



## SANTA CRUZ COUNTY BANK REPORTS FOURTH QUARTER, YEAR END RESULTS

Deposits increase by \$32 million (15%) over prior year  
Assets increase by \$36 million (16%) over prior year

**SANTA CRUZ, CA – January 27, 2010:** Santa Cruz County Bank, (**SCZC.OB**), a locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced earnings for the fourth quarter and fiscal year ending December 31, 2009. For the twelve month period ended December 31, 2009 the bank reported net income after tax of \$203,000 compared to \$17,000 for the same period ended December 31, 2008. This represents an improvement of \$186,000. Net interest income for 2009 improved by \$1.3 million over prior year as the bank's funding costs were managed to offset lower loan and investment yields. Other contributing factors to net income included a decrease in loan loss provision during 2009 of \$426,000 and an increase in non-interest income of \$523,000. The bank experienced growth of more than \$36 million in total assets during 2009, finishing the year at \$265.1 million and capital that exceeds regulatory guidelines for a well-capitalized institution.

Total assets increased \$3.1 million to \$265.1 million at December 31, 2009, compared to \$262.0 million at September 30, 2009. Gross loans increased \$6.3 million, or 4%, to \$156.5 million at December 31, 2009 from \$150.2 million at September 30, 2009. Customer deposits remained relatively even between third quarter and fourth quarter, increasing by \$100 thousand during that period.

For the quarter ended December 31, 2009, the bank reported net income of \$71,000, compared to net income of \$218,000 for the comparable period in 2008. The decrease in net income for the quarter ended December 31, 2009 when compared to the prior year is primarily attributable to an increase in non-interest expense and an increase in provision for loan losses, which were partially offset by an increase in non-interest income.

Net interest income increased by \$214,000 during the quarter ended December 31, 2009 compared to the same period for the prior year. This was attributable to a decrease of \$235,000, or 39%, in interest expense from \$598,000 in the fourth quarter of fiscal 2008 to \$363,000 in the comparable quarter of fiscal 2009 even with deposit growth of 15%. The changes in yields and costs are the result of the general decline in market interest rates that has accompanied the financial and general economic environment that evolved over the past 18 to 24 months.

The bank's provision for loan losses of \$100,000 during the quarter ended December 31, 2008 increased by \$450,000 to \$550,000 for the quarter ended December 31, 2009, reflecting the effect of the economy on the bank's borrowing customers and management's intention to be well positioned to withstand those effects.

The bank's non-interest income increased \$319,000 during the quarter ended December 31, 2009 compared to the prior year. This was the result of increased gain on the sale of loans and investments as well as management's focused strategy to offset declining net interest margins with improvements in non-interest income sources.

Non-interest expense increased by \$329,000 during the quarter ended December 31, 2009 compared to the same quarter one year earlier. The increases included expenses related to our growth as well as FDIC assessments resulting partially from growth in deposits and additional assessments caused by the large number of bank failures witnessed over the last two years. Strategic measures have been implemented to reduce operating expenses during 2010. These measures include the consolidation of our Business Lending Office into another existing facility and the reduction in employees from 70 to 65 full time equivalent staff. One staff reduction was from the resignation of the Bank's Executive Vice President and Chief Operating Officer, Sandi Eason, who left the Bank in January of this year.

David Heald, President and CEO, commented, "2009 was a challenging year for community banks. Additional FDIC assessments to support our industry and continued economic instability puts pressure on earnings. We have adapted our operations to improve earnings and successfully navigate the bank in the present economy. In 2009 the bank achieved several significant milestones: the opening of our fifth location; surpassing \$150 million in gross loans; \$230 million in deposits; and \$250 million in assets."

### **Annual Meeting Notice**

The Bank's Annual Meeting of Shareholders will be held on May 25, 2010 at Bittersweet Bistro at 3:00 p.m. Pacific Standard Time.

### **About Santa Cruz County Bank**

Headquartered in Santa Cruz, Santa Cruz County Bank is a full service bank serving the banking needs of individuals and businesses throughout Santa Cruz County. The bank operates five full-service banking offices and two self-serve banking centers. Each of the bank's offices has received a Green Business Certification Award by the Monterey Bay Area Green Business Program. The Bank's full-service banking offices are located in Aptos, Capitola, Santa Cruz, Scotts Valley and Watsonville. The Bank commenced operations on February 3, 2004 in Santa Cruz.

Santa Cruz County Bank's common stock is listed on the Over the Counter (OTC) Bulletin Board under the stock symbol SCZC. More information on the Bank may be obtained through its website: [www.sccountybank.com](http://www.sccountybank.com) or by calling 831.457.5000.

*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.*

### **CONTACTS:**

David V. Heald, President, Chief Executive Officer  
831.457.5003 ext. 2116 – [dheald@sccountybank.com](mailto:dheald@sccountybank.com)

Vic Davis, Senior Vice President, Chief Financial Officer  
831.457.5003 ext. 2217 – [vdavis@sccountybank.com](mailto:vdavis@sccountybank.com)



Selected Financial Data (unaudited)  
December 31, 2009

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		YEAR ENDED	YEAR ENDED	Change	
	12/31/09	09/30/09	\$	%	12/31/09	12/31/08	\$	%
TOTAL ASSETS	\$ 265,105,193	\$ 262,035,379	\$ 3,069,814	1%	\$ 265,105,193	\$ 229,100,085	\$ 36,005,108	16%
GROSS LOANS	156,525,733	150,210,505	6,315,228	4%	156,525,733	146,106,831	10,418,902	7%
ALLOWANCE FOR LOAN LOSSES	2,898,478	2,545,379	353,099	14%	2,898,478	2,885,298	13,180	0%
NON-INTEREST BEARING DEPOSITS	75,895,196	75,715,764	179,432	0%	75,895,196	63,386,131	12,509,065	20%
TOTAL DEPOSITS	239,303,637	239,203,613	100,024	0%	239,303,637	207,196,387	32,107,250	15%
SHAREHOLDERS' EQUITY	19,592,977	19,452,637	140,340	1%	19,592,977	18,987,974	605,003	3%
					Year-to-Date	Year-to-Date	Change	
					12/31/09	12/31/08	\$	%
<b>INCOME STATEMENT</b>								
INTEREST INCOME	\$ 3,026,098	\$ 2,948,926	\$ 77,172	3%	\$ 11,612,463	\$ 11,453,697	\$ 158,766	1%
INTEREST EXPENSE	363,308	376,941	(13,633)	-4%	1,591,415	2,775,843	(1,184,428)	-43%
NET INTEREST INCOME	2,662,790	2,571,985	90,805	4%	10,021,048	8,677,854	1,343,194	15%
PROVISION FOR LOAN LOSSES	550,146	401,908	148,238	37%	1,250,196	1,676,176	(425,980)	-25%
NON-INTEREST INCOME	588,946	537,675	51,271	10%	1,979,111	1,455,894	523,217	36%
NON-INTEREST EXPENSE	2,571,465	2,622,623	(51,158)	-2%	10,388,305	8,433,453	1,954,852	23%
NET INCOME (LOSS) BEFORE TAXES	130,125	85,129	44,996	53%	361,658	24,119	337,539	1399%
INCOME TAX EXPENSE/(CREDIT)	58,878	42,257	16,621	39%	158,787	6,943	151,844	2187%
NET INCOME (LOSS) AFTER TAXES	\$ 71,247	\$ 42,872	\$ 28,375	66%	\$ 202,871	\$ 17,176	\$ 185,695	1081%
<b>RATIOS</b>								
NET INTEREST MARGIN	4.21%	4.31%			4.34%	4.72%		
EQUITY CAPITAL-TO-TOTAL ASSETS	7.4%	7.4%			7.4%	8.3%		