



SANTA CRUZ COUNTY BANK

SECOND QUARTER REPORT 2006

Put your money where your life is.

*Put your money
where your
life is.*

The background is composed of several geometric shapes. The top-left corner is a solid orange triangle. The bottom-right corner is a solid dark blue triangle. The remaining space is white, bisected by two parallel dark blue diagonal lines that run from the bottom-left towards the top-right.



SECOND QUARTER REPORT 2006

TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

We are pleased to present highlights of our results for the second quarter ending June 30, 2006 and to announce our fourth consecutive quarter of profitability. In the second quarter of 2006, the Bank's total deposits grew by \$10.1 million to \$99.4 million, an 11% increase over the previous quarter ending March 31, 2006.

Gross loans increased \$2.4 million, 3%, to \$81.3 million, compared to the first quarter. For the same period, total assets increased \$10.5 million, 10%, to \$116.3 million.

The Bank's net interest margin increased to 6.34% for the quarter compared to 6.07% for the first quarter of this year. This favorable increase in net interest margin in the second quarter was driven primarily by higher yields on earning assets.

The Bank's quarterly net income increased \$256,405, 190%, to \$391,304 for the quarter compared with \$134,899 net income in the first quarter. The Bank's loan loss reserve was increased \$113,000 over the course of the second quarter, bringing total reserves to \$1,138,000 as of June 30, 2006.

To date, our number of depository accounts approaches 3,000. We appreciate that this represents a significant number of shareholder accounts and we look forward to surpassing this significant milestone in the third quarter. It was wonderful to see so many of you at our Annual Meeting of Shareholders. We always welcome your feedback and questions.

Thank you for your support of Santa Cruz County Bank.



A handwritten signature in cursive script that reads "George Gallucci".

George Gallucci
Chairman of the Board



A handwritten signature in cursive script that reads "David Heald".

David Heald
President & Chief Executive Officer

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	QUARTER ENDED 6/30/06	QUARTER ENDED 3/31/06
TOTAL ASSETS	\$116,331,644	\$105,808,662
GROSS LOANS	81,275,826	78,837,608
ALLOWANCE FOR LOAN LOSSES	1,138,000	1,025,000
NON INTEREST-BEARING DEPOSITS	28,644,845	27,938,778
TOTAL DEPOSITS	99,397,062	89,314,133
SHAREHOLDERS' EQUITY	16,159,392	15,799,638
INCOME STATEMENT		
INTEREST INCOME	\$ 2,090,551	\$ 1,815,015
INTEREST EXPENSE	470,583	383,332
NET INTEREST INCOME	1,619,968	1,431,683
PROVISION FOR LOAN LOSSES	113,000	185,000
NON-INTEREST INCOME	233,483	179,337
NON-INTEREST EXPENSE	1,349,147	1,291,121
NET INCOME (LOSS)	\$ 391,304	\$ 134,899
RATIOS		
NET INTEREST MARGIN	6.34%	6.07%
EQUITY CAPITAL-TO-TOTAL ASSETS	13.9%	14.9%

The Bank's board of directors and its employees continue to actively participate in community activities and the Bank also continues to seek partnerships with community organizations that serve to enhance the Bank's visibility and our ability to draw an increasing volume of individuals through our doors. As an example, through Santa Cruz County Bank's arts collaborative program, we presented That's My Park, an art exhibit of prints and photography of our coast state parks as a benefit for Friends of Santa Cruz State Parks. The exhibit, which featured artwork by Michael Schwab that was created exclusively for Friends of Santa Cruz State Parks along with photography by 5 local artists, was on display at the Bank's Watsonville office from April 24th -June 30th. The show culminated into a lively art reception and live auction, resulting in over \$5,800 in artwork sales, 100% for the benefit

Change		QUARTER ENDED 6/30/05	Change	
\$	%		\$	%
\$10,522,982	10%	\$ 67,012,351	\$49,319,293	74%
2,438,218	3%	47,723,999	33,551,827	70%
113,000	11%	597,000	541,000	91%
706,067	3%	19,962,421	8,682,424	43%
10,082,929	11%	56,286,810	43,110,252	77%
359,754	2%	10,363,886	5,795,506	56%
\$ 275,536	15%	\$ 946,365	\$ 1,144,186	121%
87,251	23%	149,706	320,877	214%
188,285	13%	796,659	823,309	103%
(72,000)	-39%	112,000	1,000	1%
54,146	30%	142,998	90,485	63%
58,026	4%	1,010,221	338,926	34%
\$ 256,405	190%	\$ (182,564)	\$ 573,868	314%
		5.68%		
		15.5%		

of Friends. The Bank is currently showing a historical exhibit at its Santa Cruz office to honor Shakespeare Santa Cruz's 25th Anniversary.



(Photo Left to Right):

Friends' Executive Director Randy Widera with Tila Guerrero, Director of Santa Cruz County Bank, Lise Peterson, Board Chair of Friends and George Gallucci, Board Chair of Santa Cruz County Bank with auction items (Natural Bridges by Michael Schwab and Brown Pelican by Frank Balthus).

COMPANY INFORMATION

BOARD OF DIRECTORS

Kenneth R. Chappell, *CPA, Partner-in-Charge, Hutchinson & Bloodgood LLP*
George R. Gallucci (*Chairman*), *Director of Client Relations for Scharf Investments*
Thomas N. Griffin, *Managing Attorney, Grunsky, Ebey, Farrar & Howell*
Tila Guerrero, *President and CEO, MasMac, Inc. McDonald's Restaurants*
William J. Hansen (*Vice-Chairman*), *President and CEO, Hansen Insurance*
David V. Heald, *President and Chief Executive Officer, Santa Cruz County Bank*
Steven G. John, *President, Ocean Chevrolet*
Gary A. Reece, *Principal Managing Member, The Development Group*

BANK ORGANIZERS

Richard Alderson, Joseph Anzalone, Victor Bogard, Anthony & Rebecca Campos,
Charles Canfield, Kenneth Chappell, Kate & Fred Chen, Marshall Delk,
George Gallucci, Thomas Griffin, Tila Guerrero, William J. Hansen,
David Heald, Mark Holcomb, Steve John, Mateo Lettunich, Robert Lockwood,
William Moncovich, Stuart Mumm, George Ow, Jr., Louis Rittenhouse,
John Rossell, Frank Saveria, and Robert & Bjorg Yonts.

STOCK LISTING

Santa Cruz County Bank's common stock is listed on the Over the Counter Bulletin Board and trades under the ticker symbol "SCZC".

SHAREHOLDER RELATIONS AND INFORMATION

Shareholders with questions regarding their stockholder account, stock transfer, lost certificates or changes of address should contact their broker, or in the event that certificates are held directly, contact the transfer agent at the address and phone number provided below:

U.S. Stock Transfer Corporation
1745 Gardena Avenue, Glendale, CA 91204-2991
Telephone: 818.502.1404 or 800.835.8778
Internet: www.usstock.com

For other assistance with stock related matters, shareholders may contact the bank:
Mary Anne Carson, Shareholder Relations
Santa Cruz County Bank
325 Soquel Avenue, Santa Cruz, CA 95062
831.457.5000

Detailed information on the Bank's quarterly reports, 2005 Annual Report, Bank stock quotes and recent press releases are available at www.sccountybank.com.



**SANTA CRUZ
COUNTY BANK**

Put your money where your life is.



SANTA CRUZ COUNTY BANK

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BANKING OFFICES:

SANTA CRUZ

325 Soquel Avenue
Santa Cruz, CA 95062
831.457.5000

SCOTTS VALLEY

4604 Scotts Valley Drive
Scotts Valley, CA 95066
831.461.5000

WATSONVILLE

595 Auto Center Drive
Watsonville, CA 95076
831.761.7600

ATM & NIGHT DEPOSITORY LOCATIONS:

SANTA CRUZ

1555 Soquel Drive
Santa Cruz, CA 95065
(At Dominican Hospital Campus)

APTOS

783-25 Rio Del Mar Blvd.
Aptos, CA 95003
(At Deluxe Foods of Aptos)

And at all banking offices
listed above.

www.sccountybank.com

831.457.5000

