

Metro Phoenix Bank Reports Earnings of \$733,000, or \$0.19 per Diluted Share in 1Q 2020 after \$450,000 COVID-19 Related Loan Reserve Build Up; Efficiency Ratio Remains Strong at 53.35%



PHOENIX, Arizona, May 4, 2020 /PRNEWSWIRE/-- Metro Phoenix Bank (OTCPink:MPHX) (“Bank”) announced net income for quarter ending March 31, 2020 increased to \$733,000, or \$0.19 per diluted share, from a negative \$576,000, or a negative \$0.15 per diluted share in the fourth 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. Net income decreased 13.66% from \$849,000 in the first quarter of 2019.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “Although the Bank experienced solid growth early in the quarter, a quick pivot was necessary in early March to mobilize the team to implement MPB’s pandemic plan to counter the adverse effects of the COVID-19 crisis. Our growth strategy was quickly put on “pause” as we shifted to employee safety, customer outreach, community support, and balance sheet preservation. Fortunately, Metro Phoenix Bank entered this health crisis in a position of exceptional strength and has therefore been proactively working with all Bank customers that may be affected by the crisis and providing appropriate accommodations. Currently, most of the Bank’s lending resources are supporting the SBA’s Paycheck Protection Program and will continue to do so for the foreseeable future. The uncertainty of how this all plays-out makes it impossible to forecast results for the next few quarters, however, we believe that the strength of our loan portfolio going into the crisis, along with a very robust capital position will allow Metro Phoenix Bank to successfully navigate this unexpected challenge. To address this unknown credit risk, we have started the build-up of our loan reserves and we will continue to do so each subsequent quarter if necessary.

We acknowledge the challenge in front of us and we will continue to serve and support our community. This goodwill, which we have earned over the past thirteen years is one of the driving factors behind the Bank’s successful core operation, which continues to support long term growth expectations and sustainability of a healthy efficiency ratio.”

First Quarter 2020 Highlights

- Net Income for the quarter was \$733,000 or \$0.19 per diluted share.
 - ROA of 1.12% for the quarter;
 - ROE of 8.54% for the quarter;
- NIM of 4.31% for the quarter, with the cost of funds declining to 0.70%; a favorable trend when compared to the linked quarter cost of funds of 0.81%.
- SBA Gains on Sale of \$192,000 for the quarter.

- Provision Expense of \$450,000 for the quarter.
- Efficiency Ratio of 53.35% for the quarter.
- Loan growth of 13.27% for the quarter.
- Deposit growth of 11.09% for the quarter.
- Non-Performing Asset Ratio is stable at 0.00%, nominal change from the linked quarter.

Balance Sheet

Total assets grew by 9.78% to \$267.13 million at March 31, 2020 and increased 29.02% compared to \$207.04 million a year ago. Total loans increased by 13.27% to \$191.66 million at March 31, 2020 and increased 17.14% compared to \$163.61 million a year ago. Total deposits grew by 11.09% to \$227.82 million at March 31, 2020 and increased 32.92% compared to \$171.40 million a year ago.

The allowance for loan losses totaled \$2.33 million at March 31, 2020, or 1.21% of total loans. No material changes have occurred in the reported credit quality of the loan portfolio since the preceding quarter. However, the Bank has adjusted upwards the qualitative factors in its Allowance for Loan and Lease Losses (ALLL) given the uncertainty surrounding the long-term impact of the COVID-19 crisis. As data becomes available, the Bank could see additional build-up of its reserves throughout the year.

Shareholders' equity increased to \$34.35 million at March 31, 2020, from \$33.49 million the preceding quarter. At March 31, 2020, book value and tangible book value were \$9.87 per share compared to \$9.67 per share at December 31, 2019 and \$9.32 per share a year ago.

Capital Management

The Bank's capital ratio exceeded the regulatory guidelines established under Section 201 of the Economic Regulatory Relief and Consumer Protection Act. Effective January 2020, community banks are tested for capital health based on a single capital ratio, the Community Bank Leverage Ratio (CBLR). The Bank reported the following capital ratio:

Regulatory Capital Ratios	Bank 03/31/20	Regulatory Minimum Requirement
Community Bank Leverage Ratio	13.07%	9.00%

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					
<i>(dollars in thousands, except per share data or noted otherwise)</i>					
	For the Three months ended March 31,		For the Three months ended March 31,		Year-End
	2020	2019	2020	2019	2019
Summary Income Data					
Interest Income	3,217	2,914	3,217	2,914	12,224
Interest expense	456	386	456	386	1,724
Net Interest Income	2,761	2,528	2,761	2,528	10,500
Provision for (reduction in) loan losses	450	-	450	-	125
Provision for (reduction in) unfunded commitments	-	-	-	-	-
Non-interest income	326	217	326	217	765
Non-interest expense	1,647	1,598	1,647	1,598	8,348
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	990	1,147	990	1,147	2,792
Provision for income tax	257	298	257	298	633
Net Income	733	849	733	849	2,159
Per Share Data:					
Shares outstanding end-of-period	3,481	3,424	3,481	3,424	3,463
Earnings per common share	0.21	0.25	0.21	0.25	0.62
Earnings per common share (Diluted)	0.19	0.23	0.19	0.23	0.57
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	34,354	31,912	34,354	31,912	33,487
Book value per share	9.87	9.32	9.87	9.32	9.67
Selected Balance Sheet Data					
Total assets	267,130	207,036	267,130	207,036	243,326
Securities available-for-sale	658	940	658	940	654
Loans	191,663	163,609	191,663	163,609	169,206
Allowance for loan losses	2,325	1,726	2,325	1,726	1,875
Deposits	227,816	171,404	227,816	171,404	205,084
Other borrowings	3,100	3,100	3,100	3,100	3,100
Shareholders' equity	34,354	31,912	34,354	31,912	33,487
Performance Ratios					
Return on average shareholders' equity (annualized) (%)	8.54%	10.96%	8.54%	10.96%	6.57%
Net interest margin (%)	4.31%	5.09%	4.31%	5.09%	4.93%
Cost of Funds	0.70%	0.76%	0.70%	0.76%	0.79%
Average assets	262,652	205,712	262,652	205,712	217,410
Return on average assets (annualized) (%)	1.12%	1.67%	1.12%	1.67%	0.99%
Shareholders' equity to assets (%)	12.86%	15.41%	12.86%	15.41%	13.76%
Efficiency ratio (%)	53.35%	58.21%	53.35%	58.21%	74.11%
Asset Quality Data					
Nonaccrual loans	-	103	-	103	68
Troubled debt restructurings	8	15	8	15	10
Other real estate	-	-	-	-	-
Nonperforming assets	-	103	-	103	68
Nonperforming assets to total assets (%)	0.00%	0.03%	0.00%	0.03%	0.03%
Nonperforming loans to total loans (%)	0.00%	0.06%	0.00%	0.06%	0.04%
Reserve for loan losses to total loans (%)	1.21%	1.05%	1.21%	1.05%	1.11%
Reserve for loan losses to nonperforming loans (%)	-	1675.73%	-	1675.73%	2757.35%
Reserve for loan losses to nonperforming assets (%)	-	1675.73%	-	1675.73%	2757.35%
Net charge-offs for period	-	(50)	-	(50)	(74)
Average loans	182,473	153,393	182,473	153,393	165,240
Ratio of charge-offs to average loans (%)	0.00%	-0.03%	0.00%	-0.03%	-0.04%
Regulatory Capital Ratios					
Community Bank Leverage Ratio	13.07%	N/A	13.07%	N/A	N/A
Tier 1 leverage capital ratio (%)	N/A	15.51%	N/A	15.51%	14.56%
Common Equity Tier 1 (%)	N/A	20.38%	N/A	20.38%	20.68%
Tier 1 risk-based capital ratio (%)	N/A	20.38%	N/A	20.38%	20.68%
Total risk-based capital ratio (%)	N/A	21.53%	N/A	21.53%	21.88%

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