



*Celebrating 5 years
of serving our community*



**FIRST QUARTER
REPORT 2009**



TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

In the first quarter of 2009, your Bank celebrated its fifth anniversary and the opening of our fifth full service banking office, located in Aptos. Along with these celebrations, we announced receipt of selection by Findley Reports Inc. as one of five exceptional banks in California based upon our financial performance in 2008. Also during the quarter, our Bank was recognized for its outstanding contribution and support of vital non-profit programs through employee volunteerism and the collection of food and funds at a critical time in the history of our local community organizations.



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, 2009, as compared to the fourth quarter 2008:

- Total deposits increased by \$7.3 million, 4%, to \$214.5 million
- Gross loans decreased by \$6.2 million, -4%, to \$139.9 million
- Total assets increased by \$7.3 million, 3%, to \$236.4 million

On a year to year basis, comparing March 31, 2008 to March 31, 2009, the Bank's total deposits increased by 29%, or \$48.2 million; gross loans increased by 12%, or \$15.5 million; and total assets increased by 26%, or \$48.6 million. Net Income for the same period decreased from \$184,607 to \$22,509. The difference is substantially the result of an economic and market driven need to change our loan portfolio mix, concentrating more on commercial and industrial loans. We look to our new Chief Operating Officer, Sandi Eason, to help promote our emphasis in this area. As noted, deposits grew by 29% while outstanding loans only increased 12% which impacted our Net Interest Income. In troubled times like these, we maintain our focus on loan quality rather than loan quantity. At the same time, we maintain our Loan Loss Reserve to Total Loans presently at 2%, higher than most peer banks. We believe these actions which forgo short term gratification will prove worthwhile in the long run.

The bank continues to demonstrate strong liquidity, a solid core deposit base and an ever improving cost of funds. The opening of our Aptos banking office in February has already resulted in positive contributions to the growth of core deposits and new relationships that will continue to add to our foundation and fee income. At a time when major banking institutions have undergone tremendous change and

SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED	QUARTER ENDED	Change		RESTATE	Change	
	03/31/09	12/31/08	\$	%	QUARTER ENDED 3/31/08	\$	%
BALANCE SHEET							
TOTAL ASSETS	\$ 236,420,773	\$ 229,100,085	\$ 7,320,688	3%	\$ 187,784,938	\$ 48,635,835	26%
GROSS LOANS	139,885,164	146,106,831	(6,221,667)	-4%	124,363,503	15,521,661	12%
ALLOWANCE FOR LOAN LOSSES	2,876,349	2,885,298	(8,949)	0%	1,865,960	1,010,389	54%
NON-INTEREST BEARING DEPOSITS	65,084,688	63,386,131	1,698,557	3%	49,237,405	15,847,283	32%
TOTAL DEPOSITS	214,516,493	207,196,387	7,320,107	4%	166,307,430	48,209,063	29%
SHAREHOLDERS' EQUITY	18,974,365	18,987,974	(13,609)	0%	19,539,477	(565,112)	-3%
INCOME STATEMENT							
INTEREST INCOME	\$ 2,767,329	\$ 3,046,683	(279,354)	-9%	\$ 2,787,355	(20,026)	-1%
INTEREST EXPENSE	466,018	597,952	(131,934)	-22%	799,695	(333,677)	-42%
NET INTEREST INCOME	2,301,311	2,448,731	(147,420)	-6%	1,987,660	313,651	16%
PROVISION FOR LOAN LOSSES	120,000	100,000	20,000	20%	77,960	42,040	54%
NON-INTEREST INCOME	333,624	270,167	63,457	23%	312,725	20,899	7%
NON-INTEREST EXPENSE	2,476,162	2,242,517	233,645	10%	1,898,845	577,317	30%
NET INCOME BEFORE TAXES	38,773	376,381	(337,608)	-90%	323,580	(284,807)	-88%
INCOME TAX EXPENSE/(CREDIT)	16,264	158,431	(142,167)	-90%	138,973	(122,709)	-88%
NET INCOME AFTER TAXES	\$ 22,509	\$ 217,950	(195,441)	-90%	\$ 184,607	(162,098)	-88%
RATIOS							
NET INTEREST MARGIN	4.34%	4.63%			5.05%		
EQUITY CAPITAL-TO-TOTAL ASSETS	8.0%	8.3%			10.4%		

turnover, we have witnessed firsthand that depositors are seeking the safety, security and familiarity of locally owned institutions.

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, 2009.

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

Put your money where your life is.



In January, Sandi Eason joined our management team as Executive Vice President and Chief Operating Officer. Ms. Eason has an extensive 34 year banking industry background and is a well known and well respected banker in our community.



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO



Every Santa Cruz County Bank location is 100% Green Business Certified, meeting all standards of the Monterey Bay Area Green Business Program. The Bank's seven Certified locations include five full service banking offices, our Business Lending Office, and our Administrative Office.



In February we celebrated the opening of our Aptos Branch and the Bank's 5th Anniversary.

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
800.962.4284
www.computershare.com



For other assistance with stock related matters, shareholders may contact the bank:

Mary Anne Carson, Shareholder Relations
Santa Cruz County Bank
720 Front Street
Santa Cruz, CA 95060
831.457.5000

Detailed information on the Bank's quarterly reports, 2008 Annual Report, Bank stock quotes and recent press releases are available at www.sccountybank.com.

Put your money where your life is.

BANKING OFFICES:

APTOS

7775 Soquel Drive
Aptos, CA 95003

CAPITOLA

819 Bay Avenue, Suite D
Capitola, CA 95010

SANTA CRUZ

720 Front Street
Santa Cruz, CA 95060

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

