



**Santa Cruz County Bank Reports Record Earnings
for the First Quarter Ended March 31, 2017**

Net Interest Margin 4.27%

Return on Average Equity 14.61%

SANTA CRUZ, CA – April 19, 2017: Santa Cruz County Bank (OTC: SCZC), a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced unaudited net income for the first quarter ended March 31, 2017 of \$1.88 million. This represents an increase of 2% compared to the prior quarter and an increase of 25% comparing this quarter with the same quarter in 2016. For the quarter, basic earnings per share increased \$0.17 to \$0.86, a 25% increase over the first quarter in 2016.

Pretax income for the quarter ended March 31, 2017 was \$3.09 million, an increase of \$575 thousand, 23%, compared to \$2.51 million for the quarter ended March 31, 2016.

President and CEO David V. Heald commented, “Building shareholder value in a safe and sound manner is our primary goal. Our financial results demonstrate our continued capability to produce exceptional performance for our shareholders and our community.

This quarter’s record earnings of \$1.9 million, is a 25% increase over the same quarter in 2016. We continue to record double-digit growth in all categories of the balance sheet on a year over year basis. This growth has occurred entirely within our local community, which has recognized us as the Best Bank for a fifth consecutive year.”

Selected financial information is presented in the following table:

	Three-Months Ended,		
	03.31.17	12.31.16	03.31.16
Balance Sheet			
Total assets	\$ 597,775,823	\$ 588,231,651	\$ 524,680,478
Gross loans	421,525,389	414,984,843	375,200,453
Allowance for loan losses	8,496,599	8,193,091	7,535,908
Non-interest-bearing deposits	228,355,095	244,897,010	194,380,033
Total deposits	537,260,071	529,311,149	472,004,239
Shareholders’ equity	52,652,008	50,716,281	46,013,587
Net Income	\$ 1,875,258	\$ 1,835,090	\$ 1,500,173
Ratios			
Net interest margin	4.27%	3.93%	4.31%
Tier 1 leverage ratio	8.95%	8.67%	8.84%
Return on average assets	1.29%	1.24%	1.15%
Return on average equity	14.61%	14.52%	13.33%
Efficiency ratio	50.97%	50.45%	57.70%
Share and Per Share Data			
Basic earnings per common share	\$0.86	\$0.84	\$0.69
Book value per common share	\$23.96	\$23.15	\$21.02
Total common shares outstanding	2,197,436	2,190,786	2,189,236

First Quarter Financial Highlights:

- Net interest margin of 4.27%
- First quarter return on average assets and equity of 1.29% and 14.61%, respectively
- Well capitalized with a total risk based capital ratio of 12.76%
- Continued exceptional credit quality with no loans on non-accrual or past due
- 12% growth in loans, \$46 million increase over the first quarter of 2016
- 14% growth in deposits, \$65 million increase over the first quarter of 2016
- Basic earnings per share increased to \$0.86 from \$0.69 over the first quarter of 2016
- Book value per share after dividends increased by \$2.94 to \$23.96 over the first quarter of 2016

Loans, Asset Quality & Deposits

Total assets grew by \$9.5 million to \$598 million in the first quarter and by \$73 million over the last twelve months. The Bank's asset quality remained exceptional. For the first quarter, gross loans increased by \$6.5 million, and year over year increased \$46 million, 12% to \$421.5 million. Allowance for loan losses of \$8.5 million at March 31, 2017 represents a 13% increase over the same period last year. Deposits grew by 2%, \$7.9 million since December 31, 2016.

Non-Interest Income / Expense and Net Interest Margin

A component of the Bank's core business is the origination and sale of loans generated by its top producing SBA Department which results in gains that are included in non-interest income. For the first quarter of 2017, the non-interest income total was \$885 thousand which included \$229 thousand of gains on loans sold. This represented a decrease in non-interest income of \$66 thousand compared to prior quarter, when \$333 thousand in gains was recognized, and a decrease of \$80 thousand compared to the same period in 2016, which included \$420 thousand in gains on loans sold.

Non-interest expense for the three-month period ended March 31, 2017, increased 6% or \$203 thousand compared to prior quarter but decreased 4% or \$160 thousand compared to the same period last year.

Net interest income of \$6 million for the quarter ended March 31, 2017 exceeded the prior quarter by \$396 thousand or 7% and exceeded the first quarter of 2016 by \$607 thousand or 11%. The improvement is driven by a continued focus on building high quality earning assets through loan production and the benefit from recent rate increases implemented by the Federal Open Market Committee. Consequently, net interest margin at 4.27% was roughly equivalent to the same period last year but improved 9% compared to 3.93% for the fourth quarter of 2016.

Shareholders' Equity

Total shareholders' equity was \$52.7 million at March 31, 2017, a \$6.6 million, 14% increase over March 31, 2016. The value added to our shareholders was due to continued strong earnings. This increase was reduced by the payout of quarterly cash dividends. Common stock cash dividends totaled \$110 thousand or \$0.05 per share for the quarter ended March 31, 2017. Historically, the Bank has paid sixteen consecutive \$0.05 cash dividends totaling over \$1.6 million to shareholders.

For the three month period ended March 31, 2017, the Bank's return on average equity was 14.61% and return on average assets was 1.29%. The book value per share of Santa Cruz County Bank's common stock at March 31, 2017 was \$23.96, up from \$21.02 for the same period in 2016.

ANNUAL MEETING NOTICE

The Bank's Annual Meeting of Shareholders will be May 22, 2017 at the Sesnon House at Cabrillo College, 4:00 p.m. Pacific Daylight Time.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS

OTCQX Best 50: Santa Cruz County Bank was named one of 50 best performing companies on OTCQX based on total return and growth in average daily dollar volume in 2015.

Financial Management Consulting (FMC) Group: Santa Cruz County Bank ranked 2nd in overall performance among 185 California banks and ranked 1st (lowest) in non-performing assets for the full year in 2016. The Bank has ranked in FMC's top ten banks in California for the past two years.

The Findley Reports, Inc.: Santa Cruz County Bank was named a Super Premier Performing Bank for its 2016 performance. The Bank has received the top ranking of Super Premier by Findley for seven years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank rated five star or “Superior” for its financial strength for the quarter ended December 31, 2016.

American Banker Magazine: Santa Cruz County Bank ranked 44th out of 684 institutions in American Banker Magazine’s “Top Performing 200 Community Banks & Thrifts in the United States” based upon 3-year average return on equity. The Bank has ranked in the Top 200 Community Banks in the United States for three consecutive years.

Independent Banker Magazine, published by the ICBA: Santa Cruz County Bank ranked 22nd in its Top Best Performing Member Community Banks for return on average equity.

COMMUNITY AWARDS AND RECOGNITION

2017: Second Harvest Food Bank of Santa Cruz County “Big Step Award” for the 2016 Holiday Food Drive.

2016: United Way of Santa Cruz County “Corporate Spirit Award” for outstanding support.

2017, 2016, 2015, 2014, 2013: Voted “Best Bank” by the readers of Good Times, a weekly publication with distribution throughout Santa Cruz County.

2017, 2016, 2015: Voted “Best Bank” by the readers of Santa Cruz Sentinel, a daily publication with distribution throughout Santa Cruz County.

2013: Volunteer Center of Santa Cruz County “Be the Difference” Business Award for leadership and volunteerism.

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. Santa Cruz County Bank is a top USDA lender in the state of California.

Santa Cruz County Bank stock is publicly traded on the OTC marketplace under the stock symbol SCZC. Stock purchase orders may be placed through a brokerage firm or one of the Market Makers listed in the Investor Relations section of the bank’s website. 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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