Santa Cruz County Bank Reports Continued Strong Earnings for the Second Quarter Ended June 30, 2015, $500 Million in Assets

SANTA CRUZ, CA – July 16, 2015: Santa Cruz County Bank (OTCQX: SCZC), a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced unaudited net income for the quarter ended June 30, 2015 of $1.35 million or $0.63 basic earnings per share.

President and CEO David V. Heald commented, “Reaching a half billion dollars in asset size marks the achievement of a long term strategic vision for our company. Our mission is to build shareholder value through consistent growth in assets and earnings.”

Selected financial information is presented in the following table:

	Six- months ended June 30, 2015	2014	Year ended 12/31/14
Balance Sheet			
Total assets	$ 500,494,009	$ 439,992,414	$ 459,246,504
Gross loans	336,999,353	293,033,660	315,621,461
Allowance for loan losses	6,812,866	6,025,201	6,402,752
Non interest-bearing deposits	193,775,744	181,035,204	191,789,387
Total deposits	452,438,802	398,369,869	413,986,333
Shareholders’ equity	41,225,768	35,869,952	38,629,400
Net Income	$ 2,600,776	$ 1,889,207	$ 4,371,187
Ratios			
Net interest margin	4.26%	4.31%	4.11%
Tier 1 leverage ratio	8.61%	8.62%	8.39%
Return on average assets	1.12%	0.97%	1.00%
Return on average equity	13.22%	11.48%	12.04%
Efficiency ratio	58.92%	63.97%	61.54%
Share and Per Share Data			
Basic earnings per common share	$1.21	$0.89	$2.05
Book value per common share	$19.18	$16.79	$18.04
Total common shares outstanding	2,149,283	2,136,230	2,141,253

Second Quarter Earnings

Net income of $1.35 million for the quarter ended June 30, 2015 increased 8% compared to the prior quarter and increased 38% comparing the first six-months of 2015 to the same six-month period in 2014. Basic earnings per share increased $0.32, a 36% increase over the prior year. Improvement in net income and earnings per share resulted from:

- Non-interest income growth exceeded an increase in non-interest expense, primarily attributable to gains generated from SBA loan sales, which is an integral component of the bank's business plan.
- Increased interest income resulting from the successful deployment of deposit growth into high quality loans that provide a higher return than investments.

Pretax income for the six-months ended June 30, 2015 was $4.3 million, an increase of $1.2 million or 40% over $3.1 million for the prior year six-month period.

Basic earnings per share for the second quarter increased to $0.63 compared to $0.48 the prior year.

Key Highlights:

- Total Assets exceeded $500 million
- Return on Average Assets and Equity of 1.12% and 13.22%, respectively
- Net Interest Margin of 4.26%
- Growth in loans of $44 million over the last twelve months
- Growth in deposits of $54 million over the last twelve months
- Well capitalized with a total risk based capital ratio of 13.14%
- Continued exceptional credit quality with no loans past due 30 days or more
- Increase in earnings per share to $0.63, up from $0.58 for the prior quarter
- Paid ninth cash dividend of $0.05 on July 14, 2015

Loans, Asset Quality & Deposits

Total asset growth of $60 million to $500 million follows a $58 million increase for the same six-month period a year ago. The bank's asset quality remained exceptional with zero nonperforming loans. The bank's reputation as a leading lender with responsive decision making has continued to drive its loan production. For the second quarter, gross loans increased 2%, and year over year increased 15% or $44 million to $337 million.

Deposits grew by more than 14% or $54 million since June 30, 2014. Approximately $34 million of this growth was within the demand deposit category, furthering the bank's core strength of generating lower cost funding for deployment into the community as loans. Cost of funds year-to-date remains among the best in the bank's national peer group.

Non-interest income and Net Interest Margin

Comparing the six-month period ended June 30, 2015 to the same period in 2014, growth in non-interest income more than offset an increase in non-interest expense. This was primarily attributable to gains generated from SBA loan sales and the servicing income derived from those sales, which is an integral component of the bank's business plan. Although non-interest expense totals have grown, when expressed as a percentage of average assets the ratio has improved to 2.9% year to date 2015 from 3.3% year to date 2014, demonstrating Management's commitment to control expenses.

Second quarter 2015 net interest income at $4.9 million exceeded the same period last year by $581 thousand or 13% and also exceeded first quarter 2015 by $338 thousand or 7%. Year-to-date 2015 net interest income exceeded the same period last year by $1.1 million or 13%.

Net interest margin was 4.26% and 4.31% for the quarters ended June 30, 2015 and 2014, respectively and 4.22% and 4.30% for the six-month periods ended June 30, 2015 and 2014,

respectively. Since the beginning of the economic crisis, economic conditions have pushed loan and interest rates downward, resulting in declining margins for the banking industry. Santa Cruz County Bank has mitigated this downward trend with a shift of earning assets from lower yielding investments into higher yielding loans.

Shareholders' Equity

Total shareholders' equity was $41.2 million at June 30, 2015, a $5.4 million, 15% increase over June 30, 2014. The increase was due to continued strong earnings. This increase was offset by cash dividends paid. During the six-months ended June 30, 2015 the bank paid cash dividends totaling $214 thousand or $0.05 per share. Common stock cash dividends totaled $418 thousand or $0.20 per share for the year ended December 31, 2014. A cash dividend of $0.05 was declared in June to shareholders of record as of July 1, 2015, which was paid on July 14, 2015.

For the period ended June 30, 2015, the Bank's return on average equity was 13.22% and return on average assets was 1.12%. The book value per share of Santa Cruz County Bank's common stock at June 30, 2015 was $19.18, up from $16.79 for the same period in 2014.

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, mobile and online banking, bill payment, and cash management. For the past nine years, the Bank's SBA Department has been recognized as a top SBA lender in Santa Cruz County for 7a and 504 loans. For more information about Santa Cruz County Bank, please visit our website www.sccountybank.com.

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.

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Selected Financial Data (unaudited)

	Quarter ended 6/30/15	Quarter ended 6/30/14	Change $	Change %	Quarter ended 3/31/15	Change $	Change %
Balance Sheet							
Total assets	$ 500,494,009	$ 439,992,414	$ 60,501,595	14%	$ 474,535,002	$ 25,959,007	5%
Gross loans	336,999,353	293,033,660	43,965,693	15%	329,220,953	7,778,400	2%
Allowance for loan losses	6,812,866	6,025,201	787,665	13%	6,560,060	252,806	4%
Non interest-bearing deposits	193,775,744	181,035,204	12,740,540	7%	173,573,733	20,202,011	12%
Total deposits	452,438,802	398,369,869	54,068,933	14%	428,119,862	24,318,940	6%
Shareholders' equity	41,225,768	35,869,952	5,355,816	15%	40,012,363	1,213,405	3%

Income Statement										Change	
								Six-months ended 6/30/15	Six-months ended 6/30/14	$	%
Interest income	5,047,939	4,453,668	594,271	13%	4,706,672	341,267	7%	9,754,611	8,666,941	$ 1,087,670	13%
Interest expense	114,424	101,092	13,332	13%	110,826	3,598	3%	225,250	201,666	23,584	12%
Net interest income	4,933,515	4,352,576	580,939	13%	4,595,846	337,669	7%	9,529,361	8,465,275	1,064,086	13%
Provision for loan losses	187,500	187,500	-	0%	187,500	-	0%	375,000	375,000	-	0%
Non-interest income	1,050,029	779,301	270,728	35%	908,685	141,344	16%	1,958,714	1,690,584	268,130	16%
Non-interest expense	3,525,802	3,282,676	243,126	7%	3,290,381	235,421	7%	6,816,183	6,715,072	101,111	2%
Net income before taxes	2,270,242	1,661,701	608,541	37%	2,026,650	243,592	12%	4,296,892	3,065,787	1,231,105	40%
Income tax expense	919,618	641,013	278,605	43%	776,498	143,120	18%	1,696,116	1,176,580	519,536	44%
Net income after taxes	$ 1,350,624	$ 1,020,688	329,936	32%	$ 1,250,152	100,472	8%	$ 2,600,776	$ 1,889,207	711,569	38%
Basic earnings per share	$ 0.63	$ 0.48			$ 0.58			$ 1.21	$ 0.89		
Book value per share	$ 19.18	$ 16.79			$ 18.62			$ 19.18	$ 16.79		
Ratios											
Net interest margin	4.26%	4.31%			4.17%			4.22%	4.30%		
Tier 1 leverage ratio	8.61%	8.62%			8.68%						
Return on average assets	1.12%	0.97%			1.09%						
Return on average equity	13.22%	11.48%			12.78%						
Efficiency ratio	58.92%	63.97%			59.78%						