



**FIRST QUARTER
REPORT 2008**



TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

In the first quarter of 2008, your Bank celebrated its fourth anniversary since opening in February 2004 and recorded significant increases in our growth of total deposits and total assets. We are pleased to announce receipt of a 5-Star rating from Bauer Financial Services for our fourth quarter 2007 performance, the highest rating awarded by Bauer.

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, 2008, as compared to the fourth quarter 2007:

Total deposits increased by \$27.3 million, 20%, to \$166.3 million

Gross loans increased by \$5.1 million, 4%, to \$124.4 million

Total assets increased by \$27.6 million, 17%, to \$187.9 million

On a year to year basis, comparing March 31, 2007 to March 31, 2008, the Bank's total deposits increased by 38%, or \$45.8 million; gross loans increased by 55%, or \$44 million; and total assets increased by 34%, or \$47.5 million.

The Bank's quarterly net income before taxes was \$323,580 as compared to \$505,824 for the quarter-ended December 31, 2007. On a year-to-year basis, our first quarter net income before taxes increased by 4%, or \$11,952, in the first quarter of 2008 compared to the first quarter of 2007.

The Bank's net interest margin decreased from 6.13% to 5.05% for the first quarter 2007 compared to the prior quarter. The compression in our net interest margin is attributable to declines in interest rates as a result of the Federal Reserve's aggressive 300 basis point interest rate cuts within the past six months.

Renovation of 720 Front Street in Santa Cruz for the relocation of our Santa Cruz banking office to downtown Santa Cruz has begun. We are remodeling our new facility to environmentally friendly standards certified by the U.S. Green Building Council. When completed, our new facility will represent the County's first LEED® (Leadership in Energy and Environmental Design) for Commercial Interiors Certified Building and Bank designed to LEED Silver Certification standards of the U.S. Green Building Council. We anticipate relocating in Summer 2008.

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		QUARTER ENDED	Change	
	03/31/08	12/31/07	\$	%	3/31/07	\$	%
TOTAL ASSETS	\$ 187,861,217	\$ 160,239,027	\$27,622,190	17%	\$ 140,315,869	\$ 47,545,348	34%
GROSS LOANS	124,363,503	119,226,597	5,136,906	4%	80,381,355	43,982,148	55%
ALLOWANCE FOR LOAN LOSSES	1,865,960	1,788,000	77,960	4%	1,276,204	589,756	46%
NON-INTEREST BEARING DEPOSITS	49,237,405	44,200,648	5,036,757	11%	32,486,840	16,750,565	52%
TOTAL DEPOSITS	166,307,430	139,008,868	27,298,562	20%	120,504,616	45,802,814	38%
SHAREHOLDERS' EQUITY	19,430,476	18,971,750	458,726	2%	17,822,304	1,608,172	9%
INCOME STATEMENT							
INTEREST INCOME	\$ 2,787,355	\$ 2,914,581	(127,226)	-4%	\$ 2,421,139	366,216	15%
INTEREST EXPENSE	799,695	694,429	105,266	15%	689,197	110,498	16%
NET INTEREST INCOME	1,987,660	2,220,152	(232,492)	-10%	1,731,942	255,718	15%
PROVISION FOR LOAN LOSSES	77,960	166,000	(88,040)	-53%	72,000	5,960	8%
NON-INTEREST INCOME	312,725	321,659	(8,934)	-3%	249,222	63,503	25%
NON-INTEREST EXPENSE	1,898,845	1,869,987	28,858	2%	1,597,536	301,309	19%
NET INCOME BEFORE TAXES	323,580	505,824	(182,244)	-36%	311,628	11,952	4%
INCOME TAX EXPENSE/(CREDIT)	138,973	217,361	(78,388)	-36%	140,233	(1,260)	-1%
NET INCOME AFTER TAXES	\$ 184,607	\$ 288,463	(103,856)	-36%	\$ 171,395	13,212	8%
RATIOS							
NET INTEREST MARGIN	5.05%	6.13%			5.66%		
EQUITY CAPITAL-TO-TOTAL ASSETS	10.3%	11.9%			12.7%		

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 20, 2008.

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



Construction is underway for our relocation to 720 Front Street in downtown Santa Cruz.



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

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
350 Indiana Street, Suite 800
Golden, CO 80401
Phone: 800.962.4284
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
1500 41st Avenue, Capitola, CA 95010
831.457.5000

Detailed information on the Bank's quarterly reports, 2007 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
831.457.5000



Preferred
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Lender

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INC
LENDER