



**FOR RELEASE:**

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## **LUMBEE GUARANTY BANK REPORTS 4<sup>th</sup> QUARTER 2020 EARNINGS**

*Bank reports higher quarterly earnings but a decrease from prior year earnings*

- \$2.47 million in net income for 2020
- 4<sup>th</sup> quarter of 2020 was up 17% over 4<sup>th</sup> quarter of 2019
- Reduced noninterest expense and improved efficiency measures

**PEMBROKE, NC . . .** For the year ended December 31, 2020, Lumbee Guaranty Bank (“Lumbee” or “Bank”), reported net income of \$2.5 million, or earnings per share of \$0.73, compared to net income of \$3.0 million, or earnings per share of \$0.88, for the year ended December 31, 2019. Net income declined by 17.84%, while earnings per share decreased by 17.13%. The primary cause of the decrease in net income compared to the previous year was a decrease in net interest income due to the low interest rate environment and a loan loss provision of \$300,000, compared a negative \$100,000 provision during the previous year. For the three-month period ended as of the same date, Lumbee reported net income of \$853,000, compared to net income of \$726,000 for the three months ended December 31, 2019.

As of December 31, 2020, Lumbee reported assets of \$417.2 million, an increase of 21.36% over assets of \$343.8 million as of December 31, 2019. Loans were up over 11.10% to \$212.9 million, compared to loans of \$191.6 million reported December 31, 2019. Deposits grew to \$362.1 million at year-end, an increase of 22.29% over December 31, 2019 deposits of \$296.1 million. Capital levels remained strong, as shareholders equity totaled \$42.9 million, or 10.3% of assets at December 31, 2020, versus \$40.9 million, or 11.9% of assets at the year-ago date. For the three-month period ended December 31, 2020, assets rose by \$7.9 million, loans dropped by \$7.1 million, and deposits increased by \$6.3 million.

Net interest income was \$3.20 million in 2020’s fourth quarter, up by 4% from \$3.08 million in the fourth quarter of 2019. Net interest margin declined by 55 basis points to 3.34% in the fourth quarter of 2020 from 3.89% in the year-ago quarter, which was partially offset by both earning asset growth and the recognition of approximately \$162,000 in deferred Paycheck Protection Program (PPP) fees. Noninterest income fell 4.43% to \$475 thousand in the fourth quarter of 2020 from \$497 thousand in the year-ago quarter due to lower service charges on deposit accounts. As a result of cost-containment measures implemented by management, noninterest expense was reduced by 5.89% from \$2.85 million in the fourth quarter of 2019 to \$2.68 million in 2020’s fourth quarter. Year over year, noninterest expense fell from \$11.32 million in 2019 to \$11.03 million in 2020, a reduction of 2.54%.

Asset quality measurements continued to improve during 2020, as nonperforming assets (including nonaccruing loans, loans more than 90 days past due and still accruing, and Other Real Estate Owned) totaled \$4.4 million as of year-end, or 1.06% of total assets. This was a decrease from \$4.6 million, or 1.13% of total assets as of September 30, 2020 and from \$4.7 million, or 1.35% of total assets as of the year-ago date. The Bank’s capital position remains solid, as all capital ratios exceed the regulatory minimums to be considered “Well Capitalized”.

“Even with good news on the horizon regarding vaccines, the challenges of managing our bank through COVID-19 have not ended. With an extremely low interest rate environment, management continues to concentrate on maximizing our earnings while controlling costs. We can see our efforts coming to fruition with strong financial performance in the 4<sup>th</sup> quarter of 2020,” said Kyle R. Chavis, Chief Executive Officer of Lumbee. “Despite the obstacles, our employees remain focused on our goal to continue to serve our customers and to help meet their changing financial needs.” Chavis added, “Our bank stands ready to lend money, provide financial expertise, and assist our customers in the continued economic recovery of our region.”

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 December 31, 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, 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	<b>\$5,482</b>	\$4,829
Interest-earning deposits with banks	<b>39,314</b>	26,243
Total cash and cash equivalents	<b>44,796</b>	31,072
Net Investments	<b>136,778</b>	99,294
Loans receivable	<b>212,897</b>	191,622
Allowance for loan losses	<b>2,361</b>	2,067
Net loans receivable	<b>210,536</b>	189,555
Bank premises & equipment, net	<b>8,922</b>	9,056
Other assets	<b>16,162</b>	14,776
Total assets	<b>\$417,194</b>	\$343,753

**Liabilities and Shareholders' Equity**

## Deposits:

Demand deposits, Money market & NOW	<b>\$245,599</b>	\$184,058
Savings	<b>34,165</b>	26,384
Time deposits	<b>82,324</b>	85,652
Total deposits	<b>362,088</b>	296,094
Securities Sold under Agreement to Repurchase	<b>1,631</b>	1,096
Other borrowed money	<b>5,114</b>	825
Accrued interest payable and other liabilities	<b>5,413</b>	4,811
Total liabilities	<b>374,246</b>	302,826
Total shareholders' equity	<b>42,948</b>	40,927
Total liabilities and shareholders' equity	<b>\$417,194</b>	\$343,753

Book value per share      **\$12.69**      \$11.99

**LUMBEE GUARANTY BANK****Statement of Operations (unaudited) Twelve Months  
Ended, December 31,****2020**                      **2019**(Dollars in thousands,  
except per share data)

Interest Income	<b>13,623</b>	14,436
Interest Expense	<b>1,472</b>	1,784
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Net Interest Income	<b>12,151</b>	12,652
Provision for loan losses	<b>300</b>	-100
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Net Interest Income after provision	<b>11,851</b>	12,752
Service charges on deposit accounts	<b>1,192</b>	1,350
Other	<b>766</b>	686
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Total noninterest Income	<b>1,958</b>	2,036
Realized gains on AFS securities	<b>0</b>	25
Personnel costs	<b>6,184</b>	6,327
Occupancy and equipment	<b>1,532</b>	1,273
Data processing fees	<b>1,206</b>	1,400
Other	<b>2,112</b>	2,322
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Total noninterest expense	<b>11,034</b>	11,322
Net Income before income taxes	<b>2,775</b>	3,491
Income taxes	<b>307</b>	487
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<b>Net Income</b>	<b>2,468</b>	3,004
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Net income per common share	<b>\$0.73</b>	\$0.88

**LUMBEE GUARANTY BANK****Statement of Operations (unaudited) Three Months Ended,  
December 31,****2020**      2019(Dollars in thousands,  
except per share data)

Interest Income	<b>3,494</b>	3,547
Interest Expense	<b>295</b>	471
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Net Interest Income	<b>3,199</b>	3,076
Provision for loan losses	<b>0</b>	-100
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Net Interest Income after provision	<b>3,199</b>	3,176
Service charges on deposit accounts	<b>303</b>	340
Other	<b>172</b>	157
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Total noninterest Income	<b>475</b>	497
Realized gains on AFS securities	<b>0</b>	25
Personnel costs	<b>1,428</b>	1,613
Occupancy and equipment	<b>390</b>	302
Data processing fees	<b>298</b>	364
Other	<b>568</b>	573
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Total noninterest expense	<b>2,684</b>	2,852
Net Income before income taxes	<b>990</b>	846
Income taxes	<b>137</b>	120
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<b>Net Income</b>	<b>853</b>	726
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Net income per common share	<b>\$0.25</b>	\$0.21