

BANK OF MCKENNEY

PRESS RELEASE

BANK OF MCKENNEY REPORTS DOUBLE DIGIT EARNINGS GROWTH FOR THE FIRST QUARTER 2010

April 8, 2010, McKenney, Virginia. Bank of McKenney (OTCBB: BOMK) today announced earnings of \$448,000 for the three-month period ending March 31, 2010, a 61.15% increase when compared to net income of \$278,000 for the same period in 2009. Basic and diluted earnings per share of \$0.24 were recorded for the three months ended March 31, 2010 representing a \$0.10 per share jump over those recorded for the three months ended March 31, 2009. There were 1,894,053 weighted average common shares outstanding during the first quarter of 2010 in comparison to 1,926,656 weighted average common shares outstanding for the same period in 2009. The increase in earnings is directly attributable to the certain gains realized as the Bank shifted its investing strategies away from longer maturities in favor of short term placements. This strategy is a result of current indications of an improving economy that will likely prompt a tightening in monetary policy in the near term. Return on average equity on an annualized basis during the first quarter of 2010 was 9.61% as compared to 6.36% for the first quarter of 2009. Return on average assets during the first quarter of 2010, on an annualized basis, increased 33 basis points to 1.00% from the prior year level of 0.67%.

At the end of the first quarter, total assets were \$185.0 million, representing a \$1.1 million or 0.60% increase over the December 31, 2009 level of \$183.9 million. Total deposits amounted to \$161.4 million as of March 31, 2010, which represents a \$1.0 million or 0.62% increase from the \$160.4 million level as of December 31, 2009. On an annualized basis, deposits grew during the first quarter at a rate of 2.49%. During the same period, total loans expanded by 0.90% or \$1.1 million to the March 31, 2010 balance of \$123.8 million. Loans, on an annualized basis, grew at a rate of 3.26%. At March 31, 2010, the investment portfolio, including time deposits in other banks, was \$34.5 million, a \$3.5 million or 11.29% increase in comparison to the December 31, 2009 \$31.0 million level. Overnight federal funds sold decreased 26.92% from \$10.4 million on December 31, 2009 to \$7.6 million on March 31, 2010. Cumulatively, earning assets grew \$1.7 million for the first quarter or 4.14% on an annualized basis and represent 89.68% of total assets. The Bank continues to focus on delinquencies and nonperforming loans within the portfolio; however, delinquency and nonperforming ratios have risen to 2.27% and 3.41%, respectively. These ratios, at December 31, 2009, stood at 1.25% and 3.01%, respectively. While the lengthy recession has resulted in increases in these categories, management sees a slowing in the pace of additions into the nonperforming category and continues to feel comfortable that losses will be minimized by collateral positions as well as the Bank's ability and willingness to work with the borrowers. Moreover, continued provisions to reserves have raised the loan loss reserve to 1.63% of total loans, an increase of 4 basis points over that of December 31, 2009.

Net interest income dipped 3.90% or \$65,000 to \$1,600,000 in the first quarter of 2010 from \$1,665,000 in the comparable period in 2009. Average loans during the first quarter of 2010, when compared to the same period in 2009, grew to \$122.9 million from \$113.0 million, an increase of 8.76%. The average investment portfolio decreased from a first quarter 2009 average balance of \$30.6 million to a \$26.9 million average during the first quarter of 2010, or a decrease of 12.09%. Average deposit balances have increased 9.88% or \$14.3 million from the first quarter 2009 level of \$144.7 million to an average 2010 first quarter level of \$159.0 million. Time deposits experienced the strongest average growth climbing 14.25% or \$11.8 million when comparing the two periods. Other interest bearing deposits experienced modest expansion with an average increase of \$1.9 million or 5.25% while average non-interest bearing deposits grew 2.33% or \$0.6 million when comparing March 31, 2010 to March 31, 2009. The Bank's prime based loan portfolio yields decreased 69 basis points when comparing the first quarter of 2010 to that period in 2009 while the investment portfolio in the same periods fell 179 basis points. Cumulatively, yields on earning assets decreased only 120 basis points from a 2009 first-quarter average of 6.86% to an average of 5.66% for the current year's first quarter. On the liability side of the balance sheet, the cost of funds plummeted to 1.98% for the first quarter of 2010 representing a decrease of 62 basis points below the first quarter 2009 level of 2.60%. The resulting net interest margin was lowered by 68 basis points to 4.00% when comparing it to the 4.68% margin recorded for the first three months of 2009. The decline on the overall margin is reflective of a repositioning of the investment portfolio out of longer term issues and into shorter term placements. Accepting near term margin pressure in order to substantially reduce interest rate risk exposure has been deemed a prudent move as signals of economic recovery may soon mark an end to the unprecedented low rate environment.

Noninterest income, exclusive of securities transactions, increased 2.27% from \$396,000 in the first quarter of 2009 to \$405,000 for the same period in 2010. Service charges grew \$3,000 or 1.44% when comparing the first quarter of 2010 to the first quarter of 2009. Continued mortgage demand in the first quarter of 2010 resulted in a modest increase in the mortgage originations department of \$7,000 or 7.45% over the revenue of \$94,000 recognized during the first quarter in 2009. Other non-interest products and services, including those of the insurance and investment departments, stood unchanged at \$93,000 when comparing the first quarter of 2010 to the same period in 2009. Noninterest expense increased \$130,000 or 8.61% to \$1,640,000 during the first quarter 2010 from \$1,510,000 for the same period in 2009. Salaries and benefits rose 5.22% or \$48,000 on while occupancy and furniture equipment expenses increased \$12,000 or 5.56%. Other operating expenses increased \$70,000 or 18.67% to \$445,000 during the first quarter of 2010. The major contributing factor in this increase was the costs of assessments by the Federal Deposit Insurance Corporation which jumped \$45,000 or 187.50%.

Richard M. Liles, President and Chief Executive Officer, stated, "This has been an exceptionally profitable quarter for the Bank. In 2007 and 2008, we implemented an investment strategy focused on the unrealistically high yields available in the financial and municipal sectors. This past quarter, we quite profitably unwound many of these longer investments to position ourselves for higher rates. Margin pressure will result in the near term; however, long term rate risk would have posed a much greater threat by potential rate hikes. Delinquency and nonperforming ratios remain high, but we continue to work with customers whenever possible. We anticipate progress toward improvement as the national and local economies have begun to show signs of growth."

Bank of McKenney is a full-service community bank headquartered in McKenney, Virginia with six branches serving Southeastern Virginia and assets totaling \$185.0 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, 2010 (unaudited) and December 31, 2009

	March 31, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 5,946,236	\$ 5,942,984
Federal funds sold	7,618,000	10,418,000
Interest-bearing time deposits in banks	2,019,785	2,009,923
Securities available for sale, at fair market value	31,698,172	28,245,341
Restricted investments	794,725	794,725
Loans, net	121,794,977	120,753,227
Land, premises and equipment, net	7,950,556	8,006,392
Other assets	<u>7,134,413</u>	<u>7,687,465</u>
Total Assets	<u>\$ 184,956,864</u>	<u>\$ 183,858,057</u>
LIABILITIES		
Deposits	\$ 161,369,617	\$ 160,384,510
Borrowed Funds	2,916,667	3,000,000
Other liabilities	<u>1,515,497</u>	<u>1,887,733</u>
Total Liabilities	<u>\$ 165,801,781</u>	<u>\$ 165,272,243</u>
SHAREHOLDERS' EQUITY		
Total shareholders' equity	\$ 19,155,083	\$ 18,585,814
Total Liabilities and Shareholders' Equity	<u>\$ 184,956,864</u>	<u>\$ 183,858,057</u>

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

	Three Months Ended March 31,	
	2010	2009
Interest and dividend income	\$ 2,263,068	\$ 2,450,415
Interest expense	<u>663,250</u>	<u>785,426</u>
Net interest income	\$ 1,599,818	\$ 1,664,989
Provision for loan losses	<u>105,000</u>	<u>160,000</u>
Net interest income after provision for loan losses	\$ 1,494,818	\$ 1,504,989
Non interest income	\$ 795,174	\$ 396,212
Non interest expense	<u>1,639,913</u>	<u>1,509,749</u>
Net non interest expense	\$ 844,739	\$ 1,113,537
Net income before taxes	\$ 650,079	\$ 391,452
Income taxes	<u>201,924</u>	<u>113,117</u>
Net income	<u>\$ 448,155</u>	<u>\$ 278,335</u>
Basic & diluted earnings per common share	<u>\$ 0.24</u>	<u>\$ 0.14</u>
Weighted average common shares outstanding	<u>1,894,053</u>	<u>1,926,656</u>