



**THIRD QUARTER REPORT
2016**



To our Shareholders,

It is our pleasure to report the results of our third quarter 2016. We are pleased to announce the achievement of new records for the quarter and for our year to date in net income, assets and deposits.

The financial data presented below and to the right summarizes our year to date results and the results of our third quarter of 2016. Comparing the nine-months ended September 30, 2016 to the nine-months ended September 30, 2015:

Net income increased \$676 thousand, 17% to \$4.66 million

Total deposits increased \$47.3 million, 10% to \$521.2 million

Gross loans increased \$41.0 million, 12% to \$384.1 million

Total assets increased \$54.6 million, 10% to \$578.2 million

In addition to our exceptional financial performance, we continue to build the value of your investment. Basic earnings per share of \$2.14 for the first nine months of 2016 increased by \$0.29 or 16% over the same period in 2015. Shareholders' equity grew to \$49.1 million at September 30, 2016, a \$6.5 million, 15% increase over the prior year.

Our fourteenth consecutive quarterly cash dividend was paid to shareholders in October resulting in over \$1.4 million paid to shareholders since July 2013. The book value per share of Santa Cruz County Bank stock of \$22.41 at September 30, 2016 increased by \$2.60 in comparison to \$19.81 at September 30, 2015.

We are pleased to report the recent expansion of our SBA department with the addition of top SBA lender, Barbara Perkins. Barbara has over 19 years of government guaranteed lending experience and a 39 year career in banking. Based in Fresno, she

BALANCE SHEET	QUARTER ENDED		CHANGE		QUARTER ENDED		QUARTER ENDED		CHANGE	
	9/30/16	9/30/15	\$	%	9/30/16	6/30/16	\$	%		
TOTAL ASSETS	\$ 578,240,368	\$ 523,665,738	\$ 54,574,630	10%	\$ 578,240,368	\$ 558,029,387	\$ 20,210,981	4%		
GROSS LOANS	384,137,220	343,091,423	41,045,797	12%	384,137,220	384,643,935	(506,715)	0%		
ALLOWANCE FOR LOAN LOSSES	7,968,586	7,003,638	964,948	14%	7,968,586	7,725,187	243,399	3%		
NON-INTEREST BEARING DEPOSITS	242,628,086	228,422,322	14,205,764	6%	242,628,086	223,453,562	19,174,524	9%		
TOTAL DEPOSITS	521,244,485	473,897,222	47,347,263	10%	521,244,485	502,899,156	18,345,329	4%		
SHAREHOLDERS' EQUITY	49,082,013	42,591,628	6,490,385	15%	49,082,013	47,496,868	1,585,145	3%		
BOOK VALUE PER SHARE	\$ 22.41	\$ 19.81	\$ 2.60	13%	\$ 22.41	\$ 21.70	\$ 0.71	3%		
					NINE-MONTHS ENDED		NINE-MONTHS ENDED		CHANGE	
					9/30/16		9/30/15		\$ %	
INCOME STATEMENT										
INTEREST INCOME	\$ 5,538,547	\$ 5,057,717	\$ 480,830	10%	\$ 16,548,656	\$ 14,812,328	\$ 1,736,328	12%		
INTEREST EXPENSE	143,287	116,119	27,168	23%	420,079	341,370	78,709	23%		
NET INTEREST INCOME	5,395,260	4,941,598	453,662	9%	16,128,577	14,470,958	1,657,619	11%		
PROVISION FOR LOAN LOSSES	187,500	187,500	-	0%	562,500	562,500	-	0%		
NON-INTEREST INCOME	894,515	570,876	323,639	57%	2,811,616	2,529,590	282,026	11%		
NON-INTEREST EXPENSE	3,457,315	3,045,384	411,931	14%	10,712,682	9,861,567	851,115	9%		
NET INCOME BEFORE TAXES	2,644,960	2,279,590	365,370	16%	7,665,011	6,576,481	1,088,530	17%		
INCOME TAX EXPENSE	1,014,704	900,017	114,687	13%	3,008,637	2,596,133	412,504	16%		
NET INCOME AFTER TAXES	\$ 1,630,256	\$ 1,379,573	\$ 250,683	18%	\$ 4,656,374	\$ 3,980,348	\$ 676,026	17%		
BASIC EARNINGS PER SHARE	\$ 0.75	\$ 0.64	\$ 0.11	17%	\$ 2.14	\$ 1.85	\$ 0.29	16%		
RATIOS										
NET INTEREST MARGIN	3.86%	3.91%			4.09%	4.11%				
TIER 1 LEVERAGE RATIO	8.55%	8.23%			8.55%	8.23%				
RETURN ON AVERAGE ASSETS	1.13%	1.05%			1.14%	1.09%				
RETURN ON AVERAGE EQUITY	13.33%	12.94%			13.24%	12.98%				
EFFICIENCY RATIO	55.41%	55.24%			56.71%	58.01%				

will be responsible for business development and the generation of SBA and USDA loans, including FSA loans throughout Central California. We look forward to her contributions to the Bank's continued success.

Over the holiday season, our employees, management members and Board of Directors will be actively engaged in projects to provide gifts, nutrition and hope to individuals who have the greatest need in our community.

As always, we thank you for your investment in Santa Cruz County Bank and wish you and yours happy holidays.



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
July 1, 2016	July 11, 2016
September 30, 2016	October 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



Financial Management Consulting Group
#1 bank in California for Overall Bank Performance and #1 bank for asset quality and non-performing assets for the second quarter 2016.



Bauer Financial
Rated 5-Star "Superior" by Bauer Financial, Inc. based upon financial performance for the quarter ending June 30, 2016. 5-Star is the highest rating determined by Bauer Financial.

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**

