



2010
FIRST QUARTER REPORT
Local banking at its best.

COMPANY INFORMATION



During the quarter we celebrated one year in Aptos.

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, 2009 Annual Report, Bank stock quotes and recent press releases are available at www.sccountybank.com.



TO OUR SHAREHOLDERS,

We are pleased to report highlights for our first quarter of 2010. Our net income was \$267,980 which exceeded total net income reported in 2009. During the quarter, we celebrated the one year anniversary of our Aptos banking office, which opened in February 2009 and is nearing \$10 million in deposits to date. Also during the quarter, our Small Business Administration and Business & Industry Department ranked 3rd in the State and 13th in the Nation for its production of \$18.6 million in Business & Industry loans made during 2009 through USDA Rural Development.

The financial data presented to the right of this narrative and below provide a summary of key financial highlights for the first quarter-ended March 31, 2010, as compared to December 31, 2009:

- Total deposits increased by \$3.9 million, 2%, to \$243.2 million
- Gross loans decreased by \$1.6 million, -1%, to \$154.9 million
- Total assets increased by \$1.6 million, 1%, to \$266.7 million
- Net income increased by \$196.7 thousand, 276%, to \$268.0 thousand

On a quarter to quarter basis, comparing March 31, 2010 to March 31, 2009, the Bank's deposits increased \$28.7 million; gross loans increased \$15.0 million; and assets increased \$30.2 million. Net income for the first quarter improved \$424,651 before tax and improved \$245,471 after tax in comparison to the first quarter of 2009.

Comparing the quarter ended March 31, 2010 to March 31, 2009, the Bank's non-interest bearing deposits grew 20% and as of March 31, 2010, the Bank's non-interest bearing deposits represented 32% of its total deposits.

The Bank's liquidity remains strong and its loan loss reserves are ample. This places the Bank in an advantageous position for growth in loans and earnings in an improving economy.

We continue to experience new account growth as a result of banking changes in our market area and have timed our advertising accordingly to attract new banking business and position ourselves as the local bank of choice. In April, Wells Fargo's acquisition of Wachovia Bank resulted in the closure of three branch banking locations in our market area. As a result, we anticipate an even greater boost in new relationship attainment.

SELECTED FINANCIAL DATA (UNAUDITED)

| | QUARTER ENDED | | Change | | QUARTER ENDED | | Change | |
|--------------------------------|----------------|----------------|--------------|------|----------------|---------------|--------|--|
| | 03/31/10 | 12/31/09 | \$ | % | 03/31/09 | \$ | % | |
| BALANCE SHEET | | | | | | | | |
| TOTAL ASSETS | \$ 266,682,688 | \$ 265,105,193 | \$ 1,577,495 | 1% | \$ 236,420,773 | \$ 30,261,915 | 13% | |
| GROSS LOANS | 154,909,333 | 156,525,733 | (1,616,400) | -1% | 139,885,164 | 15,024,169 | 11% | |
| ALLOWANCE FOR LOAN LOSSES | 3,101,973 | 2,898,478 | 203,495 | 7% | 2,876,349 | 225,624 | 8% | |
| NON-INTEREST BEARING DEPOSITS | 78,205,969 | 75,895,196 | 2,310,773 | 3% | 65,084,688 | 13,121,281 | 20% | |
| TOTAL DEPOSITS | 243,217,097 | 239,303,637 | 3,913,460 | 2% | 214,516,493 | 28,700,604 | 13% | |
| SHAREHOLDERS' EQUITY | 19,940,150 | 19,592,977 | 347,173 | 2% | 18,974,365 | 965,785 | 5% | |
| INCOME STATEMENT | | | | | | | | |
| INTEREST INCOME | \$ 3,040,709 | \$ 3,026,098 | 14,611 | 0% | \$ 2,767,329 | 273,380 | 10% | |
| INTEREST EXPENSE | 299,831 | 363,308 | (63,477) | -17% | 466,018 | (166,187) | -36% | |
| NET INTEREST INCOME | 2,740,878 | 2,662,790 | 78,088 | 3% | 2,301,311 | 439,567 | 19% | |
| PROVISION FOR LOAN LOSSES | 246,099 | 550,146 | (304,047) | -55% | 120,000 | 126,099 | 105% | |
| NON-INTEREST INCOME | 475,682 | 588,946 | (113,264) | -19% | 333,624 | 142,058 | 43% | |
| NON-INTEREST EXPENSE | 2,507,037 | 2,571,465 | (64,428) | -3% | 2,476,162 | 30,875 | 1% | |
| NET INCOME BEFORE TAXES | 463,424 | 130,125 | 333,299 | 256% | 38,773 | 424,651 | 1095% | |
| INCOME TAX EXPENSE | 195,444 | 58,878 | 136,566 | 232% | 16,264 | 179,180 | 1102% | |
| NET INCOME AFTER TAXES | \$ 267,980 | \$ 71,247 | 196,733 | 276% | \$ 22,509 | 245,471 | 1091% | |
| RATIOS | | | | | | | | |
| NET INTEREST MARGIN | 4.49% | 4.21% | | | 4.34% | | | |
| EQUITY CAPITAL-TO-TOTAL ASSETS | 7.5% | 7.4% | | | 8.0% | | | |

The Bank's Annual Report, Proxy Statement and Proxy Voting instructions for our Annual Shareholders Meeting were mailed recently. We look forward to seeing many of you at our Annual Meeting of Shareholders on May 25th.

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

LENDING EXCELLENCE

Santa Cruz County Bank was recently recognized by the USDA Rural Development for Lender Excellence in 2009 as follows:

The Bank ranked third highest in volume in California for Business & Industry Guaranteed loans in 2009.

Sue Chandler, Santa Cruz County Bank's SBA Department Manager received the Exceptional Leadership Award for 2009 from USDA Rural Development.



Sue Chandler, SBA Manager

Daljit Bains, Vice President, SBA Loan Officer received the Outstanding Loan Officer Award for the USDA's Business & Industry Guaranteed Loan Program.

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

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



All Locations are Green Business Certified