



SANTA CRUZ COUNTY BANK REPORTS 17% INCREASE IN NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

Assets, Loans, Deposits and Net Income increase by double digit percentages over prior year

SANTA CRUZ, CA – January 18, 2013: Santa Cruz County Bank (**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, 2012.

Total assets for the year ended December 31, 2012 were \$356 million, a growth of \$36 million, or 11% over the prior year. This included considerable growth in gross loans of \$34 million, or 18% over the prior year to \$226 million. Total deposits grew by \$33 million, or 12% over the prior year to \$322 million. This included non-interest bearing deposits of \$140 million, an increase of \$27 million, or 24% over the prior year.

As a result, the Bank reported a \$411 thousand or 17% increase in net income to \$2.8 million for the year ended December 31, 2012 compared to \$2.4 million reported for the year ended December 31, 2011. Included in expenses was a provision of \$994 thousand to our Allowance for Loan and Lease Losses, increasing the loan loss reserve by 17% over the prior year. This increase parallels our growth in loans. Basic earnings per share for the year ended December 31, 2012 were \$1.47 compared to \$1.27 for the year ended December 31, 2011.

Shareholders' equity for the year ended December 31, 2012 increased by \$3.5 million, or 13% over the prior year ended December 31, 2011 to \$30 million.

FOURTH QUARTER: DECEMBER 31, 2012 COMPARED TO SEPTEMBER 30, 2012

Total deposits increased \$2.2 million or 1% to \$321.6 million
Gross loans increased \$19 million or 9% to \$225.7 million
Total assets increased \$4.0 million or 1% to \$356.0 million
Net income increased \$64 thousand or 8% to \$849 thousand

YEAR ENDED: DECEMBER 31, 2012 COMPARED TO DECEMBER 31, 2011

Total deposits increased \$33.4 million or 12% to \$321.6 million
Gross loans increased \$34.3 million or 18% to \$225.7 million
Total assets increased \$35.8 million or 11% to \$356.0 million
Net income increased \$411 thousand or 17% to \$2.8 million

President and CEO David Heald commented, "Our consistently strong financial performance, which has led to positive ratings and our solid reputation, continues to resonate within our community and generate new customer relationships. As a result, we achieved a 12% deposit growth and more significantly a loan growth of 18%, in what remains an increasingly competitive lending environment."

"This consistent growth and superior financial performance highlights our continued focus on fiscal management, credit quality and increasing shareholder value. We believe the consistent delivery of such performance in both favorable and difficult economic times reflects the

experience, strength and ability of our Management team; as well as the diligence and oversight of the Board of Directors.”

“As we prepare to enter our tenth year of serving the community, one of our ongoing goals is to remain an outstanding community bank. We are grateful to the community for its overwhelming support of its local bank.”

2012 KEY HIGHLIGHTS

- Surpassing \$320 million in deposits and \$350 million in assets.
- The addition of veteran banker and retired Chief Executive Officer, Harvey J. Nickelson to the Bank’s board of directors.
- Ranking fifth in overall deposit market share for FDIC insured institutions in Santa Cruz County.
- Receiving quarterly 4-Star “Excellent” ratings by Bauer Financial Inc. for its financial performance in 2012.
- Expansion of the Bank’s SBA Department lending team by hiring Sati Kanwar.
- Remaining the top SBA lender in Santa Cruz County for the 2012 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 and lines of credit, commercial real estate finance, agricultural loans, SBA and USDA government guaranteed loans, credit cards, merchant services, remote deposit capture, and online services, including bill payment and cash management. The Bank’s SBA Department has been recognized as a top SBA lender in Santa Cruz County for 7a and 504 loans for the past seven years.

Santa Cruz County Bank received a 2011 designation of a Super Premier Performing Bank by the Findley Reports, an independent service which rates the annual financial performance of California banks. Santa Cruz County Bank has also received the designation of 4-Star “Excellent” and a 5-Star “Superior” by Bauer Financial Reports, Inc., for its financial performance every quarter since 2007. For more information, visit www.sccountybank.com.

Santa Cruz County Bank’s common stock is listed Over the Counter (OTCQB) under the stock symbol SCZC.

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)
December 31, 2012

	Quarter ended		Change		Quarter ended		Change	
	12/31/12	12/31/11	\$	%	9/30/12	\$	%	
BALANCE SHEET								
Total assets	\$ 356,016,126	\$ 320,230,204	\$ 35,785,922	11%	\$ 352,000,974	\$ 4,015,152	1%	
Gross loans	225,678,483	191,369,556	34,308,927	18%	206,707,859	18,970,624	9%	
Allowance for loan losses	5,048,577	4,305,290	743,287	17%	4,846,966	201,611	4%	
Non interest-bearing deposits	139,694,792	113,014,682	26,680,110	24%	141,955,724	(2,260,932)	-2%	
Total deposits	321,590,494	288,206,914	33,383,580	12%	319,347,043	2,243,451	1%	
Shareholders' equity	29,770,648	26,285,044	3,485,604	13%	29,119,860	650,788	2%	
INCOME STATEMENT								
								Change
								\$ %
Interest income	3,557,871	3,151,070	406,801	13%	3,448,191	109,680	3%	\$ 13,783,040 \$ 12,773,143 \$ 1,009,897 8%
Interest expense	108,986	129,697	(20,711)	-16%	110,482	(1,496)	-1%	460,667 576,806 (116,139) -20%
Net interest income	3,448,885	3,021,373	427,512	14%	3,337,709	111,176	3%	13,322,373 12,196,337 1,126,036 9%
Provision for loan losses	200,000	300,000	(100,000)	-33%	194,000	6,000	3%	994,000 1,412,500 (418,500) -30%
Non-interest income	974,602	838,435	136,167	16%	784,767	189,835	24%	2,858,892 3,566,492 (707,600) -20%
Non-interest expense	2,783,466	2,555,730	227,736	9%	2,720,724	62,742	2%	10,632,040 10,415,351 216,689 2%
Net income before taxes	1,440,021	1,004,078	435,943	43%	1,207,752	232,269	19%	4,555,225 3,934,978 620,247 16%
Income tax expense	591,062	329,994	261,068	79%	423,093	167,969	40%	1,714,920 1,505,776 209,144 14%
Net income after taxes	\$ 848,959	\$ 674,084	174,875	26%	\$ 784,659	64,300	8%	\$ 2,840,305 \$ 2,429,202 411,103 17%
BASIC EARNINGS PER SHARE	\$ 0.44	\$ 0.35			\$ 0.40			\$ 1.47 \$ 1.27
BOOK VALUE PER SHARE	\$ 15.12	\$ 13.67			\$ 14.81			\$ 15.12 \$ 13.67
RATIOS								
Net interest margin	4.12%	4.01%			4.11%			4.21% 4.36%
Equity capital-to-total assets	8.4%	8.2%			8.3%			
% of non interest bearing to total deposits	43%	39%			44%			