



Phone: (760) 788-8788
FAX: (760) 789-5576
www.ramonanationalbank.com
P.O. Box 1277
1315 Main St., Ramona, CA 92065

January 26, 2004

Dear Shareholders and Friends:

Attached please find a copy of our Statements of Condition and Income Release for the 12 months ending December 31, 2003.

For the period ending December 31, 2003, the total Bank assets grew to \$26.1 million – an increase of \$8.4 million (47.8%) from December 31, 2002. Total net loans grew by \$1.35 million (12.0%) from December 31, 2002. Our total deposits grew 74.3% for the year to end at \$20.7 million on December 31, 2003.

Although loan production remained consistent during the 4th quarter, the net outstanding loans remained relatively flat as we grew only \$40,000. This negatively affected the earnings of the bank as we ended the year higher in deposits (more interest expense) with approximately the same amount of loans. Going forward, we expect loan production to improve with your first quarter of 2004 as our production pipeline remains strong. In addition, we anticipate fewer payoffs on loans the first three months of this New Year than occurred this past quarter.

For the quarter-ending December 31, 2003, we are reporting a net loss of \$92,039 (\$.13 per share) and a 12-month loss of \$382,975 (\$.55 per share). For the same period last year we reported a loss of \$124,159 (\$.18 per share) for the quarter ending December 31, 2002 and a 12-month loss of \$748,834 (\$1.07 per share).

Our primary focus remains to provide the best service possible to our community. We feel that we are accomplishing this and have been rewarded for this effort by the constant growth in our deposit customers and balances they maintain. Our challenge, as is evidenced by our lack of earnings, is to focus on loan growth. Our consumer loan rates are, we feel, the best in the Ramona area and San Diego County. To accomplish our loan growth goal, we are concentrating on more term consumer and real estate loans that we feel will provide the consistent growth (matching our growth in deposits) and help mitigate the volatility of payoffs that short-term loans have on our portfolio.

Again, we appreciate your continued support of the bank. If you have any questions, please feel free to contact either one of us.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Farkash".

John Farkash
Chairman of the Board

A handwritten signature in blue ink, appearing to read "Roy D. Lewis".

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
STATEMENTS OF CONDITION
For the periods ended
(Unaudited)

	<u>December 31, 2003</u>	<u>September 30, 2003</u>	<u>June 30, 2003</u>	<u>March 31, 2003</u>	<u>December 31, 2002</u>
ASSETS					
Cash and amounts due from banks	\$ 977,190	\$ 920,764	\$ 760,343	\$ 678,491	\$ 618,008
Federal funds sold	<u>4,865,737</u>	<u>3,270,000</u>	<u>2,509,090</u>	<u>2,875,000</u>	<u>2,845,000</u>
Cash and cash equivalents	5,842,927	4,190,764	3,269,433	3,553,491	3,463,008
Interest bearing due from banks	5,912,193	5,616,790	3,935,754	3,440,754	1,966,494
Investment securities available-for-sale (1)	1,094,951	1,179,374	1,157,821	1,304,366	326,001
Investment in Federal Reserve Bank stock (2)	163,450	172,500	172,500	172,500	179,650
Investment in Federal Home Loan Bank stock	19,200	19,100			
Investment in Pacific Coast Bankers' Bank stock	60,000	60,000	60,000	60,000	60,000
Loans, net	12,594,751	12,554,158	14,123,711	11,350,493	11,245,557
Premises and equipment, net	223,564	239,481	245,997	236,198	245,755
Other assets and accrued interest receivable	<u>193,005</u>	<u>264,945</u>	<u>198,250</u>	<u>175,106</u>	<u>170,249</u>
	<u>\$ 26,104,041</u>	<u>\$ 24,297,112</u>	<u>\$ 23,163,466</u>	<u>\$ 20,292,908</u>	<u>\$ 17,656,714</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits:					
Demand, non-interest bearing	\$ 5,389,805	\$ 5,128,043	\$ 4,821,253	\$ 4,056,630	\$ 2,938,243
Money market, NOW and savings accounts	11,631,896	9,825,887	9,082,360	7,002,823	6,470,396
Time certificates:					
Under \$100,000	1,017,721	1,595,770	1,483,034	1,384,781	1,347,865
\$100,000 or greater	<u>2,648,702</u>	<u>2,239,006</u>	<u>2,131,596</u>	<u>2,121,298</u>	<u>1,115,302</u>
Total deposits	20,688,124	18,788,706	17,518,243	14,565,532	11,871,806
Other liabilities and accrued interest payable	<u>59,060</u>	<u>61,447</u>	<u>51,969</u>	<u>48,663</u>	<u>35,686</u>
Total liabilities	20,747,184	18,850,153	17,570,212	14,614,195	11,907,492
Shareholders' equity:					
Common stock, par value \$5.00; authorized 10,000,000 shares; issued and outstanding 700,000 shares for the periods ended	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	(1,583,058)	(1,491,018)	(1,354,799)	(1,270,622)	(1,200,083)
Accumulated other comprehensive income	<u>(7,009)</u>	<u>(8,947)</u>	<u>1,129</u>	<u>2,411</u>	<u>2,381</u>
Total shareholders' equity	5,356,857	5,446,959	5,593,254	5,678,713	5,749,222
	<u>\$ 26,104,041</u>	<u>\$ 24,297,112</u>	<u>\$ 23,163,466</u>	<u>\$ 20,292,908</u>	<u>\$ 17,656,714</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
STATEMENTS OF INCOME
For the three months ended
(Unaudited)

	<u>December 31, 2003</u>	<u>September 30, 2003</u>	<u>June 30, 2003</u>	<u>March 31, 2003</u>	<u>December 31, 2002</u>
Interest and dividend income:					
Loans, including fees earned	\$ 241,429	\$ 257,143	\$ 245,398	\$ 243,422	\$ 210,184
Investment securities:					
Interest	10,316	5,840	10,053	4,067	3,309
Dividends from bank stock	2,963	2,738	2,778	2,788	2,861
Federal funds sold	9,322	7,406	9,101	13,115	9,597
Balances due from Banks	<u>29,819</u>	<u>24,356</u>	<u>20,969</u>	<u>15,315</u>	<u>19,913</u>
Total interest and dividend income	<u>293,849</u>	<u>297,483</u>	<u>288,299</u>	<u>278,707</u>	<u>245,864</u>
Interest expense on deposits	<u>(61,016)</u>	<u>(56,376)</u>	<u>(53,209)</u>	<u>(46,006)</u>	<u>(42,280)</u>
Total interest expense	<u>(61,016)</u>	<u>(56,376)</u>	<u>(53,209)</u>	<u>(46,006)</u>	<u>(42,280)</u>
Net interest income	232,835	241,105	235,092	232,700	203,584
Provision for loan losses	<u>(20,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(31,300)</u>
Net interest income after provision for loan losses	212,835	226,105	220,092	217,700	172,284
Non-interest income	85,158	52,087	21,704	21,038	18,676
Non-interest expense	<u>(390,031)</u>	<u>(414,412)</u>	<u>(325,173)</u>	<u>(309,278)</u>	<u>(315,118)</u>
Loss before provision for income taxes	(92,039)	(136,219)	(83,377)	(70,540)	(124,159)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>(800)</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (92,039)</u>	<u>\$ (136,219)</u>	<u>\$ (84,177)</u>	<u>\$ (70,540)</u>	<u>\$ (124,159)</u>
Loss per share:					
Basic loss per share	<u>\$ (0.13)</u>	<u>\$ (0.19)</u>	<u>\$ (0.12)</u>	<u>\$ (0.10)</u>	<u>\$ (0.18)</u>
Diluted loss per share (3)	<u>\$ (0.13)</u>	<u>\$ (0.19)</u>	<u>\$ (0.12)</u>	<u>\$ (0.10)</u>	<u>\$ (0.18)</u>

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

RAMONA NATIONAL BANK
STATEMENTS OF CONDITION
(Unaudited)

	<u>12/31/2003</u>	<u>12/31/2002</u>	<u>Net Change</u>
ASSETS			
Cash and amounts due from banks	\$ 977,190	\$ 618,008	\$ 359,182
Federal funds sold	4,865,737	2,845,000	2,020,737
	<u>5,842,927</u>	<u>3,463,008</u>	<u>2,379,919</u>
Cash and cash equivalents	5,842,927	3,463,008	2,379,919
Interest bearing due from banks	5,912,193	1,966,494	3,945,699
Investment securities available-for-sale (1)	1,094,951	326,001	768,950
Investment in Federal Reserve Bank stock (2)	163,450	179,650	(16,200)
Investment in Federal Home Loan Bank	19,200	60,000	(40,800)
Investment in Pacific Coast Bankers' Bank stock	60,000	-	-
Loans, net	12,594,751	11,245,557	1,349,194
Premises and equipment, net	223,564	245,755	(22,191)
Other assets and accrued interest receivable	193,005	170,249	22,756
	<u>\$ 26,104,041</u>	<u>\$ 17,656,714</u>	<u>\$ 8,447,327</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand, non-interest bearing	\$ 5,389,805	\$ 2,938,243	\$ 2,451,562
Money market, NOW and savings accounts	11,631,896	6,470,396	5,161,500
Time certificates:			
Under \$100,000	1,017,721	1,347,865	(330,144)
\$100,000 or greater	2,648,702	1,115,302	1,533,400
	<u>20,688,124</u>	<u>11,871,806</u>	<u>8,816,318</u>
Total deposits	20,688,124	11,871,806	8,816,318
Other liabilities and accrued interest payable	59,060	35,686	23,374
	<u>20,747,184</u>	<u>11,907,492</u>	<u>8,839,692</u>
Total liabilities	20,747,184	11,907,492	8,839,692
Shareholders' equity:			
Common stock, par value \$5.00; authorized 10,000,000 shares; issued and outstanding 700,000 shares as of June 30, 2003 and 2002	3,500,000	3,500,000	-
Additional paid-in capital	3,446,924	3,446,924	-
Retained deficit	(1,583,058)	(1,200,083)	(382,975)
Accumulated other comprehensive income	(7,009)	2,381	(9,390)
	<u>5,356,857</u>	<u>5,749,222</u>	<u>(392,365)</u>
Total shareholders' equity	5,356,857	5,749,222	(392,365)
	<u>\$ 26,104,041</u>	<u>\$ 17,656,714</u>	<u>\$ 8,447,327</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
STATEMENTS OF INCOME
For the twelve months ended
(Unaudited)

	<u>12/31/2003</u>	<u>12/31/2002</u>	<u>Net Change</u>
Interest and dividend income:			
Loans, including fees earned	\$ 987,392	\$ 414,088	\$ 573,304
Investment securities:			
Interest	30,276	34,948	(4,672)
Dividends from bank stock	11,267	11,783	(516)
Federal funds sold	38,944	53,346	(14,402)
Balances due from Banks	<u>90,459</u>	<u>100,057</u>	<u>(9,598)</u>
Total interest and dividend income	<u>1,158,338</u>	<u>614,222</u>	<u>544,116</u>
Interest expense on deposits	<u>(216,607)</u>	<u>(122,817)</u>	<u>(93,790)</u>
Total interest expense	<u>(216,607)</u>	<u>(122,817)</u>	<u>(93,790)</u>
Net interest income	941,732	491,405	450,327
Provision for loan losses	<u>(65,000)</u>	<u>(115,000)</u>	<u>50,000</u>
Net interest income after provision for loan losses	876,732	376,405	500,327
Non-interest income	179,987	81,329	98,658
Non-interest expense	<u>(1,438,894)</u>	<u>(1,205,768)</u>	<u>(233,126)</u>
Loss before provision for income taxes	(382,175)	(748,034)	365,859
Provision for income taxes	<u>(800)</u>	<u>(800)</u>	<u>-</u>
Net loss	<u>\$ (382,975)</u>	<u>\$ (748,834)</u>	<u>\$ 365,859</u>
Loss per share:			
Basic loss per share	<u>\$ (0.55)</u>	<u>\$ (1.07)</u>	<u>\$ 0.52</u>
Diluted loss per share (3)	<u>\$ (0.55)</u>	<u>\$ (1.07)</u>	<u>\$ 0.52</u>

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