



## 55% INCREASE IN QUARTERLY PROFIT - SANTA CRUZ COUNTY BANK REPORTS UNAUDITED RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED DECEMBER 31, 2010

*Bank reports record year end profits*

**SANTA CRUZ, CA – January 24, 2011:** Santa Cruz County Bank, (**SCZC.OB**), a locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced record earnings for the fourth quarter and fiscal year ending December 31, 2010. For the twelve month period ended December 31, 2010, the bank reported net income after tax of \$1.79 million compared to \$203 thousand for the same period ended December 31, 2009, an improvement of \$1.6 million. Pretax income improved by \$2.6 million to \$3.0 million comparing December 31, 2009 to December 31, 2010. Net interest income for the twelve month period ended December 31, 2010 improved by \$1.7 million over the prior year to \$11.7 million.

David Heald, President and CEO commented, “Significant gains in net income and net interest income were the result of the bank’s focus on loan generation through its ongoing personalized style of cultivating relationships with business owners and its continued focus on lowering interest expense. Additionally, due to market opportunities, the bank secured gains in its securities portfolio, booked those profits and reinvested the gains into better earning assets.”

Shareholders’ equity for the year ended December 31, 2010 increased by \$3.9 million over the prior year ended December 31, 2009. The change in shareholders’ equity primarily resulted from the successful addition of \$2.5 million in capital through a local private stock offering in 2010 and generation of recurring net income before securities gains.

### **FOURTH QUARTER: DECEMBER 31, 2010 COMPARED TO SEPTEMBER 30, 2010**

Total deposits decreased \$11.7 million, -4% to \$253.4 million  
Gross loans increased \$14.6 million, 9% to \$181.5 million  
Total assets decreased \$8.3 million, -3%, to \$284.8 million  
Net income increased \$247.4 thousand, 55%, to \$700.3 thousand

### **YEAR TO YEAR: DECEMBER 31, 2010 COMPARED TO DECEMBER 31, 2009**

Total deposits increased \$14.1 million, 6% to \$253.4 million  
Gross loans increased \$24.9 million, 16% to \$181.5 million  
Total assets increased \$19.7 million, 7%, to \$284.8 million  
Net income increased \$1.6 million, 782%, to \$1.8 million

The bank’s non-interest income increased \$785.6 thousand to \$2.8 million as of December 31, 2010 compared to the prior year. The bank also made significant strides in accomplishing its initial strategy to build a strong recurring base of non-interest income as a result of growing its customer base, government guaranteed loan programs and loan servicing.

Non-interest bearing deposits represented 37% of total deposits as of December 31, 2010. During the fourth quarter the bank chose to reduce a portion of interest bearing government related deposits which resulted in a quarterly decrease in total assets and deposits. This further reduced the bank’s interest cost.

David Heald, President and CEO stated, "In 2010 we surpassed \$180 million in gross loans; \$250 million in deposits, \$280 million in assets and recorded record profits. In addition, we successfully raised \$2.5 million in capital through a local private offering of our stock. Our milestones in 2010 highlight the community's support of its local bank."

For the past nine consecutive quarters Santa Cruz County Bank has been rated a 4-Star "excellent" bank by Bauer Financial Services for its financial performance.

### **ANNUAL MEETING NOTICE**

The Bank's Annual Meeting of Shareholders will be held on May 17, 2011 at Bittersweet Bistro at 3:00 p.m. Pacific Daylight 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 and two self-serve banking centers, all of which have received a Green Business Certification Award by the Monterey Bay Area Green Business Program. 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 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)  
December 31, 2010

	Quarter ended	Quarter ended	Change		Year ended	Year ended	Change	
	12/31/10	9/30/10	\$	%	12/31/10	12/31/09	\$	%
<b>Balance Sheet</b>								
Total assets	\$ 284,817,640	\$ 293,135,211	\$ (8,317,571)	-3%	\$ 284,817,640	\$ 265,105,193	\$ 19,712,447	7%
Gross loans	181,450,788	166,812,652	14,638,136	9%	181,450,788	156,525,733	24,925,055	16%
Allowance for loan losses	3,558,521	3,515,415	43,106	1%	3,558,521	2,898,478	660,043	23%
Non interest-bearing deposits	94,326,653	95,912,626	(1,585,973)	-2%	94,326,653	75,895,196	18,431,457	24%
Total deposits	253,416,044	265,159,044	(11,743,000)	-4%	253,416,044	239,303,637	14,112,407	6%
Shareholders' equity	23,537,951	20,968,366	2,569,585	12%	23,537,951	19,592,977	3,944,974	20%
<b>Income Statement</b>								
					Year-to-date	Year-to-date	Change	
					12/31/10	12/31/09	\$	%
Interest income	\$ 3,244,152	\$ 3,167,389	\$ 76,763	2%	\$ 12,653,202	\$ 11,612,463	\$ 1,040,739	9%
Interest expense	190,541	219,241	(28,700)	-13%	968,882	1,591,415	(622,533)	-39%
Net interest income	3,053,611	2,948,148	105,463	4%	11,684,320	10,021,048	1,663,272	17%
Provision for loan losses	348,901	300,000	48,901	16%	1,200,000	1,250,196	(50,196)	-4%
Non-interest income	1,055,464	628,662	426,802	68%	2,764,689	1,979,111	785,578	40%
Non-interest expense	2,616,612	2,523,988	92,624	4%	10,252,687	10,388,305	(135,618)	-1%
Net income before taxes	1,143,562	752,822	390,740	52%	2,996,322	361,658	2,634,664	728%
Income tax expense	443,277	299,941	143,336	48%	1,206,027	158,787	1,047,240	660%
Net income after taxes	\$ 700,285	\$ 452,881	247,404	55%	\$ 1,790,295	\$ 202,871	1,587,424	782%
<b>Ratios</b>								
Net interest margin	4.43%	4.30%			4.47%	4.36%		
Equity capital-to-total assets	8.3%	7.2%			8.3%	7.4%		