



*Celebrating 5 years  
of serving our community*



**THIRD QUARTER  
REPORT 2009**



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

During the third quarter of 2009, your Bank achieved a milestone by surpassing \$260 million in total assets. In addition, the Bank retained its 4-Star “excellent” rating from Bauer Financial Reports, Inc. for our performance based on second quarter 2009 results. The Bank was profitable during the quarter as we continue to address the challenges brought forth by current economic conditions, balance growth opportunities to expand our footprint, and take advantage of the changing competitive environment.

The financial data presented to the right of this narrative and below provide a summary of key financial highlights for the third quarter-ended September 30, 2009, as compared to June 30, 2009:

Total deposits increased by \$20.5 million, 9%, to \$239.2 million  
Gross loans decreased by \$2.9 million, -2%, to \$150.2 million  
Total assets increased by \$20.9 million, 9%, to \$262.0 million

On a quarter to quarter basis, comparing September 30, 2009 to September 30, 2008, the Bank’s total deposits increased by \$43.0 million; gross loans increased by \$11.2 million; and total assets increased by \$45.0 million. Net income for the third quarter improved by \$1.1 million before tax and improved by \$623,492 after tax in comparison to the third quarter of 2008. We believe the banking industry environment will continue to require proactive management and improved efficiencies and we are committed to upholding these standards.

The Bank’s loan portfolio continues to be actively evaluated and monitored. We allocated \$401,908 in loan loss reserves during the quarter resulting in a 1.69% allowance of total loans. During the quarter, the Bank had \$435 thousand in loan write offs. Our non-performing assets presently represent less than 1% of assets, a very manageable number with most loans well supported by 80% government guarantees and/or sufficient collateral.

According to a recently released FDIC deposit report reflecting data as of June 30, 2009, Santa Cruz County Bank is the sixth largest financial institution in the County and holds a total deposit market share of 5.18% in the County of Santa Cruz. We improved this number by 1.03% over the prior year.

As part of our mission and responsibility as a community bank, Santa Cruz County Bank continues its participation in the community and support of various organizations that serve to enhance the well being of its residents, boost its economic vitality, and do business with us.

## SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		RESTATED	Change	
	09/30/09	06/30/09	\$	%	QUARTER ENDED	\$	%
TOTAL ASSETS	\$ 262,035,379	\$ 241,166,471	\$ 20,868,908	9%	\$ 217,021,060	\$ 45,014,319	21%
GROSS LOANS	150,210,505	153,125,700	(2,915,195)	-2%	138,982,747	11,227,758	8%
ALLOWANCE FOR LOAN LOSSES	2,545,379	2,573,712	(28,333)	-1%	2,950,484	(405,105)	-14%
NON-INTEREST BEARING DEPOSITS	75,715,764	63,345,521	12,370,243	20%	63,735,823	11,979,941	19%
TOTAL DEPOSITS	239,203,613	218,706,526	20,497,087	9%	196,218,915	42,984,698	22%
SHAREHOLDERS' EQUITY	19,452,637	19,052,975	399,662	2%	18,686,207	766,430	4%
<b>INCOME STATEMENT</b>							
INTEREST INCOME	\$ 2,948,926	\$ 2,870,110	78,816	3%	\$ 2,906,106	42,820	1%
INTEREST EXPENSE	376,941	385,148	(8,207)	-2%	651,362	(274,421)	-42%
NET INTEREST INCOME	2,571,985	2,484,962	87,023	4%	2,254,744	317,241	14%
PROVISION FOR LOAN LOSSES	401,908	178,142	223,766	126%	1,420,541	(1,018,633)	-72%
NON-INTEREST INCOME	537,675	518,866	18,809	4%	496,505	41,170	8%
NON-INTEREST EXPENSE	2,622,623	2,718,055	(95,432)	-4%	2,348,316	274,307	12%
NET INCOME (LOSS) BEFORE TAXES	85,129	107,631	(22,502)	-21%	(1,017,608)	1,102,737	108%
INCOME TAX EXPENSE (CREDIT)	42,257	41,388	869	2%	(436,988)	479,245	110%
NET INCOME (LOSS) AFTER TAXES	\$ 42,872	\$ 66,243	(23,371)	-35%	\$ (580,620)	623,492	107%
<b>RATIOS</b>							
NET INTEREST MARGIN	4.31%	4.58%			4.59%		
EQUITY CAPITAL-TO-TOTAL ASSETS	7.4%	7.9%			8.6%		

As customary for us during the upcoming winter season, our branches will serve as donation sites for the Holiday Food Drive for Second Harvest Food Bank. We invite your participation in this effort to help provide food to those in need in our community.

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

**Each Santa Cruz County Bank office will collect donations for Second Harvest Food Bank's Holiday Food Drive through December 17<sup>th</sup>.**



*George Gallucci*

George Gallucci  
Chairman of the Board



*David Heald*

David Heald  
President & CEO



*Happy Holidays from all  
of us at Santa Cruz County Bank!*

## 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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**All Locations are Green Business Certified**