



SANTA CRUZ COUNTY BANK

THIRD QUARTER REPORT 2005

*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 central area is white, bisected by two parallel dark blue diagonal lines that run from the bottom-left towards the top-right.

BUSINESS

SANTA CRUZ SENTINEL

WEDNESDAY, OCTOBER 12, 2005

Santa Cruz County Bank reports Q3 profitability

SENTINEL STAFF REPORT

SANTA CRUZ—After less than two years in business, Santa Cruz County Bank announced Tuesday its first profitable quarter.

John Rosell, president and chief executive officer, called the third quarter "a significant milestone" and said the bank's offices in Santa Cruz, Scotts Valley and Watsonville all contributed to the loan portfolio.

The company reported a third quarter net income of \$55,548 compared to a net loss of \$225,145 in the previous quarter and a net loss of \$360,797 last year in the same quarter.

In the third quarter, the loan portfolio grew by \$30.2 million to \$55.1 million from the same quarter a year ago. Total deposits increased \$42.1 million to \$72.3 million from a year ago and assets increased \$46.5 million to \$88.1 million compared to a year ago.

The bank also announced a successful private offering that raised almost \$5 million in the third quarter, which will help support higher lending limits.

Earlier this month, the bank announced plans to open in November a McCounty ATM and night depository kiosk near the Dominican Education Center. It will be an unstaffed facility.

The Santa Cruz-based bank, founded by local business people, opened in

February 2004. The common stock is publicly traded on the Over the Counter Bulletin Board under the stock symbol SCZC. Shares closed/reopened Tuesday at \$25. The 52-week range is \$17-\$25.



ROSSELL

TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

We are pleased to report a significant milestone. The Bank achieved its first quarterly profit, ahead of plan. Net income for the quarter ended September 30, 2005 was \$55,548, compared with a loss of \$169,597 for the prior quarter and a loss of \$360,797 for the third quarter of last year. Our use of dedicated relationship officers, focused particularly on local business, has contributed to these results in two ways:

- The Bank has built a substantial portfolio of loans, which totaled \$55,136,435 at the end of the third quarter, 2005, or 69% of total earning assets. These are primarily commercial loans, for lines of credit or for residential construction and they provide better yields than do alternate earning assets such as investment securities.
- Many local business owners, who like our approach to service, have put their operating accounts at our bank. As a result, we now have a high percentage of non interest-bearing accounts, relative to total deposits.

The combination of these factors has resulted in a strong net interest margin, which totaled 5.96% for the quarter just ended, versus 5.68% in the immediately preceding quarter and 4.79% for the same quarter, one year ago.

During the past quarter, several of the Bank's key balance sheet totals, including loans, deposits, and assets again registered double digit gains. The following depicts the third quarter of this year compared with the second quarter of this year:

- Total deposits increased by \$16.0 million (or 28%) to \$72.3 million
- Total loans increased by \$7.4 million (or 16%) to \$55.1 million
- Total assets increased by \$21.1 million (or 32%) to \$88.1 million



Representatives of Santa Cruz County Bank and Sister Julie Hyer of Dominican Hospital at the site of Bank's new ATM & Night Depository kiosk, opening November 2005.

SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED 9/30/05	QUARTER ENDED 6/30/05
BALANCE SHEET		
TOTAL ASSETS	\$88,122,569	\$67,012,351
GROSS LOANS	55,136,435	47,723,999
ALLOWANCE FOR LOAN LOSSES	713,000	597,000
NON INTEREST-BEARING DEPOSITS	24,947,628	19,962,421
TOTAL DEPOSITS	72,296,415	56,286,810
SHAREHOLDERS' EQUITY	15,386,364	10,389,821
INCOME STATEMENT		
INTEREST INCOME	\$ 1,302,741	\$ 946,365
INTEREST EXPENSE	195,743	149,706
NET INTEREST INCOME	1,106,998	796,659
PROVISION FOR LOAN LOSSES	116,000	112,000
NON-INTEREST INCOME	88,405	142,998
NON-INTEREST EXPENSE	1,023,855	997,254
NET INCOME (LOSS)	\$ 55,548	\$ (169,597)
RATIOS		
NET INTEREST MARGIN	5.96%	5.68%
EQUITY CAPITAL-TO-TOTAL ASSETS	17.5%	15.5%

In addition, during the quarter, the Bank successfully completed a private placement of additional common stock, raising just under \$5 million net of direct offering costs. This offering was conducted for the purpose of insuring the strong capital position necessary to support our continued growth.

Also during the third quarter, we broke ground on the construction of a new site that will give our clients access to cash and depository services in mid-county via an ATM and night depository kiosk. This kiosk is slated to open in November 2005. It is located just adjacent to Dominican Hospital's Education Center in Santa Cruz. Early on, we identified this area as a desirable one, due to the extensive medical and professional offices in the vicinity. We thank Dominican Hospital and Sister Julie Hyer, OP and President of Dominican Hospital, for agreeing to this partnership.

Change		QUARTER ENDED 9/30/04	Change	
\$	%		\$	%
\$21,110,218	32%	\$ 41,581,984	\$46,540,585	112%
7,412,436	16%	24,929,125	30,207,310	121%
116,000	19%	294,000	419,000	143%
4,985,207	25%	8,936,653	16,010,975	179%
16,009,605	28%	30,185,754	42,110,661	140%
4,996,543	48%	11,275,309	4,111,055	36%
\$ 356,376	38%	\$ 436,297	\$ 866,444	199%
46,037	31%	45,682	150,061	328%
310,339	39%	390,615	716,383	183%
4,000	4%	134,903	(18,903)	-14%
(54,593)	-38%	42,879	45,526	106%
26,601	3%	659,388	364,467	55%
\$ 225,145	133%	\$ (360,797)	\$ 416,345	115%
		4.79%		
		27.1%		

We have entered the fourth quarter with good momentum and look forward to reporting year-end numbers to you in early 2006.

Thank you for your investment in Santa Cruz County Bank,



George Gallucci

George Gallucci
Chairman of the Board



John Russell

John Russell
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

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

ATM & NIGHT DEPOSITORY LOCATIONS:

SANTA CRUZ *(Opening November 05)*
1555 Soquel Drive
Santa Cruz, CA 95065
*(Next to the Dominican Education
Center)*

And at all banking offices
listed above.

www.sccountybank.com

24-hour BANKING
831.457.5002

