

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

| | (Unaudited) | (Audited) |
|---|--------------------------|--------------------------|
| | December 31, 2018 | December 31, 2017 |
| ASSETS | | |
| Cash and due from banks | \$ 3,305,017 | \$ 3,724,989 |
| Interest-bearing deposits with banks | 4,507,162 | 3,234,718 |
| Federal funds sold | 132,000 | 1,088,000 |
| Investment securities held to maturity | - | - |
| Investment securities available for sale | 32,250,341 | 32,707,371 |
| Restricted investment securities | 235,450 | 240,550 |
| Loans held for sale | 573,000 | - |
| Loans, net of allowance for loan losses of \$2,676,945 at 2018 and \$2,967,670 at 2017 | 148,820,724 | 138,047,309 |
| Premises and equipment, net | 5,099,030 | 5,808,484 |
| Accrued interest receivable | 600,216 | 554,791 |
| Other real estate owned | 2,107,010 | 5,623,193 |
| Other assets | 9,487,493 | 9,663,709 |
| Total assets | <u>\$ 207,117,442</u> | <u>\$ 200,693,114</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | | |
| Noninterest-bearing demand deposits | \$ 61,018,397 | \$ 59,420,025 |
| Interest-bearing deposits | 118,093,537 | 114,036,968 |
| Total deposits | 179,111,934 | 173,456,992 |
| Accrued interest payable | 111,799 | 59,443 |
| Federal funds purchased | - | - |
| Reserve for losses on letters of credit | 1,358,880 | 1,768,307 |
| Other liabilities | 1,208,295 | 896,520 |
| Total liabilities | <u>181,790,908</u> | <u>176,181,262</u> |
| Stockholders' 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 | 7,245,928 | 6,369,845 |
| Accumulated other comprehensive income (loss) | (438,546) | (377,145) |
| Total stockholders' equity | <u>25,326,534</u> | <u>24,511,852</u> |
| Total liabilities and stockholders' equity | <u>\$ 207,117,442</u> | <u>\$ 200,693,114</u> |

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

| | (Unaudited) | (Unaudited) |
|---|--------------------------|--------------------------|
| | 3 Months Ended | |
| | December 31, 2018 | December 31, 2017 |
| INTEREST INCOME | | |
| Interest and fees on loans | \$ 1,889,841 | \$ 1,595,934 |
| Interest on investment securities, taxable | 131,308 | 162,308 |
| Interest on investment securities, tax-exempt | - | 416 |
| Interest - other | 31,581 | 9,061 |
| | <hr/> | <hr/> |
| Total interest income | 2,052,730 | 1,767,719 |
| INTEREST EXPENSE | | |
| Interest on deposits | \$ 241,742 | \$ 159,115 |
| Other interest expense | - | 8,224 |
| | <hr/> | <hr/> |
| Total interest expense | 241,742 | 167,339 |
| Net interest income | 1,810,988 | 1,600,380 |
| PROVISION FOR LOAN LOSSES | <hr/> | <hr/> |
| | 220,000 | - |
| Net interest income after provision for loan losses | <hr/> | <hr/> |
| | 1,590,988 | 1,600,380 |
| NONINTEREST INCOME | | |
| Service fees | 39,834 | 39,768 |
| Rental income | 34,800 | 41,993 |
| Bank card and credit card interchange fees | 101,309 | 92,068 |
| Other income | 85,105 | 113,052 |
| | <hr/> | <hr/> |
| Total noninterest income | 261,048 | 286,881 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 886,352 | 826,581 |
| Occupancy and equipment | 167,003 | 170,879 |
| Data processing expenses | 340,142 | 325,378 |
| Legal and professional fees | 112,048 | 191,624 |
| Postage, stationery and supplies | 25,487 | 30,363 |
| FDIC insurance assessment | 19,547 | 59,083 |
| Losses (gains) on other real estate owned | 64,600 | (407,007) |
| Expenses of adversely classified items | (196,387) | 238,158 |
| Other expenses | 223,379 | 177,498 |
| | <hr/> | <hr/> |
| Total noninterest expense | 1,642,171 | 1,612,557 |
| INCOME (LOSS) BEFORE INCOME TAXES | <hr/> | <hr/> |
| | 209,865 | 274,704 |
| INCOME TAX EXPENSE (BENEFIT) | | |
| Current | (1,378) | (67,139) |
| Deferred | (10,429) | 1,414,048 |
| | <hr/> | <hr/> |
| Total income tax expense (benefit) | (11,807) | 1,346,909 |
| NET INCOME (LOSS) | <hr/> <hr/> | <hr/> <hr/> |
| | \$ 221,672 | \$ (1,072,205) |