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NEWS RELEASE

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FOR IMMEDIATE RELEASE

The Bank of Fincastle Announces First Quarter Earnings for 2018

FINCASTLE, VA – April 30, 2018 – The Bank of Fincastle [SYMBOL: BFTL] announced today its quarterly financial report for the first quarter of 2018. For the quarter ended March 31, 2018, the bank had unaudited net income of \$190,000, compared to first quarter of 2017 net loss of \$2,487,000.

The Bank of Fincastle exceeds the BASEL III capital requirements. As of March 31, 2018 The Bank of Fincastle reported total capital of 16.16% and tier 1 leverage capital of 11.91%. Both common equity tier 1 and tier 1 capital ratios were 14.89%.

“Our first quarter earnings are a positive reflection of The Bank of Fincastle’s strategic commitment to improve its asset quality,” said Scott Steele, President and CEO. “This earnings report confirms that we are on track to achieve positive results based on the corporate goals established by our team.” Steele added, “The successful sale of Ashley Plantation Country Club and 70 acres of surrounding real-estate to Runk and Pratt Healthcare was one of many achievements in the first quarter that allowed us to continue our focus on loan growth and realizing increases in deposits.”

Key Highlights

- Net income of \$190,406 versus net income of (\$2,486,508) in the 1st quarter of 2017.
- Asset quality continues to improve. Total nonperforming assets have been reduced by 23.4% during the past 12 months.
- 1st quarter Net Interest Income has increased by 14.63% over the 1st quarter of 2017 as the bank continues to generate strong loan growth.
- Quarterly Non-Interest Expenses have dramatically decreased by 58.4% versus the same quarter in 2017 as expenses related to non-performing loans continues to decline.
- Total assets increased by \$4,157,320 or 2.07% since 12/31/2017
- Total deposits increased by \$3,611,716 or 2.09% since 12/31/2017
- Strong capital position exceeding the BASEL III capital requirements.

Revenue

Total core revenue for the three months ended March 31, 2018 was up 11.92% to \$2.19 million, from \$1.96 million in the first quarter of 2017. Higher core revenues reflected increases in both interest income from the loan portfolio and non-interest income sources, excluding gains on sales of other real estate, gains on sales of other assets, and income from subsidiaries. Growth in commercial lines and

loans, commercial real estate loans, personal lines and loans, as well as non-interest income from interchange fees contributed to the increase in total revenue.

Net Interest Income

Net interest income was \$1.73 million for the three months ended March 31, 2018 compared to \$1.55 million for the three months ended March 31, 2017. This is an increase of \$226,000 or 14.63%. The increase in net interest income continues to be directly associated with the Company's continued loan growth.

Noninterest Income

Core non-interest income decreased 6.78% to \$247,000 for the three months ended March 31, 2018 vs. \$265,000 during the same period of 2017. The primary change in non-interest income resulted from a decrease in earnings from subsidiaries.

Noninterest Expense

Non-interest expense was \$1.785 million for the three months ended March 31, 2018 compared to \$4.296 million for the three months ended March 31, 2017. Non-interest expense decreased primarily due to expenses associated with off-balance sheet liabilities. Personnel expense was at \$868,000 for the three months ended March 31, 2018 compared to \$815,000 for the three months ended March 31, 2017. The bank had \$20,000 in OREO gains for the three months ended March 31, 2018 as compared to losses of \$494,000 for the three months ending March 31, 2017.

Balance Sheet

At March 31, 2018, The Bank of Fincastle total assets were \$204.85 million compared to \$212.91 million at March 31, 2017. Total loans were \$141.15 million at March 31, 2018 compared to \$119.07 million at March 31, 2017. Core Deposits were \$177.07 million at March 31, 2018 compared to \$195.93 million at March 31, 2017.

Loans

Loans increased 18.54% or \$18.03 million to \$141.15 million over the twelve months ended March 31, 2018. Overall loan growth was driven by commercial real estate, commercial and industrial lines and term loans as well as consumer lines and loans.

Deposits

At March 31, 2018 total core deposits increased \$3.16 million or 2.08% since December 31, 2017, while the core decreased \$18.87 million during the twelve months ended March 31 2018. The decrease was due to negative publicity regarding the financial performance of the bank prior to the capital raise.

Capital

The Bank of Fincastle's capital ratios, Common equity tier 1 capital, Total risk-based capital, Tier 1 risk-based capital and Tier 1 leverage ratios were 14.89%, 16.16%, 14.89%, and 11.91%, respectively. All ratios continue to exceed the current regulatory standards for well-capitalized institutions. During the first quarter of 2018 the stock closed as high as \$2.50.

Asset Quality

Asset quality has improved. Nonperforming assets as of March 31, 2018 totaled \$8.37 million compared to \$10.92 million as of March 31, 2017. The Bank of Fincastle had \$3.39 million in nonaccrual loans as of March 31, 2018 compared to \$4.33 million in nonaccrual loans as of March 31, 2017. Other real estate owned totaled \$4.24 million at the end of the first quarter 2018 compared to \$6.59 million at the end of the first quarter 2017.

Nonperforming Assets

OREO balances decreased \$2.35 million or 35.6% during the twelve months ended March 31, 2018 and decreased \$1.38 million or 24.6% in the first quarter. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 3.72% of total assets at March 31, 2018 versus 5.13% at March 31, 2017. Non-performing assets, including restructured loans, were also down from 5.13% of total assets at March 31, 2017 to 4.08% at March 31, 2018.

Past Due and Nonaccrual Loans

Nonperforming loans, excluding performing, restructured loans, of \$3.39 million were 2.35% of total loans at March 31, 2018 versus \$4.33 million or 3.52% of total loans at March 31, 2017. Past due accruing loans amounted to 0.51% of total loans at March 31, 2018 vs 1.01% in 2017 while nonaccruals decreased to 2.35% of total loans at March 31, 2018 from 3.52% of total loans at March 31, 2017. Net charge-offs to average loans outstanding at March 31, 2018 were -0.28% for the quarter versus 0.01% for the quarter ended March 31, 2017.

Allowance for Loan Losses

The Company's Allowance for Loan Losses amounted to \$3.07 million or 2.12% of total loans at March 31, 2018 versus \$3.42 million and 2.78% of total loans at March 31, 2017.

Below are the following financial highlights for comparison:

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

| | (Unaudited) March 31, 2018 | (Unaudited) December 31, 2017 |
|---|-------------------------------|----------------------------------|
| ASSETS | | |
| Cash and due from banks | \$ 3,304,572 | \$ 3,724,989 |
| Interest-bearing deposits with banks | 7,725,377 | 3,234,718 |
| Federal funds sold | 76,000 | 1,088,000 |
| Investment securities held to maturity | - | - |
| Investment securities available for sale | 32,488,957 | 32,707,371 |
| Restricted investment securities | 235,450 | 240,550 |
| Loans held for sale | 220,915 | - |
| Loans, net of allowance for loan losses of \$3,068,769 at 2018 and \$2,967,670 at 2017 | 141,148,802 | 138,047,309 |
| Premises and equipment, net | 5,335,496 | 5,808,484 |
| Accrued interest receivable | 543,318 | 554,791 |
| Other real estate owned | 4,238,854 | 5,623,193 |
| Other assets | 9,532,694 | 9,663,709 |
| Total assets | \$ 204,850,434 | \$ 200,693,114 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | | |
| Noninterest-bearing demand deposits | \$ 62,130,491 | \$ 59,420,025 |
| Interest-bearing deposits | 114,938,217 | 114,036,968 |
| Total deposits | 177,068,708 | 173,456,992 |
| Accrued interest payable | 68,467 | 59,443 |
| Federal funds purchased | - | - |
| Reserve for losses on letters of credit | 1,623,657 | 1,768,307 |
| Other liabilities | 1,477,180 | 896,520 |
| Total liabilities | 180,238,013 | 176,181,262 |
| Stockholder equity | | |
| Common stock, \$0.04 par value; 10,000,000 shares authorized, 9,999,999 shares at 2018 and 9,999,999 shares at 2017, issued and outstanding | 400,000 | 400,000 |
| Surplus | 18,119,152 | 18,119,152 |
| Retained earnings | 6,560,253 | 6,369,845 |

| | | |
|---|----------------|----------------|
| Accumulated other comprehensive income (loss) | (466,984) | (377,145) |
| Total stockholders' equity | 24,612,421 | 24,511,852 |
| Total liabilities and stockholders' equity | \$ 204,850,434 | \$ 200,693,114 |

**THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

| | (Unaudited) | (Unaudited) |
|---|-----------------------|-----------------------|
| | 3 Months Ended | |
| | March 31, 2018 | March 31, 2017 |
| INTEREST INCOME | | |
| Interest and fees on loans | \$ 1,798,335 | \$ 1,558,743 |
| Interest on investment securities, taxable | 133,472 | 113,285 |
| Interest on investment securities, tax-exempt | - | 1,505 |
| Interest - other | 15,148 | 43,883 |
| Total interest income | 1,946,954 | 1,717,415 |
| INTEREST EXPENSE | | |
| Interest on deposits | 168,585 | 170,475 |
| Other interest expense | 5,146 | - |
| Total interest expense | 173,731 | 170,475 |
| Net interest income | 1,773,223 | 1,546,940 |
| PROVISION FOR LOAN LOSSES | | |
| Net interest income after provision for loan losses | - | - |
| | 1,773,223 | 1,546,940 |
| NONINTEREST INCOME | | |
| Service fees | 33,261 | 39,777 |
| Rental income | 43,200 | 45,900 |
| Debit and credit card fees | 91,545 | 83,723 |
| Other income | 79,403 | 96,008 |
| Total noninterest income | 247,410 | 265,407 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 867,637 | 814,959 |
| Occupancy and equipment | 177,545 | 180,066 |
| Data processing expenses | 320,618 | 314,083 |
| Legal and professional fees | 150,991 | 106,913 |
| Postage, stationery and supplies | 24,841 | 21,789 |
| FDIC insurance assessment | 58,468 | 114,033 |
| Losses (gains) on other real estate owned | (20,487) | 494,031 |

| | | |
|--|------------|----------------|
| Expenses of adversely classified items | 56,603 | 2,096,854 |
| Other expenses | 148,930 | 153,127 |
| Total noninterest expense | 1,785,143 | 4,295,855 |
| INCOME (LOSS) BEFORE INCOME TAXES | 235,490 | (2,483,508) |
| INCOME TAX EXPENSE (BENEFIT) | | |
| Current | 2,500 | 3,000 |
| Deferred | 42,581 | - |
| Total income tax expense (benefit) | 45,081 | 3,000 |
| NET INCOME (LOSS) | \$ 190,409 | \$ (2,486,508) |

About The Bank of Fincastle

The Bank of Fincastle has been a leading financial services provider for consumers and small businesses since 1875, and offers a full range of banking, lending and investment products. Headquartered in Fincastle, Virginia, the bank has six full-service branches, thirteen ATM locations, three 7 am to 7 pm drive through locations and offers online banking, mobile banking, 24/7 telephone banking and online real estate applications. To reach one of our professionals visit www.bankoffincastle.bank or call 540-473-2761. The Bank of Fincastle is a Member FDIC, Equal Housing Lender and Equal Opportunity Employer.

For additional information, please contact Michael Jasper (Chief Financial Officer) or Scott Steele (President and CEO) at 540-473-2761 or visit us online at <https://www.bankoffincastle.bank/investor-relations/>

Information in this press release may contain forward-looking statements that might involve risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include without limitation, the effects of future economic conditions, governmental fiscal and monetary policies, legislative and regulatory changes, and changes in interest rates.

