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**FIRST QUARTER
REPORT 2007**



TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

In the first quarter of 2007, your Bank celebrated its third anniversary since opening our doors in February 2004. We are pleased to announce that we will add two additional facilities in mid-County, both slated to begin operations in the second quarter of 2007.

The first new facility will be a stand alone Business Lending Office located at 41st Avenue in Capitola. The Bank's new Business Lending Office will be home to our Small Business Administration (SBA) Department and will include commercial, construction and business lending officers. The primary focus of this office is to provide a convenient loan center for individuals and businesses. The office will also include an ATM and Night Depository to provide greater access for our clients.

Our second new facility will be our fourth full-service banking office in the County. This banking office will be located in Capitola at 819 Bay Avenue, in a newly remodeled one-stop shopping center which is home to Nob Hill Foods, Longs Drugs, Peet's Coffee and other retail shops. The Capitola Office will be headed by Karen Marcum, who joined the Bank in 2005.

With the addition of these new facilities, our network will consist of four full-service banking offices, a business lending office, seven ATM and Night Depositories and courier service.

In addition to the financial data presented to the right of this narrative, below is a summary of key financial highlights for the first quarter-ended March 31, 2007, as compared to the fourth quarter 2006:

- Total deposits increased by \$7.5 million, 7%, to \$120.5 million
- Gross loans decreased by \$2.2 million, 3%, to \$80.4 million
- Total assets increased by \$7.9 million, 6%, to \$140.3 million

The Bank's quarterly net income before taxes was \$311,628 as compared to \$485,057 for the quarter-ended December 31, 2006. This decrease in net income in the first quarter is partially due staffing expenses related to the Bank's two new offices and a reduction in construction loans. On a year-to-year basis, our first quarter net income before taxes increased by 131%, or \$176,729, in the first quarter of 2007 compared to the first quarter of 2006.

As a result of interest-bearing deposit growth during the quarter far outpacing our loan growth, the Bank's net interest margin decreased from 6.01% to 5.66% for the first quarter 2007 compared to the prior quarter.

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		QUARTER ENDED	Change	
	03/31/07	12/31/06	\$	%	3/31/06	\$	%
TOTAL ASSETS	\$140,315,869	\$132,461,059	\$ 7,854,810	6%	\$105,808,662	\$ 34,507,207	33%
GROSS LOANS	80,381,355	82,538,994	(2,157,639)	-3%	78,837,608	1,543,747	2%
ALLOWANCE FOR LOAN LOSSES	1,276,204	1,276,000	204	0%	1,025,000	251,204	25%
NON INTEREST-BEARING DEPOSITS	32,486,840	33,693,998	(1,207,158)	-4%	27,938,778	4,548,062	16%
TOTAL DEPOSITS	120,504,616	112,981,543	7,523,073	7%	89,314,133	31,190,483	35%
SHAREHOLDERS' EQUITY	17,822,304	17,603,507	218,797	1%	15,799,638	2,022,666	13%
INCOME STATEMENT							
INTEREST INCOME	\$ 2,421,139	\$ 2,402,180	18,959	1%	\$ 1,815,015	606,124	33%
INTEREST EXPENSE	689,197	613,527	75,670	12%	383,332	305,865	80%
NET INTEREST INCOME	1,731,942	1,788,653	(56,711)	-3%	1,431,683	300,259	21%
PROVISION FOR LOAN LOSSES	72,000	70,000	2,000	3%	185,000	(113,000)	-61%
NON-INTEREST INCOME	249,222	218,887	30,335	14%	179,337	69,885	39%
NON-INTEREST EXPENSE	1,597,536	1,452,483	145,053	10%	1,291,121	306,415	24%
NET INCOME BEFORE TAXES	311,628	485,057	(173,429)	-36%	134,899	176,729	131%
INCOME TAX EXPENSE/(CREDIT)	140,233	(687,817)	828,050	N/A	-	140,233	N/A
NET INCOME AFTER TAXES	\$ 171,395	\$ 1,172,874	(1,001,479)	-85%	\$ 134,899	36,496	27%
RATIOS							
NET INTEREST MARGIN	5.66%	6.01%			6.07%		
EQUITY CAPITAL-TO-TOTAL ASSETS	12.7%	13.3%			14.9%		

Shareholders can expect to receive the Bank's Annual Report, Proxy Statement and Proxy Voting card in advance of our Annual Shareholders meeting which will be held on May 15, 2007.

As always, thank you for your support and referrals. We look forward to seeing many of you at our Annual Meeting of Shareholders in May.



George Gallucci
George Gallucci
Chairman of the Board



David Heald
David Heald
President & CEO



The future home of Santa Cruz County Bank's new Business Lending Office at 1500 41st Avenue in Capitola.



The Bank's Board of Directors on site at the new facility.

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, Ebay, 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.



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 CENTER

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

831.457.5000



Preferred
SBA
Lender

INC
LENDER