

BANK OF MCKENNEY

PRESS RELEASE

BANK OF MCKENNEY REPORTS DOUBLE DIGIT ANNUALIZED CORE GROWTH IN LOANS AND DEPOSITS FOR THE FIRST QUARTER 2009

April 14, 2009, McKenney, Virginia. Bank of McKenney (NASDAQ: BOMK) today announced earnings of \$278,000 for the three-month period ending March 31, 2009, a 5.44% decrease when compared to net income of \$294,000 for the same period in 2008. Basic and diluted earnings per share of \$0.14 were recorded for the three months ended March 31, 2009 representing a \$0.01 per share decline over those recorded for the three months ended March 31, 2008. There were 1,926,656 weighted average shares outstanding during each of the two periods. The decrease in earnings is directly attributable to the current economic uncertainties within major sectors of the credit markets which continue to warrant significant buildups of loss reserves for potential borrower defaults. Return on average equity on an annualized basis during the first quarter of 2009 was 6.36% as compared to 6.40% for the first quarter of 2008. Return on average assets during the first quarter of 2009, on an annualized basis, decreased 5 basis points to 0.67% from the prior year level of 0.72%.

At the end of the first quarter, total assets were \$170.7 million, representing a \$5.2 million or 3.14% increase over the December 31, 2008 level of \$165.5 million. Total deposits amounted to \$148.8 million as of March 31, 2009, which represents a \$5.9 million or 4.13% increase from the \$142.9 million level as of December 31, 2008. On an annualized basis, deposits grew during the first quarter at a rate of 16.52%. During the same period, total loans expanded by 2.95% or \$3.3 million to the March 31, 2009 balance of \$115.1 million. Loans, on an annualized basis, grew at a rate of 11.80%. At March 31, 2009, the investment portfolio, including time deposits in other banks, was \$27.3 million, an 11.36% decrease in comparison to the December 31, 2008 \$30.8 million level. Overnight federal funds sold increased 333.33% from \$0.9 million on December 31, 2008 to \$3.9 million on March 31, 2009. Cumulatively, earning assets grew \$2.8 million for the first quarter or 7.80% on an annualized basis and represent 85.71% of total assets. The Bank continues to focus on delinquencies and nonperforming loans within the portfolio; however, delinquency and nonperforming ratios have risen to 1.76% and 3.05%, respectively. These ratios, at December 31, 2008, stood at 0.61% and 1.58%, respectively. While current economic conditions have resulted in increases in these categories, management feels comfortable that losses will be minimized by collateral positions as well as the Bank's ability and willingness to work with the borrowers during the current cycle where possible. Moreover, continued provisions to reserves have raised the loan loss reserve to 1.13% of total loans, an increase of 11 basis points over that of December 31, 2008.

Net interest income jumped to \$1,665,000 or 15.07% in the first quarter of 2009 from \$1,447,000 in the comparable period in 2008. Average loans during the first quarter of 2009, when compared to the same period in 2008, grew to \$113.0 million from \$108.9 million, an increase of 3.76%. The average investment portfolio increased slightly from a first quarter 2008 average balance of \$29.9 million to a \$30.1 million average during the first quarter of 2009, or an increase of 0.67%. Average deposit balances have increased 10.88% or \$14.2 million from the first quarter 2008 level of \$130.5 million to an average 2009 first quarter level of \$144.7 million. Time deposits experienced solid growth climbing 8.80% or \$6.7 million when comparing the two periods. Other interest bearing deposits experienced the strongest expansion with an increase of \$6.8 million or 37.57% while non-interest bearing deposits grew 6.20% or \$1.5 million when comparing March 31, 2009 to March 31, 2008. The Bank's prime based loan portfolio yields decreased 61 basis points when comparing the first quarter of 2009 to that period in 2008 while the investment portfolio in the same periods gained 132 basis points. Cumulatively, yields on earning assets decreased only 13 basis points from a 2008 first-quarter average of 6.99% to an average of 6.86% for the current year's first quarter. On the liability side of the balance sheet, the cost of funds plummeted to 2.60% for the first quarter of 2009 representing a decrease of 103 basis points below the first quarter 2008 level of 3.63%. Despite strong volume growth in the bank's interest bearing deposit products during the first quarter of 2009, the substantially lower funding costs boosted the net interest margin by 65 basis points to 4.68% when comparing it to the 4.03% margin recorded for the first three months of 2008.

Noninterest income, exclusive of securities transactions, declined 5.92% from \$421,000 in the first quarter of 2008 to \$396,000 for the same period in 2009. Service charges grew \$5,000 or 2.45% when comparing the first quarter of 2009 to the first quarter of 2008. Lower mortgage demand in the first quarter of 2009 resulted in a decline in the mortgage originations department of \$33,000 or 25.98% below the revenue of \$127,000 recognized during the first quarter in 2008. Other non-interest products and services, including those of the insurance and investment departments, increased by \$4,000 over the \$89,000 level recorded in the first quarter 2008. Noninterest expense increased \$59,000 or 4.07% to \$1,510,000 during the first quarter 2009 from \$1,451,000 for the same period in 2008. Salaries and benefits rose only 1.88% or \$17,000 while occupancy and furniture equipment expenses increased \$10,000 or 4.85%. Numerous projects were begun in 2007 aimed at improved efficiencies and accelerated growth, and these continue to demonstrate positive results going forward. Despite strong growth during the first quarter, our culture for both better service and improved efficiency has resulted in a containment of other operating expenses which increased only \$32,000. The major contributing factor in this increase is assessments by the Federal Deposit Insurance Corporation which jumped \$20,000.

Richard M. Liles, President and Chief Executive Officer, stated, "We are extremely excited over first quarter results. We have experienced growth in all segments of our operation, our liquidity position is very positive, margins are expanding, and our capital remains very strong. Delinquency and nonperforming ratios are up, but the greatest single attribute of a community bank is in its ability to work with customers in both good and difficult times. Bank of McKenney continues to demonstrate stability and profitability, and we anticipate no less going forward."

Bank of McKenney is a full-service community bank headquartered in McKenney, Virginia with six branches serving Southeastern Virginia and assets totaling \$170.7 million.

Certain statements in this document are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors. More information about these factors is contained in Bank of McKenney's filings with the Board of Governors of the Federal Reserve.

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BANK OF MCKENNEY AND SUBSIDIARY
Consolidated Balance Sheets Summary Data
March 31, 2009 (unaudited) and December 31, 2008

	March 31, 2009	December 31, 2008
ASSETS		
Cash and due from banks	\$ 10,915,224	\$ 6,847,451
Federal funds sold	3,923,000	858,000
Interest-bearing time deposits in banks	-	1,540,252
Securities available for sale, at fair market value	22,566,620	28,998,239
Securities held to maturity, at book value	3,919,532	956,448
Restricted investments	797,225	789,525
Loans, net	113,829,303	110,648,780
Land, premises and equipment, net	8,142,106	8,185,167
Other assets	<u>6,618,305</u>	<u>6,637,962</u>
Total Assets	<u>\$ 170,711,315</u>	<u>\$ 165,461,824</u>
LIABILITIES		
Deposits	\$ 148,762,131	\$ 142,892,823
Borrowed Funds	3,250,000	3,333,333
Other liabilities	<u>1,491,210</u>	<u>1,868,046</u>
Total Liabilities	<u>\$ 153,503,341</u>	<u>\$ 148,094,202</u>
SHAREHOLDERS' EQUITY		
Total shareholders' equity	<u>\$ 17,207,974</u>	<u>\$ 17,367,622</u>
Total Liabilities and Shareholders' Equity	<u>\$ 170,711,315</u>	<u>\$ 165,461,824</u>

BANK OF MCKENNEY AND SUBSIDIARY
Consolidated Statements of Income Summary Data
(unaudited)

	Three Months Ended March 31,	
	2009	2008
Interest and dividend income	\$ 2,450,415	\$ 2,519,960
Interest expense	<u>785,426</u>	<u>1,072,893</u>
Net interest income	\$ 1,664,989	\$ 1,447,067
Provision for loan losses	<u>160,000</u>	<u>30,000</u>
Net interest income after provision for loan losses	\$ 1,504,989	\$ 1,417,067
Non interest income	\$ 396,212	\$ 444,487
Non interest expense	<u>1,509,749</u>	<u>1,450,734</u>
Net non interest expense	\$ 1,113,537	\$ 1,006,247
Net income before taxes	\$ 391,452	\$ 410,820
Income taxes	<u>113,117</u>	<u>116,616</u>
Net income	<u>\$ 278,335</u>	<u>\$ 294,204</u>
Basic & diluted earnings per share	<u>\$ 0.14</u>	<u>\$ 0.15</u>
Weighted average shares outstanding	<u>1,926,656</u>	<u>1,926,656</u>