



2016 YEAR-END REPORT
January 10, 2017

Dear Shareholders:

I am pleased to report that 2016, in all aspects, was our best performing year ever. Earnings, Loan and Deposit growth, loan quality ratios, and expense control numbers were indicative of a high achieving bank. While Lexington enjoys a robust and thriving economy, we also face a highly competitive market which makes these numbers all the more impressive.

Highlights for 2016 are as follows:

- **Net income** for the year was \$2,181,765, a **12.6% increase** from year-end 2015.
- **Return on Assets** for 2016 was **0.84%** compared to 0.81% for 2015.
- **Return on Equity** was **8.43%** for 2016 compared to 8.06% in 2015. The **book value of the Bancorp** finished the year at **\$15.36**, a 6.74% increase over 2015.
- **Loans increased 8.5%** or \$17 million in 2016 compared to year-end 2015. Total Assets finished the year at \$267,964,921, a **9.3% increase** from 2015.
- **Net Interest Margin** was **3.64%** for the year.
- **Non-Performing and over 90 day delinquent loans** stood at **0.17%** at year-end 2016.
- **Net charge-offs** for 2016 were \$19,174 or **0.01% of average loans outstanding**.
- Restructured loans, nonaccrual loans, and other real estate owned ("**Texas**" ratio) was **1.32%** of equity plus loan loss reserve.
- Expense control ratios remained strong with an **efficiency ratio of 65.45%** for the year.
- Capital Ratios stood at a healthy **10.10% Tier One Leverage ratio** and **16.50% Total Risk Based ratio** at 2016 year-end.
- **Loan Loss Reserve** ended 2016 at \$1,955,666 or **0.90%** of loans.

We are appreciative of the opportunity to serve the Lexington community since February 6, 2006. We strive to make a difference in our approach as a local community bank meeting the needs of our friends and neighbors. We have also worked hard to build value for our shareholders through the years in a steady and prudent manner. We look forward to many more successful years ahead.

Your board of directors and I are very thankful of your continued support.

Sincerely,

John Mauldin
CEO

bankoflexington.net