

CAPITAL MARKETS ANNOUNCEMENT

Hometown Bankshares Corporation (OTC PINK: HMTA) Closes Private Placement of \$7.5 Million of Subordinated Notes due 2025

Sandler O'Neill + Partners, L.P. served as the sole placement agent for this offering.

This transaction is the 43rd subordinated note or senior note transaction for a community bank since January 1, 2014 in which Sandler O'Neill acted as a placement agent, sole underwriter or book-runner, more than any other investment bank and approaching half of all the deals done during that period.¹

About the Offering:

Roanoke, VA – December 18, 2015 – HomeTown Bankshares Corporation (OTC PINK: HMTA) (The “Company”), the parent company of HomeTown Bank, announced today that it has completed a private placement of \$7,500,000 in aggregate principal amount of fixed-to-floating rate subordinated notes to certain qualified institutional investors. Unless earlier redeemed, the notes mature on December 30, 2025.

The notes were designed to qualify for Tier 2 capital under the Federal Reserve’s capital guidelines. The Company intends to use the net proceeds of the offering to support continued organic growth and general corporate purposes.

“The offering will allow us to meet the needs of our growing customer base and to support the strong organic growth that we continue to experience,” stated Susan Still, President and Chief Executive Officer.

This announcement is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities.

About the Company:

Hometown Bank (the “Bank”) is a Virginia banking corporation headquartered in Roanoke, Virginia. The Bank was incorporated under the laws of the Commonwealth of Virginia as a state chartered bank in 2004 and began banking operations on November 14, 2005. The Bank was organized to engage in general retail and commercial banking business and was capitalized by more than 2,000 shareholders who wanted a new local bank dedicated to customer service. In 2014 the Bank operated a joint venture with another entity and now has a 49% ownership interest in HomeTown Residential Mortgage, LLC.

(1) Note: Includes nationwide subordinated debt and senior note offerings since 1/1/2014 that involved one or more book managers or placement agents for banks or bank holding companies with less than \$25bn in assets; excludes deals that were not reported and deals where no underwriter or placement agent was reported; Source: SNL Financial and Sandler O'Neill + Partners, L.P.

(2) Financial data is not pro forma for the offering

December 18, 2015

6.75% Fixed-to-Floating
Rate Subordinated Notes
due 2025
\$7.5 Million



Sole Placement Agent

SANDLER O'NEILL + PARTNERS

Financial Highlights (as of 9/30/2015)²

(\$ in thousands)

Total Assets	\$472,973
Net Loans	357,241
Total Deposits	400,227
Total Equity	45,537
TCE / TA	6.74%

Bank Level Capital Ratios

Tier 1 Leverage Ratio	9.74%
Tier 1 Risk-Based Capital Ratio	11.26%
Total Risk-Based Capital Ratio	12.09%

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