



**SANTA CRUZ
COUNTY BANK**

Put your money where your life is.



2010

THIRD QUARTER REPORT

Local banking at its best.



TO OUR SHAREHOLDERS,

Earnings for the quarter ending September 30, 2010 pushed the Bank to a record profit level of over \$1 million in year to date net income. This achievement is a result of the keen focus of our board and management on the development and implementation of strategic measures to achieve greater earnings in a difficult economy through earning assets and expense controls.

The financial data presented to the right of this narrative and below provides a summary of key financial highlights for the third quarter ended September 30, 2010 as compared to June 30, 2010:

- Total deposits increased \$11.8 million, 5%, to \$265.2 million
- Gross loans increased \$136.7 thousand, <1%, to \$166.8 million
- Total assets increased \$12.8 million, 5%, to \$293.1 million
- Net income increased \$83.7 thousand, 23%, to \$452.9 thousand

On a year to year basis, comparing September 30, 2010 to September 30, 2009, the Bank's deposits increased \$26.0 million, 11%; gross loans increased \$16.6 million, 11%; and assets increased \$31.1 million, 12%. Net income for the third quarter improved \$116.3 thousand before tax and \$83.7 thousand after tax in comparison to second quarter 2010.

Shareholders' equity for the quarter ended September 30, 2010 increased by \$504,101 over the prior quarter to \$21.0 million and increased \$1.5 million when compared to the period ended September 30, 2009.

Comparing the quarter ended September 30, 2010 to September 30, 2009; the Bank's non-interest bearing deposits grew by \$20.2 million to \$95.9 million. Non-interest bearing deposits represented 36% of total deposits as of September 30, 2010.

Our non-performing loans at 1.91% of assets are well below the California Bank average of over 3% reported as of June 30, 2010. These assets represent four real estate loans, three of which are Government guaranteed by SBA. We anticipate these assets will be cleared off of our balance sheet in 2011. These loans are well secured and no losses are expected from the disposition of these assets.

We are pleased with our ability to maintain profitability and grow your bank especially in difficult economic times. As a result of taking full advantage of market opportunities in the ever changing banking

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		QUARTER ENDED	QUARTER ENDED	Change	
	09/30/10	06/30/10	\$	%	09/30/10	09/30/09	\$	%
TOTAL ASSETS	\$ 293,135,211	\$ 280,305,318	\$ 12,829,893	5%	\$ 293,135,211	\$ 262,035,379	\$ 31,099,832	12%
GROSS LOANS	166,812,652	166,675,976	136,676	0%	166,812,652	150,210,505	16,602,147	11%
ALLOWANCE FOR LOAN LOSSES	3,515,415	3,296,516	218,899	7%	3,515,415	2,545,379	970,036	38%
NON-INTEREST BEARING DEPOSITS	95,912,626	85,476,928	10,435,698	12%	95,912,626	75,715,764	20,196,862	27%
TOTAL DEPOSITS	265,159,044	253,314,190	11,844,854	5%	265,159,044	239,203,613	25,955,431	11%
SHAREHOLDERS' EQUITY	20,968,366	20,464,265	504,101	2%	20,968,366	19,452,637	1,515,729	8%
					NINE-MONTHS ENDED	NINE-MONTHS ENDED	Change	
					09/30/10	09/30/09	\$	%
INCOME STATEMENT								
INTEREST INCOME	3,167,389	3,200,952	(33,563)	-1%	\$ 9,409,050	\$ 8,586,365	\$ 822,685	10%
INTEREST EXPENSE	219,241	259,269	(40,028)	-15%	778,341	1,228,107	(449,766)	-37%
NET INTEREST INCOME	2,948,148	2,941,683	6,465	0%	8,630,709	7,358,258	1,272,451	17%
PROVISION FOR LOAN LOSSES	300,000	305,000	(5,000)	-2%	851,099	700,050	151,049	22%
NON-INTEREST INCOME	628,662	604,881	23,781	4%	1,709,225	1,390,165	319,060	23%
NON-INTEREST EXPENSE	2,523,988	2,605,050	(81,062)	-3%	7,636,075	7,816,840	(180,765)	-2%
NET INCOME BEFORE TAXES	752,822	636,514	116,308	18%	1,852,760	231,533	1,621,227	700%
INCOME TAX EXPENSE	299,941	267,365	32,576	12%	762,750	99,909	662,841	663%
NET INCOME AFTER TAXES	\$ 452,881	\$ 369,149	83,732	23%	\$ 1,090,010	\$ 131,624	958,386	728%
RATIOS								
NET INTEREST MARGIN	4.30%	4.61%			4.48%	4.38%		
EQUITY CAPITAL-TO-TOTAL ASSETS	7.2%	7.3%			7.4%	7.4%		

landscape and being recognized as the premier local bank of choice, as of June 30, 2010 Santa Cruz County Bank's total deposit market share in the County rose to 6.07%, which is nearly 1% higher than the previous year. We are the fifth ranked bank in total deposit market share in Santa Cruz County.

As always, we welcome your questions and appreciate your ongoing support and confidence in Santa Cruz County Bank.



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO

2010 SECOND HARVEST FOOD BANK - HOLIDAY FOOD DRIVE



We invite you to join us by participating in the Holiday Food Drive. Each of our banking offices will accept donations of food and cash to benefit Second Harvest Food Bank through December 17th. In the past six years we've contributed over 24,000 pounds of food to Second Harvest thanks to the generosity of our board, staff, clients and community.

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 Speedway
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