



**2012**  
**SECOND QUARTER REPORT**  
*Local banking at its best.*



To our Shareholders,

We are pleased to share with you the highlights of our second quarter of 2012. Our second quarter shows consistent growth in all areas of the Bank, particularly in earnings. During the second quarter, we hit significant milestones in surpassing the \$300 million mark for deposits and the \$200 million mark for gross loans.

Net income of \$633,203 for the second quarter of 2012 represents an increase of 18% over the second quarter of 2011. Basic earnings per share for the quarter ended June 30, 2012 were \$0.33 compared to \$0.28 for the second quarter of 2011. The book value per share of Santa Cruz County Bank common stock at June 30, 2012 was \$14.43, a 10% increase over the \$13.10 as of June 30, 2011.

The financial data presented below provides a summary of key financial highlights for the second quarter ended June 30, 2012 as compared to the second quarter ended June 30, 2011:

Total deposits increased \$39.2 million, 14% to \$310.1 million  
Gross loans increased \$31.1 million, 18% to \$203.4 million  
Total assets increased \$42.2 million, 14% to \$341.3 million  
Net income increased \$98,237, 18% to \$633,203

Shareholders' equity for the quarter ended June 30, 2012 increased by \$2.8 million when compared to the period ended June 30, 2011.

Comparing the quarter ended June 30, 2012 to June 30, 2011; the Bank's non-interest bearing deposits grew by \$26.3 million to \$123.9 million. Non-interest bearing deposits represented 40% of total deposits as of June 30, 2012.

During the quarter, Santa Cruz County Bank received a 4-Star "excellent" rating by Bauer Financial for the quarter ended March 31, 2012.

Also during the quarter, Santa Cruz County Bank established a South County Regional Lending Division lead by Executive Vice President, Fred Caiocca, who has been with the Bank since its inception. We look forward to further expanding our relationships and lending in this market area through Fred's efforts and considerable lending expertise.

Since our inception, Santa Cruz County Bank has been a community partner and supporter. In 2012, our employees

## SELECTED FINANCIAL DATA (UNAUDITED)

| BALANCE SHEET                  | QUARTER ENDED  | QUARTER ENDED  | Change        |      | QUARTER ENDED    | YEAR ENDED       | Change        |      |
|--------------------------------|----------------|----------------|---------------|------|------------------|------------------|---------------|------|
|                                | 06/30/12       | 06/30/11       | \$            | %    | 06/30/12         | 12/31/11         | \$            | %    |
| TOTAL ASSETS                   | \$ 341,348,260 | \$ 299,105,147 | \$ 42,243,113 | 14%  | \$ 341,348,260   | \$ 320,230,204   | \$ 21,118,056 | 7%   |
| GROSS LOANS                    | 203,427,244    | 172,349,451    | 31,077,793    | 18%  | 203,427,244      | 191,369,556      | 12,057,688    | 6%   |
| ALLOWANCE FOR LOAN LOSSES      | 4,599,602      | 3,815,266      | 784,336       | 21%  | 4,599,602        | 4,305,290        | 294,312       | 7%   |
| NON-INTEREST BEARING DEPOSITS  | 123,890,923    | 97,628,052     | 26,262,871    | 27%  | 123,890,923      | 113,014,682      | 10,876,241    | 10%  |
| TOTAL DEPOSITS                 | 310,083,603    | 270,885,162    | 39,198,441    | 14%  | 310,083,603      | 288,206,914      | 21,876,689    | 8%   |
| SHAREHOLDERS' EQUITY           | 27,769,566     | 25,011,061     | 2,758,505     | 11%  | 27,769,566       | 26,285,044       | 1,484,522     | 6%   |
| BOOK VALUE PER SHARE           | \$ 14.43       | \$ 13.10       |               |      | \$ 14.43         | \$ 14.02         |               |      |
|                                |                |                |               |      | SIX-MONTHS ENDED | SIX-MONTHS ENDED | Change        |      |
|                                |                |                |               |      | 06/30/12         | 06/30/11         | \$            | %    |
| <b>INCOME STATEMENT</b>        |                |                |               |      |                  |                  |               |      |
| INTEREST INCOME                | \$ 3,409,862   | \$ 3,227,189   | 182,673       | 6%   | \$ 6,776,978     | \$ 6,399,526     | \$ 377,452    | 6%   |
| INTEREST EXPENSE               | 120,303        | 147,329        | (27,026)      | -18% | 241,199          | 302,015          | (60,816)      | -20% |
| NET INTEREST INCOME            | 3,289,559      | 3,079,860      | 209,699       | 7%   | 6,535,779        | 6,097,511        | 438,268       | 7%   |
| PROVISION FOR LOAN LOSSES      | 300,000        | 300,000        | -             | 0%   | 600,000          | 882,500          | (282,500)     | -32% |
| NON-INTEREST INCOME            | 572,654        | 766,276        | (193,622)     | -25% | 1,099,524        | 1,648,501        | (548,977)     | -33% |
| NON-INTEREST EXPENSE           | 2,566,367      | 2,666,764      | (100,397)     | -4%  | 5,127,850        | 5,256,819        | (128,969)     | -2%  |
| NET INCOME BEFORE TAXES        | 995,846        | 879,372        | 116,474       | 13%  | 1,907,453        | 1,606,693        | 300,760       | 19%  |
| INCOME TAX EXPENSE             | 362,643        | 344,406        | 18,237        | 5%   | 700,765          | 618,189          | 82,576        | 13%  |
| NET INCOME AFTER TAXES         | \$ 633,203     | \$ 534,966     | 98,237        | 18%  | \$ 1,206,688     | \$ 988,504       | \$ 218,184    | 22%  |
| BASIC EARNINGS PER SHARE       | \$ 0.33        | \$ 0.28        |               |      | \$ 0.63          | \$ 0.52          |               |      |
| <b>RATIOS</b>                  |                |                |               |      |                  |                  |               |      |
| NET INTEREST MARGIN            | 4.28%          | 4.64%          |               |      |                  |                  |               |      |
| EQUITY CAPITAL-TO-TOTAL ASSETS | 8.1%           | 8.4%           |               |      |                  |                  |               |      |

have been more active in volunteering, fundraising and participating on boards and committees than ever before. We are extremely proud of our team that makes a difference in the lives of so many in need in our community.

We hope you are enjoying a wonderful summer and as always, we thank you for your investment and business referrals.



*George Gallucci*

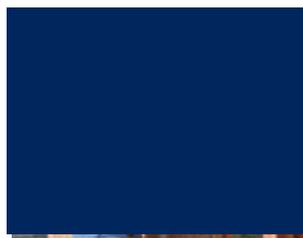
George Gallucci  
Chairman of the Board



*David Heald*

David Heald  
President & CEO

## BUILDING OUR COMMUNITY WITH HABITAT FOR HUMANITY



As part of our ongoing commitment to the community, 15 Santa Cruz County Bank employees spent a Saturday helping build three townhomes in Scotts Valley for Habitat for Humanity.

Beth Bowman, Development Director for Habitat for Humanity stated, "These three affordable townhomes are 90 hours closer to completion thanks to Santa Cruz County Bank. In addition to their hard work as volunteers on this Build Out day, Santa Cruz County Bank has come through for us as a Member Bank which has allowed us to secure funds critical to the success of this project."

## 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**  
**Harvey J. Nickelson, Retired Bank CEO and Community Volunteer**

## 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:

**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](http://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](http://www.sccountybank.com)

**831.457.5000**

MEMBER  
**FDIC**

