



FOR IMMEDIATE RELEASE

The Bank of Fincastle Announces Year-End Earnings for 2019

FINCASTLE, Va. (January 28, 2020) – The Bank of Fincastle [SYMBOL: BFTL] has announced its fourth quarter 2019 financial report and is pleased to report unaudited total assets of \$221.30 million, total liabilities of \$193.12 million and net income of \$1,387,045 for the three months ended December 31, 2019.

A major key highlight for the fourth quarter was the recapture of a \$1.4 million deferred tax asset reserve. Fourth quarter numbers reflect continued improvement in asset quality metrics, improvement in the Bank's net interest income, and overall improvement in profitability.

"We are delighted to report continued improvement in our financial performance, including strong balance sheet growth, improving asset quality and a year-end recapture of the reserve on our deferred tax asset. All of these things added up to a 2019 year-end Return on Assets Ratio of 1.00% and Return on Shareholder Equity of 8.04%," said Scott Steele, President and CEO.

Key Highlights

- Achieved profitability necessary to recapture the \$1.4 million deferred tax asset reserve at year end
- Grew net loans by 12.73% from year-end 2018 to year-end 2019
- Loan to deposit ratio improved from 83.5% at year-end 2018 to 89.39% at year-end 2019
- Year over year organic deposit growth of 6.71% while maintaining a .66 cost of funds
- Asset quality continues to improve.
 - Quarter-end 30-89 day delinquencies are 0.26% of the portfolio
 - Non-performing assets, including restructured loans, were down from 3.43% of total assets at December 31, 2018 to 2.39% at December 31, 2019
 - OREO as a percentage of total assets has improved to 0.81% at December 31, 2019 from 1.02% at December 31, 2018.
- Hired a commercial loan officer to focus on expanding and accelerating our growth into the Roanoke, Virginia market

Revenue

Total core revenue for the three months ended December 31, 2019 was up 6.02 percent to \$2.18 million, from \$2.06 million in the fourth 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 December 31, 2019 compared to \$1.81 million for the three months ended December 31, 2018. This is an increase of \$74,397 or 4.11 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 28.63 percent to \$335,778 for the three months ended December 31, 2019 versus \$261,048 during the same period of 2018.

Noninterest Expense

Non-interest expense was \$2.46 million for the three months ended December 31, 2019 compared to \$1.67 million for the three months ended December 31, 2018. The Bank had \$413,313 in OREO net losses for the three months ended December 31, 2019 as compared to net losses of \$64,600 for the three months ending December 31, 2018. Non-interest expense increased primarily due to restricted stock compensation expense and write-downs of other real estate.

Balance Sheet

At December 31, 2019, The Bank of Fincastle total assets were \$221.30 million compared to \$207.09 million at December 31, 2018. Net loans were \$167.76 million at December 31, 2019 compared to \$148.82 million at December 31, 2018. Total deposits were \$193.12 million at December 31, 2019 compared to \$179.11 million at December 31, 2018.

Loans

Loans increased 12.73 percent or \$18.43 million to \$167.76 million over the twelve months ended December 31, 2019. Overall loan growth was driven by commercial real estate and residential real estate lines and term loans.

Deposits

At December 31, 2019, total deposits increased \$11.67 million or 6.52 percent since December 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 14.90 percent, Total risk-based capital was 16.15 percent, Tier 1 risk-based capital was 14.90 percent and the Tier 1 leverage ratio was 11.71 percent. All ratios continue to exceed the current regulatory standards for well-capitalized institutions.

During the fourth quarter of 2019, the stock closed as high as \$3.25. The Bank's tangible book value per share was \$2.79 on December 31, 2019. Earnings per share for the three months ended December 31, 2019 was \$0.1372.

Asset Quality

Nonperforming assets as of December 31, 2019 totaled \$5.28 million compared to \$7.10 million as of December 31, 2018. The Bank of Fincastle had \$1.26 million in nonaccrual loans as of December 31,

2019 compared to \$3.04 million in nonaccrual loans as of December 31, 2019. Other real estate owned totaled \$1.79 million at the end of the fourth quarter 2019 compared to \$2.11 million at the end of the fourth quarter 2018.

Nonperforming Assets

OREO balances decreased \$0.32 million or 15.13 percent during the twelve months ended December 31, 2019. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 1.40 percent of total assets at December 31, 2019 versus 2.49 percent at December 31, 2018. Non-performing assets, including restructured loans, were also down from 3.43 percent of total assets at December 31, 2018 to 2.39 percent at December 31, 2019.

Past Due and Nonaccrual Loans

Nonperforming loans, excluding performing, restructured loans, of \$1.26 million were 0.74 percent of total loans at December 31, 2019 versus \$3.04 million or 2.00 percent of total loans at December 31, 2018. Past due accruing loans amounted to 0.26 percent of total loans at December 31, 2019 versus 0.34 percent in 2018 while nonaccruals decreased to 0.74 percent of total loans at December 31, 2019 from 2.00 percent at December 31, 2018. Net charge-offs to average loans outstanding for the quarter ended December 31, 2019 were -0.01 percent versus 1.53 percent for the quarter ended December 31, 2018.

Allowance for Loan Losses

The Company's Allowance for Loan Losses amounted to \$2.35 million or 1.38 percent of total loans at December 31, 2019 versus \$2.68 million and 1.76 percent of total loans at December 31, 2018

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, 7 am to 7 pm drive through hours and offers online account opening, 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

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	\$ 3,136,134	\$ 3,305,017
Interest-bearing deposits with banks	8,722,934	4,507,162
Federal funds sold	126,000	132,000
Investment securities available for sale, at fair value	22,892,227	32,250,341
Restricted investment securities	241,350	235,450
Loans held for sale	442,780	573,000
Loans, net of allowance for loan losses of \$2,349,472 at 2019 and \$2,676,945 at 2018	167,759,353	148,820,724
Premises and equipment, net	4,622,301	5,099,030
Accrued interest receivable	596,652	600,216
Other real estate owned	1,896,218	2,107,010
Bank owned life insurance	5,671,829	5,552,722
Other assets	5,272,939	3,907,183
Total assets	\$ 221,380,716	\$ 207,089,854
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 63,463,543	\$ 61,018,397
Interest-bearing deposits	127,320,903	118,093,537
Total deposits	190,784,445	179,111,934
Accrued interest payable	149,809	111,799
Reserve for losses on letters of credit	944,379	1,358,880
Other liabilities	1,236,529	1,208,295
Total liabilities	193,115,162	181,790,908
Stockholders' equity		
Common stock, \$0.04 par value; 25,000,000 shares authorized, 10,104,999 shares at 2019 and 9,999,999 shares at 2018, issued and outstanding	404,400	400,000
Surplus	18,439,252	18,119,152
Retained earnings	9,417,755	7,218,340
Accumulated other comprehensive income (loss)	4,147	(438,546)
Total stockholders' equity	28,265,555	25,298,946
Total liabilities and stockholders' equity	\$ 221,380,716	\$ 207,089,854

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	12 Months Ended December 31, 2019	12 Months Ended December 31, 2018
INTEREST INCOME		
Interest and fees on loans	\$ 8,032,501	\$ 7,267,180
Interest on investment securities, taxable	417,183	529,153
Interest on interest bearing deposits in banks	337,657	105,162
Total interest income	8,787,340	7,901,495
INTEREST EXPENSE		
Interest on deposits	1,238,142	808,221
Interest on borrowings	1,654	5,146
Total interest expense	1,239,796	813,367
Net interest income	7,547,543	7,088,128
PROVISION FOR LOAN LOSSES		
Net interest income after provision for loan losses	(200,000)	220,000
	7,747,543	6,868,128
NONINTEREST INCOME		
Service charges on deposit accounts	127,829	141,886
Rental income	141,600	160,100
Debit and credit card fees	429,237	404,321
Other income	461,598	460,953
Total noninterest income	1,160,263	1,167,260
NONINTEREST EXPENSE		
Salaries and employee benefits	3,414,859	3,496,934
Restricted Stock Compensation Expense	36,875	-
Occupancy and equipment	790,226	752,463
Data processing expenses	1,238,466	1,349,164
Legal and professional fees	367,748	434,529
Postage, stationery and supplies	89,549	93,325
FDIC insurance assessment	46,526	111,394
Losses (gains) on sale and write-downs of other real estate owned, net	332,851	167,968
Expenses of adversely classified items	287,603	118,110
(Gains) losses on letters of credit, net	-	(200,000)
Other expenses	1,363,299	723,204
Total noninterest expense	7,968,001	7,047,090
INCOME (LOSS) BEFORE INCOME TAXES		
	939,806	988,298
Income tax expense (benefit)	(1,259,610)	139,803
NET INCOME (LOSS)	\$ 2,199,416	\$ 848,495
Per share data:		
Book Value of Stock per Share	2.80	2.53
Income (Loss) per share	\$ 0.2175	\$ 0.0848