



## SANTA CRUZ COUNTY BANK REPORTS FOURTH QUARTER, YEAR END RESULTS

Deposits increase 49% over 2007  
Gross loans increase 23% over 2007  
Assets increase 43% over 2007

**SANTA CRUZ, CA – February 6, 2009** -Santa Cruz County Bank, (**SCZC.OB**), a locally owned and operated full-service community bank headquartered in Santa Cruz County, announced today its financial results for the fourth quarter and year ended December 31, 2008.

### Fourth Quarter Highlights

For the Bank's fourth quarter-ended December 31, 2008 compared to prior quarter-ended September 30, 2008:

- Total deposits increased by \$11.0 million, 6%, to \$207.2 million
- Gross loans increased by \$7.1 million, 5%, to \$146.1 million
- Total assets increased by \$11.8 million, 5%, to \$228.9 million

For the quarter-ended December 31, 2008, the Bank reported pre-tax net income of \$376,000, representing an increase of \$1.4 million, or 137%, compared to a loss of \$1.0 million reported for the quarter-ended September 30, 2008. The loss reported in the third quarter of 2008 primarily reflects the Bank's contribution of \$1.4 million to its loan loss reserves during that quarter as well as non-recurring expenses associated with the relocation of its Santa Cruz office. Net interest income of \$2.4 million for the quarter-ended December 31, 2008 represented a \$194,000 increase, 9%, from the \$2.3 million reported for the quarter-ended September 30, 2008.

### Year to Year Comparison Highlights

For its fourth consecutive year, the Bank achieved double-digit percentage increases in deposits, gross loans and total assets.

For the Bank's year ended December 31, 2008 compared to prior year ended December 31, 2007:

- Total deposits increased by \$68.2 million, 49%, to \$207.2 million
- Gross loans increased by \$26.9 million, 23%, to \$146.1 million
- Total assets increased by \$68.6 million, 43%, to \$228.9 million

For the year ended December 31, 2008, the Bank's pre-tax net income was \$24,000, representing a \$1.7 million decrease from the prior year. The Bank's non-interest income for the year ended December 31, 2008 was \$1.5 million, representing an increase of \$326,000, 29%, over the prior year. Net interest income improved by \$721,000, 9%, to \$8.7 million for the year ended December 31, 2008 as compared to the prior year. 2008 results primarily reflect the Bank's contribution of \$1.4 million to its loan loss reserves during the third quarter as well as non-recurring expenses associated with the relocation of its Santa Cruz office.

The Bank is subject to various regulatory capital adequacy requirements administered by the banking regulatory agencies. As of December 31, 2008, Santa Cruz County Bank surpassed all capital requirements to which it is subject and is rated "well capitalized", the highest possible ranking of capital strength by regulatory standards.

David V. Heald, President and Chief Executive Officer commented, "We are pleased with the community's continued choice in banking services as represented by our fourth consecutive year of double-digit percentage growth in deposits, loans, and assets, the foundation of our solid balance sheet. This positive momentum was spurred by many factors including the Bank's hiring of key business development personnel, the positioning of branches and a dedicated business lending office, its unique branding emphasizing local banking, and its positive reputation as a leading lender."

"This month we celebrate our fifth anniversary and our successful opening in Aptos of a fifth full service banking office. Our increased footprint within the County provides us the ability to attract new business and further grow our balance sheet while providing more convenient access for our clients. We have continually positioned ourselves at opportune times in order to take advantage of significant changes in the banking landscape in our market area."

"In the year ahead, we will continue to be proactive in seeking opportunities while being mindful of the impacts of current economic conditions on our customers, shareholders, and community."

### **Bank approved but not accepting TARP funds**

In recognition of its financial strength, Santa Cruz County Bank was approved by the Federal Government for \$5 million in funds from its U.S. Treasury Capital Purchase Program under "TARP" Troubled Asset Relief Program. The Capital Purchase Program is a voluntary program designed to assist healthy financial institutions. Santa Cruz County Bank has elected not to accept the TARP funds.

### **Annual Meeting Notice**

The Bank's Annual Meeting of Shareholders will be held on May 20, 2009 at The Inn at Pasatiempo at 3:00 p.m. Pacific Standard Time.

### **About Santa Cruz County Bank**

Headquartered in Santa Cruz, Santa Cruz County Bank is a full service bank serving the banking needs of individuals and businesses throughout Santa Cruz County. The Bank operates five full-service banking offices, a Business Lending Office and two self-serve banking centers. The Bank's full-service banking offices are located in Aptos, Capitola, Santa Cruz, Scotts Valley and Watsonville. The Bank commenced operations on February 3, 2004 in Santa Cruz.

Santa Cruz County Bank's common stock is listed on the Over the Counter (OTC) Bulletin Board under the stock symbol SCZC. More information on the Bank may be obtained through its website: [www.sccountybank.com](http://www.sccountybank.com) or by calling (831) 457-5000.

*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:**

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Selected Financial Data (unaudited)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		YEAR ENDED	YEAR ENDED	Change	
	12/31/08	09/30/08	\$	%	12/31/08	12/31/07	\$	%
TOTAL ASSETS	\$ 228,870,547	\$ 217,097,339	\$ 11,773,208	5%	\$ 228,870,547	\$ 160,239,027	\$ 68,631,520	43%
GROSS LOANS	146,106,831	138,982,747	7,124,084	5%	146,106,831	119,226,597	26,880,234	23%
ALLOWANCE FOR LOAN LOSSES	2,885,298	2,950,484	(65,186)	-2%	2,885,298	1,788,000	1,097,298	61%
NON-INTEREST BEARING DEPOSITS	63,386,131	63,735,823	(349,692)	-1%	63,386,131	44,200,648	19,185,483	43%
TOTAL DEPOSITS	207,196,387	196,218,915	10,977,472	6%	207,196,387	139,008,868	68,187,519	49%
SHAREHOLDERS' EQUITY	18,758,435	18,577,206	181,229	1%	18,758,435	18,971,950	(213,515)	-1%
					Year-to-Date Period	Year-to-Date Period	Change	
					12/31/08	12/31/07	\$	%
<b>INCOME STATEMENT</b>								
INTEREST INCOME	\$ 3,046,683	\$ 2,906,106	\$ 140,577	5%	\$ 11,453,697	\$ 10,864,656	\$ 589,041	5%
INTEREST EXPENSE	597,952	651,362	(53,410)	-8%	2,775,843	2,908,207	(132,364)	-5%
NET INTEREST INCOME	2,448,731	2,254,744	193,987	9%	8,677,854	7,956,449	721,405	9%
PROVISION FOR LOAN LOSSES	100,000	1,420,541	(1,320,541)	-93%	1,676,176	512,000	1,164,176	227%
NON-INTEREST INCOME	270,167	496,505	(226,338)	-46%	1,455,894	1,130,279	325,615	29%
NON-INTEREST EXPENSE	2,242,517	2,348,316	(105,799)	-5%	8,433,453	6,862,253	1,571,200	23%
NET INCOME (LOSS) BEFORE TAXES	376,381	(1,017,608)	1,393,989	137%	24,119	1,712,475	(1,688,356)	-99%
INCOME TAX EXPENSE/(CREDIT)	158,431	(436,988)	595,419	136%	6,943	732,253	(725,310)	-99%
NET INCOME (LOSS) AFTER TAXES	\$ 217,950	\$ (580,620)	\$ 798,570	138%	\$ 17,176	\$ 980,222	\$ (963,046)	-98%
<b>RATIOS</b>								
NET INTEREST MARGIN	4.63%	4.67%			4.72%	5.87%		
EQUITY CAPITAL-TO-TOTAL ASSETS	8.2%	8.6%			8.2%	11.8%		