cbb Bancorp



# 2Q 2021

## Overview and Covid-19 Updates

# Forward Looking Statements & Additional Disclosures

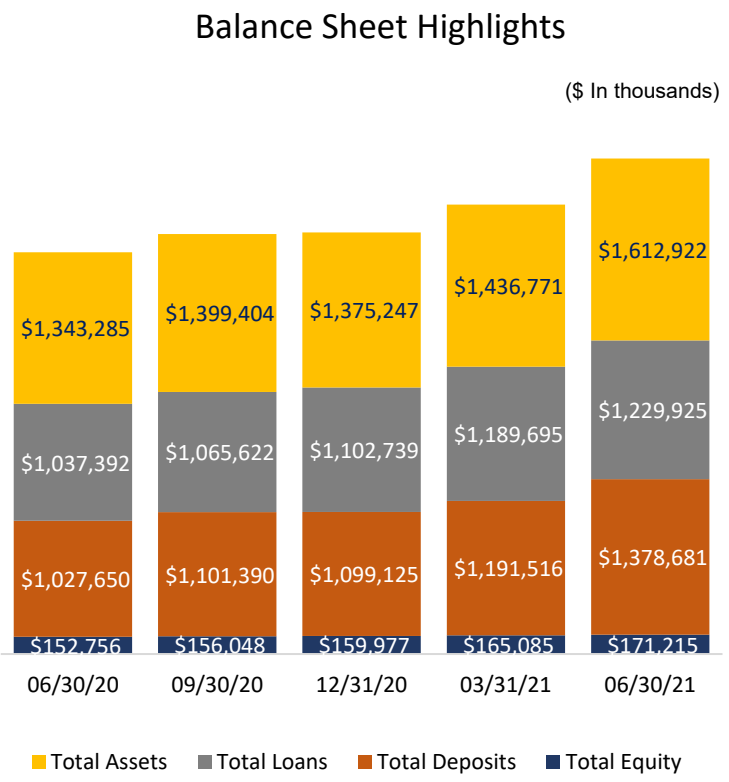
This news release contains a number of forward-looking statements. These statements may be identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "outlook," "plan," "potential," "predict," "project," "should," "will," "would" and similar terms and phrases, including references to assumptions. Forward-looking statements are based upon various assumptions and analyses made by the Company in light of management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. These statements are not guaranties of future performance and are subject to risks, uncertainties and other factors (many of which are beyond the Company's control) that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. You should not place undue reliance on such statements. Factors that could affect our results include, without limitation, the following: the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Company's control; increases in competitive pressure among financial institutions or from non-financial institutions may occur; changes in the interest rate environment may reduce interest margins; changes in deposit flows, loan demand or real estate values may adversely affect the business of the Company and the Bank; significant increases in loan losses may occur; the possibility that changes in accounting principles, policies or guidelines may cause the Company's financial condition to be perceived differently; changes in corporate and/or individual income tax laws may adversely affect the Company's financial condition or results of operations; general economic conditions, either nationally or locally in some or all areas in which the Company conducts business, the effects of the COVID-19 pandemic, and of other widespread outbreaks of disease or pandemics, together with related impacts on general economic conditions, including adverse impacts on our customers' ability to make timely payments on their loans from us, reduced fee income due to reduced loan origination activity, reductions in or absence of gains on loan sales due to uncertainty in the loan sale market, and increased operating expense due to required changes in how we conduct our business may adversely affect us; conditions in the securities markets or the banking industry may be less favorable than the Company currently anticipates; legislation or regulatory changes may adversely affect the Company's business; technological changes may be more difficult or expensive to implement or accommodate than the Company anticipates; there may be failures or breaches of information technology security systems; success or consummation of new business initiatives may be more difficult or expensive than the Company anticipates; or litigation or matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Company anticipates. The Company undertakes no obligation to revise any forward-looking statement contained herein to reflect any future events or circumstances, except to the extent required by law.

# Balance Sheet Highlights

($ In thousands)

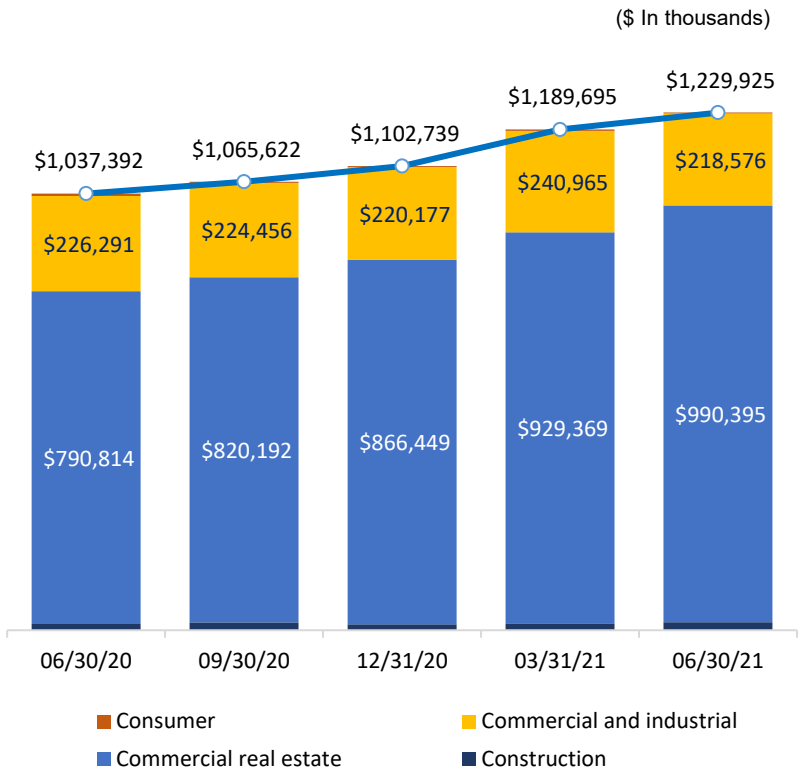
| | 06/30/20 | 09/30/20 | 12/31/20 | 03/31/21 | 06/30/21 |
|---|---|---|---|---|---|
| Total Assets | $1,343,285 | $1,399,404 | $1,375,247 | $1,436,771 | $1,612,922 |
| Loans Receivable[1] | 1,037,392 | 1,065,622 | 1,102,739 | 1,189,695 | 1,229,925 |
| Core Deposits | 797,915 | 884,941 | 879,444 | 952,160 | 1,124,179 |
| Total Deposits | 1,027,650 | 1,101,390 | 1,099,125 | 1,191,516 | 1,378,681 |
| Total Equity | 152,756 | 156,048 | 159,977 | 165,085 | 171,215 |
| TE/Tangible Assets | 11.37% | 11.15% | 11.63% | 11.49% | 10.62% |
| Total RBC Ratio | 16.48% | 16.50% | 16.26% | 16.25% | 15.64% |

*[1] Includes loans held-for-sale*

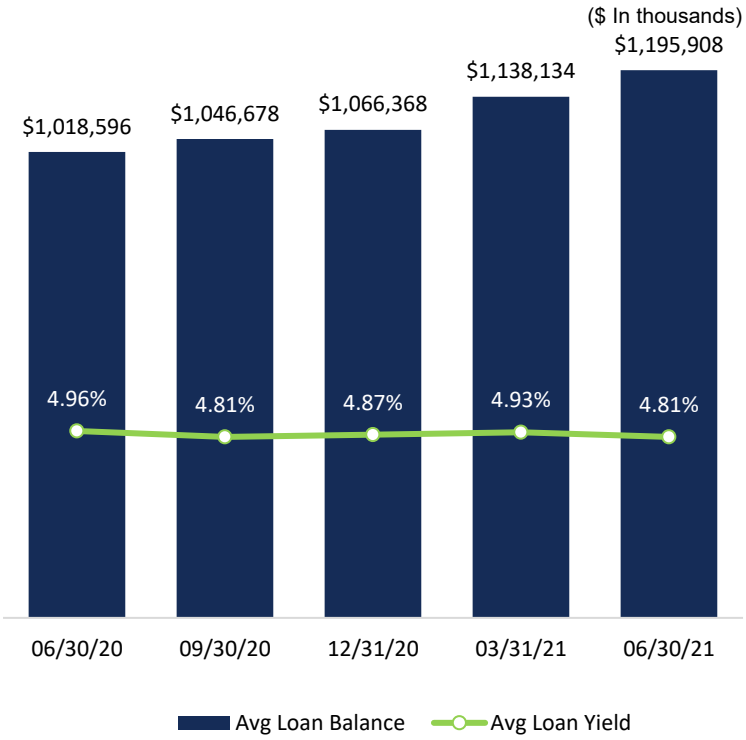


# Loan Trends

## Loan Composition

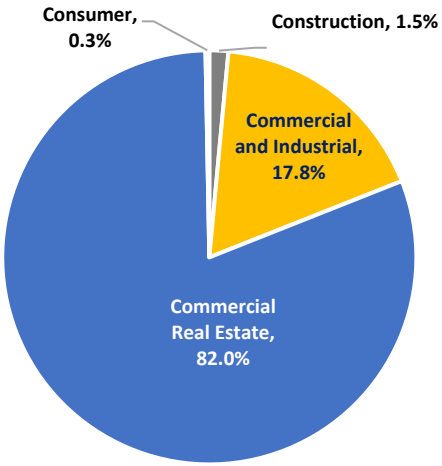



## Average Loan Balance & Average Loan Yield

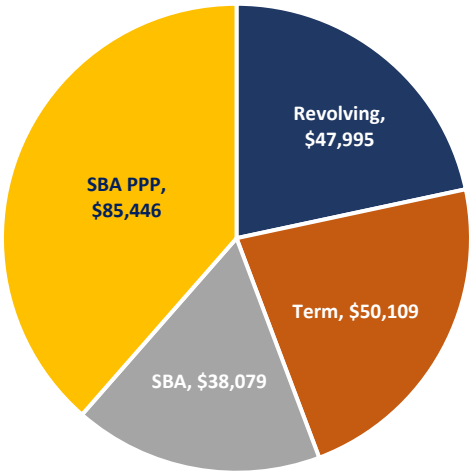


# Loan Composition

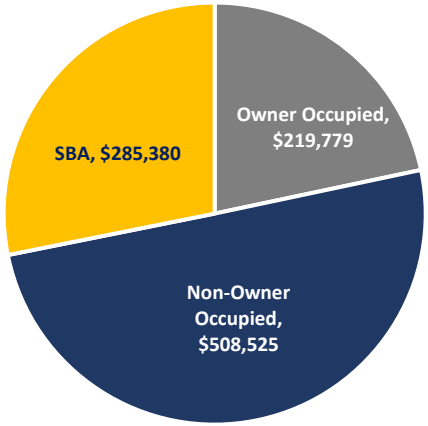
## Total Gross Loan Composition




## Total C&I Loan Composition



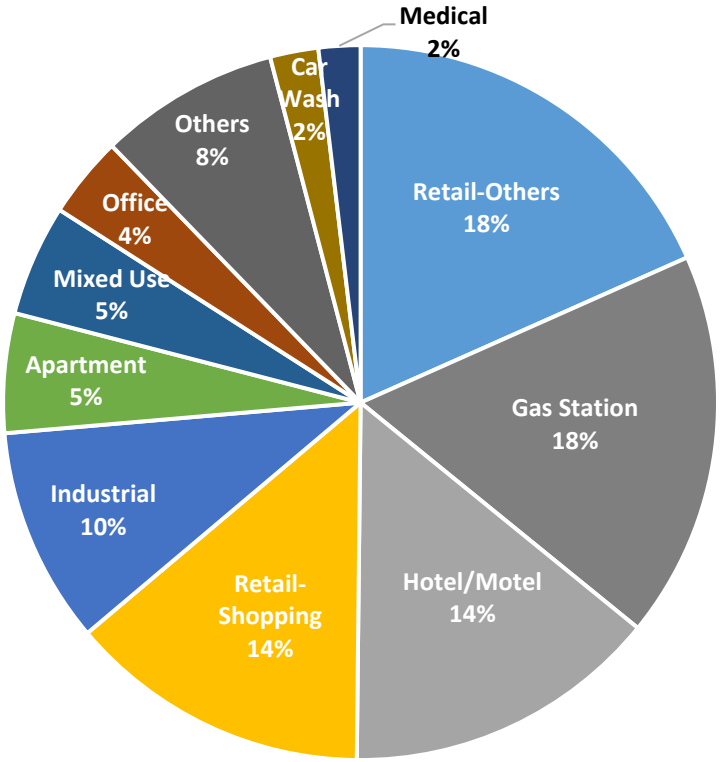

## Total CRE Loan Composition




* Based on collateral type

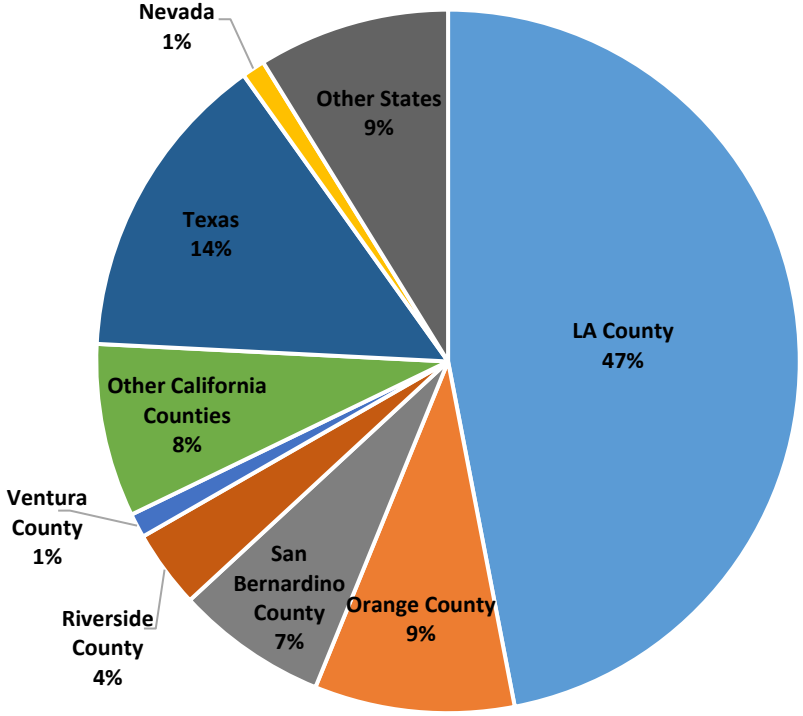
# CRE Loan Stratification

## Composition By Property Type




* Based on collateral type

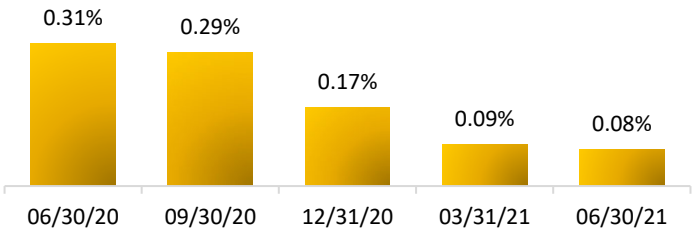
## Composition By Location



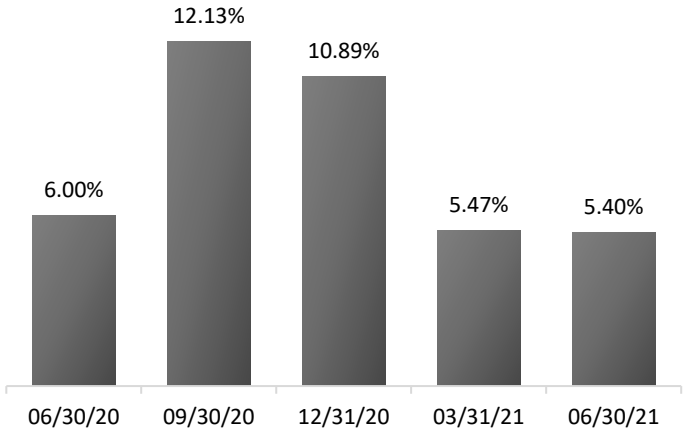

* Based on collateral type

# Asset Quality Trends

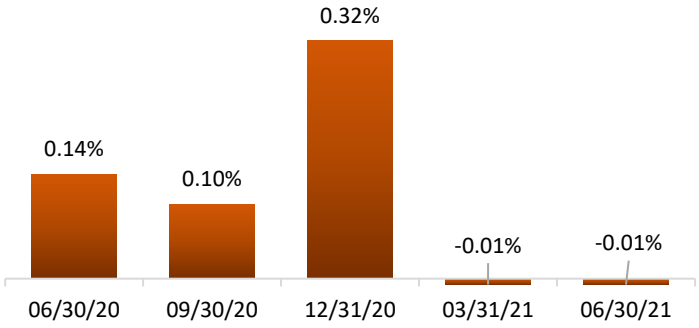
## Nonperforming Assets[1] / Total Assets



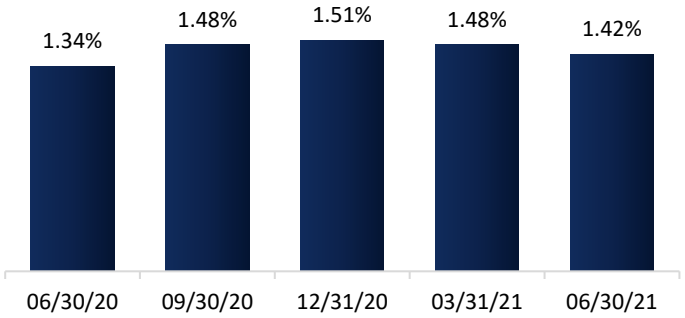

## Classified Assets[1] / Capital




## Net Charge-Offs / Avg Loans




## Allowance for Loan Loss / Gross Loans[1 & 2]






[1] Net of SBA guaranty [2] Exclude SBA PPP loans

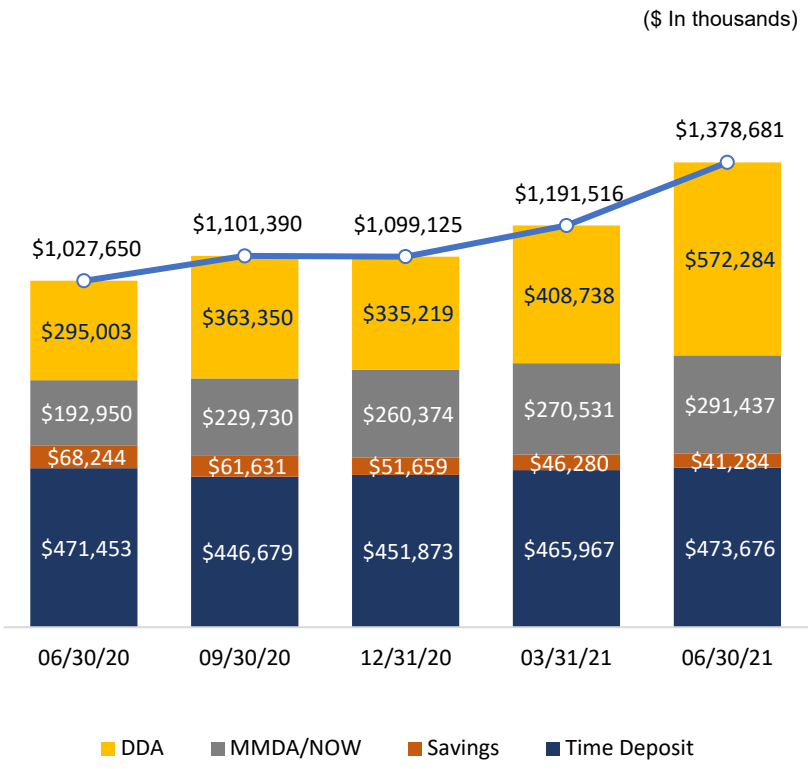
# Loan Modifications Related to COVID-19

| Type of Industry | Total Gross Loans | 1st Time Mod | # of Loans | % Loans | 2nd Time Mod | # of Loans | % Loans | 3rd Time Mod | # of Loans | % Loans | Loans Currently on Pmt. Mod | # of Loans | % Loans |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Retail | $291,372 | $137,447 | 52 | 47% | $13,164 | 6 | 5% | $2,994 | 2 | 1% | $2,994 | 2 | 1% |
| Hotel/Motel | $145,019 | $44,172 | 12 | 31% | $34,166 | 7 | 23% | $14,453 | 1 | 10% | $20,615 | 2 | 14% |
| Gas Station | $177,589 | $23,219 | 16 | 13% | 0 | 0 | 0% | 0 | 0 | 0% | 0 | 0 | 0% |
| Office | $37,423 | $12,622 | 3 | 34% | 0 | 0 | 0% | 0 | 0 | 0% | 0 | 0 | 0% |
| Restaurants and Food Services | $128,869 | $4,493 | 8 | 4% | 0 | 0 | 0% | 0 | 0 | 0% | 0 | 0 | 0% |
| Others | $467,234 | $46,514 | 32 | 10% | $9,214 | 4 | 2% | 0 | 0 | 0% | $6,047 | 1 | 0% |
| TOTAL | $1,247,506 | $268,467 | 123 | 22% | $56,545 | 17 | 5% | $17,446 | 3 | 1% | $29,656 | 5 | 2% |

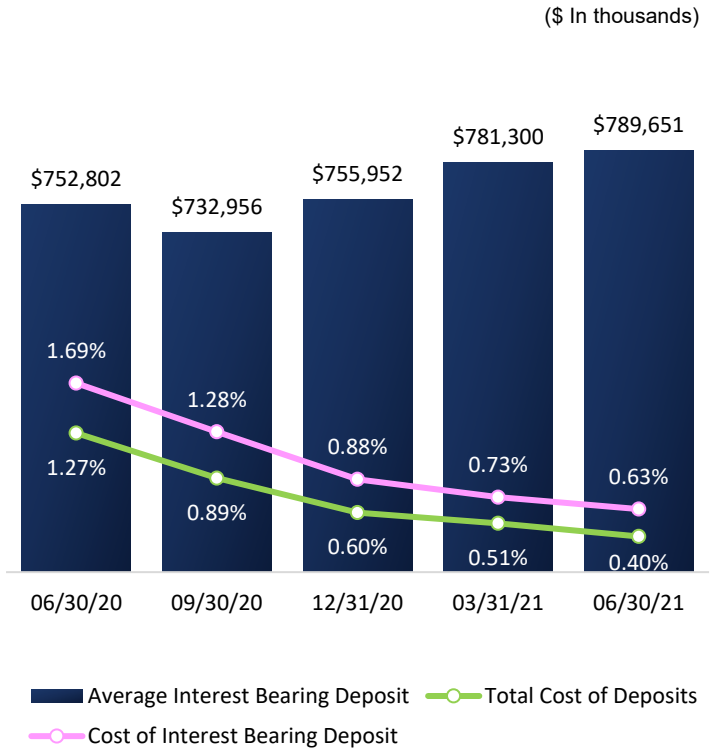
- The majority of 1st modification occurred in April 2020 for three months of P&I payment deferment.
- Majority of the loans are now back to normal payment schedule, except 5 loans that are on second or third payment modification.

# Deposit Trends

## Deposit Composition

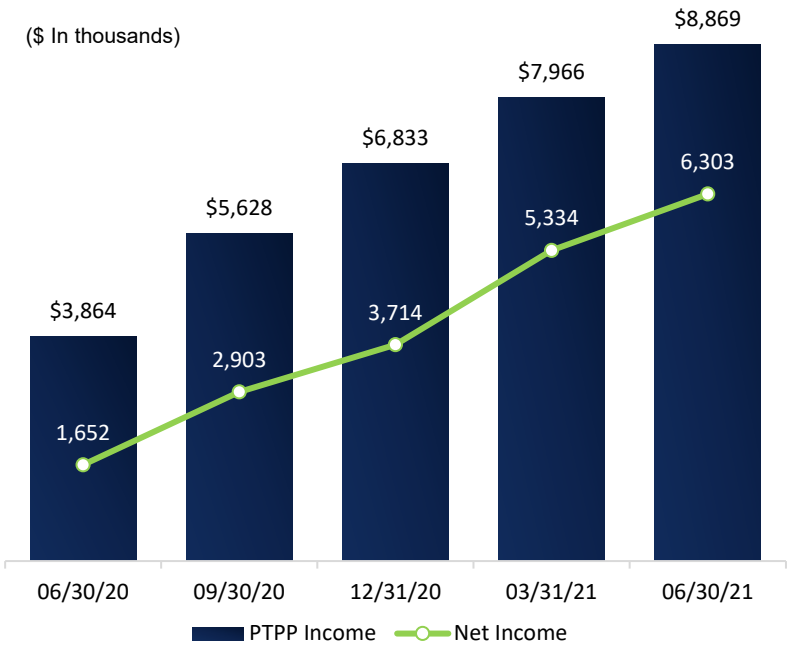



## Average Interest Bearing Deposits & Cost of Deposits



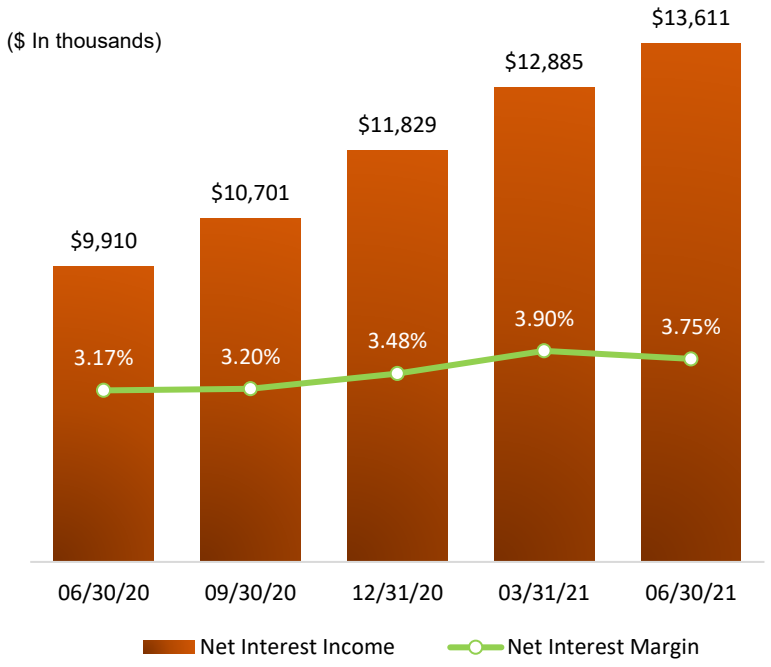
# Pre-Tax Pre-Provision (PTPP) Income, Net Income, NII, and NIM

## PTPP Income & Net Income




❖ PTPP income and Net Income continue to increase Q-o-Q.

## Net Interest Income[1] & Net Interest Margin




❖ 2Q21 net interest margin decreased 15 bps Q-o-Q primarily driven by an increase in lower yield assets.

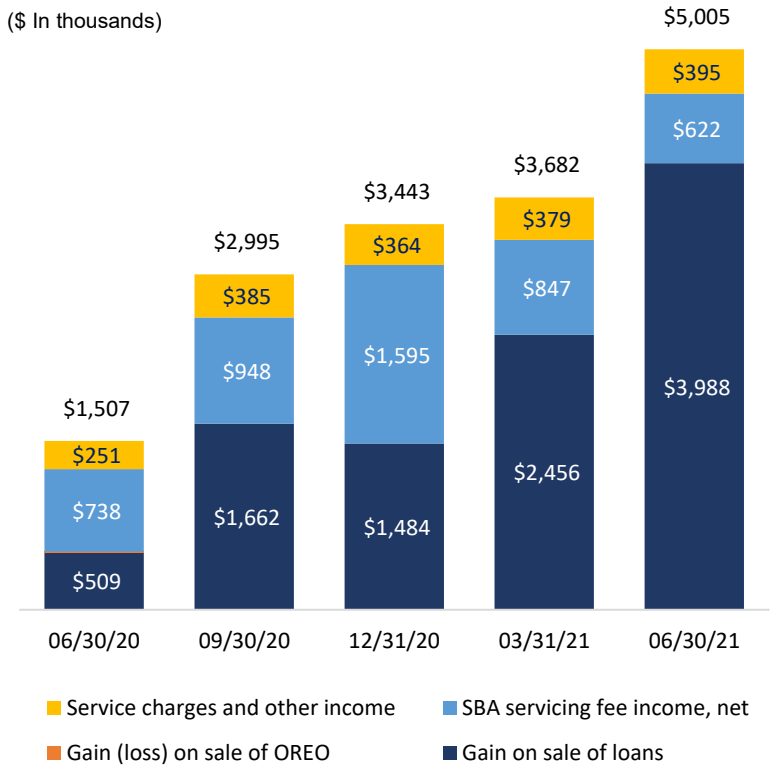
❖ Costs of funds decreased 10 bps Q-o-Q.



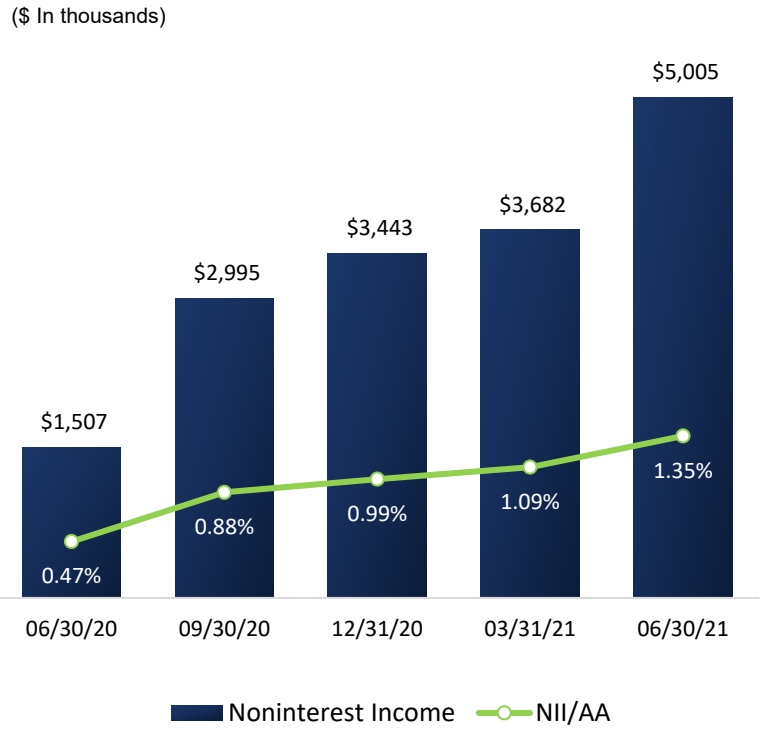
[1] Amounts calculated on a fully taxable equivalent basis using the current statutory tax rate

# Noninterest Income and NII/AA

## Noninterest Income Breakdown




## Noninterest Income & NII/AA[1]



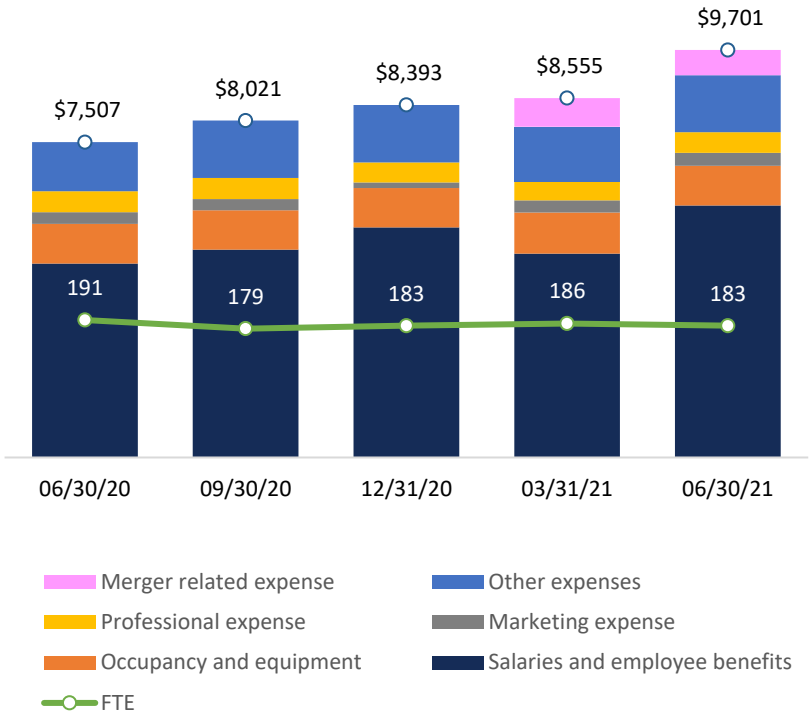

- Noninterest income increased due primarily to an increase in gains on sale of SBA loans combined with a higher average premium percentage received.

[1] NII/AA = Noninterest income as a percentage of average assets

# Noninterest Expense and NIE/AA

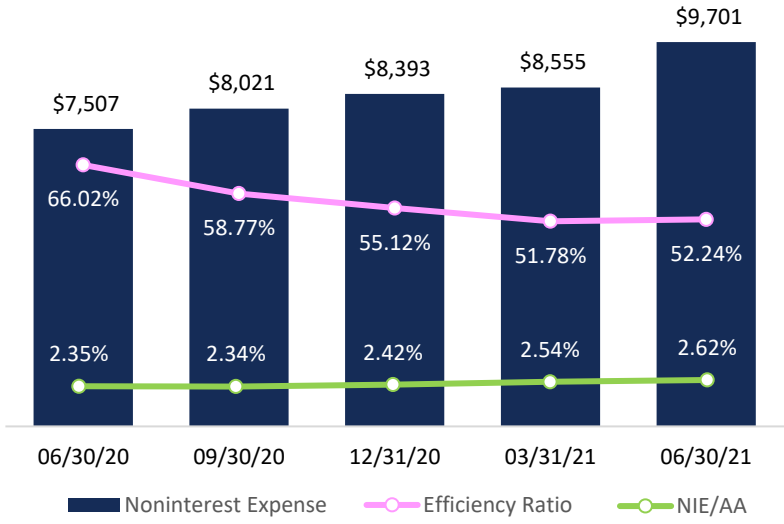
## Noninterest Expense & FTE

($ In thousands)




## Noninterest Expense, Efficiency Ratio & NIE/AA[1]

($ In thousands)




- Noninterest expense increased to $9.7 million in 2Q21 from $8.6 million in 1Q21, primarily driven by an increase in salaries and employee benefits, due to the effect of higher incentive payments made on loan originations and a decrease in the amount of compensation as loan origination costs.

[1] NIE/AA = Noninterest expense as a percentage of average assets

# Strong Capital & Liquidity Positions

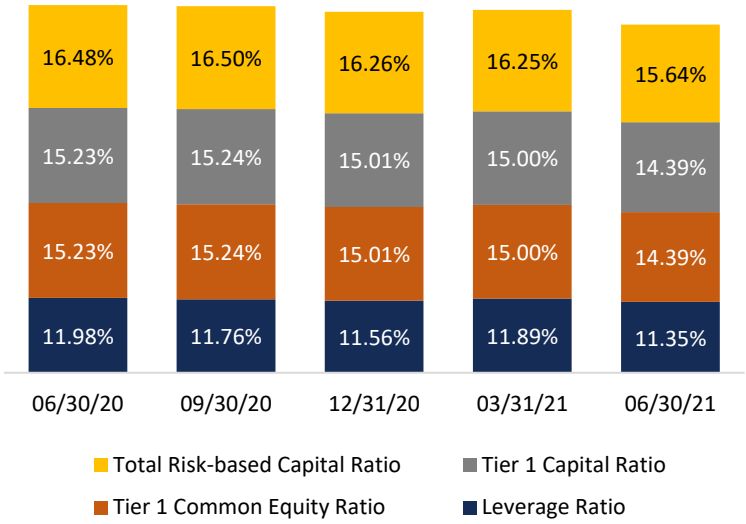
## Liquidity Sources

($ In thousands)

| 06/30/2021 | Available Borrowing Capacity |
|---|---|
| FHLB Remaining Capacity | $ 237,998 |
| FRB Discount Window | 49,785 |
| FRB PPPLF | 85,446 |
| Unsecured lines with other banks | 75,000 |
| **Total Borrowing Capacity** | **$ 448,229** |
| Brokered Deposit Availability (internal policy limit 20% of Total Assets) | $ 322,572 |

❖ The primary sources of liquidity continues to stabilize Q-o-Q.

## Capital Ratios




❖ Growing equity with Book Value per share of $16.66, up $0.55 per share, or 3.4% Q-o-Q and $1.74 per share, or 11.7% Y-o-Y.