



**SANTA CRUZ  
COUNTY BANK**

# Investor Presentation

March 2023

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## Cautionary Statement Regarding Forward-Looking Information

This communication includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Words such as “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “poised,” “believes,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements; however the absence of these words does not mean the statements are not forward-looking. Forward-looking statements in this communication include matters that involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from results expressed or implied by this communication. Such risk factors include, among others: **the effects of and changes in monetary and fiscal policies, including the interest rate policies of the Federal Reserve Board and their effects on inflation risk**; political and economic uncertainty, including any decline in global economic conditions or the stability of credit and financial markets. All such factors are difficult to predict and are beyond the Company’s control.

Actual results may differ materially from those contained in the forward-looking statements in this communication. Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after the date of this communication. You are cautioned not to place undue reliance on these forward-looking statements.

# Santa Cruz County Bank



Community bank headquartered in Santa Cruz, CA  
Opened in 2004



150+ employees  
Krista Snelling joined as new CEO on March 1, 2021



\$1.7 billion in assets



8 branches  
Salinas branch (Monterey County) opened January 2023



Merged with Lighthouse Bank in Q4 2019



# Leadership Team



Krista Snelling  
*President & Chief Executive Officer*



Cecilia Situ  
*EVP Chief Financial Officer*



Jon P. Sisk  
*EVP Chief Banking Officer*



Angelo DeBernardo  
*EVP Chief Lending Officer*



Mary Anne Carson  
*EVP Chief Marketing Officer*



Susan Just  
*EVP Chief Credit Officer*



Jaime Manriquez  
*EVP Chief Information Officer*



Maxwell Sinclair  
*EVP Chief Risk Officer*



Shamara van der Voort  
*EVP Chief Operations Officer*



Frederick L. Caiocca  
*EVP Regional Credit Executive*

# Attractive Markets



<u>COUNTY</u>	<u># OF BRANCHES</u>	<u>DEPOSIT MARKET SHARE</u>	<u>POPULATION</u>	<u>MEDIAN HOUSEHOLD INCOME</u>
 <p>Santa Cruz County</p>	<b>5</b>	<b>15.3%</b>	<b>273K</b>	<b>\$110K</b>
 <p>Santa Clara County</p>	<b>1</b>	<b>0.93%</b>	<b>2.1M</b>	<b>\$138K</b>
 <p>Monterey County</p>	<b>2</b>	<b>0.65%</b>	<b>446K</b>	<b>\$74K</b>

# 2022 Results

## Strong Balance Sheet Growth

**\$1.744 Billion**

Record Total Assets

**\$1.265 Billion**

Record Total Loans (Excl. PPP)

**\$1.531 Billion**

Record Total Deposits

**\$170 Million**

Tangible Common Equity

## Consistent Profitability

**\$45.4 Million**

PTPP Earnings

**\$30.9 Million**

Net Income

**\$3.63**

Basic Earnings Per Share

## Positive Trends in Key Metrics

**1.76%**

ROAA

**19.19%**

ROATCE

**4.19%**

Net Interest Margin

**39.33%**

Efficiency Ratio

## Continued Strong Credit Quality

**0.18%**

NPAs/Assets

**0.25%**

NPLs/Loans

**1.70%**

Reserves/Non PPP Loans

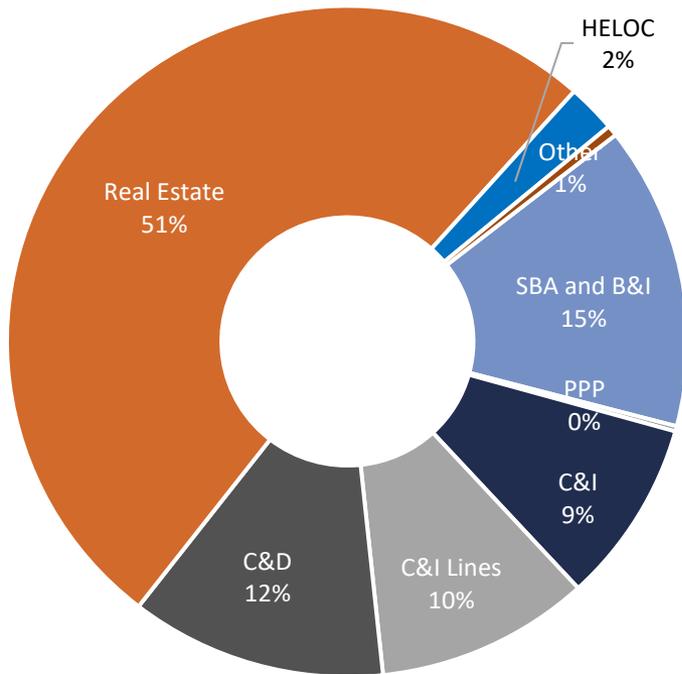
**0.01%**

Net Charge-offs/Loans



# Financial Highlights

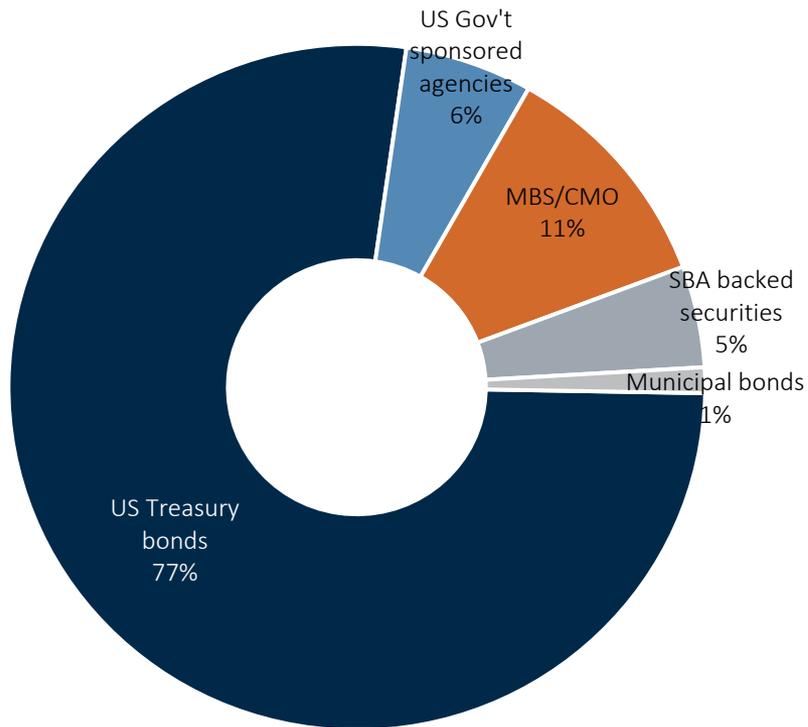
# Loan Portfolio



2022 taxable equivalent loan yield of 5.44% compared to UBPR peer of 4.80%

PPP loans down from peak of \$550MM to \$3MM as of 12/31/22

# Investment Portfolio (by market value)



Modified duration of 2.5 years

99% of investment securities classified as available for sale

# Exceptional Credit Culture

## Nonperforming Loans

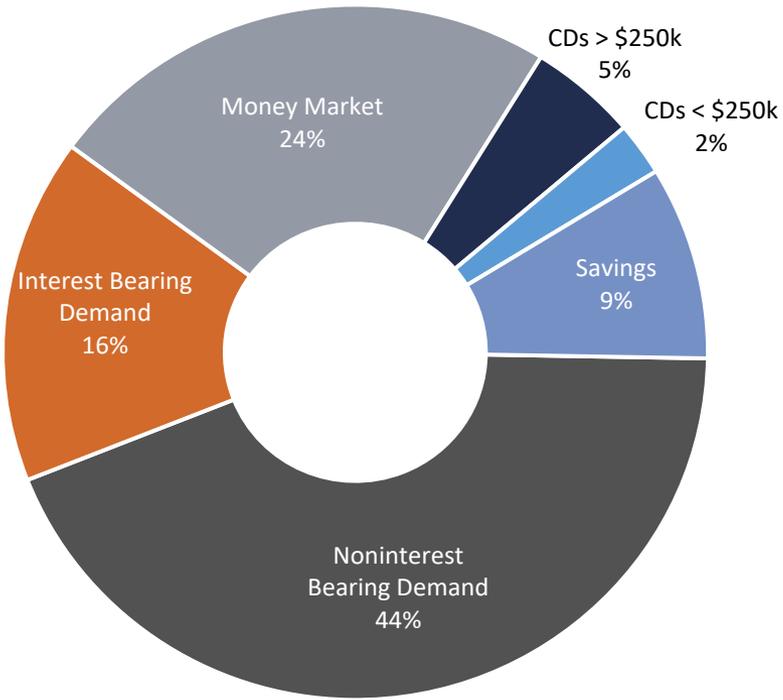
(\$000)	2017	2018	2019	2020	2021	2022
<b>Nonaccrual Loans</b>						
1-4 Family	\$0	\$0	\$0	\$0	\$0	\$808
CRE & Multifamily	0	0	0	0	0	0
Construction	0	0	0	0	0	990
Consumer	0	0	0	31	60	0
Commercial	0	0	0	0	247	1,363
<b>Total Nonaccrual</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$31</b>	<b>\$307</b>	<b>\$3,161</b>
Accruing Restructured Loans	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Impaired Loans</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$31</b>	<b>\$307</b>	<b>\$3,161</b>
<b>Loan Loss Reserve</b>	<b>\$9,106</b>	<b>\$9,837</b>	<b>\$10,296</b>	<b>\$13,021</b>	<b>\$19,978</b>	<b>\$21,444</b>

Nonperforming loans (including 90+ days past due) to total loans of 0.25% compared to peer of 0.36%

Only four nonaccrual loans

COVID loan deferrals peaked at 8% of total loans and all have returned to regular payment schedules

# Attractive Deposit Mix



Top 10 deposit relationships (excluding gov't agency deposits that are fully collateralized) represent approx. 12.5% of total deposits

Core deposits as percent of total assets above peer

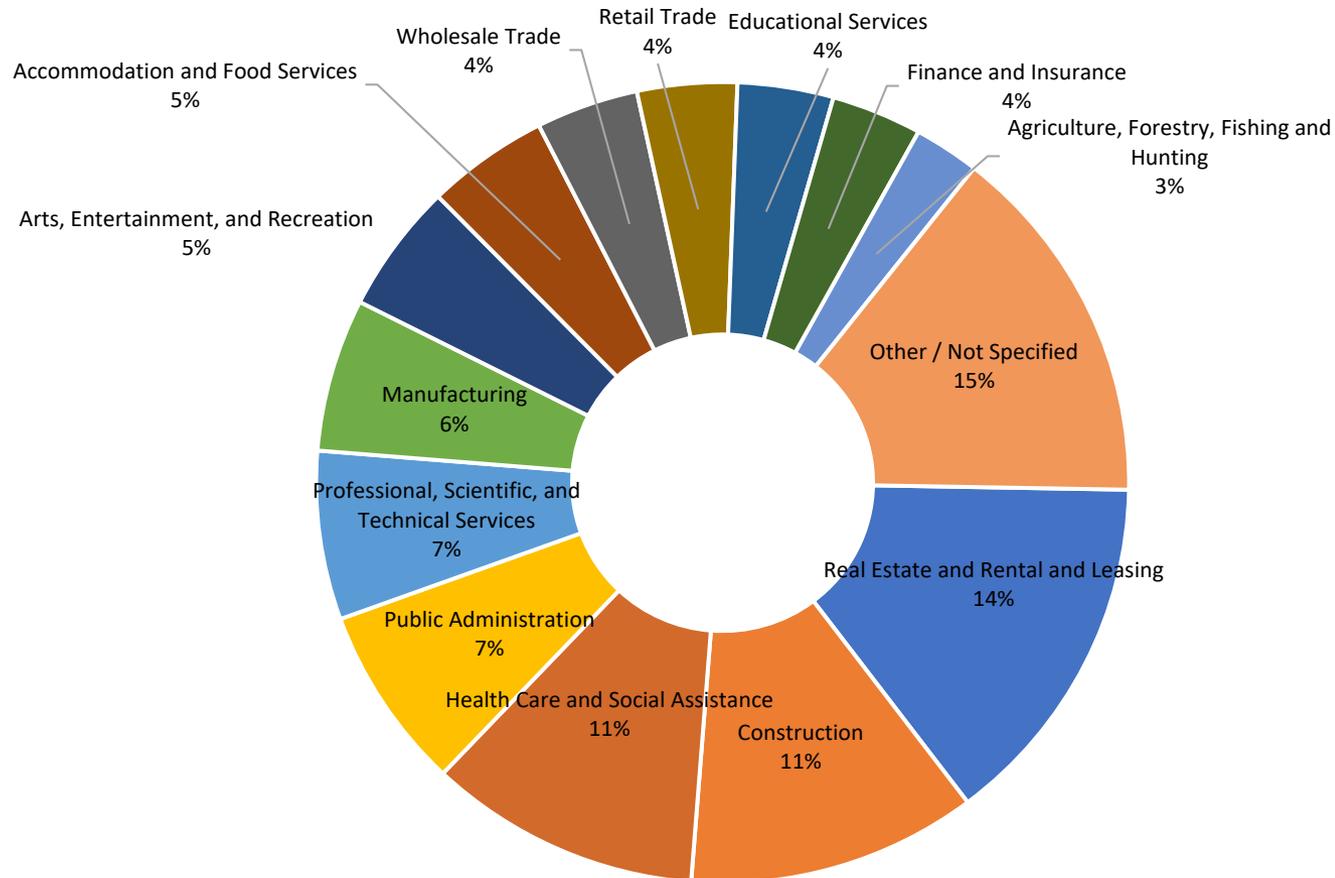
- 79.45% as of 12/31/2020
- 84.28% as of 12/31/2021
- 83.98% as of 12/31/22 (UBPR peer 78.94%)

Growth opportunities outside Santa Cruz

- Salinas
- Silicon Valley / Bay Area

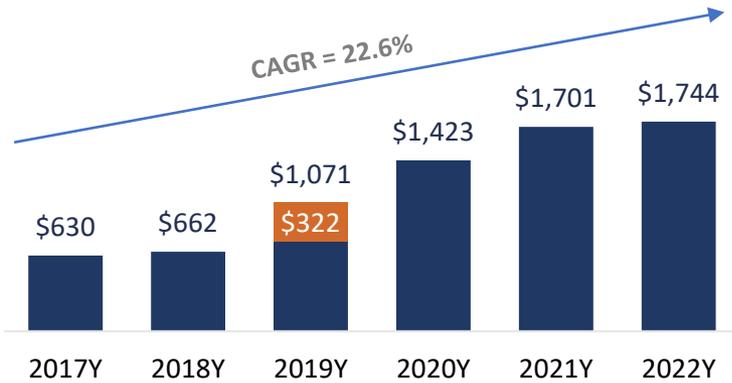
New treasury products and dedicated team provide additional opportunity

# Diverse Commercial Deposit Portfolio (by industry)

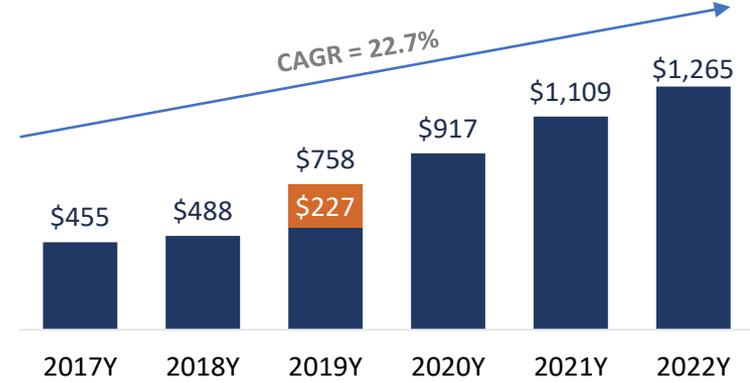


# Consistent Balance Sheet Growth

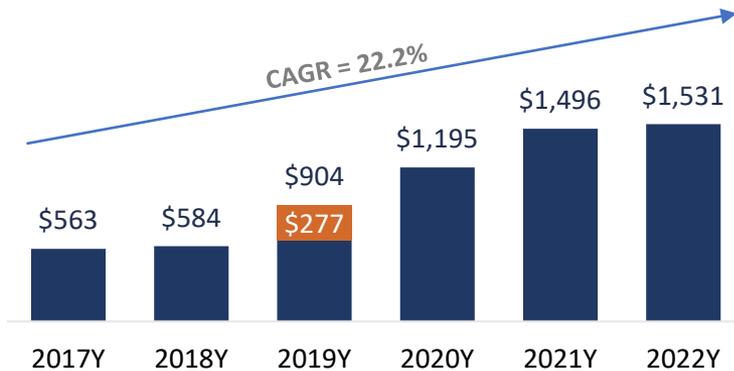
Total Assets (\$MM)



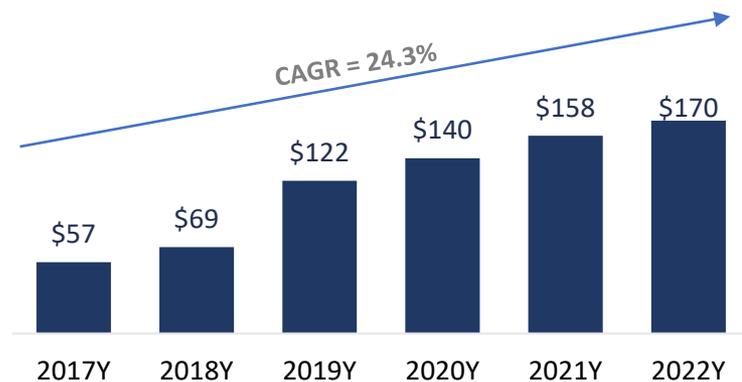
Gross Loans Excl. PPP (\$MM)



Total Deposits (\$MM)



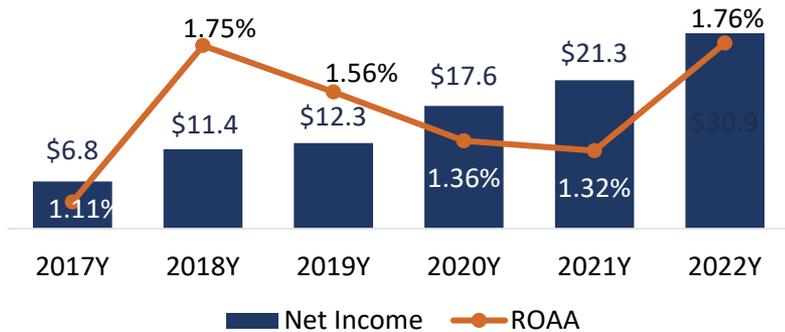
Tangible Common Equity (\$MM)



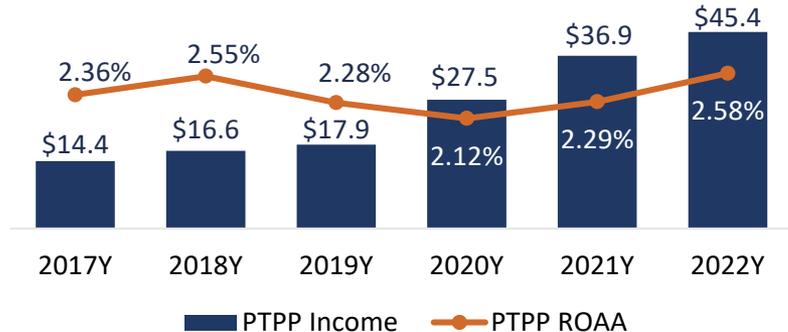
Denotes Lighthouse acquisition

# Strong Profitability

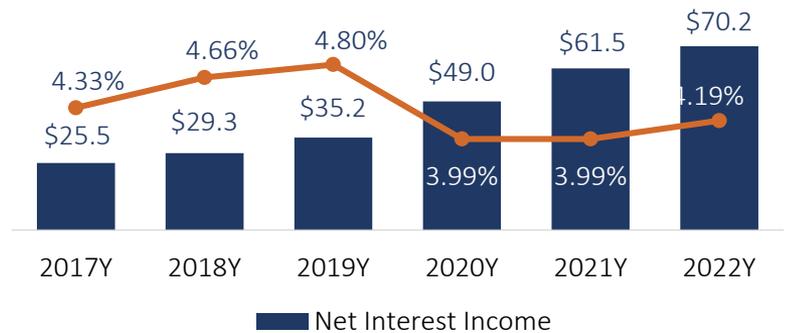
Net Income (\$MM)



Pre-Tax, Pre-Provision Net Income (\$MM)



Net Interest Income (\$MM)



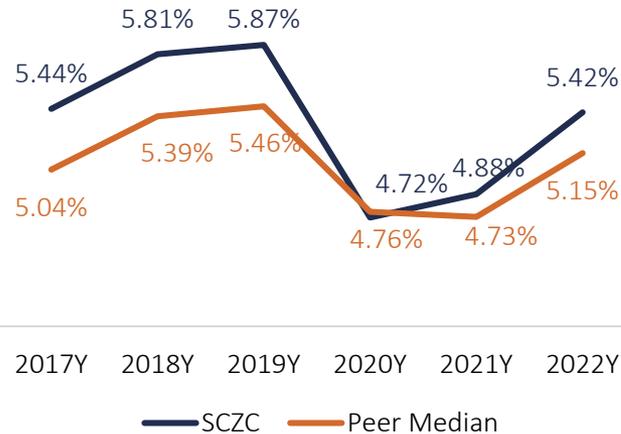
Noninterest Expense (\$MM)



# Disciplined Pricing Drives NIM

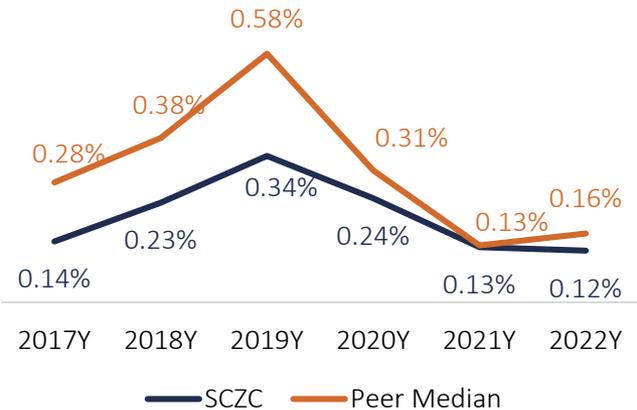
## Yield on Loans

High yielding loan portfolio with excellent credit quality



## Cost of Deposits

Low-cost deposit base



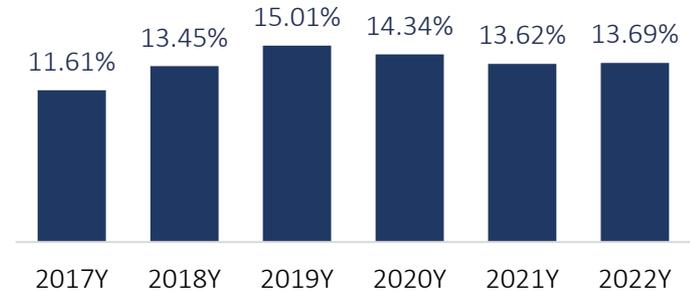
Note: Peers include all publicly listed banks headquartered in California with total asset \$1 billion to \$5 billion

# Robust Capital Position

TCE Ratio



Tier 1 Ratio



Total Capital Ratio

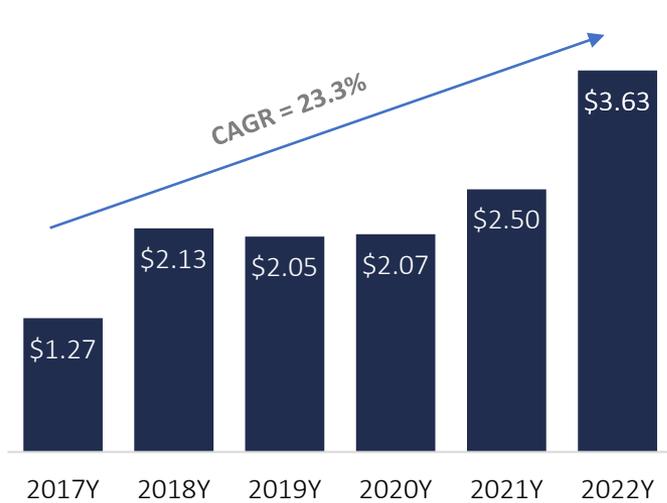


Leverage Ratio

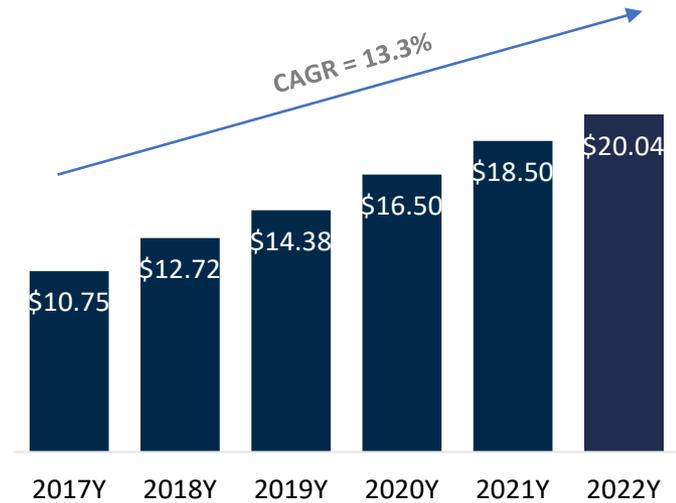


# Per Share Data

Earnings per Share (EPS)



Tangible Book Value per Share (TBVPS)

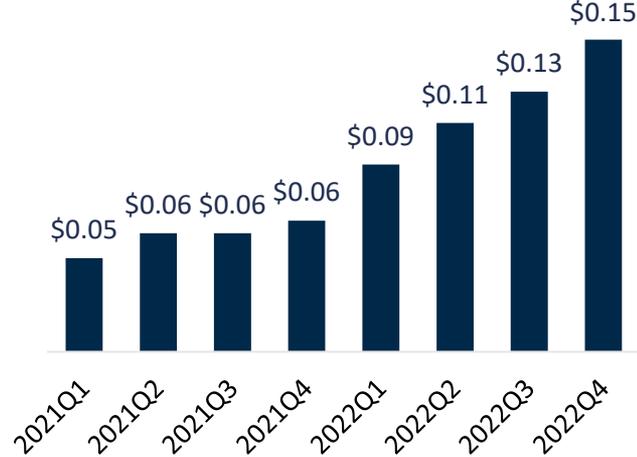


# Shareholder Focused

## Superior Price Performance



## Cash Dividend



Note: Market data as of December 31, 2022

# Community Reinvestment

## 2,400+ Hours of Community Service in 2022 – Outstanding CRA Rating – Corporate Leadership

Through volunteerism and service on boards and committees, we reinvest our time and financials into the communities we serve by supporting local non-profits, service clubs, chambers and charitable organizations. Our directors, management team, and employees are involved in hundreds of activities, and generously give their time, energy, and talent.

We offer our employees participation in a Community Service Program which supports activities that enhance and serve the communities in which we live and work. This program allows full-time employees to donate up to 40 hours per calendar year toward a 501(c)(3) charitable organization of their choice.



*Second Harvest Food Bank – Holiday Food & Fund Drive*



*CASA of Santa Cruz County – Holiday Fundraising*



*Habitat for Humanity, Build Day*

# Rankings and Recognition

## NATIONAL



### S & P GLOBAL

Ranked 6<sup>th</sup> in the nation in performance for banks under \$3 billion in assets.



### BAUER FINANCIAL, INC

Rated 5-Star, Superior for every quarter in 2022



### INDEPENDENT COMMUNITY BANKERS OF AMERICA

Ranked 7<sup>th</sup> in the 2021 Top Commercial Lenders in the nation for community banks over \$1 billion in assets.



### AMERICAN BANKER MAGAZINE

Ranked 83<sup>rd</sup> in the Top 200 Community Banks in the nation and 13<sup>th</sup> out of 22 California banks. This is the Bank's 8<sup>th</sup> consecutive year in the Top 200.

## CALIFORNIA



### FINANCIAL MANAGEMENT CONSULTING (FMC) GROUP

Ranked 13<sup>th</sup> out of 127 California Banks for 2022 overall financial performance.



### THE FINDLEY REPORTS INC.

Top ranking of Super Premier Performing Bank for 13 consecutive years.

## LOCAL



### BUSINESS OF THE YEAR

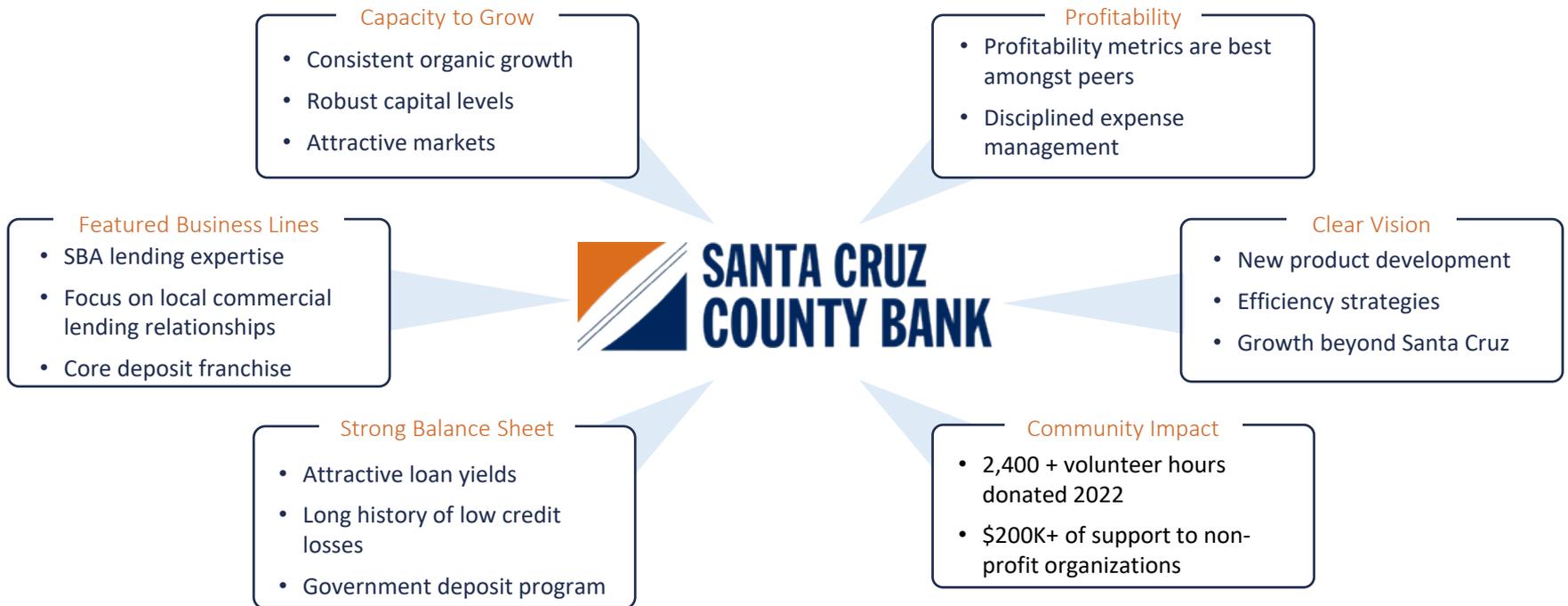
The Santa Cruz County Chamber of Commerce recognized the Bank's PPP support during the pandemic – \$574 MM, 4,204 PPP loan applications and 50,000 jobs saved. The Bank previously received recognition as Business of the Year in 2018.



### BEST BANK 2022

Voted **Best Bank** ten years in a row, by Good Times readers.

# Investment Highlights



# Appendix

# Non-GAAP Reconciliation

Tangible common equity to tangible assets (the "tangible common equity ratio") and tangible book value per share are non-U.S. GAAP financial measures derived from U.S. GAAP-based amounts. We calculate the tangible common equity ratio by excluding the balance of intangible assets from common stockholders' equity and dividing by tangible assets. We calculate tangible book value per share by dividing tangible common equity by common shares outstanding, as compared to book value per common share, which we calculate by dividing common stockholders' equity by common shares outstanding. We believe that this information is consistent with the treatment by bank regulatory agencies, which exclude intangible assets from the calculation of risk-based capital ratios. Accordingly, we believe that these non-U.S. GAAP financial measures provide information that is important to investors and that is useful in understanding our capital position and ratios. However, these non-U.S. GAAP financial measures are supplemental and are not a substitute for an analysis based on U.S. GAAP measures. As other companies may use different calculations for these measures, this presentation may not be comparable to other similarly titled measures reported by other companies. A reconciliation of the non-U.S. GAAP measure of tangible common equity ratio to the U.S. GAAP measure of common equity ratio and tangible book value per share to the U.S. GAAP measure of book value per share are set forth below.

<i>All dollars in thousands, except per share data</i>	For the Twelve Months Ended					
	2017	2018	2019	2020	2021	2022
Total Stockholders' Equity	\$57,281	\$68,523	\$151,098	\$168,486	\$186,090	\$197,676
Less: Intangible Assets	0	0	29,331	28,688	28,202	27,796
<b>Tangible Common Equity</b>	<b>\$57,281</b>	<b>\$68,523</b>	<b>\$121,767</b>	<b>\$139,798</b>	<b>\$157,888</b>	<b>\$169,880</b>
Total Assets	\$629,964	\$662,408	\$1,070,983	\$1,422,872	\$1,701,249	\$1,744,487
Less: Intangible Assets	0	0	29,331	28,688	28,202	27,796
<b>Tangible Assets</b>	<b>\$629,964</b>	<b>\$662,408</b>	<b>\$1,041,652</b>	<b>\$1,394,184</b>	<b>\$1,673,047</b>	<b>\$1,716,691</b>
<b>Tangible Common Equity Ratio</b>	<b>9.1%</b>	<b>10.3%</b>	<b>11.7%</b>	<b>10.0%</b>	<b>9.4%</b>	<b>9.9%</b>
Basic Shares Outstanding	5,330,432	5,386,906	8,469,650	8,475,024	8,536,000	8,477,272
Book Value per Share	\$10.75	\$12.72	\$17.84	\$19.88	\$21.80	\$23.32
Less: Intangible Book Value per Share	0.00	0.00	3.46	3.39	3.30	3.28
<b>Tangible Book Value per Share</b>	<b>\$10.75</b>	<b>\$12.72</b>	<b>\$14.38</b>	<b>\$16.50</b>	<b>\$18.50</b>	<b>\$20.04</b>

# Non-GAAP Reconciliation

For periods presented below, efficiency ratio is a non-U.S. GAAP financial measure derived from U.S. GAAP-based amounts. This figure represents the ratio of non-interest expense less other real estate owned operations and amortization of intangible assets expense to the sum of net interest income and total non-interest income. Management believes that the exclusion of such items from this financial measure provides useful information to gain an understanding of the operating results of our core business. This non-U.S. GAAP financial measure is supplemental and is not a substitute for an analysis based on U.S. GAAP measures. As companies may use different calculations for this measure, this presentation may not be comparable to other similarly titled measures reported by other companies. A calculation of the non-U.S. GAAP measure of efficiency ratio is set forth below.

<i>All dollars in thousands</i>	For the Twelve Months Ended					
	2017	2018	2019	2020	2021	2022
Total Noninterest Expense	\$14,432	\$15,945	\$17,412	\$25,354	\$29,388	\$29,402
Less: Foreclosure & Repo	(59)	0	0	0	0	0
Less: Amortization of Intangibles	0	0	138	643	486	406
<b>Noninterest Expense, Adjusted</b>	<b>\$14,491</b>	<b>\$15,945</b>	<b>\$17,274</b>	<b>\$24,711</b>	<b>\$28,902</b>	<b>\$28,996</b>
Net Interest Income	\$25,522	\$29,277	\$35,185	\$48,986	\$61,535	\$70,209
Plus: Total Noninterest Income	\$3,260	\$3,222	\$3,447	\$4,213	\$4,776	\$4,544
<b>Total Revenue</b>	<b>\$28,782</b>	<b>\$32,499</b>	<b>\$38,632</b>	<b>\$53,199</b>	<b>\$66,311</b>	<b>\$74,753</b>
<b>Efficiency Ratio</b>	<b>50.3%</b>	<b>49.1%</b>	<b>44.7%</b>	<b>46.5%</b>	<b>43.6%</b>	<b>38.8%</b>

# Non-GAAP Reconciliation

Pre-tax, pre-provision net income is a non-U.S. GAAP financial measure derived from U.S. GAAP-based amounts. We calculate pre-tax, pre-provision net income by excluding income tax and provision for credit losses from net income. Management believes that the exclusion of such items from this financial measure provides useful information to gain an understanding of the operating results of our core business. This non-U.S. GAAP financial measure is supplemental and is not a substitute for an analysis based on U.S. GAAP measures. As companies may use different calculations for this measure, this presentation may not be comparable to other similarly titled measures reported by other companies. A calculation of the non-U.S. GAAP measure of pre-provision net income is set forth below.

<i>All dollars in thousands</i>	For the Twelve Months Ended					
	2017	2018	2019	2020	2021	2022
Net Income	\$6,758	\$11,380	\$12,275	\$17,550	\$21,274	\$30,944
Plus: Provision for Income Taxes	6,679	4,486	5,153	7,128	8,791	12,815
Plus: Provision for Loan Losses	913	688	450	2,816	6,858	1,592
<b>Pre-Tax, Pre-Provision Net Income</b>	<b>\$14,350</b>	<b>\$16,554</b>	<b>\$17,878</b>	<b>\$27,494</b>	<b>\$36,923</b>	<b>\$45,351</b>
Average Assets	\$609,192	\$649,653	\$784,586	\$1,294,813	\$1,609,634	\$1,756,075
PTPP Net Income / Avg. Assets	2.36%	2.55%	2.28%	2.12%	2.29%	2.58%
PTPP Net Income / Avg. Assets (Annualized)	2.36%	2.55%	2.28%	2.12%	2.29%	2.58%