



Santa Cruz County Bank's Scotts Valley Chamber Mixer — July 27, 2006





# SANTA CRUZ COUNTY BANK

*Put your money where your life is.*

## **BANKING OFFICES:**

### **SANTA CRUZ**

325 Soquel Avenue  
Santa Cruz, CA 95062  
831.457.5000

### **SCOTTS VALLEY**

4604 Scotts Valley Drive  
Scotts Valley, CA 95066  
831.461.5000

### **WATSONVILLE**

595 Auto Center Drive  
Watsonville, CA 95076  
831.761.7600

## **ATM & NIGHT DEPOSITORY LOCATIONS:**

### **SANTA CRUZ**

1555 Soquel Drive  
Santa Cruz, CA 95065  
*(At Dominican Hospital Campus)*

### **APTOS**

783-25 Rio Del Mar Blvd.  
Aptos, CA 95003  
*(At Deluxe Foods of Aptos)*

And at all banking offices  
listed above.

[www.sccountybank.com](http://www.sccountybank.com)

# 831.457.5000








# SANTA CRUZ COUNTY BANK

## THIRD QUARTER REPORT 2006



*Put your money  
where your  
life is.*

The background consists of three diagonal stripes. The top stripe is orange, the middle stripe is white, and the bottom stripe is dark blue. The stripes are separated by thin white lines and run from the bottom-left towards the top-right.

### TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

Your Bank has grown to over \$125 million in total assets. And, in the third quarter of 2006, we recorded our fifth consecutive quarterly profit.

Other financial highlights for the third quarter ended September 30, 2006, as compared to the second quarter 2006, included:

- An increase in total deposits of \$8 million, 8%, to \$107.4 million
- An increase in gross loans of \$1.2 million, 2%, to \$82.5 million
- A 20% increase in quarterly net income, of \$77,291, to \$468,595

Over one half of the Bank's deposit growth during the third quarter was in non interest-bearing accounts, which made up 31% of the Bank's total deposits at quarter-end. This represents an increase in new commercial account relationships, our primary target market. The Bank's year-to-date net income, as of September 30, 2006, was \$994,798.

The Bank's net interest margin decreased slightly from 6.34% to 6.16% for the third quarter 2006 compared to the prior quarter. This moderate dip in net interest margin in the third quarter is the result of our deposit growth outpacing the growth in earning assets for the quarter.

As you can see, the Bank is doing well: we have grown significantly since our opening in February 2004. We now offer three full-service banking offices and two self-service banking facilities located throughout the County. Our focus in the coming quarter will be to establish a full-service banking office in the mid-county area in order to increase our market penetration and make it convenient for shareholders, other individuals, and businesses to bank with us.

Another priority for us in the coming quarter is an upgrade of the Bank's online banking system to a state of the art personal security system, providing an even greater protection to safeguard the identity and private financial information of our clients.



**SELECTED FINANCIAL DATA (UNAUDITED)**

	QUARTER ENDED 9/30/06	QUARTER ENDED 6/30/06
<b>BALANCE SHEET</b>		
TOTAL ASSETS	\$125,141,566	\$116,331,644
GROSS LOANS	82,510,391	81,275,826
ALLOWANCE FOR LOAN LOSSES	1,206,000	1,138,000
NON INTEREST-BEARING DEPOSITS	33,041,295	28,644,845
TOTAL DEPOSITS	107,432,366	99,397,062
SHAREHOLDERS' EQUITY	16,784,124	16,159,392
<b>INCOME STATEMENT</b>		
INTEREST INCOME	\$ 2,385,793	\$ 2,090,551
INTEREST EXPENSE	570,707	470,583
NET INTEREST INCOME	1,815,086	1,619,968
PROVISION FOR LOAN LOSSES	68,000	113,000
NON-INTEREST INCOME	139,439	233,483
NON-INTEREST EXPENSE	1,417,930	1,349,147
<b>NET INCOME</b>	<b>\$ 468,595</b>	<b>\$ 391,304</b>
<b>RATIOS</b>		
NET INTEREST MARGIN	6.16%	6.34%
EQUITY CAPITAL-TO-TOTAL ASSETS	13.4%	13.9%

We look forward to reporting the results of our forth quarter and year-end financials in our 2006 Annual Report.

As always, we welcome your comments and referrals.



A handwritten signature in black ink that reads "George Gallucci".

**George Gallucci**  
*Chairman of the Board*



A handwritten signature in black ink that reads "David Heald".

**David Heald**  
*President & Chief Executive Officer*

Change		QUARTER ENDED 9/30/05	Change	
\$	%		\$	%
\$ 8,809,922	8%	\$ 88,122,569	\$37,018,997	42%
1,234,565	2%	55,136,435	27,373,956	50%
68,000	6%	713,000	493,000	69%
4,396,450	15%	24,947,628	8,093,667	32%
8,035,304	8%	72,296,415	35,135,951	49%
624,732	4%	15,347,264	1,436,860	9%
\$ 295,242	14%	\$ 1,302,544	\$ 1,083,249	83%
100,124	21%	195,743	374,964	192%
195,118	12%	1,106,801	708,285	64%
(45,000)	-40%	116,000	(48,000)	-41%
(94,044)	-40%	88,405	51,034	58%
68,783	5%	1,036,823	381,107	37%
\$ 77,291	20%	\$ 42,383	\$ 426,212	1006%
		5.96%		
		17.5%		



**Santa Cruz County Bank's Chamber Mixer and Artist Reception draws a crowd. Guests enjoyed a summertime BBQ and the artwork of local professional artists on display at this office.**



## COMPANY INFORMATION

### BOARD OF DIRECTORS

Kenneth R. Chappell, *CPA, Partner-in-Charge, Hutchinson & Bloodgood LLP*  
George R. Gallucci (*Chairman*), *Director of Client Relations for Scharf Investments*  
Thomas N. Griffin, *Managing Attorney, Grunsky, Ebey, Farrar & Howell*  
Tila Guerrero, *President and CEO, MasMac, Inc. McDonald's Restaurants*  
William J. Hansen (*Vice-Chairman*), *President and CEO, Hansen Insurance*  
David V. Heald, *President and Chief Executive Officer, Santa Cruz County Bank*  
Steven G. John, *President, Ocean Chevrolet*  
Gary A. Reece, *Principal Managing Member, The Development Group*

### BANK ORGANIZERS

Richard Alderson, Joseph Anzalone, Victor Bogard, Anthony & Rebecca Campos,  
Charles Canfield, Kenneth Chappell, Kate & Fred Chen, Marshall Delk,  
George Gallucci, Thomas Griffin, Tila Guerrero, William J. Hansen,  
David Heald, Mark Holcomb, Steve John, Mateo Lettunich, Robert Lockwood,  
William Moncovich, Stuart Mumm, George Ow, Jr., Louis Rittenhouse,  
John Rossell, Frank Saveria, and Robert & Bjorg Yonts.

### STOCK LISTING

Santa Cruz County Bank's common stock is listed on the Over the Counter Bulletin Board and trades under the ticker symbol "SCZC".

### SHAREHOLDER RELATIONS AND INFORMATION

Shareholders with questions regarding their stockholder account, stock transfer, lost certificates or changes of address should contact their broker, or in the event that certificates are held directly, contact the transfer agent at the address and phone number provided below:

U.S. Stock Transfer Corporation  
1745 Gardena Avenue, Glendale, CA 91204-2991  
Telephone: 818.502.1404 or 800.835.8778  
Internet: [www.usstock.com](http://www.usstock.com)

For other assistance with stock related matters, shareholders may contact the bank:  
Mary Anne Carson, Shareholder Relations  
Santa Cruz County Bank  
325 Soquel Avenue, Santa Cruz, CA 95062  
831.457.5000

Detailed information on the Bank's quarterly reports, 2005 Annual Report, Bank stock quotes and recent press releases are available at [www.sccountybank.com](http://www.sccountybank.com).

