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Suncrest Bank Reports First Quarter Earnings.

SACRAMENTO & VISALIA, Calif. Suncrest Bank (OTCQX: SBKK) today reported unaudited financial results for the first quarter of 2019.

“Our first quarter results reflect continued strong performance from an earnings perspective with a return on average assets of 1.32% and net interest margin of 4.58%,” said Mr. Ciaran McMullan, President and CEO. “They further reflect an investment in our organization in terms of deepening our talent pool and strengthening of our credit portfolio.”

First Quarter 2019 Highlights

- Net income of \$2.99 million, an increase of 105% compared to Q1 2018
- Diluted EPS of \$0.24 compared to \$0.21 for Q1 2018
- Return on average assets of 1.32% compared to 1.09% for Q1 2018
- Efficiency ratio of 55.52% compared to 59.63% for Q1 2018
- Net interest margin of 4.58%
- New loan originations¹ of \$28.4 million compared to \$22.6 million for the linked quarter
- Non-maturity deposits² increased by \$13.4 million or 2.0% over the linked quarter
- Return on average equity of 8.86%
- Total risk based capital ratio increased to 13.73% and Tier 1 leverage increased to 10.87%

Income Statement

The comparability of first quarter net income to the same quarter last year is impacted by \$115,000 in non-recurring merger expenses experienced in the first quarter of 2018. The table below identifies non-recurring income items, income resulting from the accretion of acquired loan fair value marks, and non-recurring costs such as merger expenses.

Period	Net Income	Non-recurring Income			Core Net Interest Income ⁵	Core Net Income ⁵	Core NIM ⁵	Core Diluted EPS ⁵
		Interest recoveries ³	Income from accretion ⁴	Non-recurring costs				
Q1 2019	\$ 2,988,386	\$ 6,545	\$ 36,967	\$ -	\$ 9,313,740	\$ 2,957,386	4.56%	\$ 0.24
Q4 2018	\$ 3,489,533	\$ 30,194	\$ 107,342	\$ -	\$ 9,514,237	\$ 3,392,532	4.61%	\$ 0.27
Q1 2018	\$ 1,456,492	\$ -	\$ 16,138	\$ 115,000	\$ 5,355,793	\$ 1,551,492	4.38%	\$ 0.22

Core net income increased over the same quarter in 2018 by \$1.4 million or 90.6% driven by the positive impacts of our merger with Community Business Bank (“CBB”) in May 2018. Core net income decreased over the linked quarter by \$435,000 or 12.8% primarily attributable to a decline in interest and fees on loans of \$393,000 or

¹ Includes unfunded commitments

² Includes Noninterest-bearing Demand, Savings, NOW and Money Market Accounts

³ Represents interest recoveries on non-accrual loans

⁴ Represents accretion of acquired loan fair value marks

⁵ Excludes non-recurring income, income from accretion of fair value marks and non-recurring costs, non-GAAP financial measure

4.2% and an increase in non-interest expense of \$399,000 or 7.9%. In addition, income from discount accretion on acquired loans declined \$70,000 primarily driven by a number of paydowns resulting in premium amortization and reduced levels of accretion in seasoned acquired portfolios (i.e. from acquisitions in 2015 and 2016). We currently have \$3.5 million in net discounts remaining. Net interest income for the quarter was \$9.4 million, an increase of \$4.0 million or 74.2% over the same quarter last year and declined by \$295,000 or 3.2% over the linked quarter. Core Net Interest Income declined by \$200,000 or 2.1% over the linked quarter.

Interest income declined by \$393,000 or 4.2% over the linked quarter mainly due to a decline in average loans. While new loan originations for the quarter were \$28.4 million these were partially offset by increased payoffs. We are gradually transitioning and rebalancing our credit portfolio by strengthening the underlying credit structures. As a result, we have seen elevated levels of pay-offs in both the fourth quarter of 2018 and first quarter of 2019 which in turn have impacted overall loan growth and driven a reduction in interest income. Over the last two quarters we had total pay-offs of approximately \$39 million of which approximately \$17 million or 44% had structural weaknesses from a credit perspective.

Non-interest income for the quarter was \$420,000, a decrease of \$42,000 or 9.0% over the linked quarter. This decrease is attributable to small decline in NSF charges and ATM network income. We had no gain on sale income during the quarter

Total non-interest expenses increased over the linked quarter by \$399,000 or 7.9%. this was primarily driven by an increase in salaries and employee benefits of \$448,000. As discussed in our Q4 2018 Earnings Webcast we are in the process of transitioning some of our senior market facing business development talent pool. Over the last four years the bank has grown rapidly through a series of relatively small bank acquisitions. Our increased balance sheet size and associated lending limits provide us the opportunity to attract new staff with the experience of working with larger and more complex client relationships. A number of new hires made in the later stages of the fourth quarter and during the first quarter account for approximately 21% of the total increase. Furthermore, salary costs also increased in the first quarter due to annual costs of living adjustments⁶, increased healthcare costs, payroll taxes and a reduction in deferred loan costs.

Core net interest margin ("NIM"), which conservatively removes accretion of loan fair value marks and non-recurring items such as recovery of interest, was 4.56% for the quarter, an increase of 18 basis points from the same quarter last year. This improvement was driven primarily by an increase in overall yields and loans being a higher percentage of average earning assets as compared to last year.

Our core NIM declined by 5 basis points when compared to the linked quarter primarily driven by securities being a higher percentage of average earning assets in the current quarter.

The increase in our cost of funds by 4 basis points over the linked quarter was primarily attributable to increased customer expectations of improved yields on business interest checking and business money market accounts in particular. The increase compares to an 8 basis point increase between Q3 and Q4 2018. The reduced increase is likely reflecting in part the Federal Reserve Governor's announcement during the quarter that the case for raising rates has weakened.

Balance Sheet

The acquisition of CBB, with total assets of approximately \$320 million at March 31, 2018, which closed on May 21, 2018, will affect the comparability of balance sheet information for the quarter versus the same quarter of 2018.

Total assets at March 31, 2019 were \$931.2 million representing an increase of \$2.6 million or 0.3% during the quarter. The increase was primarily the result of implementing the new lease standard and recording a right-of-use asset and lease liability of \$4.2 million.

⁶ Based on the relevant California State CPI

Deposit Reclassification

In December of 2018 we began implementation of a Deposit Reclassification program (also known as a retail sweep program) to reduce our reserve requirement with the Federal Reserve Bank (“FRB”) through reclassifying a portion of Noninterest-bearing demand deposits as money market accounts (“MMA”). The program is fully compliant with FRB Regulation D. The underlying customer accounts remain Noninterest-bearing demand deposits but do not require a reserve. Investors should continue to view these accounts as traditional Noninterest-bearing demand deposits. They are identified on the balance sheet as Noninterest-bearing demand reclassified as money market accounts. During the quarter \$274.7 million in Noninterest-bearing demand accounts were reclassified as MMA.

Total deposits at March 31, 2019 were \$785.8 million, a decrease of \$5.2 million or 0.7% over the linked quarter however, total non-maturity deposits⁷ increased to \$692.4 million at quarter end, an increase of \$13.4 million or 2.0% over the linked quarter.

Total Noninterest-bearing demand⁸ deposits declined by \$10.0 million or 3.4% over the linked quarter primarily reflecting the seasonal nature of ag industry related deposits. We often see an outflow of deposits in Q1 related to grower payments which are held over until the end of the calendar year.

Total loans at March 31, 2019 were \$635.9 million, a decrease of \$14.3 million or 2.2% over the linked quarter. This decline is partially a reflection of increased payoffs as discussed above, but also includes normal post-harvest pay downs in agricultural production loans and business fluctuations within the C&I portfolio.

Asset Quality

Non-performing assets were \$1.3 million or 0.14% of total assets at March 31, 2019 compared to \$1.1 or 0.12% of total assets at December 31, 2018.

During the first quarter the company recorded an additional \$250,000 provision for loan losses and the allowance for loan losses as a percentage of total loans, excluding acquired loans that have been marked to fair value, was 1.25% at March 31, 2019 compared to 1.20% at December 31, 2018. The increase in allowance partially reflects the portfolio transitioning and rebalancing efforts discussed above.

Capital

Suncrest Bank remained well capitalized at March 31, 2019. All of the Bank’s capital ratios are above minimum regulatory standards for “well capitalized” institutions.

At March 31, 2019 the tangible book value per common share was \$7.62 with common shares issued of 12,420,300 as of the same date. This compares to a tangible book value per common share of \$7.25 at December 31, 2018.

Excluding the unrealized loss on securities, the tangible book value per common share at March 31, 2019 was \$7.62 as compared to \$7.35 at December 31, 2018.

⁷ Excluding reclassified demand deposits

⁸ Including reclassified demand deposits

About Suncrest Bank

Suncrest Bank, member FDIC, is locally owned and operated and offers a full range of commercial, small business and agribusiness loans, cash management services and personal deposit products throughout the Central Valley of California. It is regularly rated Five Stars by Bauer Financial as one of the nation's strongest financial institutions, and in 2017 and 2018 was named to the OTCQX® Best 50, a ranking of top performing companies traded on the OTCQX Best Market. It is a Preferred Lender with the Small Business Administration and its stock can be purchased on the open market, trading on the OTCQX under the ticker symbol SBKK. For all other information, visit www.suncrestbank.com

Forward Looking Statements

Except for the historical information in this news release, the matters described herein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties that could cause actual results to differ materially. Such risks and uncertainties include: the credit risks of lending activities, including changes in the level and trend of loan delinquencies and charge-offs, results of examinations by our banking regulators, our ability to maintain adequate levels of capital and liquidity, our ability to manage loan delinquency rates, our ability to price deposits to retain existing customers and achieve low-cost deposit growth, manage expenses and lower the efficiency ratio, expand or maintain the net interest margin, mitigate interest rate risk for changes in the interest rate environment, competitive pressures in the banking industry, access to available sources of credit to manage liquidity, the local and national economic environment, and other risks and uncertainties. Accordingly, undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this release. Suncrest Bank undertakes no obligation to update publicly any forward-looking statements to reflect new information, events or circumstances after the date of this release or to reflect the occurrence of unanticipated events. Investors are encouraged to read the Suncrest Bank annual reports which are available on our website.

Suncrest Bank
Statements of Financial Condition
(Unaudited)

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
ASSETS			
Cash and Due from Banks	\$ 56,669,233	\$ 54,747,273	\$ 24,572,282
Federal Funds Sold	13,175,000	18,137,000	34,042,000
TOTAL CASH AND CASH EQUIVALENTS	69,844,233	72,884,273	58,614,282
Investment Securities Available for Sale (AFS)	155,130,413	137,719,068	102,543,729
Loans:			
Total Loans	635,877,677	650,146,414	362,834,193
Allowance for Loan Losses	(4,622,547)	(4,372,547)	(3,598,647)
NET LOANS	631,255,130	645,773,867	359,235,546
Federal Home Loan Bank and Other Bank Stock, at Cost	5,453,891	5,453,891	3,152,891
Premises and Equipment	9,968,213	6,014,471	5,855,755
Other Real Estate Owned	313,720	313,720	313,720
Bank Owned Life Insurance	8,332,960	8,284,240	5,268,420
Goodwill	39,989,566	38,989,566	3,325,220
Core Deposit Intangible	3,764,477	3,974,505	1,255,183
Accrued Interest and Other Assets	7,182,326	9,269,273	6,305,046
	<u>\$ 931,234,929</u>	<u>\$ 928,676,874</u>	<u>\$ 545,869,792</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing Demand	\$ 7,488,373	\$ 292,174,413	\$ 171,144,392
Noninterest-bearing Demand reclassified as MMA	274,659,316	-	-
Savings, NOW and Money Market Accounts	410,203,806	386,793,012	244,517,041
Time Deposits	93,446,984	112,050,259	67,760,910
TOTAL DEPOSITS	785,798,479	791,017,684	483,422,343
Accrued Interest and Other Liabilities	8,074,782	4,622,643	763,424
TOTAL LIABILITIES	793,873,261	795,640,327	484,185,767
Shareholders' Equity:			
Common Stock - No par value	119,643,464	119,643,464	57,624,317
Additional Paid-in Capital	2,576,929	2,441,948	2,101,103
Retained Earnings	15,141,126	12,152,740	3,751,976
Accumulated Other Comprehensive Income (Loss) - Net			
Unrealized Gain (Loss) on Securities AFS	149	(1,201,605)	(1,793,371)
TOTAL SHAREHOLDERS' EQUITY	137,361,668	133,036,547	61,684,025
	<u>\$ 931,234,929</u>	<u>\$ 928,676,874</u>	<u>\$ 545,869,792</u>

Suncrest Bank
Statements of Income (Unaudited)
For the Three Months Ended

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
INTEREST INCOME			
Interest and Fees on Loans	\$ 8,940,810	\$ 9,333,352	\$ 4,899,624
Interest on Investment Securities	989,491	913,560	530,014
Interest on Federal Funds Sold and Other	<u>357,774</u>	<u>278,425</u>	<u>208,834</u>
TOTAL INTEREST INCOME	10,288,075	10,525,337	5,638,472
INTEREST EXPENSE			
Interest on Savings Deposits, NOW and Money Market Accounts	689,744	575,868	147,041
Interest on Time Deposits	241,079	297,696	119,501
Interest on Other Borrowings	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL INTEREST EXPENSE	<u>930,823</u>	<u>873,564</u>	<u>266,542</u>
NET INTEREST INCOME	9,357,252	9,651,773	5,371,930
Provision for Loan Losses	<u>250,000</u>	<u>350,000</u>	<u>210,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,107,252	9,301,773	5,161,930
NONINTEREST INCOME			
Service Charges, Fees, and Other Income	419,713	461,282	296,026
Gain on Sale of Loans	<u>-</u>	<u>-</u>	<u>-</u>
	419,713	461,282	296,026
NONINTEREST EXPENSE			
Salaries and Employee Benefits	2,994,541	2,546,380	1,895,202
Occupancy Expenses	546,096	522,999	353,032
Other Expenses	<u>1,887,142</u>	<u>1,959,843</u>	<u>1,131,331</u>
	<u>5,427,779</u>	<u>5,029,222</u>	<u>3,379,565</u>
INCOME BEFORE INCOME TAXES	4,099,186	4,733,833	2,078,391
Income Taxes	<u>1,110,800</u>	<u>1,244,300</u>	<u>621,900</u>
NET INCOME	<u>\$ 2,988,386</u>	<u>\$ 3,489,533</u>	<u>\$ 1,456,491</u>

Suncrest Bank
Selected Financial Data & Ratios (Unaudited)

	March 31,	December 31,	March 31,
	2019	2018	2018
For the three months ended:			
Return on Average Assets(ROAA)	1.32%	1.55%	1.09%
ROAA excluding non-recurring items ⁽¹⁾⁽²⁾	1.30%	1.51%	1.16%
Return on Average Equity(ROAE)	8.86%	10.62%	9.53%
ROAE excluding non-recurring items ⁽¹⁾⁽²⁾	8.77%	10.33%	10.15%
Noninterest Expense (NIE) To Average Assets	2.39%	2.23%	2.53%
NIE to Average Assets excluding non-recurring items ⁽¹⁾⁽²⁾	2.39%	2.23%	2.45%
Efficiency Ratio	55.52%	49.73%	59.63%
Efficiency Ratio excluding non-recurring items ⁽¹⁾⁽²⁾	55.76%	50.42%	57.76%
Net Interest Margin	4.58%	4.67%	4.39%
Core Net Interest Margin ⁽¹⁾⁽²⁾	4.56%	4.61%	4.38%
Cost of Funds	0.49%	0.45%	0.23%
Basic Earnings Per Share (EPS)	\$ 0.24	\$ 0.28	\$ 0.21
Diluted EPS	\$ 0.24	\$ 0.28	\$ 0.21
Diluted EPS excluding non-recurring items ⁽¹⁾⁽²⁾	\$ 0.24	\$ 0.27	\$ 0.22

(1) Non-recurring items include deferred tax asset write-down, merger expenses, discount accretion on acquired loans and recovery of interest on non-accrual loans.

(2) These non-GAAP measures have inherent limitations, are not required to be uniformly applied and are not audited. They should not be considered in isolation or as a substitute for analyses of results reported under GAAP. These non-GAAP measures may not be comparable to similarly titled measures reported by other companies.

Suncrest Bank
Selected Financial Data & Ratios Continued (Unaudited)

	March 31, 2019	December 31, 2018	March 31, 2018
At Period End:			
Loans to Deposits	80.92%	82.19%	75.06%
Average Loans to Average Deposits (QTD)	81.76%	82.99%	74.81%
Non-Performing Assets to Assets	0.14%	0.12%	0.19%
Outstanding Shares	12,420,300	12,420,300	7,041,577
Tangible Book Value Per Share ⁽²⁾	\$ 7.62	\$ 7.25	\$ 8.11
Tangible Book Value Per Share excluding Unrealized Loss on Securities ⁽²⁾	\$ 7.62	\$ 7.35	\$ 8.36
Book Value Per Share	\$ 11.06	\$ 10.71	\$ 8.76

Regulatory Capital Ratios

Tier 1 Leverage (to average assets)	10.87%	10.57%	11.01%
Common Equity Tier 1 Capital (to risk weighted assets)	13.08%	12.53%	13.62%
Tier 1 Capital (to risk weighted assets)	13.08%	12.53%	13.62%
Total Capital (to risk weighted assets)	13.73%	13.14%	14.47%

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Loan Composition</u>			
Commercial and Industrial:	\$ 66,886,659	\$ 73,040,907	\$ 32,155,128
Loans to Finance Agricultural Production and Other Loans to Farmers:	35,050,152	37,504,128	24,327,648
Loans Secured by Real Estate:			
Secured by Farmland	124,540,890	124,326,456	71,477,138
Construction, Land Development and Other Land	45,816,965	41,740,821	10,413,014
1-4 Family Residential Properties	54,136,828	57,692,599	44,044,058
Multifamily Residential Properties	46,422,542	47,803,422	27,436,480
Owner Occupied Nonresidential Properties	89,282,286	88,176,104	55,107,107
Non-Owner Occupied Nonresidential Properties	154,916,233	160,834,825	97,670,570
Total Loans Secured by Real Estate	515,115,744	520,574,227	306,148,367
Municipal Leases:	18,337,495	18,535,425	-
Other Loans:	487,627	491,727	203,050
Total Loans	<u>\$ 635,877,677</u>	<u>\$ 650,146,414</u>	<u>\$ 362,834,193</u>

(2) These non-GAAP measures have inherent limitations, are not required to be uniformly applied and are not audited. They should not be considered in isolation or as a substitute for analyses of results reported under GAAP. These non-GAAP measures may not be comparable to similarly titled measures reported by other companies.

Suncrest Bank
Average Balance Sheet and Yields (Unaudited)
For the Three Months Ended

	<u>March 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Average Balance</u>	<u>Interest</u>	<u>Average Yield/Rate</u>	<u>Average Balance</u>	<u>Interest</u>	<u>Average Yield/Rate</u>
Interest Earning Assets:						
Deposits in Other Financial Institutions	\$ 56,797,292	\$ 357,774	2.55%	\$ 50,439,804	\$ 278,425	2.19%
Investment Securities	144,325,249	989,491	2.74%	134,589,141	913,560	2.72%
Loans	<u>626,578,607</u>	<u>8,940,810</u>	5.79%	<u>634,520,351</u>	<u>9,333,352</u>	5.84%
Total Interest Earning Assets	827,701,148	10,288,075	5.04%	819,549,296	10,525,337	5.10%
Noninterest Earning Assets	<u>81,105,917</u>			<u>81,342,243</u>		
Total Assets	<u>\$908,807,065</u>			<u>\$900,891,539</u>		
Interest Bearing Liabilities						
Interest Bearing Transaction Accounts	\$ 92,485,967	116,010	0.51%	\$ 81,176,619	83,148	0.41%
Savings and Money Market Accounts	305,932,201	573,734	0.76%	278,309,634	492,720	0.70%
Time Deposits	<u>97,058,091</u>	<u>241,079</u>	1.01%	<u>116,154,051</u>	<u>297,696</u>	1.02%
Total Interest Bearing Deposits	495,476,259	930,823	0.76%	475,640,304	873,564	0.73%
Other Borrowings	<u>-</u>	<u>-</u>	-	<u>-</u>	<u>-</u>	
Total Interest Bearing Liabilities	495,476,259	930,823	0.76%	475,640,304	873,564	0.73%
Noninterest Bearing Transaction Accounts ⁽³⁾	<u>270,857,257</u>			<u>288,947,791</u>		
Total Funding Sources	766,333,516			764,588,095		
Noninterest Bearing Liabilities	7,531,653			4,907,925		
Shareholders' Equity	<u>134,941,896</u>			<u>131,395,519</u>		
Total Liabilities and Shareholder's Equity	<u>\$908,807,065</u>			<u>\$900,891,539</u>		
Net Interest Income		<u>\$ 9,357,252</u>			<u>\$ 9,651,773</u>	
Net Interest Margin			4.58%			4.67%

(3) Includes Noninterest Bearing Demand reclassified as MMA

Suncrest Bank
Average Balance Sheet and Yields (Unaudited)
For the Three Months Ended

	<u>March 31, 2019</u>			<u>March 31, 2018</u>		
	<u>Average Balance</u>	<u>Interest</u>	<u>Average Yield/Rate</u>	<u>Average Balance</u>	<u>Interest</u>	<u>Average Yield/Rate</u>
Interest Earning Assets:						
Deposits in Other Financial Institutions	\$ 56,797,292	\$ 357,774	2.55%	\$ 5,128,356	\$ 208,834	1.88%
Investment Securities	144,325,249	989,491	2.74%	98,506,314	530,014	2.15%
Loans	<u>626,578,607</u>	<u>8,940,810</u>	5.79%	<u>352,726,445</u>	<u>4,899,624</u>	5.63%
Total Interest Earning Assets	827,701,148	10,288,075	5.04%	496,361,115	5,638,472	4.61%
Noninterest Earning Assets	<u>81,105,917</u>			<u>37,353,245</u>		
Total Assets	<u>\$908,807,065</u>			<u>\$533,714,360</u>		
Interest Bearing Liabilities						
Interest Bearing Transaction Accounts	\$ 92,485,967	116,010	0.51%	\$ 57,412,491	17,736	0.13%
Savings and Money Market Accounts	305,932,201	573,734	0.76%	178,140,536	129,305	0.29%
Time Deposits	<u>97,058,091</u>	<u>241,079</u>	1.01%	<u>68,553,202</u>	<u>119,501</u>	0.71%
Total Interest Bearing Deposits	495,476,259	930,823	0.76%	304,106,229	266,542	0.36%
Other Borrowings	<u>-</u>	<u>-</u>	-	<u>-</u>	<u>-</u>	-
Total Interest Bearing Liabilities	495,476,259	930,823	0.76%	304,106,229	266,542	0.36%
Noninterest Bearing Transaction Accounts ⁽³⁾	<u>270,857,257</u>			<u>167,393,658</u>		
Total Funding Sources	766,333,516			471,499,887		
Noninterest Bearing Liabilities	7,531,653			1,068,364		
Shareholders' Equity	<u>134,941,896</u>			<u>61,146,109</u>		
Total Liabilities and Shareholder's Equity	<u>\$908,807,065</u>			<u>\$533,714,360</u>		
Net Interest Income		<u>\$ 9,357,252</u>			<u>\$ 5,371,930</u>	
Net Interest Margin			4.58%			4.39%

(3) Includes Noninterest Bearing Demand reclassified as MMA