



**Santa Cruz County Bank Reports Record Earnings
For Three-Month and Nine-Month Periods Ended September 30, 2017**

*Assets Surpass \$630 Million
Third Quarter Return on Equity of 14.92%*

SANTA CRUZ, CA – October 16, 2017: Santa Cruz County Bank (OTC: SCZC), a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced unaudited record net income for the third quarter ended September 30, 2017 of \$2.1 million. This represents an increase of 9% compared to the prior quarter and an increase of 29% comparing this quarter with the same quarter in 2016. For the first nine months of 2017, net income also reached a record, \$5.9 million. For the quarter, basic earnings per share increased \$0.21 to \$0.96 a 28% increase over the third quarter in 2016.

Pretax income for the quarter ended September 30, 2017 was \$3.50 million, an increase of \$859 thousand, 32%, compared to \$2.64 million for the quarter ended September 30, 2016.

President and CEO David V. Heald commented, “On behalf of the Board of Directors and our employees, we are pleased to report another exceptional quarter and continued year to date record earnings. Historically, our financial performance has earned us high marks and recognition from financial industry experts. With ongoing support of our community and shareholders, we look forward to continuing to deliver exceptional performance and shareholder returns.”

Selected financial information is presented in the following table:

| | Three-Months Ended, | | |
|---------------------------------|---------------------|---------------|---------------|
| | 09.30.17 | 09.30.16 | 06.30.17 |
| Balance Sheet | | | |
| Total assets | \$634,286,574 | \$578,240,368 | \$595,987,021 |
| Gross loans | 447,997,128 | 384,137,220 | 431,236,076 |
| Allowance for loan losses | 8,934,461 | 7,968,586 | 8,691,576 |
| Non-interest-bearing deposits | 256,053,980 | 242,628,086 | 226,963,043 |
| Total deposits | 568,721,855 | 521,244,485 | 532,848,989 |
| Shareholders' equity | 56,616,575 | 49,082,013 | 54,581,855 |
| Net Income | | | |
| | \$2,110,024 | \$1,630,256 | \$1,927,312 |
| Ratios | | | |
| Net interest margin | 4.28% | 3.86% | 4.35% |
| Tier 1 leverage ratio | 9.16% | 8.55% | 9.26% |
| Return on average assets | 1.35% | 1.13% | 1.30% |
| Return on average equity | 14.92% | 13.33% | 14.31% |
| Efficiency ratio | 49.85% | 55.41% | 52.71% |
| Share and Per Share Data | | | |
| Basic earnings per common share | \$0.96 | \$0.75 | \$0.88 |
| Book value per common share | \$25.75 | \$22.41 | \$24.82 |
| Total common shares outstanding | 2,199,347 | 2,189,736 | 2,198,946 |

Third Quarter Financial Highlights:

- Net interest margin of 4.28%
- Continued exceptional credit quality with no loans on non-accrual
- Third quarter return on average assets and equity of 1.35% and 14.92%, respectively
- Well capitalized with a total risk based capital ratio of 12.85%
- 17% growth in loans, \$63.9 million increase over the third quarter of 2016
- 9% growth in deposits, \$47.5 million increase over the third quarter of 2016
- Basic earnings per share increased to \$0.96 from \$0.75 over the third quarter of 2016
- Book value per share, after dividends, increased by \$3.34 to \$25.75 over the third quarter of 2016

Loans, Asset Quality & Deposits

Deposits increased by 7%, \$35.9 million since June 30, 2017. Consequently, total assets increased by \$38.3 million to \$634 million in the third quarter and grew by \$56.0 million over the last twelve months. The Bank's asset quality remained exceptional. For the third quarter, gross loans increased by \$16.8 million, and year over year increased \$63.9 million, 17% to \$448.0 million. Allowance for loan losses of \$8.9 million at September 30, 2017 represents a 12% increase over the same period last year due to the increase in loans outstanding. The ratio of loan loss reserves to loans not held for sale is at 2.13%. As of June 30, 2017, Santa Cruz County Bank was in the 93rd percentile of its peer group for this metric.

Non-Interest Income / Expense and Net Interest Margin

A component of the Bank's core business is the origination and sale of loans generated by its top producing SBA Department, which results in gains that are included in non-interest income. For the third quarter of 2017, non-interest income was \$976 thousand which included \$353 thousand of gains on loans sold. This represented an increase in non-interest income of \$42 thousand compared to prior quarter, when \$319 thousand in gains was recognized, and an increase of \$84 thousand compared to the same period in 2016, which included \$274 thousand in gains on loans sold.

Non-interest expense for the three-month period ended September 30, 2017, decreased 1% or \$49 thousand compared to prior quarter and increased 8% or \$261 thousand compared to the same period last year. Most of the increase falls within the category of salaries and employee benefits. A bank's efficiency ratio measures total overhead expense expressed as a percentage of net interest income (TE) plus non-interest income. The Bank's efficiency ratio at 49.85% is in the best 11th percentile of national peers (the lower the better) with the median at 64.60%.

Net interest income of \$6.5 million for the quarter ended September 30, 2017 exceeded the prior quarter by \$271 thousand or 4% and exceeded the third quarter of 2016 by \$1.1million or 20%. The improvement is driven by a continued focus on building high quality earning assets through loan production and the benefit from recent rate increases implemented by the Federal Open Market Committee. Although net interest margin at 4.28% declined slightly from 4.35% in the prior quarter there was an improvement of 42 basis points compared to the third quarter in 2016.

Shareholders' Equity

Total shareholders' equity was \$56.6 million at September 30, 2017, a \$7.5 million, 15% increase over September 30, 2016. The value added to our shareholders was due to continued strong earnings. This increase was reduced by the payout of quarterly cash dividends. Common stock cash dividends totaled \$110 thousand or \$0.05 per share for the quarter ended September 30, 2017. Historically, the Bank has paid eighteen consecutive \$0.05 cash dividends totaling over \$1.9 million to shareholders.

For the three month period ended September 30, 2017, the Bank's return on average equity was 14.92% and return on average assets was 1.35%. The book value per share of Santa Cruz County Bank's common stock at September 30, 2017 was \$25.75, up from \$22.41 for the same period in 2016.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS

Financial Management Consulting (FMC) Group: Santa Cruz County Bank ranked 1st in overall performance among all California banks for the first and second quarters of 2017. The Bank ranked 2nd in overall

performance among 185 California banks and ranked 1st (lowest) in non-performing assets for the full year in 2016. The Bank has ranked in FMC's top ten banks in California for the past two years.

The Findley Reports, Inc.: Santa Cruz County Bank was named a Super Premier Performing Bank for its 2016 performance. The Bank has received the top ranking of Super Premier by Findley for seven consecutive years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank rated five star or "Superior" for its financial strength for the quarter ended June 30, 2017.

American Banker Magazine: Santa Cruz County Bank ranked 44th out of 684 institutions in American Banker Magazine's "Top Performing 200 Community Banks & Thrifts in the United States" based upon 3-year average return on equity. The Bank has ranked in the Top 200 Community Banks in the United States for three consecutive years.

Independent Banker Magazine, published by the ICBA: Santa Cruz County Bank ranked 22nd in its Top Best Performing Member Community Banks for return on average equity.

COMMUNITY AWARDS AND RECOGNITION

2017: Second Harvest Food Bank of Santa Cruz County "Big Step Award" for the 2016 Holiday Food Drive.

2016: United Way of Santa Cruz County "Corporate Spirit Award" for outstanding support.

2017, 2016, 2015, 2014, 2013: Voted "Best Bank" by the readers of Good Times, a weekly publication with distribution throughout Santa Cruz County.

2017, 2016, 2015: Voted "Best Bank" by the readers of Santa Cruz Sentinel, a daily publication with distribution throughout Santa Cruz County.

2013: Volunteer Center of Santa Cruz County "Be the Difference" Business Award for leadership and volunteerism.

ABOUT SANTA CRUZ COUNTY BANK

Santa Cruz County Bank, founded in 2004, is a locally owned and operated community bank with offices located in Aptos, Capitola, Santa Cruz, Scotts Valley and Watsonville. The bank offers a variety of competitive deposit and lending solutions for businesses and individuals; including business loans, lines of credit, commercial real estate financing, agricultural loans, SBA and USDA government guaranteed loans, credit cards, merchant services, remote deposit capture, mobile and online banking, bill payment, and cash management. For the past nine years, the Bank's SBA Department has been recognized as a top SBA lender in Santa Cruz County. Santa Cruz County Bank is a top USDA lender in the state of California.

Santa Cruz County Bank stock is publicly traded on the OTC marketplace under the stock symbol SCZC. Stock purchase orders may be placed through a brokerage firm or one of the Market Makers listed in the Investor Relations section of the bank's website. For more information about Santa Cruz County Bank, please visit our website www.sccountybank.com.

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.

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Selected Financial Data (unaudited)

| | Quarter ended | | Change | | Quarter ended | | Change | | | | |
|---|----------------|----------------|---------------|-----|----------------|---------------|--------|---------------------------|---------------------------|--------------|-----|
| | 9/30/17 | 9/30/16 | \$ | % | 6/30/17 | \$ | % | Nine-months ended 9/30/17 | Nine-months ended 9/30/16 | \$ | % |
| Balance Sheet | | | | | | | | | | | |
| Total assets | \$ 634,286,574 | \$ 578,240,368 | \$ 56,046,206 | 10% | \$ 595,987,021 | \$ 38,299,553 | 6% | | | | |
| Gross loans | 447,997,128 | 384,137,220 | 63,859,908 | 17% | 431,236,076 | 16,761,052 | 4% | | | | |
| Allowance for loan losses | 8,934,461 | 7,968,586 | 965,875 | 12% | 8,691,576 | 242,885 | 3% | | | | |
| Non interest-bearing deposits | 256,053,980 | 242,628,086 | 13,425,894 | 6% | 226,963,043 | 29,090,937 | 13% | | | | |
| Total deposits | 568,721,855 | 521,244,485 | 47,477,370 | 9% | 532,848,989 | 35,872,866 | 7% | | | | |
| Shareholders' equity | 56,616,575 | 49,082,013 | 7,534,562 | 15% | 54,581,855 | 2,034,720 | 4% | | | | |
| Income Statement | | | | | | | | | | | |
| Interest income | 6,694,991 | 5,538,547 | 1,156,444 | 21% | 6,393,880 | 301,111 | 5% | 19,283,227 | 16,548,656 | \$ 2,734,571 | 17% |
| Interest expense | 210,719 | 143,287 | 67,432 | 47% | 180,541 | 30,178 | 17% | 563,014 | 420,079 | 142,935 | 34% |
| Net interest income | 6,484,272 | 5,395,260 | 1,089,012 | 20% | 6,213,339 | 270,933 | 4% | 18,720,213 | 16,128,577 | 2,591,636 | 16% |
| Provision for loan losses | 237,500 | 187,500 | 50,000 | 27% | 187,500 | 50,000 | 27% | 725,000 | 562,500 | 162,500 | 29% |
| Non-interest income | 975,617 | 894,515 | 81,102 | 9% | 933,317 | 42,300 | 5% | 2,793,951 | 2,811,616 | (17,665) | -1% |
| Non-interest expense | 3,718,559 | 3,457,315 | 261,244 | 8% | 3,767,193 | (48,634) | -1% | 11,007,041 | 10,712,682 | 294,359 | 3% |
| Net income before taxes | 3,503,830 | 2,644,960 | 858,870 | 32% | 3,191,963 | 311,867 | 10% | 9,782,123 | 7,665,011 | 2,117,112 | 28% |
| Income tax expense | 1,393,806 | 1,014,704 | 379,102 | 37% | 1,264,651 | 129,155 | 10% | 3,869,529 | 3,008,637 | 860,892 | 29% |
| Net income after taxes | \$ 2,110,024 | \$ 1,630,256 | 479,768 | 29% | \$ 1,927,312 | 182,712 | 9% | \$ 5,912,594 | \$ 4,656,374 | 1,256,220 | 27% |
| Basic Earnings Per Share | \$0.96 | \$0.75 | 0.21 | 28% | \$ 0.88 | 0.08 | 9% | \$2.70 | \$2.14 | \$ 0.56 | 26% |
| Book value per share | \$25.75 | \$22.41 | 3.34 | 15% | \$ 24.82 | 0.93 | 4% | \$25.75 | \$22.41 | \$ 3.34 | 15% |
| Ratios | | | | | | | | | | | |
| Net interest margin | 4.28% | 3.86% | | | 4.35% | | | 4.30% | 4.09% | | |
| Tier 1 leverage ratio | 9.16% | 8.55% | | | 9.26% | | | 9.16% | 8.55% | | |
| Return on average assets | 1.35% | 1.13% | | | 1.30% | | | 1.31% | 1.14% | | |
| Return on average equity | 14.92% | 13.33% | | | 14.31% | | | 14.62% | 13.24% | | |
| Efficiency ratio | 49.85% | 55.41% | | | 52.71% | | | 51.16% | 56.71% | | |
| % of non interest bearing to total deposits | 45% | 47% | | | 43% | | | | | | |