



**FOR RELEASE:**

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Kyle R. Chavis, Chief Executive Officer  
Lumbee Guaranty Bank

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**LUMBEE GUARANTY BANK REPORTS 3<sup>rd</sup> QUARTER 2020 EARNINGS**

*Company reports improved earnings over previous quarter but lower than a year ago*

- \$547 thousand in net income for the quarter-ended September 30, 2020.
- Over 16% loan growth. Asset quality appears stable.
- Deposit growth of nearly 19%.

**PEMBROKE, NC** . . . For the quarter ended September 30, 2020, Lumbee Guaranty Bank (“Lumbee” or “Bank”), reported net income of \$547,000, or earnings per share of \$0.16, compared to net income of \$804,000, or earnings per share of \$0.24, for the same period in 2019. For the nine-month period ended as of the same date, Lumbee reported net income of \$1.614 million in 2020, or earnings per share of \$0.48, compared to net income of \$2.278 million for the nine months ended September 30, 2019, or earnings per share of \$0.43. The primary cause of the decrease in net income compared to prior periods was a decrease in net interest income due to the low interest rate environment and a year-to-date loan loss provision of \$300,000, compared to no provision during the same period in 2019.

As of September 30, 2020, Lumbee reported assets of \$409.3 million, an increase of over 18% from assets of \$346.2 million as of September 30, 2019. Loans were up over 16% to \$220.0 million, compared to loans of \$187.8 million reported September 30, 2019. Deposits grew to \$355.8 million at quarter-end, an increase of almost 19% over September 30, 2019 deposits of \$299.5 million. Capital levels remained strong, as shareholders equity totaled \$43.2 million, or 10.55% of assets at September 30, 2020, versus \$41.1 million, or 11.87% of assets at the year-ago date.

Net interest income totaled \$2.98 million in the third quarter of 2020, down 7% from \$3.19 million in the year-ago quarter. The decline was due to a lower net interest margin, which dropped 81 basis points to 3.16% in 2020’s third quarter from 3.97% in the year-ago quarter. The reduced margin was pressured by the low interest rate environment implemented by the Federal Reserve, lower rates on loans originated through the Paycheck Protection Program (PPP), and the investment of excess liquidity into the Bank’s securities portfolio. Margins are expected to improve as PPP loans are forgiven and the Bank redeploys those funds into higher-earning assets. Noninterest income was down about 7% to \$502 thousand in 2020’s third quarter from \$539 thousand in the year-ago quarter, mainly due to lower transaction activity that resulted in reduced deposit service charges. However, both net interest income and noninterest income rebounded from the second quarter of 2020 by 4% and 12%, respectively. Noninterest expense was \$2.76 million in the third quarter of 2020, down just over 1% from \$2.80 million in the year-ago quarter.

“Our ongoing efforts to manage through the COVID-19 pandemic and to assist the consumers and small businesses in our markets yielded improved financial results in the third quarter of 2020.” said Kyle R. Chavis, Chief Executive Officer of Lumbee. “Our capable and committed employees continue to deliver quality financial products and services to our customers, along with the financial expertise needed to navigate a challenging economic landscape. As the persistence of the virus brings uncertainty, we continue to closely monitor asset quality and set aside reserves for potential future loan losses that may result from a prolonged pandemic. We are assisting our PPP loan customers in applying for forgiveness and stand ready to provide additional support and assistance to all our customers as needed. Chavis added, “The Bank’s strong capital and liquidity positions and stable asset quality will allow us to continue to move forward with contributing to the economic health of the communities of southeastern N.C.”

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 September 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) September 30,****2020**      2019  
(Dollars in thousands)**Assets**

Cash and due from banks	<b>\$5,666</b>	\$4,370
Interest-earning deposits with banks	<b>38,553</b>	26,766
Total cash and cash equivalents	<b>44,219</b>	31,136
Net Investments	<b>123,208</b>	103,411
Loans receivable	<b>220,037</b>	189,942
Allowance for loan losses	<b>2,301</b>	2,171
Net loans receivable	<b>217,736</b>	187,771
Bank premises & equipment, net	<b>8,977</b>	8,847
Other assets	<b>15,114</b>	14,994
Total assets	<b>\$409,254</b>	\$346,159

**Liabilities and Shareholders' Equity**

## Deposits:

Demand deposits, Money market & NOW	<b>\$240,181</b>	\$188,472
Savings	<b>31,463</b>	25,943
Time deposits	<b>84,150</b>	85,117
Total deposits	<b>355,794</b>	299,532
Securities Sold under Agreement to Repurchase	<b>1,008</b>	573
Other borrowed money	<b>5,121</b>	861
Accrued interest payable and other liabilities	<b>4,144</b>	4,098
Total liabilities	<b>366,067</b>	305,064
Total shareholders' equity	<b>43,187</b>	41,095
Total liabilities and shareholders' equity	<b>\$409,254</b>	\$346,159

Book value per share      **\$12.74**      \$12.02

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

Interest Income	<b>10,129</b>	10,889
Interest Expense	<b>1,177</b>	1,313
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Net Interest Income	<b>8,952</b>	9,576
Provision for loan losses	<b>300</b>	0
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Net Interest Income after provision	<b>8,652</b>	9,576
Service charges on deposit accounts	<b>889</b>	1,010
Other	<b>594</b>	529
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Total noninterest Income	<b>1,483</b>	1,539
Personnel costs	<b>4,756</b>	4,714
Occupancy and equipment	<b>1,142</b>	971
Data processing fees	<b>909</b>	1,036
Other	<b>1,544</b>	1,749
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Total noninterest expense	<b>8,351</b>	8,470
Net Income before income taxes	<b>1,784</b>	2,645
Income taxes	<b>170</b>	367
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<b>Net Income</b>	<b>1,614</b>	2,278
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Net income per common share	<b>\$0.48</b>	\$0.67

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

Interest Income	<b>3,336</b>	3,666
Interest Expense	<b>354</b>	473
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Net Interest Income	<b>2,982</b>	3,193
Provision for loan losses	<b>125</b>	0
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Net Interest Income after provision	<b>2,857</b>	3,193
Service charges on deposit accounts	<b>291</b>	353
Other	<b>211</b>	186
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Total noninterest Income	<b>502</b>	539
Personnel costs	<b>1,579</b>	1,558
Occupancy and equipment	<b>373</b>	350
Data processing fees	<b>289</b>	359
Other	<b>514</b>	526
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Total noninterest expense	<b>2,755</b>	2,793
Net Income before income taxes	<b>604</b>	939
Income taxes	<b>57</b>	135
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<b>Net Income</b>	<b>547</b>	804
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Net income per common share	<b>\$0.16</b>	\$0.24