

**Santa Cruz County Bank Reports 24% Increase in Net Income for  
the Year Ended December 31, 2015  
Record Earnings with Solid Growth in Assets, Loans and  
Deposits**

**SANTA CRUZ, CA – January 25, 2016:** Santa Cruz County Bank (OTCQX: SCZC), a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced unaudited net income for the fourth quarter and year ended December 31, 2015.

President and CEO David V. Heald commented, “We are pleased to report another consecutive year of record earnings and continued growth in all areas of our balance sheet. Our growth has been driven by a healthy economic environment for the businesses and customers we serve as well as our reputation and commitment to serving as a financial partner to our community for the past twelve years. We look forward to continued success in 2016 and serving the needs of our community.”

Selected financial information is presented in the following table:

	Year Ended December 31,		
	2015	2014	Change
<b>Balance Sheet</b>			
Total assets	\$ 513,336,864	\$ 459,794,882	12%
Gross loans	357,908,503	315,621,461	13%
Allowance for loan losses	7,362,210	6,402,752	15%
Non-interest-bearing deposits	208,935,959	191,789,387	9%
Total deposits	461,234,677	413,986,333	11%
Shareholders' equity	44,095,023	38,629,400	14%
<b>Net Income</b>	<b>\$ 5,433,780</b>	<b>\$ 4,371,187</b>	<b>24%</b>
<b>Ratios</b>			
Net interest margin	4.05%	4.11%	
Tier 1 leverage ratio	8.42%	8.39%	
Return on average assets	1.09%	1.00%	
Return on average equity	13.06%	12.04%	
Efficiency ratio	56.55%	61.54%	
<b>Share and Per Share Data</b>			
Basic earnings per common share	\$2.53	\$2.05	
Book value per common share	\$20.47	\$18.04	
Total common shares outstanding	2,154,451	2,141,253	

**Fourth Quarter Earnings**

Net income of \$1.5 million for the quarter ended December 31, 2015 increased 5% compared to the prior quarter and increased 14% comparing this quarter with the same

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quarter in 2014. Basic earnings per share increased \$0.48 to \$2.53, a 23% increase over the prior year.

Pretax income for the year ended December 31, 2015 was \$8.9 million, an increase of \$1.7 million, 24%, compared to \$7.2 million for the prior year.

Basic earnings per share for the fourth quarter ended December 31, 2015 increased to \$0.68 compared to \$0.60 the fourth quarter of the prior year.

### **Financial Highlights:**

- Fourth Quarter Return on Average Assets and Equity of 1.09% and 13.29%, respectively
- Year ended December 31, 2015 Net Interest Margin of 4.05%
- 13% growth in loans, \$42 million increase over the last twelve months
- 11% growth in deposits, \$47 million increase over the last twelve months
- Well capitalized with a total risk based capital ratio of 13.56%
- Continued exceptional credit quality with no loans past due or on non-accrual
- Full year basic earnings per share increased to \$2.53, up from \$2.05 for the prior year
- Book value per share after dividends increased by \$2.43 to \$20.47 for the year

### **2015 Highlights:**

The Bank declared four quarterly \$0.05 cash dividends to shareholders.

The Bank ranked in the “Top Performing 200 Community Banks and Thrifts in the United States” out of 750 institutions with less than \$2 billion in assets, based upon three year average return on equity for the years ending 2012, 2013 and 2014.

The Bank received 4-Star “Excellent” ratings by Bauer Financial, Inc. for its financial performance each quarter in 2015.

Financial Management Consulting Group ranked Santa Cruz County Bank 4<sup>th</sup> out of all California banks in overall performance for the quarter ended September 30, 2015 and 1<sup>st</sup> for loan quality.

Santa Cruz County Bank is the top USDA lender in the state of California.

The Bank remained as the top SBA lender in Santa Cruz County and ranked 6<sup>th</sup> in the Silicon Valley for the 2015 fiscal year.

### **Loans, Asset Quality & Deposits**

Total assets grew by \$54 million to \$513 million in 2015, which follows a \$61 million increase in 2014. The Bank’s asset quality remained exceptional with zero nonperforming loans. For the fourth quarter, gross loans increased by \$15 million, and year over year increased \$42 million, 13% to \$358 million. Allowance for loan losses of \$7.4 million at year end 2015 represents a 15% increase over year end 2014.

Deposits grew by 11%, \$47 million since December 31, 2014. Approximately \$17 million of this growth occurred in the non-interest bearing deposit category, furthering the bank's core strength of generating low cost of funds, which remains among the best in the nation.

### **Non-Interest Income / Expense and Net Interest Margin**

Comparing the twelve-month period ended December 31, 2015 to the same period in 2014, non-interest income declined by \$204 thousand due to forgoing immediate gains typically generated from loan sales in the third and fourth quarter of the year. This is the second consecutive quarter in which the Bank elected to retain high yielding earning assets generated by its highly recognized SBA Department for future earnings. Non-interest expense for the twelve month period ended December 31, 2015, increased only 0.8% or \$107 thousand, due to Management's commitment and ability to control expenses. Expressed as a percentage, the ratio of expenses to average assets has improved to 2.56% year to date 2015 from 2.89% year to date 2014.

Net interest income of \$5.0 million for the quarter ended December 31, 2015 exceeded the prior quarter by \$59 thousand or 1%. Net interest income for the year ended 2015 exceeded prior year by \$2.2 million or 13%.

Net interest margin was 3.90% and 3.95% for the quarters ended December 31, 2015 and 2014, respectively and 4.05% and 4.11% comparing the year ended December 31, 2015 and 2014, respectively. The Bank's non-interest bearing deposits decreased in the fourth quarter due to the seasonality of customers in the agriculture sector which is typical for this time of year.

### **Shareholders' Equity**

Total shareholders' equity was \$44 million at December 31, 2015, a \$5.5 million, 14% increase over December 31, 2014. The value added to our shareholders was due to continued strong earnings. This increase was reduced by the payout of previous cash dividends. Common stock cash dividends totaled \$430 thousand or \$0.20 per share for the year ended December 31, 2015. A cash dividend of \$0.05 was declared in December 2015 to shareholders of record as of December 21, 2015, which was paid on January 11, 2016. Historically, the Bank has paid eleven \$0.05 cash dividends totaling over \$1.0 million to shareholders since July 2013.

For the twelve month period ended December 31, 2015, the Bank's return on average equity was 13.06% and return on average assets was 1.09%. The book value per share of Santa Cruz County Bank's common stock at December 31, 2015 was \$20.47, up from \$18.04 for the same period in 2014.

### **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 the top USDA lender in the state of California.

Santa Cruz County Bank stock is publicly traded on the OTCQX 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](http://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.*

**CONTACTS:**

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

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



Selected Financial Data (unaudited)

	Quarter ended		Change		Quarter ended		Change				
	12/31/15	12/31/14	\$	%	9/30/15	\$	%	Year ended	Year ended	Change	
								12/31/15	12/31/14	\$	%
<b>Balance Sheet</b>											
Total assets	\$ 513,336,864	\$ 459,794,882	\$ 53,541,982	12%	\$ 523,665,738	\$ (10,328,874)	-2%				
Gross loans	357,908,503	315,621,461	42,287,042	13%	343,091,423	14,817,080	4%				
Allowance for loan losses	7,362,210	6,402,752	959,458	15%	7,003,638	358,572	5%				
Non interest-bearing deposits	208,935,959	191,789,387	17,146,572	9%	228,422,322	(19,486,363)	-9%				
Total deposits	461,234,677	413,986,333	47,248,344	11%	473,897,222	(12,662,545)	-3%				
Shareholders' equity	44,095,023	38,629,400	5,465,623	14%	42,591,628	1,503,395	4%				
<b>Income Statement</b>											
Interest income	5,117,338	4,546,180	571,158	13%	5,057,717	59,621	1%	19,929,666	17,670,588	\$ 2,259,078	13%
Interest expense	116,595	107,262	9,333	9%	116,119	476	0%	457,965	416,296	41,669	10%
Net interest income	5,000,743	4,438,918	561,825	13%	4,941,598	59,145	1%	19,471,701	17,254,292	2,217,409	13%
Provision for loan losses	357,500	187,500	170,000	91%	187,500	170,000	91%	920,000	750,000	170,000	23%
Non-interest income	577,887	682,418	(104,531)	-15%	570,876	7,011	1%	3,107,477	3,311,446	(203,969)	-6%
Non-interest expense	2,906,848	2,819,782	87,066	3%	3,045,384	(138,536)	-5%	12,768,415	12,661,064	107,351	0.8%
Net income before taxes	2,314,282	2,114,054	200,228	9%	2,279,590	34,692	1.5%	8,890,763	7,154,674	1,736,089	24%
Income tax expense	860,850	838,387	22,463	3%	900,017	(39,167)	-4%	3,456,983	2,783,487	673,496	24%
Net income after taxes	\$ 1,453,432	\$ 1,275,667	177,765	14%	\$ 1,379,573	73,859	5%	\$ 5,433,780	\$ 4,371,187	1,062,593	24%
Basic earnings per share	\$ 0.68	\$ 0.60			\$ 0.64			\$ 2.53	\$ 2.05		
Book value per share	\$ 20.47	\$ 18.04			\$ 19.81			\$ 20.47	\$ 18.04		
<b>Ratios</b>											
Net interest margin	3.90%	3.95%			3.91%			4.05%	4.11%		
Tier 1 leverage ratio	8.42%	8.39%			8.23%						
Return on average assets	1.09%	1.09%			1.05%						
Return on average equity	13.29%	13.31%			12.94%						
Efficiency ratio	52.12%	55.05%			55.20%						