



## PRESS RELEASE

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#### The Bank of Fincastle Announces First Quarter Earnings for 2020

**FINCASTLE, Va. (April 30, 2020)** – The Bank of Fincastle [SYMBOL: BFTL] has reported an unaudited quarterly net income of \$86,495 for the first quarter of 2020, with assets of \$223.9 million and total liabilities of \$195.4 million.

“The Bank of Fincastle is off to a good start in 2020 despite the unrepresented challenges of the COVID-19 crisis and the economic impact to our community,” said President and CEO Scott Steele. “COVID-19 has dramatically changed our daily business operations. Our dedicated and hard-working employees continue to deliver the critical financial services our customers need during these uncertain times.” The Bank’s quarter-end allowance for loan losses stands at 1.48% and total risk based capital level is 16.5%. According to Steele, “These number show we are well-positioned for these uncertain economic conditions.”

The Bank continued to experience growth in loans, deposits and total assets in the first quarter. Steele commented, “Compared to the first quarter 2019, we increased net loans by 13.1 percent, increased total assets by 4.4 percent and increased total deposits 3.9 percent. Net interest income and non-interest income were both improved from the same quarter 2019.”

“Once again our asset quality showed strong improvement with OREO falling 55.9 percent and 90-day past dues plus non-accrual loans falling 68.3 percent over the first quarter of 2019,” said Steele.

#### Key Highlights

- Net income of \$86,495
- First quarter Return on Average Assets was 0.17 percent versus 0.46 percent for the first quarter of 2019. Return on Average Equity was 1.33 percent versus 3.69 percent for the same period in 2019.
- Profitability was impacted by a non-cash, non-reoccurring expense of \$240,075.
- Year-over-year net loan growth of 13.1%
- Year-over-year increase in total assets of 4.4% and total deposits of 3.9%
- Year-over-year core deposit increase of \$5,762,830 or 3.43%, while maintaining a low cost of funds of 65bp
- Net Interest income and Noninterest income increased 4.70% and 23.83% respectively.
- Asset quality continues to improve.
- The Bank continues to exceed capital requirements.

## **Revenue**

Total core revenue for the three months ended March 31, 2020 was up 6.99 percent to \$2.22 million, from \$2.07 million in the first quarter of 2019. 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 \$1.91 million for the three months ended March 31, 2020 compared to \$1.82 million for the three months ended March 31, 2019. This is an increase of \$85,647 or 4.70 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 23.83 percent to \$310,700 for the three months ended March 31, 2020 versus \$250,903 during the same period of 2019.

## **Noninterest Expense**

Non-interest expense was \$2.13 million for the three months ended March 31, 2020 compared to \$1.82 million for the three months ended March 31, 2019. Non-interest expense increased primarily due to a non-cash, non-reoccurring expense of \$240,075.

## **Net Income**

Net income for the three months ended March 31, 2020 was down 60.27 percent to \$86,495 from \$217,682 in the first quarter of 2019. If not for the impact of a non-cash, non-reoccurring noninterest expense, the Bank would have outperformed the first quarter of 2019 by 27%.

## **Balance Sheet**

At March 31, 2020, The Bank of Fincastle total assets were \$223.9 million compared to \$214.5 million at March 31, 2019. Net loans were \$170.0 million at March 31, 2020 compared to \$150.2 million at March 31, 2019. Total deposits were \$193.3 million at March 31, 2020 compared to \$186.0 million at March 31, 2019.

## **Loans**

Net loans grew to \$169.98 million in the first quarter of 2020 from \$150.23 million in the first quarter of 2019, a \$19.7 million and a 13.1 percent increase Overall loan growth was driven by commercial real estate and residential real estate lines and term loans.

## **Deposits**

Deposits in the first quarter of 2020 were \$193.26 million compared to \$186.02 million in the same quarter of 2019, an increase of \$7.2 million or 3.90 percent. 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 15.24 percent, Total risk-based capital was 16.50 percent, Tier 1 risk-based capital was 15.24 percent and the Tier 1 leverage ratio was 11.84 percent. All ratios continue to exceed the current regulatory standards for well-capitalized institutions.

During the first quarter of 2020, the stock closed as high as \$3.00. The Bank's tangible book value per share was \$2.80 on March 31, 2020. Earnings per share for the three months ended March 31, 2020 was \$0.0085.

**Asset Quality**

Nonperforming assets as of March 31, 2020 totaled \$4.33 million compared to \$6.90 million as of March 31, 2019. The Bank of Fincastle had \$679,000 in nonaccrual loans as of March 31, 2020 compared to \$1.97 million in nonaccrual loans as of March 31, 2019. Other real estate owned totaled \$1.23 million at the end of the first quarter 2020 compared to \$2.78 million at the end of the first quarter 2019. OREO as a percentage of total assets has improved to 0.55 percent at March 31, 2020 from 1.29 percent at March 31, 2019.

**Nonperforming Assets**

OREO balances decreased \$1.55 million or 55.85 percent during the twelve months ended March 31, 2020. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 1.11 percent of total assets at March 31, 2020 versus 2.31 percent at March 31, 2019. Non-performing assets, including restructured loans, were also down from 3.22 percent of total assets at March 31, 2019 to 1.93 percent at March 31, 2020.

**Past Due and Nonaccrual Loans**

Nonperforming loans, excluding performing, restructured loans, of \$1.26 million were 0.73 percent of total loans at March 31, 2020 versus \$2.18 million or 1.42 percent of total loans at March 31, 2019. Past due accruing loans amounted to 0.74 percent of total loans at March 31, 2020 versus 0.41 percent in 2019 while nonaccruals decreased to 0.40 percent of total loans at March 31, 2020 from 1.42 percent at March 31, 2019. Net charge-offs to average loans outstanding for the quarter ended March 31, 2020 were -0.49 percent versus 0.38 percent for the quarter ended March 31, 2019.

**Allowance for Loan Losses**

The Company's Allowance for Loan Losses amounted to \$2.56 million or 1.48 percent of total loans at March 31, 2020 versus \$2.53 million and 1.65 percent of total loans at March 31, 2019. Recoveries of \$215,000 were recorded for the quarter.

The following are financial highlights for the Bank:

THE BANK OF FINCASTLE AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

<b>ASSETS</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Cash and cash equivalents	\$ 2,921,770	\$ 4,452,115
Interest-bearing deposits with banks	11,693,169	12,421,448
Federal funds sold	144,000	120,000
Investment securities available for sale, at fair value	21,360,204	28,807,095
Restricted investment securities	254,050	241,250
Loans held for sale	286,000	230,050
Loans, net of allowance for loan losses of \$2,555,716 at 2020 and \$2,530,862 at 2019	169,979,619	150,234,211
Premises and equipment, net	4,717,517	5,044,035
Accrued interest receivable	543,574	607,488
Other real estate owned	1,225,218	2,775,332
Bank owned life insurance	5,702,169	5,581,804
Other assets	5,113,972	3,991,582
Total assets	<u>\$ 223,941,261</u>	<u>\$ 214,506,411</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 67,547,376	\$ 63,958,356
Interest-bearing deposits	125,716,772	122,057,745
Total deposits	193,264,147	186,016,101
Accrued interest payable	137,784	128,539
Reserve for losses on letters of credit	788,565	1,348,380
Other liabilities	1,186,720	1,337,556
Total liabilities	<u>195,377,217</u>	<u>188,830,576</u>
Stockholders' equity		
Common stock, \$0.04 par value; 25,000,000 shares authorized, 10,187,499 shares at 2020 and 9,999,999 shares at 2019, issued and outstanding	407,500	400,000
Surplus	18,661,477	18,119,152
Retained earnings	9,433,678	7,436,022
Accumulated other comprehensive income	61,389	(279,339)
Total stockholders' equity	<u>28,564,044</u>	<u>25,675,835</u>
Total liabilities and stockholders' equity	<u>\$ 223,941,261</u>	<u>\$ 214,506,411</u>

THE BANK OF FINCASTLE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF INCOME

	3 Months Ended	
	March 31, 2020	March 31, 2019
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 2,078,774	\$ 1,925,647
Interest on investment securities, taxable	65,604	124,262
Interest on interest bearing deposits in banks	71,698	37,339
Total interest income	2,216,076	2,087,248
<b>INTEREST EXPENSE</b>		
Interest on deposits	307,905	263,071
Interest on borrowings	-	1,654
Total interest expense	307,905	264,725
Net interest income	1,908,171	1,822,523
<b>PROVISION FOR LOAN LOSSES</b>		
Net interest income after provision for loan losses	-	-
	1,908,171	1,822,523
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	35,665	28,079
Rental income	38,050	34,900
Debit and credit card fees	102,102	95,939
Other income	134,883	91,985
Total noninterest income	310,700	250,903
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	950,994	934,928
Occupancy and equipment	181,611	191,445
Data processing expenses	388,226	346,649
Legal and professional fees	57,052	58,637
Postage, stationery and supplies	19,150	24,746
FDIC insurance assessment	20,984	(32,356)
Losses (gains) on sale and write-downs of other real estate owned, net	(318)	873
Expenses of adversely classified items	17,629	84,285
Other expenses	496,436	211,081
Total noninterest expense	2,131,764	1,820,288
<b>INCOME BEFORE INCOME TAXES</b>	87,107	253,138
<b>INCOME TAX EXPENSE</b>	612	35,456
<b>NET INCOME</b>	\$ 86,495	\$ 217,682

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, a 7 am to 7 pm drive through location and offers online deposit account opening, online real-estate and consumer loan applications, online banking, mobile banking and 24/7 telephone banking. 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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