



**Santa Cruz County Bank Reports Record Earnings  
for the First Quarter Ended March 31, 2020  
Net Income Increases 48% Compared To First Quarter 2019**

**SANTA CRUZ, CA – April 22, 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 record unaudited net income for the first quarter ended March 31, 2020 of \$4.4 million. This represents an increase of 48% compared to the first quarter 2019. For the quarter, basic earnings per share decreased \$0.07, or 6% to \$1.14, compared to the first quarter in 2019. The decline is reflective of the increased number of shares outstanding as the result of the Bank’s merger with Lighthouse Bank in the fourth quarter of 2019.

Pretax income for the quarter ended March 31, 2020 was \$6.2 million, an increase of \$2.0 million, 48%, compared to \$4.2 million for the quarter ended March 31, 2019.

President and CEO David V. Heald commented, “On behalf of the Board of Directors and Management team, I commend our entire staff for our first quarter performance and care for our customers and community. As an essential business, our team has gone above and beyond in delivering critical services to our community at the greatest time of need in the history of our Bank and undoubtedly, our careers.

The quarter ended with two significant occurrences, our systems integration with Lighthouse Bank and concurrently being hit with the COVID 19 pandemic, which has dramatically altered the way we do business. To respond to the significant impact of this crisis on our community, we developed a Paycheck Protection Program loan application portal on our website, far ahead of the curve. Our dedicated team has worked long hours, nights and weekends to ensure Paycheck Protection Program funding supports small businesses and helps them keep employees on the payroll. Through these efforts, a total of approximately 29,218 jobs were saved, which speaks volumes about dedication and commitment to serving our community, whether in good times or during a crisis.”

Selected financial information is presented in the following table:

	Three-Months Ended,		
	03.31.20	12.31.19	03.31.19
<b>Balance Sheet</b>			
Total assets	\$1,069,462,569	\$1,070,983,369	\$668,097,706
Gross loans	752,562,735	758,076,034	484,895,169
Allowance for loan losses	10,349,444	10,296,230	9,842,656
Non interest-bearing deposits	356,715,560	345,604,709	250,817,502
Total deposits	899,126,540	904,348,022	581,733,803

Shareholders' equity	154,891,396	151,098,368	83,425,030
<b>Net Income</b>	<b>\$4,381,461</b>	<b>\$3,015,857</b>	<b>\$2,964,909</b>
<b>Ratios</b>			
Net interest margin	4.51%	4.38%	4.92%
Tier 1 leverage ratio	12.26%	11.85%	10.74%
Return on average assets	1.67%	1.12%	1.80%
Return on average equity	11.42%	8.35%	17.07%
Return on tangible equity	14.23%	9.99%	17.28%
Efficiency ratio	47.55%	62.67%	51.72%
<b>Share and Per Share Data</b>			
Basic earnings per common share	\$1.14	\$0.85	\$1.21
Diluted earnings per common share	\$1.13	\$0.85	\$1.20
Book value per common share	\$40.22	\$39.25	\$29.14
Tangible book value per share	\$32.15	\$31.13	\$28.38
Total common shares outstanding	3,851,041	3,849,841	2,452,294

#### First Quarter Financial Highlights:

- Net interest margin of 4.51%
- First quarter return on average assets and equity of 1.67% and 11.42%, respectively
- Well capitalized with a total risk based capital ratio of 16.65%
- Continued exceptional credit quality with no loans on non-accrual
- 55% growth in deposits, \$317.4 million increase over the first quarter of 2019
- Basic earnings per share decreased to \$1.14 from \$1.21 compared to the first quarter of 2019 and increased by \$0.29 per share over the fourth quarter 2019, when the merger closed
- Book value per share after dividends increased by \$11.08 or 38%, to \$40.22 since the first quarter of 2019

#### Loans, Asset Quality & Deposits

Total assets declined by \$1.5 million to \$1.069 billion in the first quarter but increased significantly by \$401.4 million over the last twelve months. The Bank's asset quality remained exceptional. For the first quarter, gross loans were down \$5.5 million (in part due to loan sales), but year over year increased \$267.7 million, 55% to \$752.6 million. Allowance for loan losses of \$10.3 million at March 31, 2020 represents a 5% increase over the same period last year. Deposits declined by 1%, \$5.2 million since December 31, 2019 and increased significantly by \$317 million or 55% comparing the first quarter of 2020 to the same period in 2019.

#### 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 first quarter of 2020, the non-interest income total was \$1.02 million which included \$188 thousand of gains on loans sold. The variance from first quarter 2019 is due primarily to volume resulting from the

merger. The variance from fourth quarter 2019 is attributable to the aforementioned gain on sale of loans.

Non-interest expense for the three-month period ended March 31, 2020, increased 28% or \$1.3 million compared to prior quarter and increased 27% or \$1.2 million compared to the same period last year. The more recent variance is due primarily to the reversal of expense accrued in prior periods that was unused and then reversed during quarter four 2019. The year over year increase resulted from the combined non-interest expense of both banks.

Net interest income of \$11 million for the quarter ended March 31, 2020 was basically equivalent to prior quarter but exceeded the first quarter of 2019 by \$3.3 million or 42%. The year over year increase again is due to the larger volume of the combined earning assets of both banks resulting from the merger.

### **Shareholders' Equity**

Total shareholders' equity was \$154.9 million at March 31, 2020, an \$83.4 million, 117% increase over March 31, 2019. 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 \$83.4 million increase. This increase was reduced by the payout of quarterly cash dividends. Common stock cash dividends totaled \$839 thousand in 2019 and \$289 thousand or \$0.075 per share for the quarter ended March 31, 2020.

For the three month period ended March 31, 2020, the Bank's return on average equity was 11.42% (return on tangible equity 14.23%) and return on average assets was 1.67%. The book value per share of Santa Cruz County Bank's common stock at March 31, 2020 was \$40.22, up from \$29.14 for the same period in 2019.

### **ANNUAL MEETING NOTICE**

The Bank's Annual Meeting of Shareholders has been set for August 18, 2020. Shareholders will be notified of the meeting time and format (virtual, in person or hybrid) for attendance through a proxy mailing scheduled for mid-July.

### **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](http://www.sccountybank.com).

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

S&P Global Top 100 Community Banks: Santa Cruz County Bank ranked 4th in the nation out of more than 4,200 banks with assets under \$3 billion based upon 2019 performance. The Bank has ranked in the Top 100 Community Banks by S&P Global for four 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 ten consecutive years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank is rated 5-star "Superior" based upon its financial performance for every quarter in 2019.

American Banker Magazine: Santa Cruz County Bank ranked 12th 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.

### **COMMUNITY AWARDS AND RECOGNITION**

Santa Cruz Chamber of Commerce, 2018 Business of the Year Award.

Farm Bureau of Santa Cruz County, 2018 Al Smith Friend of Agriculture Award for support of the agricultural industry and providing access to capital.

Second Harvest Food Bank, Platinum Level Award for the 2019 Holiday Food & Fund Drive.

Santa Cruz Sentinel, 2019 Reader's Choice Award, number one bank in Santa Cruz County as voted by Santa Cruz Sentinel readers.

Good Times, 2019 Best of Santa Cruz County Award, Voted "Best Bank" for the seven consecutive years.

Santa Cruz Waves Magazine, 2019 Swellies Awards, Voted "Favorite Bank" in Santa Cruz County.

*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			
	03/31/20	03/31/19	\$	%	12/31/19	\$	%			
<b>Balance Sheet</b>										
Total assets	\$ 1,069,462,569	\$ 668,097,706	\$ 401,364,863	60%	\$ 1,070,983,369	\$ (1,520,800)	0%			
Gross loans	752,562,735	484,895,169	267,667,566	55%	758,076,034	(5,513,299)	-1%			
Allowance for loan losses	10,349,444	9,842,656	506,788	5%	10,296,230	53,214	1%			
Non interest-bearing deposits	356,715,560	250,817,502	105,898,058	42%	345,604,709	11,110,851	3%			
Total deposits	899,126,540	581,733,803	317,392,737	55%	904,348,022	(5,221,482)	-1%			
Shareholders' equity	154,891,396	71,466,366	83,425,030	117%	151,098,368	3,793,028	3%			
<b>Income Statement</b>										
								Three-months	Three-months	Change
								ended 3/31/20	ended 3/31/19	\$ %
Interest income	\$ 11,837,332	\$ 8,162,809	3,674,523	45%	\$ 11,946,612	(109,280)	-1%	\$ 11,837,332	\$ 8,162,809	\$ 3,674,523 45%
Interest expense	792,154	407,380	384,774	94%	820,625	(28,471)	-3%	792,154	407,380	384,774 94%
Net interest income	11,045,178	7,755,429	3,289,749	42%	11,125,987	(80,809)	-1%	11,045,178	7,755,429	3,289,749 42%
Provision for loan losses	150,000	-	150,000	100%	150,000	-	0%	150,000	-	150,000 100%
Non-interest income	1,017,884	863,975	153,909	18%	764,269	253,615	33%	1,017,884	863,975	153,909 18%
Merger expense	65,950	-	65,950	100%	3,034,901	(2,968,951)	100%	65,950	-	65,950 100%
Non-interest expense	5,668,715	4,458,201	1,210,514	27%	4,416,709	1,252,006	28%	5,668,715	4,458,201	1,210,514 27%
Net income before taxes	6,178,397	4,161,203	2,017,194	48%	4,288,646	1,889,751	44%	6,178,397	4,161,203	2,017,194 48%
Income tax expense	1,796,936	1,196,294	600,642	50%	1,272,789	524,147	41%	1,796,936	1,196,294	600,642 50%
Net income after taxes	\$ 4,381,461	\$ 2,964,909	1,416,552	48%	\$ 3,015,857	1,365,604	45%	\$ 4,381,461	\$ 2,964,909	1,416,552 48%
BASIC EARNINGS PER SHARE	\$ 1.14	\$ 1.21	(0.07)	-6%	\$ 0.85	0.29	34%	\$ 1.14	\$ 1.21	\$ (0.07) -6%
DILUTED EARNINGS PER SHARE	\$ 1.13	\$ 1.20	(0.07)	-6%	\$ 0.85	0.28	33%	\$ 1.13	\$ 1.20	\$ (0.07) -6%
Book value per share	\$ 40.22	\$ 29.14	11.08	38%	\$ 39.25	0.97	2%	\$ 40.22	\$ 29.14	\$ 11.08 38%
Tangible book value per share	\$ 32.15	\$ 28.38	3.77	13%	\$ 31.13	1.02	3%	\$ 32.15	\$ 28.38	\$ 3.77 13%
SHARES OUTSTANDING	3,851,041	2,452,294			3,849,841					
<b>Ratios</b>										
Tier 1 leverage ratio	12.26%	10.74%			11.85%			12.26%	10.74%	
Net interest margin	4.51%	4.92%			4.38%			4.51%	4.92%	
Efficiency ratio	47.55%	51.72%			62.67%			47.55%	51.72%	
Return on average assets	1.67%	1.80%			1.12%			1.67%	1.80%	
Return on average equity	11.42%	17.07%			8.35%			11.42%	17.07%	
Return on tangible equity	14.23%	17.28%			9.99%			14.23%	17.28%	
% of non interest bearing to total deposits	40%	43%			38%					