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The Bank of Fincastle Announces First Quarter Earnings for 2021

FINCASTLE, Va. (April 29, 2021) – The Bank of Fincastle [SYMBOL: BFTL] has reported an unaudited quarterly net income of \$345,680 for the first quarter of 2021, with assets of \$272.1 million and total liabilities of \$241.4 million.

“As the COVID-19 pandemic continues to impact our daily lives, we are nonetheless encouraged to see local economic activity returning to more normal levels and improvement in our financial performance. The level of COVID-19 related payment deferrals decreased in the first quarter and now represent 2.92% of the loan portfolio (net of PPP loans), down 89% from their peak,” said Scott Steele, President and CEO.

Steele added, “We continue to help our borrowers with the SBA Paycheck Protection Program (PPP) and out of the 238 PPP loans processed in 2020, 85 percent of the borrowers have applied for and received full loan forgiveness. At quarter-end, the bank had \$25,211,393 in first and second round PPP loans on its books, all which are anticipated to be fully forgiven in 2021. In January, the bank began receiving applications for the Second Draw PPP. Since then, we have processed 166 Second Draw PPP loan applications totaling more than \$7,761,800.”

Regarding the announced merger with First National Corporation Steele commented, “I am pleased to share that things have been progressing on schedule and we are planning a special meeting of the shareholders in mid-June whereby shareholders will have an opportunity to vote for the merger.” Special Meeting Notices along with merger related proxy materials are scheduled to be mailed to the shareholders on or about April 30, 2021.

Key Highlights

- Net income for the three months ended March 31, 2021 increased 300 percent to \$346,000 from \$86,000 for the same period in 2019.
- First quarter return on average assets was 0.56% versus 0.17% for the first quarter of 2020. Return on Average Equity was 4.81% versus 1.33% for the same period in 2020.
- Total asset growth was \$48,110,357 or 21.5% year over year.
- Loan growth was \$27,816,628 or 16.4% year over year.
- Total deposit growth was \$46,429,899 or 24.0% year over year.
- OREO was reduced by \$878,000 or 71.7% year over year.
- 30-89 past dues were 0.17% at March 31, 2021.

Revenue

Total core revenue for the three months ended March 31, 2021 was up 9.4 percent to \$2.43 million, from \$2.22 million in the first quarter of 2020. 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 \$2.12 million for the three months ended March 31, 2021 compared to \$1.91 million for the three months ended March 31, 2020. This is an increase of \$208,000 or 10.9 percent. The increase in net interest income continues to be directly associated with the Bank's continued loan growth.

Noninterest Income

For the three months ended March 31, 2021 the Bank generated core non-interest income of \$311,000. Non-interest income from secondary-market mortgage loan origination fees declined from the prior quarter as mortgage refinances slowed.

Noninterest Expense

Non-interest expense decreased 5.68 percent to \$2.01 million for the three months ended March 31, 2021 compared to \$2.13 million for the three months ended March 31, 2020.

Net Income

Net income for the three months ended March 31, 2021 increased 300 percent to \$346,000 from \$86,000 for the same period in 2020, due to a non-cash, non-reoccurring expense of \$240,000 in 2020. Earnings per share for the three months ended March 31, 2021 was \$0.0339.

Balance Sheet

At March 31, 2021, The Bank of Fincastle's total assets were \$272.1 million compared to \$223.9 million at March 31, 2020. Net loans were \$197.8 million at March 31, 2021 compared to \$170.0 million at March 31, 2020. Total deposits were \$239.7 million at March 31, 2021 compared to \$193.3 million at March 31, 2020.

Loans

Net loans grew to \$197.8 million in the first quarter of 2021 from \$170.0 million in the first quarter of 2020, a \$27.8 million or 16.36 percent increase. Overall loan growth was primarily driven by the origination of 371 SBA Paycheck Protection Program loans (including Second Draw PPP loans) totaling \$49.1 million.

Deposits

Deposits ended the first quarter of 2021 at \$239.7 million compared to \$193.3 million in the same quarter of 2020, an increase of \$46.4 million or 24.02 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 16.83 percent, Total risk-based capital was 18.09 percent, Tier 1 risk-based capital was 16.83 percent and the Tier 1 leverage ratio was 10.09 percent. All ratios continue to exceed the current regulatory standards for well-capitalized institutions.

During the first quarter of 2021, the stock closed as high as \$3.0900. The Bank's tangible book value per share was \$3.00 on March 31, 2021.

Asset Quality

Nonperforming assets as of March 31, 2021 totaled \$3.11 million compared to \$4.33 million as of March 31, 2020. The Bank of Fincastle had \$1.1 million in nonaccrual loans as of March 31, 2021 compared to \$679,000 in nonaccrual loans as of March 31, 2020. Other real estate owned totaled \$347,000 at the end of the first quarter 2021 compared to \$1.23 million at the end of the first quarter 2020. OREO as a percentage of total assets has improved to 0.13 percent at March 31, 2021, down from 0.55 percent at March 31, 2020.

Nonperforming Assets

OREO balances decreased \$878,000 or 71.68 percent during the twelve months ended March 31, 2021. This resulted in a decline in non-performing assets, excluding performing restructured loans, to 0.52 percent of total assets at March 31, 2021 versus 1.11 percent at March 31, 2020. Non-performing assets, including restructured loans, were also down from 1.93 percent of total assets at March 31, 2020 to 1.14 percent at March 31, 2021.

Past Due and Nonaccrual Loans

Nonperforming loans, excluding performing, restructured loans, of \$1.07 million were 0.53 percent of total loans at March 31, 2021 versus \$1.26 million or 0.73 percent of total loans at March 31, 2020. Past due accruing loans amounted to 0.17 percent of total loans at March 31, 2021 versus 0.75 percent in 2020 while nonaccruals increased to 0.53 percent of total loans at March 31, 2021 from 0.39 percent at March 31, 2020. Net charge-offs to average loans outstanding for the quarter ended March 31, 2021 were -0.04 percent versus -0.48 percent for the quarter ended March 31, 2020.

Allowance for Loan Losses

The Bank's Allowance for Loan Losses stood at \$2.98 million or 1.48 percent of total loans at March 31, 2021 versus \$2.56 million and 1.48 percent of total loans at March 31, 2020. The Allowance for Loan Losses was 1.75 percent of total loans less the SBA guaranteed PPP loans at March 31, 2021 versus 1.48 percent at March 31, 2020.

The following are financial highlights for the Bank:

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 2021	March 31, 2020
ASSETS		
Cash and cash equivalents	\$ 2,134,518	\$ 2,921,770
Interest-bearing deposits with banks	41,988,902	11,693,169
Federal funds sold	120,000	144,000
Investment securities available for sale, at fair value	12,312,370	21,360,204
Restricted investment securities	182,850	254,050
Loans held for sale	419,077	286,000
Loans, net of allowance for loan losses of \$2,982,002 at 2021 and \$2,555,716 at 2020	197,796,248	169,979,619
Premises and equipment, net	4,550,745	4,717,517
Accrued interest receivable	1,429,398	543,574
Other real estate owned	346,968	1,225,218
Bank owned life insurance	5,823,231	5,702,169
Other assets	4,947,312	5,113,972
Total assets	\$ 272,051,618	\$ 223,941,261
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	\$ 97,315,962	\$ 67,547,376
Interest-bearing deposits	142,378,085	125,716,772
Total deposits	239,694,046	193,264,147
Accrued interest payable	81,292	137,784
Reserve for losses on letters of credit	632,977	788,565
Other liabilities	1,035,183	1,186,720
Total liabilities	241,443,498	195,377,217
Stockholders' equity		
Common stock, \$0.04 par value; 25,000,000 shares authorized, 10,199,999 shares at 2021 and 10,187,499 shares at 2020, issued and outstanding	408,000	407,500
Surplus	18,725,977	18,661,477
Retained earnings	11,363,476	9,433,678
Accumulated other comprehensive income	110,666	61,389
Total stockholders' equity	30,608,120	28,564,044
Total liabilities and stockholders' equity	\$ 272,051,618	\$ 223,941,261

*Unaudited

THE BANK OF FINCASTLE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME

	3 Months Ended	
	March 31, 2021	March 31, 2020
INTEREST INCOME		
Interest and fees on loans	\$ 2,231,715	\$ 2,078,774
Interest on investment securities, taxable	70,184	65,604
Interest on interest bearing deposits in banks	8,214	71,698
Total interest income	2,310,113	2,216,076
INTEREST EXPENSE		
Interest on deposits	194,021	307,905
Total interest expense	194,021	307,905
Net interest income	2,116,092	1,908,171
PROVISION FOR LOAN LOSSES		
Net interest income after provision for loan losses	2,116,092	1,908,171
NONINTEREST INCOME		
Service charges on deposit accounts	21,791	35,665
Rental income	33,575	38,050
Debit and credit card fees	119,000	102,102
Gains on sales of loans held for sale	61,485	60,963
Other income	74,945	73,921
Total noninterest income	310,796	310,701
NONINTEREST EXPENSE		
Salaries and employee benefits	971,174	950,994
Occupancy and equipment	183,601	181,611
Data processing expenses	426,574	388,226
Legal and professional fees	124,919	57,052
Postage, stationery and supplies	18,856	19,150
FDIC insurance assessment	18,437	20,984
Losses (gains) on sale and write-downs of other real estate owned, net	(14,143)	(318)
Expenses of adversely classified items	22,764	17,629
Other expenses	258,563	496,436
Total noninterest expense	2,010,745	2,131,764
INCOME BEFORE INCOME TAXES	416,143	87,108
INCOME TAX EXPENSE	70,463	612
NET INCOME	\$ 345,680	\$ 86,496

*Unaudited

For additional information, please email 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 personal and business banking, mobile banking and 24/7 telephone banking. 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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