

Metro Phoenix Bank Reports Earnings of \$840,000, or \$0.22 per Diluted Share in 4Q2018 with Total Cost of Funds Increasing by Only 5 Basis Points



PHOENIX, Arizona, January 30, 2019 /PRNEWSWIRE/-- Metro Phoenix Bank (OTCPink:MPHX)(“Bank”) announced net income for quarter ending December 31, 2018 increased 2.69% to \$840,000, or \$0.22 per diluted share, from \$818,000, or \$0.22 per diluted share in the third quarter of 2018. Net income increased 101.44% from \$417,000 in the fourth quarter of 2017. When excluding the deferred tax asset write-down in Q4 2017, net income increased 6.19% from an adjusted \$791,000 in the fourth quarter of 2017.

For the full twelve months of 2018, the Bank reported net income of \$3.21 million, or \$0.85 per diluted share, compared to \$2.91 million, or \$0.77 per diluted share for the same period in 2017. When excluding non-recurring “settlement” income recognized in 2017, the adjusted full year net income increased 32.10% from \$2.43 million.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “2018 has been a year characterized by consistent earnings performance for the Bank. Three of the four quarters in 2018 reflected earnings results of \$0.22 per diluted share, which can be attributed to the consistent loan demand experienced throughout the year, a stable source of core funding and the reduced reliance on volatile SBA fee income, which had historically been a larger portion of our top line revenue. Although going into 2019 we anticipate generating more SBA activity, we are cognizant of our ability to achieve solid earnings without the benefit of SBA fee income and will therefore remain cautious as it pertains to credit quality.”

Fourth Quarter 2018 Highlights:

- Net Income for the quarter was \$840,000, or \$0.22 per diluted share.
 - ROA of 1.68% and 1.72% for the quarter and for the twelve months respectively;
 - ROE of 10.90% and 11.00% for the quarter and for the twelve months respectively;
- NIM of 5.27% and 5.28% for the quarter and twelve months, respectively with the cost of funds increasing to 0.61% compared to the linked quarter of 0.56%.

- SBA Gains on Sale of \$21,000 and \$316,000 for the quarter and for the twelve months, respectively.
- Provision Expense of \$35,000 and \$135,000 for the quarter and for the twelve months, respectively.
- Efficiency Ratio of 54.44% and 56.22% for the quarter and for the twelve months, respectively.
- Loan growth of -1.11% and 10.54% for the quarter and for the twelve months, respectively.
- Deposit growth of 6.83% and 11.84% for the quarter and for the twelve months, respectively.
- Non-Performing Asset Ratio is stable at 0.05%, compared to the linked quarter of 0.00%.

Balance Sheet

Total assets grew by 6.13% to \$199.2 million at December 31, 2018 and increased 13.89% compared to \$174.9 million a year ago. Total loans fell by 1.11% to \$152.1 million at December 31, 2018 and increased 10.54% compared to \$137.6 million a year ago. Total deposits grew by 6.83% to \$164.3 million at December 31, 2018 and increased 11.84% compared to \$146.9 million a year ago.

The allowance for loan losses totaled \$1.68 million at December 31, 2018, or 1.10% of total loans. No material changes have occurred in the credit quality of the loan portfolio since the preceding quarter.

Shareholders' equity increased to \$30.9 million at December 31, 2018, from \$30.0 million the preceding quarter. At December 31, 2018, book value and tangible book value were \$9.08 per share compared to \$8.84 per share at September 30, 2018 and \$8.15 per share a year ago.

Visit www.metrophoenixbank.com/Investor-Relations.aspx for additional 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 December 31, 2018. The Bank reported the following capital ratios:

	Bank <u>12/31/18</u>	Regulatory <u>Well Capitalized</u>
Tier 1 Leverage Ratio	15.60%	5.00%
Common Equity Tier 1 Capital Ratio	20.94%	6.50%
Tier 1 Risk Based Capital Ratio	20.94%	8.00%
Total Risk Based Capital Ratio	22.12%	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 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 December 31,		For the Twelve months ended December 31,		Year-End
	2018	2017	2018	2017	2017
Summary Income Data					
Interest Income	2,918	2,528	10,762	8,521	8,521
Interest expense	359	178	1,130	583	583
Net Interest Income	2,559	2,350	9,632	7,938	7,938
Provision for (reduction in) loan losses	35	44	135	214	214
Provision for (reduction in) unfunded commitments	37	-	37	-	-
Non-interest income	90	316	674	2,708	2,708
Non-interest expense	1,442	1,347	5,794	5,099	5,099
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	1,135	1,275	4,340	5,333	5,333
Provision for income tax	295	858	1,126	2,421	2,421
Net Income	840	417	3,214	2,912	2,912
Per Share Data:					
Shares outstanding end-of-period	3,408	3,386	3,408	3,386	3,386
Earnings per common share	0.25	0.12	0.94	0.86	0.86
Earnings per common share (Diluted)	0.22	0.11	0.85	0.77	0.77
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	30,947	27,589	30,947	27,589	27,589
Book value per share	9.08	8.15	9.08	8.15	8.15
Selected Balance Sheet Data:					
Total assets	199,245	174,963	199,245	174,963	174,963
Securities available-for-sale	974	1,069	974	1,069	1,069
Loans	152,099	137,650	152,099	137,650	137,650
Allowance for loan losses	1,676	1,582	1,676	1,582	1,582
Deposits	164,303	146,981	164,303	146,981	146,981
Other borrowings	3,100	-	3,100	-	-
Shareholders' equity	30,947	27,589	30,947	27,589	27,589
Performance Ratios:					
Return on average shareholders' equity (annualized) (%)	10.90%	5.98%	11.00%	12.77%	12.77%
Net interest margin (%)	5.27%	5.54%	5.28%	5.15%	5.15%
Average assets	198,267	174,043	187,346	160,751	160,751
Return on average assets (annualized) (%)	1.68%	0.95%	1.72%	1.81%	1.81%
Shareholders' equity to assets (%)	15.53%	15.77%	15.53%	15.77%	15.77%
Efficiency ratio (%)	54.44%	50.53%	56.22%	47.90%	47.90%
Asset Quality Data:					
Nonaccrual loans	105	-	105	-	-
Troubled debt restructurings	380	440	380	440	440
Other real estate	-	-	-	-	-
Nonperforming assets	105	-	105	-	-
Nonperforming assets to total assets (%)	0.05%	0.00%	0.05%	0.00%	0.00%
Nonperforming loans to total loans (%)	0.07%	0.00%	0.07%	0.00%	0.00%
Reserve for loan losses to total loans (%)	1.10%	1.15%	1.10%	1.15%	1.15%
Reserve for loan losses to nonperforming loans (%)	1596.19%	0.00%	1596.19%	0.00%	0.00%
Reserve for loan losses to nonperforming assets (%)	1596.19%	0.00%	1596.19%	0.00%	0.00%
Net charge-offs for period	(38)	1	41	(9)	(9)
Average loans	154,495	137,755	145,525	124,045	124,045
Ratio of charge-offs to average loans (%)	-0.02%	0.00%	0.03%	-0.01%	-0.01%
Regulatory Capital Ratios:					
Tier 1 leverage capital ratio (%)	15.60%	15.81%	15.60%	15.81%	15.81%
Common Equity Tier 1 (%)	20.94%	20.83%	20.94%	20.83%	20.83%
Tier 1 risk-based capital ratio (%)	20.94%	20.83%	20.94%	20.83%	20.83%
Total risk-based capital ratio (%)	22.12%	22.05%	22.12%	22.05%	22.05%

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