



Q1

2012
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 2012. Our first quarter shows consistent growth in all areas of the Bank, particularly in earnings.

Net income of \$573,485 for the first quarter of 2012 represents an increase of 26% over the first quarter of 2011. Basic earnings per share for the quarter ended March 31, 2012 were \$0.30 compared to \$0.24 for the first quarter of 2011. The book value per share of Santa Cruz County Bank common stock at March 31, 2012 was just over \$14.00.

The financial data presented below provides a summary of key financial highlights for the first quarter ended March 31, 2012 as compared to the first quarter ended March 31, 2011:

Total deposits increased \$43.2 million, 17% to \$295.3 million
Gross loans increased \$32.8 million, 20% to \$199.8 million
Total assets increased \$45.6 million, 16% to \$325.7 million
Net income increased \$120 thousand, 26% to \$573 thousand

Shareholders' equity for the quarter ended March 31, 2012 increased by \$683 thousand over the prior quarter to \$27 million and increased \$2.8 million when compared to the period ended March 31, 2011.

Comparing the quarter ended March 31, 2012 to March 31, 2011, the Bank's non-interest bearing deposits grew by \$20.6 million to \$109.7 million. Non-interest bearing deposits represented 37% of total deposits as of March 31, 2012.

Our Board and Management team continue to focus on our business strategies to enhance all areas of the Bank and to ensure the achievement of strong, stable earnings year after year.

During the quarter, the Bank received two prominent ratings for its 2011 performance. For a second consecutive year, we were designated as a Super Premier Performing Bank by The Findley Reports. Additionally, Santa Cruz County Bank received a 4-Star "excellent" rating by Bauer Financial for the quarter ended December 31, 2011.

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED 03/31/12	QUARTER ENDED 03/31/11	Change	
			\$	%
TOTAL ASSETS	\$ 325,677,638	\$ 280,088,758	\$ 45,588,880	16%
GROSS LOANS	199,839,134	167,010,330	32,828,804	20%
ALLOWANCE FOR LOAN LOSSES	4,411,570	3,581,729	829,841	23%
NON-INTEREST BEARING DEPOSITS	109,706,475	89,057,968	20,648,507	23%
TOTAL DEPOSITS	295,348,484	252,172,712	43,175,772	17%
SHAREHOLDERS' EQUITY	26,968,401	24,176,792	2,791,609	12%
INCOME STATEMENT				
INTEREST INCOME	\$ 3,367,116	\$ 3,172,337	194,779	6%
INTEREST EXPENSE	120,896	154,686	(33,790)	-22%
NET INTEREST INCOME	3,246,220	3,017,651	228,569	8%
PROVISION FOR LOAN LOSSES	300,000	582,500	(282,500)	-48%
NON-INTEREST INCOME	526,869	882,225	(355,356)	-40%
NON-INTEREST EXPENSE	2,561,482	2,590,055	(28,573)	-1%
NET INCOME BEFORE TAXES	911,607	727,321	184,286	25%
INCOME TAX EXPENSE	338,122	273,783	64,339	23%
NET INCOME AFTER TAXES	\$ 573,485	\$ 453,538	119,947	26%
BASIC EARNINGS PER SHARE	\$ 0.30	\$ 0.24		
BOOK VALUE PER SHARE	\$ 14.02	\$ 12.67		
RATIOS				
NET INTEREST MARGIN	4.29%	4.65%		
EQUITY CAPITAL-TO-TOTAL ASSETS	8.3%	8.6%		

Also during the first quarter we announced the appointment of Harvey Nickelson to our Board of Directors to fill the position of outgoing and original Founding Director Steve John. Please see our stories about this news located to the right of this narrative.

We look forward to sharing more with you at our Annual Shareholder's Meeting on May 22, 2012.



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO

BOARD OF DIRECTORS CHANGE IN 2012



We wish Founding Director Steve John a fond farewell with heartfelt gratitude for his years of service and support for our Bank. Steve has accepted a new role as CEO of the Monterey Peninsula Foundation, a non-profit organization that stages the AT&T Pebble Beach National Pro-Am.

We welcome Harvey Nickelson to our Board of Directors. Harvey was the founding President and CEO of Coast Commercial Bank. Harvey's extensive banking career, industry insight and community connections will add strength to our Board.



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, & CEO, Monterey Peninsula Foundation
Harvey J. Nickelson, Retired Bank CEO and Community Volunteer
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:

Mary Anne Carson, Shareholder Relations
Santa Cruz County Bank
740 Front Street, Suite 220
Santa Cruz, CA 95060
831.457.5000

The Bank's quarterly reports, 2011 Annual Report and stock quotes are available at www.sccountybank.com in the Investor Relations section.

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

