

BANCORP 34

Bancorp 34, Inc. reports third quarter 2025 results

\$1.7 million	\$2.0 million	\$12.07	\$0.24
Net Income	Bank Net Income	TBVPS	Diluted EPS

Management Comments - Ciaran McMullan, Chairman & CEO

- ❖ Loan growth continued to strengthen with more than \$31 million in new commitments¹ booked during the quarter and total loans increasing \$14 million, or 2.1%, over the linked quarter.
- ❖ Core return on average assets² improved for the fourth consecutive quarter to just under 0.60%, or ~0.70% at bank level.
- ❖ Retail certificates of deposit declined by approximately \$23 million, improving our deposit mix but contributing to a total deposit decline of \$36 million, or ~4.0%.
- ❖ TBVPS share increased to \$12.07, and we have earned back 79% of the dilution incurred due to the March 2024 acquisition of Commerce Bank of Arizona.
- ❖ The bank downgraded one well-collateralized \$7.8 million relationship in the transportation sector to non-accrual status. No additional reserve was required. Bank and borrower are working together on a plan to address identified deficiencies.

3Q25 Highlights

Net Income and NIM

- Net income improved by 10.2% over Q3 2024 but declined over the linked quarter due to the impact of a one-time recovery in the prior quarter.
- While NIM declined over the linked quarter due to a reduction in loan mark accretion, core³ NIM has improved by two basis points over the same period.
- Despite the shift away from CDs, cost of funds increased slightly due to several remaining MMDA promotions and normal business DDA fluctuations.
- Non-interest expense declined over the linked and prior year quarter, and our Core Overhead Ratio⁶ improved to 2.54%.

Balance Sheet

- Total deposits declined by \$34.9 million during the quarter driven primarily by a reduction in retail CDs of \$23.3 million.
- Total loans increased by \$14.1 million, or 2.1%, during the quarter and total new commitments¹ booked YTD are approximately \$96 million.

Asset Quality

- NPAs⁴ increased to 1.00% due to the downgrade of a single, well-collateralized \$7.8 million relationship.
- We reduced our ACL by \$700,000 due to the improvement in metrics used to determine the qualitative factors in our reserve analysis.

Capital

- TBVPS increased by \$0.68 during the quarter, \$0.26 of which was due to a reduction in AOCI, with a further \$0.19 due to ongoing progress towards terminating the bank's ESOP.
- Our Tier 1 Leverage Ratio increased to 12.26%.

Performance Metrics (Consolidated)	3Q25	2Q25	3Q24
ROATA	0.74%	1.01%	0.67%
ROATE	7.91%	11.14%	8.14%
Core ² ROATA	0.59%	0.51%	0.49%
Core ² ROATE	6.18%	5.56%	5.78%
Net Interest Margin	3.47%	3.66%	3.79%
Cost of Funds	2.64%	2.61%	2.78%
Overhead Ratio ⁴	2.79%	2.84%	2.84%
Efficiency Ratio	81.17%	79.07%	76.11%
NPA ⁵	1.00%	0.18%	0.38%
ACL to Total Loans	1.41%	1.55%	1.50%

Select Metrics (Bank Only)	3Q25	2Q25	3Q24
ROATA	0.85%	1.12%	0.86%
Core ² ROATA	0.68%	0.60%	0.67%
Net Interest Margin	3.61%	3.80%	3.94%
Core Efficiency Ratio	74.62%	77.85%	73.30%

Balance Sheet (in 000s)	3Q25	2Q25	3Q24
Total Assets	\$899,621	\$931,267	\$938,997
Total Loans	\$690,519	\$676,389	\$703,135
Total Deposits	\$760,273	\$795,104	\$785,181
Total Capital	\$95,260	\$92,242	\$87,122
TBVPS	\$12.07	\$11.39	\$10.64

Income Statement (000s)	3Q25	2Q25	3Q24
Net Interest Income	\$7,740	\$8,096	\$8,387
Non-interest Income	\$242	\$292	\$239
Non-interest Expense	\$6,494	\$6,633	\$6,575
Pre-tax Pre-Provision	\$1,488	\$1,755	\$2,051
Net Income	\$1,733	\$2,330	\$1,573
Core Net Income	\$1,355	\$1,163	\$1,118
Diluted Earnings per Share	\$0.24	\$0.32	\$0.22

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.

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

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.

Investor contact: Kevin Vaughn, CFO, 623-334-6064, BCTF@swhb.com

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Select Financial Ratios	3Q25	2Q25	3Q24
Return on Average Assets (ROAA)	0.74%	1.01%	0.67%
Core ⁶ ROAA	0.58%	0.50%	0.48%
Return on Average Tangible Assets (ROATA)	0.75%	1.01%	0.68%
Core ⁶ ROATA	0.59%	0.51%	0.49%
Return on Average Equity (ROAE)	7.35%	9.93%	7.27%
Core ⁶ ROAE	5.74%	5.23%	5.17%
Return on Average Tangible Equity	7.91%	11.14%	8.14%
Core ⁶ ROATE	6.18%	5.56%	5.78%
Overhead Ratio	2.79%	2.84%	2.84%
Core ⁶ Overhead Ratio	2.54%	2.65%	2.66%
Efficiency Ratio	81.17%	79.07%	76.11%
Core ⁶ Efficiency Ratio	77.85%	82.26%	75.19%
Net Interest Margin	3.47%	3.66%	3.79%
Core ⁷ Net Interest Margin	3.30%	3.28%	3.34%
Cost of Funds	2.64%	2.61%	2.78%
Earnings Per Share (EPS)	\$0.24	\$0.32	\$0.22
Diluted EPS	\$0.24	\$0.32	\$0.22

Bank Regulatory Capital Ratios	3Q25	2Q25	3Q24
Tier 1 Leverage Capital Ratio	12.26%	11.86%	10.98%
Common Equity Tier 1 Capital Ratio	14.28%	14.18%	13.03%
Tier 1 Capital Ratio	14.28%	14.18%	13.03%
Total Risk-based Capital Ratio	15.54%	15.44%	14.28%

Credit Quality ⁸	3Q25	2Q25
Total Classified Loans	\$15,131	\$9,663
Classified - Accrual Loans	\$5,835	\$7,978
Classified - Non-Accrual Loans	\$9,296	\$1,685
Non-Performing Assets	\$9,296	\$1,685
Total Classified / Total Loans	2.19%	1.43%
Adversely Classified Items/Total Bank Capital	12.25%	8.23%

Period	GAAP Net Income	Loan Mark Accretion	CDI Amortization	Non-Recurring Items ⁹	Core Net Income ¹⁰
3Q25	\$1,733	-\$571	\$386	-\$319	\$1,355
2Q25	\$2,330	-\$758	\$399	-\$1,197	\$1,163
3Q24	\$1,575	-\$936	\$501	-\$174	\$1,118

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

BALANCE SHEET (in 000s)

3Q25

2Q25

3Q24

Assets

Cash and due from banks	3,158	3,645	4,783
Fed funds sold & repos	4,200	5,430	60,860
Interest bearing deposits with banks	47,123	95,086	62,155
Investment securities	109,151	104,455	64,967
Loans, net of unearned income	690,519	676,389	703,135
Allowance for credit losses	-9,733	-10,492	-10,523
Premises and equipment, net	11,085	11,565	12,742
Accrued interest receivable	2,543	2,559	2,619
Core deposit intangible	6,409	6,791	8,004
Other assets	35,166	35,839	30,255

Total Assets	899,621	931,267	938,997
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Liabilities

Non-interest bearing deposits	163,339	168,931	172,976
Interest bearing demand deposits	105,347	105,630	104,167
Savings and money market deposits	301,835	307,474	270,389
Time deposits - retail	184,682	207,999	229,567
Time deposits - wholesale	5,070	5,070	8,082

Total Deposits	760,273	795,104	785,181
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Accrued expenses and other liabilities	16,828	16,680	12,010
Other borrowings	27,261	27,241	54,684

Total Liabilities	804,362	839,025	851,875
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Equity

Common stock	74	75	74
Capital surplus	66,482	67,652	66,705
Retained earnings	25,989	25,989	24,300
Accumulated other comprehensive loss	-3,656	-4,849	-4,195
Net income	6,371	4,638	1,540
Unearned ESOP shares	0	-1,263	-1,302

Total Equity	95,260	92,242	87,122
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Total Liabilities & Equity	899,621	931,267	938,997
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INCOME STATEMENT (in 000s)		3Q25	2Q25	3Q24
Interest Income				
Interest on Loans		10,836	11,008	12,159
Fees on Loans		119	173	155
Interest on federal funds sold		49	49	550
Interest on deposits with banks		997	1,095	723
Investment Securities - Taxable		1,199	1,162	581
Total Interest Income		13,200	13,487	14,168
Interest Expense				
Interest bearing demand deposits		404	373	332
Savings and Money Market Deposits		2,690	2,498	2,353
Time Deposits - Retail		1,967	2,124	2,316
Time Deposits - Wholesale		53	52	85
Total Interest Expense on Deposits		5,114	5,047	5,086
Interest on other borrowings		345	344	695
Total Interest Expense		5,460	5,391	5,781
Net Interest Income		7,740	8,096	8,387
Provision for Credit Losses		-700	-1,250	0
Net In. Inc. After Prov. for Credit Losses		8,440	9,346	8,387
Non Interest Income				
Service charges and fees		141	148	180
Mortgage loan and related fees		26	-9	-21
Other noninterest income		75	153	81
Total Non Interest Income		242	292	239
Non Interest Expense				
Salaries and employee benefits		3,418	3,323	3,129
Occupancy		540	726	700
Other noninterest expense		2,536	2,584	2,746
Total Non Interest Expense		6,494	6,633	6,575
Income Before Taxes		2,188	3,005	2,051
Income taxes		455	675	478
Net Income		1,733	2,330	1,573

INCOME STATEMENT (in 000s)

9 months
ending 3Q25

9 months
ending 3Q24

Interest Income

Interest on Loans	33,030	31,714
Fees on Loans	413	524
Interest on federal funds sold	149	831
Interest on deposits with banks	3,357	1,932
Investment Securities - Taxable	3,333	1,718
Total Interest Income	40,282	36,719

Interest Expense

Interest bearing demand deposits	1,106	702
Savings and Money Market Deposits	7,576	6,624
Time Deposits - Retail	6,537	5,984
Time Deposits - Wholesale	167	294
Total Interest Expense on Deposits	15,386	13,604
Interest on other borrowings	1,040	2,086
Total Interest Expense	16,426	15,690

Net Interest Income	23,856	21,029
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Provision for Credit Losses	-3,450	3,866
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Net In. Inc. After Prov. for Credit Losses	27,306	17,163
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Non Interest Income

Service charges and fees	443	485
Mortgage loan and related fees	55	-63
Other noninterest income	301	4,780
Total Non Interest Income	799	5,202

Non Interest Expense

Salaries and employee benefits	10,319	9,057
Occupancy	1,966	1,817
Other noninterest expense	7,634	11,126
Total Non Interest Expense	19,919	22,000

Income Before Taxes	8,186	365
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Income taxes	1,815	-1,175
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Net Income	6,371	1,540
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Average Balance Sheet and Yields

For the Three Months Ended

	September 30, 2025			June 30, 2025		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest Earning Assets:						
Federal funds sold	\$ 4,357,283	\$ 48,758	4.44%	\$ 4,391,538	\$ 48,968	4.47%
Deposits with banks	92,046,784	997,294	4.30%	101,230,867	1,095,171	4.34%
Investment securities	105,746,137	1,198,727	4.50%	109,636,098	1,161,439	4.09%
Loans	680,493,148	10,954,738	6.39%	674,518,875	11,181,795	6.65%
Total Interest Earning Assets	\$ 882,643,352	\$ 13,199,517	5.93%	\$ 889,777,378	\$ 13,487,373	6.08%
Non-Interest Earning Assets	\$ 49,081,977			\$ 40,031,708		
Total Assets	<u>\$ 931,725,329</u>			<u>\$ 929,809,086</u>		
Interest Bearing Liabilities:						
Interest bearing demand	\$ 106,626,968	\$ 404,378	1.50%	\$ 107,769,299	\$ 373,496	1.39%
Savings and Money Market	310,491,189	2,690,248	3.44%	296,161,664	2,497,634	3.38%
Time deposits - Retail	199,560,785	1,967,084	3.91%	211,751,684	2,123,642	4.02%
Time Deposits - Wholesale	5,070,000	52,697	4.12%	5,070,000	52,144	4.13%
Total Interest Bearing Deposits	621,748,942	5,114,407	3.26%	620,752,647	5,046,916	3.26%
Total Borrowed Funds	27,249,239	345,256	5.03%	27,430,238	344,231	4.96%
Total Interest Bearing Liabilities	648,998,181	5,459,663	3.34%	648,182,885	5,391,147	3.33%
Non-Interest Bearing Deposits	172,469,155	-	0.00%	178,549,677	-	0.00%
Total Funding Sources/Cost	821,467,336	5,459,663	2.64%	826,732,562	5,391,147	2.61%
Non-Interest Bearing Liabilities	16,649,825			12,197,579		
Equity	93,608,168			90,878,946		
Total Liabilities and Equity	<u>\$ 931,725,329</u>			<u>\$ 929,809,086</u>		
Net Interest Income		<u>\$ 7,739,854</u>			<u>\$ 8,096,226</u>	
Net Interest Margin			3.47%			3.66%

Average Balance Sheet and Yields

For the Three Months Ended

	September 30, 2025			September 30, 2024		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest Earning Assets:						
Federal funds sold	\$ 4,357,283	\$ 48,758	4.44%	\$ 39,466,804	\$ 549,994	5.54%
Deposits with banks	92,046,784	997,294	4.30%	57,345,746	723,018	5.02%
Investment securities	105,746,137	1,198,727	4.50%	63,427,194	580,633	3.64%
Loans	680,493,148	10,954,738	6.39%	716,632,296	12,314,077	6.84%
Total Interest Earning Assets	\$ 882,643,352	\$ 13,199,517	5.93%	\$ 876,872,040	\$ 14,167,722	6.43%
Non-Interest Earning Assets	\$ 49,081,977			\$ 48,818,233		
Total Assets	<u>\$ 931,725,329</u>			<u>\$ 925,690,273</u>		
Interest Bearing Liabilities:						
Interest bearing demand	\$ 106,626,968	\$ 404,378	1.50%	\$ 105,905,713	\$ 331,679	1.25%
Savings and Money Market	310,491,189	2,690,248	3.44%	271,504,334	2,352,872	3.45%
Time deposits - Retail	199,560,785	1,967,084	3.91%	208,514,413	2,316,552	4.42%
Time Deposits - Wholesale	5,070,000	52,697	4.12%	8,081,748	85,216	4.19%
Total Interest Bearing Deposits	621,748,942	5,114,407	3.26%	594,006,208	5,086,319	3.41%
Total Borrowed Funds	27,249,239	345,256	5.03%	54,689,264	694,736	4.97%
Total Interest Bearing Liabilities	648,998,181	5,459,663	3.34%	648,695,472	5,781,055	3.55%
Non-Interest Bearing Deposits	172,469,155	-	0.00%	179,799,483	-	0.00%
Total Funding Sources/Cost	821,467,336	5,459,663	2.64%	828,494,955	5,781,055	2.78%
Non-Interest Bearing Liabilities	16,649,825			11,372,451		
Equity	93,608,168			85,822,867		
Total Liabilities and Equity	<u>\$ 931,725,329</u>			<u>\$ 925,690,273</u>		
Net Interest Income		<u>\$ 7,739,854</u>			<u>\$ 8,386,667</u>	
Net Interest Margin			3.47%			3.79%

Average Balance Sheet and Yields

For the Nine Months Ended

	September 30, 2025			September 30, 2024		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest Earning Assets:						
Federal funds sold	\$ 4,498,187	\$ 149,279	4.44%	\$ 20,179,128	\$ 830,969	5.50%
Deposits with banks	103,692,236	3,356,634	4.33%	59,664,771	1,931,763	4.32%
Investment securities	99,918,850	3,333,906	4.46%	85,178,623	1,717,846	2.69%
Loans	676,802,218	33,442,588	6.61%	756,580,615	32,237,974	5.69%
Total Interest Earning Assets	\$ 884,911,491	\$ 40,282,407	6.09%	\$ 921,603,137	\$ 36,718,552	5.32%
Non-Interest Earning Assets	\$ 47,816,337			\$ 59,106,075		
Total Assets	<u>\$ 932,727,828</u>			<u>\$ 980,709,212</u>		
Interest Bearing Liabilities:						
Interest bearing demand	\$ 106,289,490	\$ 1,106,091	1.39%	\$ 98,343,350	\$ 701,889	0.95%
Savings and Money Market	296,837,126	7,576,266	3.41%	293,566,839	6,623,589	3.01%
Time deposits - Retail	214,218,806	6,536,995	4.08%	207,512,473	5,983,906	3.85%
Time Deposits - Wholesale	5,424,813	167,100	4.12%	10,209,786	294,401	3.85%
Total Interest Bearing Deposits	622,770,235	15,386,452	3.30%	609,632,448	13,603,785	2.98%
Total Borrowed Funds	27,461,732	1,039,532	4.99%	70,983,229	2,085,773	3.86%
Total Interest Bearing Liabilities	650,231,967	16,425,984	3.38%	680,615,677	15,689,558	3.08%
Non-Interest Bearing Deposits	178,144,809	-	0.00%	187,984,450	-	0.00%
Total Funding Sources/Cost	828,376,776	16,425,984	2.65%	868,600,127	15,689,558	2.41%
Non-Interest Bearing Liabilities	13,636,749			12,000,986		
Equity	90,714,303			100,108,099		
Total Liabilities and Equity	<u>\$ 932,727,828</u>			<u>\$ 980,709,212</u>		
Net Interest Income		<u>\$ 23,856,423</u>			<u>\$ 21,028,994</u>	
Net Interest Margin			3.59%			3.02%