



**Santa Cruz County Bank Reports Earnings
for the Third Quarter Ended September 30, 2019**

Merger with Lighthouse Bank to Close October 18, 2019

SANTA CRUZ, CA – October 18, 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 net income of \$3.0 million. Excluding merger related expenses, net income would have been a record \$3.3 million for the third quarter ended September 30, 2019. This represents a 13% increase comparing this quarter with the same quarter in 2018. For the quarter, basic earnings per common share increased \$0.03 to \$1.24, a 2% increase over the third quarter in 2018. Unaudited net income for the nine month period ended September 30, 2019 was \$9.6 million before merger expense and \$9.3 million after merger expense, compared to \$8.2 million over the same period in 2018.

Pretax income for the quarter ended September 30, 2019 was \$4.4 million, an increase of \$240 thousand, 6%, compared to \$4.1 million for the quarter ended September 30, 2018.

President and CEO David V. Heald commented, “During the third quarter, we successfully received all necessary regulatory and shareholder approvals for our merger with Lighthouse Bank. We accomplished this with the support of our shareholders, founders, board of directors, management and merger team. Our focus is now dedicated to the process of ensuring a seamless integration of our systems and delivery channels for the benefit of our customers. Combining the financial strength of our top performing banks while expanding the scale of our geographic footprint will allow us to deliver enhanced banking and lending services to our valued customers, added resources for our community and even greater efficiencies for the benefit of our shareholders.”

Selected financial information is presented in the following table:

	<u>Quarter ended</u> <u>9/30/19</u>	<u>Quarter ended</u> <u>9/30/18</u>	<u>Quarter ended</u> <u>6/30/19</u>
Balance Sheet			
Total assets	\$722,871,518	\$664,894,703	\$ 702,419,918
Gross loans	503,518,953	469,099,353	508,240,050
Allowance for loan losses	10,148,293	9,643,305	9,992,368
Non interest-bearing deposits	283,739,567	258,929,228	270,953,853
Total deposits	631,410,724	589,706,102	614,934,326
Shareholders' equity	77,808,290	65,427,695	74,816,723
Net Income	\$3,027,555	\$ 2,949,777	\$3,266,929
Ratios			
Tier 1 leverage ratio	10.79%	9.90%	10.78%
Net interest margin	4.76%	4.65%	4.82%
Efficiency ratio	50.58%	48.80%	46.97%
Return on average assets	1.67%	1.77%	1.89%
Return on average equity	15.64%	18.17%	17.82%
Share and Per Share Data			
Basic earnings per common share	\$1.24	\$1.21	\$1.33
Diluted earnings per common share	\$1.22	\$1.19	\$1.32
Book value per common share	\$31.69	\$26.72	\$30.48
Total common shares outstanding	2,455,198	2,448,194	2,454,498

Third Quarter Financial Highlights:

- Net interest margin of 4.76%
- Return on average assets and equity of 1.67% and 15.64%, respectively
- Well capitalized with a total risk based capital ratio of 16.15%
- 7% growth in loans, \$34 million increase over the third quarter of 2018
- 7% growth in deposits, \$42 million increase over the third quarter of 2018
- Basic earnings per share increased to \$1.24 from \$1.21 over the third quarter of 2018
- Book value per common share after dividends increased by \$4.97 or 19%, to \$31.69 over the third quarter of 2018

Loans, Asset Quality & Deposits

Total assets grew by \$20 million to \$723 million in the third quarter and by \$58 million over the last twelve months. For the third quarter, gross loans decreased by \$5 million, but year over year increased \$34 million, 7% to \$506 million. Allowance for loan losses of \$10 million at September 30, 2019 represents a 5% increase over the same period last year. Due to portfolio growth year over year, \$150 thousand was provided for loan and lease losses during the current reporting quarter. Deposits increased by 3%, \$16 million since June 30, 2019 and by 7% since September 30, 2018. Year over year, non-interest bearing deposits grew by 10%.

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 third quarter of 2019, the non-interest income total was \$869 thousand which included \$212 thousand of gains on loans sold. These gains are taken strategically and represent the primary variant within non-interest income comparisons to second quarter 2019 and third quarter 2018.

Non-interest expense for the three-month period ended September 30, 2019, increased 10% or \$440 thousand compared to prior quarter and increased 14% or \$571 thousand compared to the same period last year. Both increases are due primarily to the aforementioned \$307 thousand of merger related expenses recognized in the third quarter of 2019.

Net interest income of \$8.3 million for the quarter ended September 30, 2019 exceeded prior quarter by 4% or \$313 thousand and improved over the 2018 third quarter by 11% or \$798 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 past rate increases implemented by the Federal Open Market Committee. Consequently, net interest margin at 4.76% improved 11 basis points over prior year.

Shareholders' Equity

Total shareholders' equity was \$78 million at September 30, 2019, a \$12 million, 19% increase over September 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 September 30, 2019. Historically, the Bank has paid twenty-six consecutive cash dividends and issued one 10% stock dividend to shareholders.

For the three month period ended September 30, 2019, the Bank's return on average equity was 15.64% and return on average assets was 1.67%. The book value per common share of Santa Cruz County Bank's common stock at September 30, 2019 was \$31.69, up \$4.97 from the same period in 2018.

AGREEMENT TO MERGE WITH LIGHTHOUSE BANK

Santa Cruz County Bank and Lighthouse Bank (OTC Pink: LGHT) announced an agreement and plan of reorganization and merger on May 28, 2019. Having received all necessary approvals by shareholders and regulatory entities, Lighthouse Bank will merge with and into Santa Cruz County Bank at the end of business on October 18, 2019. For merger related press releases, please visit Santa Cruz County Bank's website.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS

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 June 30, 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 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.



Selected Financial Data (unaudited)

	Quarter ended		Change		Quarter ended		Change					
	9/30/19	9/30/18	\$	%	6/30/19	\$	%					
Balance Sheet												
Total assets	\$ 722,871,518	\$ 664,894,703	\$ 57,976,815	9%	\$ 702,419,918	\$ 20,451,600	3%					
Gross loans	503,518,953	469,099,353	34,419,600	7%	508,240,050	(4,721,097)	-1%					
Allowance for loan losses	10,148,293	9,643,305	504,988	5%	9,992,368	155,925	2%					
Non interest-bearing deposits	283,739,567	258,929,228	24,810,339	10%	270,953,853	12,785,714	5%					
Total deposits	631,410,724	589,706,102	41,704,622	7%	614,934,326	16,476,398	3%					
Shareholders' equity	77,808,290	65,427,695	12,380,595	19%	74,816,723	2,991,567	4%					
Income Statement												
									Nine-months	Nine-months	Change	
									ended 9/30/19	ended 9/30/18	\$	%
Interest income	\$ 8,782,804	\$ 7,862,778	920,026	12%	\$ 8,481,062	301,742	4%	\$ 25,426,675	\$ 22,374,047	\$ 3,052,628	14%	
Interest expense	474,268	352,198	122,070	35%	485,920	(11,652)	-2%	1,367,568	940,508	427,060	45%	
Net interest income	8,308,536	7,510,580	797,956	11%	7,995,142	313,394	4%	24,059,107	21,433,539	2,625,568	12%	
Provision for loan losses	150,000	125,000	25,000	20%	150,000	-	0%	300,000	500,000	(200,000)	-40%	
Non-interest income	868,739	830,170	38,569	5%	949,572	(80,833)	-9%	2,682,286	2,599,498	82,788	3%	
Merger expense	306,657	-	306,657	100%	-	306,657	100%	306,657	-	306,657	100%	
Non-interest expense	4,335,195	4,070,355	264,840	7%	4,202,025	133,170	3%	12,995,421	11,999,740	995,681	8%	
Net income before taxes	4,385,423	4,145,395	240,028	6%	4,592,689	(207,266)	-5%	13,139,315	11,533,297	1,606,018	14%	
Income tax expense	1,357,868	1,195,618	162,250	14%	1,325,760	32,108	2%	3,879,922	3,331,067	548,855	16%	
Net income after taxes	\$ 3,027,555	\$ 2,949,777	77,778	3%	\$ 3,266,929	(239,374)	-7%	\$ 9,259,393	\$ 8,202,230	1,057,163	13%	
Basic earnings per common share	\$ 1.24	\$ 1.21	0.03	2%	\$ 1.33	(0.09)	-7%	\$ 3.78	\$ 3.37	\$ 0.41	12%	
Diluted earnings per common share	\$ 1.22	\$ 1.19	0.03	3%	\$ 1.32	(0.10)	-8%	\$ 3.74	\$ 3.33	\$ 0.41	12%	
Book value per common share	\$ 31.69	\$ 26.72	4.97	19%	\$ 30.48	1.21	4%	\$ 31.69	\$ 26.72	\$ 4.97	19%	
SHARES OUTSTANDING	2,455,198	2,448,194			2,454,498							
Ratios												
Tier 1 leverage ratio	10.79%	9.90%			10.78%			10.79%	9.90%			
Net interest margin	4.76%	4.65%			4.82%			4.83%	4.60%			
Efficiency ratio	50.58%	48.80%			46.97%			49.74%	49.93%			
Return on average assets	1.67%	1.77%			1.89%			1.78%	1.71%			
Return on average equity	15.64%	18.17%			17.82%			16.82%	17.79%			
% of non interest bearing to total deposits	45%	44%			44%							