



2018 | Annual Report

WE HELP MAKE YOUR DREAMS COME TRUE



C. TODD ASBURY
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders:

Happy 20th Anniversary!

On October 28, 2018, we celebrated the 20th Anniversary of New Peoples Bank. Looking back over the years, I think about all of the good that we have been able to do in our region. We have helped our customers finance new homes, new cars, continue their education, and build wealth for a better quality of life for now and for retirement. We have assisted business expansion, new construction projects, addition of new equipment and some we have helped to get their start and be very successful today. We have had some really great successes in helping our customers dreams come true!

New Peoples Bank has been an employer to hundreds of people through the years. To be able to provide good, quality jobs in Central Appalachia has been and continues to be an important part of our mission and vision.

The communities that we serve are home. To have a banking partner that has a vested interest in the communities where we live is also an important aspect to our 20-year history. Support for community projects, providing help and leadership in economic endeavors, and being a part of the community is vital to our continued success.

These aspects are great accomplishments and will help us to be successful for our next 20-plus years.

We are building on our successes and working diligently to help make your dreams come true as an investor. There was a period of time where we have dealt with some major challenges that have been very costly. The asset quality problems that we have been working through for nearly the last decade are now approaching levels that are in line with our peers. Designated individuals continue to resolve the issues from the past, but it does not require the amount of attention as in recent years. In addition, the risk to lose more money from asset quality problems is minimizing. It has been a period of experiences that have made us a stronger and safer bank. We have learned from the mistakes of the past and have been able to successfully turn the bank around toward a brighter future. Now, I believe we are on the final stretch of making the necessary steps to improve our earnings and provide a great return to you, our shareholders. We are so appreciative of each of our investors who have patiently waited for the turnaround to take place.

As we progress in the right direction, in recent years, New Peoples Bank has grown in quality loans and deposits. Our policies and procedures are safe and sound. We have also made several investments to bring us to the forefront of industry practices using technology to better serve our customers. Now, in this 21st year, our team is primarily focused on developing products and services to maximize revenues, improving processes and training our staff.

In the current phase of the company, we have shifted more of our attention to develop the new products and services that we have to offer and to evaluate all lines of business to determine we are generating a proper return on the investment. We have already begun to see an increase in revenues from financial services, secondary market mortgages, the VISA card program, debit card income, title insurance commissions, and other products and services. We also are seeing more people use our digital banking services. However, we are not where we need to be yet and we believe there is more opportunity to be gained. In addition to new or revamped services, we have also enjoyed great success in growing the earning assets of the bank which helps to add to the core net interest income from loans and deposits.



Further, we are developing and cultivating relationships in the communities to help us gain market share and to demonstrate the difference that New Peoples Bank offers from all of our competition. As we further develop and assess all of these areas of the bank, we will apply the best practices to generate greater revenues and to better meet the needs of our customers and communities.

Improving efficiency is a primary focus for this year. We are evaluating contracts, processes, technology, and staffing to determine if we can further improve and reduce our expenses to operate the bank. We have made some great progress in this area for several years, but there is a final push that we are focused on in 2019 to make everything run as efficiently as possible. The goal is to operate as smoothly as possible at the lowest cost possible without sacrificing service and quality.

As a result of the improvements and the shift of our banking practices, new employees, new technology, new processes require training. We have been working in the past year and this year to establish a top notched training program to educate our employees in 21st century banking practices relevant to the changing times and the multiple generations that we serve. In the past 20 years, it is amazing at all of the changes the industry has gone through. Training is critical to help maximize our return on our employees and the revenues that they generate for the bank. This training initiative is already starting to generate returns from the perspective of customer experiences, efficiencies, growth and earnings.

These areas of focus in 2019, are the last areas that have to be addressed to truly result in increased earnings for the bank. Our commitment is firm, and we are working diligently to add revenues and decrease expenses to generate a greater return to our shareholders.

I am very optimistic about the next 20 years and beyond for New Peoples Bank. As we build on our successes, as we have learned from the mistakes of the past, and as we make a final push to increase revenues, decrease expenses with a highly trained work force, I see the future as very bright and profitable for all of our stakeholders.

You play a vital role in our success. If you don't have banking relationships with us, please make the change. We will aim to provide the best customer service possible. Your support now and in the future will help us to reach our goals sooner than later.

On behalf of the entire New Peoples Bank team, thank you and we promise to help make your dreams come true.



Board of Directors, New Peoples Bank

Harold Lynn Keene,
Chairman of the Board; President, Keene Carpet, Inc.

C. Todd Asbury, President and Chief Executive Officer,
New Peoples Bank

Tim W. Ball, Owner, Tim Ball Trucking

J. Robert Buchanan, Retired President, Chief Executive Officer and
Director, First Region Bancshares and First Sentinel Bank

Joe M. Carter, Retired General Manager, Daugherty Chevrolet

John D. Cox, Owner, Cox Tractor

Charles H. Gent, Jr., Vice Chairman and Owner, C&R Gent Logging

Eugene S. Hearl, Retired President and Chief Executive Officer,
TruPoint Bank

Michael G. McGlothlin, Attorney-at-Law

Fred W. Meade, President and Owner, Big M Stores, Inc.

B. Scott White, Owner, Flying W Ranch

Executive Officers, New Peoples Bank

C. Todd Asbury, President and Chief Executive Officer*

Bill Beard, Executive Vice President and Chief Credit Officer

John J. Boczar, Executive Vice President and Chief Financial Officer*

Frank Sexton, Jr., Executive Vice President and Chief Operating
Officer*

*Individual holds same position with Bank and Holding Company

GOOD TO GREAT

New Peoples Bank began serving customers on October 28, 1998. It was the first bank in the history of the Commonwealth of Virginia authorized to open three offices simultaneously at inception. The bank opened in Honaker, Weber City and Castlewood. In these twenty years, in communities that stretch from southern West Virginia, through Virginia's Great Southwest, to northeastern Tennessee, New Peoples Bank has enjoyed the support of shareholders who hold on through the challenging moments as well as the successful times. The three elements of customers, employees and shareholders inspire the leaders of New Peoples Bank to focus on propelling the bank from good to great.



The mission of New Peoples Bank is to provide high quality, state-of-the-art, Golden Rule banking services in our communities, while generating a reasonable rate of return to our shareholders and providing a challenging and rewarding work environment for our family of employees.

INNOVATION | IMAGINATION | PROGRESS



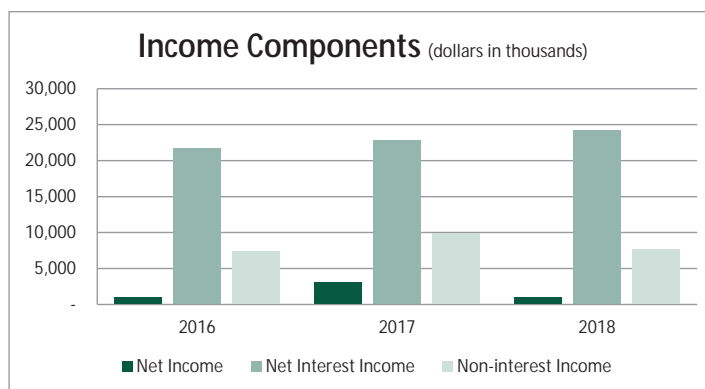
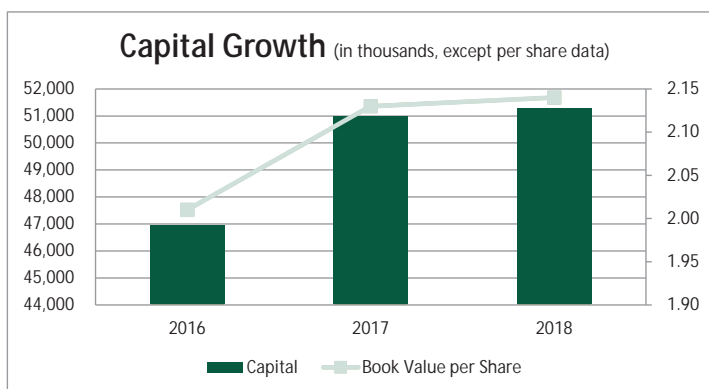
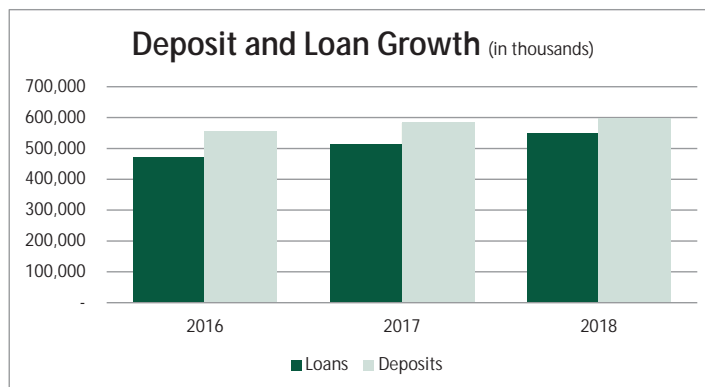
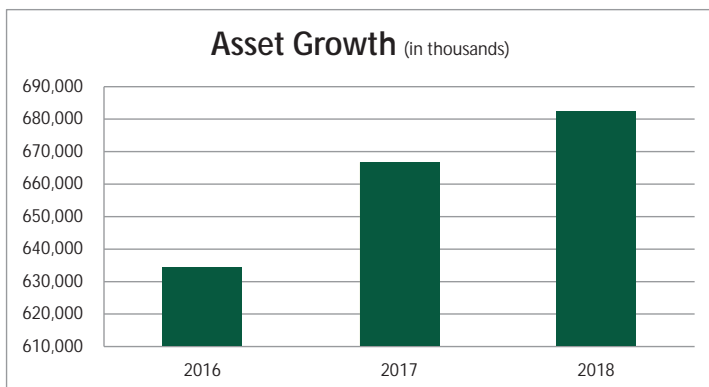
TRUST | STABILITY | STEWARDSHIP



Consolidated Financial Highlights

(Dollars in thousands, except per share data)

| FOR THE YEAR | 2018 | 2017 | 2016 |
|------------------------------|------------|------------|------------|
| Interest and Dividend Income | \$ 28,472 | \$ 25,933 | \$ 24,346 |
| Interest Expense | 4,265 | 3,213 | 2,620 |
| Net Interest Income | 24,207 | 22,780 | 21,726 |
| Non-interest Income | 7,607 | 9,836 | 7,291 |
| Non-interest Expense | 30,494 | 28,928 | 28,568 |
| Net Income | 919 | 3,094 | 958 |
| AT YEAR END | | | |
| Assets | \$ 682,142 | \$ 666,700 | \$ 634,335 |
| Loans | 547,096 | 513,008 | 468,629 |
| Deposits | 595,992 | 582,544 | 554,438 |
| Stockholders Equity | 51,250 | 50,973 | 46,917 |
| KEY RATIOS | | | |
| Return on Average Assets | 0.14% | 0.47% | 0.15% |
| Return on Average Equity | 1.83% | 6.30% | 2.00% |
| Yield on Earning Assets | 4.63% | 4.49% | 4.39% |
| Cost of Funds | 0.94% | 0.73% | 0.61% |
| Net Interest Margin | 3.94% | 3.94% | 3.92% |
| PER SHARE INFORMATION | | | |
| Net Income | \$ \$0.04 | \$ 0.13 | \$ 0.04 |
| Book Value | 2.14 | 2.13 | 2.01 |



Senior Management Team

J. W. Kiser, First Senior Vice President and Chief Commercial Banking Officer

Andrew J. Mullins III, First Senior Vice President and Chief Retail Officer

Landon McGlothlin, Senior Vice President and Chief Information Officer

Gary Keys, Senior Vice President and Senior Business Development Officer

Joe E. Waters II, Senior Vice President, Regional Commercial Banking Officer

Mori Williams, Senior Vice President, Regional Commercial Banking Officer

Debbie Arrington, Senior Vice President, Banking Operations

Dan Counts, Senior Vice President, Director of Customer Engagement and Community Service

Lori Counts, Senior Vice President, Director of Human Resources

Doug Horne, Senior Vice President, Area Manager

Linda Lowe, Senior Vice President, Private Client Services Advisor

Dorothy Meade, Senior Vice President, Consumer Credit

Richard Smith, Senior Vice President, Branch Administrator

Mary Yolanda Trigiani, Senior Vice President, Strategic Planning and Development

Branch Locations and Management

COALFIELD REGION

Kathy Jackson, First Vice President, Area Manager

Clintwood Branch
198 Colley Shopping Center
Clintwood, Virginia 24228

Grundy Branch
20487 Riverside Drive
Grundy, Virginia 24614

Haysi Branch
111 Haysi Main
Haysi, Virginia 24256

Honaker Branch
53 Commerce Drive
Honaker, Virginia 24260

Pound Branch
11241 Indian Creek
Pound, Virginia 24279

HIGHLANDS REGION

Tina Puckett, First Vice President, Area Manager

Abingdon Branch
350 West Main Street
Abingdon, Virginia 24210

Bristol Branch
101 Linden Square
Bristol, Virginia 24202

Castlewood Branch
87 Miners Drive
Castlewood, Virginia 24224

Chilhowie Branch
155 East Lee Highway
Chilhowie, Virginia 24319

Lebanon Branch
1421 East Main Street
Lebanon, Virginia 24266

CUMBERLAND REGION

Doug Horne, Senior Vice President, Area Manager

Big Stone Gap Branch
419 Shawnee Avenue East
Big Stone Gap, Virginia 24219

Gate City Branch
663 East Jackson Street
Gate City, Virginia 24251

Kingsport Branch
2600 North John B Dennis Highway
Kingsport, Tennessee 37660

Weber City Branch
1299 US Highway 23 South
Weber City, Virginia 24290

Wise Branch
5448 Wise-Norton Road
Norton, Virginia 24273

EAST RIVER MOUNTAIN REGION

Richard Smith, Senior Vice President, Branch Administrator

Bluefield Branch
514 Commerce Drive
Bluefield, Virginia 24605

Pounding Mill Branch
12602 Governor GC Perry Highway
Pounding Mill, Virginia 24637

Princeton – Oakvale Road Branch
180 Lyle Way
Princeton, West Virginia 24740

Princeton – Stafford Drive Branch
1221 Stafford Drive
Princeton, West Virginia 24740

Tazewell Branch
127 Chamber Drive
Tazewell, Virginia 24651



NEW PEOPLES BANKSHARES INC

Financial Holding Company

67 Commerce Drive
Honaker, Virginia 24260
276-873-6288

Npbankshares.com
NewPeoplesBank.com
LinkedIn.com/NewPeoplesBankInc
Facebook.com/NewPeoplesBank
Twitter.com/NewPeoplesBank
Instagram.com/newpeoplesbnk

Honaker, Virginia is home to New Peoples Bankshares, Inc. The community also is designated as the Redbud Capital of the World by the Virginia General Assembly because amazing redbud trees abound throughout the town and nearby countryside. In early spring, Honaker erupts in a brilliant display of pink. Thousands of redbud trees herald the arrival of spring, awakening from their winter hibernation and exploding with the telltale buds that turn to lush green leaves in the weeks that follow. In honor of the Commonwealth's distinction, and in homage to our hometown, New Peoples Bankshares happily features the lovely redbud in our corporate symbol.



| BANKING BY THE GOLDEN RULE |