

BANCORP 34

Bancorp 34, Inc. reports first quarter 2025 results

\$2.3 million	\$2.6 million	\$11.06	\$0.31
Net Income	Bank Net Income	TBVPS	Diluted EPS

Management Comments - Ciaran McMullan, Chairman & CEO

- ❖ Successfully completed merger with Commerce Bank of Arizona in March 2024, rebranding as Southwest Heritage Bank.
- ❖ Immediately appointed new leadership with large bank experience, and expertise in turnarounds, organic growth, and M&A.
- ❖ Restructured and de-risked the legacy Bank 34 loan portfolio by exiting \$70.5 million in non-relationship, out-of-market, low yielding loans during 2024 – contributing to a 9.8% post-merger decline in total loans.
- ❖ As part of a post-merger talent realignment, reduced our loan officer count by five (38%) to enable recruitment of more seasoned lenders capable of originating larger, primarily C&I loans.
- ❖ Our balance sheet is now repositioned for growth, supported by robust levels of capital, liquidity, and reserves, with capacity to expand across all lending categories.
- ❖ Reported our first positive loan growth quarter since the merger and set to capitalize on Arizona's recent banking consolidation, and our unique position as the largest locally-headquartered community bank.

1Q25 Highlights (Compared to 4Q24)

Net Income and NIM	Performance Metrics	1Q25	4Q24	Bank Only 1Q25
<ul style="list-style-type: none"> Net Income includes \$350,000 of debt interest expense at average rate of 4.9% and was positively impacted by a one-time recovery of \$1.5 million. 	ROATA	1.01%	0.06%	1.13%
	ROATE	11.67%	0.74%	10.81%
	Core ¹ ROATA	0.35%	0.34%	0.47%
	Core ¹ ROATE	4.11%	3.91%	4.37%
<ul style="list-style-type: none"> NIM declined slightly primarily due to market rate declines while cost of funds improved by 6 basis points. 	Net Interest Margin	3.63%	3.70%	3.73%
	Cost of Funds	2.70%	2.76%	2.61%
<ul style="list-style-type: none"> Non-interest expense improved by \$1.6 million (19%) primarily due to a reduction in salary costs and one-time costs recognized in Q4. 	Overhead Ratio	2.79%	3.46%	2.75%
	Efficiency Ratio	81.98%	97.58%	77.40%
	NPA ²	0.27%	0.30%	0.27%
	ACL to Total Loans	1.50%	1.50%	1.50%
Balance Sheet	Income Statement (000s except EPS)	1Q25	4Q24	Bank Only 1Q25
<ul style="list-style-type: none"> Total assets increased \$26 million, driven by deposit growth of \$22 million. 	Net Interest Income	\$8,020	\$8,269	\$8,343
	Non-interest Income	\$265	\$349	\$265
<ul style="list-style-type: none"> Deposit mix improved, non-maturity deposits increased ~\$40 million, CD balances declined ~\$18 million. 	Non-interest Expense	\$6,792	\$8,409	\$6,676
	Pre-tax Pre-Provision	\$1,493	\$209	\$1,931
<ul style="list-style-type: none"> Total loans grew by a modest \$0.5 million. 	Provision Expense	-\$1,500	-\$41	-\$1,500
	Tax Expense	\$685	\$101	\$794
	Net Income	\$2,308	\$149	\$2,637
	Core Net Income	\$813	\$784	\$1,067
	Diluted Earnings per Share	\$0.31	\$0.06	N/A
Asset Quality	Balance Sheet (in 000s)	1Q25	4Q24	Bank Only 1Q25
<ul style="list-style-type: none"> NPA² improved modestly by 3 basis points, and we continued to maintain a reserve position of 1.50%. 	Total Assets	\$943,639	\$918,095	\$940,015
<ul style="list-style-type: none"> ACL recovery of \$1.5 million was repayment of a commercial loan charged off in 2022. 	Total Loans	\$676,612	\$676,092	\$676,612
	Total Deposits	\$814,255	\$792,567	\$817,954
	Total Capital	\$90,057	\$86,515	\$109,041
	TBVPS	\$11.06	\$10.54	N/A
Capital				
<ul style="list-style-type: none"> TBVPS increased by \$0.52 during the quarter and by \$1.20 post-merger, with \$0.18 due to AOCI 				
<ul style="list-style-type: none"> Tier 1 Leverage Ratio of 11.10% 				

1 – Excludes merger related accretion and amortization, as well as material non-recurring income and expense items.

2 – NPA is non-performing assets as a % of total assets, net of government guarantees.

ABOUT BANCORP 34, INC. – Bancorp 34 is the holding company for Southwest Heritage Bank. The bank's headquarters are located at 8777 East Hartford Drive, Suite 100, Scottsdale, Arizona 85255. In addition, we operate seven full-service community bank branches, two in Maricopa County, Arizona, in the cities of Scottsdale and Gilbert; three in Pima County, Arizona, in the cities of Tucson and Green Valley; one branch in Otero County, New Mexico in the city of Alamogordo; and one branch in Dona Ana County New Mexico, in the city of Las Cruces.

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. 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.

NON-GAAP FINANCIAL MEASURES- Some of the financial measures included in this release are not measures of financial performance recognized in accordance with generally accepted accounting principles in the United States ("GAAP"). These non-GAAP financial measures include: (i) core net income; (ii) core net interest margin; (iii) core ROAA; (iv) core ROAE (v) core ROATA; (vi) core ROATE; (vii) core NIE to average assets; and (viii) core efficiency ratio. We believe these non-GAAP financial measures provide investors and management with a more complete understanding of our financial position and performance. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Not all companies use the same calculation of these measures; therefore, this presentation may not be comparable to other similarly titled measures as presented by other companies. A reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures is included at the end of the financial statement tables.

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BALANCE SHEET

1Q25

4Q24

Assets

Cash and due from banks	3,652	3,675
Fed funds sold & repos	6,020	2,085
Interest bearing deposits with banks	118,721	107,836
Investment securities	94,818	85,522
Loans, net of unearned income	676,612	676,092
Allowance for credit losses	-10,181	-10,160
Premises and equipment, net	11,984	12,482
Accrued interest receivable	2,572	2,613
Core deposit intangible	7,184	7,589
Other assets	32,255	30,361

Total Assets	943,639	918,095
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Liabilities

Non-interest bearing deposits	182,376	187,048
Interest bearing demand deposits	114,506	101,546
Savings and money market deposits	294,820	262,918
Time deposits - retail	217,483	232,973
Time deposits - wholesale	5,070	8,082

Total Deposits	814,255	792,567
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Accrued expenses and other liabilities	11,605	11,310
Other borrowings	27,722	27,703

Total Liabilities	853,582	831,580
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Equity

Common stock	75	75
Capital surplus	67,529	67,315
Retained earnings	25,989	24,301
Accumulated other comprehensive loss	-4,571	-5,578
Net income	2,308	1,689
Unearned ESOP shares	-1,273	-1,287

Total Equity	90,057	86,515
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Total Liabilities & Equity	943,639	918,095
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INCOME STATEMENT

1Q25

4Q24

Interest Income

Interest on Loans	11,156	11,593
Fees on Loans	150	181
Interest on federal funds sold	52	878
Interest on deposits with banks	1,264	587
Investment Securities - Taxable	973	828
Total Interest Income	13,595	14,067

Interest Expense

Interest bearing demand deposits	328	335
Savings and Money Market Deposits	2,388	2,373
Time Deposits - Retail	2,446	2,620
Time Deposits - Wholesale	63	85
Total Interest Expense on Deposits	5,225	5,413
Interest on other borrowings	350	385
Total Interest Expense	5,575	5,798

Net Interest Income **8,020** **8,269**

Provision for Credit Losses	-1,500	-41
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Net In. Inc. After Prov. for Credit Losses **9,520** **8,310**

Non Interest Income

Service charges and fees	154	158
Mortgage loan and related fees	34	16
Other noninterest income	77	175
Total Non Interest Income	265	349

Non Interest Expense

Salaries and employee benefits	3,578	3,882
Occupancy	700	706
Other noninterest expense	2,514	3,821
Total Non Interest Expense	6,792	8,409

Income Before Taxes **2,993** **250**

Income taxes	685	101
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Net Income **2,308** **149**

Select Financial Ratios	1Q25	4Q25	Bank 1Q25
Return on Average Assets (ROAA)	1.00%	0.06%	1.12%
Core ROAA	0.35%	0.32%	0.46%
Return on Average Tangible Assets (ROATA)	1.01%	0.06%	1.13%
Core ROATA	0.36%	0.33%	0.47%
Return on Average Equity (ROAE)	10.63%	0.68%	10.05%
Core ROAE	3.77%	3.56%	4.07%
Return on Average Tangible Equity	11.67%	0.74%	10.81%
Core ROATE	4.15%	4.06%	4.37%
Noninterest Expense (NIE) to Average Assets	2.90%	3.61%	2.86%
Core NIE to Average Assets	2.64%	2.60%	2.64%
Efficiency Ratio	81.98%	97.58%	77.14%
Core Efficiency Ratio	86.06%	85.14%	82.14%
Overhead Ratio	2.79%	3.46%	2.75%
Net Interest Margin	3.63%	3.70%	3.73%
Core Net Interest Margin	3.10%	3.17%	3.23%
Cost of Funds	2.70%	2.76%	2.61%
Earnings Per Share (EPS)	\$0.31	\$0.06	N/A
Diluted EPS	\$0.31	\$0.06	N/A

Credit Quality ³	1Q25	4Q25
Total Classified Loans	\$10,632	\$11,416
Classified - Accrual Loans	\$8,106	\$8,711
Classified - Non-Accrual Loans	\$2,526	\$2,705
Non-Performing Assets	\$2,526	\$2,705
Total Classified / Total Loans	1.57%	1.69%
Adversely Classified Items/Total Capital	9.45%	10.22%

Period	GAAP Net Income	Non-recurring interest income or expense	Loan Accreted Income	CDI Amortized Expense	Other Non- Recurring Items ⁴	Non-GAAP Core Net Income
1Q25	\$2,308	-\$10	-\$1,103	\$414	-\$1,294	\$813
4Q24	\$149	-\$125	-\$1,112	\$447	\$1,637	\$784
1Q25 Bank	\$2,637	-\$10	-\$1,103	\$414	-\$1,394	\$1,067

3 – Classified and non-performing assets are net of government guarantees

4 – Includes ACL reverse provision