



SANTA CRUZ COUNTY BANK

FOURTH QUARTER REPORT 2005



*Put your money
where your
life is.*

The background consists of three diagonal stripes. The top stripe is orange, the middle stripe is white, and the bottom stripe is dark blue. The stripes are separated by thin white lines and run from the bottom-left towards the top-right.

TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

During 2005, our second year in business, the Bank continued its strong growth pattern. This is evidenced by the financial summary tables to the right, which reflect a doubling in several key balance sheet categories. But more importantly, 2005 was the year in which we shed our start-up mantle and took the stage as Santa Cruz County's only locally owned and operated bank.

From a financial perspective, two events made this possible. In the third quarter the Bank successfully completed a private placement of additional common stock, raising a net of just under \$5 million of new capital. Also in the third quarter of 2005, the Bank achieved profitability, reporting a net profit of \$55,548. This trend continued with the recording of a profit of \$97,683 for the quarter-ended December 31, 2005. Both the offering proceeds and the quarterly profits add to capital and serve to position our Bank for steady growth in the future. Here are a few highlights of the successful year just past:

The Bank's net interest margin (interest income less interest expense, divided by average earning assets) continued to strengthen during 2005, improving from 4.43% in 2004 to 5.55% for 2005. Our consistently strong net interest margins result from the success we have had in generating loans which totaled \$64.7 million, or 70% of total earning assets, at the end of the fourth quarter 2005. Our mix of deposits remains very favorable, with 27% of total deposits in non-interest bearing accounts at December 31, 2005. This ratio, together with good loan demand and a high loan-to-deposit ratio have resulted in further strengthening of the Bank's net interest margin. In February 2005, we opened our long awaited full service banking office in Watsonville located at 595 Auto Center Drive in Watsonville. This addition brought our total number of full service banking offices to three.

In March 2005, 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.

During the fourth quarter 2005 we added two new self-serve ATM and night depository facilities, one adjacent to Dominican Hospital's Education Center in Santa Cruz and the other at the entrance to Deluxe Foods of Aptos, in the Deer Park Shopping Center.

SELECTED FINANCIAL DATA (UNAUDITED)

BALANCE SHEET	12/31/05	9/30/05
TOTAL ASSETS	\$97,528,343	\$ 88,122,569
GROSS LOANS	64,671,489	55,136,435
ALLOWANCE FOR LOAN LOSSES	840,000	713,000
NON-INTERESTBEARING DEPOSITS	22,361,481	24,947,628
TOTAL DEPOSITS	81,684,851	72,296,415
SHAREHOLDERS' EQUITY	15,399,764	15,386,364
	QUARTER ENDED 12/31/05	QUARTER ENDED 9/30/05
INCOME STATEMENT		
INTEREST INCOME	\$ 1,545,337	\$ 1,302,741
INTEREST EXPENSE	288,995	195,743
NET INTEREST INCOME	1,256,342	1,106,998
PROVISION FOR LOAN LOSSES	127,000	116,000
NON-INTEREST INCOME	92,756	88,405
NON-INTEREST EXPENSE	1,124,415	1,023,855
NET INCOME (LOSS)	\$ 97,683	\$ 55,548
	RATIOS	
NET INTEREST MARGIN	5.73%	5.96%
EQUITY CAPITAL-TO-TOTAL ASSETS	15.8%	17.5%



Representatives of Santa Cruz County Bank and Marc Monte, President of Deluxe Foods of Aptos and Monte Foundation, at the site of the Bank's new ATM & Night Depository banking center, opened December 2005.

Change		Change			
\$	%	12/31/05	12/31/04	\$	%
\$ 9,405,774	11%	\$97,528,343	\$ 44,893,241	\$52,635,102	117%
9,535,054	17%	64,671,489	32,542,668	32,128,821	99%
127,000	18%	840,000	407,000	433,000	106%
(2,586,147)	-10%	22,361,481	8,474,162	13,887,319	164%
9,388,436	13%	81,684,851	33,795,455	47,889,396	142%
13,400	0%	15,399,764	10,921,076	4,478,688	41%

Change		Change			
\$	%	YEAR ENDED 12/31/05	YEAR ENDED 12/31/04	\$	%
\$ 242,596	19%	\$ 4,525,238	\$ 1,294,381	\$ 3,230,857	250%
93,252	48%	744,576	137,190	607,386	443%
149,344	13%	3,780,662	1,157,191	2,623,471	227%
11,000	9%	433,000	407,000	26,000	6%
4,351	5%	407,620	174,971	232,649	133%
100,560	10%	4,118,486	2,511,657	1,606,829	64%
\$ 42,135	76%	\$ (363,204)	\$ (1,586,495)	\$ 1,223,291	77%

5.55% 4.43%
15.8% 24.3%

We enter 2006 confident that your Bank will continue to be well received in our community. Please watch for invitations to our Annual Shareholder meeting and our Annual Shareholder Social. Thank you for investing in Santa Cruz County Bank.



George Gallucci

George Gallucci
Chairman of the Board



John Rossell

John Rossell
Chief Executive Officer



David Heald

David Heald
Executive Vice President

COMPANY INFORMATION

BOARD OF DIRECTORS

Kenneth Chappell, *CPA, Managing Partner, Hutchinson & 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, 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, 2004 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

