



## FOR IMMEDIATE RELEASE

**FINCASTLE, Va. (July 30, 2019)** – The Bank of Fincastle [SYMBOL: BFTL] has announced its quarterly financial report and for the second quarter of 2019 and reports an unaudited net income of \$208,686.

“We are experiencing positive growth in the key areas of the Bank,” said Scott Steele, President and CEO. “In comparison to the first quarter of 2019 we have seen an increase in total assets, total deposits, net interest income and noninterest income, keeping us on track with our plan for strategic growth.”

Key highlights include an increase in total assets of \$4,622,378 and an increase in total deposits of \$4,192,689 since March 31, 2019. Asset quality continues to improve with total nonperforming assets being reduced by 38.7 percent during the past twelve months. Net interest income has increased by 3.8 percent over last quarter as the Bank continues to grow its loan portfolio and noninterest income has improved by 15.9 percent. Net income decreased in the second quarter due to a rise in noninterest expense, specifically legal and consulting fees.

The Bank’s strong capital position exceeds the BASEL III capital requirements. As of June 30, 2019, The Bank of Fincastle reported total capital of 16.30 percent and tier 1 leverage capital of 11.60 percent. Both common equity tier 1 and tier 1 capital ratios were 15.03 percent.

### Key Highlights

- Increase in total assets by \$4,622,378 or 2 percent and an increase in total deposits by \$4,192,689 or 2 percent, since March 31, 2019.
- For the first 6 months of 2019, the Bank has achieved a Return on Average Assets of 0.40 percent versus 0.41 percent for the first 6 months of 2018 and Return on Average Equity 3.29 percent.
- Net loans grew to \$154.53 million in the second quarter from \$150.23 million in the first quarter of 2019, a 2.8 percent increase.
- Asset quality continues to improve.
  - Quarter-end 30-89 day delinquencies are 0.64 percent of the portfolio.
  - Nonaccrual loans and 90 day past dues were reduced to \$2.05 million compared to \$2.18 million in first quarter 2019, a 5.6 percent reduction.
  - OREO was reduced to \$2.40 million from \$2.78 million during the quarter ended 6/30/2019.

- OREO as a percentage of total assets has improved from 1.29 percent at 3/31/2019 to 1.09 percent at 6/30/2019.
- Quarterly non-interest income was \$290,842, up 15.9 percent from the first quarter of 2019.
- Quarterly non-interest expense was \$1.94 million for the three months ended June 31, 2019 compared to \$1.82 million for the three months ended March 31, 2019.
- The Bank continues to exceed capital requirements.
- Annual Shareholder Meeting held on May 22, 2019.

### **Revenue**

Total core revenue for the three months ended June 30, 2019 was up 8.32 percent to \$2.18 million, from \$2.01 million in the second quarter of 2018. 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 \$1.89 million for the three months ended June 30, 2019 compared to \$1.79 million for the three months ended June 30, 2018. This is an increase of \$106,812 or 5.98 percent. The increase in net interest income continues to be directly associated with the Bank's continued loan growth.

### **Noninterest Income**

Core non-interest income increased 19.53 percent to \$290,842 for the three months ended June 30, 2019 versus \$243,315 during the same period of 2018.

### **Noninterest Expense**

Non-interest expense was \$1.94 million for the three months ended June 30, 2019 compared to \$1.75 million for the three months ended June 30, 2018. Non-interest expense increased primarily due to employee expense and Virginia Bank Franchise Tax. The Bank had \$12,658 in OREO net losses for the three months ended June 30, 2019 as compared to net losses of \$965 for the three months ending June 30, 2018.

### **Balance Sheet**

At June 30, 2019, The Bank of Fincastle total assets were \$219.13 million compared to \$207.09 million at December 31, 2018. Net loans were \$154.53 million at June 30, 2019 compared to \$148.82 million at December 31, 2018. Total deposits were \$190.21 million at June 30, 2019 compared to \$179.11 million at December 31, 2018.

### **Loans**

Loans increased 9.37 percent or \$13.24 million to \$150.23 million over the twelve months ended June 30, 2019. Overall loan growth was driven by commercial real estate and residential real estate lines and term loans.

**Deposits**

At June 30, 2019, total deposits increased \$14.07 million or 7.99 percent since June 30, 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 15.03 percent, Total risk-based capital was 16.30 percent, Tier 1 risk-based capital was 15.03 percent and the Tier 1 leverage ratio was 11.60 percent. All ratios continue to exceed the current regulatory standards for well-capitalized institutions.

During the second quarter of 2019, the stock closed as high as \$2.50. The Bank's tangible book value per share was \$2.61 on June 30, 2019. Earnings per share for the three months ended June 30, 2019 was \$0.0209.

**Asset Quality**

Nonperforming assets as of June 30, 2019 totaled \$6.44 million compared to \$10.52 million as of June 30, 2018. The Bank of Fincastle had \$1.86 million in nonaccrual loans as of June 30, 2019 compared to \$4.36 million in nonaccrual loans as of June 30, 2018. Other real estate owned totaled \$2.40 million at the end of the second quarter 2019 compared to \$4.07 million at the end of the second quarter 2018.

**Nonperforming Assets**

OREO balances decreased \$1.67 million or 41.09 percent during the twelve months ended June 30, 2019. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 2.03 percent of total assets at June 30, 2019 versus 4.23 percent at June 30, 2018. Non-performing assets, including restructured loans, were also down from 5.16 percent of total assets at June 30, 2018 to 2.94 percent at June 30, 2019.

**Past Due and Nonaccrual Loans**

Nonperforming loans, excluding performing, restructured loans, of \$2.05 million were 1.30 percent of total loans at June 30, 2019 versus \$4.36 million or 3.02 percent of total loans at June 30, 2018. Past due accruing loans amounted to 0.76 percent of total loans at June 30, 2019 versus 0.16 percent in 2018 while nonaccruals decreased to 1.18 percent of total loans at June 30, 2019 from 3.02 percent at June 30, 2018. Net charge-offs to average loans outstanding at June 30, 2019 were -0.03 percent for the quarter versus -0.04 percent for the quarter ended June 30, 2018.

**Allowance for Loan Losses**

The Company's Allowance for Loan Losses amounted to \$2.54 million or 1.61 percent of total loans at June 30, 2019 versus \$3.08 million and 2.13 percent of total loans at June 30, 2018.

The following are financial highlights for the Bank:

THE BANK OF FINCASTLE AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,764,561	\$ 3,305,017
Interest-bearing deposits with banks	17,437,893	4,507,162
Federal funds sold	114,000	132,000
Investment securities available for sale, at fair value	24,984,285	32,250,341
Restricted investment securities	241,250	235,450
Loans held for sale	403,797	573,000
Loans, net of allowance for loan losses of \$2,541,250 at 2019 and \$2,676,945 at 2018	154,530,495	148,820,724
Premises and equipment, net	5,178,991	5,099,030
Accrued interest receivable	598,043	600,216
Other real estate owned	2,397,082	2,107,010
Bank owned life insurance	5,611,558	5,552,722
Other assets	3,866,833	3,907,183
Total assets	\$ 219,128,789	\$ 207,089,854
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 62,506,693	\$ 61,018,397
Interest-bearing deposits	127,702,097	118,093,537
Total deposits	190,208,790	179,111,934
Accrued interest payable	156,323	111,799
Reserve for losses on letters of credit	1,342,760	1,358,880
Other liabilities	1,325,554	1,208,295
Total liabilities	193,033,428	181,790,908
Stockholders' equity		
Common stock, \$0.04 par value; 10,000,000 shares authorized, 9,999,999 shares at 2019 and 9,999,999 shares at 2018, issued and outstanding	400,000	400,000
Surplus	18,119,152	18,119,152
Retained earnings	7,644,706	7,218,340
Accumulated other comprehensive income (loss)	(68,497)	(438,546)
Total stockholders' equity	26,095,361	25,298,946
Total liabilities and stockholders' equity	\$ 219,128,789	\$ 207,089,854

THE BANK OF FINCASTLE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF OPERATIONS

	3 Months Ended	
	June 30, 2019	June 30, 2018
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 1,998,374	\$ 1,812,492
Interest on investment securities, taxable	113,328	132,680
Interest on interest bearing deposits in banks	93,951	30,385
Total interest income	2,205,653	1,975,557
<b>INTEREST EXPENSE</b>		
Interest on deposits	\$ 313,427	\$ 190,143
Interest on borrowings	-	-
Total interest expense	313,427	190,143
Net interest income	1,892,226	1,785,414
<b>PROVISION FOR LOAN LOSSES</b>		
Net interest income after provision for loan losses	-	-
Net interest income after provision for loan losses	1,892,226	1,785,414
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	35,366	35,019
Rental income	35,550	42,000
Debit and credit card fees	112,752	103,017
Other income	107,174	63,279
Total noninterest income	290,842	243,315
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	954,338	861,672
Occupancy and equipment	169,851	208,262
Data processing expenses	253,329	356,169
Legal and professional fees	113,838	103,829
Postage, stationery and supplies	21,873	21,457
FDIC insurance assessment	27,507	10,773
Losses on sale and write-downs of other real estate owned, net	12,658	965
Expenses of adversely classified items	76,081	17,637
Other expenses	312,166	165,990
Total noninterest expense	1,941,641	1,746,754
<b>INCOME BEFORE INCOME TAXES</b>		
	241,427	281,975
<b>INCOME TAX EXPENSE</b>		
	32,741	55,804
<b>NET INCOME</b>		
	\$ 208,686	\$ 226,171

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](http://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.*

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