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Mountain Commerce Bancorp, Inc. (MCBI - OTC Pink)

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Price: *	\$ 12.00	EPS:	2015A:	\$ 0.74	P/E	2015A:	16.2x
52 Wk. Range:	\$ 9.00 - \$ 12.00	(FY: DEC)	2016A:	\$ 1.03		2016A:	11.7x
Div/Div Yld:	\$0.00 / 0.0%		2017E:	\$ 1.04		2017E:	11.1x
Shrs/Mkt Cap:	5.8 mm / \$69 mm	Book Value:		\$10.11	Price/Book Value:		1.19x

* Limited trading. Price is most recent of which Company is aware.

Background

With approximately \$620 million in assets as of December 31, 2016, Mountain Commerce Bancorp, Inc. ("MCB," or "the Company") is the holding company for Mountain Commerce Bank. The Company is based in Knoxville, Tennessee and serves East Tennessee with branches in Knox, Unicoi, and Washington counties. Mountain Commerce Bank has roots that date back to the early 1900s, as it was formerly known as Erwin National Bank, which was chartered in 1910. MCB acquired Erwin National Bank on September 1, 2006, changed its name to Mountain Commerce Bank, and expanded into Unicoi County, Johnson City and Knoxville, growing the Bank from \$83 million in assets in 2006 to more than \$600 million today. The Bank offers a broad array of personal products to its clients, such as checking and savings accounts, online banking, certificates of deposit, credit cards, lines of credit, mortgage and home equity loans and specialty private banking, as well as a line of products tailored for 50+ seniors, including an Age Vantage CD. Business banking products include checking, treasury management services, remote deposit capture, mobile banking, CDs and account analysis services. Through MCB Investment Services, the Company offers IRAs and 401ks, 529 college funds, retirement plan consulting, life insurance and financial planning. MCB has five locations in Knoxville, Unicoi County and Johnson City, in addition to an operations corporate center.

Earnings in the Fourth Quarter of 2016 Increased 29%

Mountain Commerce Bancorp had a great fourth quarter, with strong earnings growth (which was right in line with projections) and loan growth that reflected excellent momentum. Asset quality also continued to improve, with nonperforming assets decreasing relative to both the linked third quarter and the year-ago quarter. Another very notable achievement of the quarter was the Company's completion of a capital offering, whereby it raised \$20 million through the private placement of approximately 1.7 million common shares. The Company's stock also began being quoted on the OTC Pink market and is now quoted under the symbol "MCBI."

Net income in 2016's fourth quarter totaled \$1,138,000, or \$0.28 per share, up 29% from \$883,000, or \$0.23 per share, in the year-ago quarter. Net interest income growth was the primary driver of earnings (it was up 21%), benefitting from strong average earning assets growth, as the net interest margin declined modestly to 3.74% in 2016's fourth quarter from 3.81% in the year-ago quarter. Earnings also benefitted from the fact that there was no provision for loan losses in 2016's fourth quarter, whereas there was a \$175,000 provision in the year-ago figures. Noninterest income, excluding gains on the sale of securities, was down 10%, while noninterest expense, excluding OREO expenses, was down 1% (including OREO-related expenses, it was up 20%).

Full Year Earnings Increased 41%, Loan Growth Momentum Remains Excellent

For the year ended December 31, 2016, Mountain Commerce Bancorp reported net income of \$4.2 million, or \$1.03 per share, which was up 41% from \$3.0 million, or \$0.74 per share, in 2015. As was the case with the quarterly results, net interest income was the principal earnings driver, increasing

ASSETS: \$620 MILLION

HQ: KNOXVILLE, TN

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4TH QUARTER HIGHLIGHTS:

EARNINGS WERE IN LINE
WITH ESTIMATES

EPS: \$0.28 vs. \$0.23

NET INTEREST INCOME WAS
UP 21%

CORE NONINTEREST EXPENSE
DECREASED 1%

12 MONTHS HIGHLIGHTS:

EPS: \$1.03 vs. \$0.74

NET INTEREST INCOME
INCREASED 19%

BALANCE SHEET GROWTH WAS
IN THE 24%-25% RANGE

LOAN MOMENTUM REMAINED
STRONG

THE COMPANY COMPLETED A
\$20 MILLION PRIVATE
PLACEMENT

THE ADDITIONAL CAPITAL
BOOSTED CAPITAL RATIOS AND
POSITIONS THE COMPANY FOR
CONTINUED GROWTH

THE COMPANY'S SHARES ARE
NOW QUOTED ON THE OTC PINK
SHEETS

THE COMPANY IMPROVED
VERSIONS OF ITS WEBSITE AND
MOBILE APP

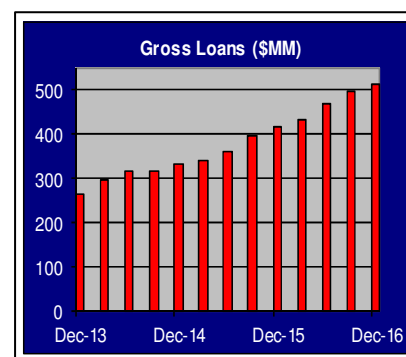
NPAS-TO-ASSETS: 1.62%

NPAS DECREASED 19% FROM
THE YEAR-AGO DATE

RESERVES/LOANS: 1.02%

EPS:
2015A: \$ 0.74
2016A: \$ 1.03
2017E: \$ 1.04

19%, while core noninterest income was up 23% and noninterest expense (excluding OREO-related charges) increased 7% versus the level in 2015. The provision for loan losses totaled \$158,000 for 2016, which was down from \$776,000 in 2015. The balance sheet continues to have quite strong growth, with net loans and deposits growing 24% and total assets up 25% over the past year. We were particularly pleased with the continued strong loan growth, which is actually the continuation of a trend that began several years ago, as can be seen in the adjacent chart. The Company remains well capitalized, with shareholders' equity of \$58 million at December 31, 2016, or 9.39% of total assets (see further discussion below).



\$20 Million Private Placement Completed

Based on the Company's rapid growth, management completed a private placement of \$20 million of common stock in December, whereby it issued approximately 1.7 million shares at a price of \$12 per share. The private placement increased the Company's number of shareholders to 256, boosted shares outstanding to 5.8 million, and increased all of the Bank's capital ratios, as can be seen in the table below. For example, the Total Capital Ratio increased from 10.9% at September 30, 2016 to 13.2% at year-end 2016. All of the Bank's regulatory ratios fall comfortably within the "well capitalized" minimums. Relatedly, the Company's stock was recently listed on the OTC Pink sheets under the symbol "MCBI". Although trading in the stock is still quite limited, the listing should help to improve the liquidity of the stock over the long run.

							"Well Capitalized " Minimums
Bank Regulatory Capital Ratios (%)	2015	2016					
	Q4	Q1	Q2	Q3	Q4		
Total Capital	12.2	12.0	11.2	10.9	13.2	10.0	
Tier 1 Capital	11.0	10.8	10.0	9.9	12.2	8.0	
Common Equity Tier 1	11.0	10.8	10.0	9.9	12.2	6.5	
Tier 1 Leverage	9.1	9.1	8.9	8.8	11.0	5.0	

Technology Upgrades Implemented

We would also note that Mountain Commerce Bancorp continues to invest heavily in technology to improve its efficiency and customer experience. For example, in November, the Company launched a new and improved version of its website and mobile app. The improvements to the MCB website include faster navigation and improved content, all on a secure platform. Enhancements to the mobile app include fingerprint identification, bill pay, e-statements, quick touch balance and mobile check deposit.

Nonperforming Assets Continue to Decline

Mountain Commerce Bancorp's asset quality continued to improve at year-end 2016. Nonperforming assets (which consisted of \$8.8 million in OREO and \$1.3 million in nonaccrual loans) were \$10.0 million, or 1.62% of total assets, at December 31, 2016, which was down from \$10.6 million, or 1.83% of total assets, at September 30, 2016 and \$12.4 million, or 2.50%, at the year-ago date. The allowance for loan losses totaled \$5.3 million, or 1.02% of total loans, at December 31, 2016, versus \$5.2 million, or 1.25% of total loans, at December 31, 2015.

Projections

For the year 2017, we are projecting Mountain Commerce Bancorp will earn \$6.0 million, or \$1.04 per share. Note that these projections reflect the additional shares from the recent stock offering, and that the projections could vary widely based on the economy and credit conditions.

ADDITIONAL INFORMATION UPON REQUEST

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