



## PRESS RELEASE

### FOR IMMEDIATE RELEASE

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

**FINCASTLE, Va. (October 30, 2020)** – The Bank of Fincastle [SYMBOL: BFTL] has reported an unaudited quarterly net income of \$512,463 for the third quarter of 2020, with assets of \$256.9 million and total liabilities of \$227.5 million.

“Our essential employees at all levels have accepted the challenges of 2020 with hard work and dedication,” said President and CEO Scott Steele. “We are pleased to report a net income of \$512,463, up 70.4 percent, net loans at \$213.7 million, up 34.8 percent while total deposits ended the quarter at \$225.5 million, up 16.8 percent, all increases from the same quarter last year.”

“As our market has continued to recover from the economic effects of the pandemic, COVID deferrals are down 72.5 percent from their peak with \$31.7 million returning to full payment status and the first scheduled payments received,” Steele continued.

“While adjusting to our new working environment and putting in long hours to support our PPP customers, we began processing over 100 forgiveness applications representing \$27.5 million in PPP loans, with 30 forgiveness applications already approved,” confirmed Steele. “Discounting the impact of the PPP loans, the bank has achieved year-over-year loan growth of 9 percent.”

The bank conducted its annual commercial loan portfolio stress test in the 3<sup>rd</sup> quarter whereby internal credit officers put the bank through various adverse economic scenarios to see if regulatory capital could withstand a severe hypothetical downturn. Commenting on the portfolio stress test Steele stated “Our results confirm The Bank of Fincastle is well capitalized and well positioned to withstand a severe economic downturn. I am pleased to see we once again passed our annual loan portfolio stress test.” Consistent with being more encouraged and optimistic about the local economic conditions, allocations to the bank’s loan loss reserve were \$100,000, which is less than the 2<sup>nd</sup> quarter allocation of \$150,000. At quarter end, The Bank of Fincastle exceeded all Basel III capital requirements.

#### Key Highlights

- Net income of \$512,463 vs. net income of \$300,683 for same quarter last year
- Third quarter Return on Average Assets was 0.80 percent versus 0.53 percent for the third quarter of 2019.
- Return on Average Equity was 6.90 percent versus 4.41 percent for the same period in 2019.
- Year-over-year net loan growth of 34.8 percent, or 8.8 percent discounting the impact of the PPP loans

- Year-over-year increase in total assets of 20.1 percent and total deposits of 16.8 percent
- Originated 255 PPP loans totaling \$41.8 million in rounds 1 and 2 of the program
- Total gross PPP fees are forecasted to be approximately \$996,000, with earnings recognition amortized through April 2022.
- Net Interest income and Noninterest income increased 12.81 percent and 21.94 percent respectively.
- Net Interest Margin increased two basis points in the second quarter to 3.69 percent.

### **Revenue**

Total core revenue for the three months ended September 30, 2020 was up 13.88 percent to \$2.54 million, from \$2.23 million in the third quarter of 2019. Growth in commercial lines and loans including PPP loans, commercial real estate loans, residential loans, as well as non-interest income from secondary-market mortgage loan origination fees contributed to the increase in total revenue.

### **Net Interest Income**

Net interest income was \$2.20 million for the three months ended September 30, 2020 compared to \$1.95 million for the three months ended September 30, 2019. This is an increase of \$249,440 or 12.81 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 21.94 percent to \$344,785 for the three months ended September 30, 2020 versus \$282,739 during the same period of 2019. Non-interest income increased primarily due to increased income from secondary-market mortgage loan origination fees.

### **Noninterest Expense**

Non-interest expense decreased 2.15 percent to \$1.81 million for the three months ended September 30, 2020 compared to \$1.85 million for the three months ended September 30, 2019.

### **Net Income**

Net income for the three months ended September 30, 2020 increased 70.43 percent to \$512,463 from \$300,683 for the same period in 2019. Earnings per share for the three months ended June 30, 2020 was \$0.0502.

### **Balance Sheet**

At September 30, 2020, The Bank of Fincastle total assets were \$267.0 million compared to \$222.2 million at September 30, 2019. Net loans were \$213.7 million at September 30, 2020 compared to \$158.5 million at September 30, 2019. Total deposits were \$225.5 million at September 30, 2020 compared to \$193.1 million at September 30, 2019.

### **Loans**

Net loans grew to \$213.7 million in the third quarter of 2020 from \$158.5 million in the third quarter of 2019, a \$55.2 million or 34.8 percent increase. Overall loan growth was primarily driven by the origination of 255 SBA Paycheck Protection Program (PPP) loans totaling \$41.8 million.

### **Deposits**

Deposits ended the third quarter of 2020 at \$225.5 million compared to \$193.1 million in the same quarter of 2019, an increase of \$32.4 million or 16.76 percent. Funds from PPP loans drove deposit growth as well as local noninterest-bearing deposit accounts and interest-bearing time deposits.

## **Capital**

The Bank of Fincastle's capital ratios: Common equity tier 1 capital was 14.95 percent, Total risk-based capital was 16.21 percent, Tier 1 risk-based capital was 14.95 percent and the Tier 1 leverage ratio was 10.83 percent. All ratios continue to exceed the current regulatory standards for well-capitalized institutions.

During the third quarter of 2020, the stock closed as high as \$2.20. The Bank's tangible book value per share was \$2.89 on September 30, 2020.

## **Asset Quality**

Nonperforming assets as of September 30, 2020 totaled \$3.68 million compared to \$6.50 million as of September 30, 2019. The Bank of Fincastle had \$1.26 million in nonaccrual loans as of September 30, 2020 compared to \$1.54 million in nonaccrual loans as of September 30, 2019. Other real estate owned totaled \$696,000 at the end of the third quarter 2020 compared to \$2.01 million at the end of the third quarter 2019. OREO as a percentage of total assets has improved to 0.26 percent at September 30, 2020 from 0.90 percent at September 30, 2019.

## **Nonperforming Assets**

OREO balances decreased \$1.31 million or 65.37 percent during the twelve months ended September 30, 2020. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 0.73 percent of total assets at September 30, 2020 versus 1.92 percent at September 30, 2019. Non-performing assets, including restructured loans, were also down from 2.93 percent of total assets at September 30, 2019 to 1.38 percent at September 30, 2020.

## **Past Due and Nonaccrual Loans**

Nonperforming loans, excluding performing, restructured loans, of \$1.26 million were 0.58 percent of total loans at September 30, 2020 versus \$2.25 million or 1.39 percent of total loans at September 30, 2019. Past due accruing loans amounted to 0.57 percent of total loans at September 30, 2020 versus 0.51 percent in 2019 while nonaccruals decreased to 0.58 percent of total loans at September 30, 2020 from 0.95 percent at September 30, 2019. Net charge-offs to average loans outstanding for the quarter ended September 30, 2020 were -0.12 percent versus -0.01 percent for the quarter ended September 30, 2019.

## **Allowance for Loan Losses**

The Company's Allowance for Loan Losses amounted to \$2.92 million or 1.34 percent of total loans at September 30, 2020 versus \$2.54 million and 1.58 percent of total loans at September 30, 2019. Loan loss provision expense of \$100,000 was recognized during the quarter. The Allowance for Loan Losses was 1.65 percent of total loans less the SBA guaranteed PPP loans at September 30, 2020 versus 1.58 percent at September 30, 2020.

The following are financial highlights for the Bank:

**THE BANK OF FINCASTLE AND SUBSIDIARY \***  
**CONSOLIDATED BALANCE SHEETS**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,420,786	\$ 3,945,406
Interest-bearing deposits with banks	16,094,202	20,943,522
Federal funds sold	138,000	120,000
Investment securities available for sale, at fair value	15,251,880	20,926,617
Restricted investment securities	254,050	241,350
Loans held for sale	808,227	173,500
Loans, net of allowance for loan losses of \$2,919,332 at 2020 and \$2,544,658 at 2019	213,689,750	158,496,634
Premises and equipment, net	4,635,100	5,246,550
Accrued interest receivable	1,273,254	581,629
Other real estate owned	696,268	2,010,458
Bank owned life insurance	5,763,886	5,641,995
Other assets	4,935,131	3,874,894
Total assets	<u>\$ 266,960,533</u>	<u>\$ 222,202,556</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 89,929,375	\$ 64,225,654
Interest-bearing deposits	<u>135,569,759</u>	<u>128,911,804</u>
Total deposits	225,499,134	193,137,459
Accrued interest payable	107,324	159,609
Other borrowings	10,027,152	-
Reserve for losses on letters of credit	668,952	999,236
Other liabilities	<u>1,192,798</u>	<u>1,482,930</u>
Total liabilities	<u>237,495,359</u>	<u>195,779,235</u>
Stockholders' equity		
Common stock, \$0.04 par value; 25,000,000 shares authorized, 10,199,999 shares at 2020 and 9,999,999 shares at 2019, issued and outstanding	408,000	400,000
Surplus	18,725,977	18,119,152
Retained earnings	10,162,219	7,945,390
Accumulated other comprehensive income (loss)	<u>168,978</u>	<u>(41,221)</u>
Total stockholders' equity	<u>29,465,174</u>	<u>26,423,322</u>
Total liabilities and stockholders' equity	<u>\$ 266,960,533</u>	<u>\$ 222,202,556</u>

\*Unaudited

THE BANK OF FINCASTLE AND SUBSIDIARY \*  
CONSOLIDATED STATEMENT OF INCOME

	3 Months Ended	
	September 30, 2020	September 30, 2019
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 2,351,002	\$ 2,072,535
Interest on investment securities, taxable	80,780	101,437
Interest on interest bearing deposits in banks	4,509	106,147
Total interest income	2,436,291	2,280,119
<b>INTEREST EXPENSE</b>		
Interest on deposits	238,316	332,709
Interest on borrowings	1,125	-
Total interest expense	239,441	332,709
Net interest income	2,196,850	1,947,410
<b>PROVISION FOR LOAN LOSSES</b>	100,000	-
Net interest income after provision for loan losses	2,096,850	1,947,410
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	21,059	33,881
Rental income	34,029	36,550
Debit and credit card fees	120,015	113,384
Other income	169,682	98,924
Total noninterest income	344,785	282,739
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	934,999	916,125
Occupancy and equipment	166,462	185,280
Data processing expenses	376,789	260,268
Legal and professional fees	54,370	93,197
Postage, stationery and supplies	16,532	21,303
FDIC insurance assessment	14,944	28,647
Losses (gains) on sale and write-downs of other real estate owned, net	(24,489)	14,007
Expenses of adversely classified items	18,470	45,367
Other expenses	252,040	285,699
Total noninterest expense	1,810,117	1,849,893
<b>INCOME BEFORE INCOME TAXES</b>	631,518	380,256
<b>INCOME TAX EXPENSE</b>	119,055	79,573
<b>NET INCOME</b>	\$ 512,463	\$ 300,683

\*Unaudited

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.*

###

### Media Contact:

Cindy Bailey  
Marketing Director  
540-966-0248  
[cindy.bailey@bankoffincastle.bank](mailto:cindy.bailey@bankoffincastle.bank)