BANK OF MCKENNEY
PRESS RELEASE

BANK OF MCKENNEY REPORTS STABLE RESULTS IN CORE GROWTH AND EARNINGS FOR THE SECOND QUARTER AND YEAR-TO-DATE

July 17, 2009, McKenney, Virginia. Bank of McKenney (NASDAQ: BOMK) today announced second quarter earnings of $261,000, a decrease of 18.44% over 2008 second quarter earnings of $320,000. The decline in net income is primarily the result of increases to loan reserves, a decline in securities gains recognized, and soaring deposit insurance rates by the Federal Deposit Insurance Corporation ("FDIC"). Additional charges by the FDIC of a separate special one-time assessment were expensed during the second quarter as well, adding to the overhead costs that reduced earnings. Basic and diluted earnings per share of $0.14 were reported for the three months ended June 30, 2009, $0.03 less than those of the prior year's results for the same period. For the six-month period ended June 30, 2009, the Bank reported earnings of $540,000, a decrease of 12.05% when compared to $614,000 through the first six months of 2008. For the first two quarters of 2009 and 2008, earnings per basic and diluted share of $0.28 and $0.32, respectively, were recorded. Annualized returns on average assets and average equity for the first six months of 2009 were 0.65% and 6.17%, respectively, compared to 0.74% and 6.66%, respectively, for the same period in 2008. Margins have significantly expanded during the last few quarters as the cost of funds for deposits has plummeted 98 basis points while yields on earning assets have only dropped a mere 8 basis points. This margin strength has offset much of the additional overhead costs mentioned above.

At the end of the second quarter, total assets were $169.2 million, representing a $3.7 million or 2.24% increase over the December 31, 2008 level of $165.5 million. Total deposits amounted to $146.4 million as of June 30, 2009, which represents a $3.5 million or 2.45% increase from the $142.9 million level as of December 31, 2008. On an annualized basis, deposits grew during the second quarter at a rate of 4.90%. During the same period, total loans expanded by 5.55% or $6.2 million to the June 30, 2009 balance of $118.0 million. Loans, on an annualized basis, grew at a rate of 11.09%. At June 30, 2009, the investment portfolio, including time deposits in other banks, was $30.8 million, an 4.64% decrease in comparison to the December 31, 2008 $32.3 million level. Overnight federal funds sold held steady at $0.9 million on both June 30, 2009 and December 31, 2008. Cumulatively, earning assets grew $4.7 million for the first two quarters or 6.48% on an annualized basis and represent 88.48% of total assets. The Bank continues to focus on delinquencies and nonperforming loans within the portfolio; however, delinquency and nonperforming ratios have risen to 0.95% and 4.16%, 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 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 during the current cycle where possible. Moreover, continued provisions to reserves have raised the loan loss reserve to 1.18% of total loans, an increase of 16 basis points over that of December 31, 2008.

The allowance for loan losses was $1,386,000 as of June 30, 2009, or 1.18% of loans outstanding, compared to $1,135,000 as of December 31, 2008 or 1.02% of outstanding loans. Charges to the Reserve account for loan losses amounted to $81,000 as of June 30, 2009 or 0.07% of average outstanding loans for 2009. For the first six months of 2008, charges to the reserve of $152,000 were taken representing 0.12% of average loans outstanding for the period. Allocations to the reserve account of $323,000 were provisioned for the six months of 2009 compared to provision allocations of $160,000 for the same period of 2008.

Net interest income increased $212,000 or 14.62% to $1,662,000 in the second quarter of 2009 from $1,450,000 in the comparable period in 2008. Noninterest income, exclusive of securities transactions, climbed 13.55% or $55,000 in the second quarter of 2009 to $461,000 when compared to $406,000 for the same period in 2008. Service charges posted slightly higher results with a $10,000 or 4.61% increase when comparing the second quarter of 2009 to the second quarter of 2008. Lower mortgage rates in the second quarter again enticed the appetite of borrowers as the mortgage originations department experienced a $15,000 or 12.82% gain in the category for the second quarter of 2009 when compared to the same period of 2008. Other noninterest products and services, including those of the insurance and investment departments, increased by $31,000 over the $71,000 level recorded in the second quarter of 2008. Noninterest expense increased $143,000 or 9.47% to $1,653,000 during the second quarter 2009 from $1,510,000 for the same period in 2008. Salaries and benefits rose 3.28% or $30,000 while occupancy and furniture & equipment expenses increased $19,000 or 9.03%. Other operating expenses for the second quarter of 2009 grew $95,000 or 24.42% to level of $484,000. This increase is primarily the result of $85,000 in additional FDIC costs during the quarter.

For the first six months of 2009, net interest income increased by $430,000 or 14.84% to $3,327,000 from $2,897,000 in the comparable period in 2008. Average loans through the second quarter of 2009, when compared to the same period in 2008, grew to $114.4 million from $109.0 million, an increase of 4.95%. The average investment portfolio declined slightly from a 2008 first half average balance of $31.8 million to a $30.0 million average through the second quarter of 2009, a decrease of 5.66%. Average deposit growth has increased 10.38% or $11.3 million to $120.2 million over the same prior year period's average of $108.9 million. The Bank's prime based loan portfolio yields decreased 64 basis points when comparing the first half of 2009 to that period in 2008 while the investment portfolio in the same periods gained 127 basis points. Cumulatively, yields on earning assets decreased a modest 8 basis points from a 2008 first-half average of 6.80% to an average of 6.72% for the current year's first half. A prolonged period of lower deposit rates has facilitated a completion of the core deposit rate cycle. This, coupled with core volume growth which has enabled the reduction of the majority of borrowing relationships, has resulted in a 98 basis point fall in the cost of funds rate. With an earnings yield holding relatively steady and an average cost of funds that has declined over 28%, margins have and continue to strengthen nicely. As of June 30, 2009 the net interest margin had expanded 66 basis points to 4.60%, a 16.75% increase over the 3.94% margin reported for the same period in 2008.

Noninterest income, exclusive of securities transactions, rose 3.75% or $31,000 to $858,000 for the first six months of 2009 when compared to $827,000 for the same period in 2008. Service charges posted higher results with a $15,000 or 3.56% increase when comparing the first half of 2009 to that of 2008. In comparing these same two periods, the mortgage originations department's revenue dipped $18,000 or 7.35% to $227,000. Other noninterest income increased by $35,000 from the $160,000 level recorded in the first half 2008 to a 2009 level of $195,000. Noninterest expense increased $201,000 or 6.79% to $3,162,000 during the first two quarters of 2009 from $2,961,000 for the same period in 2008. Separately within this category, salaries and benefits rose 2.59% or $47,000 while occupancy and furniture & equipment expenses increased $29,000 or 7.02%. Other operating expenses through June 30, 2009 grew $124,000 or 5.58% to a level of $857,000 with FDIC costs accounting for $105,000 of this increase.

Richard M. Liles, President and Chief Executive Officer, stated, "We are very pleased with the quarterly and year-to-date results outlined above. Margins have expanded nicely and have defrayed much of the added overhead expenses resulting from outside sources and economic conditions. We're continuing to weather the storm, continuing to grow, and continuing to making a profit for our shareholders. With our commitment to quality service, great products at competitive prices and truly dedicated employees, our business model remains a success story just as it has for over one hundred years."

Bank of McKenney is a full-service community bank headquartered in McKenney, Virginia with six branches serving Southeastern Virginia.

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BANK OF MCKENNEY AND SUBSIDIARY

Consolidated Balance Sheets Summary Data

June 30, 2009 (unaudited) and December 31, 2008

ASSETS	June 30, 2009	December 31, 2008
Cash and due from banks	$ 6,083,596	$ 6,847,451
Federal funds sold	908,000	858,000
Interest-bearing time deposits in banks	--	1,540,252
Securities available for sale, at fair market value	26,075,430	28,998,239
Securities held to maturity, at book value	3,925,529	956,448
Restricted investments	794,725	789,525
Loans, net	116,594,976	110,648,780
Land, premises and equipment, net	8,075,732	8,185,167
Other real estate owned	414,135	--
Other assets	6,348,808	6,637,962
Total Assets	$ 169,220,931	$ 165,461,824
LIABILITIES		
Deposits	$ 146,364,634	$ 142,892,823
Borrowed Funds	3,166,667	3,333,333
Other liabilities	1,523,293	1,868,046
Total Liabilities	$ 151,054,594	$ 148,094,202
SHAREHOLDERS' EQUITY		
Total shareholders' equity	$ 18,166,337	$ 17,367,622
Total Liabilities and Shareholders' Equity	$ 169,220,931	$ 165,461,824

BANK OF MCKENNEY AND SUBSIDIARY

Consolidated Statements of Income Summary Data

(unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Interest and dividend income	$ 2,412,613	$ 2,501,340	$ 4,863,028	$ 5,021,300
Interest expense	751,017	1,051,710	1,536,443	2,124,603
Net interest income	$ 1,661,596	$ 1,449,630	$ 3,326,585	$ 2,896,697
Provision for loan losses	163,000	130,000	323,000	160,000
Net interest income after provision for loan losses	$ 1,498,596	$ 1,319,630	$ 3,003,585	$ 2,736,697
Noninterest income	$ 501,548	$ 632,492	$ 897,760	$ 1,076,979
Noninterest expense	1,652,615	1,510,010	3,162,365	2,960,744
Net noninterest expense	1,151,067	877,518	2,264,605	1,883,765
Net income before taxes	$ 347,529	$ 442,112	$ 738,980	$ 852,932
Income taxes	86,319	122,415	199,436	239,031
Net income	$ 261,210	$ 319,697	$ 539,544	$ 613,901
Basic & diluted earnings per share	$ 0.14	$ 0.17	$ 0.28	$ 0.32

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