



## **PRESS RELEASE**

### **FOR IMMEDIATE RELEASE**

#### **The Bank of Fincastle Announces Fourth Quarter Earnings for 2020**

**FINCASTLE, Va. (January 28, 2021)** – The Bank of Fincastle [SYMBOL: BFTL] has reported an unaudited quarterly net income of \$547,950 for the fourth quarter of 2020, with assets of \$255.9 million and total liabilities of \$225.9 million.

“We are pleased to report strong quarter-end results in a year that has presented many challenges,” said Scott Steele President and CEO. “With quarter ending net income of \$547,950, net loans at \$198.4 million and total deposits of \$224.3 million our Bank is well-positioned as we progress into the new year.”

“The economic effects of the pandemic continue, however COVID-19 related payment deferrals are down 88.75 percent from their peak. Of the \$43.7 million in deferrals processed, \$38.8 million have returned to full payment status with the first scheduled payments received.” Steele continued.

“We are once again processing applications for the SBA Paycheck Protection Program (PPP) for eligible borrowers including those who previously received a PPP loan and wish to apply for a second draw PPP loan,” confirmed Steele. Application information about the second round of PPP is now available on The Bank of Fincastle website [www.bankoffincastle.bank](http://www.bankoffincastle.bank).

The Bank of Fincastle also welcomed Peter Jessee as Roanoke City Executive. Prior to joining The Bank of Fincastle, Jessee served as Senior Vice President and commercial relationship manager at American National Bank and Senior Vice President and commercial real estate lender at HomeTown Bank, both in Roanoke Virginia. With a total of more than 30 years banking experience, Jessee will oversee commercial and small business lending as well as deposit growth in the Roanoke area.

Also in the fourth quarter, a new drive-up automated teller machine was installed in the location of the previous Daleville express drive-thru and is now fully operational. A ribbon cutting ceremony is scheduled for the first quarter of 2021.

The branch lobbies remain open by appointment for full-service banking and drive-thru banking is encouraged. The bank offers a complete line of digital banking options, including online account opening, online personal and mortgage loan applications and mobile banking apps for personal and business accounts.

#### **Key Highlights**

- Total asset growth was \$36,646,944 or 15.7% in 2020.
- Loan growth was \$30,672,690 or 18.3% year over year.

- Total deposit growth was \$33,478,511 or 17.6% in 2020.
- Quarterly net income was \$547,950.
- OREO was reduced by \$1,208,050 or 67.56% year over year.
- 30-89 past dues were 0.11% at year end.
- Fourth quarter Return on Average Assets was 0.82% versus 2.52% for the fourth quarter of 2019.
- Originated 238 PPP loans totaling \$41.8 million in round 1 of the program

### **Revenue**

Total core revenue for the three months ended December 31, 2020 was up 29.17 percent to \$2.82 million, from \$2.18 million in the fourth 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 \$2.38 million for the three months ended December 31, 2020 compared to \$1.89 million for the three months ended December 31, 2019. This is an increase of \$493,712 or 26.19 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 48.03 percent to \$442,079 for the three months ended December 31, 2020 versus \$298,644 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 12.69 percent to \$2.14 million for the three months ended December 31, 2020 compared to \$2.45 million for the three months ended December 31, 2019.

### **Net Income**

Net income for the three months ended December 31, 2020 decreased 60.91 percent to \$547,950 from \$1,401,795 for the same period in 2019, due to the recovery of the deferred tax reserve in 2019. Pretax earnings for the three months ended December 31, 2020 increased to \$682,677 from a \$28,265 pretax loss for the same period in 2019. Earnings per share for the three months ended December 31, 2020 was \$0.0537.

### **Balance Sheet**

At December 31, 2020, The Bank of Fincastle's total assets were \$255.9 million compared to \$221.3 million at December 31, 2019. Net loans were \$198.4 million at December 31, 2020 compared to \$167.8 million at December 31, 2019. Total deposits were \$224.3 million at December 31, 2020 compared to \$190.8 million at December 31, 2019.

### **Loans**

Net loans grew to \$198.4 million in the fourth quarter of 2020 from \$167.8 million in the fourth quarter of 2019, a \$30.7 million or 18.28 percent increase. Overall loan growth was primarily driven by the origination of 238 SBA Paycheck Protection Program (PPP) loans totaling \$41.8 million.

## **Deposits**

Deposits ended the fourth quarter of 2020 at \$224.3 million compared to \$190.8 million in the same quarter of 2019, an increase of \$33.5 million or 17.55 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 15.49 percent, Total risk-based capital was 16.74 percent, Tier 1 risk-based capital was 15.49 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 fourth quarter of 2020, the stock closed as high as \$2.7999. The Bank's tangible book value per share was \$2.94 on December 31, 2020.

## **Asset Quality**

Nonperforming assets as of December 31, 2020 totaled \$3.49 million compared to \$5.28 million as of December 31, 2019. The Bank of Fincastle had \$1.20 million in nonaccrual loans as of December 31, 2020 compared to \$1.26 million in nonaccrual loans as of December 31, 2019. Other real estate owned totaled \$580,000 at the end of the fourth quarter 2020 compared to \$1.79 million at the end of the fourth quarter 2019. OREO as a percentage of total assets has improved to 0.23 percent at December 31, 2020 from 0.81 percent at December 31, 2019.

## **Nonperforming Assets**

OREO balances decreased \$1.21 million or 67.56 percent during the twelve months ended December 31, 2020. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 0.72 percent of total assets at December 31, 2020 versus 1.40 percent at December 31, 2019. Non-performing assets, including restructured loans, were also down from 2.39 percent of total assets at December 31, 2019 to 1.36 percent at December 31, 2020.

## **Past Due and Nonaccrual Loans**

Nonperforming loans, excluding performing, restructured loans, of \$1.26 million were 0.62 percent of total loans at December 31, 2020 versus \$1.32 million or 0.77 percent of total loans at December 31, 2019. Past due accruing loans amounted to 0.11 percent of total loans at December 31, 2020 versus 0.26 percent in 2019 while nonaccruals decreased to 0.59 percent of total loans at December 31, 2020 from 0.74 percent at December 31, 2019. Net charge-offs to average loans outstanding for the quarter ended December 31, 2020 were -0.09 percent versus -0.01 percent for the quarter ended December 31, 2019.

## **Allowance for Loan Losses**

The Company's Allowance for Loan Losses amounted to \$2.96 million or 1.47 percent of total loans at December 31, 2020 versus \$2.35 million and 1.38 percent of total loans at December 31, 2019. The Allowance for Loan Losses was 1.70 percent of total loans less the SBA guaranteed PPP loans at December 31, 2020 versus 1.38 percent at December 31, 2020

The following are financial highlights for the Bank:

THE BANK OF FINCASTLE AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,748,057	\$ 3,136,134
Interest-bearing deposits with banks	21,324,418	8,722,934
Federal funds sold	114,000	126,000
Investment securities available for sale, at fair value	15,005,999	22,892,227
Restricted investment securities	254,050	241,350
Loans held for sale	834,628	442,780
Loans, net of allowance for loan losses of \$2,962,924 at 2020 and \$2,349,472 at 2019	198,432,043	167,759,353
Premises and equipment, net	4,618,332	4,622,301
Accrued interest receivable	1,460,247	596,652
Other real estate owned	580,168	1,788,218
Bank owned life insurance	5,794,630	5,671,829
Other assets	4,775,768	5,295,619
Total assets	\$ 255,942,340	\$ 221,295,396
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 88,589,816	\$ 63,463,543
Interest-bearing deposits	135,673,140	127,320,903
Total deposits	224,262,956	190,784,445
Accrued interest payable	94,113	149,809
Reserve for losses on letters of credit	632,977	944,379
Other liabilities	955,739	1,236,529
Total liabilities	225,945,785	193,115,162
Stockholders' equity		
Common stock, \$0.04 par value; 25,000,000 shares authorized, 10,199,999 shares at 2020 and 10,104,999 shares at 2019, issued and outstanding	408,000	404,200
Surplus	18,725,977	18,424,702
Retained earnings	10,710,169	9,347,185
Accumulated other comprehensive income (loss)	152,409	4,147
Total stockholders' equity	29,996,556	28,180,235
Total liabilities and stockholders' equity	\$ 255,942,340	\$ 221,295,396

\*Unaudited

THE BANK OF FINCASTLE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF INCOME

	3 Months Ended	
	December 31, 2020	December 31, 2019
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 2,520,232	\$ 2,035,945
Interest on investment securities, taxable	77,777	78,156
Interest on interest bearing deposits in banks	6,720	100,220
Total interest income	2,604,729	2,214,321
<b>INTEREST EXPENSE</b>		
Interest on deposits	219,947	328,936
Interest on borrowings	5,685	-
Total interest expense	225,632	328,936
Net interest income	2,379,097	1,885,385
<b>PROVISION FOR LOAN LOSSES</b>		
Net interest income after provision for loan losses	-	(200,000)
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	24,708	30,502
Rental income	34,175	34,600
Debit and credit card fees	118,377	107,162
Other income	264,819	163,514
Total noninterest income	442,079	335,778
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	1,014,776	646,343
Occupancy and equipment	183,242	243,650
Data processing expenses	415,364	378,219
Legal and professional fees	69,014	102,076
Postage, stationery and supplies	23,327	21,627
FDIC insurance assessment	19,956	22,728
Losses on sale and write-downs of other real estate owned, net	69,049	413,313
Expenses of adversely classified items	20,562	81,868
Other expenses	323,209	539,604
Total noninterest expense	2,138,499	2,449,428
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	682,677	(28,265)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	134,727	(1,430,060)
<b>NET INCOME (LOSS)</b>	\$ 547,950	\$ 1,401,795

\*Unaudited

For additional information, please email [shareholderrelations@bankoffincastle.bank](mailto:shareholderrelations@bankoffincastle.bank).

## **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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