SANTA CRUZ COUNTY BANK

Celebrating 10 Years! 2004-2014

Q2

2014 SECOND QUARTER REPORT

To our Shareholders,

We are pleased to report another solid quarter of financial performance with record income, steady loan and deposit growth, and strong credit quality. For the quarter, we achieved a key milestone, by earning over one million dollars in net income.

Our ability to sustain outstanding financial performance continues to set us apart from other financial institutions. Santa Cruz County Bank again placed in the Top 200 Community Banks in the United States. The Bank's three-year average return on equity for the years ended 2011, 2012 and 2013 earned us the rank of 115th in American Banker Magazine's annual "Top 200 Community Banks and Thrifts". The rating took into consideration the performance of 851 banks and thrifts throughout the United States.

Our performance rankings, reputation, and exceptional customer service, continue to drive business through our doors on a daily basis. As a result, the Bank's balance sheet has grown significantly, year over year. The financial data, presented below, provides a summary of key financial highlights for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013:

Net income increased $265.1 thousand, 16%, to $1.9 million

Total deposits increased $53.4 million, 15%, to $398.4 million

Gross loans increased $55.2 million, 23%, to $293.0 million

Total assets increased $58.8 million, 15%, to $440.0 million

In May, our Board of Directors declared a fifth $0.05 cash dividend to shareholders of record as of June 25, 2014, which was paid in July. The book value per share of Santa Cruz County Bank's common stock at June 30, 2014 was $16.79, compared to $15.61 as of June 30, 2013. Shareholders' equity of $35.9 million as of June 30, 2014 represented a $5.1 million increase over June 30, 2013.

Comparing the quarter ended June 30, 2014 to June 30, 2013; the Bank's non-interest bearing deposits grew by $27.4 million, 18% to $181.0 million. Non-interest bearing deposits remained at 45% of total deposits as of June 30, 2014 compared to June 30, 2013.

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED 6/30/14	QUARTER ENDED 6/30/13	CHANGE $	CHANGE %	QUARTER ENDED 6/30/14	QUARTER ENDED 3/31/14	CHANGE $	CHANGE %
TOTAL ASSETS	$ 439,992,414	$ 381,152,211	$ 58,840,203	15%	$ 439,992,414	$ 407,261,570	$ 32,730,844	8%
GROSS LOANS	293,033,660	237,841,603	55,192,057	23%	293,033,660	278,164,942	14,868,718	5%
ALLOWANCE FOR LOAN LOSSES	6,025,201	5,430,183	595,018	11%	6,025,201	5,827,129	198,072	3%
NON-INTEREST BEARING DEPOSITS	181,035,204	153,643,037	27,392,167	18%	181,035,204	164,354,466	16,680,738	10%
TOTAL DEPOSITS	398,369,869	344,930,572	53,439,297	15%	398,369,869	366,294,411	32,075,458	9%
SHAREHOLDERS' EQUITY	35,869,952	30,724,547	5,145,405	17%	35,869,952	34,931,507	938,445	3%
BOOK VALUE PER SHARE	$ 16.79	$ 15.61			$ 16.79	$ 16.35		

INCOME STATEMENT	SIX-MONTHS ENDED 6/30/14	SIX-MONTHS ENDED 6/30/13	CHANGE $	CHANGE %
INTEREST INCOME	$ 8,666,941	$ 7,307,434	$ 1,359,507	19%
INTEREST EXPENSE	201,666	214,033	(12,367)	-6%
NET INTEREST INCOME	8,465,275	7,093,401	1,371,874	19%
PROVISON FOR LOAN LOSSES	375,000	300,000	75,000	25%
NON-INTEREST INCOME	1,690,584	1,643,928	46,656	3%
NON-INTEREST EXPENSE	6,715,072	5,826,550	888,522	15%
NET INCOME BEFORE TAXES	3,065,787	2,610,779	455,008	17%
INCOME TAX EXPENSE	1,176,580	986,659	189,921	19%
NET INCOME AFTER TAXES	$ $1,889,207	$ $1,624,120	$ 265,087	16%
BASIC EARNINGS PER SHARE	$ 0.89	$ 0.83		

RATIOS		
NET INTEREST MARGIN	4.31%	4.17%
TIER 1 LEVERAGE RATIO	8.62%	8.57%

Earlier in the year we invested in advanced technology which affords us the ability to deliver new products, improve internal efficiencies, and support the Bank's continued growth well into the future. We look forward to announcing the rollout of new products and services over the next twelve months.

As always, we thank you for your support and referrals to the Bank.

George Gallucci
Chairman of the Board

David Heald
President & CEO

SECOND QUARTER HIGHLIGHTS

Top 200 Banks & Thrifts

Santa Cruz County Bank ranked 115th in American Banker Magazine's "Top 200 Community Banks and Thrifts" in the United States.

Santa Cruz County Bank ranked as the 4th largest Small Business Administration 7(a) lender in the San Francisco District for loans made through the third quarter of the SBA's 2014 fiscal year.

Sue Chandler
SBA Dept. Manager

BOARD OF DIRECTORS

Kenneth R. Chappell, CPA, Partner-In-Charge, Hutchinson & Bloodgood, LLP
George R. Gallucci, Retired Banker and Registered Investment Advisor
Thomas N. Griffin, Director & President, Grunsky, Ebey, Farrar & Howell
Tila Guerrero, President & CEO, Mas Mac Inc., McDonald's Restaurants
William J. Hansen, (Vice-Chairman), President & CEO, Hansen Insurance Co.
David V. Heald, President & CEO, Santa Cruz County Bank
Harvey J. Nickelson, Retired Bank CEO and Community Volunteer

STOCK LISTING

Santa Cruz County Bank's common stock is listed on the Over the Counter Bulletin Board under the ticker symbol 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, 2013 Annual Report and stock quotes are available at www.sccountybank.com in the Investor Relations section.

BANKING OFFICES:

APTOS
7775 Soquel Drive
Aptos, CA 95003

CAPITOLA
819 Bay Avenue, Suite D
Capitola, CA 95010

SANTA CRUZ
720 Front Street
Santa Cruz, CA 95060

SCOTTS VALLEY
4604 Scotts Valley Drive
Scotts Valley, CA 95066

WATSONVILLE
595 Auto Center Drive
Watsonville, CA 95076

ATM & NIGHT DEPOSITORY LOCATIONS:

SANTA CRUZ
1555 Soquel Drive
Santa Cruz, CA 95062
(At Dominican Hospital Campus)

APTOS
783-25 Rio Del Mar Blvd.
Aptos, CA 95003
(At Deluxe Foods of Aptos)

MEMBER FDIC

Preferred SBA Lender

EQUAL HOUSING LENDER

www.scountybank.com

831.457.5000