



A MESSAGE FROM OUR PRESIDENT

Dear Friend,

As we close the first half of the year I am thrilled to report that the Bank is on track for an outstanding 2005! The entire team has performed exceptionally, and their efforts are reflected in the numbers outlined below. To date, the Bank has exceeded all financial expectations in terms of growth and earnings,

and continues to outperform. In comparing our results as of June 30, 2005 to that of June 30, 2004 you will see that our total deposits have more than doubled, total loans have increased 88% and total assets have increased 79%.

As a result of this growth, revenues have virtually quadrupled, totaling \$1.7 million compared to just \$462 thousand for the same period last year. The substantial growth in revenues combined with prudent management of our expenses has led to a \$1 million increase in net income over the past twelve months! Most exciting is the fact that our revenues and earnings are expected to continue to accelerate at a significant pace over the balance of the year.

Such unprecedented performance has translated into the Bank being recognized as one of the top performing banks in the State as it relates to stock price appreciation. In April of this year we received the "Market Capitalization Award", as the institution with the highest stock appreciation of any bank in California. The prestigious award was presented by Carpenter & Company at the annual Strategic Summit hosted by the California Bankers Association.

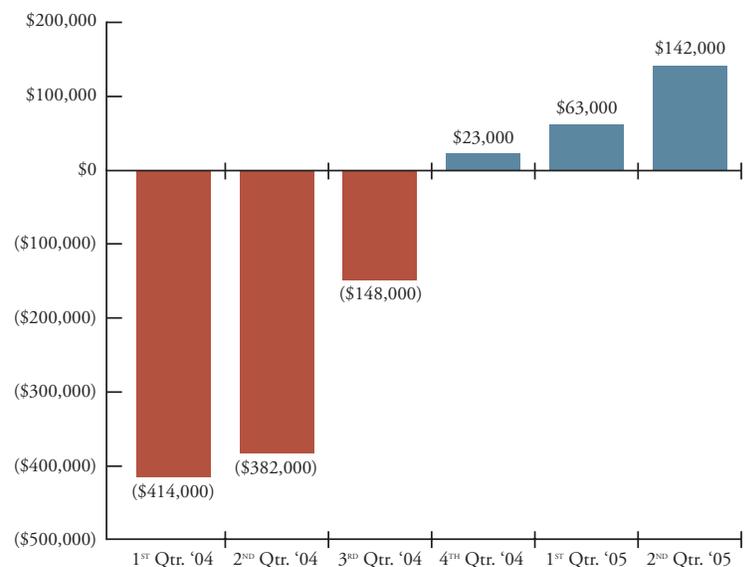
Other notable events during the quarter included our first stock split, in which each shareholder received an additional share of stock for each two they own; and our second annual shareholders meeting with a standing room only crowd in our bank lobby.

The most exciting part for me as a fellow shareholder, and the Chief Executive Officer is knowing that while we're off to a terrific start, there is a tremendous amount of opportunity for us on the horizon. The entire team continues to execute at a very high level, while continually evaluating our own efforts and looking for ways to further improve upon our performance. By doing so, we raise the bar each and every day in our "quest to be the best".

As always, thank you for your continued support and enthusiasm – it is most appreciated!

Michael E. Perry, *President & CEO*

NET INCOME



Net Income continues to improve each quarter.

SECOND QUARTER FINANCIALS

	6-30-05	6-30-04	% INCREASE
Total Loans	\$ 46,413	\$ 24,679	88 %
Total Deposits	\$ 61,361	\$ 30,318	102%
Total Assets	\$ 72,208	\$ 40,381	79 %

BUSINESS ROUNDTABLE

We are pleased to recognize Freeberg Industrial Fabrication as a proud member of the San Diego Trust team. With over 25 years in the design, engineering and fabrication business, the dedicated team at Freeberg Industrial is committed to provide superbly designed, engineered and fabricated products. A tour of their impressive facility is highlighted by energetic employees who have a passion for excellence and a firm belief that: **“Safety and Quality have no Fear of Time!”**

Located in Escondido, our good friends at Freeberg Industrial are also founding shareholders of the bank.

For more information about Freeberg Industrial, you can go to their [website at www.freeberg.com](http://www.freeberg.com)



(Left to Right) Bill Speeg (Vice President, Freeberg Industrial), Michael Perry (President & CEO, San Diego Trust Bank), Brad Stump (President, Freeberg Industrial)



PERFORMANCE YOU CAN TRUST

Welcome to the newest era of banking in which bankers are dealing with demands of a much more complex and changing society. Impacts of change and new technology, led by introduction and use of the Internet, connect consumers to almost any service or product.

Consider these facts:

1) *Almost 50% of all U.S. households (185 million) are Internet users, and some countries are even higher, e.g. Japan at 80%.*

2) *All the technical knowledge we work with today represents only 1% of the knowledge that will be available over the next 30-40 years.*

Yet, curiously, we now have more buffalo than we need, but railroads seem to be becoming extinct.

So change is confusing, and as these issues and trends evolve, how can San Diego Trust Bank help our customers unravel all the issues thrust upon us. The formula or strategy developed by CEO Michael E. Perry and COO Toby Reschan emphasizes “a commitment to being the best at what we do and look at everything from the prospective of our customer.” The “best” includes bringing every conceivable banking and financial resource essential to customer needs, and that includes the same products as any other large bank, i.e. on-line electronic banking, automated customer account and information system, courier service, trust/investment access, world-wide ATM network and complete loan and deposit product availability. All the staff share and practice this corporate strategy which transfers to a team culture and team chemistry to keep the focus on what’s best for our customer – and prospective customers.

From my personal perspective of observing the banking industry over the past 4 decades one leading factor stands out – the strength of relationships with our customers! Even as the financial numbers increase quarter to quarter, we are reminded

that “a real value of our franchise is not necessarily the book value of our balance sheet, but instead the totality of our relationships with customers.”

My view sees that San Diego Trust Bank has a first place team of experienced motivated professionals who will successfully compete in any changing environment. They will execute the “game plan” and do the common things uncommonly well. And what can we do to contribute? Be an active ambassador and sales representative for the Bank. Share your positive experiences with others and help promote the Bank in the community.

Our future will depend upon producing a steady flow of new relationships while keeping/building existing accounts as well. Proudly, the Bank has a distinctive character and state-of-the-art model that will create the best possible financial future for our customers and their families. So, combining our on-going participation with efforts of the Bank’s fine management team will give San Diego Trust Bank a big advantage to staying on top, building long term value and meeting the challenges of this latest era of banking. See you at the Bank!

Dan Herde, Director

Mr. Herde is a retired banker with over 34 years of banking experience. He served as President, Chief Executive Officer and Director of San Diego Trust and Savings Bank where he was employed for 26 years.

Stock Performance

Symbol: SDBK

Market: OTCBB

Last Trade: \$24.00 (As of 7-28-05)

For updated stock information, please call:
Rick Levenson, Western Financial Corporation
Ph. 619-544-0260

Member FDIC Equal Housing Lender

BE SMART

TAKE THE FIRST STEPS TOWARD IDENTIFICATION AND CREDIT CARD FRAUD PREVENTION

The easiest way to reduce the risk of ID theft and credit card fraud is to become more active in prevention. With some basic knowledge and common sense reminders, you can help!

Check your credit report twice a year and examine it thoroughly.

Doing so will let you see what credit accounts exist in your name, including those opened fraudulently or without your knowledge. To order your report online, visit the Web sites of the three major credit bureaus:

Equifax	www.equifax.com	(800) 525-6285
Experian	www.experian.com	(888) EXPERIAN
Transunion	www.tuc.com	(800) 680-7289

The Fair and Accurate Credit Transaction Act (FACTA) of 2003 requires each of these credit reporting agencies to provide consumers with one free credit report per year.

The following basic safety tips can help you feel confident whenever you use your VISA credit card, VISA debit card or bank ATM card.

Card and PIN Safety

1. Report lost or stolen cards immediately.
2. Sign your card on the signature panel as soon as you receive it.
3. Protect your cards as if they were cash.
4. Don't leave your credit cards in the glove compartment of your car. An alarmingly high proportion of all credit card thefts occur in glove compartments.
5. Never write down your PIN – memorize it. Also, never use your PIN as a password.
6. Ensure that you get your card back after every purchase.
7. Always check sales vouchers for the correct purchase amount before you sign them, and keep copies of your vouchers and ATM receipts.
8. Always check your billing statement and verify the amounts of your purchases.
9. Make a comprehensive list of all your cards and their numbers and store it in a safe place.
10. Don't volunteer any personal information when you use your credit card, other than by displaying personal ID as requested by the merchant.

11. Don't lend your card to anyone. You are responsible for its use. Some credit card misuse can be traced directly to family and friends.
12. Never disclose your PIN to anyone. No one from the bank, the police or a merchant should ask you for your PIN.

Online Safety

1. Never send account information, such as account number or PIN, in an email. You never know who could be intercepting it.
2. Beware of Phishing emails. These are emails that appear to be from the bank and ask that you provide account information. These emails are bogus. San Diego Trust Bank, VISA and reputable merchants will never ask you for any account or personal information in an email.
3. Never click on Internet links within emails. Instead, type the known URL.
4. Before making purchases online, be sure that the site has built-in security features to protect your account information.
5. Protect information by using a computer that has a firewall in place.
6. Implement anti-spyware and anti-virus software updates as soon as they're available.

Mail and Phone Safety

1. Never give your account information to anyone claiming to be from the bank or VISA unless you initiated the call.
2. Be wary of high-pressure sales tactics, especially if the sale must be completed immediately.
3. Make sure your mailbox is secure, and promptly remove delivered mail.
4. Call the Post Office immediately if you are not receiving your mail.

Thank you to VISA and the California Bankers Association for information regarding the prevention of identity theft and basic protection tips to avoid credit card fraud.

EXECUTIVE OFFICERS

Michael E. Perry, *President & CEO*
Toby Reschan, *Sr. Executive Vice President & Chief Operating Officer*

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