

BANCORP 34

Bancorp 34, Inc. reports second quarter 2025 results

\$2.3 million	\$2.6 million	\$11.39	\$0.32
Net Income	Bank Net Income	TBVPS	Diluted EPS

Management Comments - Ciaran McMullan, Chairman & CEO

- ❖ Return on Average Assets above 1% for the second consecutive quarter.
- ❖ Cost of Funds continues to decline as we focus on reducing deposit pricing in line with market conditions.
- ❖ \$65.4 million in New Loan Commitments¹ year-to-date offset by early payoffs and normal portfolio amortization.
- ❖ An additional Lender added as focus on recruitment in the C&I sector continues.

2Q25 Highlights

Net Income and NIM	Performance Metrics (Consolidated)			
<ul style="list-style-type: none">Net income was unchanged over the linked quarter, improved by 55.4% over Q2 2024, and was positively impacted by one-time recovery of \$1.25M.		2Q25	1Q25	2Q24
<ul style="list-style-type: none">Core³ NIM improved by 18 bps due to a reduction in cost of funds of 9 bps and improved yield on earning assets.	ROATA	1.01%	1.01%	0.65%
<ul style="list-style-type: none">Non-interest expense declined slightly over the linked quarter but declined 8.9% over Q2 2024 driven primarily by reduced salary expense and elevated merger costs in Q2 2025.	ROATE	11.14%	11.67%	7.28%
	Core ² ROATA	0.51%	0.35%	0.50%
	Core ² ROATE	5.56%	4.11%	6.25%
	Net Interest Margin	3.66%	3.63%	4.03%
	Cost of Funds	2.61%	2.70%	2.69%
	Overhead Ratio ⁴	2.84%	2.90%	2.89%
	Efficiency Ratio	79.07%	81.98%	80.12%
	NPA ⁵	0.18%	0.27%	0.53%
	ACL to Total Loans	1.55%	1.50%	1.47%
Balance Sheet	Select Metrics (Bank Only)			
<ul style="list-style-type: none">Total deposits declined by \$19.1M or 2.4%, consistent with historical second quarter trends, and have increased year-to-date by \$2.5M.		2Q25	1Q25	2Q24
<ul style="list-style-type: none">Deposit mix has improved significantly during 2025 with CD's declining by \$28M or 11.6%.	ROATA	1.12%	1.13%	0.89%
	Core ² ROATA	0.60%	0.47%	0.65%
	Net Interest Margin	3.80%	3.73%	4.18%
<ul style="list-style-type: none">Total loans remained unchanged, year-over-year decline driven by significant portfolio de-risking post-merger in 2024.	Efficiency Ratio	75.69%	77.40%	73.92%
Asset Quality	Balance Sheet (in 000s)	2Q25	1Q25	2Q24
<ul style="list-style-type: none">NPAs⁴ improved during the quarter due to a combination of payoffs and risk-rating upgrades.	Total Assets	\$931,267	\$943,639	\$940,015
<ul style="list-style-type: none">An ACL recovery of \$1.25M related to final repayment of loan charged off in 2022.	Total Loans	\$676,389	\$676,612	\$735,495
	Total Deposits	\$795,104	\$814,255	\$769,696
	Total Capital	\$92,242	\$90,057	\$84,099
	TBVPs	\$11.39	\$11.06	\$10.18
Capital	Income Statement (000s)	2Q25	1Q25	2Q24
<ul style="list-style-type: none">TBVPs increased by \$0.33 during the quarter and by \$1.53 post-merger with \$0.14 YTD due to AOCI.	Net Interest Income	\$8,096	\$8,020	\$8,978
<ul style="list-style-type: none">Tier 1 Leverage Ratio of 11.86%.	Non-interest Income	\$292	\$265	\$105
	Non-interest Expense	\$6,633	\$6,792	\$7,278
	Pre-tax Pre-Provision	\$1,755	\$1,493	\$1,805
	Provision Expense	-\$1,250	-\$1,500	-\$50
	Net Income	\$2,330	\$2,308	\$1,505
	Core Net Income	\$1,163	\$813	\$1,157
	Diluted Earnings per Share	\$0.32	\$0.31	\$0.21

1 – Includes new loan balances disbursed and new unfunded commitments. Source: Internal Reporting

2 – Non-GAAP, excludes merger related accretion and amortization, as well as material non-recurring income and expense items.

3 – Non-GAAP, excludes merger related fair value mark accretion and amortization.

4 – Non-interest expense as a percentage of average assets

5 – 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 (in 000s)

2Q25

1Q25

2Q24

Assets

Cash and due from banks	3,645	3,652	4,044
Fed funds sold & repos	5,430	6,020	26,175
Interest bearing deposits with banks	95,086	118,721	48,471
Investment securities	104,455	94,818	63,041
Loans, net of unearned income	676,389	676,612	735,495
Allowance for credit losses	-10,492	-10,181	-10,801
Premises and equipment, net	11,565	11,984	12,998
Accrued interest receivable	2,559	2,572	2,787
Core deposit intangible	6,791	7,184	8,434
Other assets	35,839	32,255	30,746

Total Assets	931,267	943,639	921,390
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Liabilities

Non-interest bearing deposits	168,931	182,376	179,664
Interest bearing demand deposits	105,630	114,506	104,407
Savings and money market deposits	307,474	294,820	271,210
Time deposits - retail	207,999	217,483	206,333
Time deposits - wholesale	5,070	5,070	8,082

Total Deposits	795,104	814,255	769,696
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Accrued expenses and other liabilities	16,680	11,605	11,267
Other borrowings	27,241	27,722	56,328

Total Liabilities	839,025	853,582	837,291
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Equity

Common stock	75	75	74
Capital surplus	67,652	67,529	66,698
Retained earnings	25,989	25,989	24,300
Accumulated other comprehensive loss	-4,849	-4,571	-5,623
Net income	4,638	2,308	-34
Unearned ESOP shares	-1,263	-1,273	-1,316

Total Equity	92,242	90,057	84,099
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Total Liabilities & Equity	931,267	943,639	921,390
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INCOME STATEMENT (in 000s)		2Q25	1Q25	2Q24
Interest Income				
Interest on Loans		11,008	11,156	12,827
Fees on Loans		173	150	207
Interest on federal funds sold		49	52	225
Interest on deposits with banks		1,095	1,264	774
Investment Securities - Taxable		1,162	973	598
Total Interest Income		13,487	13,595	14,631
Interest Expense				
Interest bearing demand deposits		373	328	314
Savings and Money Market Deposits		2,498	2,388	2,312
Time Deposits - Retail		2,124	2,446	2,195
Time Deposits - Wholesale		52	63	84
Total Interest Expense on Deposits		5,047	5,225	4,905
Interest on other borrowings		344	350	748
Total Interest Expense		5,391	5,575	5,653
Net Interest Income		8,096	8,020	8,978
Provision for Credit Losses		-1,250	-1,500	-50
Net In. Inc. After Prov. for Credit Losses		9,346	9,520	9,028
Non Interest Income				
Service charges and fees		148	154	174
Mortgage loan and related fees		-9	34	-23
Other noninterest income		153	77	-46
Total Non Interest Income		292	265	105
Non Interest Expense				
Salaries and employee benefits		3,323	3,578	3,404
Occupancy		726	700	697
Other noninterest expense		2,584	2,514	3,177
Total Non Interest Expense		6,633	6,792	7,278
Income Before Taxes		3,005	2,993	1,855
Income taxes		675	685	350
Net Income		2,330	2,308	1,505

INCOME STATEMENT (in 000s)

6 months
ending 2Q25

6 months
ending 2Q24

Interest Income

Interest on Loans	22,165	19,548
Fees on Loans	323	376
Interest on federal funds sold	101	281
Interest on deposits with banks	2,359	1,209
Investment Securities - Taxable	2,135	1,137
Total Interest Income	27,083	22,551

Interest Expense

Interest bearing demand deposits	702	370
Savings and Money Market Deposits	4,886	4,271
Time Deposits - Retail	4,570	3,668
Time Deposits - Wholesale	114	209
Total Interest Expense on Deposits	10,272	8,518
Interest on other borrowings	694	1,391
Total Interest Expense	10,966	9,909

Net Interest Income	16,117	12,642
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Provision for Credit Losses	-2,750	3,866
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Net In. Inc. After Prov. for Credit Losses	18,867	8,776
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Non Interest Income

Service charges and fees	302	305
Mortgage loan and related fees	27	-42
Other noninterest income	227	4,700
Total Non Interest Income	556	4,963

Non Interest Expense

Salaries and employee benefits	6,901	5,928
Occupancy	1,426	1,117
Other noninterest expense	5,098	8,380
Total Non Interest Expense	13,425	15,425

Income Before Taxes	5,998	-1,686
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Income taxes	1,360	-1,652
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Net Income	4,638	-34
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Select Financial Ratios	2Q25	1Q25	2Q24
Return on Average Assets (ROAA)	1.01%	1.00%	0.64%
Core ⁶ ROAA	0.50%	0.35%	0.50%
Return on Average Tangible Assets (ROATA)	1.01%	1.01%	0.65%
Core ⁶ ROATA	0.51%	0.36%	0.50%
Return on Average Equity (ROAE)	9.93%	10.63%	7.27%
Core ⁶ ROAE	5.23%	3.77%	5.62%
Return on Average Tangible Equity	11.14%	11.67%	8.13%
Core ⁶ ROATE	5.56%	4.15%	6.25%
Overhead Ratio	2.84%	2.90%	2.89%
Core ⁶ Overhead Ratio	2.65%	2.64%	2.89%
Efficiency Ratio	79.07%	81.98%	80.12%
Core ⁶ Efficiency Ratio	82.26%	86.06%	81.87%
Net Interest Margin	3.66%	3.63%	4.03%
Core ⁷ Net Interest Margin	3.28%	3.10%	3.40%
Cost of Funds	2.61%	2.70%	2.69%
Earnings Per Share (EPS)	\$0.32	\$0.31	\$0.21
Diluted EPS	\$0.32	\$0.31	\$0.21

Bank Regulatory Capital Ratios	2Q25	1Q25	2Q24
Tier 1 Leverage Capital Ratio	11.86%	11.10%	10.58%
Common Equity Tier 1 Capital Ratio	14.18%	13.56%	12.36%
Tier 1 Capital Ratio	14.18%	13.56%	12.36%
Total Risk-based Capital Ratio	15.44%	14.81%	13.61%

Credit Quality ⁸	2Q25	1Q25
Total Classified Loans	\$9,663	\$10,995
Classified - Accrual Loans	\$7,978	\$8,161
Classified - Non-Accrual Loans	\$1,685	\$2,834
Non-Performing Assets	\$1,685	\$2,834
Total Classified / Total Loans	1.43%	1.63%
Adversely Classified Items/Total Bank Capital	8.23%	9.50%

Period	GAAP Net Income	Loan Mark Accretion	CDI Amortization	Non-Recurring Items ⁹	Core Net Income ¹⁰
2Q25	\$2,330	-\$758	\$399	-\$1,197	\$1,163
1Q25	\$2,308	-\$1,103	\$414	-\$1,304	\$813
2Q24	\$1,505	-\$1,357	\$434	-\$80	\$1,157

6 – Non-GAAP, excludes merger related accretion and amortization, as well as material non-recurring income and expense items.

7 – Non-GAAP, excludes merger related fair value mark accretion and amortization.

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

9 – Includes ACL reverse provision

10 – Non-GAAP, Assumes 25% tax rate

Average Balance Sheet and Yields

For the Three Months Ended

	June 30, 2025			March 31, 2025		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest Earning Assets:						
Federal funds sold	\$ 4,391,538	\$ 48,968	4.47%	\$ 4,750,056	\$ 51,553	4.40%
Deposits with banks	101,230,867	1,095,171	4.34%	118,085,194	1,264,169	4.34%
Investment securities	109,636,098	1,161,439	4.09%	98,541,177	973,739	4.01%
Loans	674,518,875	11,181,795	6.65%	675,337,980	11,306,055	6.79%
Total Interest Earning Assets	\$ 889,777,378	\$ 13,487,373	6.08%	\$ 896,714,407	\$ 13,595,516	6.15%
Non-Interest Earning Assets	\$ 40,031,708			\$ 39,993,906		
Total Assets	<u>\$ 929,809,086</u>			<u>\$ 936,708,313</u>		
Interest Bearing Liabilities:						
Interest bearing demand	\$ 107,769,299	\$ 373,496	1.39%	\$ 104,439,161	\$ 328,216	1.27%
Savings and Money Market	296,161,664	2,497,634	3.38%	283,562,606	2,388,384	3.42%
Time deposits - Retail	211,751,684	2,123,642	4.02%	231,697,095	2,446,269	4.28%
Time Deposits - Wholesale	5,070,000	52,144	4.13%	6,146,267	62,259	4.11%
Total Interest Bearing Deposits	620,752,647	5,046,916	3.26%	625,845,129	5,225,128	3.39%
Total Borrowed Funds	27,430,238	344,231	4.96%	27,710,793	350,045	5.05%
Total Interest Bearing Liabilities	648,182,885	5,391,147	3.33%	653,555,922	5,575,173	3.46%
Non-Interest Bearing Deposits	178,549,677	-	0.00%	183,537,223	-	0.00%
Total Funding Sources/Cost	826,732,562	5,391,147	2.61%	837,093,145	5,575,173	2.70%
Non-Interest Bearing Liabilities	12,197,579			12,025,510		
Equity	90,878,946			87,589,658		
Total Liabilities and Equity	<u>\$ 929,809,086</u>			<u>\$ 936,708,313</u>		
Net Interest Income		<u>\$ 8,096,226</u>			<u>\$ 8,020,343</u>	
Net Interest Margin			3.66%			3.63%

Average Balance Sheet and Yields

For the Three Months Ended

	June 30, 2025			June 30, 2024		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest Earning Assets:						
Federal funds sold	\$ 4,391,538	\$ 48,968	4.47%	\$ 16,631,868	\$ 224,921	5.44%
Deposits with banks	101,230,867	1,095,171	4.34%	62,620,752	773,893	4.97%
Investment securities	109,636,098	1,161,439	4.09%	74,889,493	598,118	3.21%
Loans	674,518,875	11,181,795	6.65%	742,505,475	13,033,791	7.06%
Total Interest Earning Assets	\$ 889,777,378	\$ 13,487,373	6.08%	\$ 896,647,588	\$ 14,630,723	6.56%
Non-Interest Earning Assets	\$ 40,031,708			\$ 40,251,898		
Total Assets	\$ 929,809,086			\$ 936,899,486		
Interest Bearing Liabilities:						
Interest bearing demand	\$ 107,769,299	\$ 373,496	1.39%	\$ 107,509,533	\$ 314,134	1.18%
Savings and Money Market	296,161,664	2,497,634	3.38%	278,616,626	2,311,699	3.34%
Time deposits - Retail	211,751,684	2,123,642	4.02%	207,311,034	2,195,224	4.26%
Time Deposits - Wholesale	5,070,000	52,144	4.13%	8,082,153	84,323	4.20%
Total Interest Bearing Deposits	620,752,647	5,046,916	3.26%	601,519,346	4,905,380	3.28%
Total Borrowed Funds	27,430,238	344,231	4.96%	56,397,595	747,665	5.24%
Total Interest Bearing Liabilities	648,182,885	5,391,147	3.33%	657,916,941	5,653,045	3.46%
Non-Interest Bearing Deposits	178,549,677	-	0.00%	184,261,383	-	0.00%
Total Funding Sources/Cost	826,732,562	5,391,147	2.61%	842,178,324	5,653,045	2.70%
Non-Interest Bearing Liabilities	12,197,579			11,751,699		
Equity	90,878,946			82,969,463		
Total Liabilities and Equity	\$ 929,809,086			\$ 936,899,486		
Net Interest Income		\$ 8,096,226			\$ 8,977,678	
Net Interest Margin			3.66%			4.03%

Average Balance Sheet and Yields

For the Six Months Ended

	June 30, 2025			June 30, 2024		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest Earning Assets:						
Federal funds sold	\$ 4,569,807	\$ 100,521	4.44%	\$ 10,429,313	\$ 280,975	5.42%
Deposits with banks	109,611,472	2,359,340	4.34%	48,079,926	1,208,745	5.06%
Investment securities	104,119,287	2,135,178	4.14%	75,160,202	1,137,214	3.04%
Loans	674,926,165	22,487,850	6.72%	611,915,444	19,923,898	6.55%
Total Interest Earning Assets	\$ 893,226,731	\$ 27,082,889	6.11%	\$ 745,584,885	\$ 22,550,832	6.08%
Non-Interest Earning Assets	\$ 40,012,910			\$ 34,376,404		
Total Assets	<u>\$ 933,239,641</u>			<u>\$ 779,961,289</u>		
Interest Bearing Liabilities:						
Interest bearing demand	\$ 106,113,429	\$ 701,713	1.33%	\$ 75,254,652	\$ 370,210	0.99%
Savings and Money Market	289,896,939	4,886,018	3.40%	247,353,233	4,270,717	3.47%
Time deposits - Retail	221,669,292	4,569,911	4.16%	165,488,867	3,667,354	4.46%
Time Deposits - Wholesale	5,605,160	114,403	4.12%	10,030,755	209,185	4.19%
Total Interest Bearing Deposits	623,284,820	10,272,045	3.32%	498,127,507	8,517,466	3.44%
Total Borrowed Funds	27,569,740	694,276	5.01%	56,651,464	1,391,037	4.86%
Total Interest Bearing Liabilities	650,854,560	10,966,321	3.40%	554,778,971	9,908,503	3.59%
Non-Interest Bearing Deposits	181,029,672	-	0.00%	141,081,911	-	0.00%
Total Funding Sources/Cost	831,884,232	10,966,321	2.66%	695,860,882	9,908,503	2.86%
Non-Interest Bearing Liabilities	12,112,021			9,444,651		
Equity	89,243,388			74,655,755		
Total Liabilities and Equity	<u>\$ 933,239,641</u>			<u>\$ 779,961,289</u>		
Net Interest Income		<u>\$ 16,116,568</u>			<u>\$ 12,642,329</u>	
Net Interest Margin			3.64%			3.41%