



*Celebrating 5 years  
of serving our community*



**SECOND QUARTER  
REPORT 2009**



### TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

In April 2009, the Bank was recognized by The Findley Reports Inc. for achieving “Premier Performance” based upon our 2008 year-end financials. This is in addition to being recognized by The Findley Reports as one of five exceptional banks in California, also based upon our financial performance in 2008. And most recently, Bauer Financial Reports has recognized Santa Cruz County Bank as a four-star or “excellent” rated institution based upon first quarter 2009 results.



The aforementioned recognition for performance is especially meaningful in the economic environment under which we have been operating.

During the second quarter of 2009, your Bank achieved a milestone of over \$150 million in gross loans. The Bank is well positioned for anticipated upward movement in the prime rate in 2010 and beyond. The financial data presented to the right of this narrative and below provide a summary of key financial highlights for the second quarter-ended June 30, 2009, as compared to March 31, 2009:

- Total deposits increased by \$4.2 million, 2%, to \$218.7 million
- Gross loans increased by \$13.2 million, 9%, to \$153.1 million
- Total assets increased by \$4.7 million, 2%, to \$241.2 million

On a quarter to quarter basis, comparing June 30, 2008 to June 30, 2009, the Bank’s total deposits increased by \$48.2 million; gross loans increased by \$23.2 million; and total assets increased by \$49.5 million. Net income for the second quarter improved by \$68,858 before tax and improved by \$43,734 after tax in comparison to the first quarter of 2009. The Bank set aside \$178,142 in loan loss reserves during the quarter due to a \$13.2 million dollar spike in loan growth.

The Bank’s net income was constrained due to accruals made during the second quarter to pay for a special FDIC assessment due in the third quarter of this year. All banks are facing this 5 basis point special FDIC assessment on each insured depository institution’s assets minus Tier 1 capital as of June 30, 2009. The assessment is part of the FDIC’s effort to rebuild the Deposit Insurance Fund and help maintain public confidence in the banking system. To comply with this rule, Santa Cruz County Bank recognized an extraordinary expense of \$111,211 during the second quarter of 2009. An additional special assessment of up to 5 basis points later in 2009 is probable, but the amount is uncertain.

## SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		RESTATE	Change	
	06/30/09	03/31/09	\$	%	QUARTER ENDED	\$	%
TOTAL ASSETS	\$ 241,166,471	\$ 236,420,773	\$ 4,746,699	2%	\$ 191,687,851	\$ 49,479,621	26%
GROSS LOANS	153,125,700	139,885,164	13,240,536	9%	129,880,177	23,245,523	18%
ALLOWANCE FOR LOAN LOSSES	2,573,712	2,876,349	(302,637)	-11%	1,867,849	705,863	38%
NON-INTEREST BEARING DEPOSITS	63,345,521	65,084,688	(1,739,167)	-3%	55,169,610	8,175,911	15%
TOTAL DEPOSITS	218,706,526	214,516,493	4,191,034	2%	170,523,147	48,184,380	28%
SHAREHOLDERS' EQUITY	19,052,975	18,974,365	78,610	0%	19,125,224	(72,249)	0%
<b>INCOME STATEMENT</b>							
INTEREST INCOME	\$ 2,870,110	\$ 2,767,329	102,781	4%	\$ 2,713,553	156,557	6%
INTEREST EXPENSE	385,148	466,018	(80,870)	-17%	726,834	(341,686)	-47%
NET INTEREST INCOME	2,484,962	2,301,311	183,651	8%	1,986,719	498,243	25%
PROVISION FOR LOAN LOSSES	178,142	120,000	58,142	48%	77,675	100,467	129%
NON-INTEREST INCOME	518,866	333,624	185,242	56%	376,497	142,369	38%
NON-INTEREST EXPENSE	2,718,055	2,476,162	241,893	10%	1,943,775	774,280	40%
NET INCOME BEFORE TAXES	107,631	38,773	68,858	178%	341,766	(234,135)	-69%
INCOME TAX EXPENSE	41,388	16,264	25,124	154%	146,527	(105,139)	-72%
NET INCOME AFTER TAXES	\$ 66,243	\$ 22,509	43,734	194%	\$ 195,239	(128,996)	-66%
<b>RATIOS</b>							
NET INTEREST MARGIN	4.58%	4.34%			4.56%		
EQUITY CAPITAL-TO-TOTAL ASSETS	7.9%	8.0%			10.0%		

In early July, the Bank determined it would accept State Registered Warrants or IOU's for customers impacted by California's fiscal crisis. This demonstration of our commitment to assist our customers and community during hardship has favored the sentiment: *Put Your Money Where Your Life Is*, with a renewed sense of vigor and commitment. New relationships are forming with us "because we are the local bank" that is well rated, green minded and reinvesting back into our community.

As always, we thank you for your support and confidence in Santa Cruz County Bank.



*George Gallucci*

George Gallucci  
Chairman of the Board



*David Heald*

David Heald  
President & CEO

Santa Cruz County Bank received the following performance award from The Findley Reports:



## 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**  
**800.962.4284**  
**[www.computershare.com](http://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](http://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](http://www.sccountybank.com)**

**831.457.5000**



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