



**Santa Cruz County Bank Reports Record Earnings
for the First Quarter Ended March 31, 2018**
Best quarterly earnings in Bank history

SANTA CRUZ, CA – April 18, 2018: Santa Cruz County Bank (OTC: SCZC), a top rated, locally owned and operated full-service community bank headquartered in Santa Cruz County, today announced record unaudited net income for the first quarter ended March 31, 2018 of \$2.5 million. This represents the best quarter in the bank’s history, an increase of 199% compared to the prior quarter and an increase of 35% comparing this quarter with the same quarter in 2017. For the quarter, basic earnings per share increased \$0.26 to \$1.04, a 33% increase over the first quarter in 2017.

Pretax income for the quarter ended March 31, 2018 was \$3.6 million, an increase of \$483 thousand, 16%, compared to \$3.1 million for the quarter ended March 31, 2017.

President and CEO David V. Heald commented, “We are extremely pleased with the Bank’s first quarter results. Continued top financial performance is the consequence of cumulative years of Board and Management focus on building our Bank to meet and exceed financial objectives centered on shareholder value. We continue to be recognized by our industry as *best in class* for performance and by our community for our service and commitment to meeting the diverse needs of the businesses and individuals in our market area.”

Selected financial information is presented in the following table:

	Three-Months Ended,		
	03.31.18	12.31.17	03.31.17
Balance Sheet			
Total assets	\$645,433,140	\$629,963,786	\$597,775,823
Gross loans	469,167,787	452,827,237	421,525,389
Allowance for loan losses	9,361,394	9,106,258	8,496,599
Non-interest-bearing deposits	235,338,447	242,497,582	228,355,095
Total deposits	576,321,840	562,658,947	537,260,071
Shareholders’ equity	59,915,665	57,280,548	52,652,008
Net Income	\$2,530,989	\$845,804	\$1,875,258
Ratios			
Net interest margin	4.47%	4.42%	4.27%
Tier 1 leverage ratio	9.47%	9.15%	8.95%
Return on average assets	1.62%	0.53%	1.29%
Return on average equity	17.43%	5.77%	14.61%
Efficiency ratio	51.35%	47.18%	50.97%
Share and Per Share Data			
Basic earnings per common share	\$1.04	\$0.35	\$0.78
Book value per common share	\$24.61	\$23.64	\$21.78
Total common shares outstanding	2,432,661	2,422,924	2,417,179

First Quarter Financial Highlights:

- Net interest margin of 4.47%
- First quarter return on average assets and equity of 1.62% and 17.43%, respectively
- Well capitalized with a total risk based capital ratio of 12.87%
- Continued exceptional credit quality with no loans on non-accrual or past due
- 11% growth in loans, \$47.6 million increase over the first quarter of 2017
- 7% growth in deposits, \$39.1 million increase over the first quarter of 2017
- Basic earnings per share increased to \$1.04 from \$0.78 over the first quarter of 2017
- Book value per share after dividends increased by \$2.83 or 13%, to \$24.61 over the first quarter of 2017

Loans, Asset Quality & Deposits

Total assets grew by \$15.5 million to \$645.4 million in the first quarter and by \$47.7 million over the last twelve months. The Bank's asset quality remained exceptional. For the first quarter, gross loans increased by \$16.3 million, and year over year increased \$47.6 million, 11% to \$469.2 million. Allowance for loan losses of \$9.4 million at March 31, 2018 represents a 10% increase over the same period last year. Deposits grew by 2%, \$13.7 million since December 31, 2017.

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 2018, the non-interest income total was \$945 thousand which included \$329 thousand of gains on loans sold.

Non-interest expense for the three-month period ended March 31, 2018, increased 14% or \$481 thousand compared to prior quarter and increased 12.6% or \$443 thousand compared to the same period last year. The bulk of the increase resides in the category of professional services which should even out over the remainder of 2018.

Net interest income of \$6.8 million for the quarter ended March 31, 2018 was basically equivalent to prior quarter but exceeded the first quarter of 2017 by \$753 thousand or 13%. The year over year improvement is driven by a continued focus on building high quality earning assets through loan production and the benefit from rate increases implemented by the Federal Open Market Committee. Consequently, net interest margin at 4.47% improved 20 basis points over prior year.

Shareholders' Equity

Total shareholders' equity was \$59.9 million at March 31, 2018, a \$7.3 million, 14% increase over March 31, 2017. 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 \$121 thousand or \$0.05 per share for the quarter ended March 31, 2018. Historically, the Bank has paid twenty consecutive \$0.05 cash dividends totaling over \$2.1 million to shareholders and one 10% stock dividend.

For the three month period ended March 31, 2018, the Bank's return on average equity was 17.43% and return on average assets was 1.62%. The book value per share of Santa Cruz County Bank's common stock at March 31, 2018 was \$24.61, up from \$21.78 for the same period in 2017.

ANNUAL MEETING NOTICE

The Bank's Annual Meeting of Shareholders will be held May 22, 2018 at the Sesnon House at Cabrillo College, 4:00 p.m. Pacific Daylight Time.

NATIONAL, STATE, AND LOCAL RATINGS AND AWARDS

S&P Global Top 100 Community Banks 2017: Santa Cruz County Bank ranked 63rd in the nation out of nearly 3,000 banks with assets under \$1 billion.

Financial Management Consulting (FMC) Group: Santa Cruz County Bank ranked 3rd in overall performance among 185 California banks and ranked 1st (lowest) in non-performing assets for the full year in 2017. The Bank has ranked in FMC's top ten banks in California for the past three years.

The Findley Reports, Inc.: Santa Cruz County Bank was named a Super Premier Performing Bank for its 2017 performance. The Bank has received the top ranking of Super Premier by Findley for eight years.

Bauer Financial Reports, Inc.: Santa Cruz County Bank rated five star or “Superior” for its financial strength for the quarter ended December 31, 2017.

American Banker Magazine: Santa Cruz County Bank ranked 24th out of 669 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 four 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

2018: Farm Bureau of Santa Cruz County, Al Smith Friend of Agriculture Award, for support of agriculture.

2018: Voted “Best Bank” by the readers of Good Times, a weekly publication with distribution throughout Santa Cruz County for six consecutive years.

2018: Voted “Best Bank” by the readers of Santa Cruz Sentinel, a daily publication with distribution throughout Santa Cruz County for four consecutive years.

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 and leadership.

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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Selected Financial Data (unaudited)

	Quarter ended		Change		Quarter ended		Change				
	3/31/18	3/31/17	\$	%	12/31/17	\$	%	Three-months ended 3/31/18	Three-months ended 3/31/17	\$	%
Balance Sheet											
Total assets	\$ 645,433,140	\$ 597,775,823	\$ 47,657,317	8%	\$ 629,963,786	\$ 15,469,354	2%				
Gross loans	469,167,787	421,525,389	47,642,398	11%	452,827,237	16,340,550	4%				
Allowance for loan losses	9,361,394	8,496,599	864,795	10%	9,106,258	255,136	3%				
Non interest-bearing deposits	235,338,447	228,355,095	6,983,352	3%	242,497,582	(7,159,135)	-3%				
Total deposits	576,321,840	537,260,071	39,061,769	7%	562,658,947	13,662,893	2%				
Shareholders' equity	59,915,665	52,652,008	7,263,657	14%	57,280,548	2,635,117	5%				
Income Statement											
Interest income	7,066,527	6,194,356	872,171	14%	7,028,638	37,889	1%	7,066,527	6,194,356	\$ 872,171	14%
Interest expense	290,910	171,754	119,156	69%	226,872	64,038	28%	290,910	171,754	119,156	69%
Net interest income	6,775,617	6,022,602	753,015	13%	6,801,766	(26,149)	0%	6,775,617	6,022,602	753,015	13%
Provision for loan losses	187,500	300,000	(112,500)	-38%	187,500	-	0%	187,500	300,000	(112,500)	-38%
Non-interest income	944,924	885,017	59,907	7%	524,758	420,166	80%	944,924	885,017	59,907	7%
Non-interest expense	3,964,134	3,521,289	442,845	13%	3,483,583	480,551	14%	3,964,134	3,521,289	442,845	12.6%
Net income before taxes	3,568,907	3,086,330	482,577	16%	3,655,441	(86,534)	-2.4%	3,568,907	3,086,330	482,577	16%
Income tax expense	1,037,918	1,211,072	(173,154)	-14%	2,809,637	(1,771,719)	-63%	1,037,918	1,211,072	(173,154)	-14%
Net income after taxes	\$ 2,530,989	\$ 1,875,258	655,731	35%	\$ 845,804	1,685,185	199%	\$ 2,530,989	\$ 1,875,258	655,731	35%
BASIC EARNINGS PER SHARE	\$ 1.04	\$ 0.78	0.26	33%	\$ 0.35	0.69	197%	\$ 1.04	\$ 0.78	\$ 0.26	33%
Book value per share	\$ 24.61	\$ 21.78	2.83	13%	\$ 23.64	0.97	4%	\$ 24.61	\$ 21.78	\$ 2.83	13%
Ratios											
Net interest margin	4.47%	4.27%			4.42%			4.47%	4.27%		
Tier 1 leverage ratio	9.47%	8.95%			9.15%			9.47%	8.95%		
Return on average assets	1.62%	1.29%			0.53%			1.62%	1.29%		
Return on average equity	17.43%	14.61%			5.77%			17.43%	14.61%		
Efficiency ratio	51.35%	50.97%			47.18%			51.35%	50.97%		
% of non interest bearing to total deposits	41%	43%			43%						