



**NEW PEOPLES
BANKSHARES INC**

Financial Holding Company

2017 Annual Report

We Help Make Your Dreams Come True

*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.*

New Peoples Bankshares, Inc., is a financial holding company headquartered in Honaker, Virginia. Its wholly owned subsidiary, New Peoples Bank, is dedicated to delivering a remarkable banking experience, through 18 full-service locations and a digital banking operation in Virginia, Tennessee and West Virginia. The company's common stock is traded over the counter under the trading symbol, "NWPP". For more information, visit npbankshares.com. To learn more about New Peoples Bank and its services, visit www.newpeoplesbank.com.

Dear Fellow Shareholders,

2017 was another year of significant progress as New Peoples Bank accelerates from *Good to Great*. A lot of hard work happens daily to make New Peoples Bankshares a high-performing financial institution that is meeting the needs of the people of Central Appalachia. I am pleased to share with you the many accomplishments our team achieved in the year 2017 and the plans we have made for a future of continued success.

Our focus in recent years has been resolving problems from the past. We continue to deal with some issues, but we were able to address the major part in 2017. Last year was pivotal: we were able to grow the bank in a very safe and sound manner as we put the past behind us. This shift of focus and energy by our Board of Directors and our staff, I believe, should result in higher earnings, increased shareholder value for our investors, enhanced customer experiences, a role in stimulating the economy, and improving the quality of life in our region.

We are healthy. I am pleased to share our major accomplishments for 2017.

- Net income grew by \$2.1 million, or 222.96 percent, to \$3.1 million, or \$0.13 earnings per share.
- Total loans grew by \$44.4 million, or 9.48 percent.
- Total deposits increased by \$28.1 million, or 5.07 percent.
- Asset quality improved by reducing nonperforming assets by \$9.7 million, or 40.05 percent.
- Past due loans over 30 days decreased to below 2 percent at year-end 2017.
- Stock warrants were exercised, resulting in \$1.1 million of additional capital.
- A new “branch of the future” design was successfully piloted.
- New products and services such as secondary market mortgages, VISA credit cards, online account opening, title insurance, Chairman’s Choice account for shareholders, and new digital banking services were added.
- Operational process improvement yielded greater efficiencies.
- New methods of communication generated more integration between the bank’s functions.
- Great new talent joined us to extend our retail and commercial reach and add management depth.
- Our overall risk profile is improving and external exams, reviews and audits are very positive.

This is only the beginning.

There is still much work to be done to get New Peoples Bank to the performance levels that we desire, to provide a fair and well-deserved return to you, our shareholders.

As part of our mission, we follow the Golden Rule. *Do unto others as you would have them do unto you*. I believe this practice will always make us successful. Treating customers the very best way we can. Improving efficiencies to take away the burdens of processes. Empowering people with what they need to succeed. Growing to meet people’s needs in our region. Giving the wonderful things we have to others where they have been underserved or neglected. These actions propel us to achievement, energizing our commitment to provide great results and returns for our shareholders.

This year, New Peoples Bank celebrates twenty years. During our first ten years, we grew very quickly. The teenage years were pretty challenging, yet they reinforced the importance of empathy, responsibility and accountability. We are now entering a mature phase as a team of people with the knowledge, experience, relationships, and dedication that will take our organization and stakeholders to higher heights and deeper results. We will continue to take New Peoples Bank from *Good to Great*.

I am honored to serve you and to represent a team of people who are honored, too, to perform as stewards of your interests. Thank you for your continued support and your loyalty as shareholders.



C. Todd Asbury
President and
Chief Executive Officer

A handwritten signature in black ink that reads "C. Todd Asbury". The signature is fluid and cursive, written over a decorative background of overlapping yellow, pink, and purple curved shapes at the bottom of the page.

Good to Great

2017 was marked by the arrival of new faces, backgrounds and skill sets to New Peoples Bank. These professionals joined a team of seasoned, talented people who put customers and communities first and strive to deliver exemplary, ethical service. We embrace the privilege of living and working as Appalachian bankers, which means to us extending a legacy of strong community values and dedication to each other.

In a geographic footprint that stretches from the hills of southern West Virginia, through the pastures and coalfields of Virginia's southwest, into the bustling cities and towns of northeastern Tennessee, the people of New Peoples Bank have the opportunity to serve neighbors who are working hard to rejuvenate a stressed economy. We want to see everyone achieve prosperity and enjoy the fruits of their labor, so our work extends beyond the traditional bankers' hours into volunteer work with schools, charities, civic projects, and economic development initiatives.

The New Peoples Bank board of directors is fully engaged in our vision of community banking, providing guidance and insight beyond their significant duties, demonstrating their belief that we have a role to play in the greatness of Appalachia as well as that of our own organization.



Board of Directors*

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

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, Retired President and Owner, Big M Stores, Inc.

B. Scott White, Owner, Flying W Ranch

Executive Officers

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



Mobiliti App



Innovation, Imagination, Progress

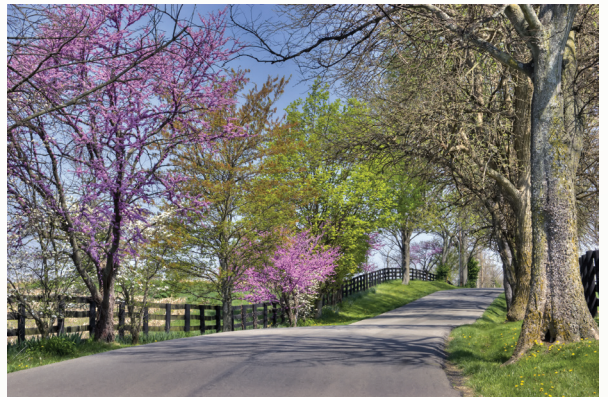
As a community bank, New Peoples Bank enjoys a customer base that includes people at different stages in life and commercial enterprises that fuel not just independent communities but the entire region and in some cases, the nation. Appalachian people have powered the world for generations, so as our region enters a new era, New Peoples Bank is looking to build business in ways that serve our private and commercial customers on their terms and in the context of their own communities and markets.

We design and introduce products and services that help customers manage their financial lives and give them the information they need to make responsible decisions. We deliver our products and services in our branches, on our website, and in mobile applications so that customers have the option of organizing and using their finances conveniently and securely. Our emphasis on innovating these products and services in step with our markets is key to the long-term satisfaction of our investors as well. As we introduce features such as personal finance manager, live chat, and online account opening, we are making a better banking experience and a better bank.

Imagination is a hallmark both of a changing banking industry and in finding and creating production efficiencies, in service delivery not just to the bank's customers but in how we work with each other. One challenge in banking today is absorbing the marvelous technology that puts resources into customers' hands while ensuring the corresponding investment delivers maximum efficiency in the parts of the bank that customers rarely see. We emphasize the selection and deployment of technology in terms of what is relevant to our customers and our markets – which is why we introduce new tools such as the Interactive Teller Machine, delivering banking speed without sacrificing access to personal customer service. We measure progress one customer at a time, which is why New Peoples Bank sees its role as a community bank as clearly fostering and enabling financial strength. This is particularly critical in an economy and set of markets that are enduring through change and defining new strengths. As we help customers build their prosperity, we strive to give them a glimpse into the future. We see this as building upon a heritage of productivity and the enjoyment of life. As we pilot our “branches of the future”, we demonstrate the importance of honoring our traditions while keeping in step with the actions that make progress happen.

Trust, Stability, Stewardship

New Peoples Bank is strong. We have come through challenges that precipitated change and growth – in results and in how we make productive business and organization decisions. Critical in this time has been the ability to look forward while we addressed the tasks underneath our required changes, including the structure of our risk management philosophy and our compliance practices. Our stakeholders can trust the service and information they receive, and inside our organization, we collaborate in new ways and team formats that strengthen our trust in each other and the very fabric of our culture.



We took decisions in 2017 that put New Peoples Bank on even stronger footing. One example is the sale and leasing-back of several branch properties. In combination with commercial and credit practices that serve both customers' and investors' interests, strengthening our loan portfolio and risk profile, strategies to reduce non-performing assets help us to focus on customer service and satisfaction.

A factor in the success of New Peoples Bank is allegiance to our values and the affirmation of them. In celebrating the values we have worked hard to satisfy, we have applied what we learned from mistakes to build a more nimble performance model. We are grateful to be stewards of customers' assets and our investors' trust, and we are in an even better position to help customers seize opportunity through appropriate financial solutions and strategies.



Interactive Teller Machines



Live Chat



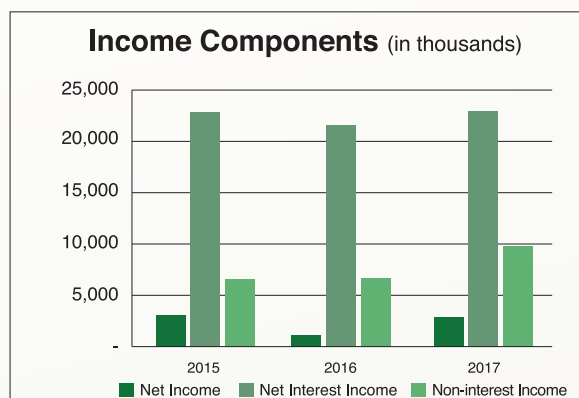
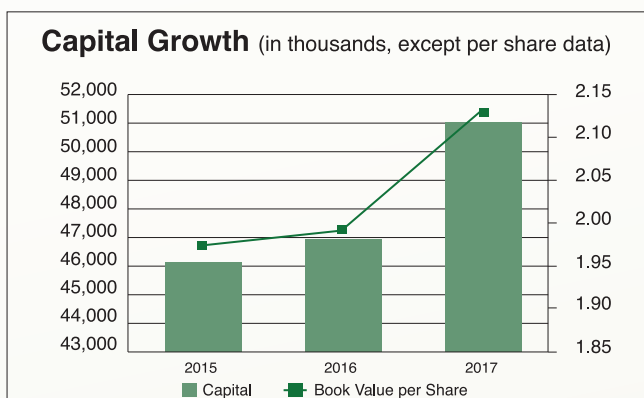
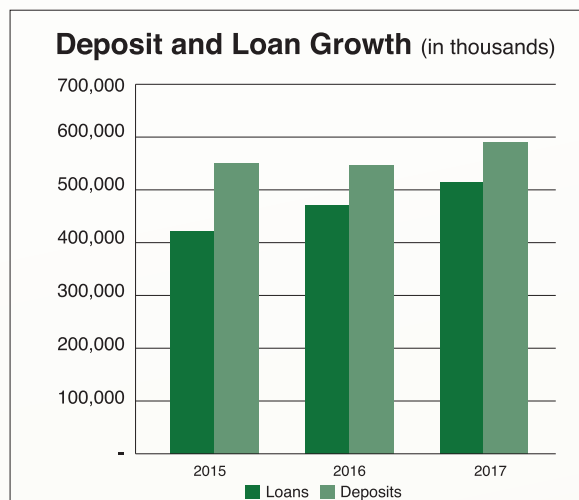
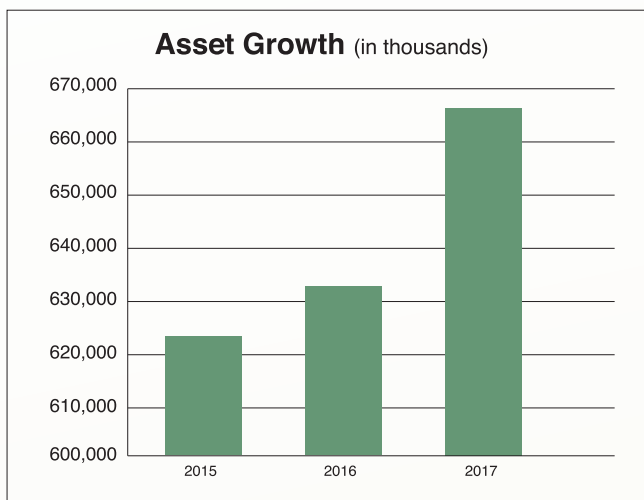
Customer
Care Center



Consolidated Financial Highlights

(Dollars in thousands, except per share data)

FOR THE YEAR	2017	2016	2015
Interest and Dividend Income	\$ 25,933	\$ 24,346	\$ 25,655
Interest Expense	3,213	2,620	3,054
Net Interest Income	22,780	21,726	22,601
Non-interest Income	9,836	7,291	6,403
Non-interest Expense	28,928	28,568	28,523
Net Income	3,094	958	2,662
AT YEAR END			
Assets	\$ 666,700	\$ 634,335	\$ 625,898
Loans	513,008	468,629	441,169
Deposits	582,544	554,438	558,019
Stockholders Equity	50,973	46,917	46,087
KEY RATIOS			
Return on Average Assets	0.47%	0.15%	0.41%
Return on Average Equity	6.30%	2.00%	5.95%
Yield on Earning Assets	4.49%	4.39%	4.46%
Cost of Funds	0.73%	0.61%	0.68%
Net Interest Margin	3.94%	3.92%	3.93%
PER SHARE INFORMATION			
Net Income	\$ 0.13	\$ 0.04	\$ 0.12
Book Value	2.13	2.01	1.97



Senior Management

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

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

Doug Horne, Senior Vice President, Area Manager

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

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

Grundy

20487 Riverside Drive
Grundy, Virginia 24614
(276) 935-8800

Haysi

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

Honaker

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

Pound

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

Highlands Region

Tina Puckett, First Vice President, Area Manager

Abingdon

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

Bristol

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

Castlewood

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

Chilhowie

155 East Lee Highway
Chilhowie, Virginia 24319
(276) 646-2700

Lebanon

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

Cumberland Region

Doug Horne, Senior Vice President, Area Manager

Big Stone Gap

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

Gate City

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

Kingsport

2600 North John B Dennis Highway
Kingsport, Tennessee 37660
(423) 288-2660

Weber City

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

Wise

5448 Wise-Norton Road
Norton, Virginia 24273
(276) 679-4500

East River Mountain Region

Pam Asbury, First Vice President, Area Manager

Bluefield

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

Pounding Mill

12602 Governor GC Perry Highway
Pounding Mill, Virginia 24637
(276) 963-5800

Princeton

1221 Stafford Drive
Princeton, West Virginia 24740
(304) 487-9800

Tazewell

127 Chamber Drive
Tazewell, Virginia 24651
(276) 988-2300



NEW PEOPLES BANKSHARES INC

Financial Holding Company

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Honaker, VA 24260
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npbankshares.com
newpeoplesbank.com
facebook.com/newpeoplesbank
twitter.com/newpeoplesbank

Honaker, Virginia is home to New Peoples Bankshares, Inc. The community is also designated as the “Redbud Capital of the World” by the Virginia General Assembly because of the amazing, beautiful redbud trees that abound throughout the town and nearby countryside of Russell County. In early spring, the town of Honaker erupts in a brilliant display of pink. Thousands of Redbud trees herald the coming of spring by awakening from their winter hibernation and exploding with the tell-tale buds that become 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

