

Lighthouse Bank's Strong Loan Growth Continues in 2nd Quarter 2014

SANTA CRUZ, Calif., July 18, 2014 /PRNewswire/ -- Locally owned Lighthouse Bank (LGHT) today released unaudited financial results for the quarter-ended June 30, 2014. The Bank posted a \$448 thousand profit for the period, representing the 20th successive quarter of profitable operations for the six-year old bank. Profit for the first six months of 2014 was \$1.04 million.

Profit for the quarter was \$129 thousand below Q1 2014, entirely the result of a \$282 thousand dollar increased contribution to the Bank's loan loss reserve made during the period. The loan loss reserve increase was the result of rapid loan growth and was not the result of any deterioration in credit quality. At quarter end, the Bank had no past due loans in excess of 30 days and no non-performing loans. Net loan losses experienced by the Bank during its six year history total less than \$200,000 and the Bank has had no loan losses in over two years. The Bank's loan loss reserve of 2.6% of gross loans is conservatively provisioned and is approximately 50% higher than the average held by banks of under \$1 billion in size. Lighthouse Bank believes it is imprudent to excessively lower reserves during times of economic recovery, at the risk of being caught unprepared during times of economic decline and so maintains its loan loss reserves accordingly.

During the 2nd quarter of 2014, shareholder equity increased by \$778 thousand to a record \$24.3 million. The equity increase was the result of earnings, combined with approximately \$300 thousand in paid in capital from the exercise of employee stock options.



Loans increased significantly during the 2nd quarter within all lines of the Bank's lending portfolio. Gross loans of \$122 million represented a 20% year-over-year increase and a 10% increase from Q1 2014. Total deposits were down approximately 3% year over year, resulting from the departure of some higher cost accounts. Loan activity increase was attributed principally to the reorganization of the Bank's lending department during the second half of 2013 and early 2014, which has produced positive results for the company. During the 2nd quarter of 2014, veteran bankers Michele Bassi, Ken Steen and Neil Santiago joined the Bank's lending group.

Lighthouse Bank's overall positive performance continues to be driven by high operational efficiency combined with high asset quality. The Bank is currently executing on plans to expand into

Santa Clara County and continues to move forward with the development of its future new headquarters location in downtown Santa Cruz. That site, 2020 N. Pacific Ave., Santa Cruz, was purchased by the Bank in Q1 2014 and is located in the heart of downtown, approximately one block from the Bank's present location.

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 by Findley. 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 <http://lighthousebank.net/Company/StockInformation/tabid/2477/Default.aspx>.

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.

	Quarter-Ended		Selected Financial Data (unaudited)				Year-to-Date Ended		
	6/30/2014	3/31/2014	%	Quarter-Ended	%	6/30/2014	6/30/2013	%	
				6/30/2013					
Balance Sheet									
Total assets	\$ 169,117,949	\$ 161,996,473	4%	\$ 160,088,961	6%				
Gross loans	121,773,016	110,833,596	10%	101,845,479	20%				
Allowance for loan losses	3,164,031	2,882,031	10%	2,874,031	10%				
Non interest-bearing deposits	30,117,684	31,914,932	-6%	32,208,453	-6%				
Total deposits	134,081,196	137,514,513	-2%	137,893,677	-3%				
Shareholders' equity	24,284,535	23,506,821	3%	21,588,909	12%				
Income Statement									
Interest income	2,034,232	2,001,814	2%	1,865,314	9%	\$ 4,036,046	\$ 3,664,582	10%	
Interest expense	96,294	96,497	0%	108,506	-11%	192,791	222,117	-13%	
Net interest income	1,937,938	1,905,317	2%	1,756,808	10%	3,843,255	3,442,465	12%	
Provision for loan losses	282,000	8,000	0%	-	N/A	290,000	-	N/A	
Non-interest income	78,597	100,920	-22%	79,924	-2%	179,517	162,674	10%	
Non-interest expense	1,020,707	1,031,316	-3%	947,600	6%	2,052,023	1,897,371	8%	
Net income before taxes	713,828	966,921	-24%	889,132	-18%	1,680,749	1,707,768	-2%	
Income tax expense (benefit)	265,530	370,427	-28%	328,958	-19%	635,957	626,953	1%	
Net income	\$ 448,298	\$ 596,494	-22%	\$ 560,174	-17%	\$ 1,044,792	\$ 1,080,815	-3%	
Earnings per share (basic)	\$ 0.21	\$ 0.28	-21%	\$ 0.26	-15%	\$ 0.49	\$ 0.51	-4%	
Book value per share	\$ 11.18	\$ 10.98	2%	\$ 10.09	11%	\$ 11.18	\$ 10.09	11%	
Ratios									
Net interest margin	4.85%	5.02%		4.64%					
Equity capital-to-total assets	14.4%	14.5%		13.5%					
Return on Average Assets	1.07%	1.48%		1.42%					
Return on Average Equity	7.49%	10.39%		10.58%					
Allowance for Loan Losses-to-Total Loans	2.60%	2.60%		2.82%					
Non-Performing Assets-to-Total Assets	0.21%	0.22%		0.20%					
Efficiency Ratio	50.7%	51.4%		51.1%					