



SANTA CRUZ COUNTY BANK

FIRST QUARTER REPORT 2006

*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.



TO OUR SHAREHOLDERS, EMPLOYEES, CLIENTS, AND FRIENDS,

We are happy to report a successful start to the New Year and our third consecutive quarter of profitability. In the first quarter of 2006, the Bank's total deposits grew by \$7.6 million to \$89.3 million, a 9% increase over totals at December 31, 2005. The mix of deposits at March 31, 2006 remains quite favorable, with 31% of total deposits in non interest-bearing accounts.

Gross loans increased by \$14.2 million, 22%, to \$78.8 million at the end of the first quarter 2006 compared to the fourth quarter ended December 31, 2005. For the same period, total assets increased by \$8.3 million, 8%, to \$105.8 million.

The Bank's net interest margin increased to 6.07 % for the first quarter 2006 compared to 5.73% for the fourth quarter of last year. Our strong net interest margins are driven primarily from the success we have had in loan production. Net interest income also benefited from increases in short-term interest rates.

The Bank's quarterly net income increased \$49,986 to \$134,899 for the first quarter 2006 as compared with the fourth quarter of last year, reflecting a consistent increase in profitability over the past three quarters. The Bank increased its provision for loan losses by \$185,000 over the course of the first quarter, an increase of \$58,000 over the quarter ended December 31, 2005.

In February of 2006 the Bank received Preferred Lender status from the SBA's Fresno district, which includes 15 counties and most importantly, Monterey, which is contiguous to Santa Cruz County. The Bank received Preferred Lender status from the SBA's San Francisco district in the first quarter of 2005. As a Preferred Lender we have the ability to make decisions to grant SBA guaranteed loans without prior approval by the SBA which translates to faster turnaround times for our clients.

We hope you will attend our third Annual Shareholder Meeting and reception on May 18, 2006. The Meeting will take place at the University Inn and Conference Center in Santa Cruz, at 2pm, with a reception immediately following. Details regarding our Annual Meeting were mailed to you

SELECTED FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED 3/31/06	QUARTER ENDED 12/31/05
BALANCE SHEET		
TOTAL ASSETS	\$105,808,662	\$ 97,528,343
GROSS LOANS	78,837,608	64,671,489
ALLOWANCE FOR LOAN LOSSES	1,025,000	840,000
NON-INTEREST-BEARING DEPOSITS	27,938,778	22,361,481
TOTAL DEPOSITS	89,314,133	81,684,851
SHAREHOLDERS' EQUITY	15,799,638	15,347,894
INCOME STATEMENT		
INTEREST INCOME	\$ 1,815,015	\$ 1,545,534
INTEREST EXPENSE	383,332	288,995
NET INTEREST INCOME	1,431,683	1,256,539
PROVISION FOR LOAN LOSSES	185,000	127,000
NON-INTEREST INCOME	179,337	92,756
NON-INTEREST EXPENSE	1,291,121	1,137,382
NET INCOME (LOSS)	\$ 134,899	\$ 84,913
RATIOS		
NET INTEREST MARGIN	6.07%	5.73%
EQUITY CAPITAL-TO-TOTAL ASSETS	14.9%	15.8%

under separate cover with our 2005 Annual Report and the 2006 Proxy Statement.

We look forward to seeing you at our Annual Meeting.

Thank you,



George Gallucci

George Gallucci
Chairman of the Board



David Heald

David Heald
President and Chief Executive Officer

Change		QUARTER ENDED 3/31/05	Change	
\$	%		\$	%
\$ 8,280,319	8%	\$ 59,187,152	\$46,621,510	79%
14,166,119	22%	37,725,904	41,111,704	109%
185,000	22%	485,000	540,000	111%
5,577,297	25%	12,717,153	15,221,625	120%
7,629,282	9%	48,405,264	40,908,869	85%
451,744	3%	10,514,312	5,285,326	50%
\$ 269,481	17%	\$ 730,795	\$ 1,084,220	148%
94,337	33%	110,132	273,200	248%
175,144	14%	620,663	811,020	131%
58,000	46%	78,000	107,000	137%
86,581	93%	83,461	95,876	115%
153,739	14%	985,930	305,191	31%
\$ 49,986	59%	\$ (359,806)	\$ 494,705	137%

5.37%

17.8%

David V. Heald was appointed President and CEO of Santa Cruz County Bank in February of 2006. Mr. Heald succeeds founding President and CEO, John Rossell who resigned in February 2006. Mr. Heald has been a Director and Executive Officer of the Bank since its inception, instrumental in the hiring of key employees and building the Bank through business development efforts and his strong ties to our community.



David Heald



Gary A. Reece

Local businessman Gary A. Reece was appointed to serve as Director of the Bank in March 2006. We welcome Gary and look forward to his contributions.

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

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

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

