March 27, 2020

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 2,662,501 shares 58.96% 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

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

03/27/2020

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, 2019

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

City	State	Zip Code
Kenbridge	VA	23944

same

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
E Neil Burke	EVP/CFO

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."

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

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

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

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

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

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

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

Physical Location (if different from mailing address)

Benchmark Bankshares, Inc.

2019

Annual Report

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 statements of financial condition as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the years 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, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Elliott Davis, PLLC

Raleigh, North Carolina
March 20, 2020

Consolidated Statements of Financial Condition
December 31, 2019 and 2018

	December 31,	
Assets	**2019**	2018
Cash and due from banks	**$ 10,628,415**	$ 10,512,340
Federal reserve excess balance account	**18,488,560**	23,263,000
Federal funds sold	**23,370,000**	264,000
Total cash and cash equivalents	**52,486,975**	34,039,340
Interest-bearing time deposits with other banks	**8,452,000**	8,418,000
Investment securities, available for sale	**38,335,455**	32,625,132
Marketable equity securities	**1,296,249**	1,187,177
Loans, held for sale	**499,242**	355,900
Loans, held for investment	**573,299,063**	533,393,752
Less: Allowance for loan losses	**(5,270,779)**	(5,206,542)
Net Loans	**568,527,526**	528,543,110
Premises and fixed assets, net	**16,817,289**	14,865,870
Cash value life insurance	**17,101,979**	15,625,615
Other real estate owned	**1,881,000**	2,016,227
Accrued interest receivable	**2,266,908**	2,180,947
Deferred income taxes	**1,553,358**	1,744,653
Other assets	**3,176,400**	2,640,581
Total Assets	**$ 711,895,139**	$ 643,886,652
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing demand deposits	**$ 137,958,109**	$ 128,130,407
Interest-bearing checking deposits	**192,771,807**	177,079,156
Money market deposits	**103,468,632**	88,307,604
Savings deposits	**67,437,445**	57,602,409
Time deposits	**131,250,742**	117,706,664
Total Deposits	**632,886,735**	568,826,240
Index retirement plan liability	**1,013,301**	878,942
Dividends payable	**1,399,937**	1,358,008
Borrowings	**5,650,000**	-
Accrued interest payable	**343,129**	234,143
Other liabilities	**1,891,251**	1,295,796
Total Liabilities	**643,184,353**	572,593,129
Stockholders' Equity		
Common stock(1) (2)	**947,347**	1,055,124
Additional paid-in capital	**4,086,977**	4,641,205
Retained earnings	**62,965,102**	65,937,888
Accumulated other comprehensive income (loss)	**711,360**	(340,694)
Total Stockholders' Equity	**68,710,786**	71,293,523
Total Liabilities and Stockholders' Equity	**$ 711,895,139**	$ 643,886,652

(1) Common Stock, $0.21 par value and 8,000,000 shares authorized. 4,515,927 shares issued and outstanding as of December 31, 2019; 5,029,659 shares issued and outstanding as of December 31, 2018.

(2) 4,750 and 5,257 shares outstanding as of December 31, 2019 and December 31, 2018, respectively, are restricted shares.

Consolidated Statements of Operations and Comprehensive Income

December 31, 2019 and 2018

	Years Ended December 31, 2019	2018
Interest Income		
Interest and fees on loans	**$ 30,297,835**	$ 27,716,650
Interest on investment securities:		
U. S. Government agencies	**16,997**	5,153
Mortgage-backed securities	**24,020**	41,395
State and political subdivisions	**919,522**	812,646
Other securities	**42,089**	29,045
Interest on short-term investments	**234,795**	180,062
Interest on federal funds sold	**1,254,584**	263,511
Total Interest Income	**32,789,842**	29,048,462
Interest Expense		
Interest-bearing checking deposits	**702,168**	598,437
Money market demand deposits	**815,949**	498,645
Savings deposits	**161,838**	139,911
Time deposits	**2,114,466**	1,184,663
Borrowings	**196,141**	-
Federal funds purchased	**157**	11,615
Total Interest Expense	**3,990,719**	2,433,271
Net Interest Income	**28,799,123**	26,615,191
Provision for Loan Losses	**754,368**	932,315
Net Interest Income After Provision for Loan Losses	**28,044,755**	25,682,876
Other Income		
Service charges on deposit accounts	**3,790,525**	3,548,025
Gain on sale of loans held for sale	**1,119,103**	1,029,093
Gain (loss) on sale of other real estate owned	**49,289**	(233,384)
Gain on sale of AFS securities	**2,891**	12,481
Other operating income	**1,875,239**	2,016,041
Total Other Income	**6,837,047**	6,372,256
Other Expenses		
Salaries and benefits	**13,004,986**	11,466,374
Depreciation	**1,051,393**	968,550
Occupancy expense	**1,903,248**	1,636,681
Other operating expenses	**7,282,436**	6,820,680
Total Other Expenses	**23,242,063**	20,892,285
Income Before Income Taxes	**11,639,739**	11,162,847
Provision for income taxes	**2,187,080**	2,026,441
Net Income	**$ 9,452,659**	**$ 9,136,406**
Earnings Per Common Share - Basic	**$ 1.98**	$ 1.79
Earnings Per Common Share - Diluted	**$ 1.98**	$ 1.79
Average Shares Outstanding	**4,766,786**	5,100,034
Average Diluted Shares Outstanding	**4,766,786**	5,100,034

Other Comprehensive Income, Net of Tax:	**2019**	2018
Unrealized gains (losses) on AFS securities	**$ 1,054,338**	$ (410,351)
Reclassification of gains on sale of AFS securities	**(2,284)**	(9,860)
Other comprehensive income (loss)	**1,052,054**	(420,211)
Comprehensive income	**$ 10,504,713**	$ 8,716,195

Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2019 and 2018

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance December 31, 2017	5,158,165	$ 1,082,073	$ 4,714,536	$ 61,966,865	$ 79,517	$ 67,842,991
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)					(420,211)	(420,211)
Balance December 31, 2018	5,029,659	$ 1,055,124	$ 4,641,205	$ 65,937,888	$ (340,694)	$ 71,293,523
Net income	**-**	**-**	**-**	**9,452,659**	**-**	**9,452,659**
Stock issuance - directors' annual retainer	**4,750**	**-**	**94,978**	**-**	**-**	**94,978**
Recognition of vested shares - directors' annual retainer	**-**	**1,104**	**(1,104)**	**-**	**-**	**-**
Stock repurchases	**(518,482)**	**(108,881)**	**(648,102)**	**(9,690,672)**	**-**	**(10,447,655)**
Semi-Annual Cash Dividend Declared						
June 20, 2019; $0.29 per share	**-**	**-**	**-**	**(1,334,836)**	**-**	**(1,334,836)**
December 19 2019; $0.31 per share	**-**	**-**	**-**	**(1,399,937)**	**-**	**(1,399,937)**
Other Comprehensive Income (Net of Tax)					**1,052,054**	**1,052,054**
Balance December 31, 2019	**4,515,927**	**$ 947,347**	**$ 4,086,977**	**$ 62,965,102**	**$ 711,360**	**$ 68,710,786**

Consolidated Statements of Cash Flow

Years ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Net income	**$ 9,452,659**	$ 9,136,406
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	**1,051,393**	968,550
Provision for loan losses	**754,368**	932,315
Deferred taxes	**191,295**	(160,902)
Valuation adjustments of other real estate owned	**379,021**	531,000
Gain on sale of loans held for sale	**(1,119,103)**	(1,029,093)
Increase to cash value of life insurance	**(351,364)**	(299,334)
Gain on sale of AFS securities	**(2,891)**	(12,481)
Equity based compensation - director fees	**94,978**	95,013
(Gain) loss on sale of other real estate owned	**(49,289)**	233,384
Origination of mortgage loans held for sale	**(42,148,258)**	(34,328,112)
Proceeds from mortgage loans held for sale	**42,004,916**	35,299,421
Changes in assets and liabilities:		
Accrued interest receivable	**(85,961)**	(187,342)
Other assets	**(349,023)**	(981,203)
Net change in operating leases	**6,436**	-
Accrued interest payable	**108,986**	102,478
Other liabilities	**325,951**	164,947
Net cash provided by operating activities	**$ 10,264,114**	$ 10,465,047
Cash Flows from Investing Activities		
Proceeds from sale/maturity/calls of AFS securities	**1,439,834**	2,940,826
Purchase of investment securities	**(6,642,937)**	(2,773,940)
Net change in loans held for investment	**(39,905,311)**	(48,330,226)
Purchase of bank owned life insurance	**(1,125,000)**	(2,250,000)
(Increase) decrease in time deposits with other banks	**(34,000)**	293,000
Proceeds from sale of other real estate owned	**873,425**	2,784,612
Purchases of premises and equipment	**(2,992,483)**	(1,168,873)
Net cash used in investing activities	**$ (48,386,472)**	$ (48,504,601)
Cash Flows from Financing Activities		
Net increase in deposits	**64,060,495**	44,942,647
Dividends paid	**(2,692,847)**	(2,470,401)
Proceeds from borrowings	**8,355,000**	-
Principal curtailment of borrowings	**(2,705,000)**	-
Payments to repurchase common stock	**(10,447,655)**	(2,718,645)
Net cash provided by financing activities	**$ 56,569,993**	$ 39,753,601
Net Increase (Decrease) in Cash and Cash Equivalents	**18,447,635**	1,714,047
Cash and Cash Equivalents - Beginning of Year	**34,039,340**	32,325,293
Cash and Cash Equivalents - End of Year	**$ 52,486,975**	$ 34,039,340

Supplemental disclosures of cash flow information	2019	2018
Interest paid	**3,881,733**	2,330,793
Income taxes paid	**1,952,557**	2,278,996
Non cash investing and financing activities:		
Additions to other real estate owned	**1,067,930**	2,137,146
Initial recognition of right-of-use assets	**445,544**	-
Initial recognition of lease liabilities	**445,544**	-

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.

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, 2019, the Bank was required to maintain compensating balances of $250,000 with Community Bankers Bank and $250,000 with Pacific Coast Bankers Bank. 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, 2019.

Interest-bearing deposits due from banks as of December 31, 2019 consist of $48,224 held in the Bank’s daily investment account with the Federal Home Loan Bank of Atlanta, $18,488,560 held as excess balance federal funds with the Federal Reserve, and $23,370,000 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.

The Company also has $8,452,000 in interest-bearing time deposits held with other banks. Although these deposits are all scheduled to mature within one year, they are not considered part of cash and due from banks because they each have original maturity dates in excess of 90 days.

d. Investment Securities

Debt Securities

Debt 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 debt securities were classified as available for sale as of December 31, 2019 and 2018.

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.

Marketable Equity Securities

Marketable equity securities are recorded at fair value, with changes in fair value presented in non-interest income. The fair value of these securities is based on observable market prices.

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 fees/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.

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 $584,963 and $562,985 as of December 31, 2019 and 2018, 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. 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.

TDR loans secured by 1-4 family residential properties are aggregated and analyzed for impairment as a pool. All other TDRs are considered impaired loans and are individually evaluated for impairment.

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 $499,242 and $355,900 in loans held for sale as of December 31, 2019 and 2018, respectively. The Company recognized $1,119,103 in gains from the sale of these loans for the year ended December 31, 2019. Total gains amounted to $1,029,093 for the year ended December 31, 2018.

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 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 2019.

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. Impairment is evaluated in total for smaller-balance loans and homogeneous loans: residential mortgage loans, home equity loans, and all consumer loans. 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. If a loan is impaired, a specific valuation allowance is allocated, if necessary, 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.

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.

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, as well as 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 the loan's 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, 2019 and 2018, 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. The differences relate principally to the provision for loan losses, depreciation, deferred compensation, deferred loan fees, 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

Comprehensive income 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 Topic 606, the Bank followed 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 Topic 606, the Bank 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 2019 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, 2019 and 2018 follow:

	December 31, 2019			
Available for Sale	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U. S. Government agencies	$ 553,401	$ -	$ (9,642)	$ 543,759
Mortgage backed securities	506,344	-	(7,514)	498,830
Tax exempt municipal securities	36,325,212	1,000,714	(33,060)	37,292,866
Total	$ 37,384,957	$ 1,000,714	$ (50,216)	$ 38,335,455
Equity Securities				
Marketable equity securities	$ 1,296,249	$ -	$ -	$ 1,296,249

	December 31, 2018			
Available for Sale	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Loss**	**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
Total	$ 32,968,027	$ 155,108	$ (498,004)	$ 32,625,131
Equity Securities				
Marketable equity securities	$ 1,187,177	$ -	$ -	$ 1,187,177

The maturities of available for sale investment securities at December 31, 2019 were as follows:

	Amortized Cost	Fair Value
Less than one year	$ 300,000	$ 300,604
One to five years	1,375,288	1,379,885
Five to ten years	14,278,236	14,564,260
Over 10 years	21,431,433	22,090,706
Total	$ 37,384,957	$ 38,335,455

As of December 31, 2019, the Company had $10.61 million in securities pledged to secure public deposits. The Company had $10.28 million in securities pledged to secure public deposits as of December 31, 2018.

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 $2,891 in 2019 and $12,481 in 2018.

The following chart represents the gross unrealized losses and fair value of available for sale investment securities by investment category and length of time individual securities have been in continuous unrealized loss position as of December 31, 2019 and 2018:

	Year Ended December 31, 2019					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U. S. Government agencies	$ -	$ -	$ 528,301	$ 9,642	$ 528,301	$ 9,642
Tax exempt municipal securities	2,756,541	27,421	360,601	5,639	3,117,142	33,060
Mortgage-backed securities	-	-	498,830	7,514	498,830	7,514
Total AFS Securities	$ 2,756,541	$ 27,421	$ 1,387,732	$ 22,795	$ 4,144,273	$ 50,216

	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
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
Total AFS Securities	$ 6,951,569	$ 78,911	$ 13,556,049	$ 419,093	$ 20,507,618	$ 498,004

No securities in an unrealized loss position are considered impaired as of December 31, 2019 and 2018.

During 2019, the Company recognized a gain of $28,994 due to the change in fair value of equity securities.

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

	2019	2018
Federal Reserve Bank stock	$ 87,000	$ 87,000
Federal Home Loan Bank stock	579,600	535,900
Community Bankers Bank stock	110,000	110,000
Other equity securities	105,779	89,431
Total	$ 882,379	$ 822,331

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 consist of a $91,438 investment in Bankers Title, LLC, a title insurance company, and $14,341 invested in a real estate investment trust. The Bankers’ Title, LLC value reflects the Bank’s 7.55% ownership stake in the company. The real estate investment trust is also carried at cost, as there is no market for this investment.

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:

	2019	2018
	(in thousands)	
Construction and land development	**$ 70,262**	$ 59,763
Residential real estate	**281,409**	269,106
Residential real estate - home equity loans	**22,842**	25,822
Multifamiliy real estate	**5,284**	4,737
Farmland	**19,613**	19,112
Commercial real estate	**86,791**	76,679
Commercial non real estate	**70,991**	61,890
Consumer	**16,107**	16,285
	$ 573,299	$ 533,394

Deferred loan fees of $1,110,736 and $1,090,663 on December 31, 2019 and 2018, respectively, are also included in total loans. Checking and savings account overdrafts amounting to $121,512 on December 31, 2019 and $109,519 on December 31, 2018 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, 2019 and 2018:

Dollars in thousands	30-89 Days Past Due	90 Days or Greater and Accruing	Total Past Due	Non-Accrual Loans	Current Loans	Total Loans
	December 31, 2019					
Construction and land development	$ 87	$ -	$ 87	$ 224	$ 69,951	$ 70,262
Residential real estate	5,354	667	6,021	163	275,225	281,409
Residential real estate - home equity loans	48	-	48	130	22,664	22,842
Multifamily real estate	-	-	-	-	5,284	5,284
Farmland	19	-	19	-	19,594	19,613
Commercial real estate	828	-	828	380	85,583	86,791
Commercial non real estate	417	-	417	47	70,527	70,991
Consumer	384	14	398	-	15,709	16,107
Total	$ 7,137	$ 681	$ 7,818	$ 944	$ 564,537	$ 573,299

Dollars in thousands	30-89 Days Past Due	90 Days or Greater and Accruing	Total Past Due	Non-Accrual Loans	Current Loans	Total Loans
	December 31, 2018					
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

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, 2019 and 2018:

Dollars in thousands	2019	2018
Construction and land development	$ 224	$ 29
Residential real estate	163	92
Residential real estate - home equity loans	130	-
Multifamily real estate	-	68
Farmland	-	33
Commercial real estate	380	395
Commercial non real estate	47	128
Total	$ 944	$ 745

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, 2019 and 2018, 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, 2019 and 2018.

	December 31, 2019					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Dollars in thousands						
Construction and land development	$ 67,031	$ 575	$ 2,614	$ 42	$ -	$ 70,262
Residential real estate	267,869	4,355	9,185	-	-	281,409
Residential real estate - home equity loans	22,401	-	441	-	-	22,842
Multifamily real estate	5,212	-	72	-	-	5,284
Farmland	16,107	1,976	1,530	-	-	19,613
Commercial real estate	83,468	464	2,859	-	-	86,791
Commercial non real estate	70,071	44	829	47	-	70,991
Consumer	16,063		44	-	-	16,107
Total	$ 548,222	$ 7,414	$ 17,574	$ 89	$ -	$ 573,299

	December 31, 2018					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Dollars in thousands						
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

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, 2019:

(dollars in thousands)	December 31, 2019 Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Construction and land development	242	242	7	297	16
Total	$ 242	$ 242	$ 7	$ 297	$ 16
With no allowance recorded:					
Construction and land development	$ 42	$ 42	$ -	$ -	$ 2
Residential real estate	415	489	-	454	23
Commercial real estate	1,440	1,440	-	1,114	83
Commercial	55	55	-	13	9
Total	$ 1,952	$ 2,026	$ -	$ 1,581	$ 117
Grand Total	$ 2,194	$ 2,268	$ 7	$ 1,878	$ 133

The following tables present impaired loans in the segmented portfolio categories as of December 31, 2018:

(dollars in thousands)	December 31, 2018 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 charts detail the allowance for loan losses by loan portfolio segment for the years ended December 31, 2019 and 2018. Allocation to one category of loans does not preclude its availability to absorb losses in other categories.

December 31, 2019 (Dollars in thousands)	Construction	Residential Real Estate	Multifamily Real Estate	Commercial Real Estate	Farmland	Commercial	Consumer	Total
Beginning balance	$ 772	$ 3,300	$ 17	$ 496	$ 16	$ 326	$ 280	$ 5,207
Provisions for loan losses	(215)	151	2	150	39	561	66	754
Charge offs	-	(187)	-	(88)	-	(401)	(132)	(808)
Recoveries	-	31	-	4	-	39	44	118
Ending balance	$ 557	$ 3,295	$ 19	$ 562	$ 55	$ 525	$ 258	$ 5,271
Period-end balance allocated to:								
Loans individually evaluated for impairment	$ 7	$ -	$ -	$ -	$ -	$ -	$ -	$ 7
Loans collectively evaluated for impairment	550	3,295	19	562	55	525	258	5,264
Ending balance	$ 557	$ 3,295	$ 19	$ 562	$ 55	$ 525	$ 258	$ 5,271
Total Loans:								
Individually evaluated for impairment	$ 284	$ 415	$ -	$ 1,440	$ -	$ 55	$ -	$ 2,194
Collectively evaluated for impairment	69,978	303,836	5,284	85,351	19,613	70,936	16,107	571,105
Total loans	$ 70,262	$ 304,251	$ 5,284	$ 86,791	$ 19,613	$ 70,991	$ 16,107	$ 573,299

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 loan 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:								
Individually evaluated for impairment	$ 493	$ 588	$ -	$ 1,281	$ -	$ 728	$ -	$ 3,090
Collectively evaluated for impairment	59,270	294,340	4,737	75,398	19,112	61,162	16,285	530,304
Total loans	$ 59,763	$ 294,928	$ 4,737	$ 76,679	$ 19,112	$ 61,890	$ 16,285	$ 533,394

The following is a schedule of loans that were restructured during the years ended December 31, 2019 and 2018:

	Number of Contracts	Pre-Modification Outstanding	Post-Modification Outstanding
December 31, 2019			
Residential real estate	11	$ 1,567,959	$ 1,567,959
Commercial real estate	2	568,863	568,863
Construction and land development	2	417,027	417,027
Total	15	$ 2,553,849	$ 2,553,849
December 31, 2018			
Residential real estate	1	$ 40,926	$ 40,926
Total	1	$ 40,926	$ 40,926

Management evaluated all loan restructurings to determine whether they are troubled debt restructurings ("TDRs") under the guidance of ASU 2011-02. As of December 31, 2019, the Company had $5,368,848 in loans which had been modified as TDRs. As of December 31, 2018, the Company had $3,469,879 in loans which had been modified as TDRs. As previously disclosed in Note 1, TDR loans secured by 1-4 family residential properties are collectively evaluated for impairment.

No loans restructured in the 12 months prior to December 31, 2019 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, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
Beginning balance	**$ 2,016,227**	$ 3,428,077
Additions	**1,067,930**	2,137,146
Sales	**(824,136)**	(3,017,996)
Valuation adjustments	**(379,021)**	(531,000)
Ending balance	**$ 1,881,000**	$ 2,016,227
(Gain) loss on sale of other real estate owned	**$ (49,289)**	$ 233,384
Operating expenses and valuation adjustments	**580,952**	768,691
Other real estate expense	**$ 531,663**	$ 1,002,075

6 Premises and Fixed Assets, Net

Major classifications of these assets are summarized as follows:

	2019	2018
Land	**$ 2,321,568**	$ 2,509,752
Buildings and improvements	**17,601,335**	17,318,452
Furniture and equipment	**9,092,735**	8,370,009
Leasehold improvements	**158,103**	158,103
Construction in progress	**2,209,398**	34,340
Total	**$ 31,383,139**	$ 28,390,656
Less: Accumulated depreciation	**(14,565,850)**	(13,524,786)
Net premises and fixed assets	**$ 16,817,289**	$ 14,865,870

Depreciation expense amounted to $1,051,393 and $968,550 for the years ended December 31, 2019 and 2018, respectively.

No capitalized interest was recognized in the years ended December 31, 2019 and 2018.

7 Leases

Effective January 1, 2019, the Company adopted ASU 2016-02, "Leases (Topic 842)". As of December 31, 2019, the Company leases six offices under various operating lease agreements. The lease agreements have maturity dates ranging from April 1, 2020 to October 31, 2024, some of which included options for 1-, 3-, or 5- year extensions. The weighted average life of the lease terms for these leases was 32 months as of December 31, 2019.

The discount rate used in determining the lease liability for each individual lease was the FHLB fixed advance rate which corresponded with the remaining lease term as of January 1, 2019 for leases that existed at adoption and as of the lease commencement date for leases subsequently entered into. The weighted average discount rate for these leases was 2.50% as of December 31, 2019.

Total operating lease costs were $153,878 and $105,882 for years ended December 31, 2019 and 2018, respectively. The right-of-use asset, included in property and equipment, and lease liabilities, included in other liabilities, were $439,355 and $445,792 as of December 31, 2019, respectively. The right-of-use asset and lease liability are recognized at lease commencement by calculating the present value of lease payments over the lease term.

Maturities of lease liabilities as of December 31, 2019 were as follows:

	Operating Lease
2020	$ 235,968
2021	120,275
2022	40,166
2023	33,658
2024	28,740
Thereafter	-
Total undiscounted lease payments	$ 458,807
Discount effect of cash flows	13,015
Total lease liability	445,792

8 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	$ 13,902	$ 10,842	$ 24,744
Over 3 months through 12 months	32,248	13,073	45,321
Over 1 year through 3 years	29,280	7,496	36,776
Over 3 years	21,103	3,307	24,410
Total	$ 96,533	$ 34,718	$ 131,251

As of December 31, 2019, the Bank did not hold any brokered deposits.

9 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, 2019 and 2018, due to the following:

	Years Ended December 31,	
	2019	2018
Statutory rates	21%	21%
Computed tax expense	$ 2,444,345	$ 2,344,198
Increase (Decrease) due to:		
Tax-exempt income	(239,993)	(207,976)
Other, net	(17,272)	(109,781)
Total	$ 2,187,080	$ 2,026,441

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

	December 31,	
	2019	**2018**
Deferred Tax Assets:		
Loan loss reserve	$ 1,106,863	$ 1,093,374
Supplemental retirement plan	212,793	184,578
Deferred compensation	155,693	177,055
Deferred loan fees	233,255	229,039
Other real estate owned	148,437	84,382
Unrealized loss - AFS securities	-	80,195
Post-retirement benefit plan	36,906	38,251
Compensated absences	15,061	12,139
Interest on non-accrual loans	7,500	7,168
Deferred tax assets	$ 1,916,508	$ 1,906,181
Deferred Tax Liabilities:		
Depreciation	$ 163,545	$ 161,528
Unrealized gain - AFS securities	199,605	-
Deferred tax liabilities	$ 363,150	$ 161,528
Net Deferred Tax Asset	$ 1,553,358	$ 1,744,653

The Company 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, 2019 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 $610,971 in 2019 and $572,053 in 2018.

The Company is also subject to income taxes in the State of North Carolina. For 2019, the Company has incurred an expense of $42,197 for income taxes payable to the State of North Carolina. The Company incurred income tax expense of $44,607 for the tax year ended December 31, 2018.

Federal income tax returns are subject to examination for all years which are not barred by the statute of limitations. With few exceptions, the Company is no longer subject to federal income tax examinations by tax authorities for years before 2016.

10 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 $19,000 IRS limit in 2019. 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 2019 and 2018, Bank payments through matching contributions totaled $394,603 and $348,175.

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, $2,250,000 during 2018, and $1,125,000 during 2019 were made to further fund this plan as new participants were added. The Company recorded income in the amount of $351,364 during 2019 and $299,334 during 2018 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:

	2019	2018
Beginning liability balance	$ 878,942	$ 867,032
Plan expenses	881,639	483,365
Payments to grantor trust	(613,596)	(335,936)
Benefits paid to retirees	(133,684)	(135,519)
Ending benefit obligation	$ 1,013,301	$ 878,942

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.

	2019	2018
Beginning liability balance	$ 371,970	$ 387,661
Plan expenses	(20,623)	(15,691)
Ending benefit obligation	$ 351,347	$ 371,970

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, 2019, the Company had fully funded the benefits for these five retirees with a liability balance of $69,104. Changes to the benefit liability are detailed in the chart below.

	2019	2018
Beginning liability balance	$ 83,797	$ 97,530
Plan expenses	-	-
Benefits paid	(14,693)	(13,733)
Ending benefit obligation	$ 69,104	$ 83,797

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.

	2019	2018
Beginning liability balance	$ 98,353	$ 96,778
Plan expenses	36,509	48,113
Benefits paid	(28,222)	(46,538)
Ending benefit obligation	$ 106,640	$ 98,353

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 $754,094 and $589,426 for the years ended December 31, 2019 and 2018, respectively.

11 Other Income and Expenses

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

	2019	2018
Financial services income	$ 637,832	$ 726,657
Income - BOLI	351,364	299,334
Doc prep fees - loans	228,594	262,550
Credit card income	212,257	180,039
Other *	445,192	547,461
Total other income	$ 1,875,239	$2,016,041

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

	2019	2018
ATM expense	$ 1,118,133	$ 889,508
Information systems	797,527	730,753
Internet banking expense	760,565	597,869
Franchise taxes	610,971	572,053
Telephone and data	453,188	393,810
OREO valuation adjustments	379,021	531,000
Postage and printing	340,141	328,986
Director fees	220,679	212,814
Audit fees	209,418	209,496
OREO operating expense	201,931	237,691
Stationary and supplies	90,964	97,563
FDIC insurance premiums	89,438	173,467
Other *	2,010,460	1,845,670
Total other expenses	$ 7,282,436	$6,820,680

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

12 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:

		2019	2018
		(in thousands)	
Commitments secured by 1-4 family residential (Home Equity Lines)	$	27,618	$25,454
Financial standby letters of credit		532	506
Credit card lines of credit		6,087	5,529
Commitments to fund commercial real estate, construction, and land development loans secured by:			
1-4 family residential construction loan commitments		13,218	14,874
Commercial real estate, other construction/development commitments		7,298	6,875
Other than real estate		3,051	1,696
Commercial and industrial loans		13,024	14,164
Other unused commitments		6,988	4,990
Total	$	77,816	$74,088

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 $11.8 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

13 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, 2019, loans with a carrying value of $144.0 million were pledged to the FHLB as collateral for borrowings. Following collateral discounts applied by the FHLB, the Bank can borrow up to $85.5 million. The Bank did not have an outstanding balance as of December 31, 2019 or December 31, 2018.

The Bank also has a $35.0 million 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 $51.0 million available for overnight borrowings. There were no outstanding balances on these lines of credit as of December 31, 2019 and 2018.

The Company has also established a line of credit on January 15, 2019 with another financial institution in the amount of $12.0 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. The line had an outstanding balance of $5,650,000 as of December 31, 2019.

14 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 $6,177,670 as of December 31, 2019 and $5,508,403 as of December 31, 2018. Changes in these loans are detailed below:

	2019	2018
Loans outstanding	$ 5,508,403	$ 5,696,320
New loans	3,559,894	1,585,350
Loan repayments	(2,890,627)	(1,773,267)
Total loans outstanding	$ 6,177,670	$ 5,508,403

As of December 31, 2019 and 2018, the Bank held deposits of related parties amounting to $1,085,387 and $472,354, respectively.

15 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. Basel III rules were fully phased in as of 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, 2019, the Company and Bank meet all capital adequacy requirements to which they are subject.

Basel III Capital Rules 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), effectively resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 7.0%, (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), effectively resulting in a minimum Tier 1 capital ratio of 8.5%, (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), effectively resulting in a minimum total capital ratio of 10.5%, 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, 2019						
Total Capital						
to Risk-Weighted Assets	$ 78,862	15.52%	$53,351	10.50%	$50,810	10.00%
Tier 1 Capital						
to Risk-Weighted Assets	73,591	14.48%	43,189	8.50%	40,648	8.00%
Tier 1 Common Equity						
to Risk-Weighted Assets	73,591	14.48%	35,567	7.00%	33,027	6.50%
Tier 1 Capital						
to Average Assets	73,591	10.38%	28,355	4.00%	35,444	5.00%

			Regulatory Minimum with Capital Conservation Buffer		Capital Required to be Considered Well-Capitalized	
December 31, 2018	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital						
to Risk-Weighted Assets	$ 76,323	16.52%	$45,650	9.880%	$46,205	10.00%
Tier 1 Capital						
to Risk-Weighted Assets	71,116	15.39%	36,409	7.880%	36,964	8.00%
Tier 1 Common Equity						
to Risk-Weighted Assets	71,116	15.39%	29,479	6.380%	30,033	6.50%
Tier 1 Capital						
to Average Assets	71,116	11.18%	25,435	4.000%	31,794	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 518,482 shares, totaling $10,447,655, during the year ended December 31, 2019. A total of 133,763 shares, amounting to $2,718,645, were repurchased during 2018.

Equity Compensation

For 2019, 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 2019, the Company issued a total of 4,750 shares to the Company's outside directors and recognized an expense of $94,978. During 2018, the Company issued a total of 5,257 shares to the Company's outside directors and recognized an expense of $95,013.

There were no stock options granted in 2019 or 2018, 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.

16 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).

Marketable Equity Securities
Marketable equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon market prices.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

Description	December 31, 2019			
	Level 1	Level 2	Level 3	Total
U. S. Government agencies	$ -	$ 543,759	$ -	$ 543,759
Mortgage backed securities	-	498,830	-	498,830
Tax exempt municipal securities	-	37,292,866	-	37,292,866
Marketable equity securities	1,296,249	-	-	1,296,249
Total assets at fair value measured on a recurring basis	$ 1,296,249	$ 38,335,455	$ -	$ 39,631,704

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
Marketable equity securities	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

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.

Mortgage Loans Held for Sale

Loans held for sale include mortgage loans which are saleable into the secondary mortgage markets and their fair values are estimated using observable quoted market or contracted prices or market price equivalents, which would be used by other market participants. These saleable loans are considered Level 2.

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, 2019	Level 1	Level 2	Level 3
Other real estate owned	$ 1,881,000	$ -	$ -	$ 1,881,000
Mortgage loans held for sale	499,242	-	499,242	-
Impaired loans	2,193,790	-	-	2,193,790
Total assets at fair value measured on a nonrecurring basis	$ 4,574,032	$ -	$ 499,242	$ 4,074,790

	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

For Level 3 assets and liabilities measured at fair value on a recurring or nonrecurring basis as of December 31, 2019, 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	6-25%
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, 2019 and 2018. 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.

dollars in thousands	December 31, 2019 Carrying Amount	December 31, 2019 Fair Value	December 31, 2018 Carrying Amount	December 31, 2018 Fair Value
Financial assets:				
Cash and cash equivalents	$ 52,487	$ 52,487	$ 34,039	$ 34,039
Loans held for investment, net [1]	565,833	566,606	525,097	521,322
Accrued interest receivable	2,267	2,267	2,181	2,181
Financial liabilities:				
Demand deposits, NOW, savings and money market accounts	501,636	501,636	451,120	451,120
Time deposits	131,251	131,697	117,707	116,301
Accrued interest payable	343	343	234	234

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

17 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, 2019 and 2018, the Bank had no potentially dilutive securities outstanding.

(Actual dollars, except per share data)	2019 Net Income	2019 Average Number of Shares	2019 Per Share Amounts	2018 Net Income	2018 Average Number of Shares	2018 Per Share Amounts
Basic earnings per share	**$ 9,452,659**	**4,766,786**	**$ 1.98**	$9,136,406	5,100,034	$ 1.79
Effect of dilutive stock options	-	-	-	-	-	-
Diluted earnings per share	**$ 9,452,659**	**4,766,786**	**$ 1.98**	$9,136,406	5,100,034	$ 1.79

18 New Accounting Pronouncements

Adoption of New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The guidance in the update supersedes the requirements in ASC Topic 840, Leases. The guidance is intended to increase transparency and comparability among organizations by recognizing right-of-use ("ROU") assets and lease liabilities on the balance sheet. This update was effective for interim and annual periods beginning after December 15, 2018. The Company adopted this guidance as of January 1, 2019. Upon adoption, the Company elected a practical expedient which allows existing leases to retain their classification as operating leases. The Company has also elected to not recognize right-of-use assets and lease liabilities arising from short-term leases. Implementation of the guidance resulted in the recording of a right-of-use asset and lease liability on the balance sheet; however, it does not have a material impact on the Company's other consolidated financial statements. See additional disclosures in Note 7.

Newly Issued but Not Effective Accounting Standards

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. ASU 2016-13 was originally effective for all annual and interim periods beginning after December 31, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. Adoption will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is evaluating the impact that this ASU will have on its consolidated financial statements and related disclosures.

In November 2019, the FASB issued guidance that addresses issues raised by stakeholders during the implementation of ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The amendments affect a variety of Topics in the Accounting Standards Codification. The amendments are effective for the Company for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted in any interim period as long as the Company has adopted to amendments in ASU 2016-13. Currently, the Company does not expect to adopt the ASU before the effective period.

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.

19 Subsequent Events

Holding Company Line of Credit

On January 15, 2020, the Company increased its existing line of credit with another financial institution from $8.0 million to $12.0 million. The Company currently has an outstanding balance of $5,650,000 million, which is being amortized with quarterly payments over 60 months. 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.

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. Following the COVID-19 outbreak in December 2019 and January 2020, market interest rates have declined significantly, with the 10-year Treasury bond falling below 1.00% on March 3, 2020 for the first time. Such events may adversely affect business and consumer confidence, generally, and the Company and its customers, and their respective suppliers, vendors and processors may be adversely affected. On March 3, 2020, the Federal Open Market Committee (FOMC) reduced the target federal funds rate by 50 basis points to 1.00% to 1.25%. Subsequently on March 16, 2020, the FOMC further reduced the target federal funds rate by an additional 100 basis points to 0.00% to 0.25%. These reductions in interest rates and other effects of the COVID-19 outbreak may adversely affect the Company's financial condition and results of operations.

These financial statements have not been updated for subsequent events occurring after March 20, 2020, which is the date these financial statements were available to be issued.

20 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	**2019**	2018
Cash	**$ 1,415,627**	$ 1,805,924
Investment in subsidiary	**74,302,495**	70,845,607
Other assets	**42,601**	-
Total Assets	**$ 75,760,723**	$ 72,651,531
Liabilities		
Dividends payable	**$ 1,399,937**	$ 1,358,008
Borrowings	**5,650,000**	-
Total Liabilities	**$ 7,049,937**	$ 1,358,008
Stockholders' Equity		
Common Stock	**$ 947,347**	$ 1,055,124
Additional paid-in capital	**4,086,977**	4,641,205
Retained earnings	**62,965,102**	65,937,888
Accumulated other comprehensive income (loss)	**711,360**	(340,694)
Total Stockholders' Equity	**68,710,786**	71,293,523
Total Liabilities and Stockholders' Equity	**$ 75,760,723**	$ 72,651,531

Benchmark Bankshares, Inc.

(Parent Company Only)

Statements of Operations and Comprehensive Income

	Years Ended December 31, 2019	2018
Income		
Interest income	**$ 212**	$ -
Miscellaneous income	**462**	75
Dividends from subsidiary	**7,377,306**	5,300,000
Total Income	**7,377,980**	5,300,075
Expenses		
Interest expense	**196,141**	-
Director fees	**94,979**	95,014
Supplies, printing, and postage	**29,638**	33,046
Legal expense	**73,337**	7,025
Salaries expense	**9,454**	5,894
Income tax benefit	**(80,864)**	(32,795)
Miscellaneous	**7,468**	4,190
Total expenses	**330,153**	112,374
Income Before Equity in Undistributed Income of Subsidiary	**7,047,827**	5,187,701
Equity in Undistributed Income of Subsidiary	**2,404,832**	3,948,705
Net Income	**$ 9,452,659**	$ 9,136,406

Benchmark Bankshares, Inc.

(Parent Company Only)

Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Net income	**$ 9,452,659**	$ 9,136,406
Equity based compensation - director fees	**94,979**	95,013
Net cash provided by operating activities	**9,547,638**	9,231,419
Cash Flows from Investing Activities		
Undistributed earnings of subsidiary	**(2,404,832)**	(3,948,705)
Purchase of marketable equity securities	**(28,260)**	-
Purchase of other investment securities	**(14,341)**	-
Net cash used in investing activities	**(2,447,433)**	(3,948,705)
Cash Flows from Financing Activities		
Purchases of common stock	**(10,447,655)**	(2,718,645)
Proceeds from borrowings	**8,355,000**	-
Principal curtailment of borrowings	**(2,705,000)**	-
Dividends paid	**(2,692,847)**	(2,470,401)
Net cash provided by financing activities	**(7,490,502)**	(5,189,046)
Net Increase (Decrease) in Cash	**(390,297)**	93,668
Cash - Beginning of Year	**1,805,924**	1,712,256
Cash - End of Period	**$ 1,415,627**	$ 1,805,924

EXHIBIT 2a

ORGANIZATIONAL CHART - DECEMBER 2019

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 12/31/2019. Data reflects information that was received and processed through 01/07/2020.

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	5334429	YOUNGSVILLE BRANCH	110 S. COLLEGE ST	YOUNGSVILLE	NC	27596	FRANKLIN	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	

Benchmark Bankshares Inc.
Fiscal Year Ending December 31, 2019

(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	0.72%	NONE	32,387	Biggs Construction Co., Inc. 100% Brok N Bow Farms, LLC 50% Sea Toy, LLC 25%
Ernest R. Lail Kenbridge, VA 23944 USA	Retired Businessman	Director/Chairman	None	N/A	0.27%	NONE	12,248	NONE
Earl H. Carter, Jr. Farmville, VA 23901 USA	Heavy Equipment Dealer	Director	None	President/General Manager Taylor-Forbes Equipment Co Farmville, VA	0.70%	NONE	31,817	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	0.37%	NONE	16,807	NONE
Mark F. Bragg South Hill, VA 23970 USA	Construction	Director/Secretary	None	Owner CHI Home Services LLC	0.70%	NONE	31,601	Crestview Farms 50% Chase Hill Inc 50% CHI Home Services LLC 100%
Charles F. Simmons Clarksville, VA 23927 USA	Realty	Director	None	Owner Simmons and Associates Realty Clarksville, VA	0.17%	NONE	7,517	Simmons and Associates Realty 100% Simmons Construction Co 100% Charles F. Simmons/Terraces Rentals 100%
Elizabeth Moncure Blackstone, VA 23824 USA	Furniture Dealer	Director	None	Owner Blackstone Emporium Blackstone, VA	0.16%	NONE	7,407	Blackstone Emporium Inc 50%
Mark D. Southall Farmville, VA 23901 USA	Electrician	Director	None	Owner Creative Electrical Contractors Inc Farmville, VA	0.15%	NONE	6,811	Creative Electrical Contractors Inc 100%
Alfred Roberts Alberta, VA 23821 USA	Retired Businessman	Director	None	N/A	0.13%	NONE	5,807	NONE
Gregory Gordon Buffalo Junction, VA 24529 USA	Wholesale Nursery	Director	None	President Aarons Creek Farms Inc Buffalo Junction, VA	0.05%	NONE	2,408	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
Ronald Williams Lunenburg, VA 23952 USA	Underground pipe installation	Director	None	Owner Precision Pipes Inc Victoria, VA	0.01%	NONE	400	Precision Pipes Inc 50%
Joel C Cunningham Jr Halifax, VA 24558 USA	Lawyer	Director	None	Owner Joel C Cunningham Jr PC Halifax, VA	0.01%	NONE	340	Joel C Cunningham Jr PC 100%
Jay A. Stafford Lunenburg, VA 23952 USA	Banker	Director/President & CEO	CEO/President (Benchmark Community Bank)	N/A	0.49%	NONE	22,171	NONE
E. Neil Burke South Hill, VA 23970 USA	Banker	Cashier/Assistant Secretary	EVP/CFO (Benchmark Community Bank)	N/A	0.20%	NONE	9,015	NONE

*No principal shareholder