

Lighthouse Bank Reports Strong Start in 2014

Loan Growth in 1st quarter 2014 surpassed that of entire year in 2013

SANTA CRUZ, Calif., April 18, 2014 /PRNewswire/ -- Locally owned Lighthouse Bank (OTCBB: LGHT) today released unaudited financial results for the quarter-ended March 31, 2014. The Bank posted a \$596 thousand profit for the period, representing the 19th successive quarter of profitable operations for the six-year-old bank. Profit for the quarter represented a 15% increase in earnings compared to the same period-ended March 31, 2013 and was the second highest quarterly earnings result in the Bank's history. For the 3-month period, shareholders' equity increased by \$648 thousand to a record \$23.5 million. The Bank experienced solid growth in loans during the quarter, up 7% from December 31, 2013. Reorganization of the Bank's lending group during the past year continues and to date has produced positive results for the company. Loan growth in the 1st quarter of 2014 matched that for the entire year in 2013. Deposits increased 2% from the period ended December 31, 2013. Overall positive performance continued to be driven by the Bank's control of overhead expenses and growth in the loan portfolio.

The Bank's loan loss reserve of 2.60% of gross loans remained significantly above the industry average of 1.75% for banks under \$1 billion in size. The Bank had no nonperforming loans and no past due loans in excess of 30 days at March 31, 2014, and has not experienced a loan loss in nearly two years.



Artist's rendering of Lighthouse Bank's future headquarters at 2020 N. Pacific Avenue in downtown Santa Cruz, Calif.

In January, the Bank closed on the \$1.5 million purchase of 2020 N. Pacific Avenue, Santa Cruz. The property is located in the heart of downtown Santa Cruz and following renovation and expansion will serve as the Bank's new headquarters. The planning process for the site is currently underway with construction expected to commence in early 2015. Once completed, the 8,500 square foot facility will significantly benefit both the Bank and the community.

Since opening, Lighthouse Bank's consistently strong financial results continue to place it at the top of the industry in a variety of categories including asset quality, capital adequacy, return on equity and operational efficiency. Lighthouse Bank was rated the

top bank in Northern and Central California by FMC Consultants and 5th of the 215 banks in the state. The Bank is rated by Bauer financial as Five-Star "Superior" for strong financial performance, the top rating given by the independent bank rating firm. Lighthouse Bank is the only locally owned financial institution in Santa Cruz County awarded this top rating. The Findley Reports designated Lighthouse Bank as 2014 a "Super Premier" performing bank. This is the third consecutive year which the Bank has received the highest ranking given. The Bank has no financial relationship with any of these rating agencies.

Lighthouse Bank's stock (LGHT) is actively traded on the Over the Counter Bulletin Board via the Bank's market makers and online and full-service brokerage providers. More information on the Bank's stock and historical financial performance may be located on the Bank's website at www.lighthousebank.net.

ABOUT LIGHTHOUSE BANK: Lighthouse Bank is a locally owned and operated full-service commercial bank located in Santa Cruz, Ca. The Bank marked its 6th anniversary on October 29, 2013. Lighthouse Bank offers a full array of banking products and services to businesses, professionals, individuals, developers and commercial property owners. The Bank is dedicated to providing exceptional personalized service and access to decision makers who are always close at hand. The Bank offers a unique worldwide ATM fee rebate program and complimentary business courier service which expands the geographical reach of its banking office location throughout Santa Cruz County. Lighthouse Bank is committed to operating an open, ethical and financially successful company without engaging in the corporate excesses that have come to characterize the financial services industry. All decisions are intended to contribute to the long-term success of its clients, employees, owners and the community it serves. The Bank received no TARP funds and has neither accepted nor requested government assistance of any kind. Lighthouse Bank has never been subject to either formal or informal regulatory action.

Lighthouse Bank is located at 111 Mission Street in Downtown Santa Cruz, CA. More Information on the Bank may be obtained through its website www.lighthousebank.net or by calling 831-600-4000.

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Selected Financial Data (unaudited)

	Quarter-Ended		Change		Quarter-Ended		Change	
	3/31/2014	12/31/2013	\$	%	3/31/2013	\$	%	
Balance Sheet								
Total assets	\$ 161,996,473	\$ 157,974,526	\$ 4,021,947	3%	\$ 163,196,415	\$ (1,199,942)	-1%	
Gross loans	110,833,596	103,530,539	7,303,057	7%	103,364,129	7,469,467	7%	
Allowance for loan losses	2,882,031	2,874,031	8,000	0%	2,872,319	9,712	0%	
Non interest-bearing deposits	31,914,932	30,290,175	1,624,757	5%	32,016,105	(101,173)	0%	
Total deposits	137,514,513	134,494,698	3,019,815	2%	141,139,791	(3,625,278)	-3%	
Shareholders' equity	23,506,821	22,858,980	647,841	3%	21,137,438	2,369,383	11%	
Income Statement								
Interest income	2,001,814	1,862,763	139,051	7%	1,799,268	202,546	11%	
Interest expense	96,497	97,981	(1,484)	-2%	113,611	(17,114)	-15%	
Net interest income	1,905,317	1,764,782	140,535	8%	1,685,657	219,660	13%	
Provision for loan losses	8,000	-	8,000	100%	-	8,000	100%	
Non-interest income	100,920	79,833	21,087	26%	82,750	18,170	22%	
Non-interest expense	1,031,316	910,873	120,443	13%	949,771	81,545	9%	
Net income before taxes	966,921	933,742	33,179	4%	818,636	148,285	18%	
Income tax expense (benefit)	370,427	344,180	26,247	8%	297,995	72,432	24%	
Net income	<u>\$ 596,494</u>	<u>\$ 589,562</u>	<u>\$ 6,932</u>	1%	<u>\$ 520,641</u>	<u>\$ 75,853</u>	15%	
Earnings per share (basic)	\$ 0.28	\$ 0.28	\$ -	0%	\$ 0.24	\$ 0.04	15%	
Book value per share	\$ 10.98	\$ 10.68	\$ 0.30	3%	\$ 9.88	\$ 1.10	11%	
Ratios								
Net interest margin	5.02%	4.64%			4.43%			
Equity capital-to-total assets	14.5%	14.5%			13.0%			
Return on Average Assets	1.48%	1.48%			1.29%			
Return on Average Equity	10.39%	10.31%			10.02%			
Allowance for Loan Losses-to-Total Loans	2.60%	2.78%			2.78%			
Non-Performing Assets-to-Total Assets	0.22%	0.22%			0.23%			
Efficiency Ratio	51.4%	49.4%			53.7%			