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January 30, 2003

Dear Shareholders and Friends:

As you know, Ramona National Bank first opened its doors to the public on December 18, 2001. We are now pleased to report to you our results through December 31, 2002, showing our performance for our first full year of operations.

Enclosed please find copies of our year-end December 31, 2002 **Financial and Income Statements** for your review. Also enclosed is a comparative recap showing quarter-end results for March, June, September and December.

As you will see, for the quarter-ending December 31, 2002, we are reporting a net loss of \$124,159 and a year-to-date loss of \$748,834. This represents a loss of \$.18 per share for the quarter and \$1.07 per share for the year.

At year-end, total loans increased to \$11,246,000, an increase of \$2,979,000 or 26.5 percent from September 30, 2002. At the same time, total deposits increased to \$11,872,000 at year-end, an increase of \$1,773,000 or 17.6 percent over the prior quarter. Total assets grew from \$16,010,000 at September 30, 2002 to finish the year at \$17,657,000, an increase of 10.3 percent.

During this past year, we have built a strong operational foundation for the bank and we are continuing to make significant progress toward overall profitability. Our loan growth is especially satisfying and has actually exceeded our expectations for the Ramona area. We, along with our Board of Directors, are especially pleased that we have been able to make this significant contribution to the Ramona community.

Our goals for the coming year are ambitious and are focused on building a core of business and personal clients and increasing market share. This month we are introducing a new business checking account linked to a high-interest-bearing savings account, which is designed to surpass our competition. We have high expectations for its popularity among local businesses. If you would like specific information on the account please give us a call. We appreciate your support during this past year and encourage you to continue to recommend us to your friends and colleagues.

Please feel free to contact us if you have any questions or comments.

Sincerely,



John Barkash
Chairman of the Board

Roy D. Lewis
President/CEO

This release (may) contain forward-looking statements that reflect management's current views of future events and operations. These forward-looking statements are based on information currently available to the Company as of the date of this release. There can be no assurance that future developments affecting the company will be the same as those anticipated by managements. Actual results may differ from those projected in the forward-looking statements as these statements involve risk, uncertainties and successful execution of the bank's strategies.

RAMONA NATIONAL BANK
STATEMENT OF CONDITION
Unaudited

ASSETS	<u>2002</u>	<u>2001</u> (audited)	<u>Net Change</u>
Cash and amounts due from banks	\$ 618,008	\$ 454,876	\$ 163,132
Federal funds sold	<u>2,845,000</u>	<u>6,110,000</u>	<u>(3,265,000)</u>
Cash and cash equivalents	3,463,008	6,564,876	(3,101,868)
Interest bearing due from banks	1,966,494	-	1,966,494
Investment securities available-for-sale (1)	326,001	511,396	(185,395)
Investment in bank stock (2)	239,650	208,450	31,200
Loans, net	11,245,557	8,000	11,237,557
Premises and equipment, net	245,755	221,788	23,967
Other assets and accrued interest receivab	<u>170,249</u>	<u>54,368</u>	<u>115,881</u>
	<u>\$ 17,656,714</u>	<u>\$ 7,568,878</u>	<u>\$ 10,087,836</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:			
Demand, non-interest bearing	\$ 2,938,243	\$ 406,671	\$ 2,531,572
Money market, NOW and savings accour	6,470,396	406,819	6,063,577
Time certificates:			
Under \$100,000	1,347,865	47,632	1,300,233
\$100,000 or greater	<u>1,115,302</u>	<u>200,000</u>	<u>915,302</u>
Total Deposits	11,871,806	1,061,122	10,810,684
Other liabilities and accrued interest expen	<u>35,686</u>	<u>8,729</u>	<u>26,957</u>
Total Liabilities	11,907,492	1,069,851	10,837,641
Commitments and contingencies			
Shareholders' equity:			
Common stock, par value \$5.00; authorized 10,000,000 shares; issued and outstanding 700,000 shares	3,500,000	3,500,000	-
Additional paid-in capital	3,446,924	3,446,924	-
Retained deficit	(1,200,083)	(451,249)	(748,834)
Accumulated other comprehensive incom	<u>2,381</u>	<u>3,352</u>	<u>(971)</u>
Total Shareholders' Equity	5,749,222	6,499,027	(749,805)
	<u>\$ 17,656,714</u>	<u>\$ 7,568,878</u>	<u>\$ 10,087,836</u>

Note 1: Investment securities are considered available for sale in their entirety.

Note 2: FRB stock is a required investment for nationally chartered banks.

RAMONA NATIONAL BANK
STATEMENT OF CONDITION
Unaudited

	<u>12/31/02</u>	<u>9/30/02</u>	<u>6/30/02</u>	<u>3/31/02</u>	<u>12/31/01</u> (audited)
ASSETS					
Cash and amounts due from banks	\$ 618,008	\$ 486,920	\$ 421,090	\$ 340,099	\$ 454,876
Federal funds sold	2,845,000	2,395,000	3,680,000	3,445,000	6,110,000
Cash and cash equivalents	3,463,008	2,881,920	4,101,090	3,785,099	6,564,876
Interest bearing due from banks	1,966,494	3,748,494	4,101,090	5,629,494	-
Investment securities available-for-sale (1)	326,001	446,198	1,019,789	1,048,385	511,396
Investment in bank stock (2)	239,650	239,650	186,250	208,450	208,450
Loans, net	11,245,557	8,266,627	4,024,033	499,804	8,000
Premises and equipment, net	245,755	259,458	271,392	282,223	221,788
Other assets and accrued interest receivab	170,249	167,828	138,752	113,848	54,368
	<u>\$ 17,656,714</u>	<u>\$ 16,010,175</u>	<u>\$ 14,182,800</u>	<u>\$ 11,567,303</u>	<u>\$ 7,568,878</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits:					
Demand, non-interest bearing	\$ 2,938,243	\$ 2,428,691	\$ 1,825,298	\$ 1,200,659	\$ 406,671
Money market, NOW and savings accour	6,470,396	5,926,935	4,878,793	3,496,972	406,819
Time certificates:					
Under \$100,000	1,347,865	632,238	457,263	242,455	47,632
\$100,000 or greater	1,115,302	1,110,579	1,004,440	400,000	200,000
Total Deposits	11,871,806	10,098,443	8,165,794	5,340,086	1,061,122
Other liabilities and accrued interest expen	35,686	37,546	28,359	19,448	8,729
Total Liabilities	11,907,492	10,135,989	8,194,153	5,359,533	1,069,851
Commitments and contingencies					
Shareholders' equity:					
Common stock, par value \$5.00; authorized 10,000,000 shares; issued and outstanding 700,000 shares	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Additional paid-in capital	3,446,924	3,446,924	3,446,924	3,446,924	3,446,924
Retained deficit	(1,200,083)	(1,075,924)	(959,850)	(734,612)	(451,249)
Accumulated other comprehensive incom	2,381	3,186	1,573	(4,542)	3,352
Total Shareholders' Equity	5,749,222	5,874,186	5,988,647	6,207,770	6,499,027
	<u>\$ 17,656,714</u>	<u>\$ 16,010,175</u>	<u>\$ 14,182,800</u>	<u>\$ 11,567,303</u>	<u>\$ 7,568,878</u>

Note 1: Investment securities are considered available for sale in their entirety.

Note 2: FRB stock is a required investment for nationally chartered banks.

RAMONA NATIONAL BANK
STATEMENT OF INCOME
Unaudited

	<u>2002</u>	<u>2001</u> (audited)	<u>Variance</u>
Interest income:			
Loans, including fees earned	\$ 414,088	\$ 19	\$ 414,069
Investment securities:			
Taxable	24,333	828	23,505
Exempt from federal income tax	10,615	-	10,615
Dividends from bank stock	11,783	417	11,366
Federal funds sold	53,346	4,547	48,799
Balances due from Banks	<u>100,057</u>	<u> </u>	<u>100,057</u>
Total interest and dividend income	<u>614,222</u>	<u>5,811</u>	<u>608,411</u>
Interest expense on deposits	(122,817)	(561)	(122,256)
Total interest expense	<u>(122,817)</u>	<u>(561)</u>	<u>(122,256)</u>
Net interest income	491,405	5,250	486,155
Provision for loan losses	<u>(115,000)</u>	<u>-</u>	<u>(115,000)</u>
Net interest income after provision for loan losses	376,405	5,250	371,155
Non-interest income	81,329	368	80,961
Non-interest expense	<u>(1,205,768)</u>	<u>(50,431)</u>	<u>(1,155,337)</u>
Loss before provision for income taxes	(748,034)	(44,813)	(703,221)
Provision for income taxes	<u>(800)</u>	<u>-</u>	<u>(800)</u>
Net loss	<u>\$ (748,834)</u>	<u>\$ (44,813)</u>	<u>\$ (704,021)</u>

RAMONA NATIONAL BANK
STATEMENT OF INCOME
Unaudited

	<u>ACTUAL</u> <u>YTD</u>	<u>1st Quarter</u> <u>03/31/02</u>	<u>2nd Quarter</u> <u>06/30/02</u>	<u>3rd Quarter</u> <u>09/30/02</u>	<u>4th Quarter</u> <u>12/31/02</u>
Interest income:					
Loans, including fees earned	\$ 414,088	\$ 7,049	\$ 42,241	\$ 154,614	\$ 210,184
Investment securities:					
Taxable	24,333	7,881	7,381	5,762	3,309
Exempt from federal income tax	10,615	3,222	5,615	1,778	-
Dividends from bank stock	11,783	3,127	2,956	2,839	2,861
Federal funds sold	53,346	17,393	14,244	12,112	9,597
Balances due from Banks	100,057	20,382	33,353	26,409	19,913
Total interest and dividend income	614,222	59,054	105,790	203,514	245,864
Interest expense on deposits	(122,817)	(13,569)	(27,896)	(39,072)	(42,280)
Total interest expense	(122,817)	(13,569)	(27,896)	(39,072)	(42,280)
Net interest income	491,405	45,485	77,894	164,443	203,584
Provision for loan losses	(115,000)	(10,000)	(30,800)	(42,900)	(31,300)
Net interest income after provision for loan losses	376,405	35,485	47,094	121,543	172,284
Non-interest income	81,329	6,786	17,128	38,739	18,676
Non-interest expense	(1,205,768)	(325,635)	(288,659)	(276,356)	(315,118)
Loss before provision for income taxes	(748,034)	(283,364)	(224,437)	(116,075)	(124,159)
Provision for income taxes	(800)		(800)		
Net loss	<u>\$ (748,834)</u>	<u>\$ (283,364)</u>	<u>\$ (225,237)</u>	<u>\$ (116,075)</u>	<u>\$ (124,159)</u>
Loss per share:					
Basic loss per share	<u>\$ (1.07)</u>	<u>\$ (0.40)</u>	<u>\$ (0.32)</u>	<u>\$ (0.17)</u>	<u>\$ (0.18)</u>
Diluted loss per share (3)	<u>\$ (1.07)</u>	<u>\$ (0.40)</u>	<u>\$ (0.32)</u>	<u>\$ (0.17)</u>	<u>\$ (0.18)</u>

Note 3: Diluted earnings per share for the YTD and respective quarters are based on the weighted average number of common and common equivalent shares outstanding of approximately 700,000.