



PRESS RELEASE

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The Bank of Fincastle Announces Third Quarter Earnings for 2019

FINCASTLE, Va. (October 30, 2019) – The Bank of Fincastle [SYMBOL: BFTL] has announced its third quarter 2019 financial report and is pleased to report unaudited total assets of \$222.2 million, total liabilities of \$195.78 million and net income of \$300,683 for the three months ended September 30, 2019. Net income shows an improvement of 26 percent when compared to third quarter 2018 net income of \$237,833.

“We are pleased with our continued growth and our improvements in profitability,” said Scott Steele, President and CEO. “Our loan officers have done a great job working with borrowers to address the financing needs of our community, which has led to growth in the Bank’s total loan portfolio by more than 10 percent over the past year. In addition, I am extremely proud of the job our retail sales staff has done growing branch deposits more than 10 percent over the past year while keeping a low 0.66 percent cost of funds. Our management team is well positioned to continue executing our strategy for growth and improved profitability.”

Third quarter numbers reflect continued improvement in asset quality metrics, improvement in the Bank’s net interest income, and overall improvement in profitability.

Key Highlights

- For the 3 months ended September 30, 2019, the Bank has achieved a Return on Average Assets of 0.53 percent versus 0.45 percent for the third quarter of 2018. Return on Average Equity for the third quarter of 2019 was 4.41 percent versus 3.63 percent for the same period in 2018.
- Increase in total assets of \$15.1 million or 7.30 percent and an increase in total deposits of \$14.0 million or 7.83 percent since December 31, 2018
- Deposits grew in the third quarter of 2019 to \$193.14 million from \$174.65 million in the same quarter of 2018. Net loans grew to \$158.50 million in the third quarter of 2019 from \$143.49 million in the third quarter of 2018, a 10.5 percent increase.
- Asset quality continues to improve.

- Quarter-end 30-89 day delinquencies are 0.07 percent of the portfolio
- Non-performing assets, including restructured loans, were down from 4.56 percent of total assets at September 30, 2018 to 2.93 percent at September 30, 2019
- OREO as a percentage of total assets has improved to 0.90 percent at September 30, 2019 from 1.58 percent at September 30, 2018.
- Quarterly non-interest income was \$282,739, down 2.8 percent from the second quarter of 2019.
- Quarterly non-interest expense was \$1,849,758, down 4.7 percent from the second quarter of 2019.
- The Bank continues to exceed capital requirements.

Revenue

Total core revenue for the three months ended September 30, 2019 was up 12.99 percent to \$2.23 million, from \$1.98 million in the third 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 \$1.95 million for the three months ended September 30, 2019 compared to \$1.72 million for the three months ended September 30, 2018. This is an increase of \$228,906 or 13.32 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 10.77 percent to \$284,493 for the three months ended September 30, 2019 versus \$256,837 during the same period of 2018.

Noninterest Expense

Non-interest expense was \$1.85 million for the three months ended September 30, 2019 compared to \$1.85 million for the three months ended September 30, 2018. The Bank had \$14,007 in OREO net losses for the three months ended September 30, 2019 as compared to net losses of \$122,890 for the three months ending September 30, 2018. Non-interest expense increased primarily due to employee expense and Virginia Bank Franchise Tax.

Balance Sheet

At September 30, 2019, The Bank of Fincastle total assets were \$222.20 million compared to \$207.09 million at December 31, 2018. Net loans were \$158.50 million at September 30, 2019 compared to \$148.82 million at December 31, 2018. Total deposits were \$193.14 million at September 30, 2019 compared to \$179.11 million at December 31, 2018.

Loans

Loans increased 10.46 percent or \$15.00 million to \$158.50 million over the twelve months ended September 30, 2019. Overall loan growth was driven by commercial real estate and residential real estate lines and term loans.

Deposits

At September 30, 2019, total deposits increased \$18.49 million or 10.59 percent since September 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 14.82 percent, Total risk-based capital was 16.08 percent, Tier 1 risk-based capital was 14.82 percent and the Tier 1 leverage ratio was 11.58 percent. All ratios continue to exceed the current regulatory standards for well-capitalized institutions.

During the third quarter of 2019, the stock closed as high as \$2.60. The Bank's tangible book value per share was \$2.64 on September 30, 2019. Earnings per share for the three months ended September 30, 2019 was \$0.0301.

Asset Quality

Nonperforming assets as of September 30, 2019 totaled \$6.50 million compared to \$9.24 million as of September 30, 2018. The Bank of Fincastle had \$1.54 million in nonaccrual loans as of September 30, 2019 compared to \$3.88 million in nonaccrual loans as of September 30, 2018. Other real estate owned totaled \$2.01 million at the end of the third quarter 2019 compared to \$3.21 million at the end of the third quarter 2018.

Nonperforming Assets

OREO balances decreased \$1.20 million or 37.33 percent during the twelve months ended September 30, 2019. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 1.92 percent of total assets at September 30, 2019 versus 3.59 percent at September 30, 2018. Non-performing assets, including restructured loans, were also down from 4.56 percent of total assets at September 30, 2018 to 2.93 percent at September 30, 2019.

Past Due and Nonaccrual Loans

Nonperforming loans, excluding performing, restructured loans, of \$2.25 million were 1.39 percent of total loans at September 30, 2019 versus \$3.88 million or 2.64 percent of total loans at September 30, 2018. Past due accruing loans amounted to 0.51 percent of total loans at September 30, 2019 versus 0.37 percent in 2018 while nonaccruals decreased to 0.95 percent of total loans at September 30, 2019 from 2.64 percent at September 30, 2018. Net charge-offs to average loans outstanding for the quarter ended September 30, 2019 were 0.11 percent versus -0.06 percent for the quarter ended September 30, 2018.

Allowance for Loan Losses

The Company's Allowance for Loan Losses amounted to \$2.54 million or 1.58 percent of total loans at September 30, 2019 versus \$3.04 million and 2.07 percent of total loans at September 30, 2018.

The following are financial highlights for the Bank:

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	September 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	\$ 3,945,406	\$ 3,305,017
Interest-bearing deposits with banks	20,943,522	4,507,162
Federal funds sold	120,000	132,000
Investment securities available for sale, at fair value	20,926,617	32,250,341
Restricted investment securities	241,350	235,450
Loans held for sale	173,500	573,000
Loans, net of allowance for loan losses of \$2,544,658 at 2019 and \$2,676,945 at 2018	158,496,634	148,820,724
Premises and equipment, net	5,246,550	5,099,030
Accrued interest receivable	581,629	600,216
Other real estate owned	2,010,458	2,107,010
Bank owned life insurance	5,641,995	5,552,722
Other assets	3,874,894	3,907,183
	\$ 222,202,556	\$ 207,089,854
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 64,225,654	\$ 61,018,397
Interest-bearing deposits	128,911,804	118,093,537
	193,137,459	179,111,934
Total deposits		
Accrued interest payable	159,609	111,799
Reserve for losses on letters of credit	999,236	1,358,880
Other liabilities	1,482,930	1,208,295
	195,779,235	181,790,908
Total liabilities		
Stockholders' equity		
Common stock, \$0.04 par value; 10,000,000 shares authorized, 9,999,999 shares at 2019 and 2018 issued and outstanding	400,000	400,000
Surplus	18,119,152	18,119,152
Retained earnings	7,945,390	7,218,340
Accumulated other comprehensive income (loss)	(41,221)	(438,546)
	26,423,322	25,298,946
Total stockholders' equity		
Total liabilities and stockholders' equity	\$ 222,202,556	\$ 207,089,854

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	3 Months Ended	
	September 30, 2019	September 30, 2018
INTEREST INCOME		
Interest and fees on loans	\$ 2,072,535	\$ 1,766,513
Interest on investment securities, taxable	101,437	131,694
Interest on interest bearing deposits in banks	106,147	28,048
Total interest income	2,280,119	1,926,255
INTEREST EXPENSE		
Interest on deposits	\$ 332,709	\$ 207,751
Interest on borrowings	-	-
Total interest expense	332,709	207,751
Net interest income	1,947,410	1,718,504
PROVISION FOR LOAN LOSSES	-	-
Net interest income after provision for loan losses	1,947,410	1,718,504
NONINTEREST INCOME		
Service charges on deposit accounts	33,881	33,772
Rental income	36,550	40,100
Debit and credit card fees	113,384	108,449
Other income	98,924	233,166
Total noninterest income	282,739	415,487
NONINTEREST EXPENSE		
Salaries and employee benefits	916,125	881,273
Occupancy and equipment	185,280	199,653
Data processing expenses	260,268	332,235
Legal and professional fees	93,197	67,661
Postage, stationery and supplies	21,303	21,541
FDIC insurance assessment	28,647	22,606
Losses on sale and write-downs of other real estate owned, net	14,007	122,890
Expenses of adversely classified items	45,367	40,257
Other expenses	285,699	157,317
Total noninterest expense	1,849,893	1,845,433
INCOME BEFORE INCOME TAXES	380,256	288,558
INCOME TAX EXPENSE	79,573	50,725
NET INCOME	\$ 300,683	\$ 237,833

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.

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