



2012

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 2012. In addition to consistent growth in profitability, deposits and loans this quarter, we surpassed the \$350 million mark for total assets and received a 4-Star “Excellent” rating by Bauer Financial for the quarter ended June 30, 2012.

Net income of \$784,659 for the third quarter of 2012 represents an increase of 24% over the prior quarter and a 2% increase over the third quarter of 2011. Basic earnings per share for the nine-months ended September 30, 2012 were \$1.04 compared to \$0.92 for the period ended September 30, 2011. The book value per share of Santa Cruz County Bank common stock at September 30, 2012 was \$14.81, compared to \$13.10 as of September 30, 2011.

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

Total deposits increased \$34.4 million, 12% to \$319.3 million
Gross loans increased \$29.5 million, 17% to \$206.7 million
Total assets increased \$38.2 million, 12% to \$352.0 million
Net income increased \$18,045, 2% to \$784,659

Shareholders’ equity increased by \$3.6 million from September 30, 2011 to September 30, 2012.

Comparing the quarter ended September 30, 2012 to September 30, 2011, the Bank’s non-interest bearing deposits grew by \$32.3 million, 29%, to \$142.0 million. Non-interest bearing deposits represented 44% of total deposits as of September 30, 2012 compared to 38% as of September 30, 2011.

As of June 30, 2012, Santa Cruz County Bank’s total deposit market share in the County rose to 7.20%, an increase of 0.80% over the previous year. Santa Cruz County Bank is ranked fifth in total deposit market share in Santa Cruz County.

Also during the quarter, Santa Cruz County Bank announced the expansion of our team of SBA lenders through the addition of Sati Kanwar.

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change		QUARTER ENDED	YEAR ENDED	Change	
	09/30/12	09/30/11	\$	%	9/30/12	12/31/11	\$	%
TOTAL ASSETS	\$ 352,000,974	\$ 313,850,937	\$ 38,150,037	12%	\$ 352,000,974	\$ 320,230,204	\$ 31,770,770	10%
GROSS LOANS	206,707,859	177,249,886	29,457,973	17%	206,707,859	191,369,556	15,338,303	8%
ALLOWANCE FOR LOAN LOSSES	4,846,966	4,013,614	833,352	21%	4,846,966	4,305,290	541,676	13%
NON-INTEREST BEARING DEPOSITS	141,955,724	109,682,502	32,273,222	29%	141,955,724	113,014,682	28,941,042	26%
TOTAL DEPOSITS	319,347,043	284,906,192	34,440,851	12%	319,347,043	288,206,914	31,140,129	11%
SHAREHOLDERS' EQUITY	29,119,860	25,554,038	3,565,822	14%	29,119,860	26,285,044	2,834,816	11%
BOOK VALUE PER SHARE	\$ 14.81	\$ 13.10			\$ 14.81	\$ 13.67		
					NINE-MONTHS ENDED	NINE-MONTHS ENDED	Change	
					09/30/12	09/30/11	\$	%
INCOME STATEMENT								
INTEREST INCOME	3,448,191	3,222,547	\$ 225,644	7%	10,225,169	9,622,073	\$ 603,096	6%
INTEREST EXPENSE	110,482	145,094	(34,612)	-24%	351,681	447,109	(95,428)	-21%
NET INTEREST INCOME	3,337,709	3,077,453	260,256	8%	9,873,488	9,174,964	698,524	8%
PROVISION FOR LOAN LOSSES	194,000	230,000	(36,000)	-16%	794,000	1,112,500	(318,500)	-29%
NON-INTEREST INCOME	784,767	1,079,556	(294,789)	-27%	1,884,290	2,728,057	(843,767)	-31%
NON-INTEREST EXPENSE	2,720,724	2,602,802	117,922	5%	7,848,574	7,859,622	(11,048)	0%
NET INCOME BEFORE TAXES	1,207,752	1,324,207	(116,455)	-9%	3,115,204	2,930,899	184,305	6%
INCOME TAX EXPENSE	423,093	557,593	(134,500)	-24%	1,123,858	1,175,782	(51,924)	-4%
NET INCOME AFTER TAXES	\$ 784,659	\$ 766,614	\$ 18,045	2%	\$ 1,991,346	\$ 1,755,117	\$ 236,229	13%
BASIC EARNINGS PER SHARE	\$ 0.40	\$ 0.40			\$ 1.04	\$ 0.92		
RATIOS								
NET INTEREST MARGIN	4.11%	4.14%						
EQUITY CAPITAL-TO-TOTAL ASSETS	8.3%	8.1%						

Santa Cruz County Bank will again be supporting programs which serve to assist those in greatest need throughout the holidays. We wish you and yours a happy and healthy holiday season, 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

WELCOME TO SATI KANWAR



In September, Sati Kanwar joined our SBA lending team as Senior Vice President and SBA Business Development Officer. Mr. Kanwar has an extensive background in government guaranteed lending and is a well known lender in our marketplace.



Once again Santa Cruz County Bank's five banking offices will accept donations of food and cash to benefit the Holiday Food Drive for Second Harvest Food Bank. We welcome your participation in this effort during the months of November and December.

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

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

