial banking needs. The bank's Internet website, [www.grundynationalbank.com](http://www.grundynationalbank.com), provides detailed information on products and services for both consumers and businesses. Banking services are standard, with the addition of 24-hour telephone banking, on-line banking and a mobile banking application.

As of March 31, 2014, GNB's gross loans totaled \$ 133 million, or 38.9 percent of total assets and total deposits were \$279 million, or 81.8 percent of total assets. Total Tier One Capital was \$67 million. The institution's loan portfolio as of March 31, 2014 is presented in **Table 2** below.

Table 2 Loan Product Category	Gross Loans as of March 31, 2014*	
	Dollar Amount Outstanding (000's)	Percentage of Amount
Construction & Land Development	\$2,531	1.91%
Commercial and Industrial	\$4,344	3.27%
All Other	\$12,118	9.12%
Individuals	\$18,598	14.00%
Residential Mortgage Loans	\$25,962	19.54%
Commercial and Commercial Real Estate	\$27,310	20.56%
Commercial/Commercial Real Estate Loans to Small Businesses	\$41,978	31.60%
<b>Total</b>	<b>\$132,841</b>	<b>100.00%</b>

\*Data obtained from "Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only – FFIEC 041" as of March 31, 2014.

The Summary of Deposits Report generated by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2013, ranked GNB second among 11 financial institutions in the Buchanan and Tazewell counties AA with 15.79 percent of the market share; and fourteenth among 17 financial institutions in the Washington County AA, with 1.24 percent of the market share.

The leading competitors in the market are large, multi-state national banks and large state banks. The bank's competition in Buchanan and Tazewell counties stems from Branch Banking and Trust Company (BB&T), which ranked first with 16.35 percent market share, Trupoint Bank, which ranked fourth with 13.49 percent market share, First Sentinel Bank, which ranked sixth with 8.91 percent market share, and New Peoples, Inc., which ranked eighth with 8.27 percent market share.

The bank's competition in Washington County is Highlands Union Bank, which ranked first with 23.5 percent market share. The ranking and deposit market share of other competitor banks in Washington County are Regions Bank ranked third with 9.19 percent, Wells Fargo Bank, N.A. ranked fourth with 9.11 percent, BB&T ranked fifth with 8.81 percent, and Bank of America, N.A. ranked sixth with 5.79 percent. The rankings in each AA are reasonable given the fact that the bank has six branches in Buchanan and Tazewell counties and one branch in Washington County.

During the evaluation period, there were no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment areas. The bank received a "Satisfactory" rating in its February 14, 2011 CRA Performance Evaluation.

## **Description of Assessment Areas**

GNB has defined two assessment areas. The Virginia non-Metropolitan Statistical Area (MSA) AA consists of two contiguous counties in Virginia - Buchanan and Tazewell counties in their entirety. The second AA is the Virginia MSA 28700 AA that consists of Washington County Virginia in its entirety.

### **Buchanan and Tazewell Counties AA**

Buchanan County has four moderate income census tracts and three middle income census tracts. The middle income census tracts are designated distressed and underserved nonmetropolitan middle income geographies due to high poverty rates, high unemployment rates, and the remote rural location. Tazewell County has two moderate income census tracts and nine middle income census tracts, none of which are designated distressed or underserved nonmetropolitan middle income census tracts.

Demographic data for Buchanan and Tazewell Counties from the 2010 United States Bureau of the Census reports are presented in **Table 3**. This demographic data reported that 5,436 or 20 percent of the total households within the AA were below the poverty level, which is higher than the national poverty level of 15 percent in 2013. The

population in the AA was reported at 69,176 and has been declining since 1980 due to declining coal production and increased mechanization of the coal mining industry.

<b>Table 3 - Demographic Information for Buchanan and Tazewell Counties AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	18	0.00	33.33	66.67	0.00
Population by Geography	69,176	0.00	28.43	71.57	0.00
Owner-Occupied Housing by Geography	20,469	0.00	28.38	71.62	0.00
Business by Geography	4,510	0.00	22.97	77.03	0.00
Farms by Geography	152	0.00	7.24	92.76	0.00
Family Distribution by Income Level	19,313	27.12	21.28	21.08	30.52
Distribution of Low and Moderate Income Families throughout AA Geographies	9,347	0.00	32.42	67.58	0.00
Median Family Income		50,300	Median Housing Value		75,202
HUD Adjusted Median Family Income for 2013		51,600			
Households Below Poverty Level		20%			

Source: 2010 U.S. Census and 2013 HUD updated MFI

### **Buchanan County**

Buchanan County is located in the Appalachian Plateau of southwestern Virginia, adjacent to Kentucky and West Virginia. The total land area of the county is 504 square miles. The bank has branch offices in Deel, Grundy, Hurley, and Stiltner, all located in Buchanan County.

Buchanan County remains the largest coal-producing county in Virginia. The largest employers by industry are natural resources and mining, education and health services, and trade, transportation and utilities.

According to the Virginia Employment Commission Quarterly Census of Employment and Wages Report for the third quarter 2013, the five largest employers in Buchanan County are Consolidation Coal Company, Buchanan County School Board, Keen Mountain Correctional Institute, Dominion Coal Corporation, and the County of Buchanan.

At March 31, 2014, the Buchanan County unemployment rate was 9.8 percent, which was above the State of Virginia at 4.9 percent and above the national average of 6.7 percent.

The town of Grundy is the county seat of Buchanan County. The town is noted for its educational institutions and their role in the town’s economic rebirth. Grundy is home to the Appalachian School of Law (ASL), which opened in 1997, and the Appalachian College of Pharmacy, which opened in 2005. The presence of ASL has brought \$12 million to the local economy, and is credited with construction of rental homes and the opening of additional businesses in the area. Additionally, ASL has successfully

demonstrated the concept of creating institutions of higher education as an economic development tool.

This success led to the creation of the Appalachian College of Pharmacy (ACP), located in Oakwood, which, like the ASL, was created as part of a continuing economic redevelopment effort. ACP offers a three-year doctor of pharmacy program, and is committed to serving the needs of rural and underserved communities in Appalachia.

The Appalachian School of Optometry is in the development stages in Buchanan County and is projected to admit its first students in 2014. The school will be located in the Buchanan Information Park in Grundy at the original location of the Appalachian College of Pharmacy. Once the school is fully operational, the economic benefit to Buchanan County is estimated at around \$4 million annually and is projected to provide 60 full-time jobs.

A revitalization project, started in 2001, to relocate much of the town to higher ground has been completed. New utilities were placed and new bridges across the river were built. A new downtown includes a multi-level Wal-Mart with a parking deck with several retail stores located in this new shopping plaza. Buildings backing on the river have been demolished and a new flood wall protects the county courthouse.

## **Tazewell County**

Tazewell County is located in the southwestern portion of Virginia. This Southwestern Virginia County lies on the Alleghany Plateau and is characterized by its mountainous terrain. It is part of the Bluefield, West Virginia-Virginia micropolitan statistical area, which has an estimated population of 107,342 according to the 2010 Census. The bank has branch offices in Richlands, Pounding Mill, and North Tazewell, all located in Tazewell County. The largest employers by industry are natural resources and mining, education and health services, and trade, transportation and utilities.

According to the Virginia Employment Commission Quarterly Census of Employment and Wages Report for the third quarter 2013, the five largest employers in Tazewell County are Wal-Mart, the Tazewell County School Board, Clinch Valley Community Hospital, Cumberland Mountain Community Services, and Southwest Virginia Community College.

The economy of Southwest Virginia has traditionally been tied to the coal mining industry; however, these jobs have been in steady decline for more than two decades. Between 1990 and 2009, Virginia coal mining employment dropped by 57 percent to fewer than 4,600 jobs, tracking a 54 percent drop in coal production during the same period. At March 31, 2014, Tazewell County unemployment rate was 6.0 percent, which is above the State of Virginia at 4.9 percent and below the national average of 6.7 percent.

## Community Contact

We completed a community contact with a representative of the Grundy Industrial Development Authority (IDA). IDA is a non-profit organization that works with local, state, and federal agencies to create business opportunities for local businesses as well as nationally established companies to locate in Grundy, Virginia. Generally, comments of the contact were that area banks have been supportive of the community, providing credit availability for local agencies. The contact stated that there was a need for housing for senior citizens in the area. Grundy and Buchanan County have a large elderly population that may require special needs in housing, i.e., elevators for multi-level apartment buildings, handrails in hallways, bathrooms, etc., wider hallways to accommodate walkers and wheelchairs.

## Washington County AA

Washington County has 2 moderate income census tracts, 8 middle income census tracts, and 3 upper income census tracts. Washington County has no designated distressed or underserved middle income census tracts.

Demographic data for Washington County from the 2010 United States Bureau of the Census reports are presented in **Table 4**. This demographic data reported that 3,387 or 14.91 percent of the total households within the assessment area were below the poverty level, which is slightly below the national poverty level of 15 percent in 2013.

<b>Table 4 - Demographic Information for Washington County AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	13	0.00	15.38	61.54	23.08
Population by Geography	54,876	0.00	15.67	67.86	16.46
Owner-Occupied Housing by Geography	16,853	0.00	12.14	70.28	17.58
Business by Geography	4,584	0.00	18.70	63.11	18.19
Farms by Geography	362	0.00	10.50	75.69	13.81
Family Distribution by Income Level	16,077	20.62	16.13	20.25	43.01
Distribution of Low and Moderate Income Families throughout AA Geographies	5,908	0.00	19.08	70.58	10.34
Median Family Income		48,038	Median Housing Value		130,482
HUD Adjusted Median Family Income for 2013		48,700			
Households Below Poverty Level		14.91%			

Washington County is part of the Kingsport-Bristol Tennessee-Bristol Virginia Metropolitan Statistical Area, which is a component of the Johnson City-Kingsport-Bristol, Tennessee-Virginia Combined Statistical Area - commonly known as the "Tri-Cities" region. Nestled in the foothills of the Appalachians and secured in the valley formed by the Holston River is Abingdon, which has the largest livestock marketing center east of the Mississippi and the county seat of Washington County.



Agriculture, manufacturing and tourism-related businesses are the main economic contributors to Washington County. Washington County is a leader in the state of Virginia in burley tobacco production and marketing. The largest employers in the county are Gates Corporation, a non-tire rubber manufacturer of automotive and industrial products located near Glade Spring, Virginia; AFG Industries, a glass coating plant in the Oak Park Center for Business and Industry in Abingdon; and Universal Companies, Inc., the nation's largest single-source supplier of spa supplies.

At March 31, 2014, the Washington County unemployment rate was 6.0 percent, which is above the State of Virginia rate at 4.9 percent and below the national average of 6.7 percent.

### **Community Contact**

We completed a community contact with a representative of the Washington County Chamber of Commerce. The Washington County Chamber of Commerce is the primary organization responsible to promote business prosperity and a healthy community by providing information, services and advocacy for its members. Generally, comments of the contact were that area banks have been supportive of the community, providing credit availability for local agencies. The contact identified housing and new business loans as two credit-related needs in Washington County.

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

The performance under the Lending Test is considered "Satisfactory." The bank's loan-to-deposit ratio is reasonable, and a majority of loans are originated inside the assessment area. 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.

GNB's rating is based on the bank's performance in the two assessment areas in Virginia. 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 AAs. There are no low-income tracts in the AAs, and only 27 percent of total tracts in the AAs are designated as moderate-income tracts.

### **LENDING TEST**

In evaluating performance under the Lending Test, we considered the bank's business strategy and financial condition; the number and types of loans originated, and community credit needs identified through discussions with community contacts. We also considered the amount of competition from lenders located in the AA and also competitors not located in the AA.

To achieve the lending test rating, loans made to low- and moderate-income borrowers were given more weight than loans made to middle-income borrowers since 60 percent of the families and 73 percent of the households are in low- and moderate-income census tracts.

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

GNB's average quarterly loan-to-deposit (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 54.3 percent. This ratio has declined since the prior CRA evaluation, which posted an average quarterly LTD ratio of 65.9 percent. This LTD ratio has been reduced over the past two years due to the 24 percent reduction in loans and 9 percent decrease in deposits.

Local competing banks in the AA are mostly branches of large state-chartered, and large, nationally-chartered banks. The average quarterly loan-to-deposit ratio for competitor banks were as follows: First Sentinel Bank (82 percent), New Peoples Bank, Inc. (80 percent), Highlands Union Bank (79 percent), The National Bank of Blacksburg (62 percent) and TruPoint Bank (61 percent).

### **Lending in Assessment Area**

#### **Inside/Outside Ratio**

The analysis of the bank's lending inside and outside the AAs includes originations and purchases only and was performed at the bank level as opposed to the AA level.

A majority of the loans sampled during our review were found to be inside the bank's assessment areas. For the evaluation period, 85 percent of the number and 90 percent of the dollar amount of consumer loans were made inside of the bank's assessment area. This analysis had a positive impact on the overall geographic distribution analysis.

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

#### **Buchanan and Tazewell Counties AA**

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels. GNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance. Please refer to **Table 5** for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations. Small loans to businesses was not a primary loan product for this evaluation period; therefore, we did not complete a loan sample for analysis. Also the home mortgage loan portfolio was not a primary loan product and an analysis was not completed for this product type.

The analysis of lending to borrowers of different income levels was completed using loans made inside the AA from the loan sample discussed above.

**Consumer Loans**

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

GNB’s borrower distribution of consumer loans is reasonable. The percentage of loans made to low-income borrowers exceeds the percentage of low-income households in the AA. The percentage of loans made to moderate-income borrowers is near to the percentage of moderate-income households in the AA.

Table 5 below reflects the distribution by borrower income level of consumer loans for the evaluation period.

<b>Table 5 Borrower Distribution of Consumer Loans within the Buchanan and Tazewell Counties AA</b>								
Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Households	% of Bank Loans	% of Households	% of Bank Loans	% of Households	% of Bank Loans	% of Households	% of Bank Loans
Consumer Loans	32.90	34.29	17.55	17.14	18.03	11.43	31.52	37.14

*Source: 2010 U. S. Census; Consumer loans data from loan sample for the evaluation period of January 1, 2012 – December 31, 2013.*

**Washington County AA**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

**Consumer Loans**

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. GNB’s record of consumer lending to borrowers of different incomes exceeds the standard for satisfactory performance.

GNB’s borrower distribution of consumer loans is excellent. The percentage of loans made to low-income borrowers exceeds the percentage of low-income households in the AA. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income households in the AA.

**Table 6** below reflects the distribution by borrower income level of consumer loans for the evaluation period.

<b>Table 6 – Borrower Distribution of Consumer Loans within the Washington County AA</b>								
Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Households	% of Bank Loans	% of Households	% of Bank Loans	% of Households	% of Bank Loans	% of Households	% of Bank Loans
Consumer Loans	21.81	35.00	15.05	20.00	18.41	15.00	44.72	30.00

*Source: 2010 U. S. Census; Consumer loans data from loan sample for the evaluation period of January 1, 2012 – December 31, 2013.*

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AAs for consumer and home mortgage loans.

#### Buchanan and Tazewell Counties AA

##### Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion throughout census tracts of different income levels. GNB’s performance meets the standard for satisfactory performance.

The percentage of loans made to consumers in moderate-income geographies exceeds the percentage of households located in these geographies.

**Table 7** illustrates consumer loan originations by census tract income level during the evaluation period.

<b>Table 7 Geographic Distribution of Consumer Loans within the Buchanan and Tazewell Counties AA</b>								
Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Households	% of # of Loans	% of Households	% of # of Loans	% of Households	% of # of Loans	% of Households	% of # of Loans
Consumer Loans	0.00	0.00	27.84	71.00	72.16	29.00	0.00	0.00

*Source: 2010 U S Census; Consumer loans data from loan sample for the evaluation period of January 1, 2012 – December 31, 2013.*

#### Washington County AA

The geographic distribution of loans reflects reasonable dispersion throughout the AA for consumer and home mortgage loans.

**Consumer Loans**

The geographic distribution of consumer loans reflects reasonable dispersion throughout census tracts of different income levels. GNB’s performance meets the standard for satisfactory performance.

The percentage of loans made to consumers in moderate-income geographies is below the percentage of households located in these geographies.

**Table 8** illustrates consumer loan originations by census tract income level during the evaluation period.

<b>Table 8 Geographic Distribution of Consumer Loans within the Washington County AA</b>								
<b>Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of Households</b>	<b>% of # of Loans</b>	<b>% of Households</b>	<b>% of # of Loans</b>	<b>% of Households</b>	<b>% of # of Loans</b>	<b>% of Households</b>	<b>% of # of Loans</b>
<b>Consumer Loans</b>	0.00	0.00	14.97	10.00	68.16	55.00	16.87	35.00

*Source: 2010 U. S. Census; Consumer loans data from loan sample for the evaluation period of January 1, 2012 – December 31, 2013.*

**Lending Gap Analysis**

We evaluated the lending distribution to determine if any unexplained conspicuous gaps existed. We considered loan distributions, branch locations, competition, market conditions, and demographic information. We used reports and maps to compare the geographies where loans were made to the geographies in the AA. No unexplained conspicuous gaps were identified. This had a positive impact on the bank’s geographic distribution of loans.

**Responses to Complaints**

GNB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period. This has a neutral impact on the bank’s CRA assessment.

**COMMUNITY DEVELOPMENT TEST**

GNB’s performance under 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**

The bank has made five community development loans totaling \$1.9 million during the evaluation period in the Buchanan and Tazewell Counties AA. Proceeds of these loans were used to construct two new retail stores in Grundy, Virginia, and construct a multi-level water park at Breaks Interstate Park to promote economic development and create permanent jobs in the AA. Two loans were originated for the purpose of funding two health care facilities that provide health and wellness services to low and moderate income families in the AA. This is considered adequate performance for Buchanan and Tazewell Counties.

The bank did not originate community development loans for the Washington County AA during this evaluation period. Management has stated that economic conditions in the area have limited opportunities to provide lending for community development in Washington County. This is considered poor performance for Washington County.

### **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. The bank has sought to purchase community development investments within southwest Virginia and within the state as a whole. The bank's performance in the Buchanan and Tazewell Counties AA is considered adequate, while performance in the Washington County AA is considered poor.

Community development investments presently equate to 5 percent of the bank's Tier 1 Capital. The bank has made thirteen prior period qualified investments totaling approximately \$1.3 million, and four current period qualified investments totaling \$350 thousand within the State of Virginia. These investments went to organizations that provide health, human services, and affordable housing to low- and moderate-income or economically distressed geographies.

Other qualified investments included \$8 thousand to Mountain Mission School E-Learning Program, a non-profit 501(c)(3) charitable organization that provides education opportunities to at-risk children. Mountain Mission School functions as a full childcare facility (home, church and school) for children with legitimate needs regardless of the child's race, age, color or creed; and \$5 thousand to Buchanan County Rural America Program, a non-profit organization, whose primary purpose is provide vision and dental care for underserved areas in Buchanan County.

Although GNB desired to identify and purchase qualifying investments during this evaluation period, there were no opportunities identified for the Washington County AA. GNB provides financial donations to AA schools where a majority of the students qualify

for the free or reduced school lunch program. Typically, qualifying school lunch program students are from low-and moderate-income families.

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

GNB provided an adequate level of community development services in the AAs. The qualified community development services included nine bank employees who provide financial literacy education at public schools and credit counseling and other bank employees who volunteer their financial expertise in the roles of directors or officers for organizations with community development goals.

In addition to these development activities, the bank has contributed a total of \$85 thousand in donations to charitable and civic organizations during this evaluation period.

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

The bank is adequately responsive to community credit needs and opportunities to lend for community development purposes.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's 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.