

# BANCORP34

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## **Bancorp 34, Inc. Reports Fourth Quarter and Annual Performance, Announces Dividend**

### **Quarter**

- Net income and diluted earnings per share of \$739,000 and \$0.25, compared to \$556,000 and \$0.18 in 4Q19
- Net interest margin of 4.11% (4.18% excluding PPP), compared to 3.96% in 4Q19. 4Q20 included larger than customary income recognized on loan payoffs (portfolio and PPP).
- Provision for loan loss of \$400,000 (of which \$300,000 for COVID/Recession), compared to \$150,000 provision reversal in 4Q19
- Efficiency ratio improved to 71.24%, compared to 81.04% in 4Q19

### **Annual**

- Net income and diluted earnings per share of \$1.8 million and \$0.59, compared to \$710,000 and \$0.23 in 2019
- Net interest margin of 3.89% (4.00% excluding PPP), compared to 3.95% in 2019
- Provision for loan loss of \$1.9 million (of which \$1.6 million for COVID/Recession), compared to \$23,000 in 2019
- Efficiency ratio improved to 74.69%, compared to 95.18% for 2019

## Credit

- Allowance for loan loss to loans\* of 1.47%, compared to 1.38% previous quarter and 0.99% in 4Q19
- Nonperforming loans to total assets\* of 0.64%, compared to 0.72% previous quarter and 0.89% in 4Q19

\* Balances used for asset quality ratios exclude PPP loans.

Alamogordo, New Mexico – Bancorp 34, Inc. (OTCQB: BCTF), the parent holding company for Bank 34, reported net income for the quarter ended December 31, 2020 of \$739,000, compared with \$556,000 for the same period in 2019. Diluted net income per share for the quarter was \$0.25, compared with \$0.18 for the same period of 2019. The fourth quarter of 2020 included an additional \$300,000 in provision for loan losses for COVID/recession-related losses and \$37,000 of officer transition expenses.

Net income for 2020 was \$1.8 million compared with \$710,000 in 2019. Diluted net income per share for the year was \$0.59, compared with \$0.23 for 2019. The year ended December 31, 2020 included an additional \$1.6 million in provision for loan losses for COVID/recession-related losses and \$304,000 of officer transition expenses. The year ended December 31, 2019 included \$2.0 million of net income from continuing operations partially offset by a \$1.3 million loss from discontinued mortgage banking operations including a \$845,000 net loss on disposal.

Loans decreased \$1 million in the quarter, but grew \$59 million or 20% for the year. Excluding PPP loans, quarter and annual portfolio loan growth was \$7 million, or 2%, and \$32 million or 11%, respectively. Deposit growth was \$6 million, or 2%, for the quarter and \$67 million or 22% for the full 2020 year, including a \$2 million, or 3%, decrease in noninterest-bearing demand deposits for the quarter and a \$20 million, or 36%, increase for the year. Strong deposit growth allowed us to reduce borrowings to \$19 million, or 4% of assets, at year-end 2020 compared to \$40 million, or 10% of assets, in 2019.

Commenting on the fourth quarter, President and Chief Executive Officer of Bancorp 34, Jim Crotty stated “We were pleased with the operating results of our December quarter. In the face of the ill effects and uncertain environment brought on by the COVID-19 pandemic, we remain focused on strengthening relationships by supporting both our customers and our communities as they look to weather the storm during this turbulent economy. Our strong capital position allows us to support our growth going forward while also maintaining our quarterly dividend to our shareholders. We remain committed to enhancing long-term value to our shareholders.”

**COVID-19 INFORMATION** - The spread of the coronavirus caused us to modify business practices, including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences. We continue to have some employees working remotely and may take further actions as required by government authorities or that we determine are in the best interests of employees, customers and business partners from a safety perspective. The following includes information on some of our responses to COVID-19, and the effects of the pandemic on our business.

***Paycheck Protection Program (PPP).*** In the second quarter of 2020, Bank 34 funded 278 PPP loans with principal balances of \$36 million. In the fourth quarter of 2020, 78 payoffs were recorded with principal balances of \$9 million leaving 200 loans with \$27 million in balances. The bank began processing applications for the second round of PPP loans in January 2021.

***Loan Modifications.*** Bank 34 handles loan payment modification requests on a case-by-case basis considering the effects of the COVID-19 pandemic, related economic slow-down and stay-at-home orders on our customer and their current and projected cash flows through the term of the loan. At December 31, 2020 portfolio loans included seven modified loans with principal balances totaling \$9 million representing 3% of total non-

PPP loan balances. This compares to 63 modified loans with principal balances totaling \$59 million representing 19% of total non-PPP loan balances at June 30, 2020. Deferrals of both principal and interest represented 79% of total December 31, 2020 deferrals and the remaining were interest only. Multifamily loans and owner-managed hotels represented 56% and 42% of total December 31, 2020 deferrals, respectively.

***Allowance for Loan Losses.*** The ALLL increased \$402,000, or 9%, in the quarter and \$1.9 million, or 65% for 2020. Additions to the ALLL due to uncertainties related to COVID-19 were \$300,000 in the fourth quarter and \$1.6 million for 2020, representing 10% and 55% of the December 31, 2019 pre-COVID-19 ALLL balance, respectively. The Bank will continue to closely monitor the effects of the pandemic on its borrowers and re-assess the ability to repay their debt.

## **CAPITAL MANAGEMENT**

***Dividends*** – Bancorp 34, Inc. announced that its Board of Directors approved a quarterly cash dividend of \$0.05 per share of common stock, payable on February 26, 2021 to shareholders of record as of the close of business on February 12, 2021. This will be Bancorp 34’s ninth dividend since completing its mutual-to-stock conversion and related stock offering in October 2016. A special dividend of \$1.25 per share was paid on May 9, 2018, and quarterly dividends of \$0.05 per share have been paid since June 2019. Future declarations of dividends are subject to the determination and discretion of Bancorp 34’s Board of Directors.

***Stock Repurchases*** – In November 2020, Bancorp 34 completed its third stock repurchase program under which it repurchased 59,000 shares at a cost of \$600,000.

**ABOUT BANCORP 34, INC.** - Bancorp 34, Inc. is the holding company for Bank 34. Bank 34 has four full-service community bank branches, one each in Otero

and Dona Ana Counties in the cities of Alamogordo and Las Cruces in southern New Mexico and two in Maricopa County, Arizona in the cities of Scottsdale and Peoria. At December 31, 2020, the Company had consolidated assets of \$442 million and stockholders' equity of \$46 million.

**FORWARD-LOOKING STATEMENTS** - Certain statements herein constitute forward-looking statements with the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may be identified by words such as "believes," "will," "expects," "project," "may," "could," "developments," "strategic," "launching," "opportunities," "anticipates," "estimates," "intends," "plans," "targets" and similar expressions. These statements are based upon the current beliefs and expectations of the Company's management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements as a result of numerous factors. Factors that could cause such differences to exist include, but are not limited to, general economic conditions, changes in interest rates, the effects of any health pandemic, regulatory considerations, competition and the other risks. Further, given the ongoing and dynamic nature of the COVID-19 outbreak, it is difficult to predict the impact on our business which will depend on highly uncertain future developments including when the coronavirus can be controlled and abated and when and how the economy may be reopened or remain open. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. Forward-looking statements speak only as of the date they are made, and we assume no obligation to update any of these statements in light of new information, future events or otherwise unless required under federal securities laws.

**BANCORP 34, INC.**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**

	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 8,201,201	\$ 5,100,832	\$ 4,496,465
Interest-bearing deposits with banks	3,785,000	26,540,000	24,990,000
Total cash and cash equivalents	<u>11,986,201</u>	<u>31,640,832</u>	<u>29,486,465</u>
Available-for-sale securities, at fair value	54,343,254	53,958,079	44,517,178
Loans held for investment	353,565,535	354,867,660	294,660,719
Allowance for loan losses	(4,820,883)	(4,418,767)	(2,921,931)
Loans held for investment, net	<u>348,744,652</u>	<u>350,448,893</u>	<u>291,738,788</u>
Premises and equipment, net	8,304,432	8,461,377	8,990,955
Operating lease right-of-use assets	950,042	1,089,485	-
Stock in financial institutions, restricted, at cost	1,324,361	4,062,361	4,016,761
Accrued interest receivable	1,657,014	1,675,401	961,105
Deferred income tax asset, net	2,111,019	1,618,517	1,907,876
Bank owned life insurance	11,111,634	11,047,176	10,850,085
Core deposit intangible, net	97,604	106,466	133,052
Prepaid and other assets	<u>1,291,463</u>	<u>1,676,460</u>	<u>1,137,090</u>
<b>TOTAL ASSETS</b>	<b>\$ 441,921,676</b>	<b>\$ 465,785,047</b>	<b>\$ 393,739,355</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
<b>Deposits</b>			
Demand deposits	\$ 76,492,839	\$ 78,810,193	\$ 56,401,370
Savings and NOW deposits	219,777,876	203,994,253	166,107,428
Time deposits	74,479,109	82,300,630	81,387,861
Total deposits	<u>370,749,824</u>	<u>365,105,076</u>	<u>303,896,659</u>
Federal Home Loan Bank advances	19,000,000	48,000,000	40,000,000
Escrows	267,503	332,333	254,593
Operating lease liabilities	1,032,758	1,089,485	-
Accrued interest and other liabilities	4,838,206	5,405,205	4,271,437
Accrued interest and other liabilities - discontinued operations	-	141,081	233,427
Total liabilities	<u>395,888,291</u>	<u>420,073,180</u>	<u>348,656,116</u>
<b>Stockholders' equity</b>			
Preferred stock, \$0.01 par value, 50,000,000 authorized, none issued and outstanding	-	-	-
Common stock, \$0.01 par value, 100,000,000 authorized, 3,137,573, 3,153,609 and 3,208,618 issued and outstanding.	31,376	31,536	32,086
Additional paid-in capital	22,811,166	22,833,252	23,168,176
Retained earnings	24,324,634	23,740,483	23,157,134
Accumulated other comprehensive income	388,416	643,604	307,255
Unearned employee stock ownership plan (ESOP) shares	(1,522,207)	(1,537,008)	(1,581,412)
Total stockholders' equity	<u>46,033,385</u>	<u>45,711,867</u>	<u>45,083,239</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 441,921,676</b>	<b>\$ 465,785,047</b>	<b>\$ 393,739,355</b>

**BANCORP 34, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

	Year Ended December 31,		Quarter Ended December 31,	
	<b>2020</b>	2019	<b>2020</b>	2019
Interest income				
Interest and fees on loans	<b>\$ 18,285,426</b>	\$ 17,489,918	<b>\$ 4,693,880</b>	\$ 4,529,693
Interest on securities	<b>1,290,725</b>	972,524	<b>302,706</b>	275,813
Interest on other interest-earning assets	<b>115,574</b>	484,546	<b>9,032</b>	103,111
Total interest income	<b>19,691,725</b>	18,946,988	<b>5,005,618</b>	4,908,617
Interest expense				
Interest on deposits	<b>3,155,902</b>	3,799,642	<b>576,316</b>	1,026,589
Interest on borrowings	<b>552,990</b>	1,020,368	<b>41,855</b>	234,450
Total interest expense	<b>3,708,892</b>	4,820,010	<b>618,171</b>	1,261,039
Net interest income	<b>15,982,833</b>	14,126,978	<b>4,387,447</b>	3,647,578
Provision for loan losses	<b>1,944,000</b>	22,500	<b>400,000</b>	(150,000)
Net interest income after provision for loan losses	<b>14,038,833</b>	14,104,478	<b>3,987,447</b>	3,797,578
Noninterest income				
Gain on sale of loans	<b>24,959</b>	<b>272,293</b>	<b>22,318</b>	14,162
Gain on sale of securities	<b>10,157</b>	-	-	-
Service charges and fees	<b>443,901</b>	<b>202,865</b>	<b>116,165</b>	(157,317)
Bank owned life insurance	<b>363,904</b>	<b>370,388</b>	<b>90,741</b>	92,558
Loss on disposal of fixed assets	<b>(240,663)</b>	-	<b>(35,000)</b>	-
Other	<b>151,774</b>	<b>14,225</b>	<b>38,171</b>	(17,989)
Total noninterest income	<b>754,032</b>	<b>859,771</b>	<b>232,395</b>	(68,586)
Noninterest expense				
Salaries and benefits	<b>7,023,314</b>	6,619,148	<b>1,878,556</b>	1,613,826
Occupancy	<b>1,393,807</b>	1,462,077	<b>335,879</b>	371,787
Data processing fees	<b>2,009,382</b>	2,092,060	<b>517,914</b>	497,372
FDIC and other insurance expense	<b>263,497</b>	181,206	<b>79,527</b>	53,105
Professional fees	<b>783,273</b>	815,278	<b>171,147</b>	184,044
Advertising	<b>193,402</b>	260,440	<b>49,144</b>	58,039
Other	<b>834,001</b>	901,980	<b>259,043</b>	122,345
Total noninterest expense	<b>12,500,676</b>	12,332,189	<b>3,291,210</b>	2,900,518
Income from continuing operations				
before provision for income taxes	<b>2,292,189</b>	2,632,060	<b>928,632</b>	828,474
Provision for income taxes	<b>496,930</b>	665,953	<b>189,626</b>	214,626
Net income from continuing operations	<b>1,795,259</b>	1,966,107	<b>739,006</b>	613,848
Discontinued operations				
Loss from discontinued operations	-	(1,683,555)	-	(92,917)
Benefit for income taxes	-	(427,627)	-	(35,434)
Net loss from discontinued operations	-	(1,255,928)	-	(57,483)
<b>NET INCOME</b>	<b>1,795,259</b>	710,179	<b>739,006</b>	556,365
Earnings per common share - Diluted				
Earnings per common share - continuing operations	\$ 0.59	\$ 0.64	\$ 0.25	\$ 0.21
Loss per common share - discontinued operations	-	(0.41)	-	(0.03)
Earnings per common share - Diluted	\$ 0.59	\$ 0.23	\$ 0.25	\$ 0.18

**BANCORP 34, INC.**  
**SELECTED FINANCIAL DATA (Unaudited)**

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Performance Ratios:</b>				
Return on average assets	<b>0.65%</b>	0.57%	<b>0.41%</b>	0.18%
Return on average equity	<b>6.35%</b>	4.89%	<b>3.90%</b>	1.53%
Net interest margin	<b>4.11%</b>	3.96%	<b>3.89%</b>	3.95%
Noninterest expense to average assets	<b>2.90%</b>	2.96%	<b>2.87%</b>	4.97%
Dividends per share	<b>\$0.05</b>	\$0.05	<b>\$0.20</b>	\$0.15
Dividend payout ratio	<b>20.95%</b>	28.48%	<b>34.97%</b>	67.85%
Efficiency ratio	<b>71.24%</b>	81.04%	<b>74.69%</b>	95.18%
<b>Capital Ratios:</b>				
Total capital to risk-weighted assets (Bank only)	<b>13.15%</b>	14.59%		
Tier 1 capital to risk-weighted assets (Bank only)	<b>11.90%</b>	13.58%		
Tier 1 capital to average assets (Bank only)	<b>9.41%</b>	10.30%		
Average stockholders' equity to average total assets	<b>10.25%</b>	12.03%	<b>10.55%</b>	12.03%
Tangible book value per share	<b>\$14.64</b>	\$14.01		
<b>Asset Quality Ratios:</b>				
Allowance for loan losses to gross loans *	<b>1.47%</b>	0.99%		
Allowance for loan losses to nonperforming loans	<b>181.69%</b>	83.36%		
Net charge-offs (recoveries) to average loans *	<b>(0.00)%</b>	(0.00)%	<b>0.01%</b>	0.00%
Nonperforming loans to gross loans *	<b>0.81%</b>	1.19%		
Nonperforming loans to total assets *	<b>0.64%</b>	0.89%		
Nonperforming loans guaranteed by SBA	<b>87%</b>	66%		

\* Balances for asset quality ratios exclude PPP loans