



## **Santa Cruz County Bank Reports Record Earnings, 17% Increase in Net Income for the Year Ended December 31, 2013**

**SANTA CRUZ, CA – January 24, 2014:** Santa Cruz County Bank (OTCQB:SCZC), a locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced unaudited results for the fourth quarter and year ended December 31, 2013.

Total assets grew by \$41.9 million, 12%, to \$398.2 million for the year ended December 31, 2013 compared to the prior year. This included significant growth in deposits of \$38.6 million, 12% over the prior year to \$360.2 million. Gross loans increased \$32.4 million to \$258.1 million, 14% over the prior year. Non-interest-bearing deposits represented 46% of total deposits as of December 31, 2013 compared to 43% as of December 31, 2012.

David V. Heald commented, "Our solid deposit base continues to grow, allowing the Bank to meet the lending needs of businesses in our community, while building strong earning assets. We have plenty of capacity to fund more loans as demand and economic conditions improve."

Shareholders' equity for the year ended December 31, 2013 increased by \$2.9 million to \$32.8 million, 10%, over the prior year. Book value per share for the year ended December 31, 2013 increased 8% to \$16.39 compared to \$15.16 the prior year. Basic earnings per share for the year ended December 31, 2013 increased by 14% to \$1.68 as compared to \$1.47 for the year ended December 31, 2012.

### **FOURTH QUARTER: DECEMBER 31, 2013 COMPARED TO SEPTEMBER 30, 2013**

Net income increased \$8.6 thousand, 3%, to \$857.6 thousand  
Total deposits decreased \$5.8 million, -2%, to \$360.2 million  
Gross loans increased \$18.1 million, 8%, to \$258.1 million  
Total assets decreased \$4.9 million, -1%, to \$398.2 million

### **YEAR ENDED: DECEMBER 31, 2013 COMPARED TO DECEMBER 31, 2012**

Net income increased \$471.7 thousand, 17%, to \$3.3 million  
Total deposits increased \$38.6 million, 12%, to \$360.2 million  
Gross loans increased \$32.4 million, 14%, to \$258.1 million  
Total assets increased \$41.9 million, 12%, to \$398.2 million

David V. Heald commented, "As we celebrate our tenth year serving Santa Cruz County, we wish to thank to our customers for supporting our vision to be the local community bank of choice. Over the past decade, we have built a highly recognized financial institution for our community."



"In 2013, we surpassed a milestone of \$400 million in assets. We anticipate strong growth in deposits, loans and earnings in 2014. Additionally, we have invested in new technology to strengthen and streamline delivery of products and services to meet the financial needs of our customers in 2014 and many years ahead."

## **2013 HIGHLIGHTS:**

The Bank declared three \$0.05 cash dividends to shareholders.

The Bank received 4-Star "Excellent" ratings by Bauer Financial, Inc. for its quarterly 2013 financial performance.

The Bank ranked 103<sup>rd</sup> out of 851 institutions in American Banker Magazine's "Top Performing 200 Community Banks and Thrifts in the United States", based upon 3-year average return on equity.

As of June 30, 2013 FDIC data, the Bank ranked fifth largest in overall deposit market share in Santa Cruz County.

The Bank hired Geoffrey Loftus as Senior Vice President and Chief Lending Officer.

The Bank hired Jon Sisk as Senior Vice President and Director of Real Estate and Construction Lending.

The Bank remained as the top SBA lender in Santa Cruz County and ranked 37<sup>th</sup> statewide for the 2013 SBA fiscal year.

## **ABOUT SANTA CRUZ COUNTY BANK**

Santa Cruz County Bank, founded in 2004, is a locally owned and operated community bank with offices 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, and online banking bill payment and cash management. For the past seven years, the Bank's SBA Department has been recognized as a top SBA lender in Santa Cruz County for 7a and 504 loans.

## **RATINGS & AWARDS**

The Findley Reports, Inc.

2012: One of eleven "Exceptional Banks" in California

2012, 2011: "Super Premier Performing Bank"

Bauer Financial Reports, Inc.

Santa Cruz County Bank has received the distinction of 4-Star "Excellent" and 5-Star "Superior" by Bauer Financial Reports, Inc., for its financial performance every quarter since 2007.

#### American Banker Magazine

May 2013: Santa Cruz County Bank ranked 103<sup>rd</sup> out of 851 institutions in American Banker Magazine's "Top Performing 200 Community Banks and Thrifts in the United States" based upon 3-year average return on equity.

#### Community Awards

Santa Cruz County Bank received the 2013 Volunteer Center of Santa Cruz County "Be the Difference" Business Award for its leadership and volunteer efforts.

Santa Cruz County Bank was voted "Best Bank" in Santa Cruz County in the 2013 Good Times Readers poll.

*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)  
December 31, 2013

	Quarter ended		Change		Quarter ended		Change				
	12/31/13	12/31/12	\$	%	9/30/13	\$	%				
<b>BALANCE SHEET</b>											
Total assets	\$ 398,247,576	\$ 356,352,375	\$ 41,895,201	12%	\$ 403,100,870	\$ (4,853,294)	-1%				
Gross loans	258,128,446	225,678,483	32,449,963	14%	239,981,790	18,146,656	8%				
Allowance for loan losses	5,705,862	5,048,577	657,285	13%	5,484,181	221,681	4%				
Non interest-bearing deposits	166,021,518	139,694,792	26,326,726	19%	174,943,138	(8,921,620)	-5%				
Total deposits	360,239,748	321,590,494	38,649,254	12%	366,084,545	(5,844,797)	-2%				
Shareholders' equity	32,761,903	29,849,974	2,911,929	10%	31,597,089	1,164,814	4%				
<b>INCOME STATEMENT</b>											
								Change			
								\$ %			
Interest income	3,975,576	3,557,871	417,705	12%	3,823,746	151,830	4%	Year ended 12/31/13	Year ended 12/31/12		
Interest expense	98,614	108,986	(10,372)	-10%	101,119	(2,505)	-2%	15,106,756	13,783,040	\$ 1,323,716	10%
Net interest income	3,876,962	3,448,885	428,077	12%	3,722,627	154,335	4%	413,766	460,667	(46,901)	-10%
Provision for loan losses	125,000	200,000	(75,000)	-38%	62,500	62,500	100%	14,692,990	13,322,373	1,370,617	10%
Non-interest income	943,758	974,602	(30,844)	-3%	742,264	201,494	27%	487,500	994,000	(506,500)	-51%
Non-interest expense	3,591,711	2,783,466	808,245	29%	3,068,670	523,041	17%	3,329,950	2,858,892	471,058	16%
Net income before taxes	1,104,009	1,440,021	(336,012)	-23%	1,333,721	(229,712)	-17%	12,486,931	10,632,040	1,854,891	17%
Income tax expense	246,419	591,062	(344,643)	-58%	503,434	(257,015)	-51%	5,048,509	4,555,225	493,284	11%
Net income after taxes	\$ 857,590	\$ 848,959	8,631	1%	\$ 830,287	27,303	3%	1,736,512	1,714,920	21,592	1%
								\$ 3,311,997	\$ 2,840,305	471,692	17%
BASIC EARNINGS PER SHARE	\$ 0.43	\$ 0.44			\$ 0.42			\$ 1.68	\$ 1.47		
BOOK VALUE PER SHARE	\$ 16.39	\$ 15.16			\$ 15.94			\$ 16.39	\$ 15.16		
<b>RATIOS</b>											
Net interest margin	4.00%	4.12%			3.94%			4.06%	4.21%		
Tier 1 leverage ratio	8.20%	8.40%			8.15%						