



# MPB News

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## Our Mission

*Through its sincere customer service, practical market knowledge, and entrepreneurial spirit, Metro Phoenix Bank strives to become one of Phoenix's premier providers of consistent, predictable and meaningful commercial bank services, thus maximizing returns for all stakeholders.*

## From the Desk of Steve Haggard, Metro Phoenix Bank CEO

Management of Metro Phoenix Bank looks back at 2013 and considers it a year of transition for the organization. Given the improving economic conditions, lightened regulatory oversight, and overall market confidence that is returning to community banks, we were able to flip Metro Phoenix Bank's "playbook" and allow our team to actually play some offense rather than constantly being stuck in a defensive mindset. This strategic transition fueled quality growth in critical balance sheet categories, allowed the Bank to report its second consecutive year of profitability, and most importantly preserved an extremely healthy capital position along with the augmentation of shareholder Book Value.



The Bank closed out 2013 with total assets of approximately \$88 million, which represents an 18.92% increase from prior year end 2012. The loan portfolio grew to \$66 million, which represents a 16.28% growth rate over the past year, while the Bank's non-performing asset ratio fell to 2.90%; continuing the improving trend realized over the past four years. Total deposits grew 11.79% over the past year, but more significantly, the Bank's transactional account (DDA and NOW) ratio rose to 25.44% while the Bank's reliance on wholesale funding fell to 5.36%; both ratios comparing favorably to year end 2012, which reflected ratios of 22.74% and 8.26% respectively.

The Bank posted a pre-tax return on asset ratio of 0.94%, which is a significant improvement from last year's return on asset ratio of 0.37%. This second consecutive year of positive earnings has enabled the Bank to recognize a Deferred Tax Asset, which is a material event given the sizable historical losses incurred by the institution. This important financial accounting milestone recognizes the sustainability of our earnings stream and the tax benefit that we will realize by offsetting future tax liabilities with our historical net losses. From a shareholder perspective, this is extremely positive as the one-time event raises book value per share from \$5.07 to \$6.61

As Metro Phoenix Bank's staff continued to execute on the original business model, the rewards of their six year effort began to rise to the surface this past year. Programs such as SBA lending and the HOA deposit platform seasoned an additional year; securing Metro Phoenix Bank with a prominent foothold in the Phoenix market. Commercial lending as well continued to expand and contribute to the Bank's "adjusted" net interest margin (NIM) of 5.00%, which compares favorably to our national peer group margin of 3.73%. Finally, overall institutional awareness appears to be gaining momentum evidenced through the rapidly rising number of active accounts within the Bank.

We are excited about the future of Metro Phoenix Bank and the City of Phoenix and remain bullish about the Bank's original business model. With the maturity of our infrastructure, organic growth will continue to be a primary driver of growth; however, we continue to explore all available growth opportunities that may fit our organization and potentially be accretive to our shareholder value.

As we continue to rebuild the franchise value of your organization, we want to thank all stakeholders for their ongoing support and contributions.

Sincerely,

Stephen P. Haggard, President & CEO

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# Internet Security Tips

These days, it's nearly impossible to avoid hearing about a computer hacking story. Although nothing can guarantee that you won't be a victim, it is relatively easy to drastically reduce your chances of a problem by adhering to some basic rules for computing.

- **Use strong passwords and use different ones for every site:** Names of family members, pets, and sports teams make poor choices for passwords, especially when information about these things is available to anyone on social media sites.

- **Don't click on links in email messages unless you are certain you know what you are clicking and where the message came from:** Err on the side of caution. Fraudsters are able to create very convincing messages that may appear to come from your bank, credit card company, or other trusted organization.



- **Run a good anti-virus application and keep it up to date:** An anti-virus application is a defense against all sorts of "malware" (harmful programs) that might attack your computer. It is critical to keep your anti-virus software up-to-date.

- **Patch your computer's operating system:** Computers should be configured to download and install the latest updates from the company that provides your operating system.

- **Report internet, card and/or account fraud immediately:** Your financial institution has certain legal responsibilities when it comes to protecting your information and funds. To reduce your potential loss, it is imperative to notify your financial institution immediately of any loss, theft or compromise of financial information.

- **Talk to us about better security:** The Bank provides multiple options for increasing security. These options include requiring two people to originate funds transfers, restricting activity to certain times of day or locations, and login tokens.

The good news is that some simple practices can dramatically lower risk. For more information, you can look at the security tips Metro Phoenix Bank has posted online at:

<http://www.metrophoenixbank.com/go/online-banking/online-banking-security>

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## Arizona District Office - Top Performers 4th Quarter Fiscal Year 2013 Lender SBA Rankings

1. Wells Fargo Bank	\$75,011,500	9. Stearns Bank	\$15,232,000
2. JP Morgan Chase	\$35,214,200	10. Midfirst Bank	\$13,873,100
3. Pinnacle Bank	\$34,585,400	<b>11. Metro Phoenix Bank</b>	<b>\$13,821,400</b>
4. Business Dev. Fin. Corp.	\$27,914,000	12. Capital Source Bank	\$13,326,500
5. US Bank	\$24,879,500	13. Bank of the West	\$13,321,300
6. Seacoast Commerce	\$24,769,900	14. Horizon Community Bank	\$12,689,900
7. BNC Bank	\$22,714,600	15. CDC Small Bus. Fin. Corp.	\$12,067,000
8. Compass Bank	\$19,061,200		

### For More Information, Contact one of our SBA Lenders:

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Every day, the SBA and its statewide network of partners help thousands of Arizona small businesses. For more information about SBA loan programs and a list of contact information, including lending preferences of SBA approved lenders, visit their website at <http://www.sba.gov/localresources/district/az/index/htm>. In addition to information about SBA loans, you can seek assistance online or by contacting their office at (602) 745-7200 or email them at [Arizona@sba.gov](mailto:Arizona@sba.gov).

Address: 2828 North Central Avenue, Ste 800, Phoenix, AZ 85004

ALL SBA PROGRAMS AND SERVICES INCLUDING LOAN PRODUCTS ARE PROVIDED ON A NONDISCRIMINATORY BASIS.

*"The numbers are in and MPB has ranked 11th in 2013 SBA Loan Volume"*

# Client Success Stories . . .

Jerry Kleven, owner of JK Communications & Construction Inc. DBA Kleven Construction, is a leader in the field of underground construction. Kleven Construction assists clients (i.e. AT&T, CenturyLink, Cox, Verizon), with the planning and implementation of underground broadband networks, fiber optic cable systems, storm drain systems, waterlines, voltage conduit systems, and sewer lines. Jerry's expertise in this field began from the ground up; literally. Jerry started his career in utility construction four decades ago as a laborer, then he expanded his construction experience to include: operator, foreman, superintendent, and then management.

By 1982, Jerry's broad range of hands-on experience prepositioned him to apply his knowledge and open his own business; Kleven Construction. Through Jerry's vision and commitment to provide clients with outstanding service utilizing state-of-art technology, Kleven Construction has grown into a multi-million dollar company with a workforce of over 140 employees and a presence in 11 states.

***In order to fully capitalize on Kleven Construction's growth potential, Jerry teamed up with Metro Phoenix Bank***

In order to fully capitalize on Kleven Construction's growth potential, Jerry teamed up with Mary Myron, Commercial Lender at Metro Phoenix Bank, to see just how he could make this happen. MPB

was able to accommodate Jerry's needs by providing a large borrowing base secured revolving line of credit (RLOC).

The RLOC has been a critical component in Kleven Construction's growth as it allowed them to further support various business operations; in turn generating more sales. MPB is pleased to be partnering with Kleven Construction and Jerry Kleven, a reputable



and devoted local business owner headquartered in Tempe Arizona.

*"Thank you MPB for working with us to achieve the next step in our growth! Your customer service and banking products are top notch; I can't imagine banking anywhere else."*

*-Jerry Kleven*



## 2013 Financial Update

The following tables summarize four key aspects of MPB's YTD performance; Earnings, Liquidity, Asset Quality, and Capital.

Earnings	12/31/11	12/31/12	12/31/13
Net Interest Margin (NIM)	4.06%	4.57%	5.00% <sup>(1)</sup>
Return on Avg. Assets (ROA) <sup>(2)</sup>	(0.71%)	0.37%	0.94%
Return on Avg. Equity (ROE) <sup>(2)</sup>	(5.32%)	2.90%	7.63%

(1) Adjusted to eliminate one-time non-recurring event  
(2) Pre-tax ratios



Liquidity	12/31/11	12/31/12	12/31/13
Loan to Deposit Ratio <sup>(1)</sup>	79.96%	87.99%	91.66%
Transactional Accounts <sup>(1)</sup>	18.28%	22.74%	25.44%
Wholesale Deposit Ratio <sup>(1)</sup>	15.29%	8.26%	5.36%
Liquidity to Total Assets	43.09%	32.21%	39.63%

(1) Rates reflected as a percentage of deposits

Asset Quality	12/31/11	12/31/12	12/31/13
NPA <sup>(2)</sup> to Total Assets	5.80%	4.09%	2.90%
ALLL <sup>(3)</sup>	4.96%	2.87%	2.44%
Real Estate Owned	\$0M	\$1,090M	\$1,011M

(2) Non-performing Assets  
(3) Allowance for Loan and Lease Losses

Capital	12/31/11	12/31/12	12/31/13
Tier 1 Capital Ratio	12.80%	12.78%	12.55%
Total Risk Based	20.80%	20.11%	17.60%
Book Value Per Share	\$4.22	\$4.53	\$6.61

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A GREAT CITY DESERVES A GREAT BANK  
**METRO PHOENIX BANK**

## Employee Highlights

### Board of Directors

**Jack W. Hilton**  
Chairman

**James R. Barrons**  
Vice Chairman

**Stephen P. Haggard**  
Director, President, CEO

**Lori R. Jones**  
Director

**Dr. Matthew Keene**  
Director

**Michael R. Stephenson**  
Director

### Senior Management

**Helen S. Chau, EVP**  
Chief Financial Officer

**Michael S. Morano, EVP**  
Chief Credit Officer

In July 2012 when Michael Morano joined MPB as Executive Vice President and Chief Credit Officer, he brought with him an impressive 20 years of local banking experience and a commitment to serve businesses. His prior accomplishments include holding roles as President, Chief Credit Officer, Vice President Commercial Lender, and FDIC safety and soundness bank examiner. Through Mr. Morano's leadership, he successfully led various community banks to achieve significant growth and profitability. In addition to his proven banking expertise, he also holds a Bachelor's degree in Business Administration from Northern Arizona University and an MBA from Arizona State University (ASU).

Mr. Morano's role at MPB is critical in that he manages all aspects of the Bank's loan portfolio to ensure asset quality and compliance with laws and regulations. His role also includes developing, implementing, and monitoring credit policy which strategically supports MPB's business plan and goals.

In addition, Mr. Morano balances his duties at MPB by spending time with his wife of 24 years and four children. Outside of the office, he is an avid supporter of his children's sporting events and referees soccer. Mr. Morano continues to remain well connected within the local community through involvement with St. Vincent de Paul and having served on the Board of Junior Achievement Arizona and as an advisory member of the School of Global Management at ASU.

Mr. Morano's contributions have been an instrumental part of MPB's growth and we are proud to have him as a member of our team.



[www.metrophoenixbank.com](http://www.metrophoenixbank.com)

