# Santa Cruz County Bank Reports Record Earnings
# For Year Ended December 31, 2019
### *Ninth successive year of record earnings*
### *Assets top $1 billion*

**SANTA CRUZ, CA – Jan 24, 2020**: Santa Cruz County Bank **(OTC Pink: SCZC),** with assets over $1 billion, is a top rated community bank headquartered in Santa Cruz County. Today the bank announced unaudited earnings for the fourth quarter and year ended December 31, 2019. Net income for the year was a record $12.3 million, an increase of $900 thousand or 8% over prior year.

President and CEO David V. Heald commented, "We are pleased to report another record setting year of achievements, both financially and strategically. In 2019, with the support of our shareholders, we successfully completed our merger with Lighthouse Bank. We enter our sixteenth year of operations with greater strength and resources to serve individuals and businesses in our community and into two new market areas, Silicon Valley and Monterey County."

On October 18, 2019, Santa Cruz County Bank and Lighthouse Bank completed the previously announced Agreement and Plan of Reorganization and Merger. The combined organization, with over $1 billion in assets, and enhanced lending capacity will allow the Bank to attract and serve much larger relationships. The Bank also recently announced its plan to expand into Salinas and the Monterey Peninsula where the Bank's extensive knowledge in USDA and FSA lending will benefit the predominant agricultural businesses in this market area.

Selected financial information:

| | Year Ended December 31, | | |
|---|---|---|---|
| **Balance Sheet** | 2019 | 2018 | Change |
| Total assets | $1,070,970,879 | $662,408,357 | 62% |
| Gross loans | 758,076,034 | 487,812,901 | 55% |
| Allowance for loan losses | 10,296,230 | 9,836,731 | 5% |
| Non-interest-bearing deposits | 345,604,709 | 259,724,984 | 33% |
| Total deposits | 904,348,022 | 584,125,809 | 55% |
| Shareholders' equity | 151,085,878 | 68,523,002 | 120% |
| **Net Income** | $12,262,759 | $11,380,086 | 8% |
| **Ratios** | | | |
| Tier 1 leverage ratio | 11.70% | 10.26% | |
| Net interest margin | 4.80% | 4.66% | |
| Efficiency ratio | 53.72% | 49.04% | |
| Return on average assets | 1.56% | 1.75% | |
| Return on average equity | 13.65% | 18.05% | |
| Return on tangible equity | 14.66% | 17.09% | |
| **Share and Per Share Data** | | | |
| Basic earnings per common share | $4.51 | $4.68 | |
| Diluted earnings per common share | $4.47 | $4.61 | |
| Book value per common share | $39.24 | $27.98 | |
| Tangible book value per share | $31.12 | $27.20 | |
| Total common shares outstanding | 3,849,841 | 2,448,594 | |

**Fourth Quarter Earnings**

Net income for the quarter ended December 31, 2019 was $3.0 million compared to $3.0 million for the previous quarter ended September 30, 2019, and $3.2 million for the quarter ended December 31, 2018. Pretax income for the quarter ended December 31, 2019 was $4.3 million compared to $4.4 million for the previous quarter ended September 30, 2019. Earnings per share for the fourth quarter ended December 31, 2019 was $0.85 per share, a 35% or $0.45 decrease over the same period in 2018. The decrease was due to recognition of $3.0 million of expenses related to the Lighthouse Bank merger in the fourth quarter of 2019 and the issuance of shares to Lighthouse Bank shareholders in conjunction with terms of the merger.

**Year to Date Earnings**
Net income for the year ended December 31, 2019 was $12.3 million compared to $11.4 million for the same period in 2018. Pretax income for the year ended December 31, 2019 was $17.4 million compared to $15.9 million in the same period in 2018. Pretax annual earnings for 2019 were reduced by approximately $3.3 million due to merger expenses.

**Financial Highlights:**

- Assets of $1.071 billion
- Total deposits of $904 million
- Pretax income of $17.4 million for the year, a new record
- Net interest margin of 4.80%
- Return on average assets of 1.56%
- Return on average equity of 13.65%
- Efficiency ratio of 53.72% for the year
- Well capitalized with a total risk based capital ratio of 16.88%
- Continued exceptional credit quality with no loans on non-accrual
- Book value per share after cash and stock dividends increased by $11.26 or 40%, to $39.24 at year end

**Loans, Asset Quality & Deposits**
Total assets increased by $409 million or 62% compared to prior year. This was due primarily to the assets acquired through the merger, with the balance generated from organic growth. For the fourth quarter, gross loans increased by $255 million, and year over year increased $270 million, 55% to $758 million. Allowance for loan losses of $10.3 million at December 31, 2019 represents a 5% increase over the same period last year. The Bank's asset quality remained exceptional. Deposits grew by 55% or $320 million since December 31, 2018, resulting in $346 million in non-interest bearing deposits at year-end. Approximately $273 million of the deposit growth came from the Lighthouse Bank merger.

**Non-Interest Income / Expense and Net Interest Margin**
Non-interest income for the quarter ended December 31, 2019 was $764 thousand compared to $622 thousand for the same period last year. No gains on loans sold were taken in either period. For the full year, non-interest income was $3.4 million, an increase of 7% or $225 thousand from prior year with no material change in gains taken on sold loans.

Non-interest expense for the quarter ended December 31, 2019, excluding merger expense, was $4.4 million or 2% more than prior quarter but increased 12% or $469 thousand compared to the same period last year. On a year-to-date basis, non-interest expense, excluding merger expense, increased by 9%. Most of the year over year variance exists in salary expense related to employee recruitment and retention.

Net interest income of $11 million for the quarter ended December 31, 2019 improved 34% or $2.8 million over prior quarter and exceeded the fourth quarter of 2018 by $3 million or 42%. The year over year improvement was driven by a continued focus on building high quality earning assets through loan production and volume of loans as $224 million in loans were acquired from Lighthouse Bank. Net interest margin at 4.80% for the twelve months ended December 31, 2019 improved by 14 basis points over prior year.

**Shareholders' Equity**
Total shareholders' equity was $151 million at December 31, 2019, an $83 million or 120% increase over December 31, 2018. The majority of the increase was due to the issuance of common stock related to the merger and the value added to our shareholders due to continued strong earnings. Approximately $29 million of intangible value arising from the merger is included in the $83 million increase. The payout of cash dividends on common stock of $839 thousand in 2019 was a reduction of equity.

For the year ended December 31, 2019, the Bank's return on average equity was 13.65% with a return on tangible equity of 14.66%. Return on average assets was 1.56%. The book value per share of Santa Cruz

County Bank's common stock after cash dividends at December 31, 2019 was $39.24 up $11.26 from the same period in 2018.

**NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS**

S&P Global Top 100 Community Banks: Santa Cruz County Bank ranked 35th in the nation out of nearly 3,000 banks with assets under $2 billion based upon 2018 performance. The Bank has ranked in the Top 100 Community Banks by S&P Global for three consecutive years.

Financial Management Consulting (FMC) Group: Santa Cruz County Bank has ranked in FMC's top ten banks in California for the past five years.

The Findley Reports, Inc.: The Bank has received the top ranking of Super Premier by Findley for nine consecutive years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank is rated 5-star "Superior" based upon its financial performance.

American Banker Magazine: Santa Cruz County Bank ranked 12nd out of 601 institutions in American Banker Magazine's "Top Performing 200 Community Banks & Thrifts in the United States" based upon 3-year average return on equity. The Bank ranked 4th out of 26 California banks. The Bank has ranked in the Top 200 Community Banks in the United States for six consecutive years.

The Bank ranks 4th in the Silicon Valley for the number of SBA loans lent to Silicon Valley businesses for the SBA's 2019 fiscal year.

**ABOUT SANTA CRUZ COUNTY BANK**

Santa Cruz County Bank was founded in 2004. It is a top-rated, locally-owned and operated, full-service community bank headquartered in Santa Cruz, California. The bank has seven branches–Aptos, Capitola, Cupertino, Santa Cruz (2), Scotts Valley and Watsonville – all of which are Green Business Certified in accordance with the Bank's commitment to the environment. Santa Cruz County Bank is distinguished from "big banks" by its relationship-based service, problem-solving focus, and direct access to decision makers. The bank is a leading SBA lender in Santa Cruz County and Silicon Valley, and a top USDA lender in the state of California. As a full-service bank, Santa Cruz County Bank offers competitive deposit and lending solutions for businesses and individuals; including business loans, lines of credit, commercial real estate financing, construction lending, agricultural loans, SBA and USDA government guaranteed loans, credit cards, merchant services, remote deposit capture, mobile and online banking, bill payment, and treasury management. True to its community roots, Santa Cruz County Bank has supported regional well-being by actively participating in and donating to local not-for-profit organizations.

Santa Cruz County Bank stock is publicly traded on the OTC marketplace under the symbol SCZC. Stock purchase orders may be placed online, through a brokerage firm, or through 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.*

# SANTA CRUZ COUNTY BANK

Selected Financial Data (unaudited)

| | Quarter ended 12/31/19 | Quarter ended 12/31/18 | Change $ | Change % | Quarter ended 9/30/19 | Change $ | Change % | Year Ended 12/31/19 | Year Ended 12/31/18 | Change $ | Change % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet** | | | | | | | | | | | |
| Total assets | $ 1,070,970,879 | $ 662,408,357 | $ 408,562,522 | 62% | $ 722,871,518 | $ 348,099,361 | 48% | | | | |
| Gross loans | 758,076,034 | 487,812,901 | 270,263,133 | 55% | 503,518,953 | 254,557,081 | 51% | | | | |
| Allowance for loan losses | 10,296,230 | 9,836,731 | 459,499 | 5% | 10,148,293 | 147,937 | 1% | | | | |
| Non interest-bearing deposits | 345,604,709 | 259,724,984 | 85,879,725 | 33% | 283,739,567 | 61,865,142 | 22% | | | | |
| Total deposits | 904,348,022 | 584,125,809 | 320,222,213 | 55% | 631,410,724 | 272,937,298 | 43% | | | | |
| Shareholders' equity | 151,085,878 | 68,523,002 | 82,562,876 | 120% | 77,808,290 | 73,277,588 | 94% | | | | |
| **Income Statement** | | | | | | | | | | | |
| Interest income | $ 11,946,612 | $ 8,236,158 | 3,710,454 | 45% | $ 8,782,804 | 3,163,808 | 36% | $ 37,373,287 | $ 30,610,205 | $ 6,763,082 | 22% |
| Interest expense | 820,625 | 392,881 | 427,744 | 109% | 474,268 | 346,357 | 73% | 2,188,193 | 1,333,389 | 854,804 | 64% |
| Net interest income | 11,125,987 | 7,843,277 | 3,282,710 | 42% | 8,308,536 | 2,817,451 | 34% | 35,185,094 | 29,276,816 | 5,908,278 | 20% |
| Provision for loan losses | 150,000 | 187,500 | (37,500) | -20% | 150,000 | - | 0% | 450,000 | 687,500 | (237,500) | -35% |
| Non-interest income | 764,269 | 622,495 | 141,774 | 23% | 868,739 | (104,470) | -12% | 3,446,555 | 3,221,993 | 224,562 | 7% |
| Merger expense | 3,037,361 | - | 3,037,361 | 100% | 306,657 | 2,730,704 | 100% | 3,344,018 | - | 3,344,018 | 100% |
| Non-interest expense | 4,414,249 | 3,945,098 | 469,151 | 12% | 4,335,195 | 79,054 | 2% | 17,409,670 | 15,944,838 | 1,464,832 | 9% |
| Net income before taxes | 4,288,646 | 4,333,174 | (44,528) | -1% | 4,385,423 | (96,777) | -2% | 17,427,961 | 15,866,471 | 1,561,490 | 10% |
| Income tax expense | 1,285,280 | 1,155,318 | 129,962 | 11% | 1,357,868 | (72,588) | -5% | 5,165,202 | 4,486,385 | 678,817 | 15% |
| Net income after taxes | $ 3,003,366 | $ 3,177,856 | (174,490) | -5% | $ 3,027,555 | (24,189) | -1% | $ 12,262,759 | $ 11,380,086 | 882,673 | 8% |
| BASIC EARNINGS PER SHARE | $ 0.85 | $ 1.30 | (0.45) | -35% | $ 1.24 | (0.39) | -31% | $ 4.51 | $ 4.68 | $ (0.17) | -4% |
| DILUTED EARNINGS PER SHARE | $ 0.85 | $ 1.29 | (0.44) | -34% | $ 1.22 | (0.37) | -30% | $ 4.47 | $ 4.61 | $ (0.14) | -3% |
| Book value per share | $ 39.24 | $ 27.98 | 11.26 | 40% | $ 31.69 | 7.55 | 24% | $ 39.24 | $ 27.98 | $ 11.26 | 40% |
| Tangible book value per share | $ 31.12 | $ 27.20 | 3.92 | 14% | $ 30.95 | 0.17 | 1% | $ 31.12 | $ 27.20 | $ 3.92 | 14% |
| SHARES OUTSTANDING | 3,849,841 | 2,448,594 | | | 2,455,198 | | | | | | |
| **Ratios** | | | | | | | | | | | |
| Tier 1 leverage ratio | 11.70% | 10.26% | | | 10.79% | | | 11.70% | 10.26% | | |
| Net interest margin | 4.70% | 4.82% | | | 4.76% | | | 4.80% | 4.66% | | |
| Efficiency ratio | 62.67% | 46.54% | | | 50.58% | | | 53.72% | 49.04% | | |
| Return on average assets | 1.18% | 1.88% | | | 1.67% | | | 1.56% | 1.75% | | |
| Return on average equity | 8.61% | 18.74% | | | 15.64% | | | 13.65% | 18.05% | | |
| Return on tangible equity | 10.47% | 18.93% | | | 15.81% | | | 14.66% | 17.09% | | |
| % of non interest bearing to total deposits | 38% | 44% | | | 45% | | | | | | |