March 27, 2019

Research Department, Statistics Division
Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261

Re: Submission of Annual Report of Bank Holding Companies – FR Y-6

Herein is a listing of exhibits in response to each report item. Report items that are not applicable to our bank holding company, Benchmark Bankshares, Inc., are so noted:

Report Item 1:	Enclosed with this mailing
Report Item 2a:	Enclosed with this mailing (Exhibit 2a)
Report Item 2b:	Enclosed with this mailing (Exhibit 2b)
Report Item 3.1:	CEDE AND COMPANY New York, N.Y. 10274 USA 3,091,792 shares 61.47% Common Stock
Report Item 3.2:	N/A
Report Item 4:	Enclosed with this mailing (Exhibit 3)

Should you require additional information, please contact our staff at (434) 676- 9054.

Sincerely,

BENCHMARK BANKSHARES INC.

E. Neil Burke
Cashier/Assistant Secretary

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Jay A. Stafford
Name of the Holding Company Director and Official

CEO/President
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

3/27/19
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID
C.I.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2018
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Benchmark Bankshares, Inc
Legal Title of Holding Company

PO Box 569
(Mailing Address of the Holding Company) Street / P.O. Box

Kenbridge	VA	23944
City	State	Zip Code

same
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

E. Neil Burke	EVP/VFO
Name	Title

434-676-9054 ext. 1111
Area Code / Phone Number / Extension

434-676-2703
Area Code / FAX Number

neil.burke@bcbonline.com
E-mail Address

n/a
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

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City State Zip Code

Physical Location (if different from mailing address)

Benchmark Bankshares, Inc.

2018

Annual Report

elliott davis

Independent Auditor's Report

Audit Committee of the Board of Directors
Benchmark Bankshares, Inc

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Benchmark Bankshares, Inc. and Subsidiary (the "Company"), which comprise the consolidated statement of financial condition as of December 31, 2018, the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benchmark Bankshares, Inc. and Subsidiary as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Company, as of and for the year ended December 31, 2017, were audited by other auditors, whose report, dated March 20, 2018, expressed an unmodified opinion on those statements.

Elliott Davis, PLLC

Raleigh, North Carolina
March 22, 2019

Consolidated Statements of Financial Condition
December 31, 2018 and 2017

	December 31,	
Assets	**2018**	2017
Cash and due from banks	**$ 10,512,340**	$ 11,854,293
Federal reserve excess balance account	**23,263,000**	17,295,000
Federal funds sold	**264,000**	3,176,000
Total cash and cash equivalents	**34,039,340**	32,325,293
Interest-bearing time deposits with other banks	**8,418,000**	8,711,000
Investment securities, available for sale	**33,812,309**	35,196,719
Loans, held for sale	**355,900**	1,664,625
Loans, held for investment	**533,393,752**	485,063,526
Less: Allowance for loan losses	**(5,206,542)**	(4,703,158)
Net Loans	**528,543,110**	482,024,993
Premises and fixed assets, net	**14,865,870**	14,665,547
Cash value life insurance	**15,625,615**	13,076,282
Other real estate owned	**2,016,227**	3,428,077
Accrued interest receivable	**2,180,947**	1,993,605
Deferred income taxes	**1,744,653**	1,583,751
Other assets	**2,640,581**	2,220,781
Total Assets	**$ 643,886,652**	$ 595,226,048
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing demand deposits	**$ 128,130,407**	$ 115,145,830
Interest-bearing checking deposits	**177,079,156**	163,649,496
Money market deposits	**88,307,604**	85,313,175
Savings deposits	**57,602,409**	53,639,581
Time deposits	**117,706,664**	106,135,511
Total Deposits	**568,826,240**	523,883,593
Index retirement plan liability	**878,942**	867,032
Dividends payable	**1,358,008**	1,186,378
Accrued interest payable	**234,143**	131,665
Other liabilities	**1,295,796**	1,314,389
Total Liabilities	**572,593,129**	527,383,057
Stockholders' Equity		
Common stock(1) (2)	**1,055,124**	1,082,073
Additional paid-in capital	**4,641,205**	4,714,536
Retained earnings	**65,937,888**	61,966,865
Accumulated other comprehensive income (loss)	**(340,694)**	79,517
Total Stockholders' Equity	**71,293,523**	67,842,991
Total Liabilities and Stockholders' Equity	**$ 643,886,652**	$ 595,226,048

(1) Common Stock, $0.21 par value and 8,000,000 shares authorized. 5,029,659 shares issued and outstanding as of December 31, 2018; 5,158,165 shares issued and outstanding as of December 31, 2017.

(2) 5,257 of the shares outstanding in 2018 are restricted shares that vest in 2019. 5,435 of the shares outstanding in 2017 were restricted shares that vested in 2018.

Consolidated Statements of Operations and Comprehensive Income

December 31, 2018 and 2017

	Years Ended December 31,	
	2018	2017
Interest Income		
Interest and fees on loans	**$ 27,716,650**	$ 24,503,032
Interest on investment securities:		
U. S. Government agencies	**5,153**	39,122
Mortgage-backed securities	**41,395**	51,269
State and political subdivisions	**812,646**	885,941
Other securities	**29,045**	38,876
Interest on short-term investments	**180,062**	96,774
Interest on federal funds sold	**263,511**	203,731
Total Interest Income	**29,048,462**	25,818,745
Interest Expense		
Interest-bearing checking deposits	**598,437**	547,386
Money market demand deposits	**498,645**	286,915
Savings deposits	**139,911**	129,897
Time deposits	**1,184,663**	926,848
Federal funds purchased	**11,615**	71
Total Interest Expense	**2,433,271**	1,891,117
Net Interest Income	**26,615,191**	23,927,628
Provision for Loan Losses	**932,315**	502,306
Net Interest Income After Provision for Loan Losses	**25,682,876**	23,425,322
Other Income		
Service charges on deposit accounts	**3,548,025**	3,239,392
Other investment income	**73,676**	71,317
Gain on sale of loans	**1,029,093**	1,109,858
Gain on sale of AFS securities	**12,481**	106,491
Gain (loss) on sale of other real estate owned	**(233,384)**	7,930
Other operating income	**1,942,365**	1,718,004
Total Other Income	**6,372,256**	6,252,992
Other Expenses		
Salaries and benefits	**11,466,374**	10,610,477
Depreciation	**968,550**	867,511
Occupancy expense	**1,636,681**	1,477,747
Other operating expenses	**6,820,680**	6,573,942
Total Other Expenses	**20,892,285**	19,529,677
Income Before Income Taxes	**11,162,847**	10,148,637
Provision for income taxes	**2,026,441**	4,018,016
Net Income	**$ 9,136,406**	**$ 6,130,621**
Earnings Per Common Share - Basic	**$ 1.79**	$ 1.19
Earnings Per Common Share - Diluted	**$ 1.79**	$ 1.19

Other Comprehensive Income, Net of Tax:	**2018**	2017
Unrealized gains (losses) on AFS securities	**$ (410,351)**	$ 304,617
Reclassification of gains	**(9,860)**	(70,284)
Reclassification due to tax reform impact on AFS securities	**-**	(19,504)
Other comprehensive income (loss)	**(420,211)**	214,829
Comprehensive income	**$ 8,716,195**	$ 6,345,450
Average Shares Outstanding	**5,100,034**	5,160,965
Average Diluted Shares Outstanding	**5,100,034**	5,160,965

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2018 and 2017

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance December 31, 2016	5,165,824	$ 1,083,241	$ 4,637,433	$ 58,280,208	$ (135,312)	$ 63,865,570
Consolidated net income	-	-	-	6,130,621	-	6,130,621
Stock issuance - directors' annual retainer	5,435	-	95,054	-	-	95,054
Recognition of vested shares - directors' annual retainer	-	1,583	(1,583)	-	-	-
Stock repurchases	(13,094)	(2,751)	(16,368)	(193,749)	-	(212,868)
Semi-Annual Cash Dividend Declared						
June 15, 2017; $0.21 per share	-	-	-	(1,083,341)	-	(1,083,341)
December 21, 2017; $0.23 per share	-	-	-	(1,186,378)	-	(1,186,378)
Other Comprehensive Income (Net of Tax)						
Unrealized security gains	-	-	-	-	304,617	304,617
Reclassification due to tax reform impact on AFS securitie	-	-	-	19,504	(19,504)	-
Reclassification adjustment for gain on sale	-	-	-	-	(70,284)	(70,284)
Balance December 31, 2017	5,158,165	$ 1,082,073	$ 4,714,536	$ 61,966,865	$ 79,517	$ 67,842,991
Consolidated net income	**-**	**-**	**-**	**9,136,406**	**-**	**9,136,406**
Stock issuance - directors' annual retainer	**5,257**	**-**	**95,013**	**-**	**-**	**95,013**
Recognition of vested shares - directors' annual retainer		**1,141**	**(1,141)**	**-**	**-**	**-**
Stock repurchases	**(133,763)**	**(28,090)**	**(167,203)**	**(2,523,352)**	**-**	**(2,718,645)**
Semi-Annual Cash Dividend Declared						
June 21, 2018; $0.25 per share	**-**	**-**	**-**	**(1,284,023)**	**-**	**(1,284,023)**
December 20, 2018; $0.27 per share	**-**	**-**	**-**	**(1,358,008)**	**-**	**(1,358,008)**
Other Comprehensive Income (Net of Tax)						
Unrealized security losses	**-**	**-**	**-**	**-**	**(410,351)**	**(410,351)**
Reclassification adjustment for gain on sale	**-**	**-**	**-**	**-**	**(9,860)**	**(9,860)**
Balance December 31, 2018	**5,029,659**	**$ 1,055,124**	**$ 4,641,205**	**$ 65,937,888**	**$ (340,694)**	**$ 71,293,523**

Consolidated Statements of Cash Flow
Years ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Net income	**$ 9,136,406**	$ 6,130,621
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	**968,550**	867,511
Provision for loan losses	**932,315**	502,306
Deferred taxes	**(160,902)**	758,020
Valuation adjustments of other real estate owned	**531,000**	585,963
Gain on sale of loans held for sale	**(1,029,093)**	(1,109,858)
Increase to cash value of life insurance	**(299,334)**	(243,748)
Gain on sale of securities	**(12,481)**	(106,491)
Equity based compensation - director fees	**95,013**	95,054
(Gain) loss on sale of other real estate owned	**233,384**	(7,930)
Changes in assets and liabilities:		
Interest receivable	**(187,342)**	(266,915)
Origination of mortgage loans held for sale	**(34,328,112)**	(41,672,137)
Proceeds from mortgage loans held for sale	**35,299,421**	42,270,859
Other assets	**(981,203)**	(1,959,071)
Interest payable	**102,478**	(26,198)
Other liabilities	**164,947**	(481,728)
Net cash provided by operating activities	**$ 10,465,047**	$ 5,336,258
Cash Flows from Investing Activities		
Proceeds from sale/maturity/calls of AFS securities	**2,940,826**	7,989,839
Proceeds from sale/maturity/calls of HTM securities	-	1,000,000
Purchase of investment securities	**(2,773,940)**	(9,628,053)
Net change in loans held for investment	**(48,330,226)**	(37,042,372)
Purchase of bank owned life insurance	**(2,250,000)**	-
(Increase) decrease in time deposits with other banks	**293,000**	(304,000)
Proceeds from sale of other real estate owned	**2,784,612**	630,079
Purchase premises and equipment	**(1,168,873)**	(2,291,205)
Net cash used in investing activities	**$ (48,504,601)**	$ (39,645,712)
Cash Flows from Financing Activities		
Net increase in deposits	**44,942,647**	23,183,201
Dividends paid	**(2,470,401)**	(2,168,166)
Payments to repurchase common stock	**(2,718,645)**	(212,868)
Net cash provided by financing activities	**$ 39,753,601**	$ 20,802,167
Net Increase (Decrease) in Cash and Cash Equivalents	**1,714,047**	(13,507,287)
Cash and Cash Equivalents - Beginning of Year	**32,325,293**	45,832,580
Cash and Cash Equivalents - End of Year	**$ 34,039,340**	$ 32,325,293
Supplemental disclosures of cash flow information		
Interest paid	**2,330,793**	1,917,314
Income taxes paid	**2,278,996**	3,344,084
Non cash investing and financing activities:		
Additions to other real estate owned	**2,137,146**	837,496

1 Significant Accounting Policies and Practices

a. General

The consolidated financial statements of Benchmark Bankshares, Inc. (the "Company") and its wholly-owned subsidiary, Benchmark Community Bank (the "Bank"), include the accounts of both companies. All material inter-company balances and transactions have been eliminated in consolidation.

The Consolidated Financial Statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles and conform to predominant practices within the financial services industry. The more significant of these policies are summarized below.

b. Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that directly affect the results of reported assets and liabilities as of the balance sheet date and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, securities with other than temporary impairment, deferred income taxes, other real estate owned, and fair value measurements. Amounts in prior years' Consolidated Financial Statements are reclassified whenever necessary to conform to the current year's presentation.

c. Cash and Due from Banks

For presentation in the Consolidated Statements of Financial Condition, cash and due from banks includes cash on hand and non-interest-bearing balances due from correspondent banks. These bank deposits are subject to FDIC insurance limitations and are insured for the first $250,000 on deposit with each correspondent bank. As of December 31, 2018, the Bank was required to maintain a compensating balance of $250,000 with Community Bankers Bank and $750,000 with State Bank and Trust Company. The Bank was also required to maintain a balance of $25,000 with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at December 31, 2018.

Interest-bearing deposits due from banks as of December 31, 2018 consist of $86,740 held in the Bank's daily investment account with the Federal Home Loan Bank of Atlanta, $23,263,000 held as excess balance federal funds with the Federal Reserve, and $264,000 in federal funds sold. Federal funds sold are overnight, uncollateralized loans to other financial institutions. As a result, management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents. Through participation in the "Excess Balance Account" program, the Company's excess funds are usually deposited directly with the Federal Reserve, eliminating the risk associated with federal funds held at other institutions.

d. Investment Securities

Securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. All securities were classified as available for sale as of December 31, 2018 and 2017.

Impairment of securities occurs when the fair value of a security is less than its amortized cost. For debt securities, impairment is considered other-than-temporary and recognized in its entirety in net income if either (a) the intent is to sell the security or (b) it is more-likely-than-not that it will be necessary to sell the security prior to recovery of its amortized cost. If management's intent is not to sell the security and it is not more than likely that management will be required to sell the security before recovery, management must determine what portion of the impairment is attributable to credit loss, which occurs when the amortized cost of the security exceeds the present value of the cash flows expected to be collected from the security. If there is no credit loss, there is no other-than-temporary (OTTI) impairment. If there is a credit loss, other-than-temporary impairment exists, and the credit loss must be recognized in net income and the remaining portion of impairment must be recognized in other comprehensive income.

e. Restricted Securities

The Company is required to maintain an investment in the capital stock of the Federal Reserve Bank of Richmond, the Federal Home Loan Bank of Atlanta, and Community Bankers Bank. No ready market exists for these securities, and they have no quoted market value. The Company's investment in these stocks is recorded at cost. See Note 2 for further discussion of restricted securities. Restricted securities are classified as "Other Assets" on the Consolidated Statements of Financial Condition.

f. Loans Held for Investment

The recorded investment in loans represents the principal amount outstanding net of deferred origination costs. The deferred origination costs together with loan origination fees are recognized as an adjustment of the related loan yield using the interest method. Interest on loans is credited to operations based on the principal amount outstanding. Management has the intent and ability to hold the loans for the foreseeable future or until maturity or payoff.

A loan's past due status is based on the contractual due date of the most delinquent payment due. Loans are generally placed on nonaccrual status when the collection of principal or interest is 90 days or more past due, or earlier, if collection is uncertain based on an evaluation of the net realizable value of the collateral and the financial strength of the borrower. Loans greater than 90 days past due may remain on accrual status if management determines there is adequate collateral to cover the principal and interest and payment is in process of collection. Consumer loans, including credit card loans and loans secured by 1-4 family residential property, are normally left on accrual status even when the loan is 90 or more days past due. Management has evaluated these loans and the accrued interest is not material to the financial statements. For loans carried on nonaccrual status, payments are first applied to principal outstanding. A loan may be returned to accrual status if the borrower has demonstrated a sustained period of repayment performance (generally six consecutive months) in accordance with the contractual terms of the loan, and there is reasonable assurance the borrower will continue to make payments as agreed.

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller-balance loans and homogeneous loans: residential mortgage loans, home equity loans, and all consumer loans, unless such loans were restructured in a troubled debt restructuring. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Advance payments to cover insurance and tax payments are paid into escrow for loans made to purchase 1-4 family residential properties. These accounts are held by the Bank as noninterest-bearing deposits until payments are made on behalf of the customer by the Bank. The total escrow payments held by the Bank amounted to $562,985 and $525,544 as of December 31, 2018 and 2017, respectively.

g. Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) occur when the Company agrees to significantly modify the original terms of a loan due to the deterioration in the financial condition of the borrower. TDRs are considered impaired loans. Upon designation as a TDR, the Company evaluates the borrower's payment history, past due status and ability to make payments based on the revised terms of the loan. If a loan was accruing prior to being modified as a TDR, the Company concludes that the borrower is able to make such payments, and there are no other factors or circumstances that would cause it to conclude otherwise, the loan will remain on an accruing status. If a loan was on nonaccrual status at the time of the TDR, the loan will remain on nonaccrual status following the modifications and may be returned to accrual status based on the policy for returning loans to accrual status.

h. Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, determined on an individual loan basis, and are sold with the mortgage servicing rights released by the Company. The Company held $355,900 and $1,664,625 in loans for sale as of December 31, 2018 and 2017, respectively. The Company recognized $1,029,093 in gains from the sale of these loans for the year ended December 31, 2018. Total gains amounted to $1,109,858 for the year ended December 31, 2017.

i. Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

j. Allowance for Loan Losses

The allowance for loan losses is a valuation reserve for probable and inherent losses in the loan portfolio. The allowance for loan losses is increased by provisions charged to expense and decreased by loan losses net of recoveries. Loans of each segment are fully or partially charged off against the allowance when the Bank deems the amount to be uncollectible. General conditions for charge-off include repayment schedules that are deemed to be protracted beyond a reasonable timeframe, the loan has been classified as a loss either internally or by regulators, or the loan is 180 days past due unless well-secured and in the process of collection.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans considering historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of both allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when either the discounted cash flows or collateral value (or observable market price less costs to liquidate) of the impaired loan are lower than the carrying value of that loan. The general component covers loans not classified as impaired and is based on historical charge-offs by segment and expected default derived from the Bank's actual loss experience by loan type. Other adjustments may be made to the allowance based on an assessment of internal or external influences that are not fully reflected in the historical loss or risk rating data. Adjustments to the general component of the allowance are made for each segment based on management's assessment of changes in the Company's lending policies, the state of the economy, loan delinquencies, changes in the experience of loan officers, exceptions to loan underwriting, changes in collateral value, and credit concentrations. There were no significant changes to the Bank's allowance methodology during the current year.

A loan in each class is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral

While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. Regulatory agencies, as an integral part of their examination process, periodically review the Company’s allowance for loan losses and may require the Company to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

k. Premises and Fixed Assets

Land is carried at cost whereas premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using both straight-line and accelerated methods over the assets' estimated useful lives. Estimated useful lives range from 10 to 39 years for buildings and improvements, and leasehold improvements, and 3 to 7 years for furniture, fixtures and equipment.

l. Other Real Estate Owned

Real estate acquired through, or in lieu of, foreclosure is held for sale and is initially recorded at the lower of carrying value or fair value less cost to sell at the date of foreclosure. Following foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Adjustments to carrying value, revenue, and expenses related to holding foreclosed assets are recorded in earnings as they occur. See note 5 for additional information.

m. Basic and Diluted Earnings Per Common Share

Basic and diluted earnings per share are calculated by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. At December 31, 2018 and 2017, the Company had no potentially dilutive securities outstanding.

n. Income Taxes

Provision for income taxes is based on amounts reported in the Consolidated Statements of Operations and Comprehensive Income and consists of taxes currently due plus deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Deferred income taxes are reported for temporary differences between items of income or expense reported in the consolidated financial statements and those reported for income tax purposes. Deferred taxes also reflect the impact of unrealized gains and losses related to investment securities, pursuant to *ASC 320 Investments - Debt and Equity Securities*. The differences relate principally to the provision for loan losses, depreciation, deferred compensation, and the supplemental retirement plan funded by bank-owned life insurance.

o. Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions significantly affect the estimates. See Note 15 for required fair value disclosures.

p. Comprehensive Income (Loss)

Comprehensive income (loss) reflects the change in the Company’s equity during the year arising from transactions and events other than investments by, and distributions to, stockholders. It consists of net income plus certain other changes in assets and liabilities that are reported as separate components of stockholders’ equity rather than as income or expense.

q. Revenue Recognition

Revenue from Contracts with Customers

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("Topic 606"). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

The Company's primary sources of revenue are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories, beyond what is presented in the Consolidated Statements of Operations and Comprehensive Income, was not necessary. The Company generally fully satisfies its performance obligations on contracts with customers as services are rendered, and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Our accounting policies will not change materially, since the principles of revenue recognition from the Accounting Standards Update ("ASU") are largely consistent with existing guidance and current practices applied by our business. The following is a discussion of revenues within the scope of the new guidance:

- *Service charges on deposit accounts* - The Company earns fees from deposit customers for various transaction-based, account maintenance, and overdraft or non-sufficient funds ("NSF") services. Transaction-based fees, which include services such as stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed since that is the point in time the Company fulfills the customer's request. Account fees, which relate primarily to monthly maintenance fees, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft and NSF fees are recognized at the point in time that the overdraft occurs, or the NSF item is presented. Service charges on deposits are withdrawn from the customer's account balance.
- *ATM and debit card income* - The Company earns interchange fees from debit cardholder transactions conducted through the payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.
- *Gains and losses on OREO* - Prior to the adoption of ASU 2014-09, an institution is required to follow the prescriptive guidance of Topic 360 for sales of OREO, which might preclude gain recognition when a seller has continuing involvement with a property. For financial institutions, continuing involvement often takes the form of seller financing. However, upon adoption of ASU 2014-09, an institution will follow Subtopic 610-20 for sales of OREO that are not a business. The central principle of Subtopic 610-20 is that a gain or loss should be recognized upon transfer of control of the asset to the buyer, and Subtopic 610-20 relies on certain recognition and measurement principles in Topic 606 for guidance. Topic 606 provides the following indicators of when control transfers:
    - The seller has a present right to payment for the asset.
    - The buyer has legal title of the asset.
    - The seller has transferred physical possession of the asset.
    - The buyer has the significant risks and rewards of ownership of the asset.
    - The buyer has accepted the asset

r. Reclassification

Certain items for prior years have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net income, total assets or stockholders' equity as previously reported.

2 Investment Securities

Debt and equity securities have been classified in the Consolidated Statements of Financial Condition according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2018 and 2017 follow:

	December 31, 2018			
Available-for-Sale	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U. S. Government agencies	$ 796,142	$ -	$ (12,396)	$ 783,746
Mortgage backed securities	1,916,100	1,048	(55,801)	1,861,347
Tax exempt municipal securities	30,255,785	154,060	(429,807)	29,980,038
CRA Mutual Fund	1,226,163	-	(38,985)	1,187,178
Total	$ 34,194,190	$ 155,108	$ (536,989)	$ 33,812,309

	December 31, 2017			
Available-for-Sale	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Loss**	**Fair Value**
U. S. Government agencies	$ 1,327,357	$ 606	$ (6,154)	$ 1,321,809
Mortgage backed securities	2,423,235	6,683	(39,378)	2,390,540
Tax exempt municipal securities	30,146,609	437,367	(248,846)	30,335,130
Taxable municipal securities	450,376	1,770	-	452,146
CRA Mutual Fund	699,111	-	(2,017)	697,094
Total	$ 35,046,688	$ 446,426	$ (296,395)	$ 35,196,719

The maturities of investment securities at December 31, 2018 were as follows:

Available-for-Sale	**Amortized Cost**	**Fair Market Value**
Less than one year	$ 1,226,163	$ 1,187,178
One to five years	1,876,128	1,884,622
Five to ten years	12,766,105	12,589,054
Over 10 years	18,325,794	18,151,455
Total	$ 34,194,190	$ 33,812,309

As of December 31, 2018, the Company had $10.28 million in securities pledged to secure public deposits. The Company had $5.67 million in securities pledged to secure public deposits as of December 31, 2017.

In the event of the sale of securities, the cost basis of the security, adjusted for the amortization of premium or discounts, will be used when calculating gains or losses. The Company realized a gain from the sale of AFS securities of $12,481 in 2018 and $106,491 in 2017.

The following chart represents the gross unrealized losses and fair value of investment securities by investment category and length of time individual securities have been in continuous unrealized loss position as of December 31, 2018 and 2017:

	Year Ended December 31, 2018					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale						
U. S. Government agencies	$ -	$ -	$ 770,554	$ 12,396	$ 770,554	$ 12,396
Tax exempt municipal securities	6,951,569	78,911	11,119,108	350,896	18,070,677	429,807
Mortgage-backed securities	-	-	1,666,387	55,801	1,666,387	55,801
CRA mutual fund	-	-	1,187,178	38,985	1,187,178	38,985
Total AFS Securities	$ 6,951,569	$ 78,911	$ 14,743,227	$ 458,078	$ 21,694,796	$ 536,989

	Year Ended December 31, 2017					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale						
U. S. Government agencies	$ -	$ -	$ 808,771	$ 6,154	$ 808,771	$ 6,154
Tax exempt municipal securities	5,825,282	79,372	6,491,870	169,474	12,317,152	248,846
Mortgage-backed securities	1,329,000	14,874	776,646	24,504	2,105,646	39,378
CRA mutual fund	697,094	2,017	-	-	697,094	2,017
Total AFS Securities	$ 7,851,376	$ 96,263	$ 8,077,287	$ 200,132	$ 15,928,663	$ 296,395

No securities in an unrealized loss position are considered impaired as of December 31, 2018 and 2017.

Restricted securities, not shown above and included as "Other Assets" on the Consolidated Statements of Financial Condition, consist of the following:

	2018	2017
Federal Reserve Bank stock	$ 87,000	$ 87,000
Federal Home Loan Bank stock	535,900	511,700
Community Bankers Bank stock	110,000	110,000
Other equity securities	89,431	89,431
Total	$ 822,331	$ 798,131

No ready market exists for these securities, and there is no quoted market value. Federal Reserve Bank stock, Federal Home Loan Bank ("FHLB") stock, and Community Bankers Bank stock are all carried at cost. Other equity securities represent the Bank's investment in Bankers Title, LLC, a title insurance company. The value reflects the Bank's 7.55% ownership stake in the company. FHLB stock is generally viewed as a long-term investment and as a restricted investment security which is carried at cost, because there is no market for the stock other than the FHLB or member institutions. Therefore, when evaluating FHLB stock for impairment, its value is based on ultimate recoverability of the par value rather than by recognizing temporary declines in value. Other equity securities represent a joint ownership interest that is carried at the year-end equity position of the Company.

3 Loans Held for Investment

A summary of loans held for investment is presented below:

	2018	2017
	(in thousands)	
Construction and land development	**$ 59,763**	$ 27,943
Residential real estate	**269,106**	247,817
Residential real estate - home equity loans	**25,822**	27,782
Multifamiliy real estate	**4,737**	4,610
Farmland	**19,112**	14,993
Commercial real estate	**76,679**	97,935
Commercial non real estate	**61,890**	46,575
Consumer	**16,285**	17,409
	$ 533,394	$ 485,064

Deferred loan fees of $1,090,663 and $975,594 on December 31, 2018 and 2017, respectively, are also included in total loans. Checking and savings account overdrafts amounting to $109,519 on December 31, 2018 and $107,673 on December 31, 2017 have been reclassified as loans for reporting purposes.

Past Due Loans

All loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due in accordance with the contractual terms of the underlying loan agreement.

The following schedule is an aging of past due loans receivable, including those on nonaccrual status, by portfolio segment as of December 31, 2018 and 2017:

	December 31, 2018					
	30-89 Days Past Due	90 Days or Greater and Accruing	Total Past Due	Non-Accrual Loans	Current Loans	Total Loans
Dollars in thousands						
Construction and land development	$ 691	$ -	$ 691	$ 29	$ 59,043	$ 59,763
Residential real estate	5,452	969	6,421	92	262,593	269,106
Residential real estate - home equity loans	41	15	56	-	25,766	25,822
Multifamily real estate	-	-	-	68	4,669	4,737
Farmland	-	-	-	33	19,079	19,112
Commercial real estate	287	-	287	395	75,997	76,679
Commercial non real estate	801	1	802	128	60,960	61,890
Consumer	270	17	287	-	15,998	16,285
Total	$ 7,542	$ 1,002	$ 8,544	$ 745	$ 524,105	$ 533,394

	December 31, 2017					
	30-89 Days Past Due	90 Days or Greater and Accruing	Total Past Due	Non-Accrual Loans	Current Loans	Total Loans
Dollars in thousands						
Construction and land development	$ 223	$ -	$ 223	$ -	$ 27,720	$ 27,943
Residential real estate	4,328	1,566	5,894	236	241,687	247,817
Residential real estate - home equity loans	61	45	106	-	27,676	27,782
Multifamily real estate	-	-	-	-	4,610	4,610
Farmland	63	-	63	-	14,930	14,993
Commercial real estate	880	-	880	1,056	95,999	97,935
Commercial non real estate	395	-	395	236	45,944	46,575
Consumer	374	31	405	-	17,004	17,409
Total	$ 6,324	$ 1,642	$ 7,966	$ 1,528	$ 475,570	$ 485,064

Non-Accrual Loans

Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. The following is a schedule of loans receivable, by portfolio segment, on nonaccrual status as of December 31, 2018 and 2017:

	2018	2017
Dollars in thousands		
Construction and land development	$ 29	$ -
Residential real estate	92	236
Multifamily real estate	68	-
Farmland	33	-
Commercial real estate	395	1,056
Commercial non real estate	128	236
Total	$ 745	$ 1,528

4 Allowance for Loan Losses

The allowance for loan losses is an estimate of the losses that may be sustained in the loan portfolio. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans identified as losses and deemed uncollectible by management are charged to the allowance while subsequent recoveries are credited to the allowance.

The allowance for loan losses is evaluated quarterly by management and is based upon management's review of the collectability of loans based on historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions and environmental factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as additional information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired, for which an allowance is established when the discounted cash flows, collateral value, or observable market price of the loan is lower than the carrying value of the loan. The general component covers loans that are not impaired and is based on historical loss experience, adjusted for qualitative factors. Historical losses are categorized into homogenous loan pools and a loss ratio factor is applied to each group's loan balances to determine the allocation. The loss ratio factor is based on average five-year loss history to better-capture an economic cycle and prevent large fluctuations based on unusual swings in economic conditions.

Qualitative environmental factors, which are part of the general component, include external risk factors that management believes affect the overall lending environment of the Bank. Environmental factors that management of the Bank routinely analyze include levels and trends in delinquencies and impaired loans, levels and trends in charge-offs and recoveries, trends in volume and terms of loans, effects of changes in risk selection and underwriting practices, experience, ability, and depth of lending management and staff, national and local economic trends and conditions, such as unemployment rates, and the effect of changes in credit concentrations. As of December 31, 2018 and 2017, the Bank did not have any unallocated portion of the loan loss reserve.

The Bank's internal risk rating definitions are:

Pass: These loans are the strongest loans in the bank with extremely reliable sources of repayment and usually have 3 to 5 years of positive financial trends and earnings. In addition, this category includes loans to companies and individuals with strong financial statements and cash flow that is more than adequate to service all debt payments. Primary and secondary sources of repayment are well-defined and more than adequate to repay the loan. Loans in this category present the lowest risk to the bank and conform fully to the Bank's policy and regulatory guidelines with no material credit or documentation exceptions.

Special Mention: These loans have potential weaknesses and downward trends that require the Bank to closely monitor. If left uncorrected, these potential weaknesses may at some future date result in the deterioration of the repayment ability of the borrower and ultimately the Banks credit position. These credits do not expose the Bank to enough risk to warrant further adverse classification.

Substandard: A substandard loan is inadequately protected by the current sound net worth and paying capacity of the borrower or collateral pledged. Substandard loans require more intensive supervision by bank management as well as by the account officer and can exhibit one or more well-defined credit weaknesses that may jeopardize repayment of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified doubtful have all the weaknesses inherent in a substandard asset with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified loss are considered uncollectible and of such little value that their continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be received in the future.

The following is a schedule of the credit quality of loans receivable, by portfolio segment, as of December 31, 2018 and 2017.

Dollars in thousands	December 31, 2018 Pass	Special Mention	Substandard	Doubtful	Loss	Total
Construction and land development	$ 56,822	$ 1,777	$ 1,164	$ -	$ -	$ 59,763
Residential real estate	253,986	6,806	8,314	-	-	269,106
Residential real estate - home equity loans	25,024	347	451	-	-	25,822
Multifamily real estate	4,669	-	68	-	-	4,737
Farmland	16,604	1,823	685	-	-	19,112
Commercial real estate	70,816	2,063	3,800	-	-	76,679
Commercial non real estate	60,569	-	1,321	-	-	61,890
Consumer	14,161	2,056	68	-	-	16,285
Total	$ 502,651	$ 14,872	$ 15,871	$ -	$ -	$ 533,394

Dollars in thousands	December 31, 2017 Pass	Special Mention	Substandard	Doubtful	Loss	Total
Construction and land development	$ 27,001	$ 942	$ -	$ -	$ -	$ 27,943
Residential real estate	235,845	4,658	7,314	-	-	247,817
Residential real estate - home equity loans	27,267	421	94	-	-	27,782
Multifamily real estate	4,610	-	-	-	-	4,610
Farmland	13,534	1,436	23	-	-	14,993
Commercial real estate	93,427	3,028	1,480	-	-	97,935
Commercial non real estate	43,418	2,283	874	-	-	46,575
Consumer	16,290	712	407	-	-	17,409
Total	$ 461,392	$ 13,480	$ 10,192	$ -	$ -	$ 485,064

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, which represents either the present value of estimated future cash flows using the existing interest rate or the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The recorded investment is defined as the original amount of the loan, net of any deferred costs and fees, less any principal reductions and direct charge-offs. Impaired loans with a balance at the end of the period are reflected in the recorded investment and unpaid principal balance columns. The average recorded investment represents the Bank's average investment in those same loans during the period. The following tables present impaired loans in the segmented portfolio categories as of December 31, 2018:

	December 31, 2018				
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Commercial real estate	$ 447	$ 447	$ 9	$ 448	$ 18
Total	$ 447	$ 447	$ 9	$ 448	$ 18
With no allowance recorded:					
Construction and land development	$ 493	$ 493	$ -	$ 491	$ 3
Residential real estate	588	588	-	558	41
Commercial real estate	834	834	-	1,241	45
Commercial	728	728	-	697	37
Total	$ 2,643	$ 2,643	$ -	$ 2,987	$ 126
Grand Total	$ 3,090	$ 3,090	$ 9	$ 3,435	$ 144

The following tables present impaired loans in the segmented portfolio categories as of December 31, 2017:

	December 31, 2017				
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Commercial real estate	$ 1,036	$ 1,036	$ 2	$ 1,075	$ 60
Total	$ 1,036	$ 1,036	$ 2	$ 1,075	$ 60
With no allowance recorded:					
Commercial real estate	$ 1,447	$ 1,447	$ -	$ 671	$ 87
Residential real estate	1,246	1,246	-	1,237	71
Farmland	390	390	-	397	22
Commercial	230	230	-	53	13
Total	$ 3,313	$ 3,313	$ -	$ 2,358	$ 193
Grand Total	$ 4,349	$ 4,349	$ 2	$ 3,433	$ 253

The following charts detail the allowance for loan losses by loan portfolio segment for the years ended December 31, 2018 and 2017. Allocation to one category of loans does not preclude its availability to absorb losses in other categories.

December 31, 2018

(Dollars in thousands)

	Construction	Residential Real Estate	Multifamily Real Estate	Commercial Real Estate	Farmland	Commercial	Consumer	Total
Beginning balance	$ 941	$ 2,577	$ 18	$ 625	$ 41	$ 298	$ 203	$ 4,703
Provisions for potential losses	(169)	948	(1)	7	(25)	56	116	932
Charge offs	-	(266)	-	(140)	-	(42)	(91)	(539)
Recoveries	-	41	-	4	-	14	52	111
Ending balance	$ 772	$ 3,300	$ 17	$ 496	$ 16	$ 326	$ 280	$ 5,207
Period-end balance allocated to:								
Loans individually evaluated for impairment	$ -	$ -	$ -	$ 9	$ -	$ -	$ -	$ 9
Loans collectively evaluated for impairment	772	3,300	17	487	16	326	280	5,198
Ending balance	$ 772	$ 3,300	$ 17	$ 496	$ 16	$ 326	$ 280	$ 5,207

Total Loans:	Construction	Residential Real Estate	Multifamily Real Estate	Commercial Real Estate	Farmland	Commercial	Consumer	Total
Individually evaluated for impairment	$ -	$ 1,081	$ -	$ 2,009	$ -	$ -	$ -	$ 3,090
Collectively evaluated for impairment	59,763	293,847	4,737	74,670	19,112	61,890	16,285	530,304
Total loans	$ 59,763	$ 294,928	$ 4,737	$ 76,679	$ 19,112	$ 61,890	$ 16,285	$ 533,394

December 31, 2017

(Dollars in thousands)

	Construction	Residential Real Estate	Multifamily Real Estate	Commercial Real Estate	Farmland	Commercial	Consumer	Total
Beginning balance	$ 699	$ 2,511	$ 19	$ 668	$ 63	$ 332	$ 386	$ 4,678
Provisions for potential losses	242	276	(1)	(46)	(22)	160	(107)	502
Charge offs	-	(215)	-	(16)	-	(218)	(128)	(577)
Recoveries	-	5	-	19	-	24	52	100
Ending balance	$ 941	$ 2,577	$ 18	$ 625	$ 41	$ 298	$ 203	$ 4,703
Period-end balance allocated to:								
Loans individually evaluated for impairment	$ -	$ -	$ -	$ 2	$ -	$ -	$ -	$ 2
Loans collectively evaluated for impairment	941	2,577	18	623	41	298	203	4,701
Ending balance	$ 941	$ 2,577	$ 18	$ 625	$ 41	$ 298	$ 203	$ 4,703

Total Loans:	Construction	Residential Real Estate	Multifamily Real Estate	Commercial Real Estate	Farmland	Commercial	Consumer	Total
Individually evaluated for impairment	$ -	$ 1,246	$ -	$ 2,483	$ 390	$ 230	$ -	$ 4,349
Collectively evaluated for impairment	27,943	274,353	4,610	95,452	14,603	46,345	17,409	480,715
Total loans	$ 27,943	$ 275,599	$ 4,610	$ 97,935	$ 14,993	$ 46,575	$ 17,409	$ 485,064

The following is a schedule of loans that were restructured during the years ended December 31, 2018 and 2017:

December 31, 2018	Number of Contracts	Pre-Modification Outstanding	Post-Modification Outstanding
Residential real estate	1	$ 40,926	$ 40,926
Total	1	$ 40,926	$ 40,926
December 31, 2017			
Residential real estate	2	$ 67,375	$ 65,178
Commercial real estate, owner occupied	3	821,152	689,702
Commercial non real estate	1	44,752	43,632
Total	6	$ 933,279	$ 798,512

Management evaluated all loan restructurings to determine whether they are troubled debt restructurings ("TDRs") under the guidance of ASU 2011-02. Upon identifying these loans as TDRs, management identified and prospectively measured them as impaired under the guidance in ASC 310-10-35. As of December 31, 2018, the Company had $3,469,879 in loans which had been modified as TDRs. As of December 31, 2017, the Company had $6,497,339 in loans which had been modified as TDRs.

No loans restructured in the 12 months prior to December 31, 2018 went into default during the period.

5 Other Real Estate Owned

The table below presents a summary of the activity and expenses related to other real estate owned for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
Beginning balance	**$ 3,428,077**	$ 3,798,693
Additions	**2,137,146**	837,496
Sales	**(3,017,996)**	(622,149)
Valuation write downs	**(531,000)**	(585,963)
Ending balance	**$ 2,016,227**	$ 3,428,077
(Gain) loss on sale of other real estate owned	**$ 233,384**	$ (7,930)
Operating expenses and valuation adjustments	**768,691**	818,552
Other real estate expense	**$ 1,002,075**	$ 810,622

6 Property, Equipment, and Leasehold Improvements

Major classifications of these assets are summarized as follows:

	2018	2017
Land	**$ 2,509,752**	$ 2,158,989
Buildings and improvements	**17,318,452**	17,222,627
Furniture and equipment	**8,370,009**	7,805,125
Leasehold improvements	**158,103**	35,041
Construction in progress	**34,340**	-
Total	**$ 28,390,656**	$ 27,221,782
Less: Accumulated depreciation	**(13,524,786)**	(12,556,235)
Net premises and fixed assets	**$ 14,865,870**	$ 14,665,547

Depreciation expense amounted to $968,550 and $867,511 for the years ended December 31, 2018 and 2017, respectively.

No capitalized interest was recognized in 2018. Capitalized interest due to the remodeling of branch facilities amounted to $2,656 in 2017.

Lessee Activities

The Bank leases five locations for office space under various operating leases that call for annual payments as follows:

2019	$ 143,088
2020	112,050
2021	43,263
2022	-
2023	-
Thereafter	-
Total	$ 298,401

Aggregate rental expense amounted to $105,882 in 2018 and $54,024 in 2017.

The Bank has options to renew the leased properties. The additional lease expense resulting from the future exercising of these options is not included in the totals listed herein.

7 Time Deposits

The maturities of time deposits are as follows (*dollars in thousands*):

	$250,000 or Less	**Greater than $250,000**	**Total**
Time deposits with a remaining maturity or repricing of:			
3 months or less	$ 9,821	$ 2,417	$ 12,238
Over 3 months through 12 months	30,741	4,841	35,582
Over 1 year through 3 years	35,705	12,165	47,870
Over 3 years	18,995	3,022	22,017
Total	$ 95,262	$ 22,445	$ 117,707

As of December 31, 2018, the Bank did not hold any brokered deposits.

8 Federal Income Taxes

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income for the years ended December 31, 2018 and 2017, due to the following:

	Years Ended December 31,	
	2018	2017
Statutory rates	21%	34%
Computed tax expense	$ 2,344,198	$ 3,450,537
Increase (Decrease) due to:		
Tax-exempt income	(207,976)	(340,043)
Adjustment to deferred tax due to tax reform	-	815,974
Other, net	(109,781)	91,548
Total	$ 2,026,441	$ 4,018,016

The components of the net deferred tax asset, included in other assets, are as follows:

	December 31, 2018	December 31, 2017
Deferred Tax Assets:		
Loan loss reserve	$ 1,093,374	$ 905,288
Supplemental retirement plan	184,578	182,077
Deferred compensation	177,055	201,175
Deferred loan fees	229,039	26,690
Other real estate owned	84,382	318,839
Unrealized loss - AFS securities	80,195	-
Post-retirement benefit plan	38,251	40,804
Compensated absences	12,139	12,632
Interest on non-accrual loans	7,168	20,879
Deferred tax assets	$ 1,906,181	$ 1,708,384
Deferred Tax Liabilities:		
Depreciation	$ 161,528	$ 92,414
Unrealized gain - AFS securities	-	31,506
Unearned gain on sale of OREO	-	713
Deferred tax liabilities	$ 161,528	$ 124,633
Net Deferred Tax Asset	$ 1,744,653	$ 1,583,751

On December 22, 2017 the Tax Cut and Jobs Act was signed into law. Among other things, the Act permanently reduced the corporate tax rate to 21% from the prior rate of 34%, effective for tax years including or commencing January 1, 2018. As a result of this tax rate reduction, companies were required revalue their deferred tax assets and liabilities as of the date of the enactment, with the resulting tax effect accounted for in the fourth quarter of 2017. Accordingly, the Company recorded a $815,974 charge to income tax expense for 2017 as a result of this evaluation.

The Bank has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with accounting guidance on Income Taxes.

The Company has evaluated the need for a deferred tax valuation allowance for the year ended December 31, 2018 in accordance with ASC 740, Income Taxes. Based on this analysis, the Company believes that it is more likely than not that the deferred tax assets are realizable; therefore, no allowance is required.

The Bank is also subject to a Bank Franchise Tax that is imposed by the Commonwealth of Virginia. This tax is not an income tax; therefore, the cost is included in other noninterest expense. Bank franchise tax amounted to $572,053 in 2018 and $543,193 in 2017.

The Company is also subject to income taxes in the State of North Carolina. For 2018, the Company has accrued an expense of $48,628 for income taxes payable to the State of North Carolina. The Company incurred income tax expense of $22,670 for the tax year ended December 31, 2017.

Federal income tax returns are subject to examination for all years which are not barred by the statute of limitations. The Company underwent an IRS federal income tax examination during 2017 for tax years 2015 and 2014. No adjustments were required by this examination. With few exceptions, the Company is no longer subject to federal income tax examinations by tax authorities for years before 2016.

9 Benefit Plans

401(k) Plan

The Bank provides for a retirement program for all qualified employees through a 401(k) plan. The plan offers employees the opportunity to contribute up to 90 percent of their W-2 compensation, less incentive pay, to the plan, with total contributions limited to the $18,500 IRS limit in 2018. The plan also has a proportional matching feature by the Bank, whereby the Bank will match 100 percent of the first five percent of salary.

During 2018 and 2017, Bank payments through matching contributions totaled $348,175 and $315,511.

Supplemental Executive Retirement Plan

The Bank has adopted a non-tax qualified retirement plan for certain officers to supplement their retirement benefits. The plan is funded through split dollar insurance instruments that provide retirement as well as a death benefit. The plan was funded by a single premium payment of $3,536,000 in 2002. Additional premium payments of $120,000 during 2008, $4,500,000 during 2011, and $2,250,000 during 2018 were made to further fund this plan as new participants were added. The Company recorded income in the amount of $299,334 during 2018 and $243,748 during 2017 from these policies. The Bank has contracted with an outside agency to administer and monitor the plan.

Changes to the benefit liability are detailed in the chart below:

	2018	2017
Beginning liability balance	$ 867,032	$ 1,200,909
Plan expenses	483,365	396,562
Payments to grantor trust	(335,936)	(594,696)
Benefits paid to retirees	(135,519)	(135,743)
Ending benefit obligation	$ 878,942	$ 867,032

Split-Dollar Life Insurance Plan

In 2006, the Financial Accounting Standards Board (FASB) ratified the Emerging Issues Task Force (ETIF) consensus on *Issue 06-4, Accounting for Deferred Compensation and Post-Retirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements*. The rules require that when an employer provides an insurance benefit post-retirement, the employer must recognize a liability during the employee's working years. The amount of the liability must be equal to the present value of the cost of the post-retirement benefit and must be recognized over the employee's working years.

Upon retirement, the Bank will begin reversing the liability into income until the earlier of the participant's death or projected mortality date. The Bank elected to apply "Approach A" under this standard to value the liability. Under this approach, the present value of the annual cost of insurance required to keep the policy in force during the post-retirement years was used.

	2018	2017
Beginning liability balance	$ 387,661	$ 407,528
Plan expenses	(15,691)	(19,867)
Ending benefit obligation	$ 371,970	$ 387,661

Post-Retirement Health Insurance Plan

During 2011, the Board of Directors voted to implement a Post-Retirement Health Insurance Plan (PRHP). This plan is designed to provide a tax-free benefit that can be used during the retired or disabled life of a bank employee and/or spouse to pay for policies of health or long-term care insurance.

Due to changes brought forth by the Affordable Care Act, the PRHP was cancelled and replaced by a new benefit in 2016. The five retirees covered by the PRHP at the time it was cancelled will be paid per the original benefit agreement. As of

December 31, 2018, the Company had fully funded the benefits for these five retirees with a liability balance of $83,797. Changes to the benefit liability are detailed in the chart below.

	2018	2017
Beginning liability balance	$ 97,530	$ 117,429
Plan expenses	-	-
Benefits paid	(13,733)	(19,899)
Ending benefit obligation	$ 83,797	$ 97,530

Post-Retirement Service Award

The Post-Retirement Service Award (PRSA) adopted by the Board of Directors to take the place of the PRHP that was discontinued in 2016. All full-time employees may become eligible to receive the PRSA upon retirement from the Bank. Retirement is defined as termination of employment after attainment of age 62 with a minimum of 20 years of service or age 55 with a minimum of 25 years of service. There is no disability benefit under this plan. The targeted benefit amount will be equal to a 40% percent of final salary at the time of retirement, payable in a lump sum within thirty days after retirement.

By reallocating the resources previously dedicated to the PRHP to this new benefit, no additional expenses were incurred beyond what was already budgeted for the original PRHP. Changes to the benefit liability are detailed in the chart below.

	2018	2017
Beginning liability balance	$ 96,778	$ 102,231
Plan expenses	48,113	54,389
Benefits paid	(46,538)	(59,842)
Ending benefit obligation	$ 98,353	$ 96,778

Incentive Compensation

The Bank offers its employees incentive compensation and/or bonus arrangements based on the Bank's annual financial performance and other criteria such as length of service and officer classification. The Company incurred expenses for incentive compensation of $589,426 and $480,559 for the years ended December 31, 2018 and 2017, respectively.

10 Other Income and Expenses

The principal components of other income shown in the Consolidated Statements of Operations and Comprehensive Income are:

	2018	2017
Financial services income	$ 726,657	$ 542,431
Income - BOLI	299,334	243,748
Doc prep fees - loans	262,550	234,215
Other *	653,824	697,610
Total other income	$ 1,942,365	$1,718,004

The principal components of other expenses shown in the Consolidated Statements of Operations and Comprehensive Income are:

	2018	2017
ATM expense	$ 889,508	$1,031,565
FDIC insurance premiums	173,467	173,953
Franchise taxes	572,053	543,193
Postage and printing	328,986	311,098
OREO valuation adjustments	531,000	585,963
OREO operating expense	237,691	232,589
Internet banking expense	597,869	524,055
Telephone and data	393,810	326,427
Audit fees	209,496	181,500
Director fees	212,814	215,352
Stationary and supplies	97,563	125,428
Information systems	730,753	536,622
Other *	1,845,670	1,786,197
Total other expenses	$ 6,820,680	$6,573,942

*No items listed in other expenses and other income exceed 1% of total revenue.

11 Off-Balance-Sheet Instruments/Credit Concentrations

Litigation

In the normal course of business, the Company is involved in various legal proceedings. After consultation with legal counsel, management believes that any liability resulting from such proceedings will not be material to the consolidated financial statements.

Financial Instruments with Off-Balance-Sheet Risk

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, credit risk in excess of the amounts recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as for on balance-sheet instruments. A summary of commitments at December 31 is as follows:

	2018	2017
	(in thousands)	
Commitments secured by 1-4 family residential (Home Equity Lines)	$ 25,454	$25,971
Financial standby letters of credit	506	626
Credit card lines of credit	5,529	5,219
Commitments to fund commercial real estate, construction, and land development loans secured by:		
1-4 family residential construction loan commitments	14,874	11,106
Commercial real estate, other construction/development commitments	6,875	1,110
Other than real estate	1,696	1,909
Commercial and industrial loans	14,164	14,350
Other unused commitments	4,990	9,558
Total	$ 74,088	$69,849

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Bank deems necessary.

Concentrations

The Bank has no concentrations of credit concerning an individual borrower or economic segment. The Bank generally confines its lending activities to within its local geographic areas. The concentrations of credit by loan type are set forth in Note 3. Regulatory requirements limit the Bank's aggregate loans to any one borrower to a level of approximately $10.7 million.

Certain cash deposits maintained by the Bank with other financial institutions are secured by federal depository insurance. At times during the year these accounts may exceed the FDIC insured limit of $250,000. The Bank has not experienced losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents

12 Borrowings

The Bank has credit availability with Federal Home Loan Bank of Atlanta ("FHLB") that is secured by 1-4 family residential real estate loans of the Bank. As of December 31, 2018, loans with a carrying value of $142,759,240 were pledged to the FHLB as collateral for borrowings. Following collateral discounts applied by the FHLB. The Bank can borrow up to $82,033,742. The Bank did not have an outstanding balance as of December 31, 2018 or December 31, 2017.

The Bank also has a $35,000,000 letter of credit issued on its behalf by the Federal Home Loan Bank of Atlanta. This letter of credit, secured by the Bank's 1-4 family residential real estate loans, of is pledged to the Treasury Board of Virginia to secure public unit deposits held at the Bank.

In addition to the available credit from the FHLB, the Bank also has unsecured lines of credit with correspondent banks totaling $44.0 million available for overnight borrowings. There were no outstanding balances on these lines of credit as of December 31, 2018 and 2017.

13 Related Party Transactions

In the ordinary course of business, the Company grants loans to directors, executive officers, and their affiliates ("related parties"). These loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and do not involve more than normal risk of collectability. As of December 31, 2018, no director or executive officer had outstanding loans in excess of 5.0% of stockholders' equity. Officers, directors, and their affiliates had loans of $5,508,403 as of December 31, 2018 and $5,696,320 as of December 31, 2017. Changes in these loans are detailed below:

	2018	2017
Loans outstanding	$ 5,696,320	$ 4,666,136
New loans	1,585,350	5,581,075
Loan repayments	(1,773,267)	(4,550,891)
Total loans outstanding	$ 5,508,403	$ 5,696,320

As of December 31, 2018 and 2017, the Bank held deposits of related parties amounting to $472,354 and $1,216,541, respectively.

14 Capital

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum regulatory capital requirements can initiate certain result in mandatory actions and, in some cases, additional discretionary actions by regulators. These actions may have a material effect on the Bank's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory reporting requirements. The capital amounts and classification under the prompt corrective guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total Capital, Tier 1 Capital, and Tier 1 Common Equity Capital to risk-weighted assets, and of Tier 1 Leverage Capital to average assets, as all those terms are defined in the regulations.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2018, the Company and Bank meet all capital adequacy requirements to which they are subject.

When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% Common Equity Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of total capital (Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average quarterly assets.

There are no conditions or events since that date that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios are presented in the table below (in thousands except for percentages):

			Regulatory Minimum with Capital Conservation Buffer		Capital Required to be Considered Well-Capitalized	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2018						
Total Capital						
to Risk-Weighted Assets	$76,323	16.52%	$45,650	9.88%	$46,205	10.00%
Tier 1 Capital						
to Risk-Weighted Assets	71,116	15.39%	36,409	7.88%	36,964	8.00%
Tier 1 Common Equity						
to Risk-Weighted Assets	71,116	15.39%	29,479	6.38%	30,033	6.50%
Tier 1 Capital to Avg. Assets						
to Average Assets	71,116	11.18%	25,435	4.00%	31,794	5.00%
December 31, 2017						
Total Capital						
to Risk-Weighted Assets	$71,971	17.03%	$39,066	9.250%	$42,234	10.00%
Tier 1 Capital						
to Risk-Weighted Assets	67,238	15.92%	30,620	7.250%	33,787	8.00%
Tier 1 Common Equity						
to Risk-Weighted Assets	67,238	15.92%	24,284	5.750%	27,452	6.50%
Tier 1 Capital to Avg. Assets						
to Average Assets	67,238	11.61%	23,167	4.000%	28,959	5.00%

Stock Repurchase Plan

Each year, the Board of Directors reviews the Company's capital levels to make decisions regarding the Company's stock repurchase plan and dividends to stockholders. The Board has authorized management to repurchase up to 50,000 shares of stock annually; however, the Board will review, and may approve, transactions that cause the Company to exceed this amount. Through the repurchase program, the Company bought back 133,763 shares, totaling $2,718,645, during the year ended December 31, 2018. A total of 13,094 shares, amounting to $212,868, were repurchased during 2017.

Equity Compensation

For 2018, the Company paid directors in both cash and common stock. Stock-based compensation accounting requires that the compensation cost relating to stock-based payment transactions be recognized in financial statements. That cost is measured based on the grant date fair value of the equity or liability instruments issued. During 2018, the Company issued a total of 5,257 shares to the Company's outside directors and recognized an expense of $95,013. During 2017, the Company issued a total of 5,435 shares to the Company's outside directors and recognized an expense of $95,054.

There were no stock options granted in 2018 or 2017, and the Company does not currently offer any stock option plans to employees or directors.

Preferred Stock

The Company is authorized to issue 200,000 shares of preferred stock with a par value of $25.00. To date, no preferred stock has been issued by the Company. Currently, management has no plans to utilize this second class of stock.

15 Fair Value of Financial Instruments

Fair Value Measurements and Disclosures, FASB ASC Topic 820 ("ASC 820") provides a framework for measuring and disclosing fair value under generally accepted accounting principles (GAAP). ASC 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods following initial recognition, whether the measurements are made on a recurring basis, such as with available-for-sale investment securities, or on a nonrecurring basis, as with impaired loans.

The fair value of net loans is based on estimated cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. This does not include consideration of liquidity that market participants would use to value such loans. The estimated fair values of deposits are based on estimated cash flows discounted at market interest rates.

The fair value of off-balance sheet financial instruments is considered immaterial. These off-balance sheet financial instruments are commitments to extend credit and are either short-term in nature or subject to immediate repricing.

Fair Value Hierarchy

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U. S. Treasury, other U. S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the consolidated financial statements

Investment Securities, Available for Sale

Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2).

The following table presents the balances of available-for-sale securities measured at fair value on a recurring basis as of December 31, 2018 and 2017:

Description	December 31, 2018			
	Level 1	Level 2	Level 3	Total
U. S. Government agencies	$ -	$ 783,746	$ -	$ 783,746
Mortgage backed securities	-	1,861,347	-	1,861,347
Tax exempt municipal securities	-	29,980,038	-	29,980,038
CRA mutual fund	1,187,178	-	-	1,187,178
Total assets at fair value measured on a recurring basis	$ 1,187,178	$ 32,625,131	$ -	$ 33,812,309

Description	December 31, 2017			
	Level 1	Level 2	Level 3	Total
U. S. Government agencies	$ -	$ 1,321,809	$ -	$ 1,321,809
Mortgage backed securities	-	2,390,540	-	2,390,540
Tax exempt municipal securities	-	30,335,130	-	30,335,130
Taxable municipal securities	-	452,146	-	452,146
CRA mutual fund	697,094	-	-	697,094
Total assets at fair value measured on a recurring basis	$ 697,094	$ 34,499,625	$ -	$ 35,196,719

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets. The following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a nonrecurring basis in the consolidated financial statements:

Other Real Estate Owned

Other real estate owned is recorded at the lower of investment in the loan or fair value at the time of acquisition. During the holding phase, foreclosed assets are carried at the lower of the carrying value or fair value. Fair value is based on independent observable market prices or appraised values of the collateral, which the Company considers to be Level 2 inputs. When the appraised value is not available, or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as nonrecurring Level 3.

Impaired Loans

Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. The measurement of loss associated with impaired loans can be based on the observable market price of the loan, the fair value of the collateral or by using the discounted cash flow method. Fair value is measured based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. A majority of the collateral is real estate.

The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company. The Company records impaired loans secured by real estate as Level 3 assets. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business' financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports are recorded as Level 3 assets. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Statements of Operations.

The following table summarizes the Company's financial assets that were measured at fair value on a nonrecurring basis during the periods.

	Balance December 31, 2018	Level 1	Level 2	Level 3
Other real estate owned	$ 2,016,227	$ -	$ -	$ 2,016,227
Mortgage loans held for sale	355,900	-	355,900	-
Impaired loans	3,089,982	-	-	3,089,982
Total assets at fair value measured on a nonrecurring basis	$ 5,462,109	$ -	$ 355,900	$ 5,106,209

	Balance December 31, 2017	Level 1	Level 2	Level 3
Other real estate owned	$ 3,428,077	$ -	$ -	$ 3,428,077
Mortgage loans held for sale	1,664,625	-	1,664,625	-
Impaired loans	4,349,131	-	-	4,349,131
Total assets at fair value measured on a nonrecurring basis	$ 9,441,833	$ -	$ 1,664,625	$ 7,777,208

For Level 3 assets and liabilities measured at fair value on a recurring or nonrecurring basis as of December 31, 2018, the significant unobservable inputs used in the fair value measurements were as follows:

	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Other real estate owned	Appraisal value / comparable sales	Discounts to appraisals for estimating holding or selling costs	0-25%
Impaired loans	Appraisal value / discounted cash flows	Discounts to appraisals for cash flows for estimating holding and/or selling costs or age of appraisal	0-25%

The following table presents the carrying amounts and fair value of the Company's financial instruments as of December 31, 2018 and 2017. FASB Accounting Standards Codification's *Financial Instruments* (ASC 825), defines the fair value of financial instruments as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts in the table are included in the balance sheets under the indicated captions.

	December 31, 2018		December 31, 2017	
dollars in thousands	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 34,039	$ 34,039	$ 32,325	$ 32,325
Loans held for investment, net [1]	525,097	521,322	476,011	479,863
Accrued interest receivable	2,181	2,181	1,994	1,994
Financial liabilities:				
Demand deposits, NOW, savings and money market accounts	451,120	451,120	417,748	417,748
Time deposits	117,707	116,301	106,136	103,995
Accrued interest payable	234	234	132	132

[1] Net of allowance for loan losses and previously disclosed impaired loan balances.

16 Earnings per Common Share

Earnings per share of common stock are calculated based on the average number of shares outstanding during the period. At December 31, 2018 and 2017, the Bank had no potentially dilutive securities outstanding.

	2018			2017		
(Actual dollars, except per share data)	Net Income	Average Number of Shares	Per Share Amounts	Net Income	Average Number of Shares	Per Share Amounts
Basic earnings per share	**$ 9,136,406**	**5,100,034**	**$ 1.79**	$6,130,621	5,160,965	**$ 1.19**
Effect of dilutive stock options	-	-	-	-	-	-
Diluted earnings per share	**$ 9,136,406**	**5,100,034**	**$ 1.79**	$6,130,621	5,160,965	**$ 1.19**

17 New Accounting Pronouncements

Adoption of New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in GAAP. The new standard was effective for the Company on January 1, 2018. Adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements and related disclosures as the Company's primary sources of revenues are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of ASU 2014-09. The Company's revenue recognition pattern for revenue streams within the scope of ASU 2014-09, including but not limited to service charges on deposit accounts, ATM and debit card income, and gains/losses on the sale of other real estate owned, did not change significantly from current practice. The standard permits the use of either the full retrospective or modified retrospective transition method. The Company elected to use the modified retrospective transition method which requires application of ASU 2014-09 to uncompleted contracts at the date of adoption; however, periods prior to the date of adoption will not be retrospectively revised as the impact of the ASU on uncompleted contracts at the date of adoption was not material.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. ASU 2016-01 was effective for the Company on January 1, 2018 and resulted in the use of an exit price rather than an entrance price to determine the fair value of loans not measured at fair value on a non-recurring basis in the consolidated balance sheets. See Note 15 for further information regarding the valuation of these loans.

In May 2017, the FASB amended the requirements in the Compensation—Stock Compensation Topic of the Accounting Standards Codification related to changes to the terms or conditions of a share-based payment award. The amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments were effective for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 and did not have a material effect on its financial statements.

In February 2018, the FASB amended certain aspects of the guidance issued in ASU 2016-01, the Financial Instruments Topic of the ASC. The amendments clarify certain aspects of the guidance issued in ASU 2016-01. The amendments were effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018 and did not have a material effect on the Company's financial statements.

In February 2018, the FASB issued ASU 2018-02, Income Statement (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which requires Companies to reclassify the stranded effects in other comprehensive income to retained earnings as a result of the change in the tax rates under the Tax Cuts and Jobs Act. The Company has opted to early adopt this pronouncement by retrospective application to each period (or periods) in which the effect of the change in the tax rate under the Tax Act is recognized. The impact of the reclassification from other comprehensive income to retained earnings did not have a material effect on the Company's financial statements.

Newly Issued but Not Effective Accounting Standards

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The company expects, at a minimum, that the adoption of ASU 2016-02 will result in the recognition of lease liabilities totaling approximately $298,000 and the recognition of right-of-use assets totaling approximately $298,000. The initial balance sheet gross up upon adoption is primarily related to operating leases of certain real estate properties. The company has no material leasing arrangement for which it is the lessor of property or equipment. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. The Company expects to apply ASU 2016-02 as of the beginning of the period of adoption (January 1, 2019) using the modified retrospective approach and practical expedients for transition and will not restate comparative periods. The practical expedients allow us to largely account for our existing leases consistent with current guidance except for the incremental balance sheet recognition for lessees. We have started an initial evaluation of our leasing contracts and activities. We have also started developing our methodology to estimate the right-of use assets and lease liabilities, which is based on the present value of lease payments (the December 31, 2018 future minimum lease payments were approximately $298,000). We do not expect a material change to the timing of expense recognition but will continue to evaluate the financial impact as implementation occurs. We are evaluating our existing disclosures and may need to provide additional information as a result of adoption of the ASU.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Among other things, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to form their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on debt securities and purchased financial assets with credit deterioration. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2020, and interim periods within those years for public business entities. Early adoption is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2018; however, the Company does not currently plan to early adopt the ASU. We are evaluating the impact of the ASU on our consolidated financial statements. In addition to our allowance for loan losses, we will also record an allowance for credit losses on debt securities instead of applying the impairment model currently utilized. The amount of the adjustments will be impacted by each portfolio's composition and credit quality at the adoption date as well as economic conditions and forecasts at that time.

In March 2017, the FASB amended the requirement in the Receivables-Nonrefundable Fees and Other Costs Topic of the ASC related to the amortization period for certain purchased callable debt securities held at a premium. The amendments shorten the amortization period for the premium to the earliest call date. The amendments will be effective for the Company for interim and annual periods beginning after December 15, 2018. The Company does not expect these amendments to have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not expected to have a material impact on the company's financial statements.

18 Subsequent Events

Branch Opening

On January 7, 2019 the bank opened a full-service branch located at 110 South College Street in Youngsville, NC.

Holding Company Line of Credit

On January 15, 2019 the Company established a line of credit with another financial institution in the amount of $8.0 million. The line is secured by 400,000 shares (100%) of the Bank's stock. Management plans to utilize this line of credit during the normal course of business as either a short-term credit planning tool for the Bank or to support the Company's current common stock repurchase program.

These financial statements have not been updated for subsequent events occurring after March 20, 2019, which is the date these financial statements were available to be issued.

19 Parent Company

Financial statements for Benchmark Bankshares, Inc. (not consolidated) are herein presented.

Benchmark Bankshares, Inc.
(Parent Company Only)
Statements of Financial Condition

	December 31,	
Assets	**2018**	2017
Cash	**$ 1,805,924**	$ 1,712,256
Investment in subsidiary	**70,845,607**	67,317,113
Total Assets	**$ 72,651,531**	$ 69,029,369
Liabilities		
Dividends payable	**$ 1,358,008**	$ 1,186,378
Total Liabilities	**$ 1,358,008**	$ 1,186,378
Stockholders' Equity		
Common Stock	**$ 1,055,124**	$ 1,082,073
Additional paid-in capital	**4,641,205**	4,714,536
Retained earnings	**65,937,888**	61,966,865
Accumulated other comprehensive income (loss)	**(340,694)**	79,517
Total Stockholders' Equity	**71,293,523**	67,842,991
Total Liabilities and Stockholders' Equity	**$ 72,651,531**	$ 69,029,369

Benchmark Bankshares, Inc.

(Parent Company Only)

Statements of Operations and Comprehensive Income

	Years Ended December 31, 2018	2017
Income		
Miscellaneous income	**$ 75**	$ 350
Dividends from subsidiary	**5,300,000**	2,683,600
Total Income	**5,300,075**	2,683,950
Expenses		
Director fees	**95,014**	95,054
Supplies, printing, and postage	**33,046**	24,350
Legal expense	**7,025**	-
Salaries expense	**5,894**	-
Income tax benefit	**(32,795)**	(41,879)
Miscellaneous	**4,190**	-
Total expenses	**112,374**	77,525
Income Before Equity in Undistributed Income of Subsidiary	**5,187,701**	2,606,425
Equity in Undistributed Income of Subsidiary	**3,948,705**	3,524,196
Net Income	**$ 9,136,406**	$ 6,130,621

Benchmark Bankshares, Inc.
(Parent Company Only)
Statements of Cash Flows

	Years Ended December 31,	
	2018	2017
Cash Flows from Operating Activities		
Net income	**$ 9,136,406**	$ 6,130,621
Equity based compensation - director fees	**95,013**	95,054
Net cash provided by operating activities	**9,231,419**	6,225,675
Cash Flows from Investing Activities		
Undistributed earnings of subsidiary	**(3,948,705)**	(3,524,196)
Net cash used in investing activities	**(3,948,705)**	(3,524,196)
Cash Flows from Financing Activities		
Purchases of common stock	**(2,718,645)**	(212,867)
Dividends paid	**(2,470,401)**	(2,168,166)
Net cash provided by financing activities	**(5,189,046)**	(2,381,033)
Net Increase (Decrease) in Cash	**93,668**	320,446
Cash - Beginning of Year	**1,712,256**	1,391,810
Cash - End of Period	**$ 1,805,924**	$ 1,712,256

ORGANIZATIONAL CHART – DECEMBER 2018

BENCHMARK BANKSHARES, INC
NO LEI
KENBRIDGE, LUNENBURG COUNTY, VIRGINIA
INCORPORATED IN VIRGINIA

BENCHMARK COMMUNITY BANK
LEI 549300JJ8BTDDILW4H12
KENBRIDGE, LUNENBURG COUNTY, VIRGINIA
INCORPORATED IN VIRGINIA
(WHOLLY-OWNED SUBSIDIARY 100%)

Bankers Title, LLC
No LEI
Richmond, Va.
Operating in Virginia
Non-Managing Member
Not Reportable on Y-10

Results: A list of branches for your depository institution: BENCHMARK COMMUNITY BANK (ID_RSSD: 94522).
This depository institution is held by BENCHMARK BANKSHARES, INC. (1141441) of KENBRIDGE, VA.
The data are as of 12/31/2018. Data reflects information that was received and processed through 01/06/2019.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
Ok		Full Service (Head Office)	94522	BENCHMARK COMMUNITY BANK	204 S BROAD STREET	KENBRIDGE	VA	23944	LUNENBURG	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	4950804	HENDERSON BRANCH	1775 GRAHAM AVE SUITE 105	HENDERSON	NC	27536	VANCE	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	4763107	WAKE FOREST BRANCH	12335 WAKE UNION CHURCH ROAD, SUITE 206	WAKE FOREST	NC	27587	WAKE	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	3177891	BLACKSTONE BRANCH	400 CHURCH ST	BLACKSTONE	VA	23824	NOTTOWAY	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	2882013	CHASE CITY BRANCH	845 EAST SECOND ST	CHASE CITY	VA	23924	MECKLENBURG	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	2841579	CLARKSVILLE BRANCH	133 COLLEGE ST	CLARKSVILLE	VA	23927	MECKLENBURG	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	2468202	CREWE BRANCH	1500 W VIRGINIA AVE	CREWE	VA	23930	NOTTOWAY	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	5298213	EMPORIA BRANCH	312 W ATLANTIC STREET SUITE 316	EMPORIA	VA	23847	GREENSVILLE	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	1400193	FARMVILLE DOWNTOWN BRANCH	203 E THIRD STREET	FARMVILLE	VA	23901	PRINCE EDWARD	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	2029742	FARMVILLE MAIN STREET BRANCH	1577 S MAIN STREET	FARMVILLE	VA	23901	PRINCE EDWARD	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	3921209	HALIFAX BRANCH	290 SOUTH MAIN STREET	HALIFAX	VA	24558	HALIFAX	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	2841588	LAWRENCEVILLE BRANCH	220 W FIFTH AVE	LAWRENCEVILLE	VA	23868	BRUNSWICK	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	3494646	SOUTH BOSTON BRANCH	1135 HUELL MATTHEWS HIGHWAY	SOUTH BOSTON	VA	24592	HALIFAX	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	1401248	SOUTH HILL BRANCH	905 NORTH MECKLENBURG AVENUE	SOUTH HILL	VA	23970	MECKLENBURG	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	
Ok		Full Service	169523	VICTORIA BRANCH	1910 MAIN STREET	VICTORIA	VA	23974	LUNENBURG	UNITED STATES	Not Required	Not Required	BENCHMARK COMMUNITY BANK	94522	

Exhibit 3

Benchmark Bankshares Inc.
Fiscal Year Ending December 31, 2018

(1) NAME, CITY, STATE, COUNTRY	(2) PRINCIPAL OCCUPATION IF OTHER THAN WITH HOLDING CO.	(3a) TITLE & POSITION WITH HOLDING COMPANY	(3b) TITLE & POSITION WITH SUBSIDIARY	(3c) TITLE & POSITION WITH OTHER BUSINESSESS	(4a) BHC % SHARES	(4b) % OF VOTING SHARES	Number of Shares	(4c) OTHER BUSINESSES AND % OF OWNERSHIP
David K. Biggs Wake Forest, NC 27587 USA	Construction	Director	None	Owner Biggs Construction	0.63%	NONE	31,937	Biggs Construction Co., Inc. 100% Brok N Bow Farms, LLC 50% Sea Toy, LLC 25% Brocklyn 52%
Ernest R. Lail Kenbridge, VA 23944 USA	Retired Businessman	Director/Chairman	None	N/A	0.24%	NONE	11,948	NONE
Earl H. Carter, Jr. Farmville, VA 23901 USA	Heavy Equipment Dealer	Director	None	President/General Manager Taylor-Forbes Equipment Co Farmville, VA	0.64%	NONE	32,367	Taylor-Forbes Equipment Co Inc 72% 1102 East Third Street LLC 100%
Mary Jane Elkins South Hill, VA 23970 USA	College Administrator	Director/Vice Chairman	None	Dir. Of Institutional Advancement Southside VA Community College Alberta, VA	0.33%	NONE	16,357	NONE
Mark F. Bragg South Hill, VA 23970 USA	Medical Supplies	Director/Secretary	None	Owner Atlantic Medical, Inc.	0.62%	NONE	31,151	Crestview Farms 50% Chase Hill Inc 50% Professional Wear Inc 50%
Charles F. Simmons Clarksville, VA 23927 USA	Realty	Director	None	Owner Simmons and Associates Realty Clarksville, VA	0.14%	NONE	7,067	Simmons and Associates Realty 100% Simmons Construction Co 100% Charles F. Simmons/Terraces Rentals 100%
Elizabeth M. Winn Blackstone, VA 23824 USA	Furniture Dealer	Director	None	Owner Winn Blackstone Properties LLC Blackstone, VA	0.14%	NONE	6,957	Winn Blackstone Properties LLC 50% Blackstone Emporium Inc 60%
Calvin S. Spencer Kenbridge, VA 23844 USA	Attorney	Director	None	Attorney Harris, Matthews & Crowder, P.C. Kenbridge, VA	0.11%	NONE	5,521	NONE

Exhibit 3

(1) NAME, CITY, STATE, COUNTRY	(2) PRINCIPAL OCCUPATION IF OTHER THAN WITH HOLDING CO.	(3a) TITLE & POSITION WITH HOLDING COMPANY	(3b) TITLE & POSITION WITH SUBSIDIARY	(3c) TITLE & POSITION WITH OTHER BUSINESSESS	(4a) BHC % SHARES	(4b) % OF VOTING SHARES	Number of Shares	(4c) OTHER BUSINESSES AND % OF OWNERSHIP
Mark D. Southall Farmville, VA 23901 USA	Electrician	Director	None	Owner Creative Electrical Contractors Inc Farmville, VA	0.13%	NONE	6,361	Creative Electrical Contractors Inc 100%
Al Roberts Alberta, VA 23821 USA	College Administrator	Director	None	President Southside Virginia Community College Alberta, VA	0.11%	NONE	5,357	NONE
Jay A. Stafford Lunenburg, VA 23952 USA	Banker	Director/President & CEO	CEO/President (Benchmark Community Bank)	N/A	0.36%	NONE	17,954	NONE
E. Neil Burke South Hill, VA 23970 USA	Banker	Cashier/Assistant Secretary	EVP/CFO (Benchmark Community Bank)	N/A	0.16%	NONE	8,215	NONE

*No principal shareholder