



2011

THIRD QUARTER REPORT

Local banking at its best.



TO OUR SHAREHOLDERS,

We are pleased to share with you the highlights of our third quarter of 2011. During the quarter, Santa Cruz County Bank was rated 5-Stars "Superior" by Bauer Financial, Inc. in recognition of our financial performance for the second quarter of 2011. This is Bauer Financial, Inc.'s highest rating designation. This rating follows eleven consecutive quarterly 4-Star ratings from Bauer.

Net income of \$766,614 for the third quarter of 2011 represents an increase of 69% over the third quarter of 2010. Basic earnings per share for the quarter ended September 30, 2011 were \$0.40 as compared to \$0.27 for the third quarter of 2010.

The financial data presented below provides a summary of key financial highlights for the third quarter ended September 30, 2011 as compared to the second quarter ended June 30, 2011.

- Total deposits increased \$14.0 million, 5% to \$284.9 million
- Gross loans increased \$4.9 million, 3% to \$177.2 million
- Total assets increased \$14.7 million, 5%, to \$313.9 million
- Net income increased \$232 thousand, 43%, to \$767 thousand

On a quarter to quarter basis, comparing September 30, 2011 to September 30, 2010 the Bank's deposits increased \$19.7 million, 7%; gross loans increased \$10.4 million, 6%; and assets increased \$20.7 million, 7%. Comparing the nine-months ended September 30, 2011 to the nine-months ended September 30, 2010, after tax income increased 61% to \$1.8 million.

Shareholders' equity for the quarter ended September 30, 2011 increased by \$543 thousand over the prior quarter to \$25.6 million and increased \$4.6 million when compared to the period ended September 30, 2010 which includes the issuance of 241,600 new shares and the addition of \$2.5 million in equity in the quarter ended December 31, 2010.

Comparing the quarter ended September 30, 2011 to September 30, 2010; the Bank's non-interest bearing deposits grew by \$13.8 million to \$109.7 million. Non-interest bearing deposits represented 39% of total deposits as of September 30, 2011 and continues to add tremendous value to building our Bank.

Favorable news media coverage regarding our 5-Star rating by Bauer has resulted in new relationships with the Bank. Addition-

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		QUARTER ENDED	QUARTER ENDED	Change	
	09/30/11	06/30/11	\$	%	09/30/11	09/30/10	\$	%
TOTAL ASSETS	\$ 313,850,937	\$ 299,105,147	\$ 14,745,790	5%	\$ 313,850,937	\$ 293,135,211	\$ 20,715,726	7%
GROSS LOANS	177,249,886	172,349,451	4,900,435	3%	177,249,886	166,812,652	10,437,234	6%
ALLOWANCE FOR LOAN LOSSES	4,013,614	3,815,266	198,348	5%	4,013,614	3,515,415	498,199	14%
NON-INTEREST BEARING DEPOSITS	109,682,502	97,628,052	12,054,450	12%	109,682,502	95,912,626	13,769,876	14%
TOTAL DEPOSITS	284,906,192	270,885,162	14,021,030	5%	284,906,192	265,159,044	19,747,148	7%
SHAREHOLDERS' EQUITY	25,554,038	25,011,061	542,977	2%	25,554,038	20,968,366	4,585,672	22%
					NINE-MONTHS ENDED	NINE-MONTHS ENDED	Change	
					09/30/11	09/30/10	\$	%
INCOME STATEMENT								
INTEREST INCOME	3,222,547	3,227,189	(4,642)	-0.1%	\$ 9,622,073	\$ 9,409,050	\$ 213,023	2%
INTEREST EXPENSE	145,094	147,329	(2,235)	-2%	447,109	778,341	(331,232)	-43%
NET INTEREST INCOME	3,077,453	3,079,860	(2,407)	-0.1%	9,174,964	8,630,709	544,255	6%
PROVISION FOR LOAN LOSSES	230,000	300,000	(70,000)	-23%	1,112,500	851,099	261,401	31%
NON-INTEREST INCOME	1,079,556	766,276	313,280	41%	2,728,057	1,709,225	1,018,832	60%
NON-INTEREST EXPENSE	2,602,802	2,666,764	(63,962)	-2%	7,859,622	7,636,075	223,547	3%
NET INCOME BEFORE TAXES	1,324,207	879,372	444,835	51%	2,930,899	1,852,760	1,078,139	58%
INCOME TAX EXPENSE	557,593	344,406	213,187	62%	1,175,782	762,750	413,032	54%
NET INCOME AFTER TAXES	\$ 766,614	\$ 534,966	231,648	43%	\$ 1,755,117	\$ 1,090,010	665,107	61%
BASIC EARNINGS PER SHARE	\$ 0.40	\$ 0.28			\$ 0.92	\$ 0.65		
BOOK VALUE PER SHARE	\$ 13.29	\$ 13.10						
RATIOS								
NET INTEREST MARGIN	4.14%	4.64%			4.48%	4.48%		
EQUITY CAPITAL-TO-TOTAL ASSETS	8.1%	8.4%			8.3%	7.2%		

ally, the public's unrest with fee increases by the "Major Banks" is creating another wave of individuals seeking community banks.

As we enter the winter months, we wish you and yours a wonderful holiday season and we thank you for your support of Santa Cruz County Bank.



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO

HIGHEST RATING FROM BAUER FINANCIAL, INC.



Santa Cruz County Bank received a 5-Star "Superior" rating by Bauer Financial, Inc. for its financial performance for the second quarter ended June 30, 2011. The 5-Star is the highest rating granted by Bauer Financial, Inc.



Once again Santa Cruz County Bank will participate in the Holiday Food Drive for Second Harvest Food Bank. Each of our banking offices will accept donations of food and cash to benefit the Food Bank through December 16th. In the past seven years we've contributed over 34,000 pounds of food 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 Development 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
740 Front Street, Suite 220
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.

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

MEMBER
FDIC



All Locations are Green Business Certified