



**PUBLIC DISCLOSURE**

August 22, 2022

**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  
Roanoke Office  
4419 Pheasant Ridge Road, Suite 300  
Roanoke, Virginia 24014

Note: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

The lending test is rated: **Satisfactory**

The major factors that support this rating include:

- The Lending Test rating for Powell Valley National Bank (PVNB, or bank) is based on the combined ratings of the Kingsport-Bristol, TN-VA Multistate Metropolitan Statistical Area (MMSA), and the state of Virginia. The rating for the state of Virginia was given more weight as it holds a greater percentage of deposits and loans for the evaluation period.
- The loan-to-deposit (LTD) ratio is reasonable considering the bank's size, financial condition, and credit needs in its assessment areas (AAs).
- A substantial majority of loans were originated inside the AAs.
- Geographic distribution of loans in the AAs is reasonable.
- Distribution of loans to individuals of different income levels is reasonable.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the LTD ratio is reasonable.

The LTD ratio is calculated on a bank-wide basis covering the quarters as of March 31, 2019, through the quarter ended March 31, 2022. The average quarterly LTD ratio for the 13 consecutive quarters since the previous CRA evaluation is 74.18 percent. This is above the average quarterly LTD ratio of 65.95 percent for similarly sized institutions in the AAs. The bank's average quarterly LTD ratio ranged from a high of 84.68 percent, to a low of 64.21 percent. The average quarterly LTD ratio for similarly sized banks ranged from a high of 87.34 percent, to a low of 52.02 percent.

We considered that PVNB's lending volume and LTD ratio were impacted by the COVID-19 Pandemic (Pandemic). In 2020, the bank had an increase in deposit account balances as consumers received federal pandemic-related financial support. This, along with loan payoffs and decreased loan demand, resulted in a declining LTD ratio. A similar LTD ratio decline was observed in the similar asset-sized institutions during the evaluation period.

## Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs.

The bank originated 84.4 percent of its total loans, by number, inside the AAs during the evaluation period. This analysis is performed at the bank, rather than the AA level. The percentage of lending inside the AA had a positive impact on the OCC's analysis of the geographic distribution of loans. The table below details the lending activity within the AAs.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2019	111	84.1	21	15.9	132	15,032	76.1	4,716	23.9	19,749
2020	118	86.8	18	13.2	136	13,148	82.6	2,769	17.4	15,916
2021	149	82.8	31	17.2	180	22,568	74.9	7,568	25.1	30,136
<b>Total</b>	<b>378</b>	<b>84.4</b>	<b>70</b>	<b>15.6</b>	<b>448</b>	<b>50,748</b>	<b>77.1</b>	<b>15,053</b>	<b>22.9</b>	<b>65,801</b>

*Source: Bank Data*  
*Due to rounding, totals may not equal 100.0%*

## Description of Institution

PVNB is an interstate community bank, headquartered in Jonesville, Virginia. It was established in 1888 and is a wholly owned subsidiary of Powell Valley Bankshares, Inc., also located in Jonesville, Virginia. There are seven full-service branches, four in the Southwestern Virginia Non-MSA AA, and three in the Kingsport-Bristol TN-VA MMSA AA. The bank opened one branch located in Abingdon, Virginia, and closed no branches since the previous CRA Evaluation.

There are two AAs in the two rating areas. The Southwestern Virginia non-MSA AA includes all of Lee and Wise counties, and the independent city of Norton in Virginia. The Kingsport-Bristol, TN-VA MMSA AA includes all of Scott and Washington counties, and the city of Bristol in Virginia, and Sullivan County, Tennessee, in its entirety.

PVNB is a traditional, full-service community bank. It offers a variety of deposit and loan products to meet consumer and commercial banking needs. PVNB originates all of its home mortgages and does not currently have a secondary market program. Banking services include on-line banking with free bill pay, Popmoney, MobiMoney, mobile banking, and free credit reports. Each full-service office has a drive-thru, lobby, and a proprietary automated teller machine (ATM). Drive-thru locations offer limited banking, which consists primarily of loan payments, deposits, and withdrawals. Hours of operation are reasonable and consistent between all office locations. The same products and services are offered at each branch. The website provides detailed information on products and services for both consumers and businesses.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AAs. It received a Satisfactory rating at its last CRA Performance Evaluation (PE), dated July 8, 2019.

As of December 31, 2021, PVNB reported total assets of \$430.4 million and Tier One Capital of \$41.4 million. The loan portfolio of approximately \$250.5 million in gross loans represents 58.2 percent of total assets. The table below depicts a summary of the loan portfolio by loan product.

<b>Distribution of Loan Portfolio*</b>		
<b>TYPE OF LOAN</b>	<b>Balance Outstanding (\$000s)</b>	<b>% OF TOTAL LOANS</b>
1-4 Family Residential Real Estate	87,509	34.93
Non-Farm/Non-Residential Real Estate	82,771	33.04
Obligations of states/political subdivisions	25,322	10.11
Commercial and Industrial	19,042	7.60
Loans to Individuals	10,055	4.01
Construction & Land Development	9,146	3.65
Multi-family Residential Real Estate	8,297	3.31
Loans secured by farmland	4,607	1.84
Other loans	3,793	1.51
<b>Total</b>	<b>250,542</b>	<b>100.00</b>

\*Source: Schedule RC-C Part 1 – Loans and Leases as reported in the Consolidated Report of Condition and Income as of December 31, 2021.

The bank participated in the Paycheck Protection Program (PPP) implemented by the U.S. Small Business Administration. The program is a low-cost, qualifying forgivable loan program for small businesses to help cover payroll costs, interest on mortgages, rent, and utilities during the COVID-19 Pandemic. For 2020, the bank originated a total of 314 PPP loans, totaling \$18.6 million. Of that total, 260 loans totaling \$16.0 million were originated in the AAs. For 2021, it originated a total of 349 PPP loans, totaling \$14.1 million. Of that total, 349 PPP loans totaling \$12.8 million were originated in the AAs.

## **Scope of the Evaluation**

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

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

Lending performance was assessed based on the primary loan product of home mortgage loans originated during the evaluation period of January 1, 2019, through December 31, 2021. The bank did not originate or purchase a sufficient volume of small business and small farm loans for a meaningful analysis. Multi-family loans were not considered in the lending test due to the low percentage of loan originations in all AAs.

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

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

## **Ratings**

The overall rating is a blend of the state rating of Virginia, and the multistate rating are of the Kingsport-Bristol, TN-VA MMSA. We placed more weight on the rating for the state of Virginia because a larger majority of the bank’s deposits and loans are located in Virginia.

The MMSA rating and state rating are based on performance in all bank AAs. Refer to the “Scope” section under each state and MMSA rating section for details regarding how the areas were weighted in arriving at the respective ratings.

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

Pursuant to 12 CFR 25.28(c) in determining a national banks 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 AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

## **Multistate Metropolitan Statistical Area Rating**

### **Kingsport-Bristol, TN-VA MMSA AA**

**CRA rating for the Kingsport-Bristol, TN-VA MMSA AA<sup>1</sup>: Satisfactory**  
**The Lending Test is rated: Satisfactory**

The major factors that support this rating include:

- Geographic distribution of loans in the AA is excellent.
- Distribution of home mortgage loans among low- and moderate-income borrowers is reasonable.

### **Description of Institution's Operations in the Kingsport-Bristol, TN-VA MMSA AA**

The Kingsport-Bristol, TN-VA MMSA AA is comprised of Scott and Washington Counties, and the city of Bristol in the state of Virginia and Sullivan County in the state of Tennessee. There are 62 census tracts (CTs) in the AA, that consists of 12 moderate-income, 35 middle-income, and 15 upper-income tracts. There are no low-income CTs. The AA meets the regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The bank currently operates three branches within the AA located in Duffield and Abingdon, Virginia, and Kingsport, Tennessee. The Abingdon location is the only new branch opened within the AA during the review period. PVNB deposits in this market total \$97.5 million, representing 26.6 percent of total bank deposits.

According to the June 30, 2021, FDIC Deposit Market Share Report, there are 24 banking institutions in the AA. The top banks are The First Bank and Trust Company, First Horizon Bank, Truist Bank, Bank of Tennessee, and First Community Bank collectively holding 57.2 percent of the total deposit market share. PVNB ranked 12th with deposit market share of 2.09 percent.

Competition for mortgage loans is strong and includes local commercial and savings banks, branches of larger regional and nationwide banks, and national mortgage lenders. Based on 2021 Peer Mortgage Data, there are 324 lending institutions within the AA competing for mortgage applications. The top five institutions with a combined market share of 42.30 percent, are Eastman Credit Union, Rocket Mortgage, The First Bank & Trust Company, Cardinal Financial Company, and Pennymac Loan Services, LLC. PVNB ranked 29th with a market share of 0.83 percent.

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<sup>1</sup> *This rating reflects performance within the MMSA. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.*



## **Economic and Employment Factors**

The AA is currently in a recovery business cycle as a result of the Pandemic. However, the unemployment rate remains lower than the national average and is returning to pre-pandemic performance. According to the Bureau of Labor Statistics, the unemployment rates in the Kingsport-Bristol, TN-VA MMSA AA averaged 3.7, 6.9, and 4.1 percent for 2019, 2020, and 2021, respectively. These unemployment rates were somewhat above those of the state of Virginia with reported averages of 2.8, 6.2, and 3.9 percent for the same periods. Tennessee and national averages were similar to those of the AA. The state of Tennessee averaged 3.4, 7.5, and 4.3 percent. National averages were 3.7, 8.1, and 5.4 percent for the same years. During the height of the Pandemic, there was a sharp increase in unemployment rates in all areas. For example, employment rates for the AA during April of 2020 were 13.6 percent. This compared to 11.6, 15.9, and 14.7 percent for Virginia, Tennessee, and the nation respectively. While 2020 showed dramatic increases, unemployment rates have steadily declined since that date.

Industrial production in the AA is at a near decade high, and manufacturing employment has continued to rise through the pandemic. While jobs in manufacturing are increasing, the healthcare industry is struggling to get back to pre-Pandemic employment levels. The top employers are Eastman Chemical Co., Wellmont Health Systems, and Holston Medical Group. The primary strengths of the AA include low business costs, affordable housing in comparison to the national average, and positive net migration.

## **Housing**

The Kingsport-Bristol, TN-VA MMSA AA provides limited opportunity to lend to low- and moderate-income (LMI) geographies within the AA. There are no low-income geographies, and only 12 moderate-income geographies located within the 62 CTs. The majority of the CTs (80.6 percent) are in middle- and upper-income geographies. Housing units within the LMI geographies remain low compared to middle- and upper-income geographies. There are approximately 120 thousand total housing units in the AA, of which 64.50 percent are owner-occupied, 23.68 percent are rental-occupied, and 11.82 percent are vacant housing units. Housing units in moderate-income geographies represent 20.16 percent of total housing units in the AA, compared to 56.64 percent in middle-income geographies and 23.20 percent in upper-income geographies.

Home ownership in LMI geographies may be difficult due to high median housing prices compared to median family income. According to the 2015 American Census Survey (ACS) U.S. Census, the median housing value was \$122,663, and is relatively high for LMI households in the AA. The 2015 ACS U.S. Census reported the Weighted Average of Census MSA Median Family Income was \$51,210, which would result in annual income for low-income households of below \$25,605, and a moderate-income household annual income between \$25,605 and \$40,967. Additionally, households below poverty rates make up 28.51 percent of households in moderate-income geographies. These income and poverty levels could make it difficult to afford housing in this AA for LMI borrowers.

Additional factors that may cause homeownership difficulties in LMI geographies include higher median age of housing within LMI geographies compared to middle- and upper- income

geographies and a high percentage of renter occupied units in LMI geographies. Renter occupied units in moderate-income geographies total 37.73 percent of total rental units.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Kingsport-Bristol TN-VA MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	62	0.0	19.4	56.5	24.2	0.0
Population by Geography	251,605	0.0	19.2	57.0	23.8	0.0
Housing Units by Geography	120,425	0.0	20.2	56.6	23.2	0.0
Owner-Occupied Units by Geography	77,675	0.0	15.4	58.6	26.0	0.0
Occupied Rental Units by Geography	28,516	0.0	32.1	50.5	17.4	0.0
Vacant Units by Geography	14,234	0.0	22.3	58.3	19.4	0.0
Businesses by Geography	18,130	0.0	22.8	52.6	24.6	0.0
Farms by Geography	776	0.0	10.7	64.2	25.1	0.0
Family Distribution by Income Level	70,491	20.5	18.2	19.5	41.8	0.0
Household Distribution by Income Level	106,191	23.5	16.2	17.3	43.0	0.0
Median Family Income MSA - 28700 Kingsport-Bristol, TN-VA MSA		\$51,210	Median Housing Value			\$122,663
			Median Gross Rent			\$590
			Families Below Poverty Level			12.8%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### **Scope of Evaluation in Kingsport-Bristol, TN-VA MMSA AA**

We performed a full-scope review of the Kingsport-Bristol, TN-VA MMSA AA. We placed equal weight on performance in each year of the evaluation period to reach our conclusions.

### **Lending Test**

Performance under the Lending Test in the Kingsport-Bristol, TN-VA MMSA AA is rated satisfactory.

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

Based on a full-scope review, performance in the Kingsport-Bristol, TN-VA MMSA AA is reasonable.

## **Distribution of Loans by Income Level of the Geography**

Geographic distribution of loans in the AA is excellent.

### **Home Mortgage Loans**

Refer to Table O in the “MMSA” section of Appendix D for the facts and data used to evaluate the geographic distribution of home mortgage loan originations and purchases.

There are no low-income CTs in this AA. The geographic distribution of home mortgage loans in moderate-income CTs is excellent. The percentage of loans to borrowers in moderate-income tracts exceeds the percentage of owner-occupied housing units and the percentage of aggregate lending in the AA.

## **Distribution of Loans by Income Level of the Borrower**

Distribution of loans to individuals of different income levels is reasonable.

### **Home Mortgage Loans**

Refer to Table P in the “MMSA” section of Appendix D for the facts and data used to evaluate the borrower distribution home mortgage loan originations and purchases.

The percent of home mortgage loans made to low-income borrowers is significantly below the percentage of low-income families in the AA, and below the percentage of aggregate lending. The percent of home mortgage loans made to moderate-income borrowers is below the percentage of moderate-income families in the AA, and below the percentage of aggregate lending.

As previously stated in the Housing section for the Kingsport-Bristol TN-VA MMSA AA, home ownership in LMI geographies may be difficult due to high median housing prices compared to median family income. According to the 2015 ACS U.S. Census, the median housing value was \$122,662, and the median family income for low-income borrowers was less than \$25,605 and less than \$40,968 for moderate-income borrowers, making it difficult for low-, and moderate-income borrowers to afford housing in the AA.

The assessment of performance also considered the bank’s market share to low- and moderate-income families, its overall market share, and the improving trend in garnering market share with low- and moderate-income borrowers between 2019 and 2021. In 2019, PVNB ranked 34<sup>th</sup> overall with 0.61 percent market share in the AA, 17<sup>th</sup> with 0.41 percent market share for loans to low-income borrowers, and 24<sup>th</sup> with 0.16 percent market share for loans to moderate-income borrowers. In 2020, PVNB ranked 30<sup>th</sup> with 0.66 percent market share in the AA, 16<sup>th</sup> with 0.20 percent market share for loans to low- income borrowers, and 20<sup>th</sup> with 0.54 percent market share for loans to moderate-income borrowers. In 2021, PVNB ranked 27<sup>th</sup> with 0.83 percent market share in the AA, 15<sup>th</sup> with 0.16 percent market share for loans to low-income borrowers, and 25<sup>th</sup> with 0.38 percent market share for loans to moderate-income borrowers. Given the high level of competition for mortgage loans in the AA, potential difficulties low-income borrowers may face

to afford home mortgage loans, and the bank's improving trend in market share to low-and moderate-income borrowers over the assessment period, we determined distribution to be reasonable.

### **Responses to Complaints**

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

## **State Rating**

### **State of Virginia**

**CRA rating for the state of Virginia:** Satisfactory

**The Lending Test is rated<sup>2</sup>:** Satisfactory

The major factors that support this rating include:

- Geographic distribution of loans in the AA is reasonable.
- Distribution of loans to individuals of different income levels is reasonable.

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

The Southwestern Virginia non-MSA AA consists of Lee and Wise counties and the city of Norton. Lee and Wise counties are located in the Appalachian Highlands with high mountain ridges running along the northern and southern borders. The geographic barriers and inadequate infrastructure within the sparsely populated region burden economic growth and development. There are no low-income; seven moderate-income; ten middle-income; and one upper-income CTs. The middle-income CTs have been designated as non-metropolitan middle-income distressed and/or underserved because of high poverty rates and the remote rural geographies. The AA meets the regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The bank currently operates four full-service branches within Lee and Wise Counties and the city of Norton, located within the AA. Total deposits for this AA, as of June 30, 2021, were \$269.4 million, or 73.4 percent of total deposits.

According to the June 30, 2021, FDIC Deposit Market Share Report, the AA contains 11 banking institutions. PVNB holds the largest market share of deposits in this AA at 25.5 percent. The second highest market share is The First Bank & Trust Company at 15.3 percent, and third is Lee Bank & Trust Company with 11.1 percent.

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<sup>2</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

Competition for mortgage loans is strong and includes local commercial and savings banks, branches of larger regional and nationwide banks, and national mortgage lenders. Based on the 2021 Peer Mortgage Data, there are 116 lending institutions within the AA competing for mortgage applications. PVNB ranked third with 6.7 percent market share. The remaining top five institutions with a combined market share of 42.4 percent, are Eastman Credit Union, Rocket Mortgage, Farmers and Miners Bank, and The First Bank & Trust Company.

### **Economic and Employment Factors**

The AA is currently in a recovery business cycle as a result of the Pandemic. The largest industries in the AA are Government Services, Retail Trade, and Health Care & Social Assistance. The largest employers in the AA are Wise County School Board, Sykes Enterprises, Inc., Lee County School Board, National Finance Center, Wellmont Health System, and Wal Mart Associates. The unemployment rates are lower than the state and national averages; however, this is primarily due to the labor force trending downward since the pandemic.

According to the Bureau of Labor Statistics, the annual unemployment rates in the Southwestern Virginia non-MSA AA 4 for 2019, 2020, and 2021, respectively, were 4.6, 7.5 and 5.2 percent for Wise County; 4.0, 6.3 and 4.1 percent for Lee County; and 3.6, 7.4 5.0 percent for the City of Norton. These unemployment rates were somewhat above those of the state of Virginia, that reported averages of 2.8, 6.2, and 3.9 percent for 2019, 2020, and 2021, respectively. The national unemployment averages were comparable to those of the AA, at 3.7, 8.1, and 5.4 percent, for 2019, 2020, and 2021, respectively,

During the height of the pandemic in April of 2020, unemployment rates averaged as high as 11.8 percent in the AA. Virginia's unemployment rate increased as high as 11.6 percent and national rates increased to 14.7 percent. While 2020 showed dramatic increases in all respective scenarios, unemployment rates have steadily declined since that date.

### **Housing**

The Southwestern Virginia non-MSA AA provides limited opportunity to lend to LMI geographies within the AA. There are no low-income geographies, and seven moderate-income geographies located within the 18 CTs. The majority of the CTs, 61.1 percent, are in middle- and upper-income geographies. Housing units within the LMI geographies remain low compared to middle-income geographies. There are approximately 31 thousand total housing units in the AA, of which 58.6 percent are owner-occupied, 25.5 percent are rental-occupied, and 15.9 percent are vacant housing units. Housing units in moderate- income geographies represent 36.79 percent of total housing units in the AA, compared to 56.72 percent in middle-income geographies.

Home ownership in LMI geographies may be difficult due to high median housing prices compared to median family income. According to the 2015 American Census Survey (ACS) U.S. Census, the median housing value was \$87,138, and is relatively high for LMI households in the AA. The 2015 ACS U.S. Census reported the Weighted Average of Census MSA Median Family Income was \$51,647, which would result in a low-income household annual income below \$25,824, and a moderate-income household annual income between \$25,824 and \$41,317. These

income levels could make it difficult to afford housing at the median housing value in this AA for LMI borrowers. Households below poverty rates make up 27.6 percent of households in moderate-income geographies.

Additional factors that may cause homeownership difficulties in LMI geographies include higher median age of housing within LMI geographies compared to middle- and upper- income geographies and a high percentage of renter occupied units in LMI geographies. Renter occupied units in moderate-income geographies total 27.6 percent of total rental units.

### Southwestern Virginia non-MSA AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Southwestern Virginia non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	18	0.0	38.9	55.6	5.6	0.0
Population by Geography	69,743	0.0	36.6	56.5	6.9	0.0
Housing Units by Geography	31,496	0.0	36.8	56.7	6.5	0.0
Owner-Occupied Units by Geography	18,441	0.0	34.5	58.1	7.3	0.0
Occupied Rental Units by Geography	8,041	0.0	39.8	54.8	5.4	0.0
Vacant Units by Geography	5,014	0.0	40.3	54.5	5.2	0.0
Businesses by Geography	3,112	0.0	37.1	54.1	8.8	0.0
Farms by Geography	108	0.0	32.4	59.3	8.3	0.0
Family Distribution by Income Level	17,516	27.4	17.3	20.4	34.8	0.0
Household Distribution by Income Level	26,482	31.1	16.3	16.1	36.5	0.0
Median Family Income Non-MSAs - VA		\$51,647	Median Housing Value			\$87,138
			Median Gross Rent			\$562
			Families Below Poverty Level			18.4%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### Scope of Evaluation in Virginia

We performed a full-scope review of performance in the Southwestern Virginia non-MSA AA. We placed equal weight on performance in each year of the evaluation period to reach our conclusions.

## **Lending Test**

Performance under the Lending Test in Virginia is rated Satisfactory.

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

Based on a full-scope review, performance in the Southwestern Virginia non-MSA AA is reasonable.

## **Distribution of Loans by Income Level of the Geography**

Geographic distribution of loans in the AA is excellent.

## **Home Mortgage Loans**

Refer to Table O in the state of Virginia section of Appendix D for the facts and data used to evaluate the geographic distribution of home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans in moderate-income CTs is reasonable. The percentage of loans to borrowers in moderate-income tracts is below the percentage of owner-occupied housing units and the percentage of aggregate lending in the AA.

The bank receives credit for lending in the ten middle-income CTs in the AA designated as distressed and underserved due to high poverty levels and remote rural geographies. The geographic distribution of home mortgage loans in these middle-income CTs is excellent. The percentage of loans to borrowers in middle-income distressed tracts exceeds the percentage of owner-occupied housing units and the percentage of aggregate lending in the AA.

Given performance in distressed middle-income tracts, distribution is reasonable overall.

## **Distribution of Loans by Income Level of the Borrower**

Distribution of loans to individuals of different income levels is reasonable.

## **Home Mortgage Loans**

Refer to Table P in the state of Virginia section of Appendix D for the facts and data used to evaluate the borrower distribution of home mortgage loan originations and purchases.

The percentage of home mortgage loans made to low-income families is well below the percent of low-income families in the AA; However, it is near the percentage of aggregate lending. The percent of home mortgages made to moderate-income borrowers exceeds the percent of moderate-income families in the AA. It is also near the percentage of aggregate lending.

As previously stated in the Housing section for the Southwestern Virginia non-MSA AA, home ownership in LMI geographies may be difficult due to high median housing prices compared to

median family income. According to the 2015 ACS U.S. Census, the median housing value was \$87,138, and the median family income for low-income borrowers was less than \$25,824, making it difficult for low-income borrowers to afford housing in the AA.

Additionally, this assessment of performance considered the bank's market share to low- and moderate-income families compared to its competition and overall market share. In 2019, PVNB ranked second in overall market share with 8.35 percent, fourth with 7.32 percent market share to low-income borrowers, and third with 7.86 percent market share to moderate-income borrowers. In 2020, PVNB ranked fourth with 6.32 percent overall market share in the AA, third with 9.59 percent market share to low- income borrowers and third with 6.51 percent market share to moderate-income borrowers. In 2021, PVNB ranked third with 6.70 percent overall market share, seventh with 4.26 percent market share to low-income borrowers, and third with 6.87 percent to moderate-income borrowers. Considering this significant performance in market share to LMI borrowers compared to competitors and the potential difficulty of LMI borrowers to afford housing in the AA, distribution is considered reasonable.

### **Responses to Complaints**

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



## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs 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>	<b>01/01/2019 to 12/31/2021</b>	
<b>Bank Products Reviewed:</b>	Home Mortgage 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>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>MMSA(s)</b>		
Kingsport-Bristol, TN-VA MMSA	Full-scope	Counties of Scott and Washington and the city of Bristol, in their entirety, in the state of Virginia. and Sullivan County in its entirety, in the state of Tennessee
<b>Virginia</b>		
Southwestern Virginia non-MSA	Full-scope	Counties of Lee and Wise and the city of Norton, in their entirety, in the state of Virginia

## Appendix B: Summary of MMSA and State Ratings

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<b>RATINGS Powell Valley National Bank</b>	
<b>Overall Bank:</b>	Lending Test Rating
Powell Valley National Bank	Satisfactory
<b>MMSA or State:</b>	
Kingsport-Bristol, TN-VA MMSA	Satisfactory
Virginia	Satisfactory

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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-Scope 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:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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

**Metropolitan Statistical Area:** 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.

**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.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 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.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA, or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

**Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																			<b>2019-21</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Kingsport-Bristol TN-VA MSA AA	177	32,212	46.8	9,429	0.0	0.0	0.0	15.4	24.3	16.2	58.6	42.4	50.3	26.0	33.3	33.5	0.0	0.0	0.0	
Southwestern Virginia non MSA AA	201	18,536	53.2	1,059	0.0	0.0	0.0	34.5	21.4	32.6	58.1	70.6	57.1	7.3	8.0	10.3	0.0	0.0	0.0	
<b>Total</b>	<b>378</b>	<b>50,748</b>	<b>100.0</b>	<b>10,488</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>19.0</b>	<b>22.8</b>	<b>17.8</b>	<b>58.5</b>	<b>57.4</b>	<b>51.0</b>	<b>22.4</b>	<b>19.8</b>	<b>31.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																			<b>2019-21</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Kingsport-Bristol TN-VA MSA AA	177	32,212	46.8	9,429	20.5	2.3	6.6	18.2	9.0	16.9	19.5	13.0	21.0	41.8	52.0	39.1	0.0	23.7	16.3	
Southwestern Virginia non-MSA AA	201	18,536	53.2	1,059	27.4	8.5	8.9	17.3	18.9	22.0	20.5	20.9	22.0	34.8	40.3	34.4	0.0	11.4	12.7	
<b>Total</b>	<b>378</b>	<b>50,748</b>	<b>100.0</b>	<b>10,488</b>	<b>21.9</b>	<b>5.6</b>	<b>6.9</b>	<b>18.0</b>	<b>14.3</b>	<b>17.4</b>	<b>19.7</b>	<b>17.2</b>	<b>21.1</b>	<b>40.4</b>	<b>45.8</b>	<b>38.6</b>	<b>0.0</b>	<b>17.2</b>	<b>16.0</b>	

Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%