

MetroCorp Bancshares, Inc. Announces Stable Third Quarter Earnings With Net Income of \$2.1 Million, or \$0.19 Per Diluted Share, Comparable to Second Quarter

HOUSTON, Oct 22, 2008 (GlobeNewswire via COMTEX News Network) -- MetroCorp Bancshares, Inc. (Nasdaq:MCBI), a Texas corporation which provides community banking services through its subsidiaries, MetroBank, N.A., serving Texas, and Metro United Bank, serving California, today announced the results for the third quarter of 2008.

Third Quarter Highlights

- * Net income was \$2.1 million for the third quarter of 2008 compared with \$2.3 million for the second quarter of 2008 and \$3.2 million for the third quarter in 2007.
- * Diluted earnings per share for third quarter of 2008 were \$0.19 compared with \$0.21 for the second quarter of 2008 and \$0.29 for the third quarter of 2007.
- * Net nonperforming assets to total assets at September 30, 2008 increased to 1.72% compared with 0.54% at June 30, 2008 and 0.46% at December 31, 2007.
- * Total loans increased \$30.5 million during the third quarter of 2008, an annualized rate of 9.3%, to \$1.34 billion, representing an 11.7% increase from December 31, 2007.
- * Total deposits increased to \$1.27 billion at September 30, 2008, representing a 6.2% increase from December 31, 2007.
- * Impact of Hurricane Ike on Texas operations was minimal, with damage estimated below \$100,000, and minor business interruption.

George M. Lee, President and CEO of MetroCorp Bancshares, Inc. stated, "During the third quarter, our management team continued to execute according to our business plan and has delivered core financial results that reflect our solid business fundamentals and platform. We are pleased with our third quarter 2008 net earnings of \$2.1 million achieved under a strenuous and volatile market and operating environment. The net earnings include the effect of an increase of \$289,000 of provision for loan losses compared with second quarter of 2008 in light of concerns regarding the general economic conditions, and \$200,000 in severance expenses incurred in an effort to improve our efficiency and profitability going forward. Our linked-quarter nonperforming assets between June 30, 2008 and September 30, 2008 increased \$18.4 million, of which \$16.0 million was related to the previously announced bankruptcy filing of one borrower in the Texas health care industry. Based on current information, including real estate appraisals, we do not anticipate any impairment loss as the collateral value exceeds the loan balance. The Company intends to actively manage the situation in an effort to avoid further deterioration of the credit. Our asset quality, excluding the one bankruptcy, remains stable in both Texas and California. Net charge-offs for the third quarter 2008 were \$1.1 million or 0.08% of total loans of which \$1.0 million was originated from Texas and \$292,000 originated from California. As part of our strategic change, we have slowed down our loan growth during the third quarter of 2008 to an annualized rate of 9.3%, compared with our original double-digit budgeted growth rate. Our securities investment portfolio was stable during the third quarter of 2008 and we recognized an other-than-temporary impairment charge of \$119,000. The Company remained well capitalized during the third quarter of 2008, as indicated by our capital ratios. Our goal is to maintain and further enhance our capital ratios through balance sheet control and earnings generation. Even with the current operating environment we are confident that we will continue to perform satisfactorily by focusing on earnings, credit quality and expense controls."

Interest income and expense

Net interest income before the provision for loan losses for the three months ended September 30, 2008 was \$13.8 million, down approximately \$839,000 or 5.7% compared with \$14.7 million for the same period in 2007. Net interest income before the provision for loan losses for the nine months ended September 30, 2008 was \$42.3 million, down approximately \$228,000 or 0.5% compared with \$42.5 million for the same period in 2007. The decrease in net interest income for both the three and nine months ended September 30, 2008 was due primarily to lower loan yields partially offset by increased loan volume. Interest rate cuts by the Federal Reserve of 2.75% since September 30, 2007 resulted in a decrease in yields and costs for the three

and nine months ended September 30, 2008 compared with the same period in 2007.

The net interest margin for the three months ended September 30, 2008 was 3.70%, down from 4.46% for the same period in 2007. For the three months ended September 30, 2008 compared with the same period in 2007, the yield on average earning assets decreased 173 basis points, and the cost of average earning assets decreased 97 basis points. The net interest margin for the nine months ended September 30, 2008 was 3.92%, down from 4.51% for the same period in 2007. For the nine months ended September 30, 2008 compared with the same period in 2007, the yield on average earning assets decreased 124 basis points, and the cost of average earning assets decreased 65 basis points.

Interest income for the three months ended September 30, 2008 was \$23.9 million, down approximately \$2.8 million or 10.5% compared with \$26.7 million for the same period in 2007. Although loan volume increased, interest income for the three months ended September 30, 2008 declined as the result of lower loan yields. Average earning assets grew 14.1% during the third quarter of 2008 compared with the same period in 2007. Average total loans increased 19.0% to \$1.33 billion in the third quarter of 2008 compared with \$1.11 billion for the third quarter of 2007. The yield on average earning assets for the third quarter of 2008 was 6.39% compared with 8.12% for the third quarter of 2007.

Interest income for the nine months ended September 30, 2008 was \$73.6 million, down approximately \$2.4 million or 3.2% compared with \$76.0 million for the same period in 2007. Average earning assets grew 14.3% during the nine months ended September 30, 2008 compared with the same period in 2007. Average total loans increased 24.4% to \$1.28 billion during the nine months ended September 30, 2008 compared with \$1.03 billion for the same period of 2007. The yield on average earning assets for the nine months ended September 30, 2008 was 6.83% compared with 8.07% for the same period of 2007.

Interest expense for the three months ended September 30, 2008 was \$10.1 million, down approximately \$1.9 million or 16.2% compared with \$12.0 million for the same period in 2007, primarily due to lower cost of funds. Average interest-bearing deposits were \$1.03 billion for the third quarter of 2008 compared with \$1.01 billion for the third quarter of 2007, an increase of 2.3%. The cost of interest-bearing deposits for the third quarter of 2008 was 3.31% compared with 4.48% for the third quarter of 2007. Average other borrowings were \$154.7 million for the third quarter of 2008 compared with \$13.5 million for the third quarter of 2007. Average other borrowings increased as a lower cost alternative to deposits. The cost of other borrowings for the third quarter of 2008 was 2.50% compared with 4.82% for the third quarter of 2007.

Interest expense for the nine months ended September 30, 2008 was \$31.3 million, down approximately \$2.2 million or 6.5% compared with \$33.5 million for the same period in 2007. Average interest-bearing deposits were \$1.00 billion for the nine months ended September 30, 2008 compared with \$947.5 million for the same period of 2007, an increase of 6.1%. The cost of interest-bearing deposits for the nine months ended September 30, 2008 was 3.59% compared with 4.40% for the same period of 2007. Average other borrowings were \$139.5 million for the nine months ended September 30, 2008 compared with \$20.6 million for the same period of 2007. The cost of other borrowings for the nine months ended September 30, 2008 was 2.63% compared with 4.89% for the same period of 2007.

Noninterest income and expense

Noninterest income for the three months ended September 30, 2008 was \$2.0 million, down \$166,000 or 7.6% compared with the same period in 2007. Noninterest income for the nine months ended September 30, 2008 was \$6.5 million, up \$676,000 or 11.5% compared with the same period in 2007. The decrease for the three months ended September 30, 2008 was primarily due to a decrease in service fees and a net loss on securities transactions as a result of the AMF Ultra Short Mortgage Fund (the "Fund") redemption in kind transaction that occurred in July 2008. The increase for the nine months ended September 30, 2008 was primarily due to an increase in the cash value of bank owned life insurance, which is a component of other noninterest income, and an increase in letter of credit commissions and fees, partially offset by a decrease in service fees.

Noninterest expense for the three months ended September 30, 2008 and 2007 was \$10.7 million. Decreases in salaries and employee benefit expenses, further described below, were offset by increases in other noninterest expense and an other-than-temporary impairment charge of \$119,000 pre-tax realized on various securities that were acquired as a part of the Fund redemption in kind transaction. Noninterest expense for the nine months ended September 30, 2008 was \$33.5 million, up approximately \$1.7 million or 5.1% compared with \$31.8 million for the same period in 2007. The increase for the nine months ended September 30, 2008 was primarily the result of the \$1.5 million other-than-temporary impairment charge on the Fund realized in the second quarter of 2008, which was partially offset by the \$161,000 net gain on sale of other real estate.

Salaries and benefits expense for the three months ended September 30, 2008 was \$6.2 million, a decrease of \$358,000 compared with \$6.6 million for the same period in 2007 primarily due to a decrease in the number of employees and bonus accrual, partially offset by an increase in severance expenses and employee health care benefits. Salaries and benefits expense for the nine months ended September 30, 2008 was \$18.7 million, an increase of \$62,000 compared with \$18.6 million for the same period in 2007 primarily due to an increase in severance expenses and stock-based compensation expense partially offset by a decrease in the number of employees and bonus accrual.

Provision for loan losses

The following table summarizes the provision for loan losses and net charge-offs as of and for the quarters indicated:

	As of and for the three months ended			
	Sept. 30, 2008	June 30, 2008	Dec. 31, 2007	Sept. 30, 2007
	(dollars in thousands)			
Allowance for Loan Losses				

Balance at beginning of quarter	\$ 15,520	\$ 14,588	\$ 12,865	\$ 12,661
Provision for loan losses for quarter	1,754	1,465	1,372	1,168
Net charge-offs for quarter	(1,136)	(533)	(1,112)	(964)
	-----	-----	-----	-----
Balance at end of quarter	\$ 16,138	\$ 15,520	\$ 13,125	\$ 12,865
	=====	=====	=====	=====
Total loans	\$1,342,062	\$1,311,565	\$1,201,911	\$1,133,587
Allowance for loan losses to total loans	1.20%	1.18%	1.09%	1.13%
Net charge-offs to total loans	0.08%	0.04%	0.09%	0.09%

The provision for loan losses for the three months ended September 30, 2008 was \$1.8 million, an increase of \$586,000 compared with \$1.2 million for the same period in 2007. The increase was primarily due to loan growth and general concerns regarding the downturn in the economy. The allowance for loan losses as a percent of total loans was 1.20% at September 30, 2008, up compared with 1.13% at September 30, 2007 and 1.09% at December 31, 2007.

Net charge-offs for the three months ended September 30, 2008 were \$1.1 million or 0.08% of total loans compared with net charge-offs of \$964,000 for the three months ended September 30, 2007. The charge-offs primarily consisted of \$1.0 million in loans from Texas and \$292,000 in loans from California. The largest charge-off was approximately \$826,000 related to a wholesale food business loan in Texas.

Asset Quality

The following table summarizes nonperforming assets as of the dates indicated:

	As of Sept. 30, 2008	As of June 30, 2008	As of Dec. 31, 2007
	-----	-----	-----
	(dollars in thousands)		
Nonperforming Assets			

Nonaccrual loans	\$ 24,534	\$ 7,696	\$ 6,336
Accruing loans 90 days or more past due	1,248	801	1,284
Other real estate ("ORE")	3,315	2,230	1,474
	-----	-----	-----
Total nonperforming assets	29,097	10,727	9,094

Less nonperforming loans guaranteed by the SBA, Ex-Im Bank, or the OCCGF	(1,665)	(2,255)	(2,309)
	-----	-----	-----
Net nonperforming assets	\$ 27,432	\$ 8,472	\$ 6,785
	=====	=====	=====
 Net nonperforming assets to total assets	 1.72%	 0.54%	 0.46%

Total nonperforming assets increased \$20.0 million to \$29.1 million at September 30, 2008 compared with \$9.1 million at December 31, 2007. On a linked-quarter basis, total nonperforming assets increased \$18.4 million from \$10.7 million at June 30, 2008, primarily due to the \$16.0 million loan associated with the previously announced bankruptcy filing of a commercial borrower being placed on nonaccrual status. The remaining \$2.4 million consists of \$3.4 million in residential construction loans in Texas which were moved to nonaccrual status, partially offset by \$1.1 million in net charge-offs.

On a linked-quarter basis, other real estate increased by approximately \$1.1 million compared with June 30, 2008. The increase was the result of the foreclosure of two loans in Texas secured by a \$700,000 commercial property and \$385,000 in residential properties.

At September 30, 2008, total nonperforming assets consisted of \$24.5 million in nonaccrual loans, \$1.2 million in accruing loans that were 90 days or more past due, and \$3.3 million in other real estate. Net nonperforming assets, which are total nonperforming assets net of the portion of loans guaranteed by the Small Business Administration, the Export Import Bank of the United States, or the Overseas Chinese Community Guaranty Fund, at September 30, 2008, were \$27.4 million compared with \$6.8 million at December 31, 2007. Approximately \$19.3 million of the nonaccrual loans are collateralized by real estate, which represented 78.5% of total nonaccrual loans at September 30, 2008. While future deterioration in the loan portfolio is possible, management is continuing its risk assessment and resolution program.

Management conference call. On Thursday, October 23, 2008, the Company will hold a conference call at 10:00 a.m. Central (11:00 a.m. Eastern) to discuss the third quarter 2008 results. A brief management presentation will be followed by a question and answer period. To participate by phone, U.S. callers may dial 1.877.407.8291 (International callers may dial 1.201.689.8345) 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., provides a full range of commercial and consumer banking services through its wholly owned subsidiaries, MetroBank, N.A. and Metro United Bank. The Company has thirteen full-service banking locations in the greater Houston and Dallas, Texas metropolitan areas, and six full service banking locations in the greater San Diego, Los Angeles and San Francisco, California metropolitan areas. As of September 30, 2008, the Company had consolidated assets of \$1.6 billion. For more information, visit the Company's web site at www.metrobank-na.com.

The MetroCorp Bancshares Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=2894>

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 the Company's future plans, projections, strategies and expectations, are based on assumptions and involve a number of risks and uncertainties, many of which are beyond the Company'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 the Company 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 the Company'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; (7) a deterioration or downgrade in the credit quality and credit agency ratings of the securities in the Company's securities portfolio; and (8) 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. These and other risks and factors are further described from time to time in the Company's 2007 annual report on Form 10-K and other reports and other documents filed with the Securities and Exchange Commission.

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

	September 30, 2008	December 31, 2007
Consolidated Balance Sheets		
Assets		
Cash and due from banks	\$ 27,528	\$ 28,889
Federal funds sold and other investments	23,127	17,381
	50,655	46,270
Total cash and cash equivalents		
Securities available-for-sale, at fair value	105,607	137,749
Other investments	29,550	6,886
Loans, net of allowance for loan losses of \$16,138 and \$13,125 respectively	1,325,924	1,188,786
Accrued interest receivable	5,724	6,462
Premises and equipment, net	7,841	8,795
Goodwill	21,827	21,827
Core deposit intangibles	568	756
Customers' liability on acceptances	6,134	5,967
Foreclosed assets, net	3,315	1,474
Cash value of bank owned life insurance	26,745	25,737
Other assets	10,599	8,997
	\$ 1,594,489	\$ 1,459,706
	=====	=====
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	\$ 207,769	\$ 209,223
Interest-bearing	1,057,469	981,820
	1,265,238	1,191,043
Total deposits		
Junior subordinated debentures	36,083	36,083
Subordinated debentures and other borrowings	154,187	99,796
Accrued interest payable	1,355	1,727
Acceptances outstanding	6,134	5,967
Other liabilities	8,070	7,680
	1,471,067	1,342,296
Total liabilities		
Commitments and contingencies	--	--
Shareholders' equity:		
Common stock, \$1.00 par value, 50,000,000 shares authorized; 10,994,965 shares issued and 10,878,287 shares and 10,825,837 shares outstanding at September 30, 2008 and December 31, 2007 respectively	10,995	10,995
Additional paid-in-capital	27,918	27,386
Retained earnings	87,489	82,211

Accumulated other comprehensive loss	(1,433)	(786)
Treasury stock, at cost	(1,547)	(2,396)
	-----	-----
Total shareholders' equity	123,422	117,410
	-----	-----
Total liabilities and shareholders' equity	\$ 1,594,489	\$ 1,459,706
	=====	=====

Nonperforming Assets and Asset
Quality Ratios

Nonaccrual loans	\$ 24,534	\$ 6,336
Accruing loans 90 days or more past due	1,248	1,284
Other real estate ("ORE")	3,315	1,474
	-----	-----
Total nonperforming assets	29,097	9,094
Less nonperforming loans guaranteed by the SBA, Ex-Im Bank, or the OCCGF	(1,665)	(2,309)
	-----	-----
Net nonperforming assets	\$ 27,432	\$ 6,785
	=====	=====
Net nonperforming assets to total assets	1.72 %	0.46 %
Net nonperforming assets to total loans and ORE	2.04 %	0.56 %
Allowance for loan losses to total loans	1.20 %	1.09 %
Allowance for loan losses to net nonperforming loans	66.92 %	247.13 %
Total loans to total deposits	106.07 %	100.91 %

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

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	2008	2007
	-----	-----	-----	-----
Average Balance Sheet Data				

Total assets	\$1,577,864	\$1,397,456	\$1,532,787	\$1,337,002
Securities	111,927	165,187	123,677	173,539
Total loans	1,325,350	1,113,551	1,277,701	1,027,092
Allowance for loan losses	(16,083)	(12,949)	(15,031)	(12,365)
Net loans	1,309,267	1,100,602	1,262,670	1,014,727
Total interest- earning assets	1,486,490	1,303,137	1,439,339	1,258,907
Total deposits	1,245,301	1,214,051	1,215,849	1,151,257
Other borrowings and junior subordinated debt	190,772	49,588	175,613	56,684
Total shareholders' equity	123,759	114,572	121,883	111,487

Income Statement Data

Interest income:

Loans	\$ 22,295	\$ 24,583	\$ 68,715	\$ 68,112
Securities:				
Taxable	1,207	1,708	3,855	5,340
Tax-exempt	47	73	184	234

Federal funds sold and other short- term investments	345	322	810	2,278
--	-----	-----	-----	-------

-----	-----	-----	-----	-----
Total interest income	23,894	26,686	73,564	75,964

Interest expense:

Time deposits	6,240	8,335	20,671	24,098
Demand and savings deposits	2,341	3,054	6,308	7,082
Other borrowings	1,493	638	4,301	2,272

-----	-----	-----	-----	-----
Total interest expense	10,074	12,027	31,280	33,452

Net interest income	13,820	14,659	42,284	42,512
---------------------	--------	--------	--------	--------

Provision for loan losses	1,754	1,168	4,803	1,773
------------------------------	-------	-------	-------	-------

-----	-----	-----	-----	-----
Net interest income after provision for loan losses	12,066	13,491	37,481	40,739

Noninterest income:

Service fees	1,241	1,379	3,690	3,857
Other loan-related fees	174	183	538	511

Letters of credit commissions and fees	264	230	826	637
---	-----	-----	-----	-----

(Loss) gain on securities trans- actions, net	(57)	--	91	--
---	------	----	----	----

Gain on sale of loans, net	43	21	288	272
-------------------------------	----	----	-----	-----

Other noninterest income	367	385	1,106	586
-----------------------------	-----	-----	-------	-----

-----	-----	-----	-----	-----
Total noninterest income	2,032	2,198	6,539	5,863

Noninterest expense:

Salaries and employee benefits	6,236	6,594	18,653	18,591
-----------------------------------	-------	-------	--------	--------

Occupancy and equipment	2,091	2,090	6,032	6,102
----------------------------	-------	-------	-------	-------

Foreclosed assets, net	120	39	(212)	(51)
---------------------------	-----	----	-------	------

Impairment write- down on securities	119	--	1,659	--
---	-----	----	-------	----

Other noninterest expense	2,151	2,007	7,346	7,199
------------------------------	-------	-------	-------	-------

-----	-----	-----	-----	-----
Total noninterest expense	10,717	10,730	33,478	31,841

Income before provision for income taxes	3,381	4,959	10,542	14,761
--	-------	-------	--------	--------

Provision for

income taxes	1,305	1,751	3,963	5,390
Net income	\$ 2,076	\$ 3,208	\$ 6,579	\$ 9,371

Per Share Data

Earnings per share - basic	\$ 0.19	\$ 0.29	\$ 0.61	\$ 0.86
Earnings per share - diluted	0.19	0.29	0.60	0.84
Weighted average shares outstanding:				
Basic	10,842	10,962	10,824	10,959
Diluted	10,911	11,132	10,899	11,161
Dividends per common share	\$ 0.04	\$ 0.04	\$ 0.12	\$ 0.12

Performance Ratio Data

Return on average assets	0.52 %	0.91 %	0.57 %	0.94 %
Return on average shareholders' equity	6.67 %	11.11 %	7.21 %	11.24 %
Net interest margin	3.70 %	4.46 %	3.92 %	4.51 %
Efficiency ratio (1)	67.61 %	63.65 %	68.57 %	65.82 %
Equity to assets (average)	7.84 %	8.20 %	7.95 %	8.34 %

(1) Calculated by dividing total noninterest expense, excluding loan loss provisions and impairment write-down on securities, by net interest income plus noninterest income.

This news release was distributed by GlobeNewswire, www.globenewswire.com

SOURCE: MetroCorp Bancshares Inc.

MetroCorp Bancshares, Inc., Houston
George Lee, President & CEO
(713) 776-3876
David Choi, EVP/Chief Financial Officer
(713) 776-3876

(C) Copyright 2008 GlobeNewswire, Inc. All rights reserved.

News Provided by COMTEX