



## **RECOGNIZING FIVE EXCEPTIONAL BANKS**

### **From The Findley Reports**

### **March 2009**

#### **Five Exceptional Banks in a Difficult Market**

##### **Less Than \$200 Million in Assets – Santa Cruz County Bank, Santa Cruz, California**

While Santa Cruz County Bank, Santa Cruz, California (“SCCB”) ended the year with total assets in excess of \$200 million, its average assets for the year were less than \$200 million; therefore, it fits within the less than \$200 million category. SCCB began business in 2004 and has been able to build its operations with four banking offices at the end of 2008 and recently opened a fifth office in February 2009. SCCB has been building its banking franchise at the same time as building value for its shareholders. SCCB ended 2008 with only \$17,000 of income, primarily due to a significant provision to loan loss reserves of approximately \$1.7 million and has built its asset base (currently approximately \$229 million without going crazy on the loan totals (currently approximately \$136.7 million with loan loss reserves of approximately 2.11%) SCCB has been aggressive with regard to its loan loss reserve provisions as a percentage of its gross loan believing that it needs to be prepared for the market place. The deposit growth of the organization has been solid. SCCB ended the year with total deposits in excess of \$207 million with virtually no brokered deposits; therefore, it has been able to develop its core deposit operation within its market place. What is also important is that it has funds to loan in the market place with a loan to deposit ration of approximately 66%. This is an entity that will be able to grow its loan portfolio as well as continue to build its franchise. While SCCB has not been able to move to a positive undivided profit, as of year-end 2008 it is in a position to move quickly to positive retained earnings in the near term.

SCCB is a bank that has been committed to its market place, not focusing in on what other institutions are doing. As of year-end 2008 it had no non-accrual loans and no loans 90+ days past due. In addition, SCCB had no OREOs; therefore the balance sheet is relatively clean and in a positive to continue to grow its franchise. Definitely a “Premier Performing” bank for 2008.

SCCB is under the leadership of David Heald who has been with the Bank since inception and really took the helm in 2006. Under his leadership SCCB has continued to prosper. We look at SCCB as truly being a community banking institution serving the Santa Cruz County market place. This bank which just turned five years old is a blueprint on focusing the plan on building core deposits, not getting carried away with aggressive growth of the loan portfolio, building its branch network with five banking offices with the most recent office opened in 2008 and building a loyal staff. We see SCCB as a long term player that is designed to provide value to its shareholders as well as to its community. SCCB concentrates on focusing on what it does best and while the financial performance numbers in 2008 from a net income standpoint, were not exceptional, when you drill down and look at the quality of the banking franchise you know there is a significantly valuable franchise in SCCB.

-An excerpt from the Findley Reports March 2009 newsletter