



METRO PHOENIX BANK

Metro Phoenix Bank Reports Earnings of \$1,927,000, or \$0.51 per Diluted Share in 3Q 2021; Loan Growth (Net PPP) Is Flat at 0.70% for the Quarter; Asset Quality Remains Strong as Non-Performing Asset Ratio Is 0.00%

PHOENIX, Arizona, October 14, 2021 /PRNEWSWIRE/-- MPB BHC, INC. (OTCPink:MPHX), the holding company for Metro Phoenix Bank (“Bank”), announced net income for quarter ending September 30, 2021 of \$1,927,000, or \$0.51 per diluted share, up from \$1,703,000, or \$0.45 per diluted share in second quarter 2021. Net income increased 18.88% from \$1,621,000 in the third quarter of 2020. Metro Phoenix Bank’s third quarter earnings reflect the positive impact of a fully funded allowance for loan & lease losses (ALLL) and strong SBA lending activity.

Stephen P. Haggard, Bank President and Chief Executive Officer stated, “Although net loan growth was flat for the quarter, the lending team has done a very good job in protecting our baseline earning asset level while a commercial loan rate-refinance frenzy is occurring in our market. We will win on some of these and lose on some, but at this time we are maintaining a pricing discipline to keep our cumulative year-to-date net interest margin north of 4.00%. I believe that we are positioned well to hold off additional margin compression as we have deep vertical expertise in SBA lending and Outdoor Media lending, which are both more inelastic when it comes to interest rate sensitivity. However, that definitely is not the case when it comes to owner-occupied commercial real estate and quality C&I lending, which are both experiencing aggressive pricing competition.

“At this stage, the remaining PPP loans are essentially a non-factor on the Bank’s loan portfolio and income statement. We currently have less than \$11 million on the books and we anticipate our PPP portfolio will be retired by year end.

“Asset quality remains unchanged and the Bank is operating with an ALLL that has a surplus, or unallocated balance in the reserves. The portfolio appears to be performing well in light of the recent disruption created by the COVID-19 Delta variant. Mitigating the impact of the Delta surge is the fact that Arizona has essentially remained opened for business throughout this pandemic, which has led to robust economic growth for most well-managed and well-capitalized small- to medium-sized businesses and commercial real estate projects; staffing & supply chain issues appear to be the two common denominator threats affecting future operations.

“In summary, our loan pipeline remains healthy, but production needs to account for new loan growth as well as replacing the payoffs that are occurring due to rate-refinance activity and underlying real estate loan collateral being sold in a very favorable cap rate market. Nonetheless, loan opportunities remain abundant as MPB focuses on continued quality loan growth.”

Third Quarter 2021 Highlights

- Net Income for the quarter was \$1,927,000 or \$0.51 per diluted share.
 - ROA of 1.85% for the quarter
 - ROE of 18.96% for the quarter
- NIM of 3.72% for the quarter, with the cost of funds increasing to 0.30%; relatively unchanged when compared to the linked quarter cost of funds of 0.29%.
- SBA Gains on Sale of \$827,361 for the quarter.
- Provision Expense of \$0 for the quarter.
- Efficiency Ratio of 50.27% for the quarter.
- Loan growth (net PPP) of 0.70% for the quarter.
- Deposit growth of 4.13% for the quarter.
- Non-Performing Asset Ratio is 0.00%, no significant change from the linked quarter.

Balance Sheet

Total assets grew by 4.04% to \$411.4 million at September 30, 2021 and increased 27.07% compared to \$323.8 million a year ago. Total loans decreased by 2.31% to \$283.4 million at September 30, 2021 and increased 10.40% compared to \$256.7 million a year ago. Excluding PPP loans of \$10.9 million at the end of 3Q, loans increased 0.70% compared to 2Q and increased 26.80% compared to a year ago. Total deposits increased by 4.13% to \$366.4 million at September 30, 2021 and increased 30.53% compared to \$280.7 million a year ago.

The allowance for loan losses totaled \$3.755 million at September 30, 2021, or 1.32% of total loans. Excluding the PPP loan balance of \$10.9 million, an adjusted allowance for loan losses equates to 1.38% of total loans. No material changes have occurred in the reported credit quality of the loan portfolio since the preceding quarter.

Shareholders' equity increased to \$41.37 million at September 30, 2021, from \$39.45 million the preceding quarter and increased 10.67% compared to \$37.38 million a year ago. At September 30, 2021, book value and tangible book value were \$11.88 per share compared to \$11.32 per share at June 30, 2021 and \$10.74 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 09/30/21	Regulatory Minimum Requirement
Community Bank Leverage Ratio	9.95%	8.50%

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 bank holding company (MPB BHC, INC.) 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. 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 September 30,		For the Nine months ended September 30,		Year-End
	2021	2020	2021	2020	2020
Summary Income Data					
Interest Income	4,041	3,456	11,550	10,962	14,568
Interest expense	309	304	855	1,075	1,351
Net Interest Income	3,732	3,152	10,695	9,887	13,217
Provision for (reduction in) loan losses	-	200	250	1,350	1,600
Provision for (reduction in) unfunded commitments	-	-	-	-	-
Non-interest income	1,068	838	2,369	1,479	1,800
Non-interest expense	2,413	1,735	5,980	5,075	6,797
Realized gains (losses) on sales of securities	-	-	-	-	-
Income (loss) before income taxes	2,387	2,055	6,834	4,941	6,620
Provision for income tax	460	434	1,616	1,185	1,581
Net Income	1,927	1,621	5,218	3,756	5,039
Per Share Data					
Shares outstanding end-of-period	3,483	3,481	3,483	3,481	3,481
Earnings per common share	0.55	0.47	1.50	1.08	1.45
Earnings per common share (Diluted)	0.51	0.43	1.38	1.00	1.34
Cash dividend declared per share	-	-	0.725	-	-
Total shareholders' equity	41,370	37,379	41,370	37,379	38,662
Book value per share	11.88	10.74	11.88	10.74	11.11
Selected Balance Sheet Data					
Total assets	411,408	323,768	411,408	323,768	326,012
Securities available-for-sale	167	438	167	438	436
Loans	283,402	256,660	283,402	256,660	279,730
Allowance for loan losses	3,755	3,225	3,755	3,225	3,475
Deposits	366,369	280,661	366,369	280,661	281,827
Other borrowings	3,100	3,100	3,100	3,100	3,100
Shareholders' equity	41,370	37,379	41,370	37,379	38,662
Performance Ratios					
Return on average shareholders' equity (annualized) (%)	18.96%	17.38%	17.34%	13.78%	13.71%
Net interest margin (%)	3.72%	4.09%	4.03%	4.61%	4.53%
Cost of Funds	0.30%	0.37%	0.30%	0.36%	0.34%
Average assets	413,925	326,726	386,612	298,663	305,070
Return on average assets (annualized) (%)	1.85%	1.97%	1.80%	1.68%	1.65%
Shareholders' equity to assets (%)	10.06%	11.54%	10.06%	11.54%	11.86%
Efficiency ratio (%)	50.27%	43.48%	45.77%	44.65%	45.26%
Asset Quality Data					
Nonaccrual loans	-	-	-	-	-
Troubled debt restructurings	-	4	-	4	2
Other real estate	-	-	-	-	-
Nonperforming assets	-	-	-	-	-
Nonperforming assets to total assets (%)	-	-	-	-	-
Nonperforming loans to total loans (%)	-	-	-	-	-
Reserve for loan losses to total loans (%)	1.32%	1.26%	1.32%	1.26%	1.24%
Reserve for loan losses to nonperforming loans (%)	-	-	-	-	-
Reserve for loan losses to nonperforming assets (%)	-	-	-	-	-
Net charge-offs for period	20	-	(30)	-	-
Average loans	287,917	246,134	286,167	218,155	228,872
Ratio of charge-offs to average loans (%)	0.007%	0.00%	-0.01%	0.00%	0.00%
Regulatory Capital Ratios					
Community Bank Leverage Ratio	9.95%	11.44%	9.95%	11.44%	11.84%
Tier 1 leverage capital ratio (%)	N/A	N/A	N/A	N/A	N/A
Common Equity Tier 1 (%)	N/A	N/A	N/A	N/A	N/A
Tier 1 risk-based capital ratio (%)	N/A	N/A	N/A	N/A	N/A
Total risk-based capital ratio (%)	N/A	N/A	N/A	N/A	N/A

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