

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except share and per share data)

| | <u>(Unaudited)</u> June 30, 2017 | <u>(Audited)</u> December 31, 2016 |
|--|--|--|
| ASSETS | | |
| Cash and due from banks | \$ 3,810 | \$ 5,034 |
| Interest-bearing deposits with banks | 11,630 | 4,607 |
| Federal funds sold | 76 | 80 |
| Investment securities held to maturity | 34,231 | 51,202 |
| Restricted investment securities | 241 | 251 |
| Loans held for sale | - | 735 |
| Loans, net of allowance for loan losses of \$3,276 at 2017 and \$3,420 at 2016 | 117,520 | 120,948 |
| Premises and equipment, net | 6,368 | 6,488 |
| Accrued interest receivable | 417 | 410 |
| Other real estate owned | 6,799 | 5,801 |
| Other assets | 11,922 | 10,844 |
| | <u>11,922</u> | <u>10,844</u> |
| Total assets | <u>\$ 193,014</u> | <u>\$ 206,400</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | | |
| Noninterest-bearing demand deposits | \$ 60,892 | \$ 63,884 |
| Interest-bearing deposits | 116,538 | 126,436 |
| | <u>116,538</u> | <u>126,436</u> |
| Total deposits | 177,430 | 190,320 |
| Accrued interest payable | 56 | 61 |
| Federal funds purchased | - | - |
| Other liabilities | 2,841 | 863 |
| | <u>2,841</u> | <u>863</u> |
| Total liabilities | <u>180,327</u> | <u>191,244</u> |
| Stockholders' equity | | |
| Common stock, \$0.04 par value; 10,000,000 shares authorized, 2,281,915 shares issued and outstanding | 91 | 91 |
| Surplus | 5,058 | 5,058 |
| Retained earnings | 7,538 | 10,007 |
| | <u>7,538</u> | <u>10,007</u> |
| Total stockholders' equity | <u>12,687</u> | <u>15,156</u> |
| Total liabilities and stockholders' equity | <u>\$ 193,014</u> | <u>\$ 206,400</u> |

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In thousands of dollars, except share and per share data)

| | (Unaudited) 6 Months Ended | |
|---|-------------------------------|---------------|
| | June 30, 2017 | June 30, 2016 |
| INTEREST INCOME | | |
| Interest and fees on loans | \$ 3,033 | \$ 3,260 |
| Interest on investment securities, taxable | 238 | 149 |
| Interest on investment securities, tax-exempt | 3 | 6 |
| Interest - other | 85 | 38 |
| | 3,359 | 3,453 |
| INTEREST EXPENSE | | |
| Interest on deposits | 337 | 359 |
| Other interest expense | - | - |
| | 337 | 359 |
| Net interest income | 3,022 | 3,094 |
| PROVISION FOR LOAN LOSSES | - | 2,775 |
| Net interest income after provision for loan losses | 3,022 | 319 |
| NONINTEREST INCOME | | |
| Service fees | 113 | 132 |
| Rental income | 91 | 107 |
| Bank card and credit card interchange fees | 166 | 158 |
| Other income | 170 | 136 |
| | 540 | 533 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 1,659 | 1,497 |
| Occupancy and equipment | 363 | 380 |
| Data processing expenses | 356 | 353 |
| Legal and professional fees | 237 | 168 |
| Postage, stationery and supplies | 44 | 48 |
| Real estate and other taxes | 82 | 51 |
| FDIC insurance assessment | 212 | 143 |
| Losses on other real estate owned | 460 | - |
| Expenses of adversely classified items | 2,157 | 124 |
| Other expenses | 451 | 439 |
| | 6,021 | 3,203 |
| LOSS BEFORE INCOME TAXES | (2,459) | (2,351) |
| INCOME TAX (EXPENSE) BENEFIT | | |
| Current | (11) | (1) |
| Deferred | - | 820 |
| | (11) | 819 |
| NET LOSS | \$ (2,470) | \$ (1,532) |
| Per share data: | | |
| Loss per share | \$ (1.08) | \$ (0.67) |