

CBOA Financial, Inc. Reports Consolidated Earnings of \$395,000 in 2Q 2020

Commerce Bank of Arizona

TUCSON, Arizona, August 13, 2020 /PRNEWSWIRE/-- CBOA Financial, Inc. (OTCMKTS:CBOF) (the "Company"), parent company of Commerce Bank of Arizona (the "Bank" or "CBAZ"), announced that consolidated net income for quarter ending June 30, 2020 increased 6.5% to \$395,000, from \$371,000 in the first quarter of 2020.

Chris Webster, Bank President and Chief Executive Officer commented, "Despite the many operational challenges of the COVID-19 pandemic, we are proud to complete another strong quarter. We experienced significant loan growth related to SBA's Paycheck Protection Program (PPP), however organic loan growth was also meaningful. Deposit growth was strong as many new customers moved their entire business banking relationship to us." Webster added, "It's also important to note that although the effective yield on our PPP loans is substantially below our core loan portfolio, we continued to maintain a robust net interest margin despite the Federal Reserve swiftly cutting interest rates 150 basis points in March, which caused many of our assets to reprice. Lastly, we have fully adapted to serving the banking of our customers using a variety of means including branch banking by appointment, mobile and on-line banking services."

Second Quarter 2020 Highlights

- Net Income for the quarter was \$395,000;
- NIM was 4.51% for the quarter;
- Deposit grew 26% during the quarter.

Operational Highlights

Interest income was aided by an influx of PPP loans during the second quarter that bolstered earnings by \$750,000 compared with prior periods due to recognized fee income. Further contributing to the growth in net interest income was a \$64,000 decline in interest expense despite the \$64.8 million increase in total deposits during the quarter.

The Bank's \$460,000 negative non-interest income was driven by \$548,000 in writedowns of OREO properties which the Bank acquired primarily in the 2012-2015 time period. The Bank has aggressively priced these assets in response to the continuing difficulty of marketing these types of properties, which was exacerbated by the pandemic.

Balance Sheet

Total assets increased by 29% to \$315.2 million during the quarter ended June 30, 2020 and increased 35% compared to \$233.9 million a year ago. Total asset growth from June 2019 to June 2020 consisted of PPP loans funding CBAZ deposit accounts totaling \$63 million, and organic net deposit growth of roughly \$15 million.

Traditional gross loans rose \$3.5 million since first quarter 2020 ending the second quarter at \$178 million. Including the \$63 million in PPP loans, total gross loans increased by 38% to \$241 million in the quarter and increased 35% compared to \$179 million a year ago. Total deposits increased by 26% to \$268.8 million

during the quarter and increased 32% compared to \$204 million a year ago.

The allowance for loan losses totaled \$2.99 million at June 30, 2020, or 1.68% of “traditional” non-PPP loans, compared to 1.71% in the previous quarter, and was 1.24% for the quarter with the PPP loans included. Though the Bank’s recorded reserve did not materially change, worsening economic factors and pandemic related payment deferrals are being accounted for in the Bank’s reserve calculation. Due to a large “unallocated” reserve, the Bank remained adequately reserved for the quarter.

Shareholders’ equity increased to \$23.0 million at June 30, 2020, from \$22.3 million the preceding quarter. At June 30, 2020, book value and tangible book value were \$2.81 per share compared to \$2.71 per share at March 31, 2020 and \$2.57 per share a year ago. The growth in total assets associated with the PPP loans originated during the second quarter 2020 was the primary driver of the decline in the Bank’s Tier 1 Leverage ratio. Excluding the PPP loans, the Bank’s second quarter 2020 Tier 1 Leverage ratio would have been 10.7%, just slightly lower than 11.2% for first quarter 2020 and 10.7% as of June 30, 2019.

Capital Management

Capital ratios exceeded regulatory guidelines for a well-capitalized institution under Basel III and Dodd Frank Wall Street Reform requirements at June 30, 2020. Capital ratios are presented below.

About the Company

Commerce Bank of Arizona, established in 2002 in Tucson, Arizona, is a full-service community bank that caters to small-to mid-sized businesses and real estate professionals. CBAZ offers commercial clients with a variety of services ranging from U.S. Small Business Administration (SBA) financing solutions, construction loans, and commercial real estate loans. CBOA Financial, Inc is a single-bank holding company and parent of the Bank. The Company is traded over-the-counter as CBOF. For additional information, visit: www.commercebankaz.com.

Forward-looking Statements

This press release may include forward-looking statements about CBOA Financial, Inc. or Commerce Bank of Arizona. 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 CBOA Financial, Inc. and Commerce Bank of Arizona assume no obligation to update any forward-looking statement.

Unaudited Consolidated Summary Financial Information					
Dollars in thousands - Unaudited	For the quarter ended			Year to Date	
	6/30/2020	3/30/2020	6/30/2019	6/30/2020	6/30/2019
	Summary Income Data				
Interest Income	3,549	2,826	3,062	6,375	5,880
Interest expense	366	446	513	812	903
Net Interest Income	3,183	2,380	2,549	5,563	4,977
Provision for (reduction in) loan losses	-	(279)	-	(279)	-
Non-interest income	(460)	8	158	(452)	229
Realized gains (losses) on sales of securities	47	121	-	168	-
Non-interest expense	2,375	2,417	2,090	4,792	4,276
Income (loss) before income taxes	395	371	617	766	930
Provision for income tax	-	-	-	-	-
Net Income	395	371	617	766	930
Per Share Data					
Shares outstanding end-of-period	8,208	8,208	7,878	8,208	7,878
Earnings per common share (\$'s)	0.05	0.05	0.08	0.09	0.12
Earnings per common share (Diluted) (\$'s)	0.04	0.04	0.06	0.07	0.09
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	23,049	22,265	20,283	23,049	19,039
Book value per share (\$'s)	2.81	2.71	2.57	2.81	2.42
Selected Balance Sheet Data					
Total assets	315,157	243,630	233,913	315,157	233,913
Securities available-for-sale	28,888	29,178	18,941	28,888	18,941
Loans	240,979	174,471	178,971	240,979	178,971
Allowance for loan losses	2,991	2,978	2,920	2,991	2,920
Deposits	268,836	212,807	204,026	268,836	204,026
Other borrowings	14,808	-	-	14,808	-
Shareholders' equity	23,049	22,265	20,283	23,049	20,283
Performance Ratios (%)					
Return on average shareholders' equity (annualized)	6.62	6.56	10.89	6.59	8.77
Net interest margin	4.51	4.20	4.62	4.37	4.69
Efficiency ratio	85.38	98.61	75.41	91.58	79.75
Asset Quality Data (%)					
Nonperforming assets to total assets	1.45	3.40	3.61	1.45	3.61
Reserve for loan losses to total loans	1.24	1.71	1.63	1.24	1.63
Charge-offs to average loans for period	(0.02)	(0.66)	(0.08)	(0.30)	(0.07)
Regulatory Capital Ratios (%)					
Common Equity Tier 1	13.40	13.61	13.16	13.71	13.21
Tier 1 risk-based capital ratio	13.40	13.61	13.16	13.71	13.21
Total risk-based capital ratio	14.65	14.87	14.41	14.97	14.46
Tier 1 leverage capital ratio	9.22	11.12	10.73	11.07	11.61

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