



**SANTA CRUZ
COUNTY BANK**

Celebrating 10 Years! 2004-2014



2014 THIRD QUARTER REPORT



To our Shareholders,

We are pleased to report another quarter of record financial performance with continued growth in income, loans and deposits, and excellent credit quality. Last quarter, we reported a key milestone in net income, \$1.021 million, and this quarter, we recorded \$1.206 million.

The strength and stability of our financial performance allows us to reward our shareholders. Our Board of Directors declared a sixth \$0.05 cash dividend to shareholders of record as of September 25, 2014, which was paid in October.

The Bank's balance sheet has grown significantly, year over year. This is a result of executing our strategic plan to increase our loan production while maintaining credit quality, and also the result of attracting new relationships based on word of mouth referrals from satisfied customers. The financial data, presented below, provides a summary of key financial highlights for the nine-months ended September 30, 2014 as compared to the nine-months ended September 30, 2013:

Net income increased \$641.1 thousand, 26%, to \$3.1 million

Total deposits increased \$47.8 million, 13%, to \$413.9 million

Gross loans increased \$56.7 million, 24%, to \$296.7 million

Total assets increased \$54.1 million, 13%, to \$457.2 million

Basic earnings per share for the nine-months ended September 30, 2014 were \$1.46 compared to \$1.25 for the nine-months ended September 20, 2013. The book value per share of Santa Cruz County Bank's common stock at September 30, 2014 was \$17.38, compared to \$15.94 as of September 30, 2013.

Shareholders' equity of \$37.1 million as of September 30, 2014 represented a \$5.6 million increase over September 30, 2013. Return on average equity for the nine-months ended September 30, 2014 was 11.60%. Comparing the quarter ended September 30, 2014 to September 30, 2013, the Bank's non-interest bearing deposits grew by \$18.9 million, 11% to \$193.9 million. Non-interest bearing deposits comprised 47% of total deposits as of September 30, 2014.

SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED	QUARTER ENDED	CHANGE		QUARTER ENDED	QUARTER ENDED	CHANGE	
	09/30/14	09/30/13	\$	%	09/30/14	06/30/14	\$	%
BALANCE SHEET								
TOTAL ASSETS	\$ 457,158,173	\$ 403,100,870	\$ 54,057,303	13%	\$ 457,158,173	\$ 439,992,414	\$ 17,165,759	4%
GROSS LOANS	296,683,465	239,981,790	56,701,675	24%	296,683,465	293,033,660	3,649,805	1%
ALLOWANCE FOR LOAN LOSSES	6,213,113	5,484,181	728,932	13%	6,213,113	6,025,201	187,912	3%
NON-INTEREST BEARING DEPOSITS	193,884,773	174,943,138	18,941,635	11%	193,884,773	181,035,204	12,849,569	7%
TOTAL DEPOSITS	413,930,091	366,084,545	47,845,546	13%	413,930,091	398,369,869	15,560,222	4%
SHAREHOLDERS' EQUITY	37,147,917	31,597,089	5,550,828	18%	37,147,917	35,869,952	1,277,965	4%
BOOK VALUE PER SHARE	\$ 17.38	\$ 15.94			\$ 17.38	\$ 16.79		
					NINE-MONTHS ENDED	NINE-MONTHS ENDED	CHANGE	
					09/30/14	09/30/13	\$	%
INCOME STATEMENT								
INTEREST INCOME	\$ 4,457,467	\$ 3,823,746	\$ 633,721	17%	\$ 13,124,408	\$ 11,131,180	\$ 1,993,228	18%
INTEREST EXPENSE	107,368	101,119	6,249	6%	309,034	315,152	(6,118)	-2%
NET INTEREST INCOME	4,350,099	3,722,627	627,472	17%	12,815,374	10,816,028	1,999,346	18%
PROVISION FOR LOAN LOSSES	187,500	62,500	125,000	200%	562,500	362,500	200,000	55%
NON-INTEREST INCOME	938,444	742,264	196,180	26%	2,629,028	2,386,192	242,836	10%
NON-INTEREST EXPENSE	3,126,210	3,068,670	57,540	2%	9,841,282	8,895,220	946,062	11%
NET INCOME BEFORE TAXES	1,974,833	1,333,721	641,112	48%	5,040,620	3,944,500	1,096,120	28%
INCOME TAX EXPENSE	768,520	503,434	265,086	53%	1,945,100	1,490,093	455,007	31%
NET INCOME AFTER TAXES	\$ 1,206,313	\$ 830,287	\$ 376,026	45%	\$ 3,095,520	\$ 2,454,407	\$ 641,113	26%
BASIC EARNINGS PER SHARE	\$ 0.57	\$ 0.42			\$ 1.46	\$ 1.25		
RATIOS								
NET INTEREST MARGIN	3.93%	3.94%						
TIER 1 LEVERAGE RATIO	8.26%	8.15%						

As of June 30, 2014, Santa Cruz County Bank ranked fifth in overall county market share with 8.42% of total deposits according to the FDIC. We attribute this growth to our reputation as a financially sound and well rated bank that provides responsive service and delivery.

As always, we thank you for your support and referrals to the Bank.



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO

THIRD QUARTER HIGHLIGHTS

Our mission is to be the community's bank of choice. According to the readers of two of the county's largest local publications, we have succeeded. Santa Cruz County Bank has been voted Best Bank in Santa Cruz County by Good Times and Santa Cruz Sentinel readers.



Our community loves its local bank!



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. 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 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

831.457.5000