Pinnacle Bankshares Corporation Announces First Quarter 2016 Earnings and Voting Results of the Annual Meeting of Shareholders

Altavista, VA, April 25, 2016 – Net income for Pinnacle Bankshares Corporation (OTCQX:PPBN), the one-bank holding company (the "Company") for First National Bank (the "Bank"), was $646,000 or $0.42 per basic and diluted share for the quarter ended March 31, 2016 compared to net income of $586,000 or $0.39 per basic and $0.38 per diluted share for the same period of 2015. Quarterly consolidated results are unaudited.

Net income generated during the first quarter of 2016 represents a 10% increase as compared to the same time period of the prior year, which was driven by higher net interest income due to an increase in net interest margin.

Profitability as measured by the Company's return on average assets ("ROA") was 0.70% for the first quarter of 2016, which is a 5 basis points increase over the 0.65% produced in the first quarter of 2015. Correspondingly, return on average equity ("ROE") also increased in the first quarter of 2016 to 7.36%, compared to 7.10% for the same time period of the prior year.

"We are pleased to start 2016 with strong first quarter results and net income growth," stated Aubrey H. Hall, III, President and Chief Executive Officer for both the Company and the Bank. Mr. Hall further commented, "Our improved returns are largely due to increased loan volume, which has led to a welcomed increase in our net interest margin."

The Company's net interest income was $3,269,000 for the quarter ended March 31, 2016 compared to $2,950,000 for the quarter ended March 31, 2015. Interest income increased $237,000, or approximately 7%, due to higher loan volume, while interest expense decreased $82,000, or 19%, due to the continued growth of lower cost core deposits. As a result, the Company's net interest margin expanded to 3.82% for the first quarter of 2016 as compared to 3.53% for the first quarter of 2015 with yields on interest earning assets increasing by 16 basis points and the cost to fund earnings assets decreasing by 13 basis points.

The provision for loan losses decreased slightly to $27,000 in the first quarter of 2016 as compared to $29,000 in the first quarter of 2015. The allowance for loan losses was $2,869,000 as of March 31, 2016, which represented 0.91% of total loans outstanding. In comparison, the allowance for loan losses was $2,889,000 or 0.94% of total loans outstanding as of December 31, 2015. The slight decrease in the Company's allowance balance is reflective of stronger asset quality as non-performing loans to total loans fell to 0.36% as of March 31, 2016 compared to 0.45% as of year-end 2015. Allowance coverage of non-performing loans as of the end of the quarter was 255%, which Management views as being sufficient to offset potential future losses associated with problem loans.

Noninterest income for the quarter ended March 31, 2016 decreased $2,000 or less than 1% to $840,000 from $842,000 for the quarter ended March 31, 2015. An $83,000 decrease in fees on sales of mortgage loans and a $21,000 decrease in overdraft income were offset by increases in other income and recoveries and income derived from the Bank's investment in Bankers Insurance, LLC.

Noninterest expense for the quarter ended March 31, 2016 increased $232,000 or approximately 8% to $3,136,000 from $2,904,000 for the quarter ended March 31, 2015. The increase is primarily attributed to a $159,000 increase in salaries and benefits, a $37,000 increase in losses on OREO sales and foreclosure expenses, and a $20,000 increase in indirect (dealer-auto) loan expenses. Salaries and benefits have increased primarily due to new positions associated with the Bank's Lynchburg Market Plan.

Total assets as of March 31, 2016 were $378,006,000, up approximately 2% from $371,261,000 as of December 31, 2015. The principal components of the Company's assets as of March 31, 2016 were $313,957,000 in total loans, $25,691,000 in securities and $17,204,000 in cash and cash equivalents. During the first quarter of 2016, total loans increased approximately 3% or $7,869,000 from $306,088,000 as of December 31, 2015, while securities decreased approximately 1% or $1,457,000 from $27,148,000. The increase in loan volume thus far in 2016 has been driven by strong performances from the Bank's commercial and indirect lending divisions.

Total liabilities as of March 31, 2016 were $342,559,000, up $6,080,000 or just over 2% from $336,479,000 as of December 31, 2015. Higher levels of demand deposit account balances (mainly business checking) drove the increase, which grew by $6,268,000 or approximately 11%. The Company continues to focus on the expansion of core deposit relationships, which has helped lower the Company's cost of funds, decrease its dependency on time deposits and provide relationship expansion opportunities.

Total stockholders' equity as of March 31, 2016 was $35,447,000 and consisted primarily of $30,949,000 in retained earnings. In comparison, as of December 31, 2015 total stockholders' equity was $34,782,000. The Company has continued to increase capital while also paying a cash dividend to shareholders in each of the last fourteen quarters. Both the Company and Bank remain "well capitalized" per all regulatory definitions.

In other news, at the Annual Meeting of Shareholders held on April 12, 2016, Robert L. Finch, Jr., Aubrey H. (Todd) Hall, III and Dr. Robert L. Johnson were re-elected to the Board of Directors as Class I Directors to serve until the 2019 Annual Meeting of Shareholders. Elton W. Blackstock, Jr., appointed by the Board as a Class I Director in 2015, was elected by the shareholders as a Class I Director to serve until 2019 as well. Connie C. Burnette was elected as a new Class III Director to serve until the 2018 Annual Meeting of Shareholders. Mr. Blackstock, retired Administrator of the Blue Ridge Regional Jail and a member of the Pittsylvania County Board of Supervisors, will provide the Board with valuable input based on his acquired skills in budget development, personnel and operational policies, issue resolution and preparation of legal defense matters. Ms. Burnette is Vice President and Human Resources Manager for Wiley/Wilson, an Architectural and Engineering firm based in Lynchburg, VA. She will provide valuable input to the Board regarding the oversight of employee compensation and benefits programs as well as advocacy of the Bank within the markets it serves.

Finally, the Bank is on schedule with its Lynchburg Market Plan progress and intends to open its newly renovated Timberlake Road Branch in May of 2016 and its new Old Forest Branch in June of 2016. Construction is expected to commence on the new Lynchburg Headquarters building on Odd Fellows Road in the mid to late summer of 2016 timeframe. All three projects along with new positions referenced earlier will enhance the Bank's visibility, presence and growth opportunities within the Lynchburg and Central Virginia markets.

Pinnacle Bankshares Corporation is a locally managed community banking organization based in Central Virginia. The one-bank holding company of First National Bank serves an area consisting primarily of all or portions of the Counties of Campbell, Pittsylvania, Bedford, Amherst and the City of Lynchburg. The Company has a total of eight branches with two located in the Town of Altavista, where the Bank was founded. Other branch locations include Village Highway in Rustburg, Wards Road near the Lynchburg Regional Airport, Timberlake Road in Campbell County, South Main Street in the Town of Amherst, Old Forest Road in the City of Lynchburg and Forest Road in Bedford County. First National Bank is in its 108th year of operation.

Various securities laws regulate the use of financial measures that are not prepared in accordance with GAAP. We believe these non-GAAP measures provide important supplemental information to investors. We use these measures, together with GAAP measures, for internal managerial purposes and as a means to evaluate period-to-period comparisons. However, we do not, and you should not, rely on non-GAAP financial measures alone as measures of our performance. We believe that non-GAAP financial measures reflect an additional way of viewing aspects of our operations that - when taken together with GAAP results as presented in this press release- provide a more complete understanding of factors and trends affecting our business. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names.

This press release may contain "forward-looking statements" within the meaning of federal securities laws that involve significant risks and uncertainties. Any statements contained herein that are not historical facts are forward-looking and are based on current assumptions and analysis by the Company. These forward-looking statements may include, but are not limited to, statements regarding the credit quality of our asset portfolio in future periods, the expected losses of nonperforming loans in future periods, returns and capital accretion during future periods, the lowering of our cost of funds, the maintenance of our net interest margin, the continuation of improved returns, the cost savings related to the deregistration of our common stock, and future operating results and business performance. Although we believe our plans and expectations reflected in these forward-looking statements are reasonable, our ability to predict results or the actual effect of future plans or strategies is inherently uncertain, and we can give no assurance that these plans or expectations will be achieved. Factors that could cause actual results to differ materially from management's expectations include, but are not limited to, the effectiveness of management's efforts to improve asset quality, returns, net interest margin and collections and control operating expenses, management's efforts to minimize losses related to nonperforming loans, management's efforts to lower our cost of funds, changes in: interest rates, general economic and business conditions, declining collateral values, especially real estate, the real estate market, the legislative/regulatory climate, including the effect that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and regulations adopted thereunder may have on us, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System and any policies or programs implemented pursuant to the Emergency Economic Stabilization Act of 2008, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows and funding costs, competition, demand for financial services in our market area, actual savings related to the deregistration of our common stock and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating the forward-looking statements contained herein, and you should not place undue reliance on such statements, which reflect our views as of the date of this release.

Selected financial highlights are shown below.

Pinnacle Bankshares Corporation
Selected Financial Highlights
(3/31/2016 and 3/31/2015 results unaudited)
(In thousands, except ratios, share and per share data)

Income Statement Highlights	3 Months Ended 03/31/2016	3 Months Ended 12/31/2015	3 Months Ended 03/31/2015
Interest Income	$3,623	$3,786	$3,386
Interest Expense	354	362	436
Net Interest Income	3,269	3,424	2,950
Provision for Loan Losses	27	(1)	29
Noninterest Income	840	1,147	842
Noninterest Expense	3,136	3,063	2,904
Net Income	646	1,007	586
Earnings Per Share (Basic)	0.42	0.66	0.39
Earnings Per Share (Diluted)	0.42	0.66	0.38

Balance Sheet Highlights	03/31/2016	12/31/2015	03/31/2015
Cash and Cash Equivalents	$17,204	$17,724	$49,011
Total Loans	313,957	306,088	278,101
Total Securities	25,691	27,148	28,734
Total Assets	378,006	371,261	375,748
Total Deposits	338,675	332,403	338,249
Total Liabilities	342,559	336,479	342,394
Stockholders' Equity	35,447	34,782	33,354
Shares Outstanding	1,523,233	1,520,221	1,515,280

Ratios and Stock Price	03/31/2016	12/31/2015	03/31/2015
Gross Loan-to-Deposit Ratio	92.70%	92.08%	82.22%
Net Interest Margin (Year-to-date)	3.82%	3.63%	3.53%
Liquidity	10.67%	11.42%	19.27%
Efficiency Ratio	76.27%	74.41%	76.53%
Return on Average Assets (ROA)	0.70%	0.74%	0.65%
Return on Average Equity (ROE)	7.36%	8.12%	7.10%
Leverage Ratio (Bank)	9.82%	9.75%	9.44%
Tier 1 Capital Ratio (Bank)	11.31%	11.44%	11.82%
Total Capital Ratio (Bank)	12.23%	12.39%	12.88%
Stock Price	$18.60	$19.70	$17.60
Book Value	$23.27	$23.05	$22.01

Asset Quality Highlights	03/31/2016	12/31/2015	03/31/2015
Nonaccruing Loans	$1,123	$1,387	$4,309
Loans 90 Days or More Past Due and Accruing	0	0	0
Total Nonperforming Loans	1,123	1,387	4,309
Troubled Debt Restructures Accruing	1,458	1,469	995
Total Impaired Loans	2,581	2,856	5,304
Other Real Estate Owned (OREO) (Foreclosed Assets)	1,836	1,733	1,194
Total Nonperforming Assets	2,959	3,120	5,503
Nonperforming Loans to Total Loans	0.36%	0.45%	1.55%
Nonperforming Assets to Total Assets	0.78%	0.84%	1.46%
Allowance for Loan Losses	$2,869	$2,889	$3,013
Allowance for Loan Losses to Total Loans	0.91%	0.94%	1.08%
Allowance for Loan Losses to Nonperforming Loans	255.48%	208.29%	69.92%

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