

Metro Phoenix Bank Reports Earnings of \$818,000, or \$0.22 per Diluted Share in 3Q2018 While Total Cost of Funds Remain Stable, Increasing by a Nominal 5 Basis Points



PHOENIX, October 31, 2018 /PRNewswire/-- Metro Phoenix Bank (OTCPink: MPHX) (“Bank”) announced net income for quarter ending September 30, 2018 increased 12.21% to \$818,000, or \$0.22 per diluted share, from \$729,000, or \$0.19 per diluted share in the second quarter of 2018. Net income increased 2.89% from \$795,000 in the third quarter of 2017.

For the first nine months of 2018, net income increased 39.41% to \$2.37 million, or \$0.63 per diluted share, compared to the first nine months of 2017, which reflected net income of \$1.70 million, or \$0.45 per diluted share when excluding non-recurring “settlement” income.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “The third quarter results provide a preliminary indication that the Bank’s cost of funds can be managed effectively as interest rates continue to rise. Although we are always striving hard to improve the profile of the liability side of our balance sheet, we are pleased with the ability to keep our total cost of funds relatively in check and maintain our cumulative NIM above 5.00%. This strong NIM structure has enabled our Bank to consistently generate sound core earnings over the past eight quarters even with the market’s upward pressure on deposit interest rates, competitive pricing on loans and the volatility in fee income. Our business model is based on relationship banking and although interest rates are important for every customer, they are not the only factor in securing a deal.”

Third Quarter 2018 Highlights:

- Net Income for the quarter was \$818,000, or \$0.22 per diluted share.
 - ROA of 1.72% and 1.73% for the quarter and for the nine months respectively;
 - ROE of 10.97% and 11.01% for the quarter and for the nine months respectively;
- NIM of 4.85% and 5.27% for the quarter and nine months, respectively, with the cost of funds increasing to 0.56% compared to the linked quarter of 0.51%.
- SBA Gains on Sale of \$51,000 and \$295,000 for the quarter and for the nine months, respectively.
- Provision Expense of \$0 and \$100,000 for the quarter and for the nine months, respectively.
- Efficiency Ratio of 55.32% and 56.84% for the quarter and for the nine months, respectively.
- Deposit growth of -3.88% and 4.67% for the quarter and for the nine months, respectively.
- Loan growth of 4.55% and 11.76% for the quarter and for the nine months, respectively.
- Non-Performing Asset Ratio is stable at 0.00%, compared to the linked quarter of 0.04%.

Balance Sheet

Total assets decreased by 2.09% to \$187.7 million at September 30, 2018 and increased 12.06% compared to \$167.5 million a year ago. Total loans grew by 4.55% to \$153.8 million at September 30, 2018 and increased 13.76% compared to \$135.2 million a year ago. Total deposits decreased by 3.88% to \$153.8 million at September 30, 2018 and increased 9.94% compared to \$139.9 million a year ago.

The allowance for loan losses totaled \$1.6 million at September 30, 2018, or 1.04% of total loans. No material changes have occurred in the credit quality of the loan portfolio since the preceding quarter.

Shareholders' equity increased to \$30.0 million at September 30, 2018, from \$29.1 million the preceding quarter. At September 30, 2018, book value and tangible book value were \$8.84 per share compared to \$8.61 per share at June 30, 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 September 30, 2018. The Bank reported the following capital ratios:

	Bank <u>09/30/18</u>	Regulatory <u>Well Capitalized</u>
Tier 1 Leverage Ratio	15.74%	5.00%
Common Equity Tier 1 Capital Ratio	20.24%	6.50%
Tier 1 Risk Based Capital Ratio	20.24%	8.00%
Total Risk Based Capital Ratio	21.33%	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 September 30,		For the Nine months ended September 30,		Year-End
	2018	2017	2018	2017	2017
Summary Income Data					
Interest Income	2,650	2,305	7,844	5,993	8,521
Interest expense	316	168	771	405	583
Net Interest Income	2,334	2,137	7,073	5,588	7,938
Provision for (reduction in) loan losses	-	-	100	170	214
Non-interest income	139	406	584	2,392	2,708
Non-interest expense	1,368	1,253	4,352	3,753	5,099
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	1,105	1,290	3,205	4,057	5,333
Provision for income tax	287	495	831	1,562	2,421
Net Income	818	795	2,374	2,495	2,912
Per Share Data:					
Shares outstanding end-of-period	3,394	3,386	3,394	3,386	3,386
Earnings per common share	0.24	0.23	0.70	0.74	0.86
Earnings per common share (Diluted)	0.22	0.21	0.63	0.66	0.77
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	30,017	27,168	30,017	27,168	27,589
Book value per share	8.84	8.02	8.84	8.02	8.15
Selected Balance Sheet Data:					
Total assets	187,677	167,462	187,677	167,462	174,963
Securities available-for-sale	2,896	1,081	2,896	1,081	1,069
Loans	153,831	135,205	153,831	135,205	137,650
Allowance for loan losses	1,603	1,539	1,603	1,539	1,582
Deposits	153,843	139,890	153,843	139,890	146,981
Other borrowings	3,100	-	3,100	-	-
Shareholders' equity	30,017	27,168	30,017	27,168	27,589
Performance Ratios:					
Return on average shareholders' equity (annualized) (%)	10.97%	11.76%	11.01%	15.70%	12.77%
Net interest margin (%)	4.85%	5.27%	5.27%	5.06%	5.15%
Average assets	190,701	164,859	184,027	154,244	160,751
Return on average assets (annualized) (%)	1.72%	1.93%	1.73%	2.16%	1.81%
Shareholders' equity to assets (%)	15.99%	16.22%	15.99%	16.22%	15.77%
Efficiency ratio (%)	55.32%	49.27%	56.84%	47.03%	47.90%
Asset Quality Data:					
Nonaccrual loans	-	-	-	-	-
Troubled debt restructurings	394	454	394	454	440
Other real estate	-	-	-	-	-
Nonperforming assets	-	-	-	-	-
Nonperforming assets to total assets (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Nonperforming loans to total loans (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Reserve for loan losses to total loans (%)	1.04%	1.20%	1.04%	1.20%	1.15%
Reserve for loan losses to nonperforming loans (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Reserve for loan losses to nonperforming assets (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Net charge-offs for period	80	(10)	79	(10)	(9)
Average loans	146,635	126,513	143,125	117,440	124,045
Ratio of charge-offs to average loans (%)	0.05%	-0.01%	0.06%	-0.01%	-0.01%
Regulatory Capital Ratios:					
Tier 1 leverage capital ratio (%)	15.74%	16.18%	15.74%	16.18%	15.81%
Common Equity Tier 1 (%)	20.24%	20.94%	20.24%	20.94%	20.83%
Tier 1 risk-based capital ratio (%)	20.24%	20.94%	20.24%	20.94%	20.83%
Total risk-based capital ratio (%)	21.33%	22.17%	21.33%	22.17%	22.05%

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