

Annual Meeting of Shareholders

BANCORP 34
STRONG & STEADY SINCE 1934

Wednesday
June 24, 2020



2020 Annual Meeting

Board of Directors

Randal L. Rabon, **Chairman**
William F. Burt, **Vice Chairman**
James D. Harris
Jill Gutierrez
Don P. Van Winkle
Elaine E. Ralls
Wortham A. (Pete) Cook

Annual Meeting Inspector

Mike Walsh, **Bank 34 Vice President**
Accounting Manager

Senior Management

Jill Gutierrez, **President**
Chief Executive Officer
Jan R. Thiry, **Executive Vice President**
Chief Financial Officer
Mark Flesher, **Senior Vice President**
Chief Credit Officer
Kim Yacuel, **Senior Vice President**
Chief Operations Officer
David Matthews, **Senior Vice President**
Regional President

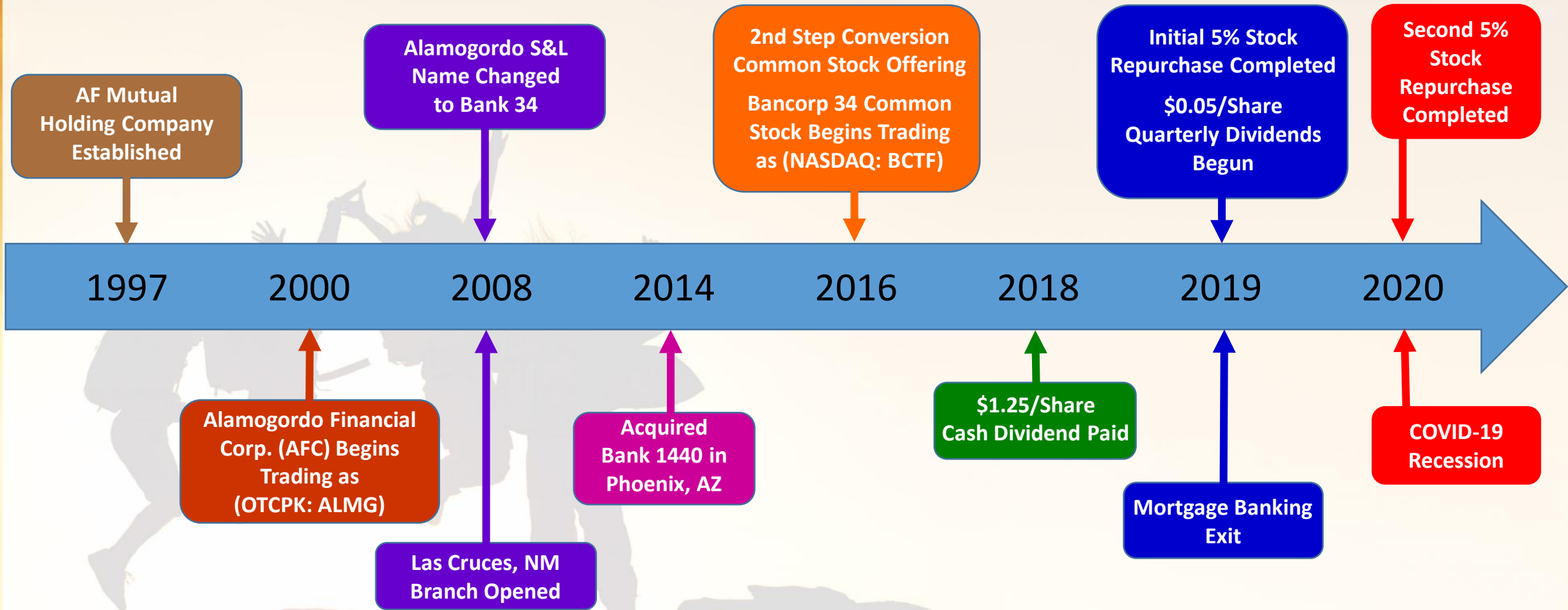
Special Guests

Ned Quint, **Bank 34 Legal Counsel**
Luse Gorman Law Firm
Travis Smith, **Bank 34 Audit Partner**
Moss Adams LLP

2020 Annual Meeting Proposals

- (1) The election of two directors of the Company.
- (2) The ratification of the appointment of Moss Adams LLP as independent registered accounting firm for the Company for the year ending December 31, 2020.
- (3) The consideration of an advisory, non-binding resolution with respect to the executive compensation described in the Company's proxy statement.
- (4) The consideration of an advisory, non-binding proposal with respect to the frequency that stockholders will vote on the Company's executive compensation.

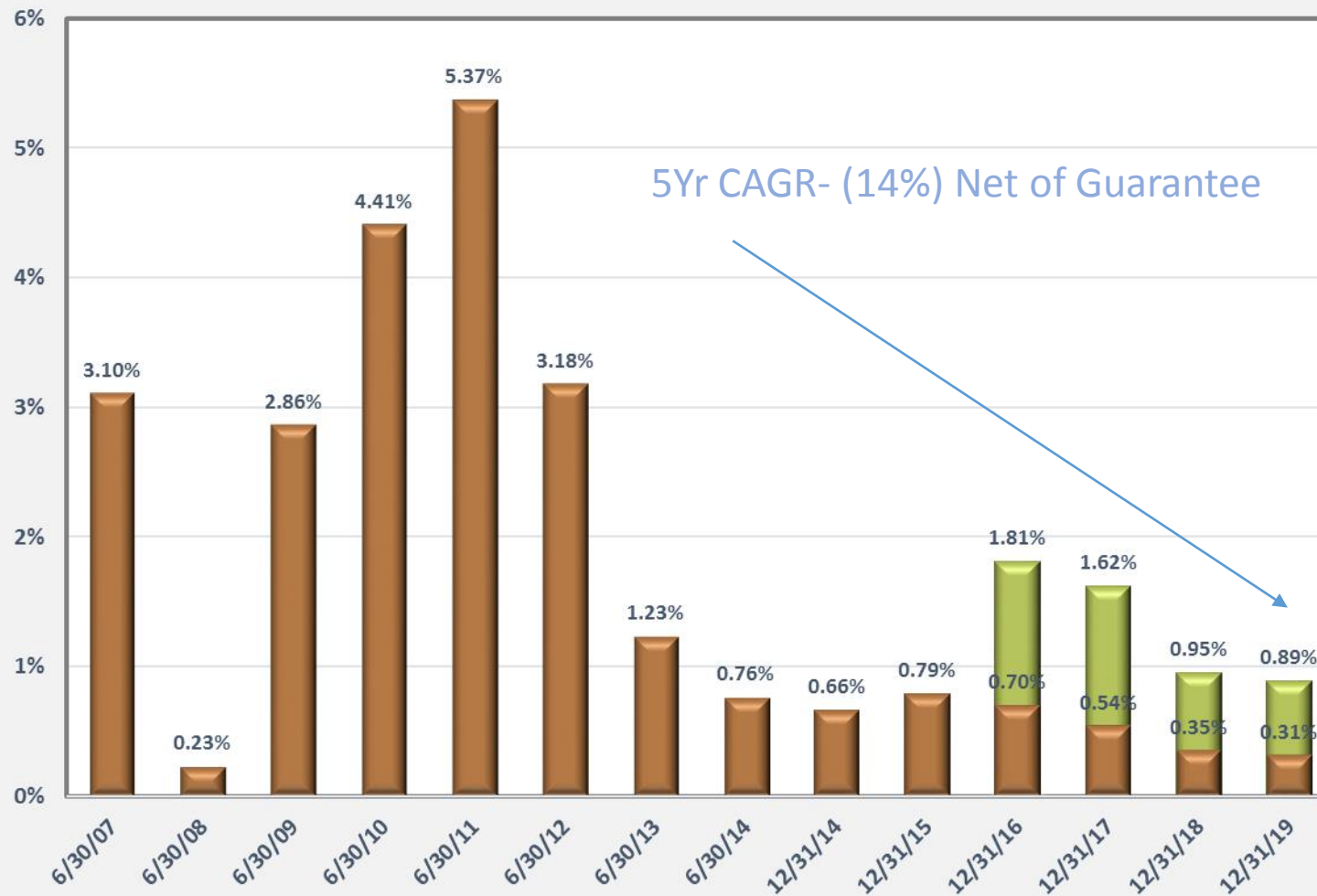
Strategic Timeline



2019 Mortgage Banking Exit

- Reduce reliance on mortgage banking's cyclical & volatile earnings stream
- Allow management to focus on core commercial banking business
- One-time charge incurred for disposal in 2019 of \$845,000

Asset Quality (Nonperforming Assets to Total Assets)

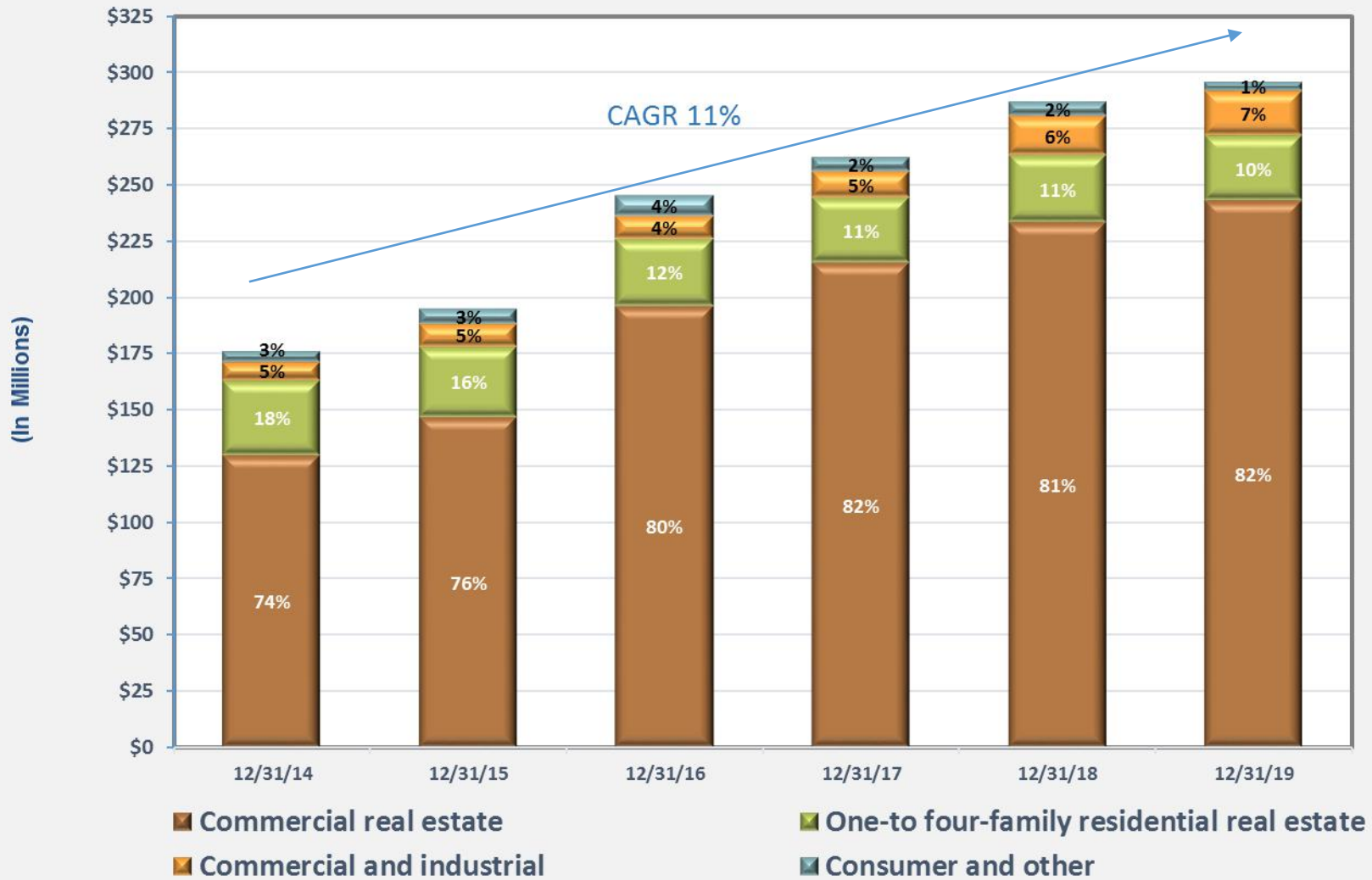


2007-2009 "Great Recession." 2010-2013 negative after-effects

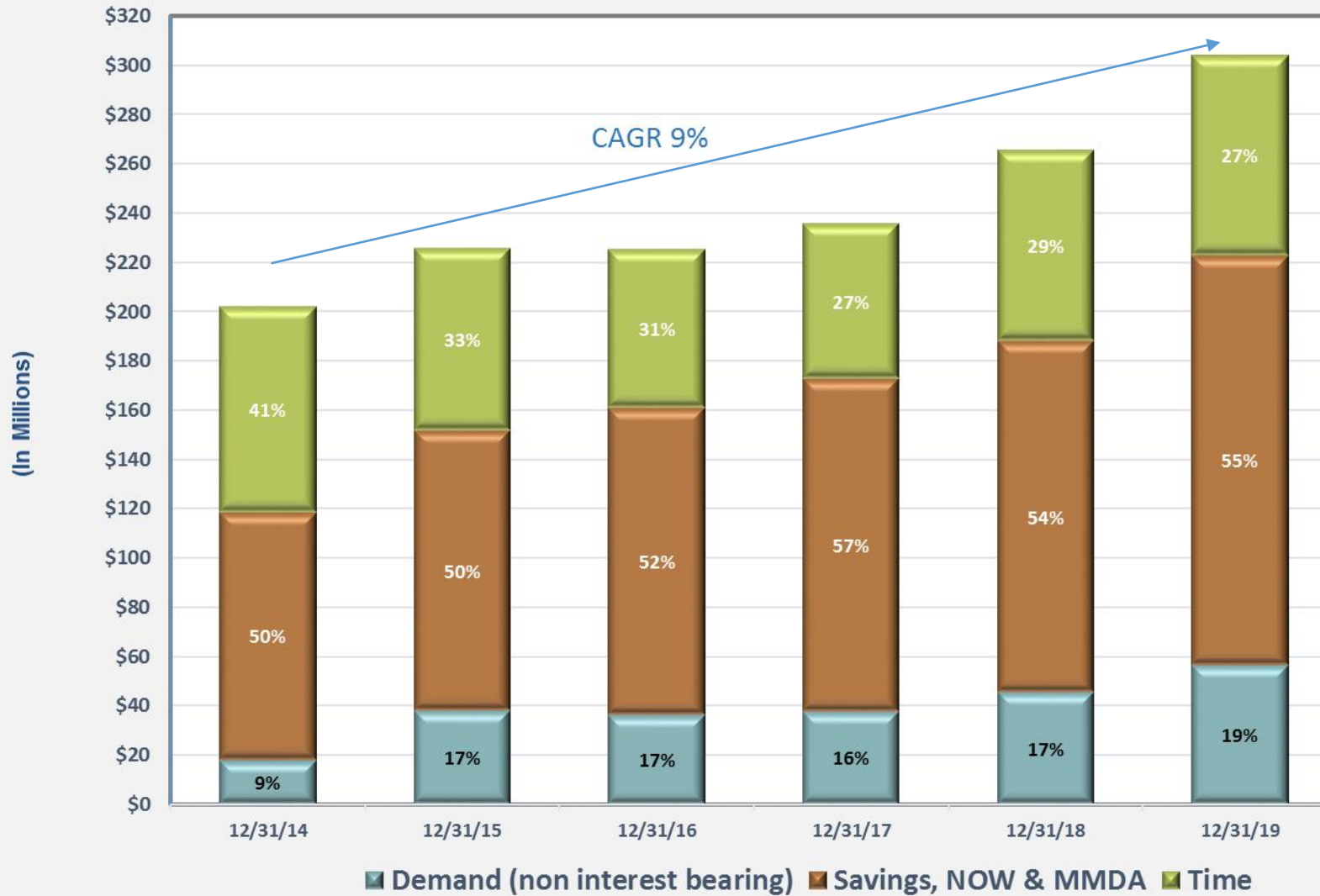
*No SBA NPA before 12/31/16

■ Net of SBA Guaranty

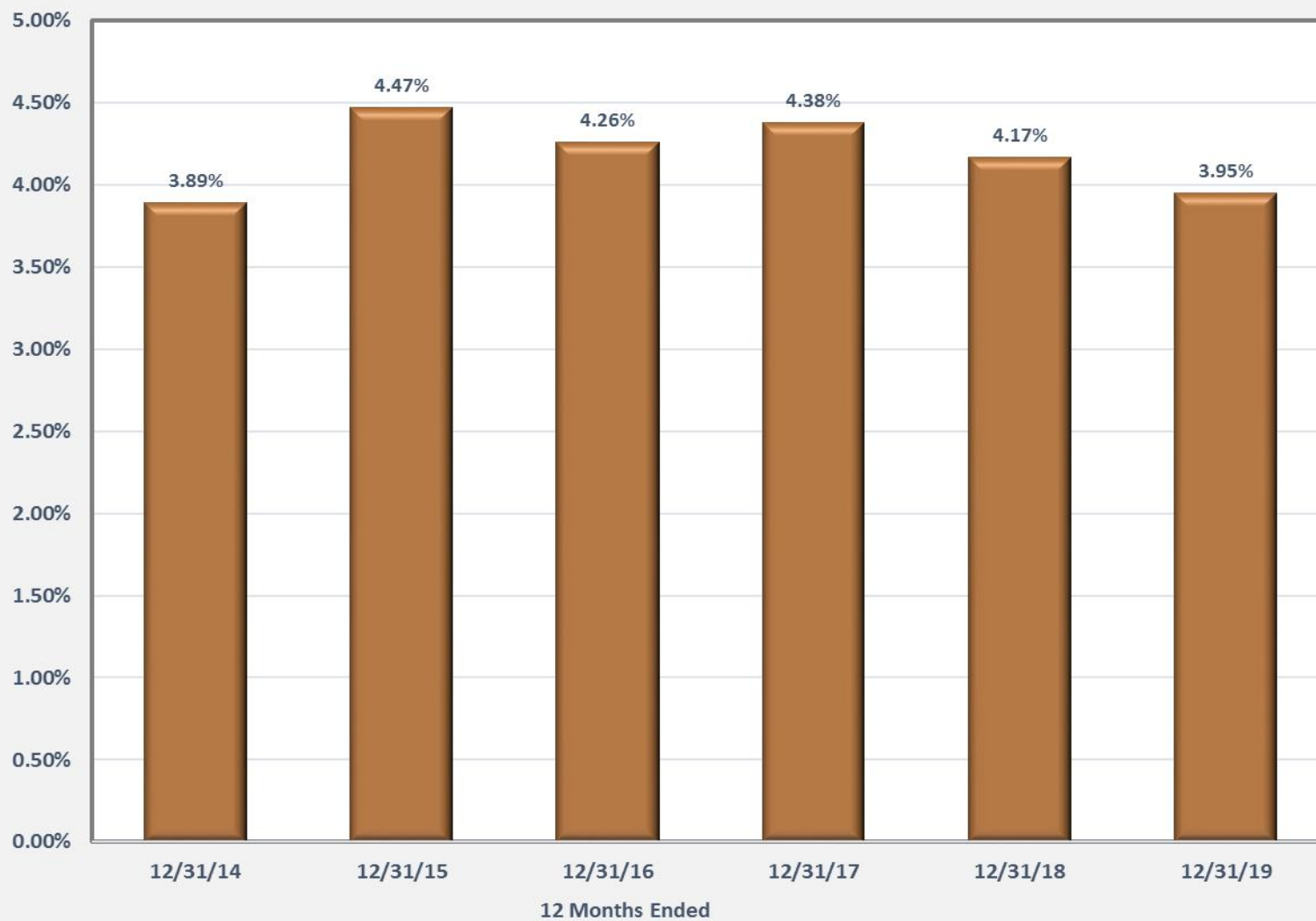
Gross Loans Held for Investment



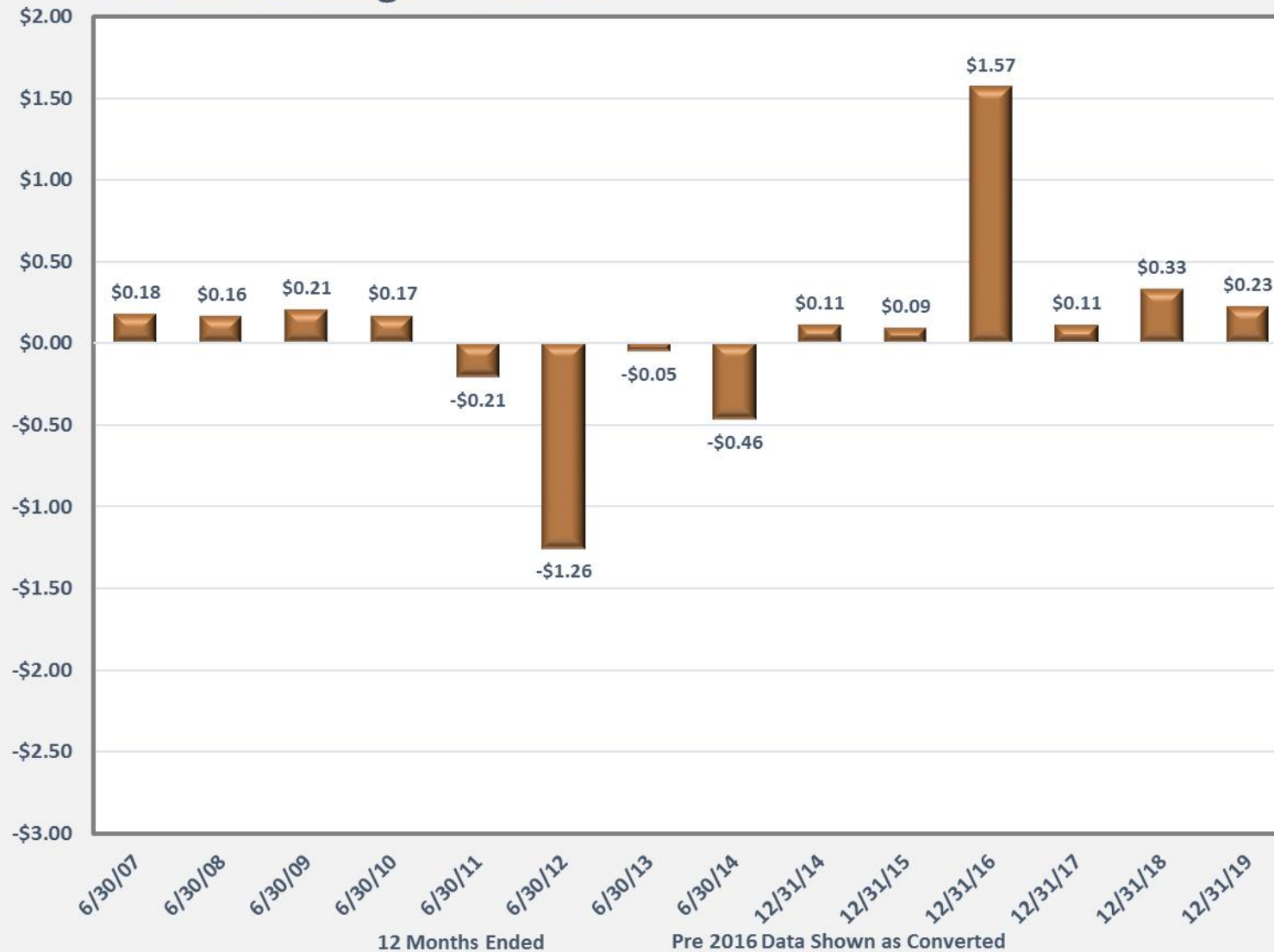
Total Deposits



Net Interest Margin



Diluted Earnings Per Share



Continuing Operations Performance *

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
	(In thousands, except per share data)			
Net interest income	14,127	13,690	437	3.2%
Provision for loan losses	(23)	(318)	295	-92.8%
Non-interest income	1,019	901	118	13.1%
Non-interest expense	(12,491)	(11,723)	(768)	6.6%
Income before Tax	2,632	2,550	82	3.2%
Income taxes	(666)	(675)	9	-1.3%
Net income	<u>\$ 1,966</u>	<u>\$ 1,875</u>	<u>\$ 91</u>	<u>4.9%</u>
Diluted EPS	\$ 0.64	\$ 0.59	\$ 0.05	8.5%
Net interest margin	4.00%	4.28%	-0.28%	-6.54%
Efficiency ratio	82.47%	80.34%	2.13%	2.65%
Return on average assets	0.52%	0.55%	-0.03%	-5.45%

* Excludes discontinued mortgage banking operation losses

1st Quarter 2020 Performance

	Three Months Ended March 31,		Change	% Change
	2020	2019		
(In thousands, except per share data)				
Net interest income	3,806	3,360	446	13.3%
Provision for loan losses *	(472)	(88)	(384)	436.4%
Non-interest income	260	186	74	39.8%
Non-interest expense	(3,195)	(2,953)	(242)	8.2%
Income before Tax	399	505	(106)	-21.0%
Income taxes	(121)	(118)	(3)	2.5%
Net income from continuing operations	\$ 278	\$ 387	\$ (109)	-28.2%
Net loss from discontinued operations	-	(346)	346	-100.0%
Net income	\$ 278	\$ 41	\$ 237	578.0%
Diluted EPS - continuing operations	\$ 0.09	\$ 0.12	\$ (0.03)	-25.0%
Diluted EPS	\$ 0.09	\$ 0.01	\$ 0.08	800.0%
Net interest margin - continuing operations	4.17%	4.02%	0.15%	3.73%
Efficiency ratio - continuing operations	78.58%	83.28%	-4.70%	-5.64%
Return on average assets	0.29%	0.04%	0.24%	554.97%

* 1st quarter 2020 includes \$350 additional ALLL provision for potential COVID-19 related losses

1st quarter 2020 growth rates for loans and deposits were 6.2% and 0.7%, respectively.

Nonperforming assets net of SBA guarantees to assets decreased to .27% March 31, 2020, from .31% December 31, 2019.

**Paycheck Protection Program (PPP) Loans
Through May 31, 2020**

	New Mexico	Arizona	All Other	Total
Number	89	179	7	275
Balance	\$10,206,800	\$24,658,300	\$1,117,600	35,982,700
Avg Balance	\$114,683	\$137,756	\$159,657	\$130,846

Key Terms

24 month

1% interest

SBA pays origination fee.

No borrower fees or prepayment penalty.

Forgiveable if used for qualifying expenses.

Orig Fee - 5% to \$350,000, 3% to \$2 mil, 1% above \$2 mil

Commercial Payment Deferrals by Industry Through May 31, 2020 *

	Loan Balance	% of portfolio category	Average Balance
CRE - Multifamily	\$ 14,639,632	27.23%	\$ 2,091,376
Hotel - Owner Managed	\$ 12,939,723	52.74%	\$ 1,437,747
CRE - Retail	\$ 10,529,306	64.42%	\$ 1,169,923
CRE - Other	\$ 6,500,066	49.88%	\$ 650,007
CRE - Retail Strip Center	\$ 6,312,371	32.69%	\$ 1,262,474
CRE - Natl Cr Tenant	\$ 3,638,044	34.71%	\$ 3,638,044
CRE - Office	\$ 2,854,233	16.51%	\$ 951,411
CRE - MHP	\$ 796,055	2.77%	\$ 398,027
CRE - Industrial	\$ 692,423	9.55%	\$ 346,212
Commercial - Non RE	\$ 432,785	1.54%	\$ 108,196
1-4 Family Investment	\$ 53,020	0.30%	\$ 53,020
	<u>\$ 59,387,658</u>		

*Includes 53 loans representing 36 relationships and 21% of our commercial portfolio

Type of Request By Dollars

Interest Only	\$ 18,959,948	32%
3 Month P & I	\$ 24,839,845	42%
6 month P & I	\$ 15,587,865	26%
	<u>\$ 59,387,658</u>	

Residential Mortgage Deferrals Through May 31, 2020

	Dollars	% of Portfolio	Average Balance
12 Loans	\$ 2,334,229	9%	\$ 194,519

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Thank You for
Your Attendance

