



**Santa Cruz County Bank Reports Record Earnings
For Quarter Ended March 31, 2021
*Assets over \$1.5 billion***

SANTA CRUZ, CA – April 21, 2021: Santa Cruz County Bank (OTC: SCZC), with assets over \$1.5 billion, is a top-rated community bank headquartered in Santa Cruz County. Today the Bank announced record unaudited earnings for the first quarter ended March 31, 2021. Net income for the quarter was \$5.8 million, an increase of \$1.4 million, or 32%, over the same period in 2020.

Santa Cruz County Bank President and CEO, Krista Snelling, commented, “It is a pleasure to present the Bank’s record quarter earnings. During the quarter, we celebrated the opening of our eighth full service banking office, located in Monterey and the expansion of our SBA Department. We continue to support businesses through the Paycheck Protection Program and to provide access to capital for all businesses, while maintaining exceptional credit quality.”

Financial Highlights

Performance highlights as of and for the quarter ended March 31, 2021 included the following:

- Assets of \$1.55 billion as of March 31, 2021, an increase of \$480.5 million or 45%, compared to March 31, 2020.
- Deposits of \$1.36 billion, an increase of \$456.9 million or 51%, compared to March 31, 2020.
- Pretax income of \$8.2 million for the quarter ended March 31, 2021, a new record, compared to \$5.7 million and \$6.2 million for the quarters ended December 31, 2020 and March 31, 2020, respectively.
- Net interest margin was 4.10% for the first quarter of 2021, as compared to 4.08% in the trailing quarter and 4.51% in the same quarter of 2020.
- For the quarter ended March 31, 2021 and December 31, 2020, return on average assets was 1.60% and 1.12%, respectively, and the return on average tangible equity was 16.40% and 11.66%, respectively.
- Efficiency ratio was 45.60% for the first quarter of 2021, as compared to 49.45% in the trailing quarter and 47.55% in the same quarter of 2020.
- All capital ratios were above regulatory requirements for a well-capitalized institution with a total risk-based capital ratio of 16.24%.
- Continued exceptional credit quality with only one loan for \$30 thousand on nonaccrual.
- Book value per share after cash dividends increased to \$44.95 at March 31, 2021 compared to \$43.74 at December 31, 2020.

First Quarter Earnings

For the first quarter 2021, net income was \$5.8 million, compared to \$4.0 million in the fourth quarter of 2020 and \$4.4 million in the first quarter of 2020. In the first quarter of 2021, \$375 thousand was provided for loan loss reserves compared to \$2.1 million in the fourth quarter of 2020 and \$150 thousand in the first quarter of 2020. The large provision in the fourth quarter of 2020 was due to the volume of core loan growth during that period. Both basic and diluted earnings per share improved over prior year by \$0.36 or 32%.

Pretax income for the quarter ended March 31, 2021 was \$8.2 million compared to \$5.7 million for the previous quarter ended December 31, 2020 and \$6.2 million for the same period in prior year.

Interest Income / Interest Expense and Net Interest Margin

Net interest income is the major earnings component of the Bank. Net interest income of \$14.2 million for the quarter ended March 31, 2021 exceeded prior quarter by 1%, or \$112 thousand, and improved over the 2020 first quarter by 28% or \$3.1 million. The year over year increase is due primarily to growth in the loan portfolio which increased by \$598.2 million over the twelve months ended March 31, 2021. Of the increase, \$432.2 million was PPP loan origination (there were no PPP loans on the books at March 31, 2020). The Bank's cost of funds was 0.16% for the current quarter compared to 0.36% over the same period last year.

For the first quarter of 2021, the net interest margin was 4.10%, a decline of 41 basis points from prior year and an increase of two basis points over the fourth quarter of 2020. The year over year reduction in net interest margin was due primarily to the Bank's asset sensitivity, which means net interest income will follow in the same direction as rates.

Assets

Total assets for the first quarter 2021 increased by \$480.5 million or 45% compared to prior year. This was due primarily to asset growth generated through PPP loan origination but also planned organic growth such as expansion into Monterey County. With over 50% of 2020 PPP loan originations made to new customers, the Bank's business relationships in the tri-county market area expanded and the Bank continues to capitalize on opportunities afforded by the PPP program into the current quarter.

Loans and Asset Quality

In the first quarter 2021, gross loans increased by \$113.1 million, and year over year increased \$598.2 million, 79% to \$1.35 billion. Year over year growth represented a combination of PPP loan generation and core loan growth while current quarter growth was driven almost entirely by PPP loans.

Allowance for loan losses of \$13.4 million at March 31, 2021 represents a \$3.0 million, or 29%, increase over the same period last year. The Bank's asset quality remained exceptional with only \$30 thousand in nonaccrual at quarter-end and the allowance increase is driven by loan volume.

The following is a summary of delinquent and nonperforming loans, as well as the Bank's loan mix:

Delinquent and Nonperforming Loans

	As of or for the Quarter Ended <u>03/31/2021</u>
<i>(Dollars in thousands)</i>	
Loans past due 30-89 days	\$ -
Delinquent loans (past due 90+ days still accruing)	69
Nonaccrual loans	30
Other real estate owned	-
Nonperforming assets	99
Net loan charge-offs (recoveries) YTD	(2)

Loan Mix (% of Gross Loans)

	As of <u>03/31/2021</u>
Loans held for sale	2%
SBA and B&I loans	9%
PPP loans	32%
Commercial loans	6%
Revolving commercial lines	7%
Construction loans	7%
Real estate loans	35%
Home equity lines of credit	2%
Installment, overdraft, and O/D loans	0%
Nonaccrual loans and unposted loans	0%
OREO as a % of gross loans	0%

The Bank continues to experience good credit quality within its loan portfolio with minimal past due loans and one loan on nonaccrual with limited loss potential. By proactively working with our clients throughout the pandemic, the Bank has received and processed COVID-related payment deferral requests which peaked in October at approximately 8% of the non-SBA portfolio, with 84% of deferrals secured by conforming real estate. This has continued to decline and now total deferrals are only 1.27% of loans with the majority of those facilities being well-secured by real property. The Bank continues to work closely with its customers to ensure their success. The passage of The Economic Aid Act has provided continued support for the Bank's SBA 7(a) portfolio with at least 3 months of payment support on behalf of the borrower. The Bank's exposure to the hospitality industry remains well-managed and is as follows: exposure to hotels/motels at \$130 million and exposure to restaurants at \$28 million.

Deposits

Deposits grew by 51% or \$456.9 million since March 31, 2020, which included \$640.8 million in noninterest-bearing deposits at quarter-end. The Bank's total deposits, at a record \$1.356 billion, increased by 13% or \$161.3 million since December 31, 2020. Growth in both periods was enhanced by the PPP related deposits. Santa Cruz County Bank ranked 4th in overall deposit market share in Santa Cruz County, 1st in Santa Cruz and 2nd in Watsonville based upon FDIC data as of June 30, 2020.

Deposit Mix (% of Total Deposits)

	As of 03/31/2021
Noninterest-bearing demand	47%
Interest-bearing demand	14%
Money markets	21%
Time certificates of deposit ≥ \$250,000	6%
Time certificates of deposit < \$250,000	4%
Savings	9%
Total deposits – personal	39%
Total deposits – business	61%

Noninterest Income / Expense

Noninterest income for the quarter ended March 31, 2021 was \$1.5 million compared to \$1 million for the same period last year with the difference concentrated within gains on SBA loans sold, which was \$618 thousand in Q1 2021 versus \$188 thousand for the same period in 2020. Noninterest income was up \$338 thousand over Q4 2020 with most of the variance again concentrated within SBA gains.

Noninterest expense for the quarter ended March 31, 2021 was \$268 thousand or 4% less than prior quarter but increased 26% or \$1.5 million compared to the same period last year. The year over year increase is due to multiple reasons including the ongoing cost associated with providing PPP loan origination services to our community, fully staffing and equipping our branch in Monterey and pandemic related expenses such as janitorial and security.

Shareholders' Equity

Total shareholders' equity was \$173.5 million at March 31, 2021, a \$5 million or 3% increase over December 31, 2020 and an \$18.6 million increase over prior year. Equity was reduced by the payout of cash dividends on common stock of \$289 thousand in Q1 2021 and \$1.2 million over the last twelve months. There was approximately \$28.6 million of intangible assets on the books due to the 2019 merger of which \$25.8 million was Goodwill.

For the quarter ended March 31, 2021, the Bank's return on average equity was 13.66% with a return on tangible equity of 16.40%. Return on average assets was 1.60%. The book value per share of Santa Cruz County Bank's common stock after cash dividends at March 31, 2021 was \$44.95 up \$4.73 from the same period in 2020.

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 eight branches—Aptos, Capitola, Cupertino, Monterey, Santa Cruz (2), Scotts Valley and Watsonville. 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.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS

- S&P Global Top 100 Community Banks: The Bank has ranked in the Top 100 Community Banks in the nation for performance for banks under \$3 billion in assets for 5 consecutive years.
- Financial Management Consulting (FMC) Group: The Bank has ranked in FMC's top ten banks in California for the past 6 years.
- The Findley Reports, Inc.: The Bank has received the top ranking of Super Premier by Findley for 11 consecutive years.
- Bauer Financial Reports, Inc.: The Bank is rated 5-star "Superior" based upon its financial performance.
- Santa Cruz County Bank ranked 11th in the Silicon Valley for the number of SBA loans lent to Silicon Valley businesses for the SBA's 2020 fiscal year.

COMMUNITY AWARDS AND RECOGNITION

- Good Times, 2021 Best of Santa Cruz County Award, Voted "Best Bank" for 9 consecutive years.
- Santa Cruz Sentinel, 2020 Reader's Choice Award, number one bank in Santa Cruz County as voted by Santa Cruz Sentinel readers.
- Santa Cruz Waves Magazine, 2020 Swellies Awards, Voted "Favorite Bank" in Santa Cruz County.
- Second Harvest Food Bank, Platinum Level Award for the 2020 Holiday Food & Fund Drive.

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 Unaudited Financial Information

<i>(Dollars in thousands, except per share amounts)</i>	<u>As of or for the Quarter Ended</u> <u>March 31,</u>				<u>As of or for the</u> <u>Quarter Ended</u> <u>December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>Change \$</u>	<u>Change %</u>	<u>2020</u>	<u>Change \$</u>	<u>Change %</u>
Balance Sheet							
Total assets	\$ 1,549,976	\$ 1,069,463	\$ 480,513	45%	\$ 1,422,872	\$ 127,104	9%
Gross loans	1,350,804	752,563	598,241	79%	1,237,748	113,056	9%
Allowance for loan losses	13,399	10,349	3,050	29%	13,021	378	3%
Noninterest-bearing deposits	640,796	356,716	284,080	80%	552,645	88,151	16%
Total deposits	1,356,054	899,127	456,927	51%	1,194,784	161,270	13%
Shareholders' equity	173,484	154,891	18,593	12%	168,486	4,998	3%
Income Statement							
Interest income	\$ 14,661	\$ 11,837	\$ 2,824	24%	\$ 14,651	\$ 10	0%
Interest expense	492	792	(300)	-38%	593	(101)	-17%
Net interest income	14,169	11,045	3,124	28%	14,058	111	1%
Provision for loan losses	375	150	225	150%	2,056	(1,681)	-82%
Noninterest income	1,533	1,018	515	51%	1,194	339	28%
Merger expense	-	66	(66)	-100%	115	(115)	-100%
Noninterest expense	7,160	5,669	1,491	26%	7,428	(268)	-4%
Net income before taxes	8,167	6,178	1,989	32%	5,653	2,514	44%
Income tax expense	2,378	1,797	581	32%	1,610	768	48%
Net income after taxes	\$ 5,789	\$ 4,381	\$ 1,408	32%	\$ 4,043	\$ 1,746	43%
Basic earnings per share	\$ 1.50	\$ 1.14	\$ 0.36	32%	\$ 1.05	\$ 0.45	43%
Diluted earnings per share	\$ 1.49	\$ 1.13	\$ 0.36	32%	\$ 1.05	\$ 0.44	42%
Book value per share	\$ 44.95	\$ 40.22	\$ 4.73	12%	\$ 43.74	\$ 1.21	3%
Tangible book value per share	\$ 37.10	\$ 32.15	\$ 4.95	15%	\$ 35.83	\$ 1.27	4%
Shares outstanding	3,859,464	3,851,041			3,852,341		
Ratios							
Tier 1 leverage ratio	10.13%	12.26%			10.27%		
Net interest margin	4.10%	4.51%			4.08%		
Efficiency ratio	45.60%	47.55%			49.45%		
Return on average assets	1.60%	1.67%			1.12%		
Return on average equity	13.66%	11.42%			9.58%		
Return on average tangible equity	16.40%	14.23%			11.66%		
% of noninterest-bearing to total deposits	47.25%	39.67%			46.25%		