



2013 FIRST QUARTER REPORT



To Our Shareholders,

Our strong earnings in the first three months of 2013 follow seven consecutive years of annual profits. During the quarter, we surpassed the \$365 million mark for total assets and received a 4-Star “excellent” rating by Bauer Financial for the quarter ended December 31, 2012.

For the first six months of the U.S. Small Business Administration (SBA) fiscal year, Santa Cruz County Bank ranked as the 30th largest provider of SBA loans in California out of a total of 199 lenders. These 199 lenders include every bank, credit union and development corporation providing SBA 7a and 504 loans in California. This achievement is the result of our experienced SBA team and their strong reputation in the community. Since the Bank’s inception in 2004, it has been our ongoing goal and commitment to support small business owners.

The financial data, presented below, provides a summary of key financial highlights for the first quarter ended March 31, 2013 as compared to the first quarter ended March 31, 2012.

Total deposits increased \$36.3 million, 12% to \$331.7 million
Gross loans increased \$30.7 million, 15% to \$230.5 million
Total assets increased \$41.2 million, 13% to \$366.9 million
Net income increased \$225.6 thousand, 39% to \$799.1 thousand

Basic earnings per share for the three months ended March 31, 2013 were \$0.41 compared to \$0.30 for the three months ended March 31, 2012. The book value per share of Santa Cruz County Bank’s common stock at March 31, 2013 was \$15.55, compared to \$14.02 as of March 31, 2012.

Shareholders' equity of \$30.6 million as of March 31, 2013 represented a \$3.6 million increase over March 31, 2012. Comparing the quarter ended March 31, 2013 to March 31, 2012, the Bank’s non-interest bearing deposits grew by \$25.8 million, 24% to \$135.5 million. Non-interest bearing deposits represented 41% of total deposits as of March 31, 2013 compared to 37% as of March 31, 2012.

In April, shareholders will receive notice by mail or electronic delivery of our Annual Meeting held in May, including a proxy voting card, proxy statement and 2012 Annual Report. If you are receiving duplicate copies of these materials in the

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED	QUARTER ENDED	Change	
	03/31/13	03/31/12	\$	%
TOTAL ASSETS	\$ 366,909,124	\$ 325,677,638	\$ 41,231,486	13%
GROSS LOANS	230,510,408	199,839,134	30,671,274	15%
ALLOWANCE FOR LOAN LOSSES	5,292,101	4,411,570	880,531	20%
NON-INTEREST BEARING DEPOSITS	135,533,519	109,706,475	25,827,044	24%
TOTAL DEPOSITS	331,655,396	295,348,484	36,306,912	12%
SHAREHOLDERS' EQUITY	30,581,461	26,968,401	3,613,060	13%
INCOME STATEMENT				
INTEREST INCOME	\$ 3,584,716	\$ 3,367,116	217,600	6%
INTEREST EXPENSE	108,221	120,896	(12,675)	-10%
NET INTEREST INCOME	3,476,495	3,246,220	230,275	7%
PROVISION FOR LOAN LOSSES	150,000	300,000	(150,000)	-50%
NON-INTEREST INCOME	821,240	526,869	294,371	56%
NON-INTEREST EXPENSE	2,860,480	2,561,482	298,998	12%
NET INCOME BEFORE TAXES	1,287,255	911,607	375,648	41%
INCOME TAX EXPENSE	488,187	338,122	150,065	44%
NET INCOME AFTER TAXES	\$ 799,068	\$ 573,485	225,583	39%
BASIC EARNINGS PER SHARE	\$ 0.41	\$ 0.30		
BOOK VALUE PER SHARE	\$ 15.55	\$ 14.02		
RATIOS				
NET INTEREST MARGIN	4.16%	4.29%		
TIER 1 LEVERAGE RATIO	8.59%	8.42%		

mail, we recommend you contact your broker to set up electronic delivery of notifications and mailings. If you hold our stock directly in certificate form, we recommend placing shares into a brokerage account for safekeeping.

We look forward to sharing more with you at the Annual Meeting of Shareholders on May 23rd.



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President & CEO

FIRST QUARTER HIGHLIGHTS

"One of Eleven
Exceptional Banks
in California"

-The Findley
Reports, Inc.

Santa Cruz County Bank was named one of eleven Exceptional banks in California by The Findley Reports, Inc., a well-regarded financial consulting firm, recognizing the performance of banking institutions in California for over forty years.



In April, Geoffrey Loftus joined our management team as Senior Vice President and Chief Credit Officer. Mr. Loftus has a 35 year banking career with extensive credit origination and commercial lending experience. We look forward to his contributions to the Bank and our community.

COMPANY INFORMATION



Our Board of Directors pictured outside the Santa Cruz Office

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, 2012 Annual Report and stock quotes are available at www.sccountybank.com in the Investor Relations section.

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)

**MEMBER
FDIC**



www.sccountybank.com

831.457.5000