



**SANTA CRUZ
COUNTY BANK**

Put your money where your life is.

**FIRST QUARTER REPORT
2016**



To our Shareholders,

It is our pleasure to report the results of our first quarter 2016. During the quarter we celebrated 12 years serving Santa Cruz County. We are grateful to so many businesses and individuals who have wholeheartedly supported our vision, and who recently expressed their appreciation by voting us “Best Bank” in the county.

The Bank’s financial performance continues to earn us top recognition on a statewide level. Financial Management Consulting (FMC) Group ranked us 2nd in overall financial performance for 2015 among 185 California banks and 1st (lowest) in non-performing assets and asset quality. Moreover, The Findley Reports designated us as a Super Premier Performing Bank for a sixth consecutive year.

The financial data presented below and to the right summarizes the results of our first quarter of 2016. Comparing the three-months ended March 31, 2016 to the three-months ended March 31, 2015:

Net income increased \$250 thousand, 20% to \$1.5 million

Total deposits increased \$43.9 million, 10% to \$472 million

Gross loans increased \$46.0 million, 14% to \$375.2 million

Total assets increased \$50.1 million, 11% to \$524.7 million

The summary to the right also includes a comparison of first quarter of this year to the fourth quarter ended December 31, 2015. Basic earnings per share of \$0.69 for the first three-months of 2016 represents a \$0.11 or 19% increase over the same period in 2015. Our twelfth consecutive quarterly cash dividend was paid to shareholders in April, resulting in over \$1.2 million paid to shareholders. Shareholders’ equity grew to \$46.0 million at March 31, 2016, a \$6.0 million, 15% increase over the prior year.

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	CHANGE		QUARTER ENDED	CHANGE	
	3/31/16	3/31/15	\$	%	12/31/15	\$	%
TOTAL ASSETS	\$ 524,680,478	\$ 474,535,002	\$ 50,145,476	11%	\$ 513,336,864	\$ 11,343,614	2%
GROSS LOANS	375,200,453	329,220,953	45,979,500	14%	357,908,503	17,291,950	5%
ALLOWANCE FOR LOAN LOSSES	7,535,908	6,560,060	975,848	15%	7,362,210	173,698	2%
NON INTEREST-BEARING DEPOSITS	194,380,033	173,573,733	20,806,300	12%	208,935,959	(14,555,926)	-7%
TOTAL DEPOSITS	472,004,239	428,119,862	43,884,377	10%	462,235,030	9,769,209	2%
SHAREHOLDERS' EQUITY	46,013,587	40,012,363	6,001,224	15%	44,095,023	1,918,564	4%
BOOK VALUE PER SHARE	\$ 21.02	\$ 18.62	\$ 2.40	13%	\$ 20.37		
INCOME STATEMENT							
INTEREST INCOME	5,551,950	4,706,672	845,278	18%	5,117,338	434,612	8%
INTEREST EXPENSE	136,534	110,826	25,708	23%	116,595	19,939	17%
NET INTEREST INCOME	5,415,416	4,595,846	819,570	18%	5,000,743	414,673	8%
PROVISION FOR LOAN LOSSES	187,500	187,500	-	0%	357,500	(170,000)	-48%
NON-INTEREST INCOME	964,623	908,685	55,938	6%	577,887	386,736	67%
NON-INTEREST EXPENSE	3,681,557	3,290,381	391,176	12%	2,906,848	774,709	27%
NET INCOME BEFORE TAXES	2,510,982	2,026,650	484,332	24%	2,314,282	196,700	8.5%
INCOME TAX EXPENSE	1,010,809	776,498	234,311	30%	860,850	149,959	17%
NET INCOME AFTER TAXES	\$ 1,500,173	\$ 1,250,152	\$ 250,021	20%	\$ 1,453,432	\$ 46,741	3%
BASIC EARNINGS PER SHARE	\$ 0.69	\$ 0.58	\$ 0.11	19%	\$ 0.68		
RATIOS							
NET INTEREST MARGIN	4.31%	4.17%			3.90%		
TIER 1 LEVERAGE RATIO	8.84%	8.68%			8.42%		
RETURN ON AVERAGE ASSETS	1.15%	1.09%			1.09%		
RETURN ON AVERAGE EQUITY	13.33%	12.78%			13.29%		
EFFICIENCY RATIO	57.70%	59.78%			52.12%		

In the last twelve months, we have added \$2.40 in book value per share to your investment. The book value per share of Santa Cruz County Bank stock of \$21.02 at March 31, 2016 increased in comparison to \$18.62 at March 31, 2015. Adding further to our list of accomplishments for building shareholder value, Santa Cruz County Bank was named one of the 50 best performing companies on the OTCQX marketplace based on total return and growth in average daily trading dollar volume in 2015.

To hear more about our performance and the year ahead, we encourage you to attend the Annual Meeting of Shareholders on May 24, 2016 at the Sesnon House on the Cabrillo College Campus at 4pm. You should receive by mail or electronic means a proxy voting card to vote your shares,

along with the Bank's 2015 Annual Report and Proxy Statement.

As always, we thank you for your investment in Santa Cruz County Bank.



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO

SCZC CASH DIVIDEND HISTORY	
Record Date	Payable Date
June 28, 2013	July 10, 2013
September 27, 2013	October 10, 2013
December 27, 2013	January 10, 2014
March 27, 2014	April 10, 2014
June 25, 2014	July 10, 2014
September 25, 2014	October 10, 2014
December 30, 2014	January 12, 2015
March 27, 2015	April 10, 2015
July 1, 2015	July 14, 2015
September 30, 2015	October 15, 2015
December 21, 2015	January 11, 2016
March 30, 2016	April 11, 2016
All \$0.05 cash dividends	

STOCK LISTING OTCQX: SCZC

SHAREHOLDER INFORMATION

Shareholders with questions regarding their stockholder account, stock transfer and registration, lost certificates or change of address should contact their broker, or if held directly, contact the Bank's stock transfer agent, Computershare Investor Services, at 800.962.4284 or www.computershare.com. For other assistance with stock related matters, shareholders may contact Mary Anne Carson, Shareholder Relations at 831.457.5000.

The Bank's quarterly reports, 2015 Annual Report and stock quotes are available at www.sccountybank.com in the Investor Relations section.

BOARD OF DIRECTORS

Tila Bañuelos

Kenneth R. Chappell

George R. Gallucci

Thomas N. Griffin

William J. Hansen

David V. Heald

Harvey J. Nickelson



RECENT AWARDS

Santa Cruz Sentinel Readers' Choice

Voted Best Bank in Santa Cruz County for 2015.

Good Times Best of Santa Cruz County Readers' Poll

Voted Best Bank for the 4th consecutive year.

Financial Management Consulting Group

Named the top bank for asset quality and non-performing assets and 2nd in California for Overall Bank Performance in 2015.

Super Premier Performing Bank

For a 6th consecutive year, Santa Cruz County Bank has been recognized as a Super Premier Performing Bank by The Findley Reports, Inc.

BANKING OFFICES:

APTOS: 7775 Soquel Drive

CAPITOLA: 819 Bay Avenue

SANTA CRUZ: 720 Front Street

SCOTTS VALLEY: 4604 Scotts Valley Drive

WATSONVILLE: 595 Auto Center Drive

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**MEMBER
FDIC**

