



**BENCHMARK
COMMUNITY BANK**

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PRESS RELEASE

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Benchmark Bankshares, Inc. Announces Increased Earnings for 2016

KENBRIDGE, VA, January 31, 2017 - Benchmark Bankshares, Inc. (BMBN), the Kenbridge-based holding company for Benchmark Community Bank, announced earnings of \$6,521,862, or \$1.26 per share, for the year ended December 31, 2016. This compares to \$6,327,895, or \$1.23 per share, earned during 2015. Return on average equity for the year was 10.35% and return on average assets was 1.21%, compared to 10.75% and 1.25%, respectively, reported last year. The bank earned \$1,530,626, or \$0.30 per share, for the fourth quarter of 2016 compared to \$1,536,697, or \$0.30 per share, earned in 2015 during the same period.

Total loans at year-end amounted to \$448.4 million, a \$24.1 million increase over the past twelve months. This growth has been driven by increased loan demand throughout our market area, the acquisition of several local municipal loans, and the opening of a loan production office in Henderson, NC. The bank's mortgage and home construction lending business had another outstanding year as low interest rates continued to encourage both refinancing and new home purchases.

Total deposits of \$500.7 million at year-end were up \$26.2 million from last year. The bank has continued to focus on checking account growth while pursuing a less aggressive strategy for time deposits. The bank also benefited from the closing of three Bank of America offices in the marketplace, which resulted in the opening of 2500 new accounts. Over 1,600 of these accounts were checking accounts. During the year, non-interest checking accounts increased by \$16.6 million, interest-bearing checking accounts increased by \$7.0 million, and savings and money market accounts were up \$17.6 million. This growth combined to offset a \$15.0 million decline in time deposits.

Interest rates again remained low throughout the year, the impact of which was a continued decline to the bank's cost of funds. Interest expense for 2016 amounted to \$2.1 million, down 9.8% from the \$2.3 million realized during 2015. The bank's total yield on loans, at 5.36%, was down slightly from 5.39% last year, while the cost of funds declined from 0.53% to 0.45%. Overall, the bank's net interest margin declined slightly, dropping from 4.52% to 4.48%.

The bank incurred net charge-offs of \$178 thousand, down from net charge-offs of \$269 thousand in 2015. Nonaccrual loans amounted to \$1.6 million, up from \$988 thousand the year before, while other real estate owned declined from \$3.9 million to \$3.8 million. Although asset quality remains strong and past due loans have stabilized, a \$130 thousand provision was made to the loan loss reserve to account for the addition of a new loan production office and the recent increase in total loans. The total provision made during 2015 was \$448 thousand. As of December 31, 2016, the reserve for loan losses totaled \$4.7 million, or 1.04% of total loans. This compares to a reserve of \$4.7 million, or 1.11% of total loans one year ago.

"We are pleased to say that we had another very good year in 2016," stated CEO Mike Walker. "We experienced an unexpected surge in new deposit customers in several of our Virginia markets and our loan portfolio continued

to grow nicely,” added President Jay Stafford. Walker then concluded, “The key to all this has been readiness. A strong brand and reputation – built over many years – has made us the bank of choice for customers seeking a new financial home. Our well-positioned, well-trained staff has handled the growth well.”

The common stock of Benchmark Bankshares, Inc. trades on the OTC Pink marketplace under the symbol BMBN. Any stockbroker can assist with purchases of the company's stock, as well as with sales of holdings.

Benchmark Community Bank, founded in 1971, is headquartered in Kenbridge, VA, and is the company's sole subsidiary which operates twelve banking offices throughout central Southside Virginia and loan production offices in Wake Forest, NC and Henderson, NC (opened January 2016). Additional information is available at the company's website, www.BCBonline.com.

Years Ended December 31,

(Dollars in thousands, except per share amounts)

<u>Operating Results</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Interest income and fees	\$ 24,318	\$ 23,169	\$ 22,029
Interest expense	2,129	2,361	2,758
Net interest income	22,189	20,807	19,271
Provision for loan losses	130	448	142
Net interest income after provision	22,059	20,359	19,129
Other operating revenue	5,778	5,937	5,011
Other operating expense	18,429	17,214	15,550
Income Before Income Taxes	9,408	9,082	8,590
Income Taxes	2,886	2,754	2,426
Net Income	\$ 6,522	\$ 6,328	\$ 6,164
<u>Per Share Data¹</u>			
Earnings per Share	\$1.26	\$1.23	\$1.20
Dividends per Share	\$0.41	\$0.37	\$0.34
Book Value	\$12.36	\$11.69	\$10.87
Market Value	\$16.00	\$12.75	\$12.11
Price to book	129.4%	109.1%	111.4%
<u>Balance Sheet Amounts</u>			
Total assets	\$ 568,492	\$ 538,733	\$ 489,948
Total loans	448,357	424,240	395,105
Total deposits	500,700	474,467	430,034
Total Equity	63,866	60,396	56,076
<u>Selected Financial Ratios</u>			
Return on Average Equity	10.35%	10.75%	11.40%
Return on Average Assets	1.21%	1.25%	1.29%
Efficiency Ratio	65.11%	62.59%	63.49%
Loans to deposits	89.55%	89.41%	91.88%
Equity to total assets	11.23%	11.21%	11.45%
Net interest margin	4.48%	4.52%	4.48%