



**2014 FIRST QUARTER REPORT**



To our Shareholders,

In February, Santa Cruz County Bank celebrated its tenth year serving our community. In the past decade we have accomplished and far surpassed many strategic milestones. The Bank has received prestigious recognitions for its continued outstanding financial performance and service oriented corporate culture which encourages community engagement.

We are pleased to report strong earnings in the first three months of 2014 which follows eight consecutive years of annual profits. During the quarter, we surpassed the \$400 million mark for total assets and received the designation of Super Premier performing bank by the Findley Reports.

The financial data, presented below, provides a summary of key financial highlights for the first quarter ended March 31, 2014 as compared to the first quarter ended March 31, 2013:

Net income increased \$69.5 thousand, 9% to \$868.5 thousand  
Total deposits increased \$34.6 million, 10% to \$366.3 million  
Gross loans increased \$47.7 million, 21% to \$278.2 million  
Total assets increased \$40.4 million, 11% to \$407.3 million

During the first quarter, our Board of Directors declared a fourth \$0.05 cash dividend to shareholders of record as of March 27, 2014, which was paid in April.

The book value per share of Santa Cruz County Bank's common stock at March 31, 2014 was \$16.35, compared to \$15.55 as of March 31, 2013. Shareholders' equity of \$34.9 million as of March 31, 2014 represented a \$4.4 million increase over March 31, 2013.

Comparing the quarter ended March 31, 2014 to March 31, 2013; the Bank's non-interest bearing deposits grew by \$28.8 million, 21% to \$164.4 million. Non-interest bearing deposits represented 45% of total deposits as of March 31, 2014 compared to 41% as of March 31, 2013.

In April, shareholders will receive notice by mail or electronic delivery of our Annual Meeting held in May, including a proxy voting card, proxy statement and 2013 Annual Report. If you are receiving duplicate copies of these materials in the mail, we recommend you contact your broker to set up

**SELECTED FINANCIAL DATA (UNAUDITED)**

	QUARTER ENDED		CHANGE	
	3/31/14	3/31/13	\$	%
<b>BALANCE SHEET</b>				
TOTAL ASSETS	\$ 407,261,570	\$ 366,909,124	\$ 40,352,446	11%
GROSS LOANS	278,164,941	230,510,408	47,654,533	21%
ALLOWANCE FOR LOAN LOSSES	5,827,129	5,292,101	535,028	10%
NON INTEREST-BEARING DEPOSITS	164,354,466	135,533,519	28,820,947	21%
TOTAL DEPOSITS	366,294,411	331,655,396	34,639,015	10%
SHAREHOLDERS' EQUITY	34,931,507	30,581,461	4,350,046	14%
BOOK VALUE PER SHARE	\$ 16.35	\$ 15.55		
<b>INCOME STATEMENT</b>				
INTEREST INCOME	4,213,273	3,584,716	628,557	18%
INTEREST EXPENSE	100,574	108,221	(7,647)	-7%
NET INTEREST INCOME	4,112,699	3,476,495	636,204	18%
PROVISION FOR LOAN LOSSES	187,500	150,000	37,500	25%
NON-INTEREST INCOME	911,283	821,240	90,043	11%
NON-INTEREST EXPENSE	3,432,396	2,860,480	571,916	20%
NET INCOME BEFORE TAXES	1,404,086	1,287,255	116,831	9%
INCOME TAX EXPENSE	535,567	488,187	47,380	10%
NET INCOME AFTER TAXES	\$ 868,519	\$ 799,068	69,451	9%
BASIC EARNINGS PER SHARE	\$ 0.41	\$ 0.41		
<b>RATIOS</b>				
NET INTEREST MARGIN	4.28%	4.16%		
TIER 1 LEVERAGE RATIO	8.70%	8.59%		

electronic delivery of notifications and mailings. If you hold our stock directly in certificate form, we recommend placing shares into a brokerage account for safekeeping.

We look forward to sharing more with you at the Annual Meeting of Shareholders on May 22nd at Seascape Resort, 4pm.



*George Galluci*

George Galluci  
Chairman of the Board



*David Heald*

David Heald  
President & CEO

**FIRST QUARTER HIGHLIGHTS**


Santa Cruz County Bank was designated as a Super Premier performing bank by The Findley Reports, Inc., a well-regarded financial consulting firm, recognizing the performance of banking institutions in California for nearly fifty years.



The votes are in! We were again voted #1 for Best Bank in Santa Cruz in the 2014 Good Times Readers poll. We thank the Good Times readers and customers who voted for us. These results mirror our mission to be the community's bank of choice.

**Celebrating**  
**10**  
**Years**  
**of serving our**  
**community**  
**2004-2014**

### 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](http://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](http://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**



[www.sccountybank.com](http://www.sccountybank.com)

**831.457.5000**