

BANCORP34

BANCORP 34, INC.
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Bancorp 34, Inc. Reports First Quarter Performance, Announces New CFO and Dividend

Alamogordo, New Mexico – Bancorp 34, Inc. (OTCQB: BCTF), the parent company for Bank 34, reported first quarter performance, announces new CFO and dividend.

Bancorp 34, Inc. reported net income and diluted EPS for the quarter ended March 31, 2021 of \$1.4 million and \$0.46, respectively, compared with \$278,000 and \$0.09 for the same period in 2020.

Loans increased \$4 million, or 1% in the quarter. Deposit growth was \$30 million, or 8.1%, for the quarter including a \$22 million, or 28%, increase in noninterest-bearing demand deposits.

Commenting on the first quarter, President and Chief Executive Officer of Bancorp 34, Jim Crotty stated “We are very pleased to start 2021 with an excellent first quarter. Our record core earnings quarter was bolstered by PPP revenues and continued strength in our loan portfolio. While the banking industry continues to face challenges related to the COVID-19 pandemic, the low rate environment and relatively softer loan demand, Bank 34 has leaned on a loyal customer base, a devoted staff and resilient communities to further drive shareholder value.”

Quarter

- Net income and diluted earnings per share of \$1.4 million and \$0.46, compared to \$278,000 and \$0.09 in 1Q20
- Net interest margin of 4.37% (4.34% excluding PPP), compared to 4.17% in 1Q20.
- No provision for loan loss, compared to \$472,000 provision in 1Q20 including \$350,000 for potential COVID-19 related losses.
- Efficiency ratio improved to 63.43%, compared to 78.58% in 1Q20

Credit

- Allowance for loan loss to loans* of 1.46%, compared to 1.47% previous quarter and 1.09% in 1Q20
- Nonperforming loans to total assets* of .63%, compared to 0.64% previous quarter and .83% in 1Q20

* Balances used for asset quality ratios exclude PPP loans.

CHIEF FINANCIAL OFFICER (CFO) TRANSITION – Michael Sheneman joined Bank 34 in April 2021 as our new CFO. Mr. Sheneman brings with him a wealth of experience having previously served as the CFO at bank and non-bank lenders for many years. Our retiring CFO, Jan Thiry, will assist with transition for the next several weeks as he prepares for his retirement in June.

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). On March 31, 2021, we had \$28 million in PPP Loan balances, including \$9 million remaining from the \$36

million originated in the second quarter of 2020 and \$19 million originated in the first quarter of 2021.

Loan Modifications. At March 31, 2021 one hotel owner-occupied loan with a principal balance of \$1.5 million was modified due to the impact of COVID-19. The borrower is current on interest-only payments. This compares to seven modified loans with principal balances totaling \$9 million at December 31, 2020.

Allowance for Loan Losses. The ALLL was \$4.8 million at March 31, 2021 and December 31, 2020. Additions to the ALLL due to uncertainties related to COVID-19 were \$1.6 million for 2020, an increase of 55% from the December 31, 2019 ALLL balance.

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 May 28, 2021 to shareholders of record as of the close of business on May 14, 2021. This will be Bancorp 34's tenth dividend since completing its mutual-to-stock conversion and related stock offering in October 2016. Future declarations of dividends are subject to the determination and discretion of Bancorp 34's Board of Directors.

Stock Repurchases – In March 2021 the Company repurchased 5,729 shares under its fourth program with authorization to repurchase up to 5% of outstanding shares for up to \$2.0 million.

ABOUT BANCORP 34, INC. - 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 March 31, 2021, the Company had consolidated assets of \$463 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 (Unaudited)

	March 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks	\$ 7,769,791	\$ 8,201,201
Interest-bearing deposits with banks	<u>23,120,000</u>	<u>3,785,000</u>
Total cash and cash equivalents	30,889,791	11,986,201
Available-for-sale securities, at fair value	52,228,740	54,343,254
Loans held for investment	357,757,286	353,565,535
Allowance for loan losses	<u>(4,822,624)</u>	<u>(4,820,883)</u>
Loans held for investment, net	352,934,663	348,744,652
Premises and equipment, net	8,139,070	8,304,432
Operating lease right-of-use assets	810,108	950,042
Stock in financial institutions, restricted, at cost	1,364,061	1,324,361
Accrued interest receivable	1,588,882	1,657,014
Deferred income tax asset, net	2,351,485	2,111,019
Bank owned life insurance	11,173,013	11,111,634
Core deposit intangible, net	88,742	97,604
Prepaid and other assets	<u>1,714,862</u>	<u>1,291,463</u>
TOTAL ASSETS	<u>\$ 463,283,418</u>	<u>\$ 441,921,676</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand deposits	\$ 98,040,985	\$ 76,492,839
Savings and NOW deposits	235,062,531	219,777,876
Time deposits	<u>67,664,834</u>	<u>74,479,109</u>
Total deposits	400,768,350	370,749,824
Federal Home Loan Bank advances	10,000,000	19,000,000
Escrows	355,713	267,503
Operating lease liabilities	882,903	1,032,758
Accrued interest and other liabilities	<u>4,713,621</u>	<u>4,838,206</u>
Total liabilities	416,720,587	395,888,291
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, 3,129,844 and 3,137,573 issued and outstanding.	31,298	31,376
Additional paid-in capital	22,828,965	22,811,166
Retained earnings	25,526,432	24,324,634
Accumulated other comprehensive income	(316,010)	388,416
Unearned employee stock ownership plan (ESOP) shares	<u>(1,507,853)</u>	<u>(1,522,207)</u>
Total stockholders' equity	46,562,830	46,033,385
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 463,283,418</u>	<u>\$ 441,921,676</u>

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

	Quarter Ended March 31,	
	2021	2020
Interest income		
Interest and fees on loans	\$ 4,686,053	\$ 4,621,226
Interest on securities	317,681	287,227
Interest on other interest-earning assets	15,407	73,439
Total interest income	<u>5,019,141</u>	<u>4,981,892</u>
Interest expense		
Interest on deposits	410,186	985,569
Interest on borrowings	32,856	190,215
Total interest expense	<u>443,042</u>	<u>1,175,784</u>
Net interest income	4,576,099	3,806,108
Provision for loan losses	-	472,000
Net interest income after provision for loan losses	<u>4,576,099</u>	<u>3,334,108</u>
Noninterest income		
Gain on sale of loans	15,899	-
Service charges and fees	116,358	121,717
Bank owned life insurance	88,650	90,812
Other	51,461	47,367
Total noninterest income	<u>272,368</u>	<u>259,896</u>
Noninterest expense		
Salaries and benefits	1,753,466	1,759,550
Occupancy	336,885	368,707
Data processing fees	519,774	461,827
FDIC and other insurance expense	69,836	51,928
Professional fees	115,726	291,437
Advertising	33,775	60,662
Other	230,115	201,014
Total noninterest expense	<u>3,059,577</u>	<u>3,195,125</u>
Income from continuing operations		
before provision for income taxes	1,788,890	398,879
Provision for income taxes	431,516	120,822
NET INCOME	<u>1,357,374</u>	<u>278,057</u>
Earnings per common share - Diluted	\$ 0.46	\$ 0.09

BANCORP 34, INC.
SELECTED FINANCIAL DATA (Unaudited)

	Quarter Ended		
	March 2021	December 2020	March 2020
Pre-Tax, Pre-Provision Income	\$1,788,890	\$1,328,632	\$870,879
Performance Ratios:			
Return on average assets	1.22%	0.65%	0.29%
Return on average equity	11.75%	6.35%	2.43%
Net interest margin	4.37%	4.11%	4.18%
Noninterest expense to average assets	2.76%	2.90%	3.28%
Dividends per share	\$0.05	\$0.05	\$0.05
Dividend payout ratio	11.46%	20.95%	56.98%
Efficiency ratio	63.43%	71.24%	78.58%
Capital Ratios:			
Total capital to risk-weighted assets (Bank only)	13.41%	13.15%	14.00%
Tier 1 capital to risk-weighted assets (Bank only)	12.16%	11.90%	12.91%
Tier 1 capital to average assets (Bank only)	9.76%	9.41%	10.36%
Average stockholders' equity to average total assets	10.41%	10.25%	11.71%
Tangible book value per share	\$14.85	\$14.64	\$14.33
Asset Quality Ratios:			
Allowance for loan losses to gross loans *	1.46%	1.47%	1.09%
Allowance for loan losses to nonperforming loans	176.20%	181.69%	99.63%
Net charge-offs (recoveries) to average loans *	(0.00)%	(0.00)%	(0.00)%
Nonperforming loans to gross loans *	0.83%	0.81%	1.09%
Nonperforming loans to total assets *	0.63%	0.64%	0.83%
Nonperforming loans guaranteed by SBA	88%	87%	68%

* Balances for asset quality ratios exclude PPP loans