



BENCHMARK COMMUNITY BANK

With you for Life!

Serving Southside Virginia with
13 locations:

- Kenbridge
- Farmville (2 locations)
- Victoria
- South Hill
- Crewe
- Lawrenceville
- Chase City
- Clarksville
- Blackstone
- South Boston
- Halifax
- Emporia

And North Carolina with three
locations:

- Wake Forest
- Henderson
- Youngsville

Board of Directors

E. Randolph Lail - *Chairman*
 Jay A. Stafford - *President/CEO*
 Mary Jane Elkins - *Vice Chairman*
 Mark F. Bragg - *Secretary*
 David K. Biggs
 Earl H. Carter, Jr.
 Gregg V. Gordon
 Elizabeth Moncure
 Alfred A. Roberts
 Charles F. Simmons
 Mark D. Southall

Executive Officers

Jay A. Stafford
President/Chief Executive Officer

E. Neil Burke
Executive Vice President
Chief Financial Officer

LeAnne R. Emert
Executive Vice President
Retail Banking Officer

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BENCHMARK BANKSHARES, INC.

Consolidated Quarterly Report with its Subsidiary BENCHMARK COMMUNITY BANK

2nd Quarter 2019

President/CEO's Message

There's an old saying that time flies when you're having fun. Here at Benchmark, my *Southern Rhythms* calendar shows we are well into the second half of 2019, and I realize how much hard work translates to great things. The mid-year dividend increase of two cents demonstrates the bank is enjoying a good year as we continue to cultivate relationships to grow customers and earnings.

The biggest highlight of the quarter was the groundbreaking of the bank's new Henderson, NC branch. While several banks have decided to leave this market, we believe that our approach to banking and the location being in the growth area of Henderson will lead to a successful full-service presence there. We've had a head start with the strong team we've assembled. Loans have grown to nearly \$60MM. Deposits should follow, especially once the new branch opens.

On the financial side, the first half of the year was marked by strong deposit growth of \$54.8MM. While in the short term this negatively impacts some important ratios, it will provide funding to continue the bank's strong loan growth. Also of note was the repurchase of a large amount of bank holding company stock. In addition to dividend payments, this is another way the bank can enhance shareholder value by increasing earnings per share.

Though our Virginia markets will always be our foundation, loan growth in our North Carolina markets is reinforcing our Benchmark business philosophy as one that is both welcomed and needed. We are meeting budget targets for the year while being able to increase the loan loss provision as the bank's loans continue to grow. I anticipate continued loan growth in North Carolina as the public becomes better acquainted with the Benchmark banking model.

Supporting our communities is a bedrock principle of our bank. I'm happy that we awarded this year 11 SmartStart Community Commitment Scholarships to graduating high school seniors. The program's focus on contributions to school and community vs grade point average makes this scholarship an opportunity available to students for whom giving back to their community is a priority for life.

The bank's \$100,000+ in local grants allows Benchmark to financially support community organizations contributing to a better quality of life in their hometowns. Included this year was \$5,000 to the Farmville area food bank – F.A.C.E.S. – for a permanent walk-in freezer in its new facility next door to the Southside Virginia Family YMCA, another Benchmark grant recipient.

Finally, we cannot be prouder of being recognized for the past 13 years as one of *American Banker's* Top 200 Community Banks. I hope you are pleased with this recognition as the criteria are based on a three-year return on average equity measuring how well the bank is leveraging owner's equity.

I look forward to a great second half of 2019 and, on behalf of everyone associated with the bank, I thank you for your continued support.

Sincerely,

2-Year Summary

Six Months Ended June 30,

(dollars in thousands, except *per share* data)

	<u>2019</u>	<u>2018</u>
Assets	\$702,303	\$617,836
Loans (gross)	\$538,315	\$515,506
Deposits	\$623,715	\$544,130
Equity	\$66,802	\$70,051
Equity to Assets	9.51%	11.34%
Loans to Deposits	86.31%	94.74%
Net Income	\$4,506	\$4,262
Return on Avg. Equity	12.49%	12.34%
Return on Avg. Assets	1.33%	1.43%
Earnings per Share	\$0.91	\$0.83
Book Value per Share	\$14.51	\$13.63
Shares Outstanding	4,602,885	5,137,935

Benchmark Bankshares, Inc.
Consolidated Statements of Financial Condition

<u>Assets</u>	June 30, 2019	December 31, 2018	June 30, 2018
Cash and due from banks	\$ 11,456,577	\$ 10,512,340	\$ 10,652,000
Federal reserve excess balance account	40,668,156	23,263,000	12,210,940
Federal funds sold	30,085,000	264,000	180,000
Total cash and cash equivalents	<u>\$ 82,209,733</u>	<u>\$ 34,039,340</u>	<u>\$ 23,042,940</u>
Interest-bearing time deposits with other banks	9,697,000	8,418,000	10,663,000
Investment securities, available for sale	37,603,381	33,812,309	34,158,179
Loans, held for sale	964,717	355,900	954,040
Loans, held for investment	537,350,473	533,393,752	514,551,497
Less: Allowance for loan losses	<u>(5,581,576)</u>	<u>(5,206,542)</u>	<u>(5,077,912)</u>
Net Loans	532,733,614	528,543,110	510,427,625
Premises and fixed assets - net	15,299,051	14,865,870	14,685,087
Cash value life insurance	15,786,350	15,625,615	15,462,641
Other real estate owned	1,812,651	2,016,227	3,298,874
Accrued interest receivable	2,280,357	2,180,947	2,009,556
Deferred income taxes	1,615,698	1,744,653	1,683,913
Right of use assets	401,285	-	-
Other assets	<u>3,265,172</u>	<u>2,640,581</u>	<u>2,403,907</u>
Total Assets	<u>\$ 702,303,007</u>	<u>\$ 643,886,652</u>	<u>\$ 617,835,722</u>
<u>Liabilities and Stockholders' Equity</u>			
Deposits			
Demand (noninterest-bearing)	\$ 141,995,344	\$ 128,130,407	\$ 127,061,833
Interest-bearing checking accounts	180,190,695	177,079,156	164,436,997
Money market accounts	103,257,255	88,307,604	89,990,220
Savings accounts	64,474,388	57,602,409	54,158,071
Time Deposits	<u>133,797,209</u>	<u>117,706,664</u>	<u>108,483,206</u>
Total Deposits	623,714,891	568,826,240	544,130,327
Index retirement plan liability	1,175,110	878,942	970,386
Credit line payable	6,705,000	-	-
Accrued interest payable	346,141	234,143	183,194
Accrued income tax payable	384,503	-	(52,897)
Lease liability - buildings and equipment	404,222	-	-
Dividends payable	1,334,837	1,358,008	1,283,170
Other liabilities	<u>1,435,905</u>	<u>1,295,796</u>	<u>1,270,270</u>
Total Liabilities	635,500,609	572,593,129	547,784,450
Stockholders' Equity			
Common Stock ⁽¹⁾	966,605	1,055,124	1,077,862
Additional paid-in capital	4,154,110	4,641,205	4,729,078
Retained earnings	61,126,513	65,937,888	64,505,717
Unrealized security gains net of tax effect	<u>555,170</u>	<u>(340,694)</u>	<u>(261,385)</u>
Total Stockholders' Equity	<u>66,802,398</u>	<u>71,293,523</u>	<u>70,051,272</u>
Total Liabilities and Stockholders' Equity	<u>\$ 702,303,007</u>	<u>\$ 643,886,652</u>	<u>\$ 617,835,722</u>

(1) Common Stock, \$0.21 par value and 8,000,000 shares authorized. 4,602,885 shares issued and outstanding as of June 30, 2019; 5,029,659 shares issued and outstanding as of December 31, 2018; 5,137,935 shares issued and outstanding as of June 30, 2018.

Benchmark Bankshares, Inc.
Consolidated Statements of Operations and Comprehensive Income

	Three Months Ended June,	
	2019	2018
Interest Income		
Interest and fees on loans	\$ 7,438,508	\$ 6,711,603
Interest on investment securities		
State and political subdivisions	222,778	204,052
U. S. Government agencies	4,848	753
Mortgage-backed securities	8,470	10,703
Other Securities	7,313	6,660
Time deposits with other banks	65,890	45,005
Federal reserve excess balance funds	370,170	76,676
Federal funds sold	86,139	746
Total Interest Income	<u>8,204,116</u>	<u>7,056,198</u>
Interest Expense		
Interest-bearing checking deposits	412,397	269,680
Savings deposits	40,442	35,177
Time deposits	527,348	250,250
Total Interest Expense	<u>980,187</u>	<u>555,107</u>
Net Interest Income	7,223,929	6,501,091
Provision for Loan Losses	499,811	363,236
Net Interest Income After Provision for Loan Losses	<u>6,724,118</u>	<u>6,137,855</u>
Other Income		
Service charges on deposit accounts	956,607	885,394
Gain on sale of loans	305,868	244,859
Gain (loss) on sale of other real estate owned	22,783	(176,913)
Other operating income	447,649	535,624
Total Other Income	<u>1,732,907</u>	<u>1,488,964</u>
Other Expenses		
Salaries and Benefits	3,065,977	2,766,390
Occupancy expense	428,606	390,477
Depreciation	261,446	234,683
OREO / other asset expense	84,956	96,568
Debit card expense	261,235	181,219
Internet banking expense	177,907	143,747
Bank franchise taxes	152,743	138,702
Other operating expenses	1,036,508	1,061,668
Total Other Expenses	<u>5,469,378</u>	<u>5,013,454</u>
Income Before Income Taxes	2,987,647	2,613,365
Provision for Income Taxes	581,698	478,361
Net Income	<u>\$ 2,405,949</u>	<u>\$ 2,135,004</u>
Earnings Per Common Share - Basic & Diluted	<u>\$ 0.48</u>	<u>\$ 0.42</u>

Benchmark Bankshares, Inc.
Consolidated Statements of Operations and Comprehensive Income

	Six Months Ended June,	
	2019	2018
Interest Income		
Interest and fees on loans	\$ 14,767,864	\$ 13,244,616
Interest on investment securities		
State and political subdivisions	435,349	410,097
U. S. Government agencies	10,588	2,787
Mortgage-backed securities	17,707	21,883
Other Securities	14,480	13,061
Time deposits with other banks	110,943	79,336
Federal reserve excess balance funds	616,517	149,933
Federal funds sold	88,666	-
Total Interest Income	<u>16,062,114</u>	<u>13,921,713</u>
Interest Expense		
Interest-bearing checking deposits	739,232	525,796
Savings deposits	77,163	69,213
Time deposits	975,652	475,143
Total Interest Expense	<u>1,792,047</u>	<u>1,070,152</u>
Net Interest Income	14,270,067	12,851,561
Provision for Loan Losses	499,811	519,144
Net Interest Income After Provision for Loan Losses	<u>13,770,256</u>	<u>12,332,417</u>
Other Income		
Service charges on deposit accounts	1,824,966	1,746,432
Gain on sale of loans	477,760	467,957
Gain (loss) on sale of other real estate owned	67,720	(219,711)
Other operating income	869,999	967,800
Total Other Income	<u>3,240,445</u>	<u>2,962,478</u>
Other Expenses		
Salaries and Benefits	6,462,681	5,547,411
Occupancy expense	855,384	778,120
Depreciation	516,007	463,001
OREO / other asset expense	222,025	324,350
Debit card expense	581,715	371,409
Internet banking expense	340,296	281,063
Bank franchise taxes	298,306	276,786
Other operating expenses	2,153,582	2,010,069
Total Other Expenses	<u>11,429,996</u>	<u>10,052,209</u>
Income Before Income Taxes	5,580,705	5,242,686
Provision for Income Taxes	1,074,672	980,251
Net Income	<u>\$ 4,506,033</u>	<u>\$ 4,262,435</u>
Earnings Per Common Share - Basic & Diluted	<u>\$ 0.91</u>	<u>\$ 0.83</u>

Benchmark Bankshares, Inc.

Stock Performance

The company's stock currently trades under the symbol BMBN on the OTC Pink marketplace. The company's stock closed at **\$19.99** on **June 28, 2019**. Any stockbroker can assist you with all of your stock transactions.

The following chart highlights the company's stock performance over the past five quarters:

	Market Price per Share			Shares Traded	Dividends per Share
	High	Low	Close		
June 30, 2019	\$20.25	\$19.50	\$19.99	413,800	\$0.29
March 31, 2019	\$20.50	\$19.25	\$20.00	54,700	
December 31, 2018	\$21.55	\$19.56	\$20.30	42,100	\$0.27
September 30, 2018	\$21.75	\$20.75	\$21.25	35,835	
June 30, 2018	\$21.25	\$17.99	\$21.25	46,483	\$0.25

The next annual meeting will be held Thursday, May 21, 2020.