



FOR IMMEDIATE RELEASE

The Bank of Fincastle Announces First Quarter Earnings for 2019

FINCASTLE, VA – April 30, 2019 – The Bank of Fincastle [SYMBOL: BFTL] has announced its first quarter 2019 financial report and is pleased to report unaudited net income of \$217,682 for the quarter ended March 31, 2019. This is a 14.32% improvement when compared to the first quarter 2018 net income of \$190,409.

“We continue to remain on course with our strategic growth plan as evidenced by our quarterly increase in deposits, and total assets. Continued improvement in our quarterly earnings is a proud accomplishment for our management team and loyal employees who continue to be focused on our long-term success,” said Scott Steele, President and Chief Executive Officer. “We were also pleased with the addition of Kirtesh Patel to our Board of Directors during the first quarter of this year. Mr. Patel is an experienced business manager and executive, and his knowledge will be a valuable asset to our Board of Directors.”

Key highlights include an increase in total assets of \$7,416,556 and an increase in total deposits of \$6,904,167 since December 31, 2018. Asset quality continues to improve with total nonperforming assets being reduced by 35% during the past twelve months. Net interest income has improved as the Bank continues to grow its loan portfolio.

The Bank’s strong capital position exceeds the BASEL III capital requirements. As of March 31, 2019 The Bank of Fincastle reported total capital of 16.41% and tier 1 leverage capital of 11.89%. Both common equity tier 1 and tier 1 capital ratios were 15.15%.

Key Highlights

- Increase in total assets by \$7,416,556 or 3.58% and an increase in total deposits by \$6,904,167 or 3.85%, since December 31, 2018
- For the first 3 months of 2019, the Bank has achieved a Return on Average Assets of 0.42% versus 0.38% for the first quarter in 2018, a 14.32% improvement and Return on Average Equity 3.85%.
- Net loans grew to \$150.46 million in the first quarter from \$141.37 million in the first quarter of 2018, a 6.4% increase.
- Asset quality continues to improve.
 - Quarter-end 30-89 day delinquencies are 0.41% of the portfolio vs. 0.51% on 3/31/2018.
 - Nonaccrual loans and 90 day past dues were reduced to \$2.18 million compared to \$3.39 million in first quarter 2018, a 35.8% reduction.
 - OREO was reduced to \$2.78 million from \$4.24 million during the twelve months ending 3/31/2019, a 34.5% reduction
 - OREO as a percentage of total assets has improved from 2.07% at 3/31/2018 to 1.29% at 3/31/2019.

- Quarterly non-interest income was \$250,903, up 1.41% from the same quarter last year.
- Quarterly non-interest expense was \$1.82 million for the three months ended March 31, 2019 compared to \$1.79 million for the three months ended March 31, 2018. Non-interest expense increased primarily due to employee expense and Virginia Bank Franchise Tax. The bank had \$873 in OREO net losses for the three months ended 3/31/2019 as compared to net gains of \$20,487 for the three months ending 3/31/2018.
- The bank continues to exceed capital requirements.
- Kirtesh Patel, President and CEO of OMMA Management in Salem, Virginia has joined our Board of Directors.

Revenue

Total core revenue for the three months ended March 31, 2019 was up 2.60% to \$2.34 million, from \$2.02 million in the first quarter of 2018. Higher core revenues reflected increases in both interest income from the loan portfolio and non-interest income sources, excluding 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 and secondary-market mortgage loan origination fees contributed to the increase in total revenue.

Net Interest Income

Net interest income was \$1.82 million for the three months ended March 31, 2019 compared to \$1.77 million for the three months ended March 31, 2018. This is an increase of \$49,299 or 2.78%. The increase in net interest income continues to be directly associated with the Company's continued loan growth.

Noninterest Income

Core non-interest income increased 1.41% to \$250,903 for the three months ended March 31, 2019 versus \$247,409 during the same period of 2018.

Noninterest Expense

Non-interest expense was \$1.82 million for the three months ended March 31, 2019 compared to \$1.79 million for the three months ended March 31, 2018. Non-interest expense increased primarily due to employee expense and Virginia Bank Franchise Tax. The bank had \$873 in OREO net losses for the three months ended March 31, 2019 as compared to net gains of \$20,487 for the three months ending March 31, 2018.

Balance Sheet

At March 31, 2019, The Bank of Fincastle total assets were \$214.51 million compared to \$207.09 million at December 31, 2018. Net loans were \$150.23 million at March 31, 2019 compared to \$148.82 million at December 31, 2018. Total Deposits were \$186.02 million at March 31, 2019 compared to \$179.11 million at December 31, 2018.

Loans

Loans increased 6.44% or \$9.09 million to \$150.23 million over the twelve months ended March 31, 2019. Overall loan growth was driven by commercial real estate and residential real estate lines and term loans.

Deposits

At March 31, 2019 total deposits increased \$8.95 million or 5.05% since March 31, 2018. Deposit growth was driven by local noninterest-bearing deposit accounts and interest-bearing time deposits.

Capital

The Bank of Fincastle's capital ratios: Common equity tier 1 capital was 15.15%, Total risk-based capital was 16.41%, Tier 1 risk-based capital was 15.15% and the Tier 1 leverage ratio was 11.89%. All ratios continue to exceed the current regulatory standards for well-capitalized institutions.

During the first quarter of 2019 the stock closed as high as \$2.50. The Bank's tangible book value per share was \$2.57 on March 31, 2019. Earnings per share for the three months ended March 31, 2019 was \$0.0218.

Asset Quality

Nonperforming assets as of March 31, 2019 totaled \$6.90 million compared to \$10.58 million as of March 31, 2018. The Bank of Fincastle had \$1.97 million in nonaccrual loans as of March 31, 2019 compared to \$3.39 million in nonaccrual loans as of March 31, 2018. Other real estate owned totaled \$2.78 million at the end of the first quarter 2019 compared to \$4.24 million at the end of the first quarter 2018.

Nonperforming Assets

OREO balances decreased \$1.46 million or 34.53% during the twelve months ended March 31, 2019. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 2.31% of total assets at March 31, 2019 versus 3.82% at March 31, 2018. Non-performing assets, including restructured loans, were also down from 5.17% of total assets at March 31, 2018 to 3.22% at March 31, 2019.

Past Due and Nonaccrual Loans

Nonperforming loans, excluding performing, restructured loans, of \$2.18 million were 1.42% of total loans at March 31, 2019 versus \$3.39 million or 2.35% of total loans at March 31, 2018. Past due accruing loans amounted to 0.55% of total loans at March 31, 2019 versus 0.51% in 2018 while nonaccruals decreased to 1.29% of total loans at March 31, 2019 from 2.35% at March 31, 2018. Net charge-offs to average loans outstanding at March 31, 2019 were 0.38% for the quarter versus -0.28% for the quarter ended March 31, 2018.

Allowance for Loan Losses

The Company's Allowance for Loan Losses amounted to \$2.53 million or 1.65% of total loans at March 31, 2019 versus \$3.07 million and 2.12% of total loans at March 31, 2018.

Below are the following financial highlights for the company.

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	\$ 4,452,115	\$ 3,305,017
Interest-bearing deposits with banks	12,421,448	4,507,162
Federal funds sold	120,000	132,000
Investment securities available for sale, at fair value	28,807,095	32,250,341
Restricted investment securities	241,250	235,450
Loans held for sale	230,050	573,000
Loans, net of allowance for loan losses of \$2,530,862 at 2019 and \$2,676,945 at 2018	150,234,211	148,820,724
Premises and equipment, net	5,044,035	5,099,030
Accrued interest receivable	607,488	600,216
Other real estate owned	2,775,332	2,107,010
Bank owned life insurance	5,581,804	5,552,722
Other assets	3,991,582	3,907,183
	<u>\$ 214,506,411</u>	<u>\$ 207,089,854</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 63,958,356	\$ 61,018,397
Interest-bearing deposits	122,057,745	118,093,537
	<u>186,016,101</u>	<u>179,111,934</u>
Total deposits	186,016,101	179,111,934
Accrued interest payable	128,539	111,799
Reserve for losses on letters of credit	1,348,380	1,358,880
Other liabilities	1,337,556	1,208,295
	<u>188,830,576</u>	<u>181,790,908</u>
Total liabilities	188,830,576	181,790,908
Stockholders' equity		
Common stock, \$0.04 par value; 10,000,000 shares authorized, 9,999,999 shares issued and outstanding at 2019 and 2018	400,000	400,000
Surplus	18,119,152	18,119,152
Retained earnings	7,436,022	7,218,340
Accumulated other comprehensive income (loss)	(279,339)	(438,546)
	<u>25,675,835</u>	<u>25,298,946</u>
Total stockholders' equity	25,675,835	25,298,946
Total liabilities and stockholders' equity	<u>\$ 214,506,411</u>	<u>\$ 207,089,854</u>

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	3 Months Ended	
	March 31, 2019	March 31, 2018
INTEREST INCOME		
Interest and fees on loans	\$ 1,925,647	\$ 1,798,335
Interest on investment securities, taxable	124,262	133,472
Interest on interest bearing deposits in banks	37,339	15,148
Total interest income	2,087,248	1,946,955
INTEREST EXPENSE		
Interest on deposits	\$ 263,071	\$ 168,585
Interest on borrowings	1,654	5,146
Total interest expense	264,725	173,731
Net interest income	1,822,523	1,773,224
PROVISION FOR LOAN LOSSES		
	-	-
Net interest income after provision for loan losses	1,822,523	1,773,224
NONINTEREST INCOME		
Service charges on deposit accounts	28,079	33,261
Rental income	34,900	43,200
Debit and credit card fees	95,939	91,545
Other income	91,985	79,403
Total noninterest income	250,903	247,409
NONINTEREST EXPENSE		
Salaries and employee benefits	934,928	867,637
Occupancy and equipment	191,445	177,545
Data processing expenses	346,649	320,618
Legal and professional fees	58,637	150,991
Postage, stationery and supplies	24,746	24,841
FDIC insurance assessment	(32,356)	58,468
Losses (gains) on sale and write-downs of other real estate owned, net	873	(20,487)
Expenses of adversely classified items	84,285	56,603
Other expenses	211,081	148,930
Total noninterest expense	1,820,288	1,785,146
INCOME (LOSS) BEFORE INCOME TAXES	253,138	235,487
INCOME TAX EXPENSE (BENEFIT)	35,456	45,081
NET INCOME (LOSS)	\$ 217,682	\$ 190,406

For additional information, please contact Scott Steele, President and CEO at 540-473-2761.

About The Bank of Fincastle

The Bank of Fincastle has been a leading financial services provider in the Roanoke region 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.

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.

###

Media Contact:

Cindy Bailey
Marketing Director
540-966-0248
cindy.bailey@bankoffincastle.com