FORM 8-K

Current report filing

Filing Date: **2005-05-02** | Period of Report: **2005-04-29**
SEC Accession No. 0001157523-05-004096

FILER

METROCORP BANCSHARES INC
CIK:**1068300**| IRS No.: **760579161** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-25141** | Film No.: **05788179**
SIC: **6022** State commercial banks

Business Address
9600 BELLAIRE BLVD SUITE 152
HOUSTON TX 77036
7137763876

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 29, 2005

METROCORP BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Texas	0-25141	76-0579161
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

9600 Bellaire Boulevard, Suite 252 Houston, Texas	77036
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 776-3876

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On April 29, 2005, MetroCorp Bancshares, Inc. publicly disseminated a press release announcing its financial results for the first quarter ending March 31, 2005. A copy of the press release is attached as Exhibit 99.1 hereto and incorporated herein by reference.

As provided in General Instruction B.2 to Form 8-K, the information furnished in Item 2.02 and Exhibit 99.1 of this Current Report on Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, and such information shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits. The following is furnished as an exhibit to this Current Report on Form 8-K:

Exhibit Number	Description of Exhibit
99.1	Press Release issued by MetroCorp Bancshares, Inc. dated April 29, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

METROCORP BANCSHARES, INC.

Dated: April 29, 2005

By: /s/George Lee
George Lee
Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description of Exhibit

99.1	Press Release issued by MetroCorp Bancshares, Inc. dated April 29, 2005.

Exhibit 99.1

MetroCorp Bancshares, Inc. Announces First Quarter 2005 Earnings

HOUSTON--(BUSINESS WIRE)--April 29, 2005--MetroCorp Bancshares, Inc. (Nasdaq:MCBI), a Texas corporation, which through its subsidiary, MetroBank, N.A., provides community banking services in Houston and Dallas, today announced net income of $2.3 million for the first quarter 2005, up approximately $97,000 or 4.5% compared with the same quarter in 2004. Diluted earnings per share for the first quarter 2005 were $0.31, compared to $0.30 for the same quarter in 2004. The improved performance was mainly a result of strong earnings from increases in both the average earning assets and yield compared with the first quarter of 2004. The improvement came primarily from a higher net interest margin and expense control. Excluding the gain on sale of foreclosed assets of approximately $900,000 during first quarter of 2004, net income increased over 40% compared to the same period in 2004.

George Lee, President and CEO of MetroCorp Bancshares, Inc., said, "Our management team continues to deliver what we had set out to achieve - improving our earnings under a controlled growth strategy while maintaining the positive trend of the Company's long term asset quality. Management was able to take advantage of efficiency improvements and refocus our expenditures. The Company's FTE decreased overall by 7% compared with the same period in 2004, while at the same time the company increased the number of business development related positions. Our 18% increase in net interest income and a 47 basis point increase in net interest margin compared with the same period in 2004 are strong, allowing room for more assertive marketing strategies in the future. As stated in our strategic plan, we are building and strengthening the foundation for our future, and our early results are evidence that we are on the right path."

Interest income and expense. Interest income for the three months ended March 31, 2005, was $12.8 million, up approximately $2.1 million or 20.0% compared with $10.6 million for the same period in 2004. The higher interest income in the first quarter of 2005, compared to the same quarter in 2004, was primarily the result of an increase in average earning assets and an increase in the yield on earning assets. The yield on average earning assets for the first quarter of 2005 was 5.94% compared with 5.20% for the first quarter of 2004, an increase of 74 basis points. The increase in yield primarily reflects the impact of the Federal Reserve's seven interest rate increases since June 2004. The majority of the Bank's loan portfolio is comprised of variable and adjustable rate loans that benefit the Company during periods of increases in the prime rate.

Interest expense for the three months ended March 31, 2005 was $3.3 million, up approximately $701,000 or 26.6% compared with $2.6 million for the same period in 2004. The increase in interest expense primarily reflects higher interest rates and an increase in interest-bearing liabilities. The increase in rates primarily reflects the impact of the Federal Reserve's interest rate increases. The cost of average interest-bearing liabilities for the first quarter of 2005 was 2.08% compared to 1.74% for the first quarter of 2004, an increase of 34 basis points.

Net interest income before the provision for loan losses for the three months ended March 31, 2005 was $9.4 million, up approximately $1.4 million or 17.8% compared with $8.0 million for the same period in 2004.

The net interest margin for the three months ended March 31, 2005, was 4.39%, up 47 basis points compared with 3.92% for the same period in 2004. The increase was primarily the result of an increase in the yield on earning assets of 74 basis points that was partially offset by an increase in the cost of earning assets of 27 basis points.

Noninterest income and expense. Noninterest income for the three months ended March 31, 2005 was stable compared to the same period in 2004. Other noninterest income increased $116,000 compared to the same period in 2004 primarily due to $99,000 in income relating to changes on ATM network arrangements.

Noninterest expense for the three months ended March 31, 2005 was $7.8 million, up approximately $1.4 million or 22.1% compared to $6.3 million for the same period in 2004, primarily due to a combination of a write-down on foreclosed assets for sale of approximately $391,000 in the first quarter of 2005, and a $900,000 gain on sale of foreclosed assets during first quarter of 2004. Salaries and benefits expense for the three months ended March 31, 2005 was $4.1 million, up $322,000 compared with $3.8 million for the same period in 2004, primarily due to increased incentive bonus accruals for 2005. Occupancy and equipment expense for the three months ended March 31, 2005 was down approximately $62,000 compared to the same period in 2004. Other non-interest expense for the three months ended March 31, 2005 was up approximately $69,000 compared to the same period in 2004, primarily due to $100,000 of expenses associated with a branch consolidation in Dallas, Sarbanes-Oxley compliance costs, and donations made to Tsunami victims.

Provision for loan losses and asset quality. The provision for loan losses for the three months ended March 31, 2005 was $400,000, a $150,000 decrease compared with $550,000 for the same period in 2004. The decrease was primarily the result of the reduction in nonperforming loans compared with same period last year. The allowance for loan losses as a percent of total loans at March 31, 2005 and 2004 was 1.86% and 1.89%, respectively. Net charge-offs for the three months ended March 31, 2005 were $188,000 compared to $148,000 for the same period in 2004.

Total nonperforming assets at March 31, 2005 were $21.1 million, compared to $18.3 million at December 31, 2004. As of March 31, 2005, nonperforming assets primarily consisted of $17.2 million in non-accrual loans, $2.7 million in accruing loans that were 90 days or more past due, and $1.2 million in other real estate. The increase in nonperforming assets in 90 days or more past due, was primarily due to two loans, which are currently in the process of collection. Net nonperforming assets, which are total nonperforming assets net of the portion of loans guaranteed by the SBA, Ex-Im Bank, or the OCCGF, at March 31, 2005, were $18.2 million, compared with $15.2 million at December 31, 2004. Approximately $12.4 million of such nonaccrual loans are collateralized by real estate, which represented 72.1% of total nonaccrual loans at March 31, 2005. While future deterioration in the loan portfolio is possible, management has continued its risk assessment and resolution program. In addition, management is continuing to focus its attention on minimizing the Company's credit risk through more diversified business development.

Management conference call. On Monday, May 2, 2005, the Company will hold a conference call at 10:00 a.m. Central (11:00 a.m. Eastern) to discuss the first quarter 2005 results. A brief management presentation will be followed by a question and answer period. To participate by phone, U.S. callers may dial 1-800-299-0148 (International callers may dial 1-617-801-9711) and enter the passcode 26276287 ten minutes before the call and ask for the MetroCorp conference. The call will be webcast by Thomson/CCBN and can be accessed at MetroCorp's web site at www.metrobank-na.com. An audio archive of the call will be available approximately one hour after the call and will be accessible at www.metrobank-na.com in the Investor Relations section.

MetroCorp Bancshares, Inc., with $890.5 million in assets, provides a full range of commercial and consumer banking services through its wholly owned subsidiary, MetroBank, N.A. The Company has 13 full-service banking locations in the greater Houston and Dallas metropolitan areas. For more information, visit the Company's Web site at www.metrobank-na.com.

The statements contained in this release that are not historical facts may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements describe MetroCorp's future plans, projections, strategies and expectations, are based on assumptions and involve a number of risks and uncertainties, many of which are beyond MetroCorp's control. Important factors that could cause actual results to differ materially from the results anticipated or projected include, but are not limited to, the following: (1) general business and economic conditions in the markets MetroCorp serves may be less favorable than expected which could decrease the demand for loan, deposit and other financial services and increase loan delinquencies and defaults; (2) changes in the interest rate environment which could reduce MetroCorp's net interest margin; (3) changes in management's assumptions regarding the adequacy of the allowance for loan losses; (4) legislative or regulatory developments including changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial securities industry; (5) the effects of competition from other financial institutions operating in the Company's market area and elsewhere, including institutions operating locally, regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the Internet; (6) changes in accounting principles, policies or guidelines; and (7) the Company's ability to adapt successfully to technological changes to meet customers' needs and developments in the market place. All written or oral forward-looking statements are expressly qualified in their entirety by these cautionary statements. Please also read the additional risks and factors described from time to time in MetroCorp's reports and other documents filed with the Securities and Exchange Commission.

MetroCorp Bancshares, Inc.
(In thousands, except share amounts)
(Unaudited)

	March 31, 2005	December 31, 2004
Consolidated Balance Sheets		
Assets		
Cash and cash equivalents:		
Cash and due from banks	$22,104	$26,285
Federal funds sold and other investments	10,802	5,788
Total cash and cash equivalents	32,906	32,073
Securities available-for-sale, at fair value	255,656	273,720
Loans, net of allowance for loan losses of $11,075 and $10,863 respectively	581,016	581,774
Loans, held-for-sale	1,886	1,899
Accrued interest receivable	3,185	3,308
Premises and equipment, net	6,460	6,512
Deferred tax asset	6,317	5,201
Customers' liability on acceptances	974	6,669
Foreclosed assets, net	1,175	1,566
Other assets	966	1,228
Total assets	$890,541	$913,950
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$172,463	$163,191
Interest-bearing	569,603	591,862
Total deposits	742,066	755,053
Other borrowings	55,137	60,849
Accrued interest payable	687	649
Acceptances outstanding	974	6,669
Other liabilities	5,682	5,007

Total liabilities	804,546	828,227
Shareholders' Equity:		
Common stock, $1.00 par value, 20,000,000 shares authorized; 7,322,627 shares and 7,312,627 shares are issued and 7,201,576 shares and 7,187,446 shares are outstanding at March 31, 2005 and December 31, 2004, respectively	7,323	7,313
Additional paid-in-capital	28,012	27,859
Retained earnings	52,805	50,976
Accumulated other comprehensive income (loss)	(1,043)	710
Treasury stock, at cost	(1,102)	(1,135)
Total shareholders' equity	85,995	85,723
Total liabilities and shareholders' equity	$890,541	$913,950

Nonperforming Assets and Asset Quality Ratios

Nonaccrual loans	$17,232	$16,504
Accruing loans 90 days or more past due	2,715	181
Other real estate ("ORE")	1,175	1,566
Other assets repossessed ("OAR")	-	-
Total nonperforming assets	21,122	18,251
Less nonperforming loans guaranteed by the SBA, Ex-Im Bank, or the OCCGF	(2,942)	(3,032)
Net nonperforming assets	$18,180	$15,219
Net nonperforming assets to total assets	2.04%	1.67%
Net nonperforming assets to total loans and ORE/OAR	3.05%	2.55%
Allowance for loan losses to total loans	1.86%	1.83%
Allowance for loan losses to net nonperforming loans	65.13%	79.56%
Net loan charge-offs to total loans	0.03%	0.19%
Net loan charge-offs	$188	$1,150
Total loans to total deposits	80.04%	78.74%
Total loans	$593,977	$594,536
Allowance for loan losses	$11,075	$10,863

MetroCorp Bancshares, Inc.
(In thousands, except per share amounts)
(Unaudited)

	As of or for the three months ended March 31, 2005	2004
Average Balance Sheet Data		
Total assets	$908,238	$858,556
Securities	266,410	249,497
Total loans	595,808	563,309
Allowance for loan losses	(11,042)	(10,654)
Net loans	584,766	552,655
Total deposits	748,140	712,883
FHLB and other borrowings	66,187	60,715
Total shareholders' equity	86,948	78,866
Income Statement Data		
Interest income:		
Loans	$10,070	$8,178
Securities:		
Taxable	2,422	2,187
Tax-exempt	218	234
Federal funds sold and other investments	54	38
Total interest income	12,764	10,637
Interest expense:		
Time deposits	2,375	1,901
Demand and savings deposits	386	296
Other borrowings	573	436
Total interest expense	3,334	2,633
Net interest income	9,430	8,004
Provision for loan losses	400	550
Net interest income after provision for loan losses	9,030	7,454
Noninterest income:		
Service fees	1,628	1,659
Other loan-related fees	145	208
Letters of credit commissions and fees	142	115
Gain on sale of loans, net	8	55
Other noninterest income	127	11
Total noninterest income	2,050	2,048
Noninterest expense:		

Salaries and employee benefits	4,136	3,814
Occupancy and equipment	1,338	1,400
Foreclosed assets, net	410	(663)
Other noninterest expense	1,866	1,797
Total noninterest expense	7,750	6,348
Income before provision for income taxes	3,330	3,154
Provision for income taxes	1,070	991
Net income	$2,260	$2,163

Per Share Data

Earnings per share - basic	$0.31	$0.30
Earnings per share - diluted	0.31	0.30
Weighted average shares outstanding:		
Basic	7,194	7,161
Diluted	7,292	7,254
Dividends per common share	$0.06	$0.06

Performance Ratio Data

Return on average assets	1.01%	1.01%
Return on average shareholders' equity	10.54%	11.03%
Net interest margin	4.39%	3.92%
Efficiency ratio	67.51%	63.15%
Equity to assets	9.66%	9.50%

Bank Capital Ratio Data

Tier I capital	13.19%	12.06%
Total capital (tier I & II)	14.45%	13.32%
Leverage (Regulatory)	9.31%	8.70%

CONTACT: MetroCorp Bancshares, Inc., Houston
George Lee, 713-414-3506
or
David Choi, 713-414-3768