

*Banking with you in mind.*



Part of your community

ANNUAL REPORT 2009



NEW PEOPLES  
BANKSHARES INC



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A copy of our Annual Report to the Securities and Exchange Commission on Form 10-K is furnished with this material.

ANNUAL REPORT 2009

The formation of New Peoples Bank, Inc., was first discussed by a group of citizens who responded to their community's yearning for the friendly hometown banking provided for years by Peoples Bank, which also originated in Russell County. Although the two banks have no formal or legal connection, several of the officers, board members and employees who made Peoples Bank a success formed the nucleus for New Peoples Bank.

This core Russell County group invited residents of Scott County, Buchanan County and Dickenson County to promote the idea of Southwest Virginia's first community bank in almost two decades. The community response was overwhelming and over 2,400 stockholders emerged to raise in excess of \$11 million dollars in start-up capital within a 90 day sale period.

The state of Virginia authorized New Peoples Bank to open three branches at once, beginning with the central headquarters in Honaker which was quickly followed by branches in Weber City and Castlewood.

The state had never before authorized more than one initial location for a start up bank but was impressed with the community support and capital-raising ability of New Peoples Bank's seasoned bankers, board members and initial subscribers. Since its opening date in October of 1998, New Peoples Bank has grown substantially.

The bank's directors credit its experienced staff

and officers for this rapid growth as well as the array of stockholders who bring their business to the bank and refer friends and neighbors. New Peoples Bank is truly a grass roots community bank and no one person or small group controls the bank and its future. The bank's future is in the hands of its employees, stockholders, customers, the board of directors and the goodwill of each of them spread throughout the Southwest Virginia community.

New Peoples Bank has increased its assets to over \$850 million since its grand opening in 1998. But most of all, New Peoples Bank has opened its doors to working families, retirees, businesses and other people in good standing. Customers with a dream to own their own home or business are made to feel welcome without unnecessary home office "rules" which simply don't apply to our rural area. Some chain banks, for instance, won't loan money for housing along gravel roads or if the house is more than one half mile from a fire hydrant or if the dwelling has a metal roof. These banks exclude a huge portion of our region's population without ever checking to see if the customer is creditworthy. This is not community banking. We help finance dreams; not foolish dreams but American dreams of property ownership, business start-ups, expansion and local investments.

This is our history and a little peek into the future of New Peoples Bank where the customer is appreciated for giving us the opportunity to serve his or her financial needs.

# Selected Financial Data

(Amounts in thousands, except per share data)

For the Years Ended December 31,

	2009	2008	2007	2006	2005
<b>Income Statement Data</b>					
Gross interest income	\$ 50,188	\$ 52,317	\$ 51,447	\$ 41,280	\$ 30,507
Gross interest expense	18,563	23,095	25,738	19,393	11,279
Net interest income	31,815	29,222	25,709	21,887	19,228
Provision for possible loan losses	12,841	1,500	3,840	1,277	1,130
Non-interest income	5,449	6,162	4,651	3,460	2,822
Non-interest expense	29,847	27,231	23,674	19,805	16,710
Net income (loss)	(3,686)	4,737	2,870	3,090	2,723
<b>Per Share Data and Shares Outstanding <sup>(1)</sup></b>					
Net income (loss), basic	(0.37)	0.47	0.29	0.31	0.27
Net income (loss), diluted	(0.37)	0.46	0.28	0.30	0.26
Cash dividends	-	-	-	-	-
Book value at end of period	4.66	5.03	4.54	4.25	3.93
Tangible book value at period end	4.21	4.56	4.06	4.25	3.93
<b>Period-End Balance Sheet Data</b>					
Total assets	857,910	807,898	765,951	635,819	527,770
Total loans	763,570	721,174	682,260	569,198	468,045
Total allowance for loan losses	(18,588)	(6,904)	(6,620)	(4,870)	(3,943)
Total deposits	760,714	705,688	657,033	572,187	462,692
Shareholders' equity	46,619	50,323	45,249	42,346	38,964
<b>Performance Ratios</b>					
Return on average assets	(0.44)%	0.61%	0.42%	0.54%	0.56%
Return on average shareholders' equity	(7.37)%	9.98%	6.60%	7.61%	7.28%
Average shareholders' equity to average assets	5.94%	6.09%	6.34%	7.06%	7.72%
Net interest margin <sup>(2)</sup>	4.14%	4.13%	4.11%	4.11%	4.38%
<b>Asset Quality Ratios</b>					
Net charge-offs to average loans	0.15%	0.17%	0.34%	0.07%	0.07%
Allowance to period-end gross loans	2.43%	0.96%	0.97%	0.86%	0.84%
Nonperforming loans to gross loans	3.74%	0.89%	0.47%	0.21%	0.12%
<b>Capital and Liquidity Ratios</b>					
Risk-based:					
Tier 1 capital	8.12%	9.50%	8.73%	10.84%	11.78%
Total capital	9.83%	10.78%	10.29%	12.20%	12.71%
Leverage capital ratio	6.14%	7.72%	7.22%	8.94%	9.63%
Total equity to total assets	5.43%	6.23%	5.91%	6.66%	7.38%

<sup>(1)</sup> We have adjusted all share amounts and per share data to reflect, a 10% stock dividend in June 2005 and a 13 for 10 stock split effected in the form of a stock dividend in September 2007.

<sup>(2)</sup> Net interest margin is calculated as tax-equivalent net interest income divided by average earning assets and represents our net yield on our earning assets.

The foregoing discussion and financial information in this report is only intended to provide a general overview of our financial position and results of operations. In order to fully analyze and understand our financial position and results of operations, you'll want to review the Form 10-K which includes Management's Discussion and Analysis. For shareholders, the Form 10-K is being mailed with this report. For other interested parties you can access our Form 10-K through the Company's website at [www.newpeoplesbank.com](http://www.newpeoplesbank.com) or through the SEC EDGAR database at [www.sec.gov](http://www.sec.gov) or if you prefer, a copy of the Form 10-K may be obtained upon written request to:

New Peoples Bankshares, Inc.  
ATTN: Investor Relations  
PO Box 1810  
Honaker, VA 24260





## NEW PEOPLES BANKSHARES INC

### Message to Shareholders,

2009 was certainly a difficult year in banking, not only for us, but for the whole banking industry, both nationally and locally. It took a while but our area is certainly now feeling the effects of the recession. We are working diligently to implement changes and strategies necessary to ensure our continued success and profitability in these troubled times.

Some of you may not know me, but I assure you my door is always open. I've lived and banked in this area for 29 years and believe in the community bank system. I promise to do my best as President and Chief Executive Officer of your bank, I am constantly thinking of new strategies and plans aimed at making our bank profitable for our stockholders, while also keeping a good working atmosphere for the employees. Not only that, I want customers to enjoy banking here and be satisfied with our bank and staff. Nothing would make me happier than for New Peoples Bank to become a household name in our market area. I have a great support staff and pool of employees, I appreciate each and every one of them.

We are continually monitoring changes in our economy and market place and implementing necessary changes ourselves to continue being a leader in our market. Hopefully the worst of the recession is behind us and things will start getting better soon. Our management team is working feverishly to correct and improve our processes, especially our credit function. With the economy the way it is, we must become more conscientious and conservative in the way we lend money. Call it a sign of the times.

Currently, asset quality improvement is our main focus. We have made several changes recently to enhance our credit function. We are committed to these enhancements to further strengthen our credit culture. We are still meeting our loan demand while staying focused on credit quality.

Even though these are difficult times for many people, we are working with our customers to help them during this recession. We apply "golden rule banking" at all times, both good and bad.

On a happier note, I want the shareholders to know we had a very profitable 4th quarter '09 and the bank is still deemed "well capitalized" under applicable regulatory standards. I want to assure each and every one of you the bank is doing well and still strong. Please continue supporting your bank and its mission.

**Jonathan Mullins**  
President & CEO



**Jonathan Mullins**  
President & CEO

**"We are working diligently to implement changes and strategies necessary to ensure our continued success and profitability"**



# Community Focus

New Peoples Bank is a true community bank. From the beginning, we have dedicated ourselves to the community we call home. We have a special responsibility to contribute to the growth and well being of the places where we live and work. After all, when the community thrives, so does the bank.

Our banking practices contribute to vibrant, healthy communities throughout Southwest Virginia, Northeast Tennessee and Southern West Virginia. We help small businesses get started and expand. We help transform neighborhoods throughout our community and we help individuals reach their financial goals, like owning an affordable home.

Our commitment includes being involved in some of the largest community outreach and development initiatives around. We are proud to be a leader in the charitable giving of financial support and volunteer hours in our community. Each year, our employees log countless hours in support of various events and organizations. We are proud of our employees and the time and talent they donate to worthwhile causes in our community. At any branch, you're likely to meet volunteers who do everything from coaching youth sports to repairing homes for local seniors. Most area civic and non-profit organizations count a New Peoples Bank employee among their leaders.

Below is a list of some of the organizations that have benefited from our efforts.

- 4-H Organization
- American Cancer Society
- American Diabetes Association
- American Heart Association
- American Red Cross
- Appalachian Soccer Association
- Barter Theatre
- Boy Scouts of America
- Camp Jacob
- Clinch River Days Festival
- Clinch Mountain Music Festival
- Community Christmas
- Chambers of Commerce
- Chuck Mathena Center
- Duffield Daze
- Kids Fishing Day
- Kiwanis Club
- Little League
- Lions Club
- Local Fairs
- Local Fire, Rescue and Police Departments
- Local School Programs
- Maple Grove Healthcare
- March of Dimes
- Muscular Dystrophy Association
- National Multiple Sclerosis Society
- Nickelsville Days
- Operation Christmas Child
- Project Graduation and After Prom Night – Area High Schools
- Redbud Festival
- Relay for Life
- Rhythm and Roots
- Rotary Club
- Ruritan Club
- St. Jude Children's Hospital
- Southwest Regional Cancer Center
- Southwest Virginia Children's Choir
- Southwest Virginia Music Festival
- Special Olympics
- Town Of St. Paul – Veteran's Memorial

## New Peoples Bank Provides Financial Education Materials to Local High Schools

This school year, students at area high schools are learning about credit from the banker's side of the desk. Thanks to an innovative curriculum supplement that uses video to simulate loan interviews, students role-play the job of a lender, analyzing loan applications, reviewing credit reports and calculating disposable income. At the end of the role-play, students compare their decisions with a banker's. In this learn-by-doing exercise, young adults teach themselves the value of good credit, how to determine their own capacity to borrow and repay, and what they can do as young adults to build a good credit history.

Aptly named HOW TO DO YOUR BANKING, the curriculum supplement also allows students to practice checking account management, develop savings strategies and create personal budgets. The material covers the gamut of practical and applied financial education. Upon completion students will know the importance of saving even small amounts regularly as a means of achieving financial goals; how to manage checking accounts; and how to obtain credit and use it responsibly.

HOW TO DO YOUR BANKING is sponsored as a public service of New Peoples Bank to area high schools. "We are concerned that the amount of financial training young adults receive today has not kept pace with their ability to get and spend money. We feel it is important that young adults have a chance to practice money management in the classroom, where mistakes won't cost real dollars," said Jonathan Mullins, President and CEO of New Peoples Bank.

"Recent surveys indicate that 80 percent of high school students want instruction in financial matters and that such education is among the top three subjects parents want taught to their children. By sponsoring this program, we are reaching our young people as they are entering the work force and first needing financial services. If we can help them learn good money habits right from the start and raise their level of financial responsibility, it will pay big dividends for them and the community alike," Mullins added.

## NPB Kids Club

The NPB Kids Club Savings Account was introduced on June 17th, 2009. One of the goals of this account is to help children pick up the good habit of saving. Setting up a savings account for children is a good way for them to learn how to manage money and save for the future.

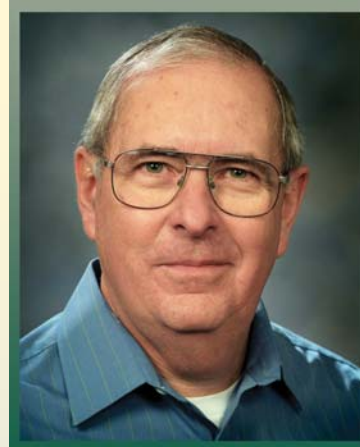
Helping to educate the children on the importance of saving is our new mascot.....the NPBee. The bee has been busy in the schools, local fairs, festivals and other community events. If you would like to schedule the bee to make an appearance at your event, please contact a branch near you.



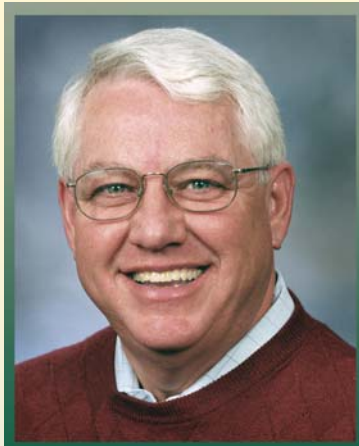
# Area Managers



**Sandy Slaughter**  
Senior Vice President & Regional  
Manager/Coordinator  
Clinch Mountain-South



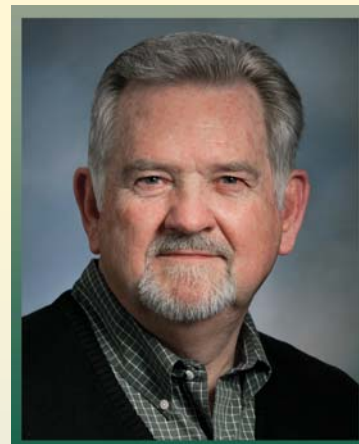
**Glenn Hill**  
Vice President & Area Manager  
Clinch Mountain-North



**Robbie Sturgill**  
Vice President & Area Manager  
Cumberland-North







**Doug Horne**  
Vice President & Area Manager  
Cumberland-South



**Dorothy Meade**  
Vice President & Area Manager  
Tri Cities

## Our Core Values

- I. Trust is the foundation of all successful relationships. We will earn your trust.
- II. When we help you succeed, we succeed together.
- III. We will treat every person, regardless of gender, age, or race with respect and dignity.
- IV. Many of our people are owners in the bank; owners are highly motivated to provide unparalleled personal service.
- V. We keep our commitments.
- VI. We will provide innovative products and competitive pricing.
- VII. We are dedicated to constant communication with our customers.
- VIII. Your business should be confidential....period!
- IX. We believe in continuing education and training to be the best in serving your financial needs.
- X. We will make our community a better place to live.

# We're Working for Your Business

New Peoples Bank's comprehensive treasury management capabilities help you build and grow your business with tools that increase efficiency and reduce expenses. From depository services to innovative e-commerce solutions, our experienced treasury management professionals will study your needs and work with you to improve your company's financial performance.

Accelerate collections, manage payables, automate processes, and put excess liquidity to work with New

Peoples Bank's innovative treasury management services. Our cutting-edge solutions apply the latest technologies to create integrated processes that eliminate redundant and manual processing, optimizing your cash flow and minimizing your resource requirements and expenses.

At New Peoples Bank, our goal is to help you succeed financially through the combined efforts of our people, technology and service.

## Treasury Management Services

Business Checking	Corporate Sweep REPO	Business VISA Check Card
Business Money Market	ACH Services (Payroll & Automated Debits)	Remote Deposit Capture
IOLTA	Business Online Banking	Automatic Text / Email Alerts
Zero Balance Account (Sweep)	Business Bill Pay Services	e-Statements
Corporate Subsidiary Sweep	Business Mobile Banking	Merchant Services

## Our New Freedom GenGold® Checking Stands Out From The Rest.



GenGold members are entitled to the following benefits and services:

- Low rates, discounts and rebates on travel services such as air travel, cruises, hotels, condos and more
- Major Attraction discounts at places like Dollywood, Disney, Six Flags, Busch Gardens and many more
- National Restaurant Discounts at Subway, Papa John's, Red Lobster, Olive Garden, Applebee's and more
- Movie Discounts
- Retail and Wholesale Club Discounts including Sam's and Costco
- Online and mail order discounts
- Prescription, vision, and hearing aid health services
- Pet Health Services

- Consumer Protection Services such as Identity Theft Protection
- Home and Office discounts at Staples
- Family benefits and discounts such as grocery coupons, student grant locator services, 24 hour emergency roadside assistance

As a New Freedom GenGold checking account holder, you and your family are entitled to participate in the most exciting value club program in the country. GenGold offers you a whole new way to save on financial services and so much more.

*Live Better for Less!*

# In Honor

On December 15, 2009, William C. Wampler, Jr. informed New Peoples Bankshares, Inc. of his decision to resign from the Board of Directors effective December 20, 2009 in order to focus on his duties as a member of the Virginia General Assembly.

On behalf of all the directors and the management of New Peoples Bankshares, Inc., I want to thank Senator Wampler for his commitment to representing the company's shareholders for the past four years," said Jonathan Mullins, President and Chief Executive Officer of New Peoples Bank, Inc. "William played a critical role in helping the bank through this challenging economic period and putting us on a strong path forward. We thank him for his contributions."

Senator Wampler was presented a commemorative plaque and board resolution reading as follows:



**William C. Wampler, Jr.**  
Member Virginia Senate

WHEREAS, Senator William C. Wampler, Jr. resigned on December 20, 2009, after completing outstanding service to New Peoples Bankshares, Inc. and Subsidiaries since 2005; and

WHEREAS, Senator Wampler provided excellent leadership and service to New Peoples Bankshares Inc. and Subsidiaries by serving as a Board member, Nominating Committee Chairman, and made a number of significant contributions to the Company; and

WHEREAS, Senator Wampler continues to provide excellent leadership and service to the Commonwealth of Virginia and Southwest Virginia; and

WHEREAS, Senator Wampler has earned the admiration and respect of the Board of Directors, employees, shareholders, and customers at New People Bankshares, Inc. and Subsidiaries for his dedication, integrity, enthusiasm, professionalism, and hard work;

NOW, THEREFORE, BE RESOLVED by The Board of Directors of New People Bankshares, Inc. and Subsidiaries herewith expresses its sincere gratitude for the invaluable contributions he has made to New Peoples Bankshares, Inc. and Subsidiaries, and to the Commonwealth of Virginia

BE IT FURTHER RESOVLED that this resolution be spread upon the permanent minutes of the Board and that copies be sent to Senator William C. Wampler, Jr. to share with his family.



## Financial Overview

### Caution About Forward Looking Statements

We make forward looking statements in this annual report that are subject to risks and uncertainties. These forward looking statements include statements regarding our profitability, liquidity, allowance for loan losses, interest rate sensitivity, market risk, growth strategy, and financial and other goals. The words "believes," "expects," "may," "will," "should," "projects," "contemplates," "anticipates," "forecasts," "intends," or other similar words or terms are intended to identify forward looking statements.

These forward looking statements are subject to significant uncertainties because they are based upon or are affected by factors including the following: the difficult market conditions in our industry; the unprecedented levels of market volatility; the effects of soundness of other financial institutions; the uncertain outcome of recently enacted legislation to stabilize the U.S. financial system; the potential impact on us of recently enacted legislation; the lack of a market for our common stock; the ability to successfully manage our growth or implement our growth strategies if we are unable to identify attractive markets, locations or opportunities to expand in the future; maintaining capital levels adequate to support our growth; maintaining cost controls and asset qualities as we open or acquire new branches; the successful management of interest rate risk; changes in interest rates and interest rate policies; reliance on our management team, including our ability to attract and retain key personnel; changes in general economic and business conditions in our market area; risks inherent in making loans such as repayment risks and fluctuating collateral values; competition with other banks and financial institutions, and companies outside of the banking industry, including those companies that have substantially greater access to capital and other resources; demand, development and acceptance of new products and services; problems with technology utilized by us; changing trends in customer profiles and behavior; and changes in banking and other laws and regulations applicable to us.

Because of these uncertainties, our actual future results may be materially different from the results indicated by these forward looking statements. In addition, our past results of operations do not necessarily indicate our future results. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

For additional discussion of risk factors that may cause our actual future results to differ materially from the results indicated within forward looking statements, please see Item 1A – Risk Factors of our 2009 Form 10K.

**Overview** - At December 31, 2009, New Peoples Bankshares, Inc. reports total assets were \$857.9 million, total loans were \$763.6 million, and total deposits were \$760.7 million. The Company had a total net loss after tax of \$3.7 million or \$0.37 per basic share and per diluted share for the year ended December 31, 2009 as compared to net income of \$4.7 million, or \$0.47 per basic share and \$0.46 per diluted share for the year ended December 31, 2008. The annualized return on average assets for the fiscal year 2009 was (0.44)% as compared to 0.61% for the same period in 2008. The annualized return on average equity was (7.37)% for the fiscal year 2009 and 9.98% for the same period in 2008.

**Income** - The net loss for the year ending 2009 is solely related to the \$11.3 million increased provision for loan loss. We did this prudently in light of the current economic circumstances.

The Company's primary source of income, net interest income, increased \$2.6 million, or 8.87% from 2008 to 2009. The increase in net interest income is due primarily to an increase in volume of loans and a reduction in the cost of funds. Interest expense decreased \$4.5 million, or 19.62%, from \$23.1 million for the year ending 2008 to \$18.6 million in 2009 as a result of historic low interest rates. The net interest margin for the year ending December 31, 2009 was 4.14% as compared to 4.13% for the same period in 2008. The net interest margin continued to trend upward during the last half of 2009.

Noninterest expenses increased \$3.2 million, or 12.13%, to \$29.8 million in 2009 from \$26.6 million in 2008. Significant factors of the increase result from a \$1.5 million increase in FDIC insurance premiums, a \$726 thousand increase in other real estate owned and collections expenses, and a \$695 thousand increase in other operating expenses largely attributed to remediating the material weaknesses identified in 2008 which have now been fully remediated.

**Capital** - The Bank remains well capitalized as defined by regulatory agencies. The following ratios existed at December 31, 2009: Tier 1 leverage ratio of 7.40%; Tier 1 risk based capital ratio of 9.76%; and Total risk based capital ratio of 10.59%. We anticipate continued capital growth through retained earnings and slower asset growth in the near future. We are aware that capital needs and requirements are affected by the level of problem assets,



growth, earnings and other factors. It is possible that retained earnings alone may not provide sufficient capital for this economic cycle and additional sources of capital may have to be obtained. We are exploring various options to increase capital, which may include a stock offering.

**Asset quality** - Asset quality improvement is our main focus. We have made several changes recently to enhance our credit function. For example, we have hired a consulting firm, Credit Risk Management, to assist us in improving credit underwriting, loan portfolio risk management, and loan review. In addition, we have named Sharon V. Borich as our Senior Vice President and Chief Credit Officer with overall responsibility for the credit function of the Bank. We are putting additional emphasis on loan training. We are committed to these enhancements to further strengthen our credit culture. While still meeting loan demand, we are obviously focused on credit quality.

At December 31, 2009, our allowance for loan loss totaled \$18.6 million, or 2.43% of total loans, as compared with a total of \$6.9 million, and 0.96% of total loans, in 2008. Net charge-offs year-to-date for 2009 as a percentage of total average loans were 0.15% as compared to 0.17% in 2008. Even though net charge offs actually decreased in 2009, we experienced an increase in impaired loans to \$30.1 million with an estimated allowance of \$8.8 million for potential losses at December 31, 2009 as compared to \$6.8 million in impaired loans with an estimated allowance of \$218 thousand at the end of 2008. These factors underlay the significant increase in the allowance for loan loss leading to the net loss for 2009. Given the current high level of unemployment and slow economic recovery, we believe the increased allowance to be appropriate and adequate.

The ratio of nonperforming assets to total assets is 3.99% at December 31, 2009 in comparison to 1.11% at December 31, 2008. Nonperforming assets, which include nonaccrual loans, other real estate owned and past due loans greater than 90 days still accruing interest, were \$34.2 million at December 31, 2009 and \$8.9 million at December 31, 2008. The majority of these assets are real estate development projects outside of our market area, primarily in the coastal Carolinas. In addition, there are also some similar projects located in Northeastern Tennessee. We are undertaking aggressive efforts to work out these credits. However, this will take some time.

Other real estate owned increased \$3.1 million, or 126.08%, to \$5.6 million at December 31, 2009 from \$2.5 million at December 31, 2008. We anticipate total other real estate owned to increase in the near future as we foreclose on real estate collateralized loans. All properties are being marketed for sale. The values at December 31, 2009 were adjusted to reflect current fair market values based upon market conditions.

**Liquidity** - We have not experienced liquidity issues during 2009. We closely monitor our liquidity and have a variety of ways to increase liquidity levels as needed. At December 31, 2009 and December 31, 2008, we had liquid assets in the form of cash, due from banks and federal funds sold of approximately \$39.6 million and \$23.9 million, respectively. We are continuing to increase short-term assets during 2010. We anticipate developing an investment portfolio in the near future as we shrink our loan portfolio and increase deposits. This will primarily serve as a source of liquidity while yielding a higher return than federal funds sold. Our loan to deposit ratio was 100.38% at December 31, 2009 and 102.19% at year end 2008. We anticipate this ratio to decrease below 100% as we continue to grow deposits in our branch network.

In the event we need additional funds, we have the ability to purchase federal funds under established lines of credit totaling \$27.4 million. In addition, in the third quarter of 2008 we joined with the Promontory Interfinancial Network, LLC, otherwise known as CDARS. In September 2009, the Bank obtained approval for the Federal Reserve Bank discount window for overnight funding needs. We may collateralize this line with investment securities and loans at our discretion. We currently do not have collateral pledged, but we may physically deliver collateral to the Federal Reserve and obtain funding. We do not, however, anticipate using this funding source. Additional liquidity is expected to be provided by the future growth that management expects in deposit accounts and from loan repayments. We believe that this future growth will result from an increase in market share in our targeted trade area.

During 2009, we lost availability of \$1.6 million on our \$6.5 million holding company line of credit obtained from Silverton Bank. The reason that we lost this availability was due to the failure of Silverton Bank in early 2009. We are in technical default under this line of credit which is secured by our stock in the Bank. We are currently trying to refinance the outstanding \$4.9 million balance. As indicated above, the inability of the Bank to pay dividends to the Company because of the restriction imposed by Richmond FRB may impact our ability to refinance this balance.

With the lines of credit available, anticipated deposit growth, CDARs, the TLG Program, and other external sources of funding, we believe we have adequate liquidity and capital resources to meet our requirements and needs for the foreseeable future. However, liquidity can be affected by a number of factors such as counterparty willingness or ability to extend credit, regulatory actions and customer preferences, some of which are beyond our control.

# Consolidated Balance Sheets

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2009 AND 2008 (IN THOUSANDS EXCEPT SHARE and SHARE DATA)

ASSETS	2009	2008
Cash and due from banks	\$ 29,978	\$ 22,099
Federal funds sold	9,582	1,813
Total Cash and Cash Equivalents	39,560	23,912
Investment Securities		
Available-for-sale	2,606	3,449
Loans receivable	763,570	721,174
Allowance for loan losses	(18,588)	(6,904)
Net Loans	744,982	714,270
Bank premises and equipment, net	34,958	36,829
Equity securities (restricted)	3,996	3,903
Other real estate owned	5,643	2,496
Accrued interest receivable	4,292	4,537
Life insurance investments	10,549	10,153
Goodwill and other intangibles	4,514	4,633
Deferred taxes	5,400	1,153
Other assets	1,410	2,563
Total Assets	\$ 857,910	\$ 807,898
LIABILITIES		
Deposits		
Demand deposits		
Noninterest bearing	\$ 88,318	\$ 95,448
Interest-bearing	42,769	34,498
Savings deposits	90,467	89,787
Time deposits	539,160	485,955
Total Deposits	760,714	705,688
FHLB advances	25,383	26,582
Accrued interest payable	1,617	2,155
Accrued expenses and other liabilities	2,181	1,741
Line of credit borrowing	4,900	4,913
Trust preferred securities	16,496	16,496
Total Liabilities	811,291	757,575
STOCKHOLDERS' EQUITY		
Common stock - \$2.00 par value; 50,000,000 shares authorized; 10,009,037 and 10,008,902 shares issued and outstanding for 2009 and 2008, respectively	20,018	20,017
Additional paid-in-capital	21,683	21,683
Retained earnings	4,890	8,576
Accumulated other comprehensive income (loss)	28	47
Total Stockholders' Equity	46,619	50,323
Total Liabilities and Stockholders' Equity	\$ 857,910	\$ 807,898

# Consolidated Statements of Income

## NEW PEOPLES BANKSHARES, INC. CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	2009	2008	2007
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans including fees	\$ 50,188	\$ 51,911	\$ 50,884
Federal funds sold	26	35	129
Investments	89	208	254
Dividends on equity securities (restricted)	75	163	180
Total Interest and Dividend Income	<u>50,378</u>	<u>52,317</u>	<u>51,447</u>
<b>INTEREST EXPENSE</b>			
Deposits			
Demand	233	240	164
Savings	994	682	485
Time deposits below \$100,000	9,807	12,556	14,851
Time deposits above \$100,000	5,684	7,261	8,098
FHLB advances	1,061	1,217	857
Other borrowings	251	134	-
Trust Preferred Securities	533	1,005	1,283
Total Interest Expense	<u>18,563</u>	<u>23,095</u>	<u>25,738</u>
<b>NET INTEREST INCOME</b>	31,815	29,222	25,709
<b>PROVISION FOR LOAN LOSSES</b>	<u>12,841</u>	<u>1,500</u>	<u>3,840</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<u>18,974</u>	<u>27,722</u>	<u>21,869</u>
<b>NONINTEREST INCOME</b>			
Service charges	2,648	2,704	2,455
Fees, commissions and other income	1,708	1,398	994
Insurance and investment fees	653	973	769
Life insurance investment income	440	475	433
Total Noninterest Income	<u>5,449</u>	<u>5,550</u>	<u>4,651</u>
<b>NONINTEREST EXPENSES</b>			
Salaries and employee benefits	15,152	15,628	13,978
Occupancy expense	2,044	2,215	1,776
Equipment expense	2,469	2,345	2,254
Advertising and public relations	433	477	437
Data processing and telecommunications	1,500	1,341	1,114
FDIC Assessment	2,184	724	367
Other real estate owned and repossessed vehicles	860	134	27
Net loss (gains) on sale of other real estate owned	143	(612)	-
Other operating expenses	5,062	4,367	3,721
Total Noninterest Expenses	<u>29,847</u>	<u>26,619</u>	<u>23,674</u>
<b>INCOME(LOSS) BEFORE INCOME TAXES</b>	(5,424)	6,653	2,846
<b>INCOME TAX EXPENSE(BENEFIT)</b>			
Current income tax expense	(1,738)	1,916	614
Change of accounting estimate	-	-	(638)
Total Income Tax Expense (benefit)	<u>(1,738)</u>	<u>1,916</u>	<u>(24)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (3,686)</u>	<u>\$ 4,737</u>	<u>\$ 2,870</u>
<b>Earnings (Loss) Per Share</b>			
Basic	<u>\$ (0.37)</u>	<u>\$ 0.47</u>	<u>\$ 0.29</u>
Fully Diluted	<u>\$ (0.37)</u>	<u>\$ 0.46</u>	<u>\$ 0.28</u>
<b>Average Weighted Shares of Common Stock</b>			
Basic	10,008,943	9,980,348	9,957,949
Fully Diluted	10,008,943	10,234,909	10,371,577



# Branch Information

## **Abingdon Branch**

350 West Main Street  
Abingdon, VA 24210  
(276) 628-2543

## **Big Stone Gap Branch**

419 Shawnee Avenue, East  
Big Stone Gap, VA 24219  
(276) 523-6600

## **Bland Branch**

PO Box 39, 427 Main Street  
Bland, VA 24315  
(276) 688-0300

## **Bluefield Branch**

514 Commerce Drive  
Bluefield, VA 24605  
(276) 326-2265

## **Bluewell Branch**

3996 Coal Heritage Road  
Bluewell, WV 24701  
(304) 589-5500

## **Bramwell Branch**

PO Box 158  
Bramwell, WV 24715  
(304) 248-8622

## **Bristol Linden Square**

101 Linden Square Drive  
Bristol, VA 24202  
(276) 466-5358

## **Bristol Commonwealth**

75 Commonwealth Ave  
Bristol, VA 24201  
(276) 669-1044

## **Castlewood Branch**

87 Miners Drive  
Castlewood, VA 24224  
(276) 762-5620

## **Cleveland Branch**

6654 Cleveland Road, Rt. 82  
Cleveland, VA 24225  
(276) 889-1000

## **Chilhowie Branch**

155 East Lee Hwy  
Chilhowie, VA 24319  
(276) 646-2700

## **Clintwood Branch**

198 Colley Shopping Center  
Clintwood, VA 24228  
(276) 926-5500

## **Davenport Branch**

4084 Helen Henderson Hwy  
Davenport, VA 24239  
(276) 859-2411

## **Dungannon Branch**

18948 Veterans Mem. Hwy  
Dungannon, VA 24245  
(276) 467-2821

## **Gate City Branch**

663 East Jackson Street  
Gate City, Virginia 24251  
(276) 386-9300

## **Grundy Branch**

20445 Riverside Drive  
Grundy, VA 24614  
(276) 935-8800

## **Haysi Branch**

111 Haysi Main  
Haysi, VA 24256  
(276) 865-5700

## **Honaker Home Office**

53 Commerce Drive  
Honaker, VA 24260  
(276) 873-6288

## **Jonesborough Branch**

372 East Jackson Blvd.  
Jonesborough, TN 37659  
(423) 788-0098

## **Jonesville Branch**

108 Fisher Road  
Jonesville, VA 24263  
(276) 346-4000

## **Kingsport Branch**

2600 N John B Dennis Hwy  
Kingsport, TN 37660  
(423) 288-2660

## **Lebanon Branch**

1421 East Main Street  
Lebanon, VA 24266  
(276) 889-5100

## **Norton Branch**

600 Trent Street  
Norton, Virginia 24273  
(276) 679-5504

## **Pennington Gap Branch**

42311 East Morgan Avenue  
Pennington Gap, VA 24277  
(276) 546-4752

## **Pound Branch**

11241 Indian Creek Road  
Pound, VA 24279  
(276) 796-2130

## **Pounding Mill Branch**

Route 460 & 19  
Pounding Mill, VA 24637  
(276) 963-5800

## **Princeton Branch**

1221 Stafford Dr  
Princeton, WV 24740  
(304) 487-9800

## **Richlands Branch**

2302 Second Street  
Richlands, VA 24641  
(276) 596-9250

## **Tazewell Branch Office**

157 Tazewell Mall Circle  
Tazewell, VA 24651  
(276) 988-2300

## **Weber City Branch**

1299 US Highway 23 South  
Weber City, Virginia 24290  
(276) 386-6090

## **Wise Branch**

5448 Wise-Norton Road  
Wise, VA 24293  
(276) 679-4500



## Board of Directors

### **Scott White**

*Chairman  
Owner, Flying W Ranch*

### **Mickey McGlothlin**

*Vice Chairman  
Attorney, Michael McGlothlin,  
Attorney At Law  
President, Appalachian  
College of Pharmacy*

### **Tim Ball**

*Owner, Tim Ball Trucking*

### **Joe Carter**

*(Ret.) Gen. Manager  
Daughterty Chevrolet*

### **John Cox**

*Owner, Cox Tractor*

### **Charles Gent**

*Owner, C&R Gent Logging*

### **Lynn Keene**

*President, Keene Carpet Inc.  
and Harold Keene Coal Co.*

### **Frank Kilgore**

*Attorney, Frank Kilgore, P.C.*

### **Fred Meade**

*Owner,  
Big M Discount Stores*

### **Bill Ed Sample**

*Self-Employed Farmer*

## Senior Management

### **Jonathan Mullins**

*President & CEO*

### **Frank Sexton**

*Executive Vice President & COO*

### **Todd Asbury**

*Executive Vice President & CFO*

### **Sharon Borich**

*Senior Vice President & CCO*

### **Sandy Slaughter**

*Senior Vice President & Regional  
Manager/Coordinator  
Clinch Mountain-South*

### **Charlie Paschall**

*Senior Vice President & Senior  
Credit Officer/Special Assets*



**Corporate Headquarters**

## **Annual Meeting**

The 2010 Annual Meeting of Shareholders will be held at the main office of New Peoples Bank, 53 Commerce Drive, Honaker, Virginia on May 20th at 6:00 P.M.

## **Corporate Officers**

Jonathan Mullins  
*President & Chief Executive Officer*

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

C. Todd Asbury  
*Executive Vice President, Chief Financial Officer & Treasurer*

## **External Auditors**

Brown, Edwards  
and Company, LLP  
Bluefield, West Virginia 24701

## **Investor Relations**

Stock Transfer Agent-  
New Peoples Bank, Inc.  
67 Commerce Drive  
Honaker, Virginia 24260

Any questions regarding stock may  
be directed to Janet Sutherland at  
1-276-873-7038

## **Audit Committee Members**

John D. Cox  
Charles H. Gent, Jr.  
Harold Lynn Keen, Chairman  
B. Scott White

## **Internal Auditors**

L. Lynn Street, CIA, CFSA  
Linda Boyd  
Tonya Harold, CFIRS  
Wendy Rose  
Connie Yates

## **Internet Address**

[www.newpeoplesbank.com](http://www.newpeoplesbank.com)  
[www.npbankshares.com](http://www.npbankshares.com)

The mission of  
New Peoples Bank is to  
provide high quality, state  
of the art, golden rule  
banking services to our  
communities while giving a  
reasonable return to our  
stockholders and providing a  
challenging and rewarding  
work environment for our  
family of employees.



**NEW PEOPLES  
BANKSHARES INC**

67 Commerce Drive • P.O. Box 1810 • Honaker, VA 24260

[www.newpeoplesbank.com](http://www.newpeoplesbank.com)