

## **Metro Phoenix Bank Reports Earnings of \$1,283,000, or \$0.34 per Diluted Share in 4Q 2020 after Additional \$250,000 COVID-19 Related Loan Reserve Build-Up; Asset Quality Remains Strong as Non-Performing Asset Ratio is 0.00%**



PHOENIX, Arizona, January 28, 2021 /PRNEWSWIRE/-- Metro Phoenix Bank (OTCPink:MPHX) (“Bank”) announced net income for quarter ending December 31, 2020 of \$1,283,000, or \$0.34 per diluted share, down from \$1,621,000, or \$0.43 per diluted share in third quarter 2020. However, when excluding non-recurring insurance settlement income, 3Q 2020 adjusted net income was \$1,235,000, or \$0.33 per diluted share, equating to a modest increase in linked quarter core earnings. Net income increased 69.04% from the adjusted net income of \$759,000 in the fourth quarter of 2019.

For the full twelve months of 2020, the Bank reported net income of \$5,039,000, or \$1.34 per diluted share, compared to \$2,159,000, or \$0.57 per diluted share for the same period in 2019. Net income increased 133.40% over the same period last year. However, when excluding the non-recurring settlement recognized in 2020, the Bank’s adjusted twelve-month net income would have been \$4,653,000, or \$1.25 per diluted share. The adjusted 2020 net income increased 115.52% over the same period last year.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “The positive financial results recognized in 4Q 2020 provides the Bank with a favorable closure to an extremely challenging year. A year that started with unbelievable momentum and optimism quickly evolved into crisis management and the implementation of a once-in-a-lifetime pandemic contingency plan. Although we, like so many businesses, have had our logistical challenges with personnel coverage and atypical loan portfolio management tools, we are very fortunate to be in a position of strength moving into the new year. Our loan quality has held up extremely well given the circumstances, our capital position remains strong, core earnings are stable, the Phoenix market continues to be a pro-growth destination, and most importantly our staff is healthy and ready to launch another successful campaign in 2021.

“The Bank will continue to navigate through the back-end of the COVID-19 pandemic and potential long-term impact on Arizona businesses. Even though we are well on our way in the Forgiveness process of the first round of PPP loans, we are now participating in the second round of the SBA/Treasury PPP Program. Furthermore, we will continue to provide consideration for appropriate loan modifications when necessary. We were extremely proactive in working with customers of industries adversely impacted by the pandemic and we are pleased that nearly all of our customers have migrated back to full P&I payments without any setbacks. The Bank is currently down to 1.15% of its loan portfolio that

continues to operate under a deferral program. This compares favorably to our high-water mark of nearly 20%.

“As an additional precaution, the Bank has continued to build up its loan loss reserves. This build-up has been driven by the COVID-19 qualitative factors and not specific loan performance.”

#### **Fourth Quarter 2020 Highlights**

- Net Income for the quarter was \$1,283,000 or \$0.34 per diluted share.
  - ROA of 1.56% for the quarter;
  - ROE of 13.38% for the quarter;
- NIM of 4.31% for the quarter, with the cost of funds declining to 0.34%; a favorable trend when compared to the linked quarter cost of funds of 0.37%.
- SBA Gains on Sale of \$135,018 for the quarter.
- Provision Expense of \$250,000 for the quarter.
- Efficiency Ratio of 47.14% for the quarter.
- Loan growth of 8.99% for the quarter.
- Deposit growth of 0.42% for the quarter.
- Non-Performing Asset Ratio is stable at 0.00%, no change from the linked quarter.

#### **Balance Sheet**

Total assets grew by 0.69% to \$326.0 million at December 31, 2020 and increased 33.98% compared to \$243.3 million a year ago. Total loans increased by 8.99% to \$279.7 million at December 31, 2020 and increased 65.32% compared to \$169.2 million a year ago. Excluding PPP loans of \$33.2 million, loans increased 45.69% compared to a year ago. Total deposits increased by 0.42% to \$281.8 million at December 31, 2020 and increased 37.42% compared to \$205.1 million a year ago.

The allowance for loan losses totaled \$3.475 million at December 31, 2020, or 1.24% of total loans. Excluding the PPP loan balance of \$33.2 million, an adjusted allowance for loan losses equates to 1.41% of total loans. No material changes have occurred in the reported credit quality of the loan portfolio since the preceding quarter. However, in 2020 the Bank adjusted upwards the qualitative factors in its Allowance for Loan and Lease Losses (ALLL) methodology 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.

Shareholders' equity increased to \$38.66 million at December 31, 2020, from \$37.38 million the preceding quarter and increased 15.45% compared to \$33.49 million a year ago. At December 31, 2020, book value and tangible book value were \$11.11 per share compared to \$10.74 per share at September 30, 2020 and \$9.67 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 Ratios</b>	<b>Bank 12/31/20</b>	<b>Regulatory Minimum Requirement</b>
Community Bank Leverage Ratio	11.84%	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. 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		For the Twelve months		Year-End
	ended December 31,		ended December 31,		
	2020	2019	2020	2019	
<b>Summary Income Data</b>					
Interest Income	3,607	2,974	14,568	12,224	12,224
Interest expense	277	467	1,351	1,724	1,724
Net Interest Income	3,330	2,507	13,217	10,500	10,500
Provision for (reduction in) loan losses	250	-	1,600	125	125
Provision for (reduction in) unfunded commitments	-	-	-	-	-
Non-interest income	321	139	1,800	765	765
Non-interest expense	1,721	3,425	6,797	8,348	8,348
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	1,680	(779)	6,620	2,792	2,792
Provision for income tax	397	(203)	1,581	633	633
Net Income	1,283	(576)	5,039	2,159	2,159
<b>Per Share Data</b>					
Shares outstanding end-of-period	3,481	3,463	3,481	3,463	3,463
Earnings per common share	0.37	(0.17)	1.45	0.62	0.62
Earnings per common share (Diluted)	0.34	(0.15)	1.34	0.57	0.57
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	38,662	33,487	38,662	33,487	33,487
Book value per share	11.11	9.67	11.11	9.67	9.67
<b>Selected Balance Sheet Data</b>					
Total assets	326,012	243,326	326,012	243,326	243,326
Securities available-for-sale	436	654	436	654	654
Loans	279,730	169,206	279,730	169,206	169,206
Allowance for loan losses	3,475	1,875	3,475	1,875	1,875
Deposits	281,827	205,084	281,827	205,084	205,084
Other borrowings	3,100	3,100	3,100	3,100	3,100
Shareholders' equity	38,662	33,487	38,662	33,487	33,487
<b>Performance Ratios</b>					
Return on average shareholders' equity (annualized) (%)	13.38%	-6.66%	13.71%	6.57%	6.57%
Net interest margin (%)	4.31%	4.41%	4.53%	4.93%	4.93%
Cost of Funds	0.34%	0.81%	0.34%	0.79%	0.79%
Average assets	326,436	229,825	305,070	217,410	217,410
Return on average assets (annualized) (%)	1.56%	-0.99%	1.65%	0.99%	0.99%
Shareholders' equity to assets (%)	11.86%	13.76%	11.86%	13.76%	13.76%
Efficiency ratio (%)	47.14%	129.44%	45.26%	74.11%	74.11%
<b>Asset Quality Data</b>					
Nonaccrual loans	-	68	-	68	68
Troubled debt restructurings	2	10	2	10	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 (%)	1.24%	1.11%	1.24%	1.11%	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	266,861	167,357	228,872	165,240	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 (CBLR)	11.84%	N/A	11.84%	N/A	N/A
Tier 1 leverage capital ratio (%)	N/A	14.56%	N/A	14.56%	14.56%
Common Equity Tier 1 (%)	N/A	20.68%	N/A	20.68%	20.68%
Tier 1 risk-based capital ratio (%)	N/A	20.68%	N/A	20.68%	20.68%
Total risk-based capital ratio (%)	N/A	21.88%	N/A	21.88%	21.88%

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