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## Mountain Commerce Bancorp, Inc. (MCBI - OTCQX)

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<b>Price:</b>	\$ 14.50	<b>Basic EPS:*</b>	<b>2015A:</b>	\$ 0.79	<b>P/E</b>	<b>2015A:</b>	18.4x
<b>52 Wk. Range:</b>	\$ 9.00 - \$ 14.50	(FY: DEC)	<b>2016A:</b>	\$ 1.03		<b>2016A:</b>	14.1x
<b>Div/Div Yld:</b>	\$0.00 / 0.0%		<b>2017E:</b>	\$ 1.04		<b>2017E:</b>	11.1x
<b>Shrs/Mkt Cap:</b>	6.0 mm / \$86 mm	<b>Book Value:</b>		\$10.39	<b>Price/Book Value:</b>		1.40x

\* All EPS figures in this report are Basic EPS.

### Background

With approximately \$652 million in assets as of March 31, 2017, 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 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. The Company's stock is quoted on the OTCQX market under the symbol "MCBI."

### First Quarter Earnings Were Slightly Above Expectations; Excellent Growth in Quarter

Mountain Commerce Bancorp had another excellent quarter in the first three months of 2017. Earnings came in a touch above our expectations, with good cost control and a notable rise in net interest income. The growth in aggregate earnings was quite significant, although the dilutive effects of the additional shares from the Company's recent private placement of common stock (it was completed in December) tempered the increase in earnings per basic share. Balance sheet growth was also impressive, with loan growth remaining especially brisk. We continue to view the ability to generate high quality loan growth as one of the most compelling (and encouraging) aspects of the Company's performance. Finally, we would note that asset quality held up well. Other notable events in the quarter included the Company's redemption of its Series A convertible preferred stock and the stock's move from the OTC Pink quotation system to the OTCQX market, the latter of which provides for more liquidity and is generally regarded as a superior trading platform. (The stock's performance has been excellent, as is discussed in more detail on the opposite page.)

Net income in 2017's first quarter totaled \$1,320,000, or \$0.23 per basic share, up 53% (5% on a per basic share basis) from \$863,000, or \$0.22 per basic share, in the year-ago quarter. The main driver of the higher earnings was net interest income, which primarily grew as a result of higher average earning assets. Specifically, net interest income was \$5.2 million in the first quarter of 2017, up 24% from \$4.2 million in the year-ago quarter. Noninterest income (excluding security gains and losses) was actually down to \$342,000 in 2017's first quarter from \$421,000 in the year-ago quarter, most of which was due to a slowdown in mortgage loan sales and a decline in brokerage and annuity related income. As was mentioned above, the Company also did an excellent job containing costs. Despite a 26%

**ASSETS: \$652 MILLION**

**HQ: KNOXVILLE, TN**

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**1<sup>ST</sup> QUARTER HIGHLIGHTS:**

**EARNINGS WERE SLIGHTLY  
BETTER THAN EXPECTED**

**BASIC EPS: \$0.23 vs. \$0.22**

**NET INTEREST INCOME WAS  
UP 24%**

**ALTHOUGH NONINTEREST  
INCOME DECLINED, IT WAS  
MORE THAN OFFSET BY THE  
STRONG NET INTEREST  
INCOME GROWTH**

**NONINTEREST EXPENSE  
INCREASED ONLY 4%, DESPITE  
RAPID ASSET GROWTH**

increase in the asset size over the past year, noninterest expense increased a relatively modest 4% to \$3,225,000 in the first quarter of 2017 from \$3,081,000 in the year-ago quarter. Finally, we would note that the earnings increase was achieved despite an increase in the provision for loan losses to \$231,000 in the first quarter of 2017, up from \$158,000 in the year-ago quarter. We expect the provision to remain elevated given the robust loan origination taking place at the Company.

### Balance Sheet Growth Remains Quite Robust

As was mentioned earlier, Mountain Commerce continues to do an excellent job building its loan portfolio, as well as its overall balance sheet. From March 31, 2016 to March 31, 2017, for example,

