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LIGHTHOUSE BANK

LIGHTHOUSE BANK CONTINUES STRONG PERFORMANCE WITH RECORD QUARTERLY EARNINGS

Santa Cruz, Calif., October 17, 2014 - Locally owned Lighthouse Bank ([LGHT](#)) today released unaudited financial results for the quarter-ended September 30, 2014. The Bank posted a \$725 thousand profit for the period, representing the 21st consecutive quarter of profitable operations for the seven-year-old Bank. Profit for the 9-month period was \$1.7 million.

Profit for the quarter represented an 11% increase in earnings compared to the same period-ended September 30, 2013, and was the highest quarterly earnings period in the Bank's history. For the 9-month period, shareholders' equity increased by \$2.2 million to a record \$25.1 million. The Bank experienced a drop in loans of \$3.7 million during the quarter due to two large loan pay-offs. Year-over-year, gross loans increased by \$17.9 million, 18%, to \$118 million. Deposits increased 3% from the period ended June 30, 2013. Overall positive performance continued to be driven by the Bank's flat organizational structure, control of overhead expenses, and growth of the loan portfolio.

The Bank's loan loss reserve of 2.68% 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 September 30, 2014 and has not experienced a loan loss in over two years. Non-performing assets were limited to a single OREO property that is under contract and being sold at book value, with closing scheduled prior to December 31, 2014.

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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 design approval complete and construction expected to commence in April 2015. Once completed, the 8500

sq. ft. facility, located only ½ block from the Bank's current location, will represent a landmark site and will significantly benefit both the Bank and the Santa Cruz community.



Lighthouse Bank Future Headquarters
2020 North Pacific Avenue, Santa Cruz

Lighthouse Bank will mark its 7th anniversary on October 29, 2014. Since opening, the 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, another well known banking publication named the Bank as a "Super Premier" performing bank, their highest ranking. Lighthouse 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. 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. A unique worldwide ATM fee rebate program, business courier service, and remote deposit capture technology allow the Bank to expand its geographical reach throughout Santa Cruz County and the Silicon Valley. 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 communities 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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The attached 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 fluctuation 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.

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