



PINNACLE BANKSHARES CORPORATION

2023 Annual Meeting
of Shareholders



FORWARD-LOOKING STATEMENTS



Statements made during this meeting may contain “forward-looking statements” within the meaning of federal securities laws that involve significant risks and uncertainties. Any statements that are not historical facts are forward-looking and are based on current assumptions and analysis by Pinnacle Bankshares Corporation (the “Company”). These forward-looking statements may include, but are not limited to, statements regarding the credit quality of our asset portfolio in future periods, the expected losses of nonperforming loans in future periods, returns and capital accretion during future periods, our cost of funds, the maintenance of our net interest margin, future operating results and business performance, our growth initiatives, results of the Company’s merger with Virginia Bank Bankshares, Inc. and First National Bank’s (the “Bank”) merger with Virginia Bank & Trust Company, collectively “Virginia Bank”, the potential effects of the COVID-19 Pandemic and related impacts on the Company’s financial condition and results of operations. Although we believe our plans and expectations reflected in these forward-looking statements are reasonable, our ability to predict results or the actual effect of future plans or strategies is inherently uncertain, and we can give no assurance that these plans or expectations will be achieved. Factors that could cause actual results to differ materially from management’s expectations include, but are not limited to, the effectiveness of management’s efforts to improve asset quality, returns, net interest margin and collections and control operating expenses, management’s efforts to minimize losses related to nonperforming loans, management’s efforts to lower our cost of funds, the Company’s branch expansions, cyber threats, attacks or similar events, the potential adverse effects of the COVID-19 Pandemic, the ability of the Company and the Bank to realize the anticipated benefits of the merger with Virginia Bank, changes in: interest rates, general economic and business conditions, including unemployment levels and slowdowns in economic growth, declining collateral values, especially real estate, the real estate market, the legislative/regulatory climate, including laws and regulations concerning taxes, banking, securities, insurance, and healthcare with which the Company and its subsidiaries must comply, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows and funding costs, competition, demand for financial services in our market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating the forward-looking statements contained herein, and you should not place undue reliance on such statements, which reflect our views as of the date of this meeting.

1908

"THE BEGINNING"



First National Bank is celebrating its 115th Year of Operation

From humble beginnings, we have grown to 18 branches stretching from Danville to Charlottesville

Our history proves our resilience, commitment to our clients and dedication to our mission...

To provide an "Extraordinary Customer Experience"

We have a video to share with you today that highlights our Company's perseverance and commitment to excellence over the past 115 years and our position as we head into the future

PERSPECTIVE



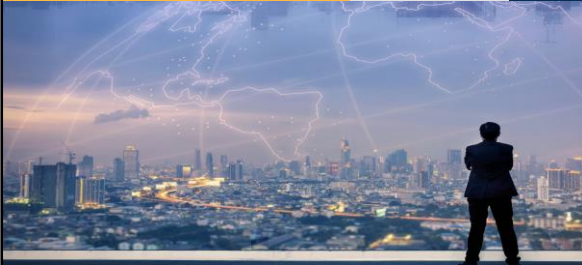
Perspective

- I hope you enjoyed the video
- It gives great perspective on First National's beginning, the challenges faced, growth & accomplishments over time & our position today
- Special thanks to Kurt Martin & Tracie Gallahan for the time, effort & creativity in putting it together

VISION



To be recognized as the “Premier Community Banking Organization” in Virginia



We are in a great position as we pursue our Vision is to be recognized as the ***Premier Community Bank in Virginia***

BUSINESS MODEL



- ✓ **Self-Funded, Strong, Diversified Base of Core Deposits**
- ✓ **Sound & Diversified Loan Portfolio**
- ✓ **Top of Peer Non-Interest Income**
- ✓ **State of the Art Digital Platforms**



Our Business Model remains consistent and is based on:

- **A Self-Funded, Strong, Diversified Base of Core Deposits** primarily comprised of checking and transaction accounts, providing cost efficient funding and ability to price for desired loans
- **A Sound & Diversified Loan Portfolio** of Superior Quality compared to Peers, underwritten and priced to mitigate Credit & Interest Rate Risk
- **Top of Peer Non-Interest Income** derived from wide-ranging Revenue Streams
- **State of the Art Digital Platforms** that evolve with ever-changing customer preferences

BRANDING & FOOTPRINT



✓ Strong, Consistent Branding

✓ Regional Footprint across Central & Southern Virginia



We are committed to:

- **Strong, Consistent Branding** focused on Trust, Honesty, Integrity, Community & Local Decision Makers
- **and a Regional Footprint across Central & Southern Virginia** with highly Visible Facilities exhibiting a Clean & Crisp Image that exemplify Strength & Professionalism

PEOPLE



- ✓ **Top Financial Professionals**
- ✓ **Strong Desire to Continually Improve**
- ✓ **Commitment to Established Service Standards**



Our employees are our most valuable asset, and we intend to:

- Employ the **top Financial Professionals** of high character and integrity
- People that possess an inherent **Strong Desire to Continually Improve** & reach Potential and...
- that are **Committed to established Service Standards** in order to deliver on our mission to **provide an Extraordinary Customer Experience**

OBJECTIVES



- ✓ **Managed Growth**
- ✓ **Improved Efficiency & Productivity**
- ✓ **Above Peer Returns**
- ✓ **Preservation of our Community Bank Approach**



Our Objectives continue to be:

- Managed Growth
- Improved Efficiency & Productivity
- Above Peer Returns
- Preservation of our Community Bank Approach

✓ Positioned for future success



PINNACLE
BANKSHARES
CORPORATION

- Most importantly, based on our 2022 and 1st Quarter 2023 performances, we believe we are well positioned for future success

2022 PERFORMANCE



2022 Performance

- Major Achievements and Overall Financial Performance

2022 MAJOR ACHIEVEMENTS



- ✓ **Record High Net Income**
- ✓ **Loan Growth of 15%**
- ✓ **Expanded Securities Portfolio**
- ✓ **Converted Charlottesville LPO to a Full-Service Branch**
- ✓ **Navigated through Significant Management Succession**



2022 Major Achievements

- Record High Net Income
- Loan Growth of 15%
- Expanded Securities Portfolio
- Converted Charlottesville LPO to a Full-Service Branch
- Navigated through Significant Management Succession

2022 FINANCIAL PERFORMANCE

INCOME STATEMENT



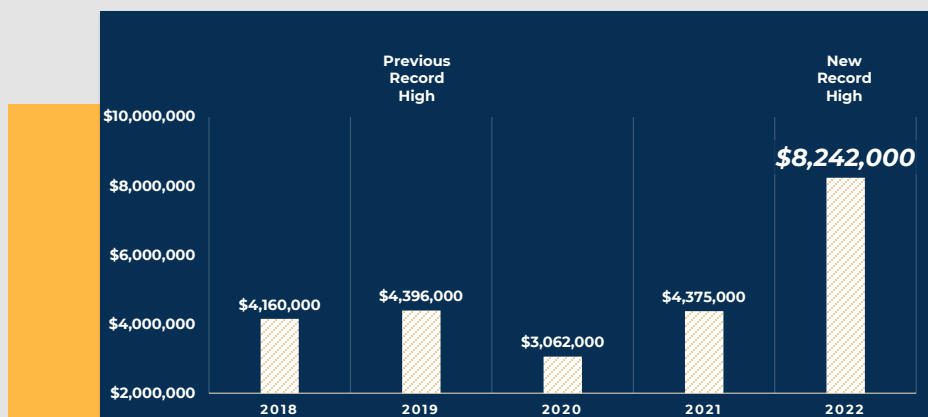
- ✓ Record High Net Income of \$8.2 million
- ✓ Increase of \$3.9 million, or 88%, compared to 2021
- ✓ ROA = 0.82%
- ✓ Efficiency Ratio = 73%



From an Income Statement perspective, 2022:

- Generated Record High Net Income of \$8.2mm
- Increase of \$3.9mm, or 88%, compared to 2021
- ROA = 0.82%
- Efficiency Ratio = 73%

NET INCOME TREND



Net Income Trend for the last 5 years

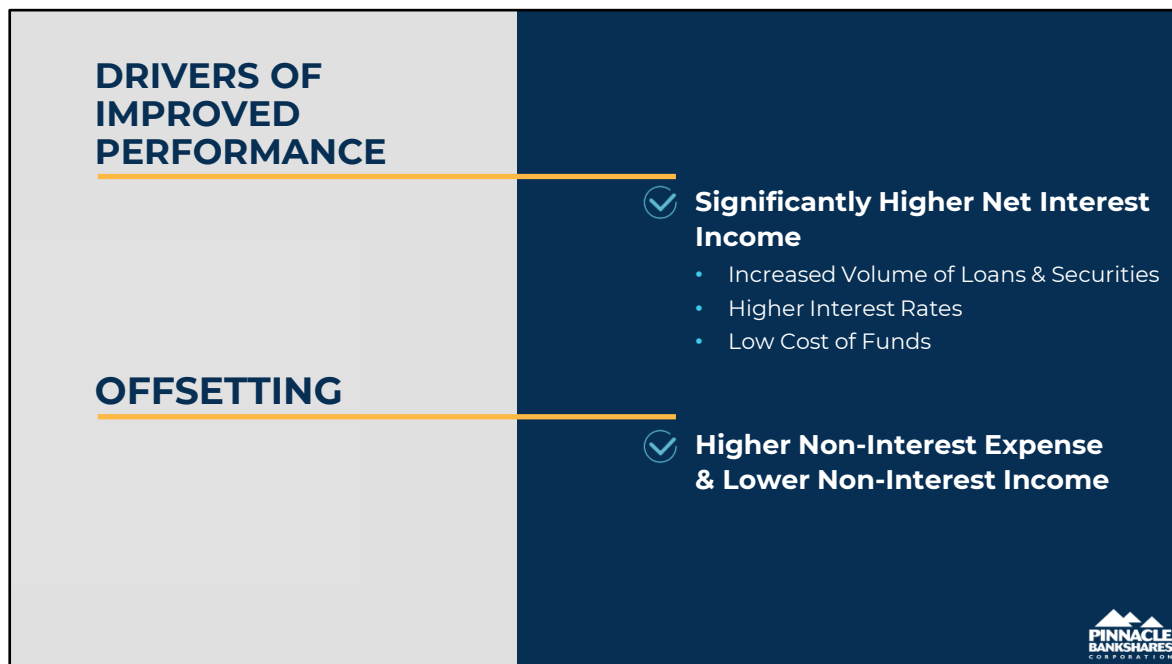
2018 - \$4,160m

2019 - \$4,396m (previous Record High)

2020 - \$3,062m

2021 - \$4,375m

2022 - \$8,242m (new Record High)



Drivers of our 2022 Performance

Significantly Higher Net Interest Income as a result of:

- Increased **Volume of Loans & Securities**, **Higher Interest Rates**, and **Low Cost of Funds**

Which Offset

- Higher Non-Interest Expense & Lower Non-Interest Income**

2022 FINANCIAL PERFORMANCE

NET INTEREST INCOME



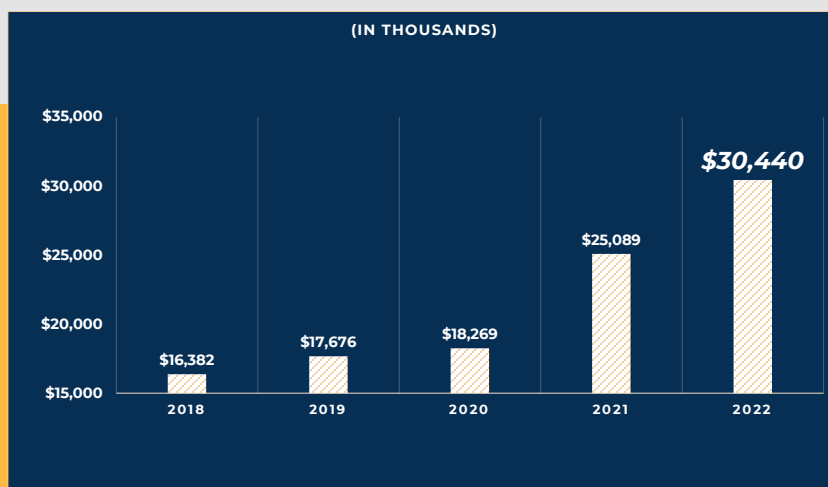
- ✓ **\$30.4 million**
- ✓ **Increase of \$5.4 million, or 21%**
- ✓ **Higher Volume of Loans & Securities**
- ✓ **Low Cost of Funds: .14%**



2022 Net Interest Income

- \$30.4mm
- Increase of \$5.4mm, or 21%
- Higher Volume of Loans & Securities
- Low Cost of Funds at .14%

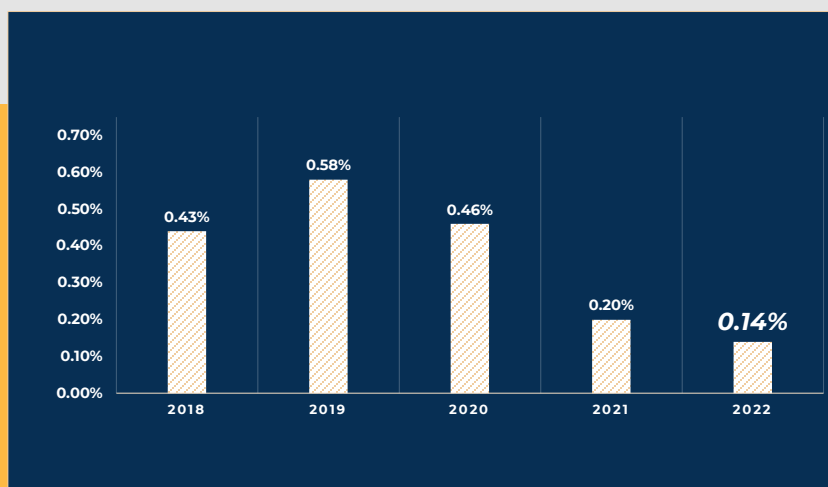
NET INTEREST INCOME TREND



Net Interest Income

- Chart of our Net Interest Income from 2018 to 2022
- Increased Loans & Securities Volume drove improvement in 2022

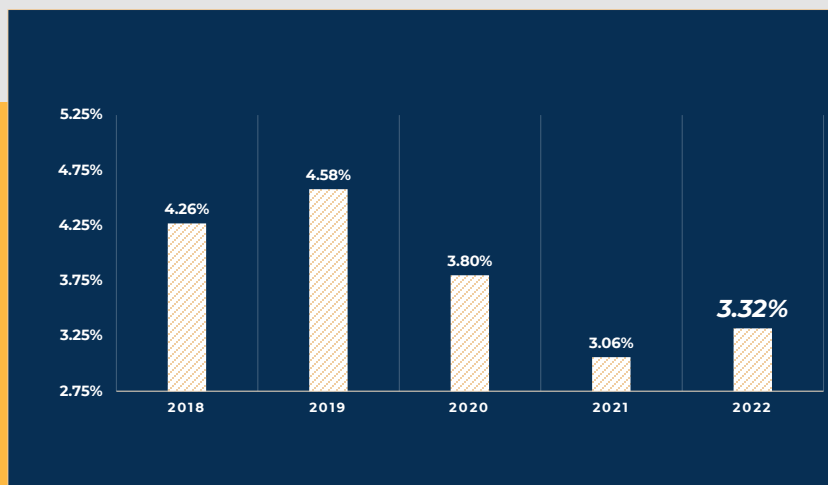
COST TO FUND EARNING ASSETS



Cost of Funds

- Our Net Interest Income has benefited from our ability to maintain a low Cost of Funds
- In 2022, our Cost of Funds decreased (6 bps) to .14%, although our Deposit Interest Rates increased during the 4th Qtr 2022, which will impact our cost going forward

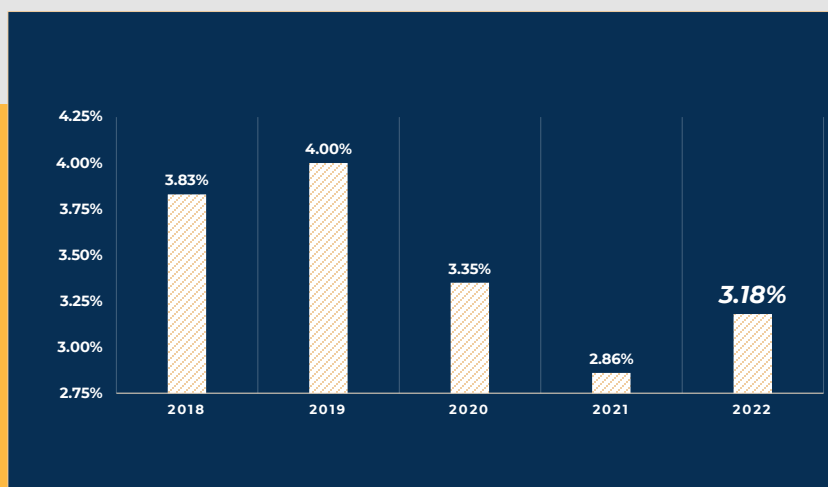
EARNING ASSETS' YIELD



Earning Assets' Yield

- Up 26 basis points to 3.32% in 2022 due to Increased Volume of Loans & Securities and higher Interest Rates

NET INTEREST MARGIN



Net Interest Margin

- Interest Income less Interest Expense / Average Earning Assets
- Improvement of 32 basis points to 3.18% in 2022

2022 FINANCIAL PERFORMANCE

NON-INTEREST EXPENSE



✓ \$27.2 million

✓ Increase of \$411,000, or 2%

✓ Increase due to:

- Core Operating System Expenses
- FDIC Insurance

✓ 2022 Salaries & Employee Benefits slightly under 2021

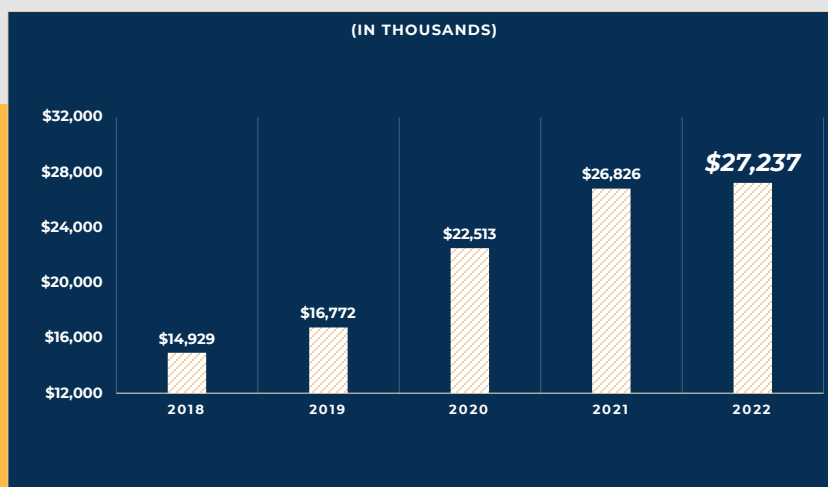
✓ Overall, Non-Interest Expense was well-controlled



2022 Non-Interest Expense

- \$27.2mm
- Increase of \$411,000, or 2%
- Increase due to:
 - Core Operating System Expenses
 - FDIC Insurance
- 2022 Salaries & Employee Benefits actually slightly under 2021
- Overall, Non-Interest Expense was well-controlled

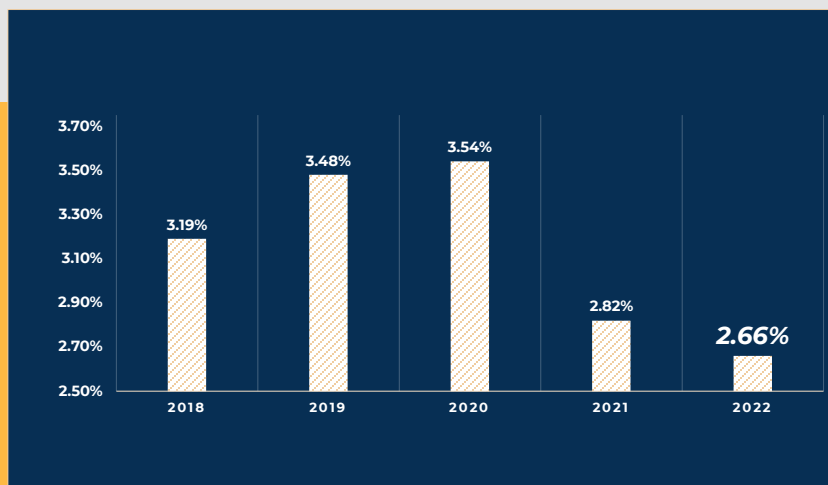
NON-INTEREST EXPENSE



Non-Interest Expense – 5 Year Trend

- Since 2019, the size of the Company has doubled, which has driven the increase in Non-Interest Expense
- Non-Interest Expense was \$16.8mm in 2019 prior to the merger. Double would be \$33.6mm.
- Non-Interest Expense increase in 2022 of 2% considered well-controlled given inflation and the labor market

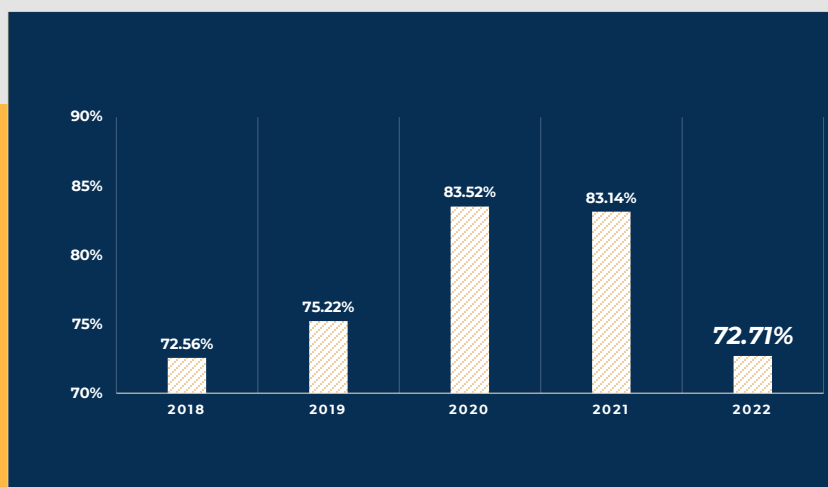
NON-INTEREST EXPENSE / AVERAGE ASSETS



Non-Interest Expense / Average Assets – 5 Year Trend

- Down to 2.66% in 2022
- Ratio was 3.48% in 2019
- Target is < 2.5%

EFFICIENCY RATIO TREND



Efficiency Ratio Trend

Efficiency ratio declined due to improved profitability & controlled expenses

2018 – 72.56%

2019 – 75.22%

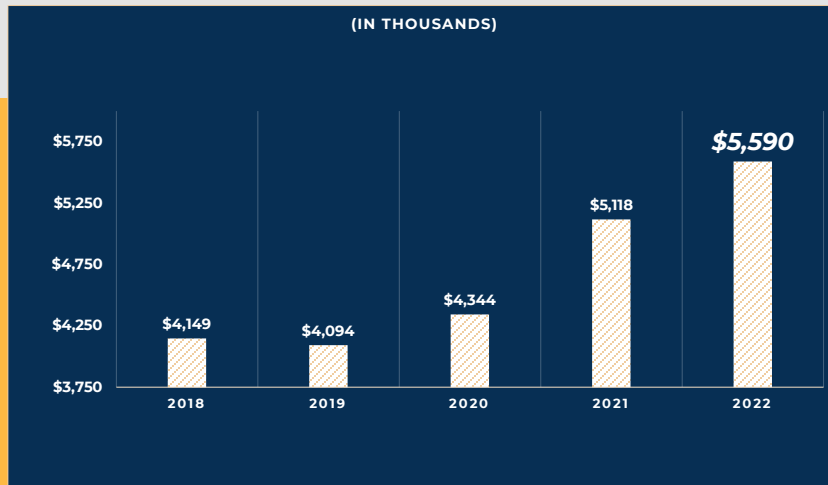
2020 – 83.52%

2021 – 83.14%

2022 – 72.71%

- Improved to 72.71% in 2022 from 83.14% in 2021
- Ratio was 75.22% in 2019
- Target <70%

ASSETS PER FTE TREND



Assets per Full Time Equivalent Trend

- Increased to \$5.6mm per FTE in 2022
- Only \$4.1mm per FTE in 2019
- Target >\$6mm

2022 FINANCIAL PERFORMANCE

NON-INTEREST INCOME



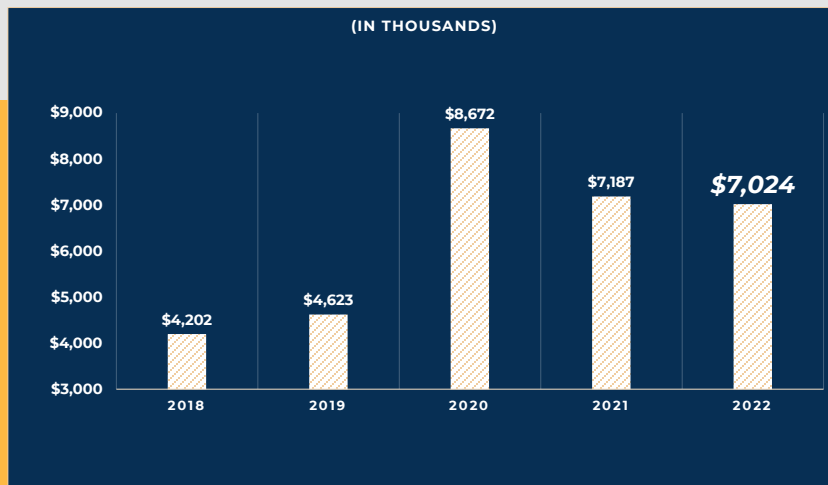
- ✓ \$7 million
- ✓ Decrease of (\$164,000), or (2%)
- ✓ Decline in Mortgage Volume & PPP Loans



2022 Non-Interest Income

- \$7mm
- Decrease of (\$164,000), or (2%)
- Decrease due to decline in Mortgage Volume & PPP Loans

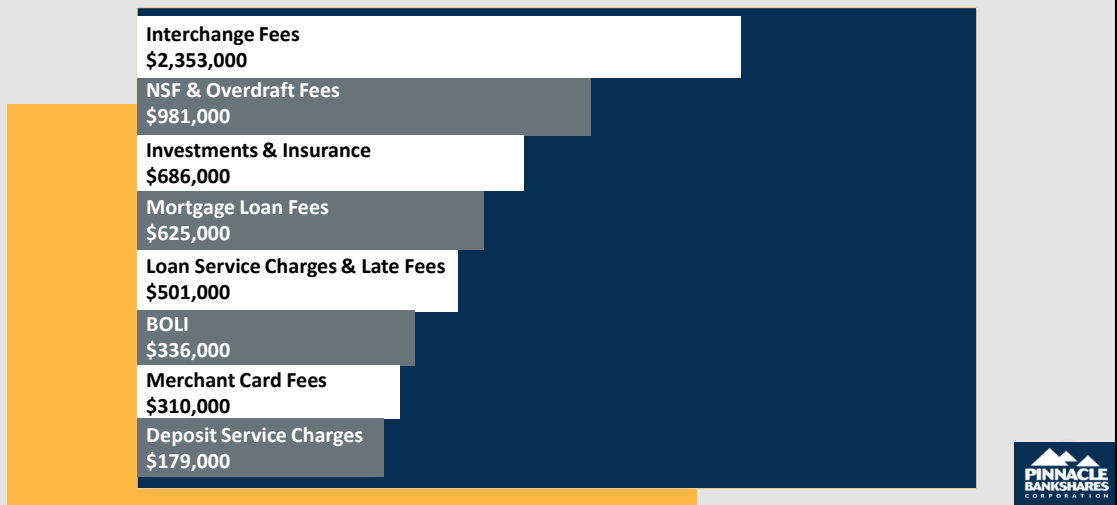
NON-INTEREST INCOME



Non-Interest Income

- Chart of Non-Interest Income from 2018 to 2022
- 2020 - \$6mm without merger bargain purchase gain

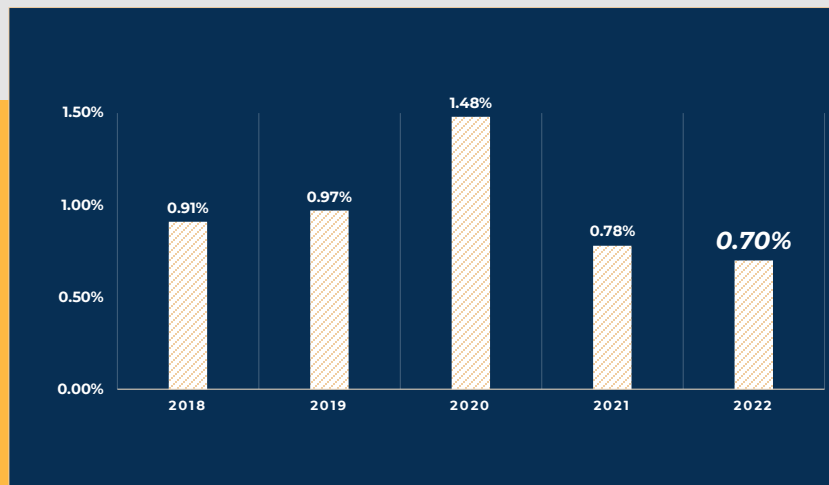
NON-INTEREST INCOME COMPOSITION



Non-Interest Income Composition

- What made up the \$7mm in 2022?
 - Interchange Fees - \$2.3mm
 - NSF & Overdraft Fees - \$981,000
 - Investment & Insurance - \$686,000 (FNB Advisors over \$130 million in Assets Under Management at year-end)
 - Mortgage Loan Fees - \$625,000
 - Loan Service Charges & Late Fees - \$501,000
 - BOLI - \$336,000
 - Merchant Card Fees - \$310,000 (eCommerce)
 - Deposit Service Charges - \$179,000

NON-INTEREST INCOME / AVERAGE ASSETS



Non-Interest Income / Average Assets – 5 Year Trend

- 2020 skewed by merger bargain purchase gain
- Our Target is > 1%
- Increase in Assets and Current Market Challenges have decreased ratio

2022 FINANCIAL PERFORMANCE

PROVISION FOR LOAN LOSSES / ASSET QUALITY



✓ 2022 Provision for Loan Losses: \$190,000

✓ Decrease of (\$43,000), or (18%)

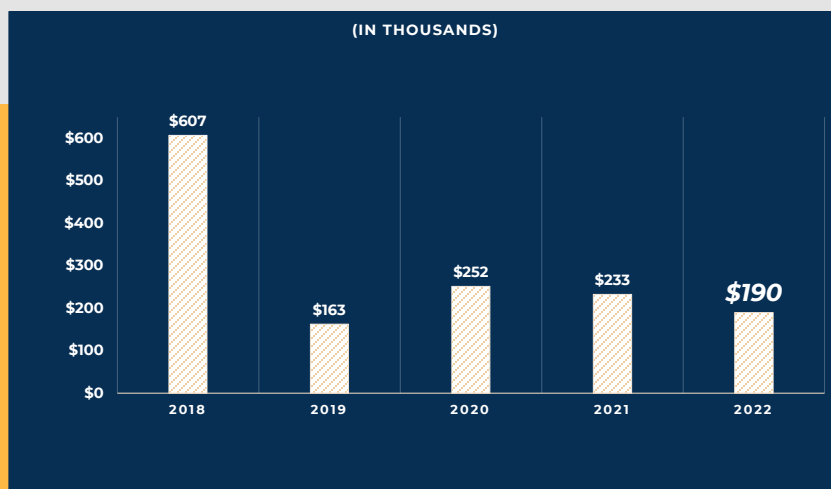
✓ Strong Asset Quality



2022 Provision for Loan Losses

- \$190,000
- Decrease of (\$43,000), or (18%)
- Strong Asset Quality offset Loan Growth

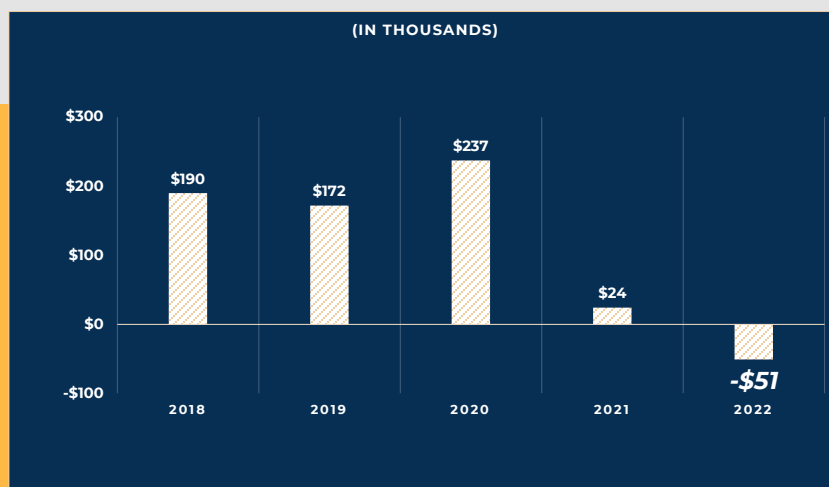
PROVISION FOR LOAN LOSSES



Provision for Loan Losses, Asset Quality & our Allowance for Loan Losses

- Chart of our Provision for Loan Losses from 2018 to 2022

NET CHARGE-OFFS



Net Charge-Offs

- Net Recoveries of (\$51,000) in 2022 as compared to Net Charge-Offs of \$24,000 in 2021
- Benefitted from higher Collateral Values at Liquidation

NON-PERFORMING LOANS / TOTAL LOANS

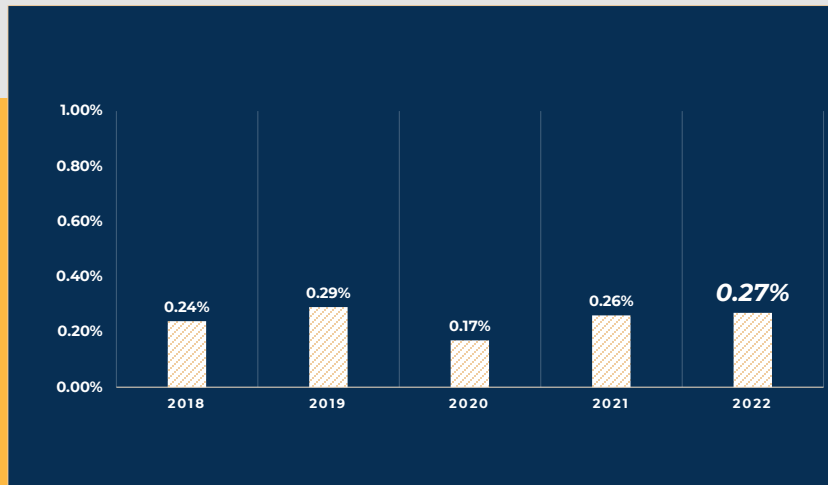
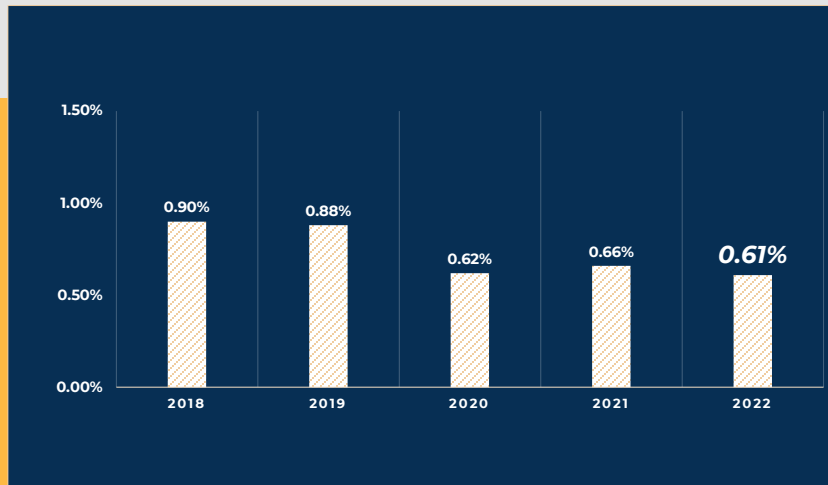


Chart of Non-Performing Loans to Total Loans Ratio over the past 5 Years

- Non-Performing Loans have been very low since 2018 and compare favorably to peers
- Increased slightly to .27% as of 12-31-2022
- We are proud of the fact that the Bank continues to maintain strong Asset Quality with limited concentrations of Construction, Land Development & Non-Owner Occupied Commercial Real Estate Loans

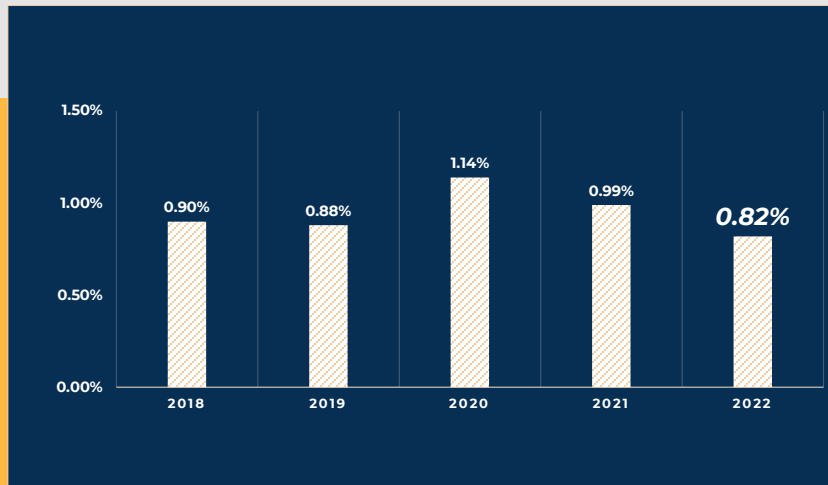
ALLOWANCE TO TOTAL LOANS



Allowance for Loan Losses

- Allowance for Loan Losses fell to 0.61% in 2022 from 0.66% in 2021
- Slight decrease in 2022 due to Overall strong Asset Quality

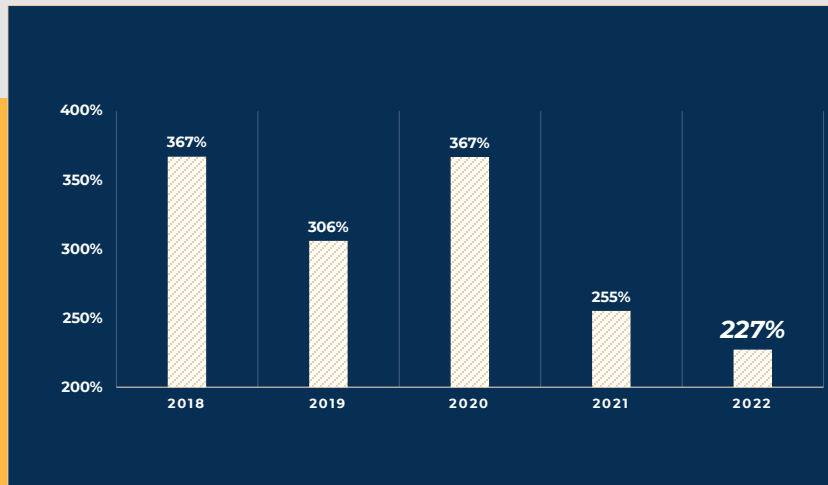
ALLOWANCE + CREDIT MARK TO TOTAL LOANS



Allowance for Loan Losses

- Allowance + Credit Mark on Acquired Loans decreased to 0.82% in 2022 from .99% in 2021
- Again, decrease due to Strong Asset Quality

ALLOWANCE FOR LOAN LOSSES / NON-PERFORMING LOANS



Allowance Coverage of Non-Performing Loans

- Our Allowance balance was \$3,853m as of 12-31-2022
- Providing over 2 to 1 coverage of Non-Performing Loans...
- which Management views as being more than adequate to cover future problems in the Loan Portfolio
- We have fully migrated to a Current Expected Credit Losses Methodology effective January 1, 2023
- \$560,000 increase to what is now referenced as the Allowance for Credit Losses, which was an adjustment to Capital

BALANCE SHEET HIGHLIGHTS

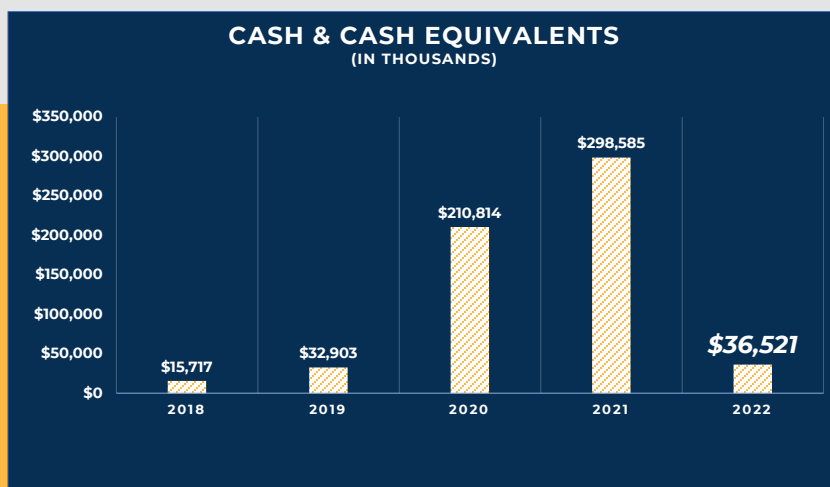
Category	12/31/2022	12/31/2021	\$ Change	% of Change
Cash & Cash Equivalents	\$37mm	\$299mm	(\$262mm)	(88%)
Total Loans	\$633mm	\$552mm	\$81mm	15%
Total Securities	\$251mm	\$121mm	\$130mm	108%
Total Assets	\$970mm	\$1,016mm	(\$46mm)	(5%)
Total Deposits	\$899mm	\$938mm	(\$39mm)	(4%)
Stockholders' Equity	\$57mm	\$62mm	(\$5mm)	(8%)



Balance Sheet

- Here is a summary of our **Balance Sheet Highlights as of 12/31/2022** compared to the prior year end. Please note the following:
 - **Cash & Equivalents** decreased (\$262mm) or (88%)
 - **Total Loans** increased \$81mm or 15%
 - **Total Securities** increased \$130mm or 108%
 - **Total Assets** decreased (\$46mm) or (5%)
 - **Total Deposits** decreased (\$39mm) or (4%)
 - **Stockholders' Equity** decreased (\$5mm) or (8%)

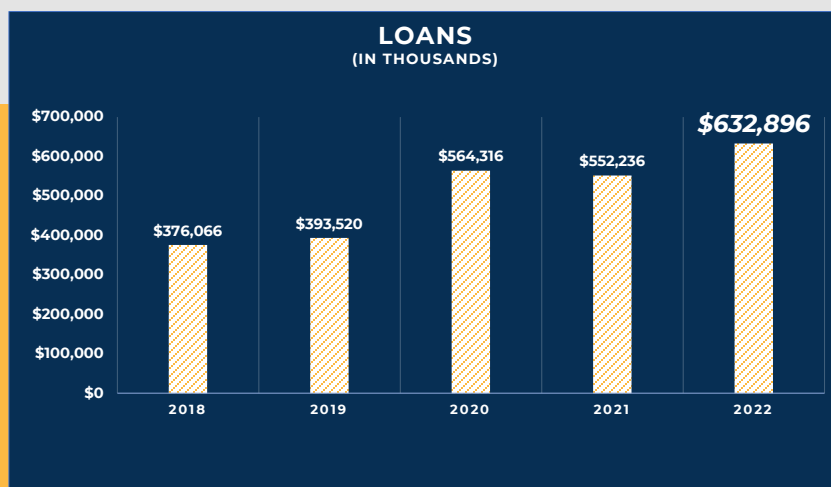
BALANCE SHEET TRENDS



Cash & Cash Equivalents

Decrease of (\$262mm) in 2022 with deployment of funds into Loans & Securities and decline in Deposits

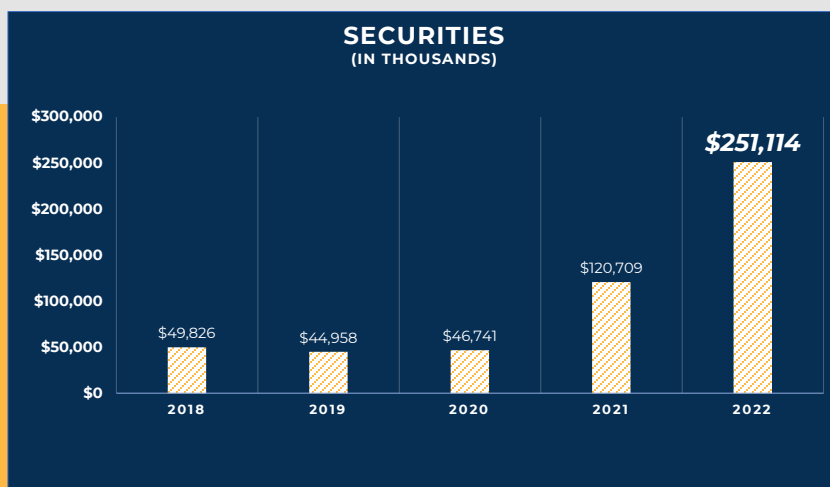
BALANCE SHEET TRENDS



Loans

Increase of \$81mm, or 15%, in 2022, driven by Commercial and our Dealer Division

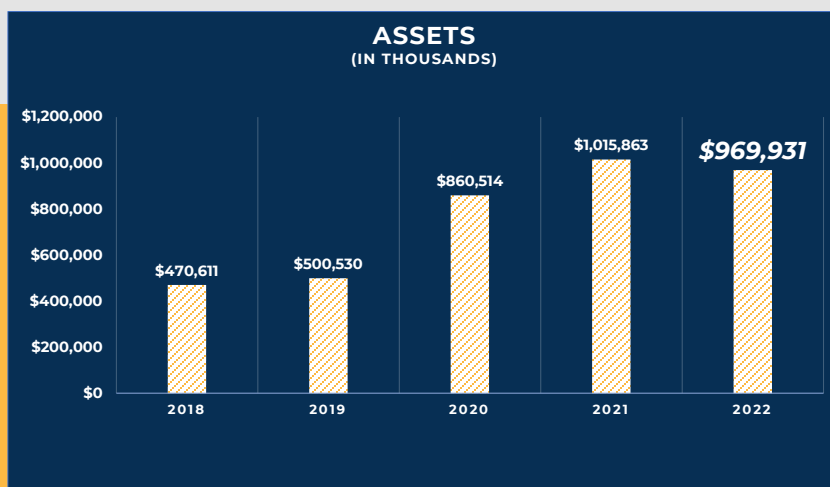
BALANCE SHEET TRENDS



Securities

Increase of \$130mm, or 108%, in 2022, with purchases mainly consisting of short-term Treasury Notes

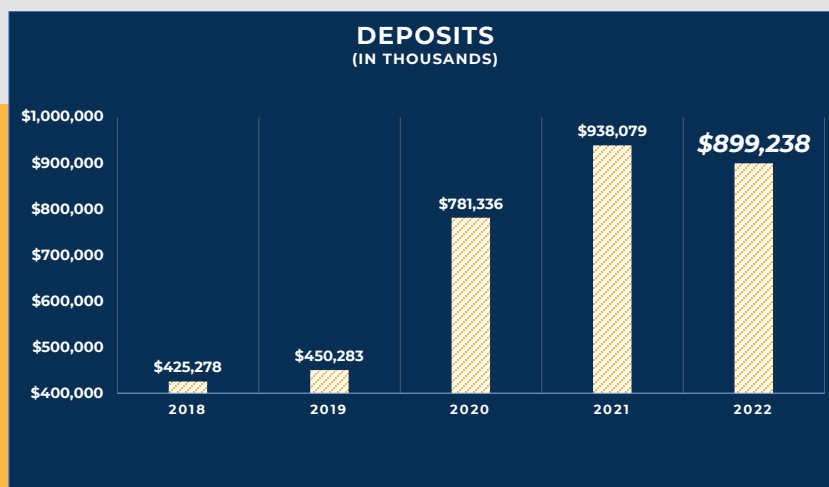
BALANCE SHEET TRENDS



Assets

Decrease of (\$46mm), or (5%), in 2022, due to the decrease in Deposits and Securities Portfolio depreciation

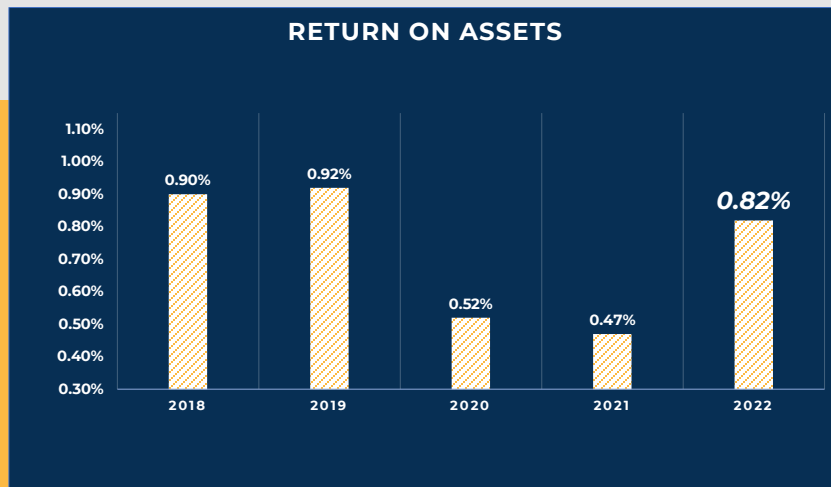
BALANCE SHEET TRENDS



Deposits

Decrease of (\$39mm), or (4%), in 2022, due to the winding down of Government Stimulus, tightening of the money supply, and increased deposits competition

RATIOS & PERFORMANCE



ROA

- Improved to .82% in 2022 from .47% in 2021
- Must continue move towards a 1% ROA
- Why is a 1% ROA important?
 - Fund Dividends
 - Capitalize Growth
 - Meet Investor Expectations
 - Benchmark for High Performing Bank, Demonstration of ability to maximize your own operations

2022 FINANCIAL PERFORMANCE

RISK PROFILE



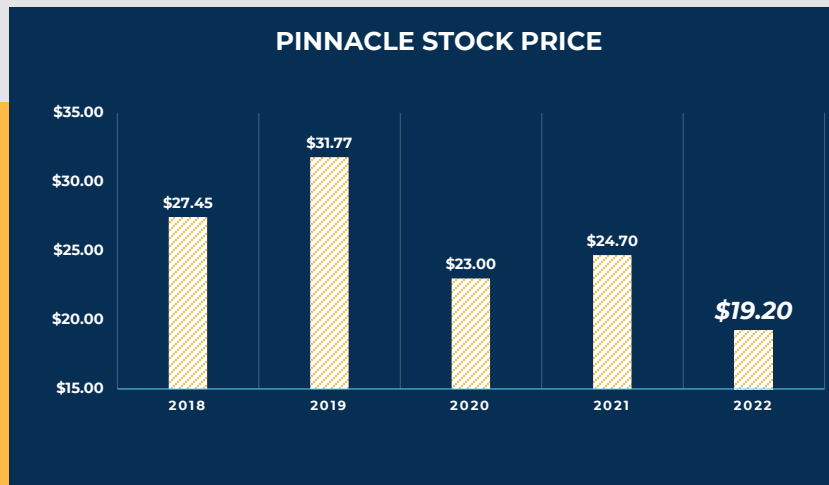
- ✓ Leverage Ratio increased to 8.06% from 7.37%
- ✓ Total Risk-Based Capital at the Bank level decreased to 12.63% from 13.20%
- ✓ Watch List Ratio decreased to 4.47% from 13.78%
- ✓ Non-Performing Loan Ratio increased to .27% from .26%
- ✓ Positive External Loan Review Feedback
- ✓ Clean, Unmodified 2022 Audit Opinion



For 2022, we are pleased to report that:

- Leverage Ratio increased to 8.06% from 7.37%, Current Target >8%
- Total Risk-Based Capital decreased to 12.63% from 13.20%, Current Target >12.5%
- Watch List Ratio decreased to 4.47% from 13.78%, Current Target <10% (Watch List & OREO / Tier 1 Cap & ALLL)
- Non-Performing Loans to Total Loans increased to .27% from .26%, Current Target .50% (Strong Asset Quality)
- Positive External Loan Review & Audit Feedback
- Clean, Unmodified 2022 Audit Opinion

RETURN ON INVESTMENT



Return on Investment

- 2022 Year-End Share Price = \$19.20
 - Down (\$5.50) or (22%)
 - S&P U.S. Banks Index down (19%)

2022 FINANCIAL PERFORMANCE

RETURN ON INVESTMENT



✓ 2022 Total Return = (20%), S&P
U.S. Banks Index = (17%)

✓ Increased Annual Cash
Dividends \$0.05 per share, or
9%, to \$0.61

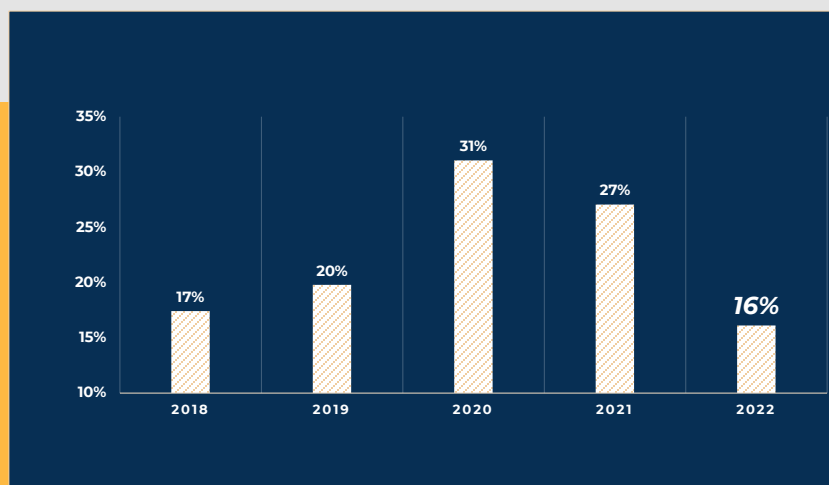
✓ Recently increased Quarterly
Cash Dividend to \$0.20 per
share



Return on Investment

- 2022 Total Return = (20%), with S&P U.S. Bank Index = (17%)
- Increased our Annual Cash Dividends \$0.05 per share, or 9%, to \$0.61
- Recently increased the Quarterly Cash Dividend to \$0.20 per share

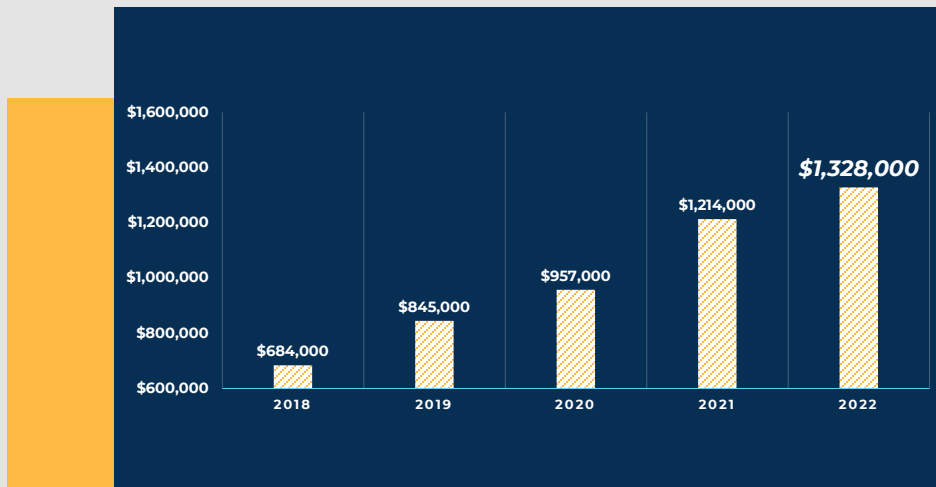
DIVIDEND PAYOUT AS PERCENTAGE OF NET INCOME



Dividends

- Chart of Cash Dividends Paid Out Annually as a percentage of Net Income for the past 5 Years – 1 Quarter In Arrears
- We are targeting an approximate 25% payout in an effort to balance this type of Return and Retained Earnings to support Growth
- Percentage down for 2022 due to significant Net Income improvement
- Have to be mindful of potential economic headwinds

ANNUAL CASH DIVIDENDS PAID



Annual Cash Dividends Paid

- Annual Cash Dividends Paid have increased steadily over the past 5 years and ...
- **Increased \$114m, or 9.4%, in 2022** due to an increase in our quarterly dividend rate to \$0.18 per share, which is now \$0.20 per share

TANGIBLE BOOK VALUE OF STOCK AT YEAR-END



Chart of Tangible Book Value of Stock at Year-End

- Steady growth from 2018 to 2019 due to improved Profitability and our Dividend Strategy
- 2020 decrease due to merger consideration
- 2021 increase of \$1.79 or 6.87%
- 2022 decrease due to Securities Portfolio depreciation captured in Adjusted Other Comprehensive Income (AOCI)

CURRENT BANKING INDUSTRY NEWS



BANKING INDUSTRY

NEWS



- ✓ **Money supply has tightened over the past year**
- ✓ **Federal Stimulus has winded down**
- ✓ **Inflation has spiked**



Banking Industry News

- Money Supply has tightened over the past year
- Federal Stimulus has winded down
- Inflation has spiked

BANKING INDUSTRY

NEWS



- ✓ **FOMC has increased Federal Funds Target 500 BPS to 5.25%**
- ✓ **Banks have experienced declining Liquidity and...**
- ✓ **Increased Cost of Funds**



Banking Industry News

- FOMC has increased Federal Funds Target 500 BPS to 5.25%
- Banks have experienced declining Liquidity and...
- Increased Cost of Funds

BANKING INDUSTRY

NEWS



- ✓ **Silicon Valley Bank (CA), Signature Bank (NY), Silvergate Bank (CA), & First Republic (CA) failures have rattled markets**



Banking Industry News

Silicon Valley Bank (CA), Signature Bank (NY), Silvergate Bank (CA), & First Republic Bank (CA) failures have rattled markets

BANKING INDUSTRY

NEWS





✓

Uniquely different characteristics than most Traditional Financial Institutions

- Non-Traditional Business Models
 - Silicon Valley – Start-Ups, Venture Capital & Technology Sector focused
 - Signature & Silvergate – Cryptocurrency friendly
 - First Republic – Large Wealthy Depositors funding Long-Term Fixed Rate Mortgages
- Large Percentage of Uninsured Deposits
 - Silicon Valley (94%), Signature (89%) & First Republic (68%) – Bank Industry Average = 46%*
- Long-Term Securities Portfolios, Large Unrealized Losses

*S&P Global – Liquidity Crunch will take a bite out of US bank earnings, Nathan Stovall & Zain Tariq, April 11, 2023

Banking Industry News

Uniquely different characteristics than most Traditional Financial Institutions

- Non-Traditional Business Models
 - Silicon Valley (\$210B) – Start-Ups, Venture Capital & Technology Sector focused
 - Signature (\$110B) & Silvergate (\$11B) – Cryptocurrency friendly
 - First Republic (\$229B) – Large Wealthy Depositors funding Long-Term Fixed Rate Mortgages
- Large Percentage of Uninsured Deposits
 - Silicon Valley (94%), Signature (89%), & First Republic (68%)
 - Bank Industry Average = 46%*

**S&P Global – Liquidity Crunch will take a bite out of US bank earnings, Nathan Stovall & Zain Tariq, April 11, 2023*

BANKING INDUSTRY

GOVERNMENT ACTION



- ✓ **FDIC provided customers of Silicon Valley & Signature access to 100% of Deposits and...**
- ✓ **Orchestrated Sale of First Republic to J.P. Morgan-Chase**
- ✓ **Federal Reserve established a Term Funding Program that provides Liquidity to banks through pledging High-Quality Securities, eliminating the need to sell those Securities in Unfavorable Markets at Losses**



Government Action

- FDIC provided customers of Silicon Valley & Signature access to 100% of Deposits and...
- Orchestrated Sale of First Republic to J.P. Morgan-Chase
- Federal Reserve established a Term Funding Program that provides Liquidity to banks through pledging High-Quality Securities, eliminating the need to sell those Securities in Unfavorable Markets at Losses

BANKING INDUSTRY

FIRST NATIONAL BANK



✓ **Business as Usual**

✓ **Conservatively Managed & Well-Capitalized**

✓ **Strong, Diversified Depositor Base**



First National Bank's Position

- Business as Usual
- Conservatively Managed & Well-Capitalized
- Strong, Diversified Depositor Base

BANKING INDUSTRY

FIRST NATIONAL BANK



✓ **24% Uninsured or Non-Collateralized Deposits**

✓ **Securities Portfolio relatively Short-Term**

- 60% U.S. Treasuries – Average Maturity 1.97 Years
- Unrealized Losses 7% of Book Value



First National Bank's Position

- 24% Uninsured or Non-Collateralized Deposits
- Securities Portfolio relatively Short-Term
 - 60% U.S. Treasuries – Average Maturity 1.97 Years
 - Unrealized Losses 7% of Book Value

1ST QUARTER 2023 PERFORMANCE



1st Quarter Financial Performance through March 31, 2023

FINANCIAL PERFORMANCE

1st Quarter 2023



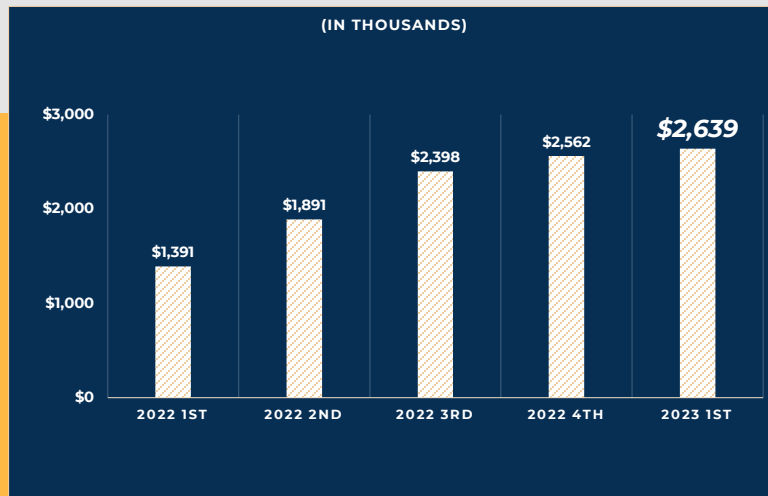
- ✓ Record High Quarterly Net Income = \$2,639,000
- ✓ \$1,248,000 higher than 1st Quarter of 2022
- ✓ Increase of 90%



Financial Performance as of 1st Quarter 2023

- Record High Quarterly Net Income of \$2.6mm
- \$1.2mm higher than 1st Quarter of 2022
- Increase of 90%

NET INCOME – LAST 5 QUARTERS



Last 5 Quarters' Net Income Trend

2022 1st Quarter - \$1,391m

2022 2nd Quarter - \$1,891m

2022 3rd Quarter - \$2,398m

2022 4th Quarter - \$2,562m

2023 - \$2,639m – **Record High Quarterly Net Income**

KEY DRIVERS OF 1ST QUARTER 2023 PERFORMANCE

& PRODUCED

- ✓ Higher Net Interest Income
Offsetting
- ✓ Higher Non-Interest Expense &
Lower Non-Interest Income
- ✓ 1.09% Annualized Return on
Average Assets
- ✓ Efficiency Ratio of 67.21%



Key Drivers of Net Income compared to the same time period of the prior year:

- Higher Net Interest Income Offsetting...
- Higher Non-Interest Expense & Lower Non-Interest Income
- 1.09% Annualized ROA
- Efficiency Ratio of 67.21%

KEY DRIVERS OF 1ST QUARTER 2023 PERFORMANCE



Higher Net Interest Income

- Up \$2.2 million, or 36%, to \$8.3 million
- Due to Higher Loans & Securities Volume and...
- Higher Asset Yields
- Net Interest Margin = 3.64%
- COFS = .67%



Key Drivers of Net Income compared to the same time period of the prior year:

Higher Net Interest Income:

- Up \$2.2mm, or 36%, to \$8.3mm
- Driven by Higher Loans & Securities Volume
- And Higher Asset Yields
- Net Interest Margin = 3.64%
- COFS = .67%

KEY DRIVERS OF 1ST QUARTER 2023 PERFORMANCE



Higher Non-Interest Expense

- Increased \$449,000, or 7%, to \$6.8 million
- Mainly Due to Increased Salaries & Benefits



Key Drivers of Net Income compared to the same time period of the prior year:

Higher Non-Interest Expense:

- Increased \$449,000, or 7%, to \$6.8mm
- Mainly due to increased Salaries & Benefits

KEY DRIVERS OF 1ST QUARTER 2023 PERFORMANCE



Lower Non-Interest Income

- Decreased (\$251,000), or (13%), to \$1.7 million
- Decrease Driven Primarily by Decline in Fees from Mortgage Loans



Key Drivers of Net Income compared to the same time period of the prior year:

Lower Non-Interest Income

- Decreased (\$251,000), or (13%), to \$1.7mm
- Decrease driven primarily by decline in fees from Mortgage Loans

BALANCE SHEET HIGHLIGHTS

Category	3/31/2023	12/31/2022	\$ Change	% of Change
Cash & Cash Equivalents	\$74mm	\$37mm	\$37mm	100%
Total Loans	\$626mm	\$633mm	(\$7mm)	(1%)
Total Securities	\$247mm	\$251mm	(\$4mm)	(1.6%)
Total Assets	\$994mm	\$970mm	\$24mm	2.5%
Total Deposits	\$919mm	\$899mm	\$20mm	2.2%
Stockholders' Equity	\$61mm	\$57mm	\$4mm	7%



Balance Sheet – 1st Quarter 2023

- **Cash & Cash Equivalents** up \$37mm or 100% to \$74mm
- **Total Loans** down (\$7mm) or (1%) to \$626mm
- **Total Securities** down (\$4mm) or (1.6%) to \$247mm
- **Total Assets** up \$24mm or 2.5% to \$994mm
- **Total Deposits** up \$20mm or 2.2% to \$919mm
- **Stockholders' Equity** up \$4mm or 7% to \$61mm

FNB PEER INFORMATION



Peer Information within the
Commonwealth of Virginia



Peer Information

FDIC DEPOSIT MARKET SHARE REPORT

Lynchburg-Danville-Pittsylvania Market Area



Selected Market					June 30, 2022				
State: County:		City: Zip Code:			Outside of Market		Inside of Market		
VIRGINIA AMHERST, BEDFORD, CAMPBELL, DANVILLE (CITY), LYNCHBURG (CITY), PITTSYLVANIA		ALL ALL							
Institution Name	CERT	State (Hqtrd)	Bank Class	State/ Federal Charter	No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share
Truist Bank	9946	NC	NM	State	2,105	433,843,311	13	1,599,689	18.94%
Wells Fargo Bank, National Association	3511	SD	N	Federal	4,758	1,440,504,014	8	1,529,886	18.11%
First National Bank	6811	VA	N	Federal	1	626	17	924,807	10.95%
Carter Bank & Trust	58596	VA	NM	State	57	2,891,724	13	881,958	10.21%
American National Bank and Trust Company	6837	VA	N	Federal	18	1,977,697	8	857,889	10.16%
Bank of The James	35207	VA	SM	State	8	150,952	10	726,656	8.60%
First-Citizens Bank & Trust Company	11063	NC	NM	State	578	88,831,216	8	602,379	7.13%
Bank of America, National Association	3510	NC	N	Federal	3,903	1,963,667,818	2	373,042	4.42%
Select Bank	56563	VA	SM	State	2	32,841	4	344,530	4.08%
Atlantic Union Bank	34589	VA	SM	State	110	15,865,792	3	290,646	3.44%

Statistics as of 6/30/22
Source: FDIC.gov

FDIC Deposit Market Share Report | Lynchburg-Danville-Pittsylvania Market Area

- First National Bank is #3 in the area with 10.95% of the Deposit Market Share

FDIC DEPOSIT MARKET SHARE REPORT

Lynchburg MSA



Selected Market					June 30, 2022				
Metropolitan Statistical Area(s): LYNCHBURG, VA					Outside of Market		Inside of Market		
Institution Name	CERT	State (Hqtrd)	Bank Class	State/ Federal Charter	No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share
Wells Fargo Bank, National Association	3511	SD	N	Federal	4,758	1,440,531,240	8	1,502,760	22.61%
Truist Bank	9846	NC	NM	State	2,106	433,942,024	12	1,500,976	22.58%
Bank of The James	35207	VA	SM	State	7	110,954	11	766,656	11.53%
First National Bank	6811	VA	N	Federal	7	241,173	11	684,260	10.29%
Bank of America, National Association	3510	NC	N	Federal	3,903	1,963,667,818	2	373,042	5.61%
Select Bank	58563	VA	SM	State	2	32,841	4	344,530	5.18%
Carter Bank & Trust	58596	VA	NM	State	63	3,409,460	7	344,222	5.18%
Atlantic Union Bank	34589	VA	SM	State	110	15,865,792	3	290,646	4.37%
First-Citizens Bank & Trust Company	11063	NC	NM	State	583	89,158,023	3	275,572	4.15%
The Farmers Bank of Appomattox	6813	VA	SM	State	2	80,006	3	187,843	2.83%

Statistics as of 6/30/22
Source: FDIC.gov

FDIC Deposit Market Share Report | Lynchburg MSA

- First National Bank is #4 in the area with 10.29% of the Deposit Market Share

FDIC DEPOSIT MARKET SHARE REPORT

Danville-Pittsylvania Market Area



Selected Market					June 30, 2022				
State:	County:	City:	Zip Code:		Outside of Market		Inside of Market		
VIRGINIA	DANVILLE (CITY), PITTSYLVANIA	ALL	ALL						
Institution Name	CERT	State (Hqtrd)	Bank Class	State/ Federal Charter	No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share
American National Bank and Trust Company	6837	VA	N	Federal	20	2,087,388	6	748,200	35.12%
Carter Bank & Trust	58506	VA	NM	State	64	3,235,946	6	517,736	24.31%
First-Citizens Bank & Trust Company	11063	NC	NM	State	581	89,108,788	5	326,807	15.34%
First National Bank	6811	VA	N	Federal	12	684,886	6	240,547	11.29%
Trust Bank	9846	NC	NM	State	2,116	435,262,240	2	180,760	8.49%
Wells Fargo Bank, National Association	3511	SD	N	Federal	4,765	1,441,045,208	1	88,792	4.17%
Movement Bank	9502	VA	NM	State	2	99,913	1	20,676	0.97%
Woodforest National Bank	23220	TX	N	Federal	769	8,343,349	1	6,626	0.31%
Number of Institutions in the Market: 8				TOTALS	8,329	1,980,765,716	28	2,130,144	100.00

Statistics as of 6/30/22
Source: FDIC.gov

FDIC Deposit Market Share Report | Danville-Pittsylvania Market Area

First National Bank is #4 in the area with 11.29% of the Deposit Market Share

PEER RANKINGS

Rank	Bank	Total Deposits (\$000)	Deposits (\$000) / Office	Assets (\$000) / Office	Deposits (\$000) / Employee	Assets (\$000) / Employee	Total Assets (\$000)
9	First Bank and Trust Company	2,710,319	104,243	118,747	6,132	6,985	3,087,425
10	American National Bank & Trust Company	2,615,670	87,189	102,386	7,327	8,604	3,071,566
18	Virginia National Bank	1,399,801	93,320	104,758	9,270	10,406	1,571,370
20	First Bank	1,254,794	59,752	65,375	6,274	6,864	1,372,872
23	Benchmark Community Bank	1,029,013	64,313	70,612	5,145	5,649	1,129,798
28	First National Bank	918,651	51,036	55,105	5,020	5,420	991,882
29	Bank of the James	867,646	45,666	49,388	5,562	6,015	938,374
32	Bank of Botetourt	640,369	45,741	51,061	5,042	5,629	714,848
42	Select Bank	421,916	84,383	91,076	8,114	8,757	455,381
45	Farmers Bank of Appomattox	281,723	56,345	63,565	4,205	4,744	317,824



Overall Asset Ranking as of March 31, 2023:

•#28 of 61

PEER RANKINGS

Rank	Bank	Net Interest Margin Rank	Non-Interest Income Rank	Total Overhead Rank	Asset Quality Rank	ROAE Rank
1	First Bank and Trust Company	18	24	12	15	4
2	Benchmark Community Bank	5	18	36	21	3
3	Virginia National Bank	29	31	8	12	5
5	First Bank	27	11	29	20	8
13	American National Bank & Trust Co.	44	34	9	11	18
17	Bank of Botetourt	23	25	24	38	16
17	First National Bank	33	26	34	22	11
26	Bank of the James	28	75	49	17	31
45	Select Bank	40	55	19	35	34
46	Farmers Bank of Appomattox	26	41	21	48	42



Overall Ranking

- #17 of 61 for 1st Quarter 2023
- Improved from 2022 4th Quarter ranking - #31 of 63
- Goal – Top 25
- Need to continue to work Net Interest Margin & Overhead

OUR PEOPLE / LEADERSHIP



Our People / Leadership



BOARD OF DIRECTORS



Our Board of Directors

Front Row: A. Patricia Merryman, Donald W. Merricks; James E. Burton, IV; Aubrey H. Hall, III, Michael E. Watson, Connie C. Burnette

Back Row: Dr. Robert L. Johnson, II; L. Frank King, Jr., C. Bryan Stott, Carroll E. Shelton, Judson H. Dalton, Robert Hurt, Robert L. Finch, Jr., Dr. Albert L. Payne, James O. Watts, IV; Elton W. Blackstock, Jr.

SENIOR MANAGEMENT



Our Senior Management Members

Todd Hall, Chief Executive Officer

Bryan Lemley, Chief Financial Officer

Allison Daniels, Chief Operating Officer

Michael Lyster, Chief Credit Officer

Krystal Harris, Chief Human Resources Officer

Tracie Gallahan, Chief Revenue Officer

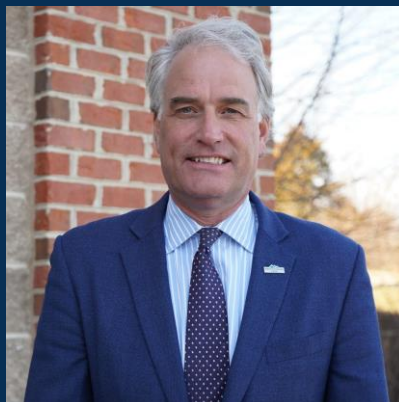
Jim Minear, Chief Lending Officer – Northern Market

Shawn Stone, Chief Lending Officer – Southern Market

Melissa Campbell, Chief Retail Officer

DIRECTOR APPOINTMENT

ROBERT HURT
Appointed August 2022



Director Appointment

Robert Hurt – Appointed August 2022

Mr. Hurt serves as the founding Director of Liberty University's Center for Law & Government and as the Dean of the Helms School of Government. A native of Chatham, Virginia, and attorney by trade, Mr. Hurt previously served in the U.S. House of Representatives and in the Virginia General Assembly in both the Senate & House of Delegates. Mr. Hurt provides a wealth of practical market, legal, government and financial services experience to the board of directors.

DIRECTOR RETIREMENTS

A. PATRICIA MERRYMAN
Retired May 2023



Director Retirements

A. Patricia Merryman | *Retired May 9, 2023*

- We would like to thank Pat Merryman for her service to the Boards of Pinnacle and FNB
- Pat began her service on February 9, 2010 and is retiring from our Boards effective today
- Pat has been a strong advocate for First National and a part of significant change and growth during her tenure
- ***If Ms. Merryman is present:** Pat, please come forward to accept this gift – a token of our appreciation for your dedication and service

DIRECTOR RETIREMENTS

DR. ALBERT L. PAYNE
Retired May 2023



Director Retirements

Dr. Albert L. Payne | Retired May 9, 2023

- We would also like to thank Dr. Payne for his service to the Boards of Pinnacle and FNB
- Dr. Payne began his service on October 30, 2020 and is retiring from our Boards effective today
- He previously served as a Director of Virginia Bank for 25 years and was instrumental in bringing our partnership to fruition
- Dr. Payne brought valuable knowledge of the Danville Market and a strong business skill set to the Boards and we wish him well with his future endeavors
- ****If Dr. Payne is present:*** Albert, please come forward to accept this gift – a token of our appreciation for your dedication and service

SENIOR MANAGEMENT RETIREMENT

VIVIAN S. BROWN

Chief Retail Officer
Retired May 5, 2023



Senior Management Retirements

Vivian S. Brown | *Retired May 5, 2023* | 18 Years of Service to FNB | 35 Years in Banking

- Tremendous job helping to lead our Company through significant growth to include over doubling our number of Branches during her tenure as Chief Retail Officer
- Nominated for Election to the Pinnacle Board

MOVING FORWARD



Concerns & Challenges

- Liquidity & Banking Environment
- Deposit Interest Rate Pressure
- Staffing (Jobs Market – Employee Turnover)
- Potential for Recession
- Managing Capital
- Operational Risks – Online Platforms, Wires, ACH, etc.
- Regulatory Expectations



Concerns & Challenges

- Liquidity & Banking Environment
- Deposit Interest Rate Pressure
- Staffing (Jobs Market – Employee Turnover)
- Potential for Recession
- Managing Capital
- Operational Risks – Online Platforms, Wires, ACH, etc.
- Regulatory Expectations

MOVING FORWARD



Positives

- Normalization of Interest Rates
- Growth of Deposits, Fed Funds sold
- Fully Deployed Balance Sheet
- Diversified Non-Interest Revenue Streams
- Strong Credit Quality
- And...



Positives

- Normalization of Interest Rates
- Growth of Deposits, Fed Funds sold
- Fully Deployed Balance Sheet
- Diversified Non-Interest Revenue Streams
- Strong Credit Quality
- And...



Positives

- Employees who are Here to Stay and Ready to Serve and are our **Most Valuable Asset!**
- These have been challenging, yet exciting times
- They have maintained positive attitudes, while continuing to meet the needs of our clients and communities served
- Our Employees are truly the **Best in the Business**



And speaking of Heritage, Brand, Culture...

It is not a mistake that we are in our 115th Year

We have earned the respect and trust of our customers – they have chosen us to be their financial partner

We are debuting a 30-second commercial that addresses this on a real customer story level and speaks to the impact of our 115-year-old Community Bank

Thank you to Chelsey Campbell, our own Tracie Gallahan's daughter, for participating in this video



PINNACLE BANKSHARES CORPORATION

2023 Annual Meeting of Shareholders



In Closing:

- Pinnacle & First National continue to move forward and I believe we are in a great position for the future.
- **We have faced numerous challenges over our long history and have remained committed to taking care of our clients, communities, employees & shareholders**
- There is a lot of opportunity before us
- **As we aim to be the Premier Community Bank in Virginia**