




# SANTA CRUZ COUNTY BANK

Put your money where your life is.

## SECOND 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.

## Santa Cruz County Bank markets to the local community.



### High Speed SBA

**Why 'What'?** Get a better connection to your funding needs with High Speed SBA. As a preferred SBA lender, **SANTA CRUZ COUNTY BANK** delivers faster turnaround on credit. **Business, processing, and funding through in-house approvals.** Our experienced and committed lenders are ready to help you realize your business goals. **Bank better and get a mission feel.**

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**SANTA CRUZ COUNTY BANK**  
The great money where you live it.  
[www.sccountybank.com](http://www.sccountybank.com)

### Local Banking

"Living around the Santa Valley community for the past 20 years, I'm pleased to be able to continue to deliver "old-fashioned" customer relationship banking through **SANTA CRUZ COUNTY BANK**. When you come to our offices, you will be greeted with a smile, we'll know your name, and we'll help you understand your job's needs and I make you experience the difference of banking with a locally owned and operated bank and to put your money where your life is."


Joe Nicks  
SANTA CRUZ COUNTY BANK  
SANTA CRUZ COUNTY BANK

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**461.5000**

### Local Banking

**SANTA CRUZ COUNTY BANK** is making it easier to put your money where your life is. Experience local banking at 10 locations throughout the Santa Cruz County Area. **Map of Santa Cruz County Branches**



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### TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

As we reflect on the past sixteen months of operations, we are pleased to have already established a larger footprint within the County geographically than was originally anticipated. The opening of our Watsonville office at 595 Auto Center Drive in the first quarter of this year brought to three the number of offices in operation. All three of these offices, Scotts Valley, Watsonville and Santa Cruz have reflected positively on our continued growth.

During the second quarter, 2005 all of the Bank's key balance sheet totals, including loans, deposits, and assets registered double digit gains in comparison with the first quarter of this year:

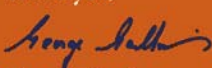
- Total deposits increased by \$8 million (or 16%) to \$56.3 million
- Total loans increased by \$10 million (or 27%) to \$47.7 million
- Total assets increased by \$8 million (or 13%) to \$67.0 million

The enclosed financial summary also reflects the significant gains of the second quarter of this year in comparison with the same quarter of last year.

Our mix of deposits remains very favorable, with 35% of total deposits in non-interest bearing accounts at 6-30-05. 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 (interest income less interest expense, divided by average earning assets), which increased to 5.68% for the second quarter-ended June 30, 2005, compared to 5.37% for the first quarter of this year ended March 31st. The combination of strong asset growth and strong margins accounts for the significant progress we are making in reducing our start-up related operating losses. The Bank reported an operating loss of \$169,597 for the quarter ended June 30, 2005, representing a 51% improvement over the loss of \$346,838 for the quarter ended March 31, 2005. Our \$516,435 net loss for the first six months year-to-date period ended June 30, 2005 represented an improvement of \$392,131, or 43%, over the \$908,566 net loss for the same year-to-date period ended June 30, 2004 (*see charts at right*).

It was nice to see so many of you in attendance at our annual shareholder events in the first quarter. You, our shareholders, are a significant foundation of SCCB, not only through your initial investment, but also through the establishment of your personal and business accounts here which make up nearly 25% of the Bank's overall deposits.

Thank you,



**George Gallucci**  
*Chairman of the Board*



**John Russell**  
*Chief Executive Officer*



**David Heald**  
*Executive Vice President*



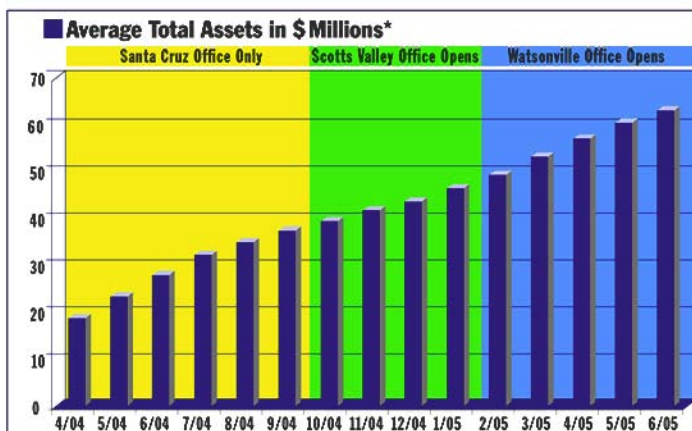
## SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED 6/30/05	QUARTER ENDED 3/31/05
<b>BALANCE SHEET</b>		
TOTAL ASSETS	\$67,012,351	\$ 59,187,152
GROSS LOANS	47,723,999	37,725,904
ALLOWANCE FOR LOAN LOSSES	597,000	485,000
NON INTEREST-BEARING DEPOSITS	19,962,421	12,717,153
TOTAL DEPOSITS	56,286,810	48,405,264
<b>INCOME STATEMENT</b>		
INTEREST INCOME	\$ 946,365	\$ 730,795
INTEREST EXPENSE	149,706	110,132
NET INTEREST INCOME	796,659	620,663
PROVISION FOR LOAN LOSSES	112,000	78,000
NON-INTEREST INCOME	142,998	83,461
NON-INTEREST EXPENSE	997,254	972,962
<b>NET LOSS</b>	<b>\$ (169,597)</b>	<b>\$ (346,838)</b>

## RATIOS

NET INTEREST MARGIN	5.68%	5.37%
EQUITY CAPITAL-TO-TOTAL ASSETS	15.5%	17.8%

## AVERAGE\* MONTHLY ASSET GROWTH AND DECLINING LOSSES



\*Equals sum of trailing 3 months divided by 3

Change		QUARTER ENDED 6/30/04	Change	
\$	%		\$	%
\$7,825,199	13%	\$ 32,941,200	\$34,071,151	103%
9,998,095	27%	15,325,872	32,398,127	211%
112,000	23%	159,097	437,903	275%
7,245,268	57%	4,215,523	15,746,898	374%
7,881,546	16%	21,255,635	35,031,175	165%
\$ 215,570	29%	\$ 224,789	721,576	321%
39,574	36%	24,616	125,090	508%
175,996	28%	200,173	596,486	298%
34,000	44%	122,697	(10,697)	-9%
59,537	71%	37,727	105,271	279%
24,292	2%	639,327	357,927	56%
\$ 177,241	51%	\$ (524,124)	\$ 354,527	68%

3.46%

35.3%



\*Equals sum of trailing 3 months divided by 3

## 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](http://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](http://www.sccountybank.com).





# 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

[www.sccountybank.com](http://www.sccountybank.com)

**24-hour BANKING**  
831.457.5002

