



**SANTA CRUZ  
COUNTY BANK**

*Put your money where your life is.*



**2013 THIRD QUARTER REPORT**



To our Shareholders,

During the third quarter of 2013, we set a new record with assets topping \$400 million. Another significant increase was the Bank's net income, which grew by 23%, to \$2.5 million, for the first nine-months of 2013, compared to the same period in 2012.

In recognition of our strong and stable financial performance for the quarter ended June 30, 2013, the Bank was awarded a 4-Star "Excellent" rating by Bauer Financial, Inc.

Below is a summary of financial highlights for the third quarter year-to-date ended September 30, 2013, as compared to the third quarter year-to-date ended September 30, 2012.

Net income increased \$463.1 thousand, 23%, to \$2.5 million  
Total deposits increased \$46.7 million, 15%, to \$366.1 million  
Gross loans increased \$33.3 million, 16%, to \$240.0 million  
Total assets increased \$51.1 million, 15%, to \$403.1 million

In August, the Board of Directors declared a second \$0.05 cash dividend to shareholders of record as of September 27, 2013, which was paid in October.

Basic earnings per share for the nine-months ended September 30, 2013 was \$1.25, compared to \$1.04 for the nine-months ended September 30, 2012. The book value per share of Santa Cruz County Bank's common stock at September 30, 2013 was \$15.94, compared to \$14.81 at September 30, 2012.

Shareholders' equity was \$31.6 million as of September 30, 2013, representing a \$2.5 million increase from September 30, 2012. The Bank's non-interest bearing deposits for the quarter ended September 30, 2013 grew by \$33 million, 23%, compared to September 30, 2012. Moreover, non-interest bearing deposits represented 48% of total deposits as of September 30, 2013, up 4% from September 30, 2012.

The FDIC recently released their deposit market share report based upon data as of June 30, 2013. The report shows Santa Cruz County Bank as the fifth largest financial institution in Santa Cruz County, with a total deposit market share of 7.77%, and improving 0.52% over the prior year. The Bank is the only locally owned community bank within the top five

## SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		QUARTER ENDED	QUARTER ENDED	Change	
	09/30/13	09/30/12	\$	%	9/30/13	6/30/13	\$	%
TOTAL ASSETS	\$ 403,100,870	\$ 352,000,974	\$ 51,099,896	15%	\$ 403,100,870	\$ 381,152,211	\$ 21,948,659	6%
GROSS LOANS	239,981,790	206,707,859	33,273,931	16%	239,981,790	237,841,603	2,140,187	1%
ALLOWANCE FOR LOAN LOSSES	5,484,181	4,846,966	637,215	13%	5,484,181	5,430,183	53,998	1%
NON-INTEREST BEARING DEPOSITS	174,943,138	141,955,724	32,987,414	23%	174,943,138	153,643,037	21,300,101	14%
TOTAL DEPOSITS	366,084,545	319,347,043	46,737,502	15%	366,084,545	344,930,572	21,153,973	6%
SHAREHOLDERS' EQUITY	31,597,089	29,119,860	2,477,229	9%	31,597,089	30,724,547	872,542	3%
BOOK VALUE PER SHARE	\$ 15.94	\$ 14.81			\$ 15.94	\$ 15.61		
					NINE-MONTHS ENDED	NINE-MONTHS ENDED	Change	
					09/30/13	09/30/12	\$	%
INCOME STATEMENT								
INTEREST INCOME	\$ 3,823,746	\$ 3,448,191	\$ 375,555	11%	\$ 11,131,180	\$ 10,225,170	\$ 906,010	9%
INTEREST EXPENSE	101,119	110,482	(9,363)	-8%	315,152	351,681	(36,529)	-10%
NET INTEREST INCOME	3,722,627	3,337,709	384,918	12%	10,816,028	9,873,489	942,539	10%
PROVISION FOR LOAN LOSSES	62,500	194,000	(131,500)	-68%	362,500	794,000	(431,500)	-54%
NON-INTEREST INCOME	742,264	784,767	(42,503)	-5%	2,386,192	1,884,290	501,902	27%
NON-INTEREST EXPENSE	3,068,670	2,720,724	347,946	13%	8,895,220	7,848,575	1,046,645	13%
NET INCOME BEFORE TAXES	1,333,721	1,207,752	125,969	10%	3,944,500	3,115,204	829,296	27%
INCOME TAX EXPENSE	503,434	423,093	80,341	19%	1,490,093	1,123,858	366,235	33%
NET INCOME AFTER TAXES	\$ 830,287	\$ 784,659	\$ 45,628	6%	\$ 2,454,407	\$ 1,991,346	\$ 463,061	23%
BASIC EARNINGS PER SHARE	\$ 0.42	\$ 0.40			\$ 1.25	\$ 1.04		
RATIOS								
NET INTEREST MARGIN	3.94%	4.11%						
EQUITY CAPITAL-TO-TOTAL ASSETS	8.15%	8.34%						

financial institutions for deposit market share.

We wish you a happy and healthy holiday season, and as always, we welcome your comments and referrals. Thank you for your ongoing support of Santa Cruz County Bank.



*George Gallucci*

George Gallucci  
Chairman of the Board



*David Heald*

David Heald  
President & CEO

### WELCOME JON SISK



In September, Jon Sisk joined the Bank as Senior Vice President and Director of Construction and Real Estate Lending. Mr. Sisk is a well-established local banker and lender with over 20 years of experience working for local community banks.

### BE THE DIFFERENCE AWARD

One important mission for the Bank is to offer continued support for our community. We are proud to provide volunteers, fundraising efforts and sponsorships throughout the County for various events. In October, the Bank received the 2013 Volunteer Center of Santa Cruz "Be The Difference" Business Award for leadership and volunteer efforts. We attribute the achievement to all of our employees, Management team and Board of Directors, all of whom are actively engaged in our community.

## COMPANY INFORMATION



Our Board of Directors pictured outside the Santa Cruz Office

## BOARD OF DIRECTORS

**Kenneth R. Chappell, CPA, Partner-In-Charge, Hutchinson & Bloodgood, LLP**  
**George R. Gallucci, (Chairman), Director of Client Relations, Scharf Investments**  
**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 listed below:

**Computershare Investor Services**  
**350 Indiana Street, Suite 800**  
**Golden, CO 80401**  
**800.962.4284**  
**[www.computershare.com](http://www.computershare.com)**

For other assistance with stock related matters, shareholders may contact:

**Mary Anne Carson, Shareholder Relations**  
**Santa Cruz County Bank**  
**740 Front Street, Suite 220**  
**Santa Cruz, CA 95060**  
**831.457.5000**

The Bank's quarterly reports, 2012 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**