

Metro Phoenix Bank Recognizes Non-Recurring Pre-Settlement Provision Expense Reducing Earnings to a Negative \$576,000, or a Negative \$0.15 per Diluted Share in 4Q 2019



PHOENIX, Arizona, February 7, 2020/PRNEWSWIRE/-- Metro Phoenix Bank (OTCPink:MPHX)(“Bank”) announced a net loss for quarter ending December 31, 2019 of \$576,000, or negative \$0.15 per diluted share, from net income of \$1,009,000, or \$0.27 per diluted share in third quarter of 2019. Excluding a non-recurring pre-settlement provision expense, adjusted net income for quarter ending December 31, 2019 was \$759,000, or \$0.20 per diluted share. Comparatively, adjusted fourth quarter 2019 net income decreased 9.64% from \$840,000, or \$0.22 per diluted share from fourth quarter 2018.

For the full twelve months of 2019, the Bank reported net income of \$2.16 million, or \$0.57 per diluted share, compared to \$3.21 million, or \$0.85 per diluted share for the same period in 2018. When excluding the non-recurring pre-settlement provision expense recognized in the fourth quarter of 2019, the adjusted full year net income increased 8.71% to \$3.49 million, or \$0.93 per diluted share.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “The disappointing results of fourth quarter 2019 were driven by two material issues that temporarily put the brakes on the Bank’s momentum. The first issue was a legacy administration matter pertaining to a 2013 off-balance sheet loan involving a governmental agency loan program. Preliminary findings received by the agency in late fourth quarter were unfavorable to MPB; therefore, we have made a decision to take a pre-settlement provision expense to account for this uncertainty. However, this matter will continue to be contested by the Bank in good faith and we are optimistic that our best efforts can reverse a portion of the financial impact of this event.

The second material issue was market driven, as unprecedented loan payoff activity occurred. This payoff activity was a combination of the aggressive rate refinance boom occurring in Phoenix coupled with properties being sold in a very robust real estate market. Notably, the MPB team worked extremely hard in stemming the net outflow of loans by booking a record number of new loans and building and maintaining a very impressive loan pipeline moving into 2020.

Although the final earnings results of 2019 are underwhelming, 2020 expectations remain very high given the Bank’s sustainable core earnings stream, strong balance sheet fundamentals and metrics, growth prospects, marketplace momentum and the experience of the MPB team. To put 2019 in perspective, excluding the one-time provision event, Metro Phoenix Bank’s efficiency ratio would have been 58%.”

Fourth Quarter 2019 Highlights

- Net Income for the quarter was (\$576,000) or (\$0.15) per diluted share.
 - ROA of (0.99%) for the quarter;
 - ROE of (6.66%) for the quarter;
- NIM of 4.41% for the quarter, with the cost of funds stable at 0.81% when compared to the linked quarter cost of funds of 0.81%.
- SBA Gains on Sale of \$22,000 for the quarter.
- Provision Expense of \$0 for the quarter.
- Efficiency Ratio of 129.44% for the quarter.
- Loan growth of (5.55%) for the quarter.
- Deposit growth of 10.02% for the quarter.
- Non-Performing Asset Ratio is stable at 0.03%, unchanged from the linked quarter.

Balance Sheet

Total assets grew by 8.74% to \$243.3 million at December 31, 2019 and increased 22.12% compared to \$199.2 million a year ago. Total loans declined by 5.55% to \$169.2 million at December 31, 2019 and increased 11.25% compared to \$152.1 million a year ago. Total deposits grew by 10.02% to \$205.1 million at December 31, 2019 and increased 24.82% compared to \$164.3 million a year ago.

The allowance for loan losses totaled \$1.88 million at December 31, 2019, or 1.11% of total loans. No material changes have occurred in the credit quality of the loan portfolio since the preceding quarter. Shareholders' equity increased to \$33.5 million at December 31, 2019, from \$33.9 million the preceding quarter. At December 31, 2019, book value and tangible book value were \$9.67 per share compared to \$9.87 per share at September 30, 2019 and \$9.08 per share a year ago.

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, 2019. The Bank reported the following capital ratios:

Regulatory Capital Ratios	Bank 12/31/19	Regulatory Well Capitalized
Tier 1 Leverage Capital Ratio	14.56%	5.00%
Common Equity Tier 1 Capital Ratio	20.68%	6.50%
Tier 1 Risk-Based Capital Ratio	20.68%	8.00%
Total Risk-Based Capital Ratio	21.88%	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 a variety of services ranging from Commercial Real Estate Lending, Outdoor Media Lending, SBA financing solutions, and a robust treasury management platform that includes a Homeowners Association (HOA)/Property Management specialty 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 December 31,		For the Twelve months ended December 31,		Year-End
	2019	2018	2019	2018	2018
Summary Income Data					
Interest Income	2,974	2,918	12,224	10,762	10,762
Interest expense	467	359	1,724	1,130	1,130
Net Interest Income	2,507	2,559	10,500	9,632	9,632
Provision for (reduction in) loan losses	-	35	125	135	135
Provision for (reduction in) unfunded commitments	-	37	-	37	37
Non-interest income	139	90	765	674	674
Non-interest expense	3,425	1,442	8,348	5,794	5,794
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	(779)	1,135	2,792	4,340	4,340
Provision for income tax	(203)	295	633	1,126	1,126
Net Income	(576)	840	2,159	3,214	3,214
Per Share Data					
Shares outstanding end-of-period	3,463	3,408	3,463	3,408	3,408
Earnings per common share	(0.17)	0.25	0.62	0.94	0.94
Earnings per common share (Diluted)	(0.15)	0.22	0.57	0.85	0.85
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	33,487	30,947	33,487	30,947	30,947
Book value per share	9.67	9.08	9.67	9.08	9.08
Selected Balance Sheet Data					
Total assets	243,326	199,245	243,326	199,245	199,245
Securities available-for-sale	654	974	654	974	974
Loans	169,206	152,099	169,206	152,099	152,099
Allowance for loan losses	1,875	1,676	1,875	1,676	1,676
Deposits	205,084	164,303	205,084	164,303	164,303
Other borrowings	3,100	3,100	3,100	3,100	3,100
Shareholders' equity	33,487	30,947	33,487	30,947	30,947
Performance Ratios					
Return on average shareholders' equity (annualized) (%)	-6.66%	10.90%	6.57%	11.00%	11.00%
Net interest margin (%)	4.41%	5.27%	4.93%	5.28%	5.28%
Cost of Funds	0.81%	0.72%	0.79%	0.73%	0.73%
Average assets	229,825	198,267	217,410	187,346	187,346
Return on average assets (annualized) (%)	-0.99%	1.68%	0.99%	1.72%	1.72%
Shareholders' equity to assets (%)	13.76%	15.53%	13.76%	15.53%	15.53%
Efficiency ratio (%)	129.44%	54.44%	74.11%	56.22%	56.22%
Asset Quality Data					
Nonaccrual loans	68	105	68	105	105
Troubled debt restructurings	10	380	10	380	380
Other real estate	-	-	-	-	-
Nonperforming assets	68	105	68	105	105
Nonperforming assets to total assets (%)	0.03%	0.05%	0.03%	0.05%	0.05%
Nonperforming loans to total loans (%)	0.04%	0.07%	0.04%	0.07%	0.07%
Reserve for loan losses to total loans (%)	1.11%	1.10%	1.11%	1.10%	1.10%
Reserve for loan losses to nonperforming loans (%)	2757.35%	1596.19%	2757.35%	1596.19%	1596.19%
Reserve for loan losses to nonperforming assets (%)	2757.35%	1596.19%	2757.35%	1596.19%	1596.19%
Net charge-offs for period	-	(38)	(74)	41	41
Average loans	167,357	154,495	165,240	145,525	145,525
Ratio of charge-offs to average loans (%)	0.00%	-0.02%	-0.04%	0.03%	0.03%
Regulatory Capital Ratios					
Tier 1 leverage capital ratio (%)	14.56%	15.60%	14.56%	15.60%	15.60%
Common Equity Tier 1 (%)	20.68%	20.94%	20.68%	20.94%	20.94%
Tier 1 risk-based capital ratio (%)	20.68%	20.94%	20.68%	20.94%	20.94%
Total risk-based capital ratio (%)	21.88%	22.12%	21.88%	22.12%	22.12%

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