

BANCORP34

BANCORP 34, INC.
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Bancorp 34, Inc. Reports Third Quarter 2020 Performance

- Net income and diluted earnings per share of \$276,000 and \$0.09, compared to \$452,000 and \$0.15 in 3Q19
- Net interest margin of 3.69%, excluding PPP 3.86%, compared to 3.93% in 3Q19
- Provision for loan loss of \$495,000 (of which \$375,000 for COVID/Recession), compared to -0- in 3Q19
- Allowance for loan loss to loans* of 1.38%, compared to 1.26% previous quarter and 1.01% in 3Q19
- Nonperforming loans to total assets* of 0.72%, compared to 0.73% previous quarter and 0.92% in 3Q19

Alamogordo, New Mexico – Bancorp 34, Inc. (OTCQB: BCTF), the parent holding company for Bank 34, reported net income for the quarter ended September 30, 2020 of \$276,000, compared with \$452,000 for the same period in 2019. Diluted net income per share was \$0.09, compared with \$0.15 for the same period of 2019. The third quarter of 2020 included an additional \$375,000 in provision for loan losses for COVID/recession-related losses and \$266,000 of officer transition expenses.

- Balances used for asset quality ratios exclude PPP loans.

Loans grew \$4 million or 1% in the quarter and \$60 million or 20% year-to-date. Excluding \$36 million of PPP loans, year-to-date portfolio loan growth was \$24 million or 8%. Deposit growth was \$34 million or 10% for the quarter and \$61 million or 20% year-to-date, including \$22 million or 40% growth year-to-date in noninterest-bearing demand deposits. The record quarterly deposit growth allowed us to reduce borrowings \$27 million or 36% from the prior quarter; however, at \$48 million, they were up \$8 million or 20% year-to-date.

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. In 2020 Bank 34 funded 278 PPP loans with principal balances of \$36 million. No payoffs were recorded through September 30.

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 September 30, 2020 portfolio loans included 39 modified loans with principal balances totaling \$34 million representing 11% 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 58% of total September 30, 2020 deferrals and the remaining were interest only. Multifamily loans and owner-managed hotels

represented 34% and 23% of total September 30, 2020 deferrals, respectively. Other commercial real estate, retail strip centers, and other retail loans represented 10-12% of deferrals each and residential mortgage represented 7%.

SBA 7(a) Loan Payments. As part of the CARES Act, the SBA agreed to make six months of loan payments on certain existing SBA loans or new SBA loans closed prior to September 27, 2020. Bank 34 had \$8 million in SBA loans at September 30, 2020 which qualify and are now, or have just finished, receiving payments from the SBA under that program.

Allowance for Loan Losses. The ALLL increased \$443,000, or 11%, in the quarter and \$1,497,000, or 51%, year-to-date. Additions to ALLL provisions due to uncertainties related to COVID-19 were \$375,000 in the third quarter and \$1,275,000 year-to-date, representing 13% and 44% 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.

PRESIDENT & CHIEF EXECUTIVE OFFICER TRANSITION - In July 2020, James T. Crotty was appointed to serve as President and Chief Executive Officer of Bancorp 34, Inc. and Bank 34 to succeed Jill Gutierrez, and was appointed to both Boards of Directors. Ms. Gutierrez retired effective September 30, 2020 and entered into a consulting agreement for an initial three-month period to assist the Company with special projects and transitioning related responsibilities. She also will remain on both Boards of Directors.

DELISTING – In August 2020, Bancorp 34, Inc. voluntarily delisted from the NASDAQ Capital Market and joined the OTCQB Market. As a result of delisting, Bancorp 34, Inc. is no longer a public reporting company obligated to file periodic reports with the SEC, including proxy materials and reports on Forms 10-K, 10-Q and 8-K. The decision was based on numerous factors, including the significant cost savings of no longer filing periodic SEC reports

and reductions in accounting fees, legal fees and other costs. Annual financial statements will continue to be audited by an independent accounting firm and Bancorp 34, Inc. intends to publish quarterly and annual financial information via press releases or by postings on Bank 34's website (www.bank34online.com). Bank 34 will continue to report detailed financial results to its primary federal regulator in quarterly Call Reports, which are publicly available on the FDIC's website (www.fdic.gov).

CAPITAL MANAGEMENT – Quarterly dividends of \$0.05 per share have been paid to shareholders since June 2019. In August 2020, Bancorp 34, Inc. adopted a stock repurchase program allowing it to repurchase common stock for a total purchase cost not to exceed \$600,000. During the quarter, 46,000 shares were repurchased at a cost of \$461,000.

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 September 30, 2020, the Company had consolidated assets of \$466 million and stockholders' equity of \$46 million.

FORWARD-LOOKING STATEMENTS - Certain statements herein constitute forward-looking statements within 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

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

BANCORP 34, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest income				
Interest and fees on loans	\$ 4,503,804	\$ 4,392,927	\$ 13,591,546	\$ 12,960,225
Interest on securities	343,947	242,638	988,019	696,711
Interest on other interest-earning assets	15,147	131,181	106,542	381,435
Total interest income	<u>4,862,898</u>	<u>4,766,746</u>	<u>14,686,107</u>	<u>14,038,371</u>
Interest expense				
Interest on deposits	742,622	999,703	2,579,586	2,773,053
Interest on borrowings	108,546	242,055	511,135	785,918
Total interest expense	<u>851,168</u>	<u>1,241,758</u>	<u>3,090,721</u>	<u>3,558,971</u>
Net interest income	4,011,730	3,524,988	11,595,386	10,479,400
Provision for loan losses	495,000	-	1,544,000	172,500
Net interest income after provision for loan losses	<u>3,516,730</u>	<u>3,524,988</u>	<u>10,051,386</u>	<u>10,306,900</u>
Noninterest income				
Gain on sale of loans	-	199,834	2,641	258,131
Gain on sale of securities	-	-	10,157	-
Service charges and fees	132,332	150,915	327,736	360,182
Bank owned life insurance	91,800	93,859	273,163	277,830
Loss on disposal of fixed assets	-	-	(205,663)	-
Other	46,839	11,223	113,603	32,214
Total noninterest income	<u>270,970</u>	<u>455,831</u>	<u>521,637</u>	<u>928,357</u>
Noninterest expense				
Salaries and benefits	2,084,702	1,773,253	5,144,758	5,005,322
Occupancy	338,217	389,598	1,057,928	1,090,290
Data processing fees	511,013	602,029	1,491,468	1,594,688
FDIC and other insurance expense	87,634	(17,962)	183,970	128,101
Professional fees	178,771	221,744	612,126	631,234
Advertising	40,533	98,203	144,258	202,401
Other	194,338	276,995	574,958	779,635
Total noninterest expense	<u>3,435,208</u>	<u>3,343,860</u>	<u>9,209,466</u>	<u>9,431,671</u>
Income from continuing operations before provision for income taxes	352,493	636,959	1,363,557	1,803,586
Provision for income taxes	76,433	184,575	307,304	451,327
Net income from continuing operations	<u>276,060</u>	<u>452,384</u>	<u>1,056,253</u>	<u>1,352,259</u>
Discontinued operations				
Loss from discontinued operations	-	-	-	(1,590,638)
Benefit for income taxes	-	-	-	(392,193)
Net loss from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,198,445)</u>
NET INCOME	<u>276,060</u>	<u>452,384</u>	<u>1,056,253</u>	<u>153,814</u>
Earnings per common share - Basic				
Earnings per common share - continuing operations	\$ 0.09	\$ 0.15	\$ 0.35	\$ 0.43
Loss per common share - discontinued operations	-	-	-	(0.38)
Earnings per common share - Basic	<u>\$ 0.09</u>	<u>\$ 0.15</u>	<u>\$ 0.35</u>	<u>\$ 0.05</u>
Earnings per common share - Diluted				
Earnings per common share - continuing operations	\$ 0.09	\$ 0.15	\$ 0.35	\$ 0.43
Loss per common share - discontinued operations	-	-	-	(0.38)
Earnings per common share - Diluted	<u>\$ 0.09</u>	<u>\$ 0.15</u>	<u>\$ 0.35</u>	<u>\$ 0.05</u>

BANCORP 34, INC.
SELECTED FINANCIAL DATA

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Performance Ratios:				
Return on average assets	0.24%	0.47%	0.33%	0.05%
Return on average equity	2.38%	3.92%	3.07%	0.44%
Net interest margin	3.69%	3.93%	3.82%	3.95%
Noninterest expense to average assets	2.97%	3.49%	2.85%	3.28%
Dividends per share	\$0.05	\$0.05	\$0.15	\$0.10
Dividend payout ratio	56.72%	34.89%	44.77%	210.25%
Efficiency ratio	80.21%	84.00%	76.00%	82.68%
Capital Ratios:				
Total capital to risk-weighted assets (Bank only)	12.65%	14.38%		
Tier 1 capital to risk-weighted assets (Bank only)	11.43%	13.32%		
Tier 1 capital to average assets (Bank only)	9.04%	10.38%		
Average stockholders' equity to average total assets	10.05%	12.07%		
Tangible book value per share	\$14.44	\$13.89		
Asset Quality Ratios:				
Allowance for loan losses to gross loans*	1.38%	1.01%		
Allowance for loan losses to nonperforming loans	141.50%	86.20%		
Net (charge-offs) recoveries to average loans*	0.06%	0.00%		
Nonperforming loans to gross loans*	0.98%	1.17%		
Nonperforming loans to total assets*	0.72%	0.92%		
Nonperforming loans guaranteed by SBA	74%	65%		

* Balances for asset quality ratios exclude PPP loans