



**Santa Cruz County Bank Reports Earnings
for the Second Quarter Ended June 30, 2019**

Total Assets Surpass \$700 Million

Record Quarterly Net Income

SANTA CRUZ, CA – July 17, 2019: Santa Cruz County Bank (OTC Pink: SCZC), a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced unaudited record net income for the second quarter ended June 30, 2019 of \$3.3 million. This represents an increase of 20% comparing this quarter with the same quarter in 2018. For the quarter, basic earnings per share increased \$0.21 to \$1.33, a 19% increase over the second quarter in 2018. Unaudited net Income for the six month period ended June 30, 2019 was \$6.2 million compared to \$5.3 million over the same period in 2018.

Pretax income for the quarter ended June 30, 2019 was \$4.6 million, an increase of \$774 thousand, 20%, compared to \$3.8 million for the quarter ended June 30, 2018.

President and CEO David V. Heald commented, “Exceeding \$700 million in assets is a significant milestone in the history of our company. The Bank’s staff, management team, and board of directors are to be commended for this achievement. Their commitment and dedication is cornerstone to our continued success. We look forward to further growth and expansion through the combination of the two best banks in our county, subject to the customary regulatory and shareholder approvals associated with our recently announced merger with Lighthouse Bank. Upon closing, the Bank is expected to exceed \$1 billion in total assets.”

Selected financial information is presented in the following table:

	<u>Quarter ended</u> <u>6/30/19</u>	<u>Quarter ended</u> <u>6/30/18</u>	<u>Quarter ended</u> <u>3/31/19</u>
Balance Sheet			
Total assets	\$ 702,419,918	\$ 635,257,256	\$ 668,097,706
Gross loans	508,240,050	472,416,858	484,895,169
Allowance for loan losses	9,992,368	9,505,222	9,842,656
Non interest-bearing deposits	270,953,853	236,977,923	250,817,502
Total deposits	614,934,326	563,842,148	581,733,803
Shareholders' equity	74,816,723	62,571,082	71,466,366
Net Income	\$3,266,929	\$2,721,464	\$2,964,909
Ratios			
Tier 1 leverage ratio	10.78%	9.96%	10.74%
Net interest margin	4.82%	4.69%	4.92%
Efficiency ratio	46.97%	49.73%	51.72%
Return on average assets	1.89%	1.73%	1.80%
Return on average equity	17.82%	17.73%	17.07%
Share and Per Share Data			
Basic earnings per common share	\$1.33	\$1.12	\$1.21
Book value per common share	\$30.48	\$25.56	\$29.14
Total common shares outstanding	2,454,498	2,448,194	2,452,294

Second Quarter Financial Highlights:

- Net interest margin of 4.82%
- Second quarter return on average assets and equity of 1.89% and 17.82%, respectively
- Well capitalized with a total risk based capital ratio of 15.36%
- 8% growth in loans, \$35.8 million increase over the second quarter of 2018
- 9% growth in deposits, \$51.1 million increase over the second quarter of 2018
- Basic earnings per share increased to \$1.33 from \$1.12 over the second quarter of 2018
- Book value per share after dividends increased by \$4.92 or 19%, to \$30.48 over the second quarter of 2018

Loans, Asset Quality & Deposits

Total assets grew by \$34.3 million to \$702.4 million in the second quarter and by \$67.2 million over the last twelve months. For the second quarter, gross loans increased by \$23.3 million, and year over year increased \$35.8 million, 8% to \$508.2 million. Allowance for loan losses of \$10.0 million at June 30, 2019 represents a 5% increase over the same period last year. Due to portfolio growth, \$150 thousand was provided for loan and lease losses during the current reporting quarter. Deposits increased by 6%, \$33.2 million since March 31, 2019 and by 9% since June 30, 2018. Year over year, non-interest bearing deposits grew by 14%.

Non-Interest Income / Expense and Net Interest Margin

A component of the Bank's core business is the origination and sale of loans generated by its top producing SBA Department which results in gains that are included in non-interest income. For the second quarter of 2019, the non-interest income total was \$950 thousand which included \$302 thousand of gains on loans sold. These gains are taken strategically and represent the primary variant within non-interest income comparisons to first quarter 2019 and second quarter 2018.

Non-interest expense for the three-month period ended June 30, 2019, decreased 6% or \$256 thousand compared to prior quarter and increased 6% or \$237 thousand compared to the same period last year. The more recent variance is due to a decrease in the expense for professional services recognized during the second quarter in 2019.

Net interest income of \$8 million for the quarter ended June 30, 2019 exceeded prior quarter by 3% or \$240 thousand and improved over the 2018 second quarter by 12% or \$848 thousand. The year over year improvement is driven by a continued focus on building high quality earning assets through loan production and the benefit from rate increases implemented by the Federal Open Market Committee. Consequently, net interest margin at 4.82% improved 13 basis points over prior year.

Shareholders' Equity

Total shareholders' equity was \$74.8 million at June 30, 2019, a \$12.2 million, 20% increase over June 30, 2018. The value added to our shareholders was due to continued strong earnings. This increase was reduced by the payout of quarterly cash dividends. Common stock cash dividends totaled \$184 thousand or \$0.075 per share for the quarter ended June 30, 2019. Historically, the Bank has paid twenty-five consecutive cash dividends and issued one 10% stock dividend to shareholders.

For the three month period ended June 30, 2019, the Bank's return on average equity was 17.82% and return on average assets was 1.89%. The book value per share of Santa Cruz County Bank's common stock at June 30, 2019 was \$30.48, up \$4.92 from the same period in 2018.

AGREEMENT TO MERGE WITH LIGHTHOUSE BANK

As previously announced on May 28, 2019, Santa Cruz County Bank and Lighthouse Bank (OTC Pink: LGHT) announced an agreement and plan of reorganization and merger. A copy of the announcement is available on Santa Cruz County Bank's website.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS FOR 2018 PERFORMANCE

S&P Global Top 100 Best Community Banks: Santa Cruz County Bank ranked 35th in the nation out of nearly 3,000 banks with assets under \$3 billion based upon 2018 performance. The Bank has ranked in the Top 100 Best Community Banks by S&P Global for three consecutive years.

Financial Management Consulting (FMC) Group: Santa Cruz County Bank placed in the #1 rating as top bank in California in overall performance among 148 banks, and also ranked 1st in asset quality as well as 1st (lowest) in non-performing assets for its financial performance in the first, second and third quarters for 2018. For the full year 2018, the Bank ranked #2 in overall performance for California. The Bank has ranked in FMC's top ten banks in California for the past four years.

The Findley Reports, Inc.: Santa Cruz County Bank was named a Super Premier Performing Bank for its 2018 financial performance. The Bank has received the top ranking of Super Premier by Findley for nine consecutive years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank rated 5-star or "Superior" based upon its financial performance for the most recent quarter ended March 31, 2019.

The Bank ranked 8th in the Silicon Valley for the number of SBA loans lent to Silicon Valley businesses for the SBA's 2018 fiscal year.

ABOUT SANTA CRUZ COUNTY BANK

Santa Cruz County Bank, founded in 2004, is a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz, California. The bank operates five branches located in Aptos, Capitola, Santa Cruz, Scotts Valley and Watsonville. The bank offers a variety of competitive deposit and lending solutions for businesses and individuals; including business loans, lines of credit, commercial real estate financing, agricultural loans, SBA and USDA government guaranteed loans, credit cards, merchant services, remote deposit capture, mobile and online banking, bill payment, and cash management. The bank's SBA Department has been recognized as a top SBA lender in Santa Cruz County and in the Silicon Valley. Santa Cruz County Bank is a top USDA lender in the state of California.

Santa Cruz County Bank stock is publicly traded on the OTC marketplace under the stock symbol SCZC. Stock purchase orders may be placed through a brokerage firm or one of the Market Makers listed in the Investor Relations section of the bank's website. For more information about Santa Cruz County Bank, visit www.sccountybank.com.

This release may contain forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to fluctuations in interest rates, inflation, government regulations and general economic conditions, and competition within the business areas in which the Bank is conducting its operations, including the real estate market in California and other factors beyond the Bank's control. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. Readers should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. The Bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

CONTACTS:

David V. Heald, President and Chief Executive Officer
831.457.5003 ext. 2116 dheald@sccountybank.com

Vic Davis, Senior Vice President and Chief Financial Officer
831.457.5003 ext. 2217 vdavis@sccountybank.com



Selected Financial Data (unaudited)

	Quarter ended		Change		Quarter ended		Change			
	6/30/19	6/30/18	\$	%	3/31/19	\$	%	\$	%	
Balance Sheet										
Total assets	\$ 702,419,918	\$ 635,257,256	\$ 67,162,662	11%	\$ 668,097,706	\$ 34,322,212	5%			
Gross loans	508,240,050	472,416,858	35,823,192	8%	484,895,169	23,344,881	5%			
Allowance for loan losses	9,992,368	9,505,222	487,146	5%	9,842,656	149,712	2%			
Non interest-bearing deposits	270,953,853	236,977,923	33,975,930	14%	250,817,502	20,136,351	8%			
Total deposits	614,934,326	563,842,148	51,092,178	9%	581,733,803	33,200,523	6%			
Shareholders' equity	74,816,723	62,571,082	12,245,641	20%	71,466,366	3,350,357	5%			
Income Statement										
										Change
								Six-months ended	Six-months ended	
								6/30/19	6/30/18	\$ %
Interest income	\$ 8,481,062	\$ 7,444,742	1,036,320	14%	\$ 8,162,809	318,253	4%	\$ 16,643,871	\$ 14,511,269	\$ 2,132,602 15%
Interest expense	485,920	297,400	188,520	63%	407,380	78,540	19%	893,300	588,310	304,990 52%
Net interest income	7,995,142	7,147,342	847,800	12%	7,755,429	239,713	3%	15,750,571	13,922,959	1,827,612 13%
Provision for loan losses	150,000	187,500	(37,500)	-20%	-	150,000	100%	150,000	375,000	(225,000) -60%
Non-interest income	949,572	824,404	125,168	15%	863,975	85,597	10%	1,813,547	1,769,328	44,219 2%
Non-interest expense	4,202,025	3,965,251	236,774	6%	4,458,201	(256,176)	-6%	8,660,226	7,929,385	730,841 9%
Net income before taxes	4,592,689	3,818,995	773,694	20%	4,161,203	431,486	10%	8,753,892	7,387,902	1,365,990 18%
Income tax expense	1,325,760	1,097,531	228,229	21%	1,196,294	129,466	11%	2,522,054	2,135,449	386,605 18%
Net income after taxes	\$ 3,266,929	\$ 2,721,464	545,465	20%	\$ 2,964,909	302,020	10%	\$ 6,231,838	\$ 5,252,453	979,385 19%
BASIC EARNINGS PER SHARE	\$ 1.33	\$ 1.12	0.21	19%	\$ 1.21	0.12	10%	\$ 2.55	\$ 2.17	\$ 0.38 18%
DILUTED EARNINGS PER SHARE	\$ 1.32	\$ 1.10	0.22	20%	\$ 1.20	0.12	10%	\$ 2.52	\$ 2.13	\$ 0.39 18%
Book value per share	\$ 30.48	\$ 25.56	4.92	19%	\$ 29.14	1.34	5%	\$ 30.48	\$ 25.56	\$ 4.92 19%
SHARES OUTSTANDING	2,454,498	2,448,194			2,452,294					
Ratios										
Tier 1 leverage ratio	10.78%	9.96%			10.74%			10.78%	9.96%	
Net interest margin	4.82%	4.69%			4.92%			4.87%	4.58%	
Efficiency ratio	46.97%	49.73%			51.72%			49.30%	50.53%	
Return on average assets	1.89%	1.73%			1.80%			1.85%	1.67%	
Return on average equity	17.82%	17.73%			17.07%			17.45%	17.58%	
% of non interest bearing to total deposits	44%	42%			43%					