



FOR RELEASE:

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August 10, 2020

LUMBEE GUARANTY BANK REPORTS 2nd QUARTER 2020 EARNINGS

Company reports lower earnings but significant loan and deposit growth

- \$345 thousand in net income for the quarter-ended June 30, 2020
- Over 15% loan growth
- Nearly 14% deposit growth

PEMBROKE, NC . . . For the quarter ended June 30, 2020, Lumbee Guaranty Bank (“Lumbee” or “Bank”), reported net income of \$345,000, or earnings per share of \$0.10, compared to net income of \$654,000, or earnings per share of \$0.19, for the same period in 2019. For the six-month period ended as of the same date, Lumbee reported net income of \$1.067 million in 2020, or earnings per share of \$0.31, compared to net income of \$1.474 million for the six months ended June 30, 2019, or earnings per share of \$0.43. The primary cause of the decrease in net income compared to prior periods was a loan loss provision of \$175,000 in the second quarter of 2020, compared to no provision during the same period in 2019. This increased provision was due to factors associated with the COVID-19 pandemic and its effects on the economy.

As of June 30, 2020, Lumbee reported assets of \$380.1 million, an increase of over 13% from assets of \$336.3 million as of June 30, 2019. Loans were up over 15% to \$215.2 million, compared to loans of \$187.1 million reported June 30, 2019. Deposits grew to \$326.9 million at quarter-end, an increase of almost 14% over June 30, 2019 deposits of \$287.3 million. Capital levels remained robust, as shareholders equity totaled \$42.7 million, or 11.23% of assets at June 30, 2020, versus \$40.2 million, or 11.95% of assets at the year-ago date.

Net interest income totaled \$2.86 million in the second quarter of 2020, down 10% from \$3.19 million in the year-ago quarter. The decline was due to a lower net interest margin, which declined 73 basis points to 3.33% in 2020’s second quarter from 4.06% in the year-ago quarter, though average earning asset growth partially offset the margin drop. The reduced margin was pressured both by the rapid decline in interest rates orchestrated by the Federal Reserve in early March and lower rates on loans originated through the Paycheck Protection Program (PPP). Noninterest income was down about 9% to \$449 thousand in 2020’s second quarter from \$491 thousand in the year-ago quarter, mainly due to a decrease of 21% in deposit service charges attributable to lower transaction activity caused by the pandemic.

Cost containment measures enacted by management produced a decrease in noninterest expense both on a linked quarter and versus the year-ago quarter basis. Specifically, noninterest expense was \$2.79 million in the second quarter of 2020, which was down 1% from \$2.81 million in 2020’s first quarter and 5% from \$2.94 million in the year-ago quarter. As a percentage of average assets (annualized), noninterest expense fell to 3.02% in 2020’s second quarter from 3.51% a year ago.

“The second quarter of 2020 presented unprecedented challenges for our Bank,” said Kyle R. Chavis, Chief Executive Officer of Lumbee. “The effects of the COVID-19 pandemic are significant and far-reaching, and our customers, shareholders, and employees have all been impacted in some fashion. However, Lumbee Guaranty Bank stands ready to continue to support and serve the communities of southeastern N.C. One such example of our efforts is our participation in the Paycheck Protection Program. To date, we have closed and funded over 300 PPP loans for almost \$23MM. These loans provided a necessary injection of capital to our small business customers when they needed it most. We have benefited from the goodwill created in our communities because of the PPP, primarily due to our success in obtaining approval for every eligible PPP application that we received. Additionally, to help our customers during these difficult times, we granted loan modifications on over 200 existing loans totaling nearly \$30 million.” Chavis further stated, “The Bank’s strong capital

position, robust liquidity levels, and stable asset quality will enable us to navigate the challenges presented by this pandemic, and our employees remain committed to continuing to work diligently to meet the needs of our customers.”

Lumbee Guaranty Bank is a community bank headquartered in Pembroke, NC and serves Robeson, Cumberland, and Hoke Counties. Established in 1971, the Bank offers a full array of financial services through its network of fourteen strategically located branch offices over the three-county area. The Bank’s common stock is traded on the OTC-QX under the stock symbol LUMB.

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The information as of and for the quarter ended June 30, 2020, as presented is unaudited. This news release contains forward-looking statements. Actual results may differ materially from those projected, for various reasons, including our ability to manage growth, our limited operating history, substantial changes in financial markets, regulatory changes, changes in interest rates, loss of deposits and loan demand to other savings and financial institutions, and changes in real estate values and the real estate market.

LUMBEE GUARANTY BANK**Balance Sheets (unaudited) June 30,****2020** 2019
(Dollars in thousands)**Assets**

Cash and due from banks	\$5,586	\$4,174
Interest-earning deposits with banks	34,235	16,743
Total cash and cash equivalents	39,821	20,917
Net Investments	103,236	106,796
Loans receivable	215,219	187,081
Allowance for loan losses	2,177	2,223
Net loans receivable	213,042	184,858
Bank premises & equipment, net	9,084	8,835
Other assets	14,873	14,853
Total assets	\$380,056	\$336,259

Liabilities and Shareholders' Equity

Deposits:

Demand deposits, Money market & NOW	\$211,881	\$176,590
Savings	30,634	25,817
Time deposits	84,069	84,924
Total deposits	326,584	287,331
Securities Sold under Agreement to Repurchase	1,060	1,724
Other borrowed money	5,129	2,895
Accrued interest payable and other liabilities	4,608	4,144
Total liabilities	337,381	296,094
Total shareholders' equity	42,675	40,165
Total liabilities and shareholders' equity	\$380,056	\$336,259

Book value per share **\$12.55** \$11.75

LUMBEE GUARANTY BANK**Statement of Operations (unaudited) Six Months Ended,
June 30,****2020** 2019(Dollars in thousands,
except per share data)

Interest Income	6,793	7,223
Interest Expense	823	840
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Net Interest Income	5,970	6,383
Provision for loan losses	175	0
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Net Interest Income after provision	5,795	6,383
Service charges on deposit accounts	598	657
Other	383	344
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Total noninterest Income	981	1,001
Personnel costs	3,177	3,156
Occupancy and equipment	769	621
Data processing fees	620	677
Other	1,030	1,224
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Total noninterest expense	5,596	5,678
Net Income before income taxes	1,180	1,706
Income taxes	113	232
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Net Income	1,067	1,474
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Net income per common share	\$0.31	\$0.43

LUMBEE GUARANTY BANK**Statement of Operations (unaudited) Three Months Ended,
June 30,****2020** 2019(Dollars in thousands,
except per share data)

Interest Income	3,245	3,625
Interest Expense	389	435
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Net Interest Income	2,856	3,190
Provision for loan losses	175	0
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Net Interest Income after provision	2,681	3,190
Service charges on deposit accounts	265	337
Other	184	155
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Total noninterest Income	449	492
Personnel costs	1,614	1,575
Occupancy and equipment	374	319
Data processing fees	297	360
Other	500	684
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Total noninterest expense	2,785	2,938
Net Income before income taxes	345	744
Income taxes	0	90
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Net Income	345	654
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Net income per common share	\$0.10	\$0.19