Pinnacle Bankshares Corporation Announces Second Quarter 2016 Earnings

Altavista, VA, July 26, 2016 – Net income for Pinnacle Bankshares Corporation (OTCQX:PPBN), the one-bank holding company (the "Company") for First National Bank (the "Bank"), was $711,000 or $0.47 per basic and $0.46 per diluted share for the quarter ended June 30, 2016, and $1,357,000 or $0.89 per basic share and $0.88 per diluted share for the six months ended June 30, 2016. Net income was $580,000 or $0.38 per basic and diluted share and $1,166,000 or $0.77 per basic share and $0.76 per diluted share, respectively, for the same periods of 2015. Consolidated results for the quarter and six month periods are unaudited.

Net income generated during the second quarter of 2016 represents a 23% increase as compared to the second quarter of 2015. For the six months, net income increased 16% as compared to the same time period of the previous year. The increase in net income for both time periods was driven by higher interest income due to higher loan volume.

Profitability as measured by the Company's return on average assets ("ROA") was 0.72% for the six months ended June 30, 2016, compared to 0.64% generated during the first six months of 2015. Correspondingly, return on average equity ("ROE") also increased for the six month period of 2016 to 7.67%, compared to 7.02% for the same time period of the prior year.

"We are pleased to report an increase in our profitability for both the second quarter and first half of 2016 as compared to the same time periods of 2015", stated Aubrey H. Hall, III, President and Chief Executive Officer for both the Company and the Bank. He further commented, "Strong interest income driven by our loan growth has increased our net interest margin and returns resulting in our second highest quarterly core net income in the history of the Company."

The Company produced $6,642,000 in net interest income for the first half of 2016, which represents a 12% increase as compared to the $5,948,000 generated for the same time period of 2015. Interest income increased $548,000 or approximately 8% due to higher loan volume, while interest expense decreased $145,000 or approximately 17%, due to the continued growth of lower cost deposits. As a result, the Company's net interest margin expanded to 3.82% for the first half of 2016 as compared to 3.46% for the first half of 2015 with yield on earning assets increasing by 27 basis points and the cost to fund earning assets decreasing by 9 basis points.

The provision for loan losses decreased to $25,000 in the first half of 2016 as compared to $106,000 in the first half of 2015. The allowance for loan losses was $2,855,000 as of June 30, 2016, which represented 0.86% 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 is reflective of stronger asset quality as non-performing loans to total loans fell to 0.41% compared to 0.45% as of year-end 2015. Allowance coverage of non-performing loans as of quarter end was 208%, which Management views as being sufficient to offset potential future losses associated with the loan portfolio.

Noninterest income for the first half of 2016 decreased $15,000 or approximately 1% to $1,733,000 from $1,748,000 for the first half of 2015. This decrease was mainly driven by a $102,000 decrease in fees generated from the sale of mortgage loans and a $32,000 decrease in service charges on deposit accounts. These decreases were partially offset by a $59,000 increase in income derived from the Bank's investment in Bankers Insurance, LLC and a $62,000 gain on securities sold as part of a plan to restructure the investment portfolio.

Noninterest expense for the first half of 2016 increased $487,000 or approximately 8% to $6,375,000 from $5,888,000 for the first half 2015. The increase is primarily attributed to a $329,000 increase in salaries and benefits. Salaries and benefits have increased due new positions associated with the Bank's Lynchburg Market Plan, which is intended to drive growth. Small increases were also realized in occupancy expense, office supplies, other losses, loan review and cost of foreclosures. These increases were partially offset by decreases in legal fees and core operating system expenses.

Total assets as of June 30, 2016 were $386,693,000, up approximately 4% from $371,261,000 as of December 31, 2015. The principal components of the Company's assets as of June 30, 2016 were $330,453,000 in total loans, $21,539,000 in securities and $12,797,000 in cash and cash equivalents. During the first half of 2016, total loans increased approximately 8% or $24,365,000 from $306,088,000 as of December 31, 2015, while securities decreased approximately 21% or $5,609,000 from $27,148,000.

Total liabilities as of June 30, 2016 were $350,830,000, up $14,351,000 or 4% from $336,479,000 as of December 31, 2015. Higher levels of demand deposit account balances drove the increase, which grew by $7,975,000 or approximately 14%. 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. The Company also experienced a 4% or $6,839,000 increase in savings and Now accounts. Time deposits were stable only declining by $275,000 or less than 1%.

Total stockholders' equity as of June 30, 2016 was $35,863,000 and consisted primarily of $31,523,000 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 fifteen quarters. Both the Company and Bank remain "well capitalized" per all regulatory definitions.

First National is on schedule with its Lynchburg Market Plan. The Bank opened its newly renovated Timberlake Branch on May 18, 2016 and recently opened its newly relocated Old Forest Road Branch on July 6, 2016. Additionally, construction of the new Odd Fellows Road Branch/Lynchburg headquarters will begin in third quarter of 2016. The Lynchburg Market Plan is intended to increase the Bank's presence and visibility across Central Virginia in an effort to grow assets and enhance shareholder returns.

In other news, the Board of Directors has approved the continuance of Pinnacle Bankshares Corporation's Share Repurchase Program until December 31, 2016. This program may increase trading volume in the Company's stock, which the Board and Management believe is in the best interest of shareholders.

Finally, the Bank closed on the sale of the James River Conference Center, located in downtown Lynchburg, VA, to the Lynchburg Regional Business Alliance at the end of the second quarter. The sale of this property reduced the Bank's nonperforming assets by $1,075,000 and has resulted in Other Real Estate Owned declining to less than $800,000. As part of the transaction, the Bank acquired the prior Lynchburg Regional Chamber of Commerce building located at 2015 Memorial Avenue, Lynchburg, VA 24501. This property is situated at the corner of Memorial Avenue and Langhorne Road across from E.C. Glass High School. The Bank intends to hold this property for potential future use.

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
(6/30/16, 3/31/2016 and 6/30/2015 results unaudited)
(In thousands, except ratios, share and per share data)

Income Statement Highlights	3 Months Ended 06/30/2016	3 Months Ended 03/31/2016	3 Months Ended 06/30/2015
Interest Income	$3,735	$3,623	$3,424
Interest Expense	362	354	426
Net Interest Income	3,373	3,269	2,998
Provision for Loan Losses	(2)	27	77
Noninterest Income	893	840	907
Noninterest Expense	3,238	3,136	2,983
Net Income	711	646	580
Earnings Per Share (Basic)	0.47	0.42	0.38
Earnings Per Share (Diluted)	0.46	0.42	0.38

Income Statement Highlights	6 Months Ended 06/30/2016	Year Ended 12/31/2015	6 Months Ended 06/30/2015
Interest Income	$7,358	$14,117	$6,810
Interest Expense	716	1,612	862
Net Interest Income	6,642	12,505	5,948
Provision for Loan Losses	25	129	106
Noninterest Income	1,733	3,730	1,748
Noninterest Expense	6,375	12,083	5,888
Net Income	1,357	2,730	1,166
Earnings Per Share (Basic)	0.89	1.80	0.77
Earnings Per Share (Diluted)	0.88	1.79	0.76

Balance Sheet Highlights	06/30/2016	12/31/2015	06/30/2015
Cash and Cash Equivalents	$12,797	$17,724	$42,338
Total Loans	330,453	306,088	280,305
Total Securities	21,539	27,148	34,051
Total Assets	386,693	371,261	375,654
Total Deposits	346,859	332,403	337,886
Total Liabilities	350,830	336,479	341,987
Stockholders' Equity	35,863	34,782	33,667
Shares Outstanding	1,525,118	1,520,221	1,522,294

Ratios and Stock Price	06/30/2016	12/31/2015	06/30/2015
Gross Loan-to-Deposit Ratio	95.27%	92.08%	82.95%
Net Interest Margin (Year-to-date)	3.82%	3.63%	3.46%
Liquidity	7.74%	11.42%	18.70%
Efficiency Ratio	76.71%	74.41%	76.57%
Return on Average Assets (ROA)	0.72%	0.74%	0.64%
Return on Average Equity (ROE)	7.67%	8.12%	7.02%
Leverage Ratio (Bank)	9.64%	9.75%	9.28%
Tier 1 Capital Ratio (Bank)	10.89%	11.44%	11.99%
Total Capital Ratio (Bank)	11.77%	12.39%	13.07%
Stock Price	$19.31	$19.70	$17.51
Book Value	$23.51	$23.05	$22.12

Asset Quality Highlights	06/30/2016	12/31/2015	06/30/2015
Nonaccruing Loans	$1,370	$1,387	$4,786
Loans 90 Days or More Past Due and Accruing	0	0	46
Total Nonperforming Loans	1,370	1,387	4,832
Troubled Debt Restructures Accruing	1,318	1,469	988
Total Impaired Loans	2,688	2,856	5,820
Other Real Estate Owned (OREO) (Foreclosed Assets)	762	1,733	772
Total Nonperforming Assets	2,132	3,120	5,604
Nonperforming Loans to Total Loans	0.41%	0.45%	1.72%
Nonperforming Assets to Total Assets	0.55%	0.84%	1.49%
Allowance for Loan Losses	$2,855	$2,889	$3,045
Allowance for Loan Losses to Total Loans	0.86%	0.94%	1.09%
Allowance for Loan Losses to Nonperforming Loans	208.39%	208.29%	63.02%

CONTACT: Pinnacle Bankshares Corporation, Bryan M. Lemley, 434-477-5882 or bryanlemley@1stnatbk.com