

Metro Phoenix Bank Reports Earnings of \$729,000, or \$0.19 per Diluted Share in 2Q2018 and Deposit Growth of 7.29%



PHOENIX, July 26, 2018 /PRNewswire/-- Metro Phoenix Bank (OTCPink: MPHX) (“Bank”) announced net income for the quarter ending June 30, 2018 of \$729,000 or \$0.19 per diluted share, a nominal decrease of \$99,000 from \$828,000, or \$0.22 per diluted share in the first quarter of 2018. Net income increased 57.11% from \$464,000 in the second quarter of 2017.

For the first six months of 2018, net income was \$1.56 million, or \$0.41 per diluted share, a 68.83% increase from the *adjusted* year-over-year 2017 net income of \$924,000. Adjusted 2017 net income excluded non-recurring “settlement” income.

Stephen P. Haggard, Bank President and Chief Executive Officer, stated that “The second quarter supports our belief that the quality of the Bank’s earnings stream continues to improve. Although SBA fee activity was underwhelming this past quarter, the increasing loan portfolio accruals, created by loan growth and a rising interest rate environment, as well as other fee income sources have muted the historical reliance on SBA gains-on-sale to achieve solid returns. SBA lending will always be an important component to our business model, however, our current earnings performance demonstrates Metro Phoenix Bank’s ability to perform at an elevated level without the bump provided by the SBA gains-on-sale.”

Second Quarter 2018 Highlights:

- Net Income for the quarter was \$729,000, or \$0.19 per diluted share.
 - ROA of 1.59% and 1.74% for the quarter and for the six months respectively;
 - ROE of 10.17% and 11.07% for the quarter and for the six months respectively;
- NIM of 5.43% and 5.47% for the quarter and six months, respectively with the cost of funds increasing to 0.51% compared to the linked quarter of 0.45%.
- SBA Gains on Sale of \$71,000 and \$244,000 for the quarter and for the six months, respectively.
- Provision Expense of \$50,000 and \$100,000 for the quarter and for the six months, respectively.
- Efficiency Ratio of 59.55% and 57.55% for the quarter and for the six months, respectively.
- Deposit growth of 7.29% and 8.87% for the quarter and for the six months, respectively.
- Loan growth of 1.80% and 6.85% for the quarter and for the six months, respectively.
- Non-Performing Asset Ratio remains nominal at 0.04%, compared to the linked quarter of 0.00%.

Balance Sheet

Total assets grew by 5.79% to \$191.7 million at June 30, 2018 and increased 16.25% compared to \$164.9 million a year ago. Total loans grew by 1.80% to \$147.1 million at June 30, 2018 and increased 15.46% compared to \$127.4 million a year ago. Total deposits grew by 7.29% to \$160.0 million at June 30, 2018 and increased 15.86% compared to \$138.1 million a year ago.

The allowance for loan losses totaled \$1.7 million at June 30, 2018, or 1.14% of total loans. No material changes have occurred in the credit quality of the loan portfolio since the preceding quarter.

Shareholders' equity increased to \$29.1 million at June 30, 2018, from \$28.4 million the preceding quarter. At June 30, 2018, book value and tangible book value were \$8.61 per share compared to \$8.39 per share at March 31, 2018.

Visit www.metrophoenixbank.com/Investor-Relations.aspx for additional historical financial performance information.

Capital Management

The Bank's capital ratios exceeded the regulatory guidelines for a well-capitalized financial institution under the Basel III and Dodd Frank Wall Street Reform requirements at June 30, 2018. The Bank reported the following capital ratios:

	Bank <u>06/30/18</u>	Regulatory <u>Well Capitalized</u>
Tier 1 Leverage Ratio	15.88%	5.00%
Common Equity Tier 1 Capital Ratio	20.53%	6.50%
Tier 1 Risk Based Capital Ratio	20.53%	8.00%
Total Risk Based Capital Ratio	21.73%	10.00%

About the Company

Metro Phoenix Bank, Inc., established in 2007 and headquartered in Phoenix, Arizona, is a full-service community bank that caters to small-to mid-sized businesses and real estate professionals. MPB offers commercial clients with a variety of services ranging from U.S. Small Business Administration (SBA) financing solutions, commercial real estate construction loans, to a robust treasury management platform that includes a specialty Homeowners Association (HOA)/Property Management program. The company is traded over-the-counter as MPHX. For additional information, visit: www.metrophoenixbank.com.

Forward-looking Statements

This press release may include forward-looking statements about Metro Phoenix Bank. These statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors: competition, fluctuations in interest rates, dependency on key individuals, loan defaults, geographical concentration, litigation and changes in federal laws, regulations and interpretations thereof. All forward-looking statements included in this press release are based on information available at the time of the release, and Metro Phoenix Bank assumes no obligation to update any forward-looking statement.

Unaudited Summary Financial Information
(dollars in thousands, except per share data or noted otherwise)

	For the Three months ended June 30,		For the Six months ended June 30,		Year-End
	2018	2017	2018	2017	2017
Summary Income Data					
Interest Income	2,666	1,897	5,194	3,688	8,521
Interest expense	259	129	455	237	583
Net Interest Income	2,407	1,768	4,739	3,451	7,938
Provision for (reduction in) loan losses	50	135	100	170	214
Non-interest income	152	397	446	1,986	2,708
Non-interest expense	1,524	1,276	2,984	2,500	5,099
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	985	754	2,101	2,767	5,333
Provision for income tax	256	290	544	1,067	2,421
Net Income	729	464	1,557	1,700	2,912
Per Share Data:					
Shares outstanding end-of-period	3,386	3,386	3,386	3,386	3,386
Earnings per common share	0.22	0.14	0.46	0.50	0.86
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	29,143	26,407	29,143	26,407	27,589
Book value per share	8.61	7.80	8.61	7.80	8.15
Selected Balance Sheet Data:					
Total assets	191,679	164,852	191,679	164,852	174,963
Securities available-for-sale	1,072	-	1,072	-	1,069
Loans	147,083	127,446	147,083	127,446	137,650
Allowance for loan losses	1,683	1,530	1,683	1,530	1,582
Deposits	160,011	138,117	160,011	138,117	146,981
Other borrowings	-	-	-	-	-
Shareholders' equity	29,143	26,407	29,143	26,407	27,589
Performance Ratios:					
Return on average shareholders' equity (annualized) (%)	10.17%	8.93%	11.07%	18.72%	12.77%
Net interest margin (%)	5.43%	4.47%	5.47%	4.91%	5.15%
Average assets	183,512	155,138	180,091	148,605	160,751
Return on average assets (annualized) (%)	1.59%	1.20%	1.74%	2.31%	1.81%
Shareholders' equity to assets (%)	15.20%	16.02%	15.20%	16.02%	15.77%
Efficiency ratio (%)	59.55%	58.94%	57.55%	45.98%	47.90%
Asset Quality Data:					
Nonaccrual loans	86	-	86	-	-
Troubled debt restructurings	410	522	410	522	440
Other real estate	-	-	-	-	-
Nonperforming assets	86	-	86	-	-
Nonperforming assets to total assets (%)	0.04%	-	0.04%	-	-
Nonperforming loans to total loans (%)	0.06%	-	0.06%	-	-
Reserve for loan losses to total loans (%)	1.14%	1.20%	1.14%	1.20%	1.15%
Reserve for loan losses to nonperforming loans (%)	1956.98%	-	1956.98%	-	-
Reserve for loan losses to nonperforming assets (%)	1956.98%	-	1956.98%	-	-
Net charge-offs for period	(1)	(1)	(1)	(1)	(9)
Average loans	141,986	115,283	140,403	112,536	124,045
Ratio of charge-offs to average loans (%)	0.00%	0.00%	0.00%	0.00%	-0.01%
Regulatory Capital Ratios:					
Tier 1 leverage capital ratio (%)	15.88%	16.43%	15.88%	16.43%	15.81%
Common Equity Tier 1 (%)	20.53%	20.54%	20.53%	20.54%	20.83%
Tier 1 risk-based capital ratio (%)	20.53%	20.54%	20.53%	20.54%	20.83%
Total risk-based capital ratio (%)	21.73%	21.80%	21.73%	21.80%	22.05%

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