

TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

We are happy to report a successful start to the New Year. With the mid-quarter opening of our Watsonville office at 595 Auto Center Drive, at the intersection of Auto Center Drive and Main Street, we brought to three the number of offices in operation. Reflecting the Bank's improved reach, the Bank grew total deposits by \$14.6 million to \$48.4 million during the first quarter of the year, a 43% increase over our total at the end of the fourth quarter of 2004. Some portion of our deposit totals at the March quarter-end was a bulge in funds to pay for property and income tax obligations. Our mix of deposits remains favorable, with 25% of total deposits in non-interest bearing accounts.

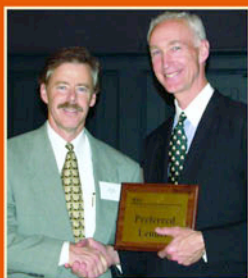
Gross loans increased by \$5.2 million, or 16% to \$37.7 million at the end of the first quarter, 2005 compared to the fourth quarter ended December 31, 2004. Total Assets increased by \$14.3 million, or 32% to \$59.2 million at the end of the first quarter, 2005 compared to December 31, 2004.

Our growth has been well distributed among all three of our offices and we believe it reflects the preference of businesses and residents throughout the county to bank with a locally owned bank.

The Bank's net interest margin (interest income less interest expense, divided by average earning assets) increased to 5.37% for the first quarter, compared to 5.01% for the fourth quarter of last year. Our traditionally strong net interest margins result from the success we have had in generating loans, which are the highest yielding of the Bank's earning assets. The last two Fed rate changes have also favorably influenced margins in the short term, because loans re-price a little more quickly than do deposits.

The Bank's quarterly net loss increased by \$29,706 to \$346,838 for the first quarter, 2005 as compared with the \$317,132 loss in the fourth quarter of last year, reflecting the burden of additional overhead undertaken to open the Watsonville office.

In March, the Bank was awarded SBA Preferred Lender status. This represents a rare achievement for a bank just one year old and it makes possible what we hope will prove to be a growing and profitable line of business.



Mark Quinn, U.S. Small Business Administration, presents Preferred Lender Status plaque to John Russell.

SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED 3/31/05	QUARTER ENDED 12/31/04
BALANCE SHEET		
TOTAL ASSETS	\$59,187,152	\$ 44,893,241
GROSS LOANS	37,725,904	32,542,668
ALLOWANCE FOR LOAN LOSSES	485,000	407,000
NON INTEREST-BEARING DEPOSITS	12,717,153	8,474,162
TOTAL DEPOSITS	48,405,264	33,795,455
SHAREHOLDERS' EQUITY	10,527,280	10,921,076
INCOME STATEMENT		
INTEREST INCOME	\$ 730,795	\$ 582,086
INTEREST EXPENSE	110,132	62,288
NET INTEREST INCOME	620,663	519,798
PROVISION FOR LOAN LOSSES	78,000	113,000
NON-INTEREST INCOME	83,461	90,861
NON-INTEREST EXPENSE	972,962	814,791
NET LOSS	\$ (346,838)	\$ (317,132)
RATIOS		
NET INTEREST MARGIN	5.37%	5.01%
EQUITY CAPITAL-TO-TOTAL ASSETS	17.8%	24.3%

We have several shareholder events coming up. On April 28, 2005, we will host an Open House and mixer event in conjunction with the Pajaro Valley Chamber of Commerce at our Watsonville office, from 5:30-7pm. On May 17th we will host our second annual Shareholder Social at the Santa Cruz office, from 5-7pm. On May 19, 2005, our second Annual Meeting of Shareholders will take place at the UCSC Inn and Conference Center in Santa Cruz, at 2pm. Invitations and details regarding these events were mailed to you under separate cover, as were our 2004 Annual Report and Proxy Statement.

You may find it helpful to note that you can now also access the Bank's 2004 Annual Report, Bank stock quote information and recent press releases at our website: www.sccountybank.com. This is the same place to go to do your online banking and obtain information about

Change		QUARTER ENDED 3/31/04	Change	
\$	%		\$	%
\$14,293,911	32%	\$ 20,021,545	\$39,165,607	196%
5,183,236	16%	3,405,116	34,320,788	1008%
78,000	19%	36,400	448,600	1232%
4,242,991	50%	2,313,052	10,404,101	450%
14,609,809	43%	7,827,279	40,577,985	518%
(393,796)	-4%	12,153,357	(1,626,077)	-13%
\$ 148,709	26%	\$ 50,209	680,586	1356%
47,844	77%	3,604	106,528	2956%
100,865	19%	46,605	574,058	1232%
(35,000)	-31%	36,400	41,600	114%
(7,400)	-8%	3,504	79,957	2282%
158,171	19%	398,151	574,811	144%
\$ (29,706)	-9%	\$ (384,442)	\$ 37,604	10%
		1.80%		
		60.7%		

our products and services.

We look forward to seeing you soon at our shareholder functions.
Thank you,



George Gallucci

George Gallucci,
Chairman of the Board



John Russell

John Russell,
Chief Executive Officer



David Heald

David Heald,
Executive Vice President

Put your money where your life is.

COMPANY INFORMATION

BOARD OF DIRECTORS

Kenneth Chappell, *CPA, Partner, Hutchison & Bloodgood LLP*
George Gallucci (*Chairman*), *Director of Client Relations for Scharf Investments*
Thomas Griffin, *Managing Attorney, Grunsky, Ebey, Farrar & Howell*
Tila Guerrero, *President & CEO, MasMac, Inc. McDonald's Restaurants*
William J. Hansen (*Vice-Chairman*), *President & CEO, Hansen Insurance*
David V. Heald, *Executive Vice President & Chief Credit Officer,*
Santa Cruz County Bank
Steve John, *President, Ocean Chevrolet*
John E. Rossell, *President & CEO, Santa Cruz County Bank*

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, California 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



Put your money where your life is.



SANTA CRUZ COUNTY BANK

Put your money where your life is.

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

www.sccountybank.com

24-hour BANKING

831.457.5002



REFERRED
SBA
LENDER

MEMBER
FDIC