

**Metro Phoenix Bank Reports Earnings of \$1,621,000, or \$0.43 per Diluted Share in 3Q 2020 after additional \$200,000 COVID-19 Related Loan Reserve Build Up; Non-PPP Related Allowance for Loan & Lease Losses Increased to 1.50%**



PHOENIX, Arizona, November 5, 2020 /PRNEWSWIRE/-- Metro Phoenix Bank (OTCPink:MPHX) (“Bank”) announced net income for quarter ending September 30, 2020 increased to \$1,621,000, or \$0.43 per diluted share, from \$1,402,000, or \$0.37 per diluted share in the second quarter of 2020. Net income increased 60.65% from \$1,009,000 in the third quarter of 2019. Excluding non-recurring insurance settlement income, the Bank’s adjusted net income would have been \$1,235,000, or \$0.33 per diluted share. The adjusted net income increased 22.40% from the third quarter of 2019.

The Bank had net income of \$3,756,000, or \$1.00 per diluted share, for the nine months ended September 30, 2020, compared to \$2,735,000, or \$0.73 per diluted share for the nine months ended September 30, 2019. Net income for the nine months ended September 30, 2020 compared to the same period in 2019 increased as a result of the \$1,712,000 increase in interest income, which was largely attributed to the Paycheck Protection Program (PPP) lending activity.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “Although the quarterly earnings were once again solid, the Bank’s primary focus continues to be navigating through the COVID-19 pandemic and its potential long-term impact on Arizona businesses. We have been extremely proactive working with customers of industries adversely impacted by the pandemic, either through loan modifications or alternative solutions. At our high-water mark, MPB had nearly 20% of its loan portfolio deferred under Section 4013 payment accommodations. Over the past couple of months, a large number of these loans have successfully migrated back to full P&I payments and as of October 31<sup>st</sup>, the percentage of Section 4013 loans has dropped to under 10%.

“We are optimistic that with the improved overall market conditions in Arizona, the vast majority of these loans will perform without additional assistance. However, we will closely monitor setbacks in our higher risk industries such as hospitality, restaurant, and retail real estate. As an additional precaution, the Bank has continued its build-up of loan reserves, taking our non-PPP Allowance for Loan and Lease Losses (ALLL) ratio up to 1.50%. This build-up has been driven by the COVID-19 qualitative factors and not specific loan performance.

“Recently the Bank began processing its SBA PPP Forgiveness Applications and has started to see PPP loans paid off by the SBA. Although the forgiveness process should begin to accelerate, we anticipate some of the original PPP loan balances to remain on our balance sheet into the first quarter of 2021.

“As expected, the quarter was also dominated by efforts to maintain a safe office/workplace for employees and customers. Not an efficient process, but we believe we have found a reasonable balance between the number of employees working remotely rather than working in the office. With these logistics adjustments, our growth is expected to be modest through the balance of the year.”

### **Third Quarter 2020 Highlights**

- Net Income for the quarter was \$1,621,000 or \$0.43 per diluted share.
  - ROA of 1.97% for the quarter;
  - ROE of 11.54% for the quarter;
- NIM of 4.09% for the quarter, with the cost of funds declining to 0.37%; a favorable trend when compared to the linked quarter cost of funds of 0.41%.
- SBA Gains on Sale of \$148,770 for the quarter.
- Provision Expense of \$200,000 for the quarter.
- Efficiency Ratio of 43.48% for the quarter.
- Loan growth of 4.71% for the quarter.
- Deposit growth of negative 0.69% for the quarter.
- Non-Performing Asset Ratio is stable at 0.00%, no change from the linked quarter.

### **Balance Sheet**

Total assets remained relatively unchanged at \$323.77 million for September 30, 2020 and increased 44.69% compared to \$223.76 million a year ago. Total loans increased by 4.71% to \$256.66 million at September 30, 2020 and increased 43.27% compared to \$179.15 million a year ago. Excluding PPP loans of \$41.87 million, loans increased 19.89% compared to a year ago. Total deposits decreased by 0.69% to \$280.66 million at September 30, 2020 and increased 50.56% compared to \$186.41 million a year ago.

The allowance for loan losses totaled \$3.225 million at September 30, 2020, or 1.26% of total loans. Excluding the PPP loan balance of \$41.87 million, an adjusted allowance for loan losses equates to 1.50% 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 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 \$37.38 million at September 30, 2020, from \$35.76 million the preceding quarter and increased 10.36% compared to \$33.87 million a year ago. At September 30, 2020, book value and tangible book value were \$10.74 per share compared to \$10.27 per share at June 30, 2020 and \$9.87 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:

<b>Regulatory Capital Ratio</b>	<b>Bank 09/30/2020</b>	<b>Regulatory Minimum Requirement</b>
Community Bank Leverage Ratio	11.44%	8.00%

**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](http://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
	2020	2019	2020	2019	2019
<b>Summary Income Data</b>					
Interest Income	3,456	3,287	10,962	9,250	12,224
Interest expense	304	454	1,075	1,257	1,724
Net Interest Income	3,152	2,833	9,887	7,993	10,500
Provision for (reduction in) loan losses	200	50	1,350	125	125
Provision for (reduction in) unfunded commitments	-	-	-	-	-
Non-interest income	838	158	1,479	626	765
Non-interest expense	1,735	1,702	5,075	4,923	8,348
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	2,055	1,239	4,941	3,571	2,792
Provision for income tax	434	230	1,185	836	633
Net Income	1,621	1,009	3,756	2,735	2,159
<b>Per Share Data</b>					
Shares outstanding end-of-period	3,481	3,432	3,481	3,432	3,463
Earnings per common share	0.47	0.29	1.08	0.80	0.62
Earnings per common share (Diluted)	0.43	0.27	1.00	0.73	0.57
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	37,379	33,869	37,379	33,869	33,487
Book value per share	10.74	9.87	10.74	9.87	9.67
<b>Selected Balance Sheet Data</b>					
Total assets	323,768	223,764	323,768	223,764	243,326
Securities available-for-sale	438	760	438	760	654
Loans	256,660	179,149	256,660	179,149	169,206
Allowance for loan losses	3,225	1,875	3,225	1,875	1,875
Deposits	280,661	186,409	280,661	186,409	205,084
Other borrowings	3,100	3,100	3,100	3,100	3,100
Shareholders' equity	37,379	33,869	37,379	33,869	33,487
<b>Performance Ratios</b>					
Return on average shareholders' equity (annualized) (%)	17.38%	11.99%	13.78%	11.27%	6.57%
Net interest margin (%)	4.09%	5.02%	4.61%	5.11%	4.93%
Cost of Funds	0.37%	0.81%	0.36%	0.79%	0.79%
Average assets	326,726	221,866	298,663	213,800	217,410
Return on average assets (annualized) (%)	1.97%	1.80%	1.68%	1.71%	0.99%
Shareholders' equity to assets (%)	11.54%	15.14%	11.54%	15.14%	13.76%
Efficiency ratio (%)	43.48%	56.90%	44.65%	57.12%	74.11%
<b>Asset Quality Data</b>					
Nonaccrual loans	-	68	-	68	68
Troubled debt restructurings	4	11	4	11	10
Other real estate	-	-	-	-	-
Nonperforming assets	-	68	-	68	68
Nonperforming assets to total assets (%)	0.00%	0.03%	0.00%	0.03%	0.03%
Nonperforming loans to total loans (%)	0.00%	0.04%	0.00%	0.04%	0.04%
Reserve for loan losses to total loans (%)	1.26%	1.05%	1.26%	1.05%	1.11%
Reserve for loan losses to nonperforming loans (%)	-	2757.35%	-	2757.35%	2757.35%
Reserve for loan losses to nonperforming assets (%)	-	2757.35%	-	2757.35%	2757.35%
Net charge-offs for period	-	-	-	(74)	(74)
Average loans	246,134	173,459	218,155	165,022	165,240
Ratio of charge-offs to average loans (%)	0.00%	0.00%	0.00%	-0.04%	-0.04%
<b>Regulatory Capital Ratios</b>					
Community Bank Leverage Ratio	11.44%	N/A	11.44%	N/A	N/A
Tier 1 leverage capital ratio (%)	N/A	15.26%	N/A	15.26%	14.56%
Common Equity Tier 1 (%)	N/A	19.79%	N/A	19.79%	20.68%
Tier 1 risk-based capital ratio (%)	N/A	19.79%	N/A	19.79%	20.68%
Total risk-based capital ratio (%)	N/A	20.92%	N/A	20.92%	21.88%

Contact:

Stephen P. Haggard

President & CEO

602-346-1800

[shaggard@metrophoenixbank.com](mailto:shaggard@metrophoenixbank.com)

SOURCE: Metro Phoenix Bank