

Metro Phoenix Bank Reports Earnings of \$1,402,000, or \$0.37 per Diluted Share in 2Q 2020 after additional \$700,000 COVID-19 Related Loan Reserve Build Up; Non-PPP Related Allowance for Loan & Lease Losses Increased to 1.49%



PHOENIX, Arizona, August 4, 2020 /PRNEWSWIRE/-- Metro Phoenix Bank (OTCPink:MPHX) (“Bank”) announced net income for quarter ending June 30, 2020 increased to \$1,402,000, or \$0.37 per diluted share, from \$733,000, or \$0.19 per diluted share in the first quarter of 2020. Net income increased 59.86% from \$877,000 in the second quarter of 2019.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “As expected, the quarter was dominated by strategic efforts pertaining to the COVID-19 pandemic. These efforts ranged from addressing employee health and wellness, managing operational logistics, implementing tools to enhance balance sheet preservation, and actively participating in SBA Paycheck Protection Program (PPP) lending activities. In an effort to reduce exposure in the office and while maintaining sufficient capacity on-site to carry out our day-to-day operational requirements, we adopted a “limited” work from home strategy to help mitigate risk. We will continue to assess this issue indefinitely, and when feasible, try to assign additional employees outside of the office.

Although we experienced modest organic growth this quarter, Bank personnel had been extremely busy working with customers participating in the SBA Paycheck Protection Program. Through June 30th, Metro Phoenix Bank originated approximately \$42.2 million in relief loans for small businesses throughout Arizona. More importantly, all of these PPP loans were sourced by MPB and directly underwritten by Bank personnel with nearly a 100% deposit capture rate of these new customers. We are proud to participate in the Program as these loans directly benefited over 4,900 employees within our community who may have been displaced without the assistance of these funds. Even though the mechanics of the Program have been choppy at times, the spirit and intent are much appreciated by community banks and numerous small businesses.

Additionally, Bank personnel had been proactive in working with existing creditworthy loan customers with Section 4013 payment deferrals. These payment deferrals of three or six months are an important cash flow source for many of the hardest hit industries. Through June 30th, the Bank has made qualified Section 4013 full payment accommodations for approximately \$40.0 million in loans. In conjunction with the lending tools that are available, the Bank has undertaken proactive stress test efforts in asset classes it deems COVID-19 higher risk.

Notwithstanding pandemic related events occurring in the second quarter, the Bank's core operation remains remarkably sound. Excluding the outsized impact of Q2 COVID-19 financial entries, which include the large non-recurring PPP processing fees and the aggressive loan reserve build up, the Bank estimates its adjusted core earnings in the range of \$0.25 to \$0.27 per diluted share for the quarter. By all accounts, this would have been another strong quarter. However, earnings results are not currently a primary objective as we work to ensure employee health and make decisions to bolster our balance sheet. The only thing we can expect over the next two quarters is a lot of virus and political uncertainty and a lot of hard work, anything else at this stage is merely a guess."

Second Quarter 2020 Highlights

- Net Income for the quarter was \$1,402,000 or \$0.37 per diluted share.
 - ROA of 1.84% for the quarter.
 - ROE of 11.04% for the quarter.
- NIM of 5.36% for the quarter, with the cost of funds declining to 0.41%; a favorable trend when compared to the linked quarter cost of funds of 0.70%.
- SBA Gains on Sale of \$167,000 for the quarter.
- Provision Expense of \$700,000 for the quarter.
- Efficiency Ratio of 39.50% for the quarter.
- Loan growth of 27.89% for the quarter.
- Adjusted Loan growth of 5.86% for the quarter (excluding PPP loans).
- Deposit growth of 24.05% for the quarter.
- Adjusted Deposit growth of 5.52% for the quarter (excluding PPP related deposits).
- Non-Performing Asset Ratio is stable at 0.00%, no change from the linked quarter.

Balance Sheet

Total assets grew by 21.22% to \$323.82 million at June 30, 2020 and increased 48.81% compared to \$217.61 million a year ago. Total loans increased by 27.89% to \$245.12 million at June 30, 2020 and increased 40.47% compared to \$174.50 million a year ago. Total deposits grew by 24.05% to \$282.61 million at June 30, 2020 and increased 55.91% compared to \$181.27 million a year ago.

The allowance for loan losses totaled \$3.03 million at June 30, 2020, or 1.23% of total loans. Excluding the PPP loan balance of \$42.2 million, an adjusted allowance for loan losses equates to 1.49% 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 \$35.76 million at June 30, 2020, from \$34.35 million the preceding quarter and increased 8.86% compared to \$32.85 million a year ago. At June 30, 2020, book value and tangible book value were \$10.27 per share compared to \$9.87 per share at March 31, 2020 and \$9.57 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 06/30/20	Regulatory Minimum Requirement
Community Bank Leverage Ratio	11.65%	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 June 30,		For the Six months ended June 30,		Year-End
	2020	2019	2020	2019	2019
Summary Income Data					
Interest Income	4,288	3,049	7,505	5,963	12,224
Interest expense	314	417	770	803	1,724
Net Interest Income	3,974	2,632	6,735	5,160	10,500
Provision for (reduction in) loan losses	700	75	1,150	75	125
Provision for (reduction in) unfunded commitments	-	-	-	-	-
Non-interest income	315	251	640	468	765
Non-interest expense	1,694	1,623	3,340	3,221	8,348
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	1,895	1,185	2,885	2,332	2,792
Provision for income tax	493	308	750	606	633
Net Income	1,402	877	2,135	1,726	2,159
Per Share Data					
Shares outstanding end-of-period	3,481	3,432	3,481	3,432	3,463
Earnings per common share	0.40	0.26	0.61	0.50	0.62
Earnings per common share (Diluted)	0.37	0.23	0.57	0.46	0.57
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	35,757	32,849	35,757	32,849	33,487
Book value per share	10.27	9.57	10.27	9.57	9.67
Selected Balance Sheet Data					
Total assets	323,824	217,612	323,824	217,612	243,326
Securities available-for-sale	527	835	527	835	654
Loans	245,118	174,498	245,118	174,498	169,206
Allowance for loan losses	3,025	1,825	3,025	1,825	1,875
Deposits	282,606	181,269	282,606	181,269	205,084
Other borrowings	3,100	3,100	3,100	3,100	3,100
Shareholders' equity	35,757	32,849	35,757	32,849	33,487
Performance Ratios					
Return on average shareholders' equity (annualized) (%)	16.14%	10.97%	12.38%	10.93%	6.57%
Net interest margin (%)	5.36%	4.95%	4.92%	5.09%	4.93%
Cost of Funds	0.41%	0.79%	0.55%	0.78%	0.79%
Average assets	306,876	207,710	284,885	208,779	217,410
Return on average assets (annualized) (%)	1.84%	1.69%	1.51%	1.67%	0.99%
Shareholders' equity to assets (%)	11.04%	15.10%	11.04%	15.10%	13.76%
Efficiency ratio (%)	39.50%	56.30%	45.29%	57.23%	74.11%
Asset Quality Data					
Nonaccrual loans	-	103	-	103	68
Troubled debt restructurings	6	13	6	13	10
Other real estate	-	-	-	-	-
Nonperforming assets	-	103	-	103	68
Nonperforming assets to total assets (%)	0.00%	0.05%	0.00%	0.05%	0.03%
Nonperforming loans to total loans (%)	0.00%	0.06%	0.00%	0.06%	0.04%
Reserve for loan losses to total loans (%)	1.23%	1.05%	1.23%	1.05%	1.11%
Reserve for loan losses to nonperforming loans (%)	-	1771.84%	-	1771.84%	2757.35%
Reserve for loan losses to nonperforming assets (%)	-	1771.84%	-	1771.84%	2757.35%
Net charge-offs for period	-	(24)	-	(74)	(74)
Average loans	225,277	165,126	202,047	160,176	165,240
Ratio of charge-offs to average loans (%)	0.00%	-0.01%	0.00%	-0.05%	-0.04%
Regulatory Capital Ratios					
Community Bank Leverage Ratio	11.65%	N/A	11.65%	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	19.54%	N/A	19.54%	20.68%
Tier 1 risk-based capital ratio (%)	N/A	19.54%	N/A	19.54%	20.68%
Total risk-based capital ratio (%)	N/A	20.66%	N/A	20.66%	21.88%

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