

CBOA Financial, Inc. Reports Consolidated Earnings of \$457,000 in 3Q 2020

Commerce Bank of Arizona

TUCSON, Arizona, November 4, 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 September 30, 2020 increased 15.7% to \$457,000, from \$395,000 in the second quarter of 2020.

Chris Webster, Bank President and Chief Executive Officer said “The Commerce Bank of Arizona completed another quarter of solid financial performance. Performance was driven by stable loan and deposit growth”. “ Organic loan growth was strong and Net Interest Margin has remained relatively steady despite the Federal Reserve’s low interest policy” Webster added.

Third Quarter 2020 Highlights

- Loan growth of \$8.7MM, or 3.6% for the quarter
- Deposit growth of \$10.4MM, or 3.9% for the quarter
- NIM of 4.03% for the quarter, despite rate pressure

Operational Highlights

Interest income was aided by recognized fee income of PPP loans that bolstered earnings by \$357,000. Further contributing to the growth in net interest income was a \$10,000 decline in interest expense despite the \$10 million increase in total deposits during the quarter.

The Bank’s \$49,000 negative non-interest income was driven by 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 5.2% to \$331.6 million during the quarter ended September 30, 2020 and increased 32% compared to \$251.6 million a year ago. Total asset growth from September 2019 to September 2020 consisted of PPP loans funding CBAZ deposit accounts totaling \$64 million, and organic net deposit growth of roughly \$15 million.

Traditional gross loans rose \$7.9 million since second quarter 2020 ending the third quarter at \$186 million. Including the \$64 million in PPP loans, total loans increased by 3.6% to \$249.7 million in the quarter and increased 40% compared to \$178 million a year ago. Total deposits increased by 3.9% to \$279.2 million during the quarter and increased 26% compared to \$221 million a year ago.

The allowance for loan losses totaled \$2.99 million at September 30, 2020, or 1.41% of “traditional” non-PPP loans, compared to 1.34% in the previous quarter, and was 1.11% 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 \$23.6 million at September 30, 2020, from \$23.0 million the preceding quarter. At September 30, 2020, book value and tangible book value were \$2.87 per share compared to \$2.81 per share at June 30, 2020 and \$2.57 per share a year ago. The growth in total assets associated with the PPP loans was the primary driver of the decline in the Bank's Tier 1 Leverage ratio. Excluding the PPP loans, the Bank's third quarter 2020 Tier 1 Leverage ratio would have been 10.3%, just slightly lower than 10.7% for second quarter 2020 and 11.1% as of September 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 September 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	
	9/30/2020	6/30/2020	9/30/2019	9/30/2020	9/30/2019
Summary Income Data				YTD 9/30/20	
Interest Income	3,202	3,549	2,955	9,577	8,835
Interest expense	356	366	519	1,168	1,425
Net Interest Income	2,846	3,183	2,436	8,409	7,410
Provision for (reduction in) loan losses	-	-	(79)	(279)	(79)
Non-interest income	(49)	(460)	130	(501)	359
Realized gains (losses) on sales of securities	-	47	(5)	168	(5)
Non-interest expense	2,340	2,375	2,141	7,132	6,417
Income (loss) before income taxes	457	395	499	1,223	1,426
Provision for income tax	-	-	-	-	-
Net Income	457	395	499	1,223	1,426
Per Share Data					
Shares outstanding end-of-period	8,208	8,208	7,878	8,208	7,878
Earnings per common share (\$'s)	0.06	0.05	0.06	0.15	0.18
Earnings per common share (Diluted) (\$'s)	0.04	0.04	0.05	0.12	0.13
Cash dividend declared	-	-	-	-	-
Total shareholders' equity	23,589	23,049	20,732	23,589	20,732
Book value per share (\$'s)	2.87	2.81	2.57	2.87	2.57
Selected Balance Sheet Data					
Total assets	331,636	315,312	251,568	331,636	251,568
Securities available-for-sale	36,636	29,854	24,283	36,636	24,283
Loans	249,684	240,979	178,120	249,684	178,120
Allowance for loan losses	2,996	2,991	2,945	2,996	2,945
Deposits	279,187	268,836	221,032	279,187	221,032
Other borrowings	21,574	14,808	2,808	21,574	2,808
Shareholders' equity	23,589	23,049	20,732	23,589	20,732
Performance Ratios (%)					
Return on average shareholders' equity (annualized)	7.10	6.62	8.82	7.10	8.82
Net interest margin	4.03	4.51	4.47	4.03	4.47
Efficiency ratio	82.45	85.38	81.32	82.45	81.32
Asset Quality Data (%)					
Nonperforming assets to total assets	1.30	1.45	4.23	1.30	4.23
Reserve for loan losses to total loans	1.20	1.24	1.65	1.20	1.65
Charge-offs to average loans for period	(0.01)	(0.02)	(0.2)	(0.01)	(0.2)
Regulatory Capital Ratios (%)					
Common Equity Tier 1	12.95	13.40	12.97	12.95	12.97
Tier 1 risk-based capital ratio	12.95	13.40	12.97	12.95	12.97
Total risk-based capital ratio	14.20	14.65	14.22	14.20	14.22
Tier 1 leverage capital ratio	8.80	9.22	11.06	8.80	11.06

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