



**THIRD QUARTER
REPORT 2007**



TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

In the past nine months, your bank has grown significantly, both geographically and financially. Our network now consists of seven facilities to serve the community. They include four banking offices, a dedicated Business Lending Office, all with ATMs and Night Depositories and two free standing self-service ATM and Night Depositories within the County.

As reported last quarter, we achieved the recovery of our original start up costs, including organizational and pre-opening expenses. We completed our third quarter with continued strong earnings, double digit growth in loans, an increased number of non-interest bearing core deposits, and surpassed \$150 million in asset size.

In addition to the financial data presented to the right of this narrative, below is a summary of key financial highlights for the third quarter-ended September 30, 2007, as compared to the second quarter ended June 30, 2007:

- Total deposits increased by \$6.6 million (5%) to \$132.4 million
- Gross loans increased by \$9.5 million (10%) to \$104.5 million
- Total assets increased by \$7.3 million (5%) to \$153.1 million

The Bank's quarterly net income before taxes was \$441,851 as compared to \$453,172 for the quarter-ended June 30, 2007. Net income after tax was \$263,344 for the current quarter as compared to \$257,020 in the second quarter of this year.

The Bank's total non-interest bearing accounts were over 30% of total deposits. As a result of strong loan and non-interest bearing growth during the quarter, the Bank's net interest margin increased to 5.96% compared to 5.76% for the second quarter of 2007.

Recent bank initiatives include the following:

Extending our banking hours Monday through Thursday to 9am-5pm and Friday 9am-6pm.

Successfully launching our new Fast Track! remote electronic deposit system, thereby allowing commercial clients to deposit checks into the bank directly from their place of business using a scanner and eliminating the need to drive to the bank or use a courier service.

Announcing our decision to relocate our main banking office and Administrative headquarters to a highly visible location in the downtown financial corridor of Santa Cruz in early 2008.

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		QUARTER ENDED	Change	
	09/30/07	6/30/07	\$	%	9/30/06	\$	%
TOTAL ASSETS	\$ 153,164,797	\$ 145,866,058	\$ 7,298,739	5%	\$ 125,141,566	\$ 28,023,231	22%
GROSS LOANS	104,531,544	94,982,174	9,549,370	10%	82,510,391	22,021,153	27%
ALLOWANCE FOR LOAN LOSSES	1,614,679	1,463,000	151,679	10%	1,206,000	408,679	34%
NON-INTEREST BEARING DEPOSITS	43,760,013	38,256,212	5,503,801	14%	33,041,295	10,718,718	32%
TOTAL DEPOSITS	132,421,782	125,825,672	6,596,110	5%	107,432,366	24,989,416	23%
SHAREHOLDERS' EQUITY	18,541,654	18,046,149	495,505	3%	16,784,124	1,757,530	10%
INCOME STATEMENT							
INTEREST INCOME	\$ 2,882,331	\$ 2,646,604	235,727	9%	\$ 2,385,793	496,538	21%
INTEREST EXPENSE	769,213	755,368	13,845	2%	570,707	198,506	35%
NET INTEREST INCOME	2,113,118	1,891,236	221,882	12%	1,815,086	298,032	16%
PROVISION FOR LOAN LOSSES	159,000	115,000	44,000	38%	68,000	91,000	134%
NON-INTEREST INCOME	297,854	261,545	36,309	14%	139,440	158,414	114%
NON-INTEREST EXPENSE	1,810,121	1,584,609	225,512	14%	1,417,931	392,190	28%
NET INCOME BEFORE TAXES	441,851	453,172	(11,321)	-2%	468,595	(26,744)	-6%
INCOME TAX EXPENSE/(CREDIT)	178,507	196,152	(17,645)	-9%	-	178,507	N/A
NET INCOME AFTER TAXES	\$ 263,344	\$ 257,020	6,324	2%	\$ 468,595	(205,251)	-44%
RATIOS							
NET INTEREST MARGIN	5.96%	5.76%			6.16%		
EQUITY CAPITAL-TO-TOTAL ASSETS	12.1%	12.4%			13.4%		

We have received questions from shareholders regarding the sub-prime mortgage situation and wish to assure you that Santa Cruz County Bank does not offer sub-prime mortgages. Additionally, our security portfolio consists of high quality rated U.S. Agency bonds and other well secured investments.

As always, we welcome your comments and questions.

Thank you,



George Gallucci
George Gallucci
Chairman of the Board



David Heald
David Heald
President & CEO

Santa Cruz County Bank was recently awarded the ArtWORKS Emerging Business Award by the City of Santa Cruz Arts Commission. Pictured here are David V. Heald, President & CEO, and Mary Anne Carson, the Bank's Senior Vice President and Director of Marketing who is responsible for the Bank's Art Programming.



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, Mas Mac 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 ATG Group

BANK ORGANIZERS

Richard Alderson, Joseph Anzalone, Victor Bogard, Anthony & Rebecca Campos,
Charles Canfield, Kenneth Chappell, Kate & Fred Chen,
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:

Computershare Investor Services
1745 Gardena Avenue
Glendale, CA 91204-2991
Phone: 818.502.1404 Fax: 818.502.1737
Internet: www.computershare.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.



SANTA CRUZ COUNTY BANK

Put your money where your life is.

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)

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