



**SECOND QUARTER
REPORT 2007**



TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

In the second quarter of 2007, your Bank celebrated the opening of two new facilities, both serving the Mid-County area. Our new Capitola Office located in the Nob Hill Shopping Center on Bay Avenue is our fourth full-service banking office. The second facility is our Business Lending Office on 41st Avenue which serves as continued evidence of our commitment to meeting all of the needs of our local businesses. Both newly established offices have generated a flurry of activity since their opening, attracting both existing as well as new clients to the Bank. Our tracking of deposit and withdrawal activity at these locations reveals early evidence that the convenience of having ATM and Night Depositories at each of these locations is a success.

Your Bank has achieved a significant milestone in its inception-to-date progress. At the end of the quarter, we became profitable on a cumulative basis, eliminating completely all accumulated operating losses, pre-opening, and start-up expenses. We finished the second quarter with strong growth in loans and non-interest bearing core deposits. In addition to the financial data presented to the right of this narrative, below is a summary of key financial highlights for the second quarter-ended June 30, 2007, as compared to the first quarter 2007:

- Total deposits increased by \$5.3 million (4%) to \$125.8 million
- Gross loans increased by \$14.6 million (18%) to \$95.0 million
- Total assets increased by \$5.6 million (4%) to \$145.9 million

The Bank's quarterly net income before taxes was \$453,172 as compared to \$311,628 for the quarter-ended March 31, 2007. On a year-to-year basis, our second quarter net income before taxes increased by 16%, or \$61,868, compared to the second quarter of 2006.

As a result of strong loan and non-interest bearing growth during the quarter, the Bank's net interest margin increased to 5.76%, compared to 5.66% for the first quarter of 2007.

We begin our third quarter with the expansion of our Small Business Administration (SBA) Department. The Bank recently hired Susan J. Chandler and Jorge Reguerin, two well-known and well-established SBA lenders with over 50 years combined SBA lending experience. Susan Chandler, a native of Santa Cruz who began her banking career at the old County Bank, will be responsible for managing the Bank's SBA Department. She will work out of the Bank's Business Lending office on 41st Avenue in Capitola. Jorge Reguerin, who has been in the County for the past 25 years, will be responsible for origination of SBA and B & I

SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED 06/30/07	QUARTER ENDED 3/31/07	Change		QUARTER ENDED 6/30/06	Change	
			\$	%		\$	%
BALANCE SHEET							
TOTAL ASSETS	\$ 145,866,058	\$ 140,315,869	\$ 5,550,189	4%	\$ 116,331,644	\$ 29,534,414	25%
GROSS LOANS	94,982,174	80,381,355	14,600,819	18%	81,275,826	13,706,348	17%
ALLOWANCE FOR LOAN LOSSES	1,463,000	1,276,204	186,796	15%	1,138,000	325,000	29%
NON-INTEREST BEARING DEPOSITS	38,256,212	32,486,840	5,769,372	18%	28,644,845	9,611,367	34%
TOTAL DEPOSITS	125,825,672	120,504,616	5,321,056	4%	99,397,062	26,428,610	27%
SHAREHOLDERS' EQUITY	18,046,149	17,822,304	223,845	1%	16,159,392	1,886,757	12%
INCOME STATEMENT							
INTEREST INCOME	\$ 2,646,604	\$ 2,421,139	225,465	9%	\$ 2,090,551	556,053	27%
INTEREST EXPENSE	755,368	689,197	66,171	10%	470,583	284,785	61%
NET INTEREST INCOME	1,891,236	1,731,942	159,294	9%	1,619,968	271,268	17%
PROVISION FOR LOAN LOSSES	115,000	72,000	43,000	60%	113,000	2,000	2%
NON-INTEREST INCOME	261,545	249,222	12,323	5%	233,483	28,062	12%
NON-INTEREST EXPENSE	1,584,609	1,597,536	(12,927)	-1%	1,349,147	235,462	17%
NET INCOME BEFORE TAXES	453,172	311,628	141,544	45%	391,304	61,868	16%
INCOME TAX EXPENSE/(CREDIT)	196,152	140,233	55,919	40%	-	196,152	N/A
NET INCOME AFTER TAXES	\$ 257,020	\$ 171,395	85,625	50%	\$ 391,304	(134,284)	-34%
RATIOS							
NET INTEREST MARGIN	5.76%	5.66%			6.34%		
EQUITY CAPITAL-TO-TOTAL ASSETS	12.4%	12.7%			13.9%		

loans. He will be based out of the Bank's Watsonville Office. With the addition of these individuals, the Bank now offers Business and Industry (B & I) loans in its loan product array.

As always, we welcome your comments and questions.

Thank you,



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO



We're Open for Business!
Our Capitola banking office employees
are ready to serve you!
Left to right: Ori, Barbara, Karen, Nick.



Meet our new SBA Lenders. We welcome Jorge Reguerin and Susan Chandler.

COMPANY INFORMATION

BOARD OF DIRECTORS

Kenneth R. Chappell, CPA, Partner-In-Charge, Hutchinson & Bloodgood, LLP
George R. Gallucci, (Chairman), Director of Client Relations, Scharf Investments
Thomas N. Griffin, Director & President, Grunsky, Ebey, Farrar & Howell
Tila Guerrero, President & CEO, MasMac Inc., McDonald's Restaurants
William J. Hansen, (Vice-Chairman), President & CEO, Hansen Insurance Co.
David V. Heald, President & CEO, Santa Cruz County Bank
Steven G. John, President, Ocean Honda
Gary A. Reece, President, The ATC 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, Frank Saveria, and Robert & Bjorg Yonts.

STOCK LISTING

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

SHAREHOLDER INFORMATION

Shareholders with questions regarding their stockholder account, stock transfer and registration, lost certificates or change of address should contact their broker, or if held directly, contact the Bank's stock transfer agent listed below:

U.S. Stock Transfer Corporation
1745 Gardena Avenue
Glendale, CA 91204-2991
Phone: 800.835.8778 Fax: 818.502.1737
Internet: 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, 2006 Annual Report, Bank stock quotes and recent press releases are available at www.sccountybank.com.



BANKING OFFICES:

CAPITOLA

819 Bay Avenue, Suite D
Capitola, CA 95010

SANTA CRUZ

325 Soquel Avenue
Santa Cruz, CA 95062

SCOTTS VALLEY

4604 Scotts Valley Drive
Scotts Valley, CA 95066

WATSONVILLE

595 Auto Center Drive
Watsonville, CA 95076

BUSINESS LENDING OFFICE

1500 41st Avenue, Suite 100
Capitola, CA 95010

ATM & NIGHT DEPOSITORY LOCATIONS:

SANTA CRUZ

1555 Soquel Drive
Santa Cruz, CA 95062
(At Dominican Hospital Campus)

APTOS

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

www.sccountybank.com

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