



Santa Cruz County Bank Reports Earnings for the First Quarter Ended March 31, 2019

Bank Ranked 35th in the U.S. in S&P Global's Top 100 Community Banks

SANTA CRUZ, CA – April 18, 2019: 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 first quarter ended March 31, 2019 of \$2.96 million. This represents an increase of 17% comparing this quarter with the same quarter in 2018. For the quarter, basic earnings per share increased \$0.16 to \$1.21, a 15% increase over the first quarter in 2018.

Pretax income for the quarter ended March 31, 2019 was \$4.16 million, an increase of \$592 thousand, 17%, compared to \$3.57 million for the quarter ended March 31, 2018.

President and CEO David V. Heald commented, “We achieved greater returns year over year for our first quarter, with \$2.96 million in net income and 17% growth over the first quarter of last year. We continue to receive recognition highlighting the strength of our bank’s sustained financial performance as evidenced by our ninth designation as a Super Premier performing bank by the Findley Reports, Inc. for 2018.”

Selected financial information is presented in the following table:

	Three-Months Ended,		
	03.31.19	12.31.18	03.31.18
Balance Sheet			
Total assets	\$ 668,097,706	\$ 662,408,357	\$ 645,433,140
Gross loans	484,895,169	487,812,901	469,167,787
Allowance for loan losses	9,842,656	9,836,731	9,361,394
Non interest-bearing deposits	250,817,502	259,724,984	235,338,447
Total deposits	581,733,803	584,125,809	576,321,840
Shareholders' equity	71,466,366	68,523,002	59,915,665
Net Income	\$ 2,964,909	\$ 3,177,856	\$ 2,530,989
Ratios			
Net interest margin	4.92%	4.82%	4.47%
Tier 1 leverage ratio	10.74%	10.26%	9.47%
Return on average assets	1.80%	1.88%	1.62%
Return on average equity	17.07%	18.74%	17.43%
Efficiency ratio	51.72%	46.54%	51.35%
Share and Per Share Data			
Basic earnings per common share	\$1.21	\$1.30	\$1.05
Book value per common share	\$29.14	\$27.98	\$24.53
Total common shares outstanding	2,452,294	2,448,594	2,442,716

First Quarter Financial Highlights:

- Net interest margin of 4.92%
- First quarter return on average assets and equity of 1.80% and 17.07%, respectively
- Well capitalized with a total risk based capital ratio of 15.36%
- Continued exceptional credit quality with no loans on non-accrual
- 3% growth in loans, \$15.7 million increase over the first quarter of 2018
- 1% growth in deposits, \$5.4 million increase over the first quarter of 2018
- Basic earnings per share increased to \$1.21 from \$1.05 over the first quarter of 2018
- Book value per share after dividends increased by \$4.61 or 19%, to \$29.14 over the first quarter of 2018

Loans, Asset Quality & Deposits

Total assets grew by \$5.7 million to \$668 million in the first quarter and by \$22.7 million over the last twelve months. The Bank's asset quality remained exceptional. For the first quarter, gross loans decreased by \$2.9 million, but year over year increased \$15.7 million, 3% to \$484.9 million. Allowance for loan losses of \$9.8 million at March 31, 2019 represents a 5% increase over the same period last year. No provisions for loan and lease losses were recorded for the current reporting quarter due to portfolio quality and decline in outstanding loans, partially the result of loan sales. Deposits declined by less than 1%, \$2.4 million since December 31, 2018. Year over year, non-interest bearing deposits grew by 7%.

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 first quarter of 2019, the non-interest income total was \$864 thousand which included \$268 thousand of gains on loans sold. There were no gains taken on loans sold in the fourth quarter of 2018, which represents the variance between the two quarters.

Non-interest expense for the three-month period ended March 31, 2019, increased 13% or \$513 thousand compared to prior quarter and increased 12% or \$494 thousand compared to the same period last year. The more recent variance is due to the general increase in budgeted expense accruals for the first quarter.

Net interest income of \$7.8 million for the quarter ended March 31, 2019 was basically equivalent to prior quarter but exceeded the first quarter of 2018 by \$1.0 million or 14%. The year over year improvement is driven by a continued focus on building high quality earning assets through loan production and the benefit from rate increases implemented by the Federal Open Market Committee. Consequently, net interest margin at 4.92% improved 45 basis points over prior year.

Shareholders' Equity

Total shareholders' equity was \$71.5 million at March 31, 2019, an \$11.6 million, 19% increase over March 31, 2018. 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 \$183 thousand or \$0.075 per share for the quarter ended March 31, 2019. Historically, the Bank has paid twenty-four consecutive cash dividends and issued one 10% stock dividend to shareholders.

For the three month period ended March 31, 2019, the Bank's return on average equity was 17.07% and return on average assets was 1.80%. The book value per share of Santa Cruz County Bank's common stock at March 31, 2019 was \$29.14, up from \$24.53 for the same period in 2018.

ANNUAL MEETING NOTICE

The Bank's Annual Meeting of Shareholders will be held May 29, 2019 at the Sesnon House at Cabrillo College, 4:00 p.m. Pacific Daylight Time.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS FOR 2018 PERFORMANCE

S&P Global Top 100 Best Community Banks: Santa Cruz County Bank ranked 35th in the nation out of nearly 3,000 banks with assets under \$3 billion based upon 2018 performance. The Bank has ranked in the Top 100 Best Community Banks by S&P Global for three consecutive years.

Financial Management Consulting (FMC) Group: Santa Cruz County Bank placed in the #1 rating as top bank in California in overall performance among 148 banks, and also ranked 1st in asset quality as well as 1st (lowest) in non-performing assets for its financial performance in the first, second and third quarters for 2018. For the full year 2018, the Bank ranked #2 in overall performance for California. The Bank has ranked in FMC's top ten banks in California for the past four years.

The Findley Reports, Inc.: Santa Cruz County Bank was named a Super Premier Performing Bank for its 2018 financial performance. The Bank has received the top ranking of Super Premier by Findley for nine consecutive years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank rated 5-star or "Superior" based upon its financial performance for every quarter in 2018.

The Bank ranked 8th in the Silicon Valley for the number of SBA loans lent to Silicon Valley businesses for the SBA's 2018 fiscal year.

RECENT COMMUNITY AWARDS AND RECOGNITION

Santa Cruz Chamber of Commerce, 2018 Business of the Year Award.

Farm Bureau of Santa Cruz County, 2018 Al Smith Friend of Agriculture Award, for support of the agricultural industry and providing access to capital.

Second Harvest Food Bank, Platinum Level Award for the 2018 Holiday Food & Fund Drive.

Voted "Best Bank" by the readers of Good Times for the Best of Santa Cruz County 2019 Awards, for the seventh consecutive year.

Voted "Favorite Bank" by the readers of Santa Cruz Waves Magazine for the 2019 Swellies Awards.

ABOUT SANTA CRUZ COUNTY BANK

Santa Cruz County Bank, founded in 2004, is a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz, California. The bank operates five branches 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 in 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, visit 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	
	3/31/19	3/31/18	\$	%	12/31/18	\$	%	
Balance Sheet								
Total assets	\$ 668,097,706	\$ 645,433,140	\$ 22,664,566	4%	\$ 662,408,357	\$ 5,689,349	1%	
Gross loans	484,895,169	469,167,787	15,727,382	3%	487,812,901	(2,917,732)	-1%	
Allowance for loan losses	9,842,656	9,361,394	481,262	5%	9,836,731	5,925	0%	
Non interest-bearing deposits	250,817,502	235,338,447	15,479,055	7%	259,724,984	(8,907,482)	-3%	
Total deposits	581,733,803	576,321,840	5,411,963	1%	584,125,809	(2,392,006)	0%	
Shareholders' equity	71,466,366	59,915,665	11,550,701	19%	68,523,002	2,943,364	4%	
Income Statement								
Interest income	8,162,809	7,066,527	1,096,282	16%	8,236,158	(73,349)	-1%	
Interest expense	407,380	290,910	116,470	40%	392,881	14,499	4%	
Net interest income	7,755,429	6,775,617	979,812	14%	7,843,277	(87,848)	-1%	
Provision for loan losses	-	187,500	(187,500)	-100%	187,500	(187,500)	-100%	
Non-interest income	863,975	944,924	(80,949)	-9%	622,495	241,480	39%	
Non-interest expense	4,458,201	3,964,134	494,067	12%	3,945,098	513,103	13%	
Net income before taxes	4,161,203	3,568,907	592,296	17%	4,333,174	(171,971)	-4%	
Income tax expense	1,196,294	1,037,918	158,376	15%	1,155,318	40,976	4%	
Net income after taxes	\$ 2,964,909	\$ 2,530,989	433,920	17%	\$ 3,177,856	(212,947)	-7%	
BASIC EARNINGS PER SHARE	\$ 1.21	\$ 1.05	0.16	15%	\$ 1.30	(0.09)	-7%	
Book value per share	\$ 29.14	\$ 24.53	4.61	19%	\$ 27.98	1.16	4%	
SHARES OUTSTANDING	2,452,294	2,442,716			2,448,594			
Ratios								
Tier 1 leverage ratio	10.74%	9.47%			10.26%			
Net interest margin	4.92%	4.47%			4.82%			
Efficiency ratio	51.72%	51.35%			46.54%			
Return on average assets	1.80%	1.62%			1.88%			
Return on average equity	17.07%	17.43%			18.74%			
% of non interest bearing to total deposits	43%	41%			44%			