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## NEWS RELEASE

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### State Bank Corp. Earnings Increase 39% to \$974,000, or \$0.17 per Share, in 2Q16 from 1Q16

LAKE HAVASU CITY, Arizona, July 22, 2016 – State Bank Corp. (OTCQB:SBZ) (“Company”), the holding company for Mohave State Bank (“Bank”), today announced net income increased 39.1% to \$974,000, or \$0.17 per diluted share, for the second quarter ended June 30, 2016, compared to \$700,000, or \$0.12 per diluted share, in the first quarter of 2016, and increased 26.2% compared to \$772,000, or \$0.13 per diluted share, for the second quarter of 2015.

For the first six months of 2016, net income grew 15.2% to \$1.67 million, or \$0.29 per diluted share, compared to \$1.45 million, or \$0.25 per diluted share, for the same period of 2015.

“Our second quarter performance continued to reflect the success of our client relationship building. This process helped us realize strong operating results and improved key metrics,” stated Brian M. Riley, President and Chief Executive Officer. “Our return on average assets was well above average at 1.13% and return on average equity was 10.0% in the second quarter. We are continuing to generate strong loan and deposit growth in our primary markets and are focused on building the premier community banking franchise in Arizona.

“With the pending acquisition of Country Bank, expected to close at the end of the month, we will have assets in excess of \$500 million. Following the acquisition, State Bank will become the largest of the 13 community banks headquartered in Arizona. We are positioning ourselves to expand our geographic footprint and build our earnings capacity,” Riley said.

#### Second Quarter 2016 Financial Highlights:

- Net income increased 26.2% to \$974,000 million in the second quarter, compared to \$772,000 in the second quarter 2015.
- Received regulatory and shareholder approval for the merger with Country Bank. The transaction is expected to close on July 31, 2016.
- Return on average assets at 1.13%.
- Return on average equity of 10.07%.
- Tangible book value per share increased 9.5% to \$6.71 per share, compared to \$6.13 a year ago.

Net interest margin was 3.85% in the second quarter 2016 compared to 4.08% in the preceding quarter and 4.22% in the second quarter a year ago. The decrease is the result of a fully drawn \$7.5 million loan that is being used to facilitate the merger with Country Bank and high levels of balance sheet liquidity

There was no provision for loan losses in the second quarter reflecting a small net recovery of \$5,000. The allowance for loan losses totaled \$3.1 million at June 30, 2016, or 1.40% of total loans. “We continue to carefully monitor our level of reserves, and as asset quality continues to improve, our need to make additions to reserves continues to diminish,” noted Riley.

Total assets were \$346.4 million at June 30, 2016, an increase of \$21.1 million, or 6.5%, from \$325.3 million at December 31, 2015, and an increase of \$7.3 million, or 2.2%, compared to \$339.1 million a year ago. Total loans held for investment were \$216.0 million as compared to \$216.4 million at December 31, 2015, and \$235.9 million at June 30, 2015. Total loan comparisons were affected by the sale of loans from the Yuma branch in the third quarter of 2015 of \$11.1 million.

Total deposits were \$295.0 million, an increase of \$12.2 million, or 4.3%, from \$282.8 million at December 31, 2015 and a decrease of \$2.9 million compared to a year ago. Core deposits, defined as noninterest bearing demand, money market, NOW and savings accounts, increased 5.3% compared to six months earlier and increased slightly compared to a year earlier to \$235.7 million at June 30, 2016. Total deposits and core deposit comparisons were affected by the sale of deposits from the Yuma branch of \$16.5 million and \$12.8 million, respectively. Core deposits now comprise 79.9% of total deposits.

Nonperforming assets were \$6.7 million at June 30, 2016, a 4.7% increase compared to \$6.4 million at December 31, 2015, and a 35.6% decrease compared to \$10.4 million at June 30, 2016. Nonperforming assets represented 1.94% of total assets at June 30, 2016, down from 1.97% at December 31, 2015, and from 3.08% a year ago.

Shareholder equity increased to \$39.2 million at June 30, 2016, from \$37.8 million at December 31, 2015, and \$36.0 million a year earlier. At June 30, 2016, tangible book value per share improved to \$6.71 per share compared to \$6.47 per share at December 31, 2015 and \$6.13 a year earlier.

## **Recent Developments**

The merger of Country Bank into Mohave State Bank received all regulatory and shareholder approval and is expected to close on July 31, 2016.

## **Capital Management**

Community banking organizations, including State Bank Corp. and Mohave State Bank, became subject to new capital requirements on January 1, 2015, and certain provisions of the new rules will be phased in from 2015 through 2019. The Company's consolidated capital ratios and the Bank's capital ratios exceeded the regulatory guidelines for a well-capitalized financial institution under the Basel III and Dodd Frank Wall Street Reform requirements at June 30, 2016. The Bank reported the following capital ratios at June 30, 2016:

Common Equity Tier 1 Capital Ratio	14.62%
Tier 1 Leverage Ratio	11.08%
Tier 1 Capital Ratio	14.62%
Total Capital Ratio	15.81%

## **Use of Non-GAAP Financial Information**

This press release contains both financial measures based on accounting principles generally accepted in the United States ("GAAP") and non-GAAP based financial measures, which are used where management believes it to be helpful in understanding the Company's results of operations or financial position. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in this press release. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

## **About the Company**

State Bank Corp., headquartered in Lake Havasu City, Arizona, is the parent company of Mohave State Bank, the largest locally-owned bank in Mohave County. Mohave State Bank is a full-service bank providing deposit and loan products, and convenient on-line banking to individuals, businesses and professionals. The Bank was established in October 1991, and the holding company was formed in 2004. The Bank has five full-service branches: two in Lake Havasu City, two in Kingman, and one in Bullhead City, Arizona. The Company is traded over-the-counter as SBAZ. For further information, please visit the web site: [www.mohavestbank.com](http://www.mohavestbank.com).

## **Forward-looking Statements**

*This press release may include forward-looking statements about State Bank Corp., Mohave State Bank, Country Bank and the proposed merger. These statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors: the expected cost savings, synergies and other financial benefits from the merger might not be realized within the expected time frames or at all; regulatory approvals of the merger may not be obtained or adverse regulatory conditions may be imposed in connection with such regulatory approvals; and conditions to the closing of the merger may not be satisfied. Annualized, pro forma, projected and estimated numbers in this press release are used for illustrative purposes only, are not forecasts and may not reflect actual results. All forward-looking statements included in this press release are based on information available at the time of the release, and State Bank Corp., Mohave State Bank and Country Bank assume no obligation to update any forward-looking statements.*

UNAUDITED FINANCIAL STATEMENTS FOLLOW

**State Bank Corp.**  
**Statement of Operations**

<i>Dollars in thousands - Unaudited</i>	For the Quarter Ended			Year to Date	
	6/30/2016	3/31/2016	6/30/2015	6/30/2016	6/30/2015
<b>Statements of Operations</b>					
Interest income					
Loans, including fees	\$ 2,980	\$ 2,956	\$ 3,031	\$ 5,936	\$ 5,813
Securities	221	215	224	436	437
Fed funds and other	59	35	17	94	33
Total interest income	<u>3,260</u>	<u>3,206</u>	<u>3,272</u>	<u>6,466</u>	<u>6,283</u>
Interest expense					
Deposits	162	153	143	315	276
Borrowings	95	34	11	128	25
Total interest expense	<u>257</u>	<u>187</u>	<u>154</u>	<u>443</u>	<u>301</u>
Net interest income	<u>3,003</u>	<u>3,019</u>	<u>3,118</u>	<u>6,023</u>	<u>5,982</u>
Provision for loan losses	-	-	350	-	460
Net interest income after loan loss provision	<u>3,003</u>	<u>3,019</u>	<u>2,768</u>	<u>6,023</u>	<u>5,522</u>
Noninterest income					
Service charges on deposits	78	79	88	157	184
Mortgage loan fees	291	174	304	464	497
Gain on sale of loans	357	173	405	530	1,059
(Loss)/Gain on securities	-	-	-	-	(8)
Other income	196	167	208	364	374
Total noninterest income	<u>922</u>	<u>593</u>	<u>1,005</u>	<u>1,515</u>	<u>2,106</u>
Noninterest expense					
Salaries and employee benefits	1,430	1,330	1,457	2,760	2,985
Net occupancy expense	56	53	96	109	175
Equipment expense	39	40	43	79	84
Data processing	241	242	292	483	580
Director fees & expenses	33	44	63	77	111
Insurance	30	30	26	61	52
Marketing & promotion	54	78	81	132	207
Professional fees	95	159	80	255	171
Office expense	27	50	30	77	65
Regulatory assessments	52	60	100	111	214
OREO and repossessed assets	43	53	111	96	397
Other expenses	152	216	209	368	368
	<u>2,252</u>	<u>2,355</u>	<u>2,588</u>	<u>4,608</u>	<u>5,409</u>
Acquisition related costs	63	178	-	241	-
Total noninterest expense	<u>2,315</u>	<u>2,533</u>	<u>2,588</u>	<u>4,849</u>	<u>5,409</u>
Income (loss) before provision (benefit) for income taxes	<u>1,610</u>	<u>1,079</u>	<u>1,185</u>	<u>2,689</u>	<u>2,219</u>
Provision (benefit) for income taxes	636	379	413	1,015	766
<b>Net Income (Loss)</b>	<u>\$ 974</u>	<u>\$ 700</u>	<u>\$ 772</u>	<u>\$ 1,674</u>	<u>\$ 1,453</u>
<b>Per Share Data</b>					
Basic EPS	\$ 0.17	\$ 0.12	\$ 0.13	\$ 0.29	\$ 0.25
Diluted EPS	\$ 0.17	\$ 0.12	\$ 0.13	\$ 0.29	\$ 0.25
Average shares outstanding					
Basic	5,842,145	5,842,145	5,868,038	5,842,145	5,868,038
Effect of dilutive shares	-	-	-	-	-
Diluted	<u>5,842,145</u>	<u>5,842,145</u>	<u>5,868,038</u>	<u>5,842,145</u>	<u>5,868,038</u>

**State Bank Corp.**  
**Balance Sheets**

*Dollars in thousands - Unaudited*

**6/30/2016**

**12/31/2015**

**6/30/2015**

**Consolidated Balance Sheets**

**Assets**

Cash and cash equivalents	\$ 2,650	\$ 1,899	\$ 2,169
Interest bearing deposits	2,047	4,167	3,710
Overnight Funds	46,265	29,250	13,930
Held for maturity securities	15	19	23
Available for sale securities	52,366	46,881	50,809
<b>Total cash and securities</b>	<b>103,343</b>	<b>82,216</b>	<b>70,641</b>
Loans held for sale, before reserves	5,626	4,457	5,785
Gross loans held for investment	216,002	216,357	235,881
Loan loss reserve	(3,103)	(3,089)	(2,969)
<b>Total net loans</b>	<b>218,525</b>	<b>217,725</b>	<b>238,697</b>
Premises and equipment, net	8,083	8,195	9,830
Other real estate owned	4,039	4,247	6,696
Federal Home Loan Bank and other stock	2,281	2,126	2,126
Company owned life insurance	6,114	6,034	5,952
Other assets	4,073	4,776	5,167
<b>Total Assets</b>	<b>\$ 346,458</b>	<b>\$ 325,319</b>	<b>\$ 339,109</b>

**Liabilities**

Non interest bearing demand	\$ 75,295	\$ 70,648	\$ 69,170
Money market, NOW and savings	160,436	153,156	164,910
Time deposits <\$100K	26,067	25,703	27,691
Time deposits >\$100K	33,212	33,329	36,157
<b>Total Deposits</b>	<b>295,010</b>	<b>282,836</b>	<b>297,928</b>
Securities sold under repurchase agreements	3,767	3,653	4,169
Federal Home Loan Bank advances	-	-	-
Subordinated debt	7,500	-	-
<b>Total Debt</b>	<b>11,267</b>	<b>3,653</b>	<b>4,169</b>
Other Liabilities	952	1,047	1,061
<b>Total Liabilities</b>	<b>307,229</b>	<b>287,536</b>	<b>303,158</b>

**Shareholders' Equity**

Common stock	24,927	24,927	25,037
Accumulated retained earnings	13,971	12,881	10,908
Accumulated other comprehensive income	331	(25)	6
<b>Total shareholders equity</b>	<b>39,229</b>	<b>37,783</b>	<b>35,951</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 346,458</b>	<b>\$ 325,319</b>	<b>\$ 339,109</b>

**State Bank Corp.**  
**Five-Quarter Performance Summary**

<i>Dollars in thousands - Unaudited</i>	<b>For the Quarter Ended</b>				
	<b>6/30/2016</b>	<b>3/31/2016</b>	<b>12/31/2015</b>	<b>9/30/2015</b>	<b>6/30/2015</b>
<b>Performance Highlights</b>					
<b>Earnings:</b>					
Total revenue (Net int. income + nonint. income)	\$ 3,925	\$ 3,612	\$ 3,800	\$ 4,651	\$ 4,123
Net interest income	\$ 3,003	\$ 3,019	\$ 3,098	\$ 3,255	\$ 3,118
Provision for loan losses	\$ -	\$ -	\$ -	\$ 425	\$ 350
Noninterest income	\$ 922	\$ 593	\$ 702	\$ 1,396	\$ 1,005
Noninterest expense	\$ 2,315	\$ 2,533	\$ 2,500	\$ 2,568	\$ 2,588
Net income (loss)	\$ 974	\$ 700	\$ 946	\$ 1,067	\$ 772
<b>Per Share Data:</b>					
Net income (loss), basic	\$ 0.17	\$ 0.12	\$ 0.16	\$ 0.18	\$ 0.13
Net income (loss), diluted	\$ 0.17	\$ 0.12	\$ 0.16	\$ 0.18	\$ 0.13
Cash dividends declared	\$ -	\$ 0.10	\$ -	\$ -	\$ -
Book value	\$ 6.71	\$ 6.52	\$ 6.47	\$ 6.34	\$ 6.13
Tangible book value	\$ 6.71	\$ 6.52	\$ 6.47	\$ 6.34	\$ 6.13
<b>Performance Ratios:</b>					
Return on average assets	1.13%	0.86%	1.17%	1.26%	0.93%
Return on average equity	10.05%	7.40%	10.04%	11.63%	8.59%
Net interest margin, taxable equivalent	3.85%	4.08%	4.29%	4.31%	4.22%
Average cost of funds	0.34%	0.26%	0.21%	0.21%	0.21%
Average yield on loans	5.38%	5.34%	5.45%	5.42%	5.30%
Efficiency ratio	58.98%	70.13%	65.79%	55.21%	62.77%
Non-interest income to total revenue	23.49%	16.42%	18.47%	30.02%	24.38%
<b>Capital &amp; Liquidity:</b>					
Total equity to total assets (EOP)	11.32%	11.26%	11.61%	11.43%	10.60%
Tangible equity to tangible assets	11.32%	11.26%	11.61%	11.43%	10.60%
Total loans to total deposits	75.13%	76.60%	78.07%	78.00%	78.83%
<b>Mohave State Bank</b>					
Common equity tier 1 ratio	14.62%	14.62%	14.70%	14.10%	12.71%
Tier 1 leverage ratio	11.08%	11.51%	11.61%	10.83%	10.72%
Tier 1 risk based capital	14.62%	14.62%	14.70%	14.10%	12.71%
Total risk based capital	15.81%	15.82%	15.91%	15.27%	13.77%
<b>Asset Quality:</b>					
Gross charge-offs	\$ 4	\$ -	\$ 4	\$ 373	\$ 449
Net charge-offs (NCOs)	\$ (5)	\$ (9)	\$ (65)	\$ 370	\$ 415
NCO to average loans, annualized	-0.01%	-0.02%	-0.12%	0.63%	0.73%
Non-accrual loans/securities	\$ 2,683	\$ 2,229	\$ 2,154	\$ 4,570	\$ 3,732
Other real estate owned	\$ 4,039	\$ 3,995	\$ 4,246	\$ 6,141	\$ 6,696
Repossessed assets	\$ -	\$ -	\$ -	\$ -	\$ -
Non-performing assets (NPAs)	\$ 6,722	\$ 6,224	\$ 6,400	\$ 10,711	\$ 10,428
NPAs to total assets	1.94%	1.84%	1.97%	3.29%	3.08%
Loans >90 days past due	\$ -	\$ -	\$ -	\$ -	\$ -
NPAs + 90 days past due	\$ 6,722	\$ 6,224	\$ 6,400	\$ 10,711	\$ 10,428
NPAs + loans 90 days past due to total assets	1.94%	1.84%	1.97%	3.29%	3.08%
Allowance for loan losses to total loans	1.40%	1.40%	1.40%	1.37%	1.26%
Allowance for loan losses to NPAs	46.16%	49.78%	48.27%	28.23%	28.47%
<b>Period End Balances:</b>					
Assets	\$ 346,458	\$ 338,205	\$ 325,319	\$ 325,104	\$ 339,109
Total Loans (before reserves)	\$ 221,628	\$ 221,046	\$ 220,814	\$ 220,768	\$ 241,666
Deposits	\$ 295,010	\$ 288,565	\$ 282,836	\$ 283,035	\$ 297,928
Stockholders' equity	\$ 39,229	\$ 38,088	\$ 37,783	\$ 37,166	\$ 35,951
Common stock market capitalization	\$ 37,390	\$ 37,974	\$ 36,981	\$ 35,166	\$ 27,873
Full-time equivalent employees	75	72	77	76	81
Shares outstanding	5,842,145	5,842,145	5,842,145	5,861,000	5,868,038
<b>Average Balances:</b>					
Assets	\$ 345,348	\$ 327,228	\$ 323,157	\$ 337,463	\$ 333,387
Earning assets	\$ 318,415	\$ 301,084	\$ 294,500	\$ 307,376	\$ 301,427
Total Loans (before reserves)	\$ 221,608	\$ 221,499	\$ 221,705	\$ 235,051	\$ 228,847
Deposits	\$ 294,645	\$ 282,123	\$ 280,558	\$ 295,327	\$ 291,980
Other borrowings	\$ 10,933	\$ 6,105	\$ 3,846	\$ 4,327	\$ 4,817
Stockholders' equity	\$ 38,753	\$ 37,855	\$ 37,686	\$ 36,689	\$ 35,947
Shares outstanding, basic - wtd	5,842,145	5,842,145	5,849,444	5,866,038	5,868,038
Shares outstanding, diluted - wtd	5,842,145	5,842,145	5,849,444	5,866,038	5,868,038

**NON-GAAP FINANCIAL INFORMATION***(Unaudited)***NON-GAAP PERFORMANCE MEASURES**

	<b>Three Months Ended</b>		
	<b>Jun. 30, 2016</b>	<b>March 31, 2016</b>	<b>Jun. 30, 2015</b>
Return on average common equity, excluding acquisition related costs, net (1)	10.47%	8.62%	7.68%
Return on average assets, excluding acquisition related costs, net (1)	1.18%	1.00%	0.85%
Efficiency ratio, excluding acquisition related costs, net (2)	57.38%	65.20%	71.15%

**NON-GAAP EARNINGS PER SHARE**

Basic (3)	\$ 0.17	\$ 0.14	\$ 0.13
Diluted (3)	\$ 0.17	\$ 0.14	\$ 0.13

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES***(Unaudited)*

	<b>Three Months Ended</b>		
	<b>Jun. 30, 2016</b>	<b>March 31, 2016</b>	<b>Jun. 30, 2015</b>
		<i>(in thousands)</i>	
Net income	\$ 974	\$ 700	\$ 772
Acquisition related costs, net	63	178	-
Tax effect on acquisition related costs, net	(22)	(62)	-
Net income, excluding acquisition related costs, net (3)	<u>\$ 1,015</u>	<u>\$ 878</u>	<u>\$ 772</u>

	<b>Three Months Ended</b>		
	<b>Jun. 30, 2016</b>	<b>March 31, 2016</b>	<b>Jun. 30, 2015</b>
		<i>(in thousands)</i>	
Total non-interest expenses	\$ 2,315	\$ 2,533	\$ 2,588
Acquisition related costs, net	63	178	-
Total non-interest expenses, excluding acquisition related costs, net (3)	<u>\$ 2,252</u>	<u>\$ 2,355</u>	<u>\$ 2,586</u>

(1) The Company believes these non-GAAP ratios provide a useful metric with which to analyze and evaluate the financial condition of the Company

(2) The Company believes this non-GAAP ratio provides a useful metric to measure the operating efficiency of the Company

(3) The Company believes these non-GAAP measurements are a key indicator of the ongoing earnings power of the Company

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