



2010
SECOND QUARTER REPORT
Local banking at its best.



TO OUR SHAREHOLDERS,

In the second quarter of 2010, the Bank achieved double digit percentage growth in assets and deposits, resulting in new highs of over \$280 million in assets and \$253 million in deposits. As reported last quarter, our net income for that period was greater than net income for the entire year of 2009. Year to date through June 30, 2010 our earnings were \$1.1 million before taxes. This positive earning trend is the result of improved earning assets and diligent expense controls.

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, 2010 as compared to March 31, 2010:

Total deposits increased \$10.0 million, 4%, to \$253.3 million
Gross loans increased \$11.8 million, 8%, to \$166.7 million
Total assets increased \$13.6 million, 5%, to \$280.3 million
Net income increased \$101.2 thousand, 38%, to \$369.1 thousand

On a quarter to quarter basis, comparing June 30, 2010 to June 30, 2009, the Bank's deposits increased \$34.6 million, 16%; gross loans increased \$13.6 million, 9%; and assets increased \$39.1 million, 16%. Net income for the second quarter improved \$173.1 thousand before tax and \$101.2 thousand after tax in comparison to first quarter 2010.

Comparing the quarter ended June 30, 2010 to June 30, 2009; the Bank's non-interest bearing deposits grew by \$22.1 million to \$85.5 million. Non-interest bearing deposits represented 34% of total deposits as of June 30, 2010. Deposit growth continues to outpace loan growth due to the impact of the recession on borrowers.

The Bank remains well positioned to convert low cost deposits into good earning assets and continues to be recognized as a key lender in our area. Most recently, the Silicon Valley Business Journal featured Santa Cruz County Bank for providing SBA and business financing to a 30 year old manufacturing company in Watsonville after their "big bank" cut their line in half. Our lending team remains focused on financing for small and medium sized businesses in our area.

SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED		Change		QUARTER ENDED		Change	
	06/30/10	03/31/10	\$	%	06/30/09	\$	%	
BALANCE SHEET								
TOTAL ASSETS	\$ 280,305,318	\$ 266,682,688	\$ 13,622,630	5%	\$ 241,166,471	\$ 39,138,847	16%	
GROSS LOANS	166,675,976	154,909,333	11,766,643	8%	153,125,700	13,550,276	9%	
ALLOWANCE FOR LOAN LOSSES	3,296,516	3,101,973	194,543	6%	2,573,712	722,804	28%	
NON-INTEREST BEARING DEPOSITS	85,476,928	78,205,969	7,270,959	9%	63,345,521	22,131,407	35%	
TOTAL DEPOSITS	253,314,190	243,217,097	10,097,093	4%	218,706,526	34,607,664	16%	
SHAREHOLDERS' EQUITY	20,464,265	19,940,150	524,115	3%	19,052,975	1,411,290	7%	
INCOME STATEMENT								
INTEREST INCOME	\$ 3,200,952	\$ 3,040,709	160,243	5%	\$ 2,870,110	330,842	12%	
INTEREST EXPENSE	259,269	299,831	(40,562)	-14%	385,148	(125,879)	-33%	
NET INTEREST INCOME	2,941,683	2,740,878	200,805	7%	2,484,962	456,721	18%	
PROVISION FOR LOAN LOSSES	305,000	246,099	58,901	24%	178,142	126,858	71%	
NON-INTEREST INCOME	604,881	475,682	129,199	27%	518,866	86,015	17%	
NON-INTEREST EXPENSE	2,605,050	2,507,037	98,013	4%	2,718,055	(113,005)	-4%	
NET INCOME BEFORE TAXES	636,514	463,424	173,090	37%	107,631	528,883	491%	
INCOME TAX EXPENSE	267,365	195,444	71,921	37%	41,388	225,977	546%	
NET INCOME AFTER TAXES	\$ 369,149	\$ 267,980	101,169	38%	\$ 66,243	302,906	457%	
RATIOS								
NET INTEREST MARGIN	4.61%	4.49%			4.58%			
EQUITY CAPITAL-TO-TOTAL ASSETS	7.3%	7.5%			7.9%			

We enjoyed seeing so many of you at our Annual Meeting of Shareholders in May. As always, we welcome your questions and appreciate your ongoing support and confidence in Santa Cruz County Bank.

Thank you,



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO

PARTNERING WITH OUR COMMUNITY

Over the past year, our presence in the community has been stronger than ever. Our directors, management and employees have volunteered for hundreds of hours for the benefit of community organizations that serve to enhance the well being of our community and individuals in need. Highlights of our community involvement most recently include:



a 24 hour Relay for Life event for the American Cancer Society whereby one third of our staff participated at all hours and some even camped overnight; we teamed up for the Human Race Walkathon; and one half of our staff bowled in the Bowl for Kids Sake event to benefit Big Brothers, Big Sisters.

COMPANY INFORMATION



Santa Cruz Office, 720 Front Street

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.

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