



Dear Valued Shareholder,

It is an exciting time to be a part of New Peoples Bank! Starting in 2016, our theme at the Bank has been **“Good to Great!”** Together, our Board of Directors, Management team and employees are all working very hard to produce Great results. We have made great strides in fixing the problems from the past while preparing our bank for its future. In 2016, we did not accomplish all of the Great goals that we are aiming for, but were able to lay the foundations that will enable us to accomplish these Great goals over the next few years.

Allow me to walk you through the year, quarter by quarter, to give you a better understanding of all of the Great things that have been accomplished.

In the first quarter of 2016, we were able to cross a major hurdle: **We successfully complied with all of the requirements of the formal Written Agreement with our regulators** and are no longer bound by the agreement. Being released from the Written Agreement was an important milestone in the improvement of the Bank and I am very proud of this achievement! This has opened the door for us to bring innovation and new products and services to our customers.

As the year progressed, we progressed also. In the second quarter of 2016, **we made innovative technological advances in the Bank by introducing Interactive Teller Machines (iTM)**. The iTM is a brand new, state-of-the-art machine that serves as a traditional ATM but also has the option, by simply pressing the screen, to give the customer a personalized interaction with one of our digital relationship bankers. The iTMs are open 6 days a week, Monday – Saturday, from 7 am to 7 pm and also operate as ATMs 7 days a week 24 hours a day. Our customers can conduct approximately 90 to 95% of the transactions that normally are performed by a traditional teller at the iTM. We are not eliminating traditional tellers that our customers have become familiar with, but rather providing additional support to our existing staff while expanding the hours of service for our customers’ convenience. An iTM is located at each of our branch locations as well as a few other strategic locations. As an important focus of New Peoples Bank, we strive to bring innovation and to utilize technology to the greatest extent possible to serve our existing customers and to attract new customers. I am pleased to report that **we were recognized for our technology innovation by the Virginia House of Delegates in 2016 upon our receipt of “The President’s High Tech Innovation Award” presented by the Southwestern Virginia Technology Council**. This too is a Great accomplishment.

During the third quarter of 2016, we added several **new Great products and services** to best meet our customer needs. In addition to the iTMs with expanded operating hours, we also introduced:

- **Online deposit-account opening;**
- **Card Valet** services for mobile banking which gives customers the ability to manage their debit cards the way they want to use them;
- **Secondary Market Mortgage Loans** that provide several new options for 30-year fixed-rate mortgages, VA, USDA, and FHA loans;
- An optional overdraft protection service called **“OOPS”** that helps our customers in case of an accidental overdraft;

- A **VISA credit card program**;
- A **Small Business Act ("SBA") loans program** for business customers;
- A new affiliation with the Hilb Group and its local agency CSE Insurance for **expanded insurance products offered**; and,
- The **Heroes Checking Account** program for veterans, active military, police officers, firefighters and first responders to recognize their service and show our appreciation to them.

In addition to the new products and services, we opened a **loan production office in Jonesborough, Tennessee** to further expand our services in the Tri-Cities area and have provided additional training for our excellent staff to help us succeed. As you can tell, these are some really great additions to our product line and services to better serve our customers and our communities. We are just now starting to see the positive financial impact of these and believe that they will have long-term positive results.

During the fourth quarter, we took a more aggressive stance on **clearing out foreclosed properties**. As a result, we **decreased these problem assets by \$2.5 million in the fourth quarter**, or 19.2%, from \$13.2 million to \$10.7 million. We are not yet at a level that we desire to be long-term, so we will continue to be aggressive in the year 2017 to bring the level down further as deemed prudent. The reason for the more aggressive position is to reduce the related up-keep costs that continually strain earnings; thus stabilizing future earnings performance. The aggressive strategy did negatively impact earnings in the fourth quarter, but based on our assessments, we believe the future benefits outweigh the impact. Overall, **asset quality has continued to improve** and we are working hard to bring problem assets down to a more acceptable level.

So, needless to say, we have been very busy resolving issues from the past, but also preparing for the future. Through both of these major efforts, **we have begun to see the bank grow again in both deposits and loans**, which will help improve earnings in the future.

Last but not least, we want to demonstrate our appreciation to you as a shareholder. **To reward you as a shareholder, we have just recently developed "The Chairman's Club" choice checking account with special services, reduced fees and promotions exclusively for you as a shareholder.** Enclosed you will find more information about this new club account that we are excited to offer. We encourage you to take advantage of these benefits designed just for you.

Also included, you will find our comprehensive 2016 Annual Report and Proxy Information. We invite you to attend the upcoming Annual Shareholders' Meeting at our Abingdon, Virginia office on Tuesday, May 16th at 6 pm. We also **encourage you to vote** in advance of the meeting either by telephone, online or by returning your signed proxy card to our stock transfer agent, Computershare.

Thank you for your confidence that you place in the Board of Directors and all of the employees of New Peoples Bank. We are working hard to bring Great results for you. We appreciate you very much.

Sincerely,



C. Todd Asbury
President & CEO