



**Q1**

**2011**

**FIRST QUARTER REPORT**

*Local banking at its best.*



## **TO OUR SHAREHOLDERS,**

We are pleased to share with you the highlights of our first quarter of 2011.

During the quarter we were acknowledged for our 2010 financial performance with two prominent ratings. The Findley Reports named Santa Cruz County Bank a Super Premier Performing Bank for its 2010 financial results. This highest rating by Findley is shared with just 19 other banks in California. According to Findley, Santa Cruz County Bank's 2010 performance is in the top 10% of all banks in the Western United States. In addition, for the tenth consecutive quarter, Santa Cruz County Bank received a 4-Star "excellent" rating by Bauer Financial for the quarter ended December 31, 2010.

Net income of \$453,537 for the first quarter of 2011 represents an increase of 69% over the first quarter of 2010. Basic earnings per share for the quarter ended March 31, 2011 were \$0.24 as compared to \$0.16 first quarter of 2010.

The financial data presented below provides a summary of key financial highlights for the first quarter ended March 31, 2011 as compared to December 31, 2010:

- Total deposits decreased \$1.2 million, <1 % to \$252.2 million
- Gross loans decreased \$14.4 million, -8% to \$167.0 million
- Total assets decreased \$4.8 million, -2%, to \$280.1 million
- Net income decreased \$279.1 thousand, -38%, to \$453.5 thousand

On a quarter to quarter basis, comparing March 31, 2011 to March 31, 2010 the Bank's deposits increased \$9.0 million, 4%; gross loans increased \$12.1 million, 8%; and assets increased \$13.4 million, 5 %.

Shareholders' equity for the quarter ended March 31, 2011 increased by \$606.4 thousand over the prior quarter to \$24.2 million and increased \$4.2 million when compared to the period ended March 31, 2010.

Comparing the quarter ended March 31, 2011 to March 31, 2010; the Bank's non-interest bearing deposits grew by \$10.9 million to \$89.1

## SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED		Change		QUARTER ENDED		Change	
	03/31/11	12/31/10	\$	%	03/31/10	\$	%	
TOTAL ASSETS	\$ 280,088,758	\$ 284,906,203	\$ (4,817,445)	-2%	\$ 266,682,688	\$ 13,406,070	5%	
GROSS LOANS	167,010,330	181,450,788	(14,440,458)	-8%	154,909,333	12,100,997	8%	
ALLOWANCE FOR LOAN LOSSES	3,581,729	3,558,521	23,208	1%	3,101,973	479,756	15%	
NON-INTEREST BEARING DEPOSITS	89,057,968	94,326,653	(5,268,685)	-6%	78,205,969	10,851,999	14%	
TOTAL DEPOSITS	252,172,712	253,416,044	(1,243,332)	0%	243,217,097	8,955,615	4%	
SHAREHOLDERS' EQUITY	24,176,792	23,570,352	606,440	3%	19,940,150	4,236,642	21%	
<b>INCOME STATEMENT</b>								
INTEREST INCOME	\$ 3,172,337	\$ 3,244,152	(71,815)	-2%	\$ 3,040,709	131,628	4%	
INTEREST EXPENSE	154,686	190,541	(35,855)	-19%	299,831	(145,145)	-48%	
NET INTEREST INCOME	3,017,651	3,053,611	(35,960)	-1%	2,740,878	276,773	10%	
PROVISION FOR LOAN LOSSES	582,500	348,901	233,599	67%	246,099	336,401	137%	
NON-INTEREST INCOME	882,225	1,055,464	(173,239)	-16%	475,682	406,543	85%	
NON-INTEREST EXPENSE	2,590,056	2,616,612	(26,556)	-1%	2,507,037	83,019	3%	
NET INCOME BEFORE TAXES	727,320	1,143,562	(416,242)	-36%	463,424	263,896	57%	
INCOME TAX EXPENSE	273,783	410,876	(137,093)	-33%	195,444	78,339	40%	
NET INCOME AFTER TAXES	\$ 453,537	\$ 732,686	(279,149)	-38%	\$ 267,980	185,557	69%	
BASIC EARNINGS PER SHARE	\$ 0.24	\$ 0.41			\$ 0.16			
<b>RATIOS</b>								
NET INTEREST MARGIN	4.65%	4.43%			4.49%			
EQUITY CAPITAL-TO-TOTAL ASSETS	8.6%	8.3%			7.5%			

million. Non-interest bearing deposits represented 35% of total deposits as of March 31, 2011.

As always, we welcome your questions and appreciate your ongoing support and confidence in Santa Cruz County Bank. We look forward to seeing many of you at our Annual Meeting of Shareholders on May 17th.



*George Gallucci*

George Gallucci  
Chairman of the Board



*David Heald*

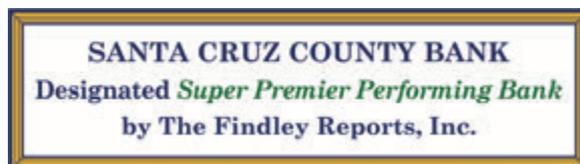
David Heald  
President & CEO

## FIRST QUARTER HIGHLIGHTS



Susan Chandler, Senior Vice President and SBA Department Manager pictured (on right) with Judy Canales, US Department of Agriculture Rural Development Programs Administrator.

Ms. Canales, along with Congressman Sam Farr and the Mayor of Watsonville, presented a certificate of acknowledgement and toured the facility of one Santa Cruz County Bank's borrowers who received financing through the USDA's Business and Industry loan program.



## 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](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, 2010 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

**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**

MEMBER  
**FDIC**



**All Locations are Green Business Certified**