Pinnacle Bankshares Corporation Announces First Quarter 2017 Earnings and Voting Results of the Annual Meeting of Shareholders

Altavista, VA, April 25, 2017 – Net income for Pinnacle Bankshares Corporation (OTCQX:PPBN), the one-bank holding company (the "Company") for First National Bank (the "Bank"), was $817,000 or $0.54 per basic and $0.53 per diluted share for the quarter ended March 31, 2017 compared to net income of $646,000 or $0.42 per basic and diluted share for the same period of 2016. Quarterly consolidated results are unaudited.

Net income generated during the first quarter of 2017 represents a 26% increase as compared to the same time period of the prior year, which was driven by higher net interest income and noninterest income. The net interest income improvement is primarily due to loan growth as total loans increased 10% from March 31, 2016 to March 31, 2017. Higher noninterest income was driven by an increase in fees generated from the origination and sale of mortgage loans and commissions earned from the sale of investment products.

Profitability as measured by the Company's return on average assets ("ROA") was 0.75% for the first quarter of 2017, which is a 5 basis points increase over the 0.70% produced in the first quarter of 2016. Correspondingly, return on average equity ("ROE") also increased in the first quarter of 2017 to 8.83%, compared to 7.36% for the same time period of the prior year.

"We have started 2017 with strong 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 and a nice increase in fees and commissions derived from mortgage and investment sales."

The Company's net interest income was $3,538,000 for the quarter ended March 31, 2017 compared to $3,269,000 for the quarter ended March 31, 2016. Interest income increased $322,000, or approximately 9%, due to higher loan volume, while interest expense increased $53,000, or 15%, as result of a 21% increase in deposit volume since March 31, 2016.

The Company's net interest margin decreased to 3.57% for the first quarter of 2017 as compared to 3.82% for the first quarter of 2016 with yields on interest earning assets decreasing by 26 basis points. The margin decline was due to a 12 basis points decrease in loan yields and a $22,297,000 increase in average funds held at the Federal Reserve Bank generating minimal yields as a result of material deposit growth. Cost to fund earnings assets decreased by 1 basis point when comparing the same time periods.

The provision for loan losses increased to $105,000 in the first quarter of 2017 as compared to $27,000 in the first quarter of 2016. The allowance for loan losses was $2,933,000 as of March 31, 2017, representing 0.85% of total loans outstanding. In comparison, the allowance for loan losses was $2,898,000 as of December 31, 2016, which was also 0.85% of total loans outstanding. The higher provision and resulting increase in the Company's allowance balance were primarily the result of risk rating downgrades associated with two commercial loan relationships. One relationship was downgraded to a special mention classification and one relationship was downgraded to a substandard non-performing classification. As a result, non-performing loans to total loans increased to 1.38% as of March 31, 2017 compared to 0.23% as of year-end 2016. Allowance coverage of non-performing loans as of the end of the quarter decreased to 62% from 377% as of year-end 2016. Despite the decline in this ratio, Management still views the allowance balance as being sufficient to offset potential future losses associated with problem loans. The Bank has sufficient collateral securing both referenced relationships and has initiated exit strategies that are expected to be completed over the course of the second and third quarters. No losses are expected to be incurred.

Noninterest income for the quarter ended March 31, 2017 increased $145,000 or 17%, to $985,000 from $840,000 for the quarter ended March 31, 2016. The increase was driven by a $53,000 increase in fees generated from the sale of mortgage loans, a $45,000 increase in commissions earned from the sale of investment products and a $43,000 increase in deposit service charges.

Noninterest expense for the quarter ended March 31, 2017 increased $105,000 or approximately 3%, to $3,241,000 from $3,136,000 for the quarter ended March 31, 2016. The increase is primarily attributed to a $69,000 increase in salaries and benefits as a result of annual performance based merit increases and a small increase in retirement plan expenses.

Total assets as of March 31, 2017 were $451,026,000, up approximately 2% from $440,104,000 as of December 31, 2016. The principal components of the Company's assets as of March 31, 2017 were $345,159,000 in total loans, $31,480,000 in securities and $47,760,000 in cash and cash equivalents. During the first quarter of 2017, total loans increased approximately 1% or $3,918,000 from $341,241,000 as of December 31, 2016, while securities increased approximately 14% or $3,911,000 from $27,569,000.

Total liabilities as of March 31, 2017 were $413,624,000, up $10,069,000 or approximately 2% from $403,555,000 as of December 31, 2016. Higher levels of savings and interest checking account balances drove the increase, which grew by $13,021,000 or approximately 6%. The Company continues its focus on the expansion of low cost core deposit relationships and has decreased its dependency on time deposits, which has lowered its cost to fund earnings assets to the current level.

Total stockholders' equity as of March 31, 2017 was $37,402,000 and consisted primarily of $33,529,000 in retained earnings. In comparison, as of December 31, 2016 total stockholders' equity was $36,549,000. The Company has continued to increase capital while also paying a cash dividend to shareholders in each of the last eighteen quarters. Both the Company and Bank remain "well capitalized" per all regulatory definitions.

In other news, First National continues to be on schedule with its Lynchburg Market Plan. Construction of the new Odd Fellows Road Branch/Lynchburg Headquarters facility began in the third quarter of 2016 and is scheduled to be completed in August of 2017. The Odd Fellows Road facility is intended to increase the Bank's presence and visibility in Lynchburg in an effort to grow assets and enhance shareholder returns.

Finally, at the Annual Meeting of Shareholders held on April 11, 2017, James E. Burton, IV, Judson H. Dalton, Thomas F. Hall and A. Patricia Merryman were re-elected to the Board of Directors as Class II Directors to serve until the 2020 Annual Meeting of Shareholders. The upcoming retirements of William J. Sydnor, II, Vice President of the Company and Senior Vice President & Chief Credit Officer of the Bank, and Lucy H. Johnson, Senior Vice President & Data Processing Manager of the Bank, were also announced during the meeting. Mr. Sydnor will be succeeded as Chief Credit Officer by Mr. Timothy W. Holt, who was hired in November of 2016 and brings to the Bank twenty-four years of banking experience. Ms. Johnson's responsibilities are being transitioned to other roles as part of an operation's restructuring.

A copy of the Company's Shareholder/Investor Presentation has been made available on the Bank's website at www.1stnatbk.com under the Investor Relations Tab.

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. The new Odd Fellows Road Branch and Lynchburg Headquarters facility is on schedule to be completed in August of 2017 and increase the number of branches to nine. First National Bank is in its 109th 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.

Cautionary Statement Regarding Forward-Looking Statements

In addition to the historical information contained herein, this Earnings Press Release contains statements that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations, or beliefs about future events or results or otherwise are not statements of historical fact, are based on certain assumptions as of the time they are made, and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Forward-looking statements are generally identifiable by use of words such as "believe," "expect," "intend," "anticipate," "estimate," "project," "may," "will" or similar expressions. These forward-looking statements may include, but are not limited to, anticipated future financial performance, impairment of goodwill, funding sources including cash generated by banking operations, loan portfolio composition, trends in asset quality and strategies to address nonperforming assets and nonaccrual loans, adequacy of the allowance for loan losses and future provisions for loan losses, securities portfolio composition and future performance, interest rate environments, deposit insurance assessments, and strategic business initiatives.

Although we believe our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these plans, intentions, or expectations will actually be achieved. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain, and actual results, performance or achievements could differ materially from those contemplated in any forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, the effects of or changes in:

- *management's efforts to maintain asset quality and control operating expenses;*
- *the quality, composition and growth of the loan and investment portfolios;*
- *interest rates;*
- *general economic and financial market conditions;*
- *net interest margin;*
- *real estate values in our market area;*
- *levels of unemployment in our market area;*

- *the legislative/regulatory climate, including regulatory initiatives with respect to financial institutions, products and services in accordance with the Dodd Frank Wall Street Reform Act (the "Dodd Frank Act") and otherwise;*
- *the Consumer Financial Protection Bureau and its regulatory and enforcement activities;*
- *the application of the Basel III capital standards to the Company and the Bank;*
- *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;*
- *our ability to timely implement the Lynchburg Market Plan;*
- *demand for loan products;*
- *deposit flows;*
- *competition and demand for financial services in our market area;*
- *regulatory compliance costs;*
- *accounting principles, policies and guidelines; and*
- *an increase in shareholders that would require the Company to be subject to the reporting obligations of the Securities Exchange Act of 1934, as amended.*

These risks and uncertainties should be considered in evaluating forward-looking statements contained herein. We have based our forward-looking statements on management's beliefs, assumptions, expectations and projections based on information available as of the date of this Earnings Press Release. You should not place undue reliance on such statements, because the beliefs, assumptions, expectations and projections about future events on which they are based may, and often do, differ materially from actual events and, in many cases, are outside of our control.

We undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

Selected financial highlights are shown below.

Pinnacle Bankshares Corporation
Selected Financial Highlights
(3/31/2017 and 3/31/2016 results unaudited)
(In thousands, except ratios, share and per share data)

Income Statement Highlights	3 Months Ended 03/31/2017	3 Months Ended 12/31/2016	3 Months Ended 03/31/2016
Interest Income	$3,945	$3,929	$3,623
Interest Expense	407	408	354
Net Interest Income	3,538	3,521	3,269
Provision for Loan Losses	105	0	27
Noninterest Income	985	946	840
Noninterest Expense	3,241	3,379	3,136
Net Income	817	734	646
Earnings Per Share (Basic)	0.54	0.48	0.42
Earnings Per Share (Diluted)	0.53	0.48	0.42

Balance Sheet Highlights	03/31/2017	12/31/2016	03/31/2016
Cash and Cash Equivalents	$47,760	$48,174	$17,204
Total Loans	345,159	341,241	313,957
Total Securities	31,480	27,569	25,691
Total Assets	451,026	440,104	378,006
Total Deposits	410,035	399,743	338,675
Total Liabilities	413,624	403,555	342,559
Stockholders' Equity	37,402	36,549	35,447
Shares Outstanding	1,526,769	1,522,351	1,523,233

Ratios and Stock Price	03/31/2017	12/31/2016	03/31/2016
Gross Loan-to-Deposit Ratio	84.18%	85.39%	92.70%
Net Interest Margin (Year-to-date)	3.57%	3.70%	3.82%
Liquidity	18.22%	17.68%	10.67%
Efficiency Ratio	71.65%	74.66%	76.27%
Return on Average Assets (ROA)	0.75%	0.76%	0.70%
Return on Average Equity (ROE)	8.83%	8.36%	7.36%
Leverage Ratio (Bank)	8.86%	8.94%	9.82%
Tier 1 Capital Ratio (Bank)	10.74%	10.81%	11.31%
Total Capital Ratio (Bank)	11.59%	11.67%	12.23%
Stock Price	$28.50	$28.88	$18.60
Book Value	$24.50	$24.01	$23.27

Asset Quality Highlights	03/31/2017	12/31/2016	03/31/2016
Nonaccruing Loans	$4,762	$769	$1,123
Loans 90 Days or More Past Due and Accruing	0	0	0
Total Nonperforming Loans	4,762	769	1,123
Troubled Debt Restructures Accruing	344	347	1,458
Total Impaired Loans	5,106	1,116	2,581
Other Real Estate Owned (OREO) (Foreclosed Assets)	552	642	1,836
Total Nonperforming Assets	5,314	1,411	2,959
Nonperforming Loans to Total Loans	1.38%	0.23%	0.36%
Nonperforming Assets to Total Assets	1.18%	0.32%	0.78%
Allowance for Loan Losses	$2,933	$2,898	$2,869
Allowance for Loan Losses to Total Loans	0.85%	0.85%	0.91%
Allowance for Loan Losses to Nonperforming Loans	61.59%	376.85%	255.48%

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