

**Santa Cruz County Bank Reports Record Earnings for Year
and Quarter ending December 31, 2016**

Sixth successive year of record growth in earnings

Double-digit increase in assets, loans, and deposits over prior year

SANTA CRUZ, CA – January 25, 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 net income for the fourth quarter and year ended December 31, 2016.

President and CEO, David V. Heald commented, “We are pleased to report another outstanding year of earnings and double-digit percentage growth in assets, deposits and loans. In 2016, we celebrated many milestones and achievements, including being ranked as the top bank in the state of California for our financial performance. Our entire team of professional bankers and Board of Directors are to be commended for our success. We look forward to sustaining our high level of performance in 2017 and delivering exceptional service to meet the needs of our community.”

Selected financial information is presented in the following table:

	Year Ended December 31,		
	2016	2015	Change
Balance Sheet			
Total assets	\$ 588,231,646	\$ 513,336,864	15%
Gross loans	414,984,843	357,908,503	16%
Allowance for loan losses	8,193,091	7,362,210	11%
Non-interest-bearing deposits	244,897,010	208,935,959	17%
Total deposits	529,311,149	462,235,030	15%
Shareholders' equity	50,716,276	44,095,023	15%
Net Income			
	\$ 6,491,464	\$ 5,433,780	19%
Net interest margin	4.05%	4.05%	
Tier 1 leverage ratio	8.67%	8.42%	
Return on average assets	1.17%	1.09%	
Return on average equity	13.58%	13.06%	
Efficiency ratio	55.09%	56.55%	
Share and Per Share Data			
Basic earnings per common share	\$2.98	\$2.53	
Book value per common share	\$23.15	\$20.37	
Total common shares outstanding	2,190,786	2,164,651	

Fourth Quarter Earnings

Fourth quarter 2016 net income was \$1.84 million compared to \$1.63 million in the third quarter of 2016, a 13% increase over the third quarter of 2016, and \$1.5 million for fourth quarter of 2015, a 26% increase.

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Pretax income for the quarter ended December 31, 2016 was \$3.04 million, an increase of \$724 thousand, 31%, compared to \$2.31 million for the quarter ended December 31, 2015.

Basic earnings per share for the fourth quarter increased \$0.16 to \$0.84, a 24% increase over the prior year.

Year-to-Date Earnings

For the twelve months ended December 31, 2016, net income was \$6.5 million compared to \$5.4 million in 2015, an improvement of \$1.1 million or 19%. Most of the improvement is located within interest income, which climbed \$2.4 million, due primarily to growth in the loan portfolio

Financial Highlights

- Assets of \$588.2 million, a new record
- Total deposits of \$529.3 million, a new record
- Net income of \$1.84 million for the quarter and \$6.5 million for the year, both new records
- Return on average equity for the year of 13.58%
- Return on average assets of 1.17% for the year
- Efficiency ratio of 55.09% for the year
- Full year basic earnings per share increased to \$2.98, up from \$2.53 for the prior year
- Book value per share after dividends increased by \$2.78 to \$23.15 at year end
- Continued exceptional credit quality with no loans on non-accrual

Loans, Asset Quality & Deposits

Total assets grew by \$10 million to \$588.2 million in the fourth quarter and by \$74.9 million compared to the prior year. The Bank's asset quality remained exceptional. For the fourth quarter, gross loans increased by \$30.8 million. On a year to year basis, loans increased \$57.1 million, 16% to \$415 million. Allowance for loan losses of \$8.2 million at December 31, 2016 represents an 11% increase over the same period last year. Deposits grew by 2%, \$8.1 million since September 30, 2016 and grew 15%, \$67.1 million to \$529.3 million, a new record over the last twelve months.

Non-Interest Income / Expense and Net Interest Margin

Non-interest income for the quarter ended December 31, 2016 was \$951 thousand which represented a 65% increase over the same period in 2015 and 6% increase over the quarter ended September 30, 2016. For the full year, non-interest income was \$3.8 million, an increase of 21% or \$655 thousand over the prior year. Most of the increase can be attributed to the sale of loans generated by the Bank's top producing SBA Department which results in gains that are included in non-interest income.

Non-interest expense for the quarter ended December 31, 2016 was \$3.32 million, which was a 14% increase over the same period in 2015 and a 4% decrease from the quarter ended September 30, 2016. On a year-to-date basis, non-interest expense increased by 10%, most of which was due to an increase in consulting and other outside professional services.

Net interest income of \$5.6 million for the quarter ended December 31, 2016 was \$232 thousand or 4% more than prior quarter and exceeded fourth quarter of 2015 by \$626 thousand or 13%. The improvement year over year of 12% or \$2.3 million, was driven by a continued focus on building high quality earning assets through loan production. This focus enabled a stable net interest margin of 4.05% year to year.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS

OTCQX Best 50: Santa Cruz County Bank was named one of 50 best performing companies on OTCQX based on total return and growth in average daily dollar volume in 2015.

Financial Management Consulting (FMC) Group: The Bank ranked #1 in California for overall bank performance for three consecutive quarters and 1st (lowest) in non-performing assets and asset quality for the third quarter of 2016. Santa Cruz County Bank ranked 2nd in overall performance among 185 California banks in 2015. The Bank has ranked in FMC's top ten banks for two consecutive years.

The Findley Reports, Inc.: Santa Cruz County Bank named a Super Premier Performing Bank for its 2015 performance. The Bank has received the top ranking of Super Premier by Findley for the past six years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank rated five star or "Superior" for its financial performance for three consecutive quarters, as of the last rating ended September 30, 2016.

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

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

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

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. The Bank's SBA Department has been recognized as a top SBA lender in Santa Cruz County and the Silicon Valley. 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	
	12/31/16	12/31/15	\$	%	9/30/16	\$	%	
Balance Sheet								
Total assets	\$ 588,231,646	\$ 513,336,864	\$ 74,894,782	15%	\$ 578,240,368	\$ 9,991,278	2%	
Gross loans	414,984,843	357,908,503	57,076,340	16%	384,137,220	30,847,623	8%	
Allowance for loan losses	8,193,091	7,362,210	830,881	11%	7,968,586	224,505	3%	
Non interest-bearing deposits	244,897,010	208,935,959	35,961,051	17%	242,628,086	2,268,924	1%	
Total deposits	529,311,149	462,235,030	67,076,119	15%	521,244,485	8,066,664	2%	
Shareholders' equity	50,716,276	44,095,023	6,621,253	15%	49,082,013	1,634,263	3%	

Income Statement

	Quarter ended		Change		Quarter ended		Change		Year Ended		Change	
	12/31/16	12/31/15	\$	%	9/30/16	\$	%	12/31/16	12/31/15	\$	%	
Interest income	5,773,517	5,117,338	656,179	13%	5,538,547	234,970	4%	22,322,173	19,929,666	\$ 2,392,507	12%	
Interest expense	146,628	116,595	30,033	26%	143,287	3,341	2%	566,707	457,965	108,742	24%	
Net interest income	5,626,889	5,000,743	626,146	13%	5,395,260	231,629	4%	21,755,466	19,471,701	2,283,765	12%	
Provision for loan losses	221,400	357,500	(136,100)	-38%	187,500	33,900	18%	783,900	920,000	(136,100)	-15%	
Non-interest income	950,923	577,887	373,036	65%	894,515	56,408	6%	3,762,539	3,107,477	655,062	21%	
Non-interest expense	3,318,413	2,906,848	411,565	14%	3,457,315	(138,902)	-4%	14,031,095	12,768,415	1,262,680	10.0%	
Net income before taxes	3,037,999	2,314,282	723,717	31%	2,644,960	393,039	15%	10,703,010	8,890,763	1,812,247	20%	
Income tax expense	1,202,909	860,850	342,059	40%	1,014,704	188,205	19%	4,211,546	3,456,983	754,563	22%	
Net income after taxes	\$ 1,835,090	\$ 1,453,432	381,658	26%	\$ 1,630,256	204,834	13%	\$ 6,491,464	\$ 5,433,780	1,057,684	19%	
BASIC EARNINGS PER SHARE	\$ 0.84	\$0.68	0.16	24%	\$ 0.75	0.09	12%	\$ 2.98	\$2.53	\$ 0.45	18%	
Book value per share	\$ 23.15	\$20.37	2.78	14%	\$ 22.41	0.74	3%	\$ 23.15	\$20.37	\$ 2.78	14%	

Ratios

Net interest margin	3.93%	3.90%		3.86%	4.05%	4.05%
Tier 1 leverage ratio	8.67%	8.42%		8.55%	8.67%	8.42%
Return on average assets	1.24%	1.09%		1.13%	1.17%	1.09%
Return on average equity	14.52%	13.29%		13.33%	13.58%	13.06%
Efficiency ratio	50.45%	52.12%		55.41%	55.09%	56.55%