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February 17, 2005

Dear Shareholders and Friends:

It is with great enthusiasm that we report a record net income of \$134,950 (\$.30 per share) for the 4<sup>th</sup> quarter, 2004, an improvement of \$226,989 over the 4<sup>th</sup> quarter of 2003. As a result, we are reporting net income for the year of \$60,776 (\$.08 per share).

The significant improvement was primarily driven by loans, which exceeded \$31.4 million, an increase of nearly 150% over 2003. New loan activity accounted for nearly \$19 million during the year.

Attached is a copy of our Statement of Condition and Income Release for 2004. For the period ending December 31, 2004, the bank's total assets grew to \$39.3 million—an increase of \$4.5 million from the third quarter ending September 30, 2004. Comparing to the year-end 2003, assets grew \$13.2 million (51%) for the year.

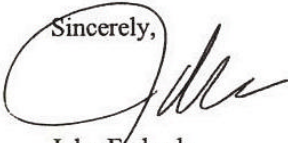
In addition to an increase in non-interest fee income of \$280,188 (483%), the bank's deposits grew to \$31.8 million in 2004, an increase of 54% from year-end 2003.

We are very pleased with the momentum during the second half of 2004 and are excited by our prospects for 2005. We've worked hard to build on our reputation as a relationship oriented lender. We are proud that our customers see us as long-term partners in building their businesses, not just a source of capital. A few of our 2004 accomplishments include:

- Reached a record of \$39.3 million in total assets
- During the 4<sup>th</sup> quarter of 2004, opened a second branch in La Mesa
- Strengthened our capital by raising over \$1.3 million in warrants
- Received the Lender's Achievement Award from the Small Business Administration, we now rank among the top 25 SBA Lenders in the County

Our staff performed incredibly well in 2004, and we are very proud of their results. In addition, we would like to express our appreciation to all of our shareholders and customers for their continued business and support. We thank you for the confidence you have placed in Ramona National Bank.

It's a privilege to serve you.

Sincerely,  
  
John Farkash  
Chairman of the Board

  
Roy D. Lewis  
President/CEO

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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**  
*Unaudited*  
**For the years ended**

|   | <u>December 31, 2004</u> | <u>December 31, 2003</u> | <u>Net Change</u>    |
|---|--------------------------|--------------------------|----------------------|
| <b>ASSETS</b>   |                          |                          |                      |
| Cash and amounts due from banks   | \$ 830,234               | \$ 977,190               | \$ (146,956)         |
| Federal funds sold  | 110,507                  | 4,865,737                | (4,755,230)          |
|   | 940,741                  | 5,842,927                | (4,902,186)          |
| Cash and cash equivalents   |                          |                          |                      |
| Interest bearing due from banks   | 4,821,015                | 5,912,193                | (1,091,178)          |
| Investment securities available-for-sale (1)  | 1,304,526                | 1,094,951                | 209,575              |
| Investment in bank stock (2)  | 259,750                  | 242,650                  | 17,100               |
| Loans, net (3)  | 31,491,074               | 12,594,751               | 18,896,323           |
| Premises and equipment, net   | 294,183                  | 223,564                  | 70,619               |
| Other assets and accrued interest receivable  | 278,131                  | 193,005                  | 85,126               |
|   | <u>\$ 39,389,420</u>     | <u>\$ 26,104,041</u>     | <u>\$13,285,379</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                          |                          |                      |
| Deposits:   |                          |                          |                      |
| Demand, non-interest bearing  | \$ 7,365,197             | \$ 5,389,805             | \$ 1,975,392         |
| Money market, NOW and savings accounts  | 16,525,450               | 11,631,896               | 4,893,554            |
| Time certificates:  |                          |                          |                      |
| Under \$100,000   | 3,789,505                | 1,017,721                | 2,771,784            |
| \$100,000 or greater  | 4,173,710                | 2,648,702                | 1,525,008            |
|   | 31,853,862               | 20,688,124               | 11,165,738           |
| Total Deposits  |                          |                          |                      |
| Other liabilities and accrued interest expense  | 800,880                  | 59,060                   | 741,820              |
|   | 32,654,742               | 20,747,184               | 11,907,558           |
| Total Liabilities   |                          |                          |                      |
| Commitments and contingencies   |                          |                          |                      |
| Shareholders' equity:   |                          |                          |                      |
| Common stock, par value \$5.00; authorized<br>10,000,000 shares; 836,534 and 700,000<br>shares issued and outstanding, respectively | 4,182,670                | 3,500,000                | 682,670              |
| Additional paid-in capital  | 4,079,532                | 3,446,924                | 632,608              |
| Retained deficit  | (1,522,282)              | (1,583,058)              | 60,776               |
| Accumulated other comprehensive income  | (5,242)                  | (7,009)                  | 1,767                |
|   | 6,734,678                | 5,356,857                | 1,377,821            |
| Total Shareholders' Equity  |                          |                          |                      |
|   | <u>\$ 39,389,420</u>     | <u>\$ 26,104,041</u>     | <u>\$ 13,285,379</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.

Note 3: Loans, less reserve for possible loan losses of \$320,468 and \$179,800 respectively .

**RAMONA NATIONAL BANK**  
**STATEMENTS OF INCOME**  
For the years ended  
*Unaudited*

|   | <u>December 31, 2004</u> | <u>December 31, 2003</u> | <u>Net Change</u> |
|---|--------------------------|--------------------------|-------------------|
| <b>Interest income:</b>                             |                          |                          |                   |
| Loans, including fees earned                        | \$ 1,441,695             | \$ 987,392               | \$ 454,303        |
| Investment securities:                              |                          |                          |                   |
| Taxable   | 47,692                   | 30,276                   | 17,416            |
| Dividends from bank stock                           | 12,975                   | 11,267                   | 1,708             |
| Federal funds sold                                  | 19,840                   | 38,944                   | (19,104)          |
| Balances due from Banks                             | <u>131,943</u>           | <u>90,459</u>            | <u>41,484</u>     |
| Total interest and dividend income                  | <u>1,654,145</u>         | <u>1,158,338</u>         | <u>495,807</u>    |
| Interest expense on deposits                        | (361,737)                | (216,607)                | (145,130)         |
| Federal funds purchased                             | <u>(2,961)</u>           | <u></u>                  | <u>(2,961)</u>    |
| Total interest expense                              | <u>(364,698)</u>         | <u>(216,607)</u>         | <u>(148,091)</u>  |
| Net interest income                                 | 1,289,447                | 941,732                  | 347,715           |
| Provision for loan losses                           | <u>(146,000)</u>         | <u>(65,000)</u>          | <u>(81,000)</u>   |
| Net interest income after provision for loan losses | 1,143,447                | 876,732                  | 266,715           |
| Non-interest income                                 | 465,118                  | 179,987                  | 285,131           |
| Non-interest expense                                | <u>(1,547,789)</u>       | <u>(1,438,894)</u>       | <u>(108,895)</u>  |
| Income (loss) before provision for income taxes     | 60,776                   | (382,175)                | 442,951           |
| Provision for income taxes                          | <u>-</u>                 | <u>(800)</u>             | <u>800</u>        |
| Net Income (loss)                                   | <u>\$ 60,776</u>         | <u>\$ (382,975)</u>      | <u>\$ 443,752</u> |
| Net Income (loss) per share of common stock         |                          |                          |                   |
| Basic   | <u>\$ 0.08</u>           | <u>\$ (0.55)</u>         | <u>\$ 0.63</u>    |
| Diluted (4)   | <u>\$ 0.08</u>           | <u>\$ (0.55)</u>         | <u>\$ 0.63</u>    |

Note 4: Diluted gain (loss) per share for respective periods are based on the weighted average number of common shares and common equivalent shares outstanding of approximately 716,330 and 700,000.

**RAMONA NATIONAL BANK**  
**STATEMENTS OF CONDITION**  
*Unaudited*  
For the three months ended

|   | <u>December 31, 2004</u> | <u>September 30, 2004</u> | <u>June 30, 2004</u> | <u>March 31, 2004</u> | <u>December 31, 2003</u> | <u>September 30, 2003</u> |
|---|--------------------------|---------------------------|----------------------|-----------------------|--------------------------|---------------------------|
| <b>ASSETS</b>   |                          |                           |                      |                       |                          |                           |
| Cash and amounts due from banks   | \$ 830,234               | \$ 618,526                | \$ 805,850           | \$ 1,049,717          | \$ 977,190               | \$ 920,764                |
| Federal funds sold  | <u>110,507</u>           | <u>170,000</u>            | <u>880,000</u>       | <u>5,334,196</u>      | <u>4,865,737</u>         | <u>3,270,000</u>          |
| Cash and cash equivalents   | 940,741                  | 788,526                   | 1,685,850            | 6,383,913             | 5,842,927                | 4,190,764                 |
| Interest bearing due from banks   | 4,821,015                | 5,415,015                 | 6,106,015            | 6,006,015             | 5,912,193                | 5,616,790                 |
| Investment securities available-for-sale (1)  | 1,304,526                | 1,372,290                 | 1,405,085            | 1,047,048             | 1,094,951                | 1,179,374                 |
| Investment in bank stock (2)  | 259,750                  | 259,450                   | 259,050              | 261,650               | 242,650                  | 251,600                   |
| Loans, net (3)  | 31,491,074               | 26,498,786                | 20,770,875           | 14,636,429            | 12,594,751               | 12,554,158                |
| Premises and equipment, net   | 294,183                  | 192,705                   | 186,468              | 202,196               | 223,564                  | 239,481                   |
| Other assets and accrued interest receivable  | <u>278,131</u>           | <u>273,998</u>            | <u>247,509</u>       | <u>190,166</u>        | <u>193,005</u>           | <u>264,945</u>            |
|   | <u>\$ 39,389,420</u>     | <u>\$ 34,800,770</u>      | <u>\$ 30,660,852</u> | <u>\$ 28,727,417</u>  | <u>\$ 26,104,041</u>     | <u>\$ 24,297,112</u>      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                          |                           |                      |                       |                          |                           |
| Deposits:   |                          |                           |                      |                       |                          |                           |
| Demand, non-interest bearing  | \$ 7,365,197             | \$ 7,387,937              | \$ 6,581,102         | \$ 7,299,335          | \$ 5,389,805             | \$ 5,128,043              |
| Money market, NOW and savings accounts  | 16,525,450               | 17,305,131                | 15,101,886           | 12,293,568            | 11,631,896               | 9,825,887                 |
| Time certificates:  |                          |                           |                      |                       |                          |                           |
| Under \$100,000   | 3,789,505                | 2,278,104                 | 1,641,557            | 1,379,147             | 1,017,721                | 1,595,770                 |
| \$100,000 or greater  | <u>4,173,710</u>         | <u>2,443,024</u>          | <u>2,032,111</u>     | <u>2,436,873</u>      | <u>2,648,702</u>         | <u>2,239,006</u>          |
| Total Deposits  | 31,853,862               | 29,414,196                | 25,356,656           | 23,408,923            | 20,688,124               | 18,788,706                |
| Other liabilities and accrued interest expense  | <u>800,880</u>           | <u>96,774</u>             | <u>77,811</u>        | <u>75,969</u>         | <u>59,060</u>            | <u>61,447</u>             |
| Total Liabilities   | 32,654,742               | 29,510,970                | 25,434,467           | 23,484,892            | 20,747,184               | 18,850,153                |
| Commitments and contingencies   |                          |                           |                      |                       |                          |                           |
| Shareholders' equity:   |                          |                           |                      |                       |                          |                           |
| Common stock, par value \$5.00; authorized<br>10,000,000 shares; issued and outstanding<br>700,000 shares | 4,182,670                | 3,500,000                 | 3,500,000            | 3,500,000             | 3,500,000                | 3,500,000                 |
| Additional paid-in capital  | 4,079,532                | 3,446,924                 | 3,446,924            | 3,446,924             | 3,446,924                | 3,446,924                 |
| Retained deficit  | (1,522,282)              | (1,657,230)               | (1,698,170)          | (1,702,901)           | (1,583,058)              | (1,491,018)               |
| Accumulated other comprehensive income  | <u>(5,242)</u>           | <u>106</u>                | <u>(22,368)</u>      | <u>(1,498)</u>        | <u>(7,009)</u>           | <u>(8,947)</u>            |
| Total Shareholders' Equity  | 6,734,678                | 5,289,800                 | 5,226,386            | 5,242,525             | 5,356,857                | 5,446,959                 |
|   | <u>\$ 39,389,420</u>     | <u>\$ 34,800,770</u>      | <u>\$ 30,660,852</u> | <u>\$ 28,737,417</u>  | <u>\$ 26,104,041</u>     | <u>\$ 24,297,112</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.

Note 3: Loans, less reserve for possible loan losses of \$320,468, \$223,648, \$203,622, \$194,800, \$179,800 and \$160,000 respectively.

**RAMONA NATIONAL BANK**  
**STATEMENTS OF INCOME**  
*Unaudited*  
**For the three months ended**

|   | <u>December 31, 2004</u> | <u>September 30, 2004</u> | <u>June 30, 2004</u> | <u>March 31, 2004</u> | <u>December 31, 2003</u> | <u>September 30, 2003</u> |
|---|--------------------------|---------------------------|----------------------|-----------------------|--------------------------|---------------------------|
| <b>Interest income:</b>                             |                          |                           |                      |                       |                          |                           |
| Loans, including fees earned                        | \$ 511,402               | \$ 398,984                | \$ 297,204           | \$ 234,105            | \$ 241,429               | \$ 257,143                |
| Investment securities:                              |                          |                           |                      |                       |                          |                           |
| Taxable   | 12,672                   | 13,080                    | 11,679               | 10,261                | 10,316                   | 5,840                     |
| Dividends from bank stock                           | 3,117                    | 3,157                     | 4,130                | 2,571                 | 2,963                    | 2,738                     |
| Federal funds sold                                  | 870                      | 2,164                     | 6,713                | 10,093                | 9,322                    | 7,406                     |
| Balances due from Banks                             | 29,623                   | 32,872                    | 33,904               | 35,544                | 29,819                   | 24,356                    |
|   | <u>557,684</u>           | <u>450,258</u>            | <u>353,631</u>       | <u>292,574</u>        | <u>293,849</u>           | <u>297,483</u>            |
| Total interest and dividend income                  |                          |                           |                      |                       |                          |                           |
| Interest expense on deposits                        | (129,861)                | (100,143)                 | (69,763)             | (61,970)              | (61,016)                 | (56,376)                  |
| Federal Funds purchased                             | (2,530)                  | (397)                     | (34)                 | -                     | -                        | -                         |
|   | <u>(132,391)</u>         | <u>(100,540)</u>          | <u>(69,797)</u>      | <u>(61,970)</u>       | <u>(61,016)</u>          | <u>(56,376)</u>           |
| Total interest expense                              |                          |                           |                      |                       |                          |                           |
| Net interest income                                 | 425,293                  | 349,718                   | 283,832              | 230,605               | 232,835                  | 241,105                   |
| Provision for loan losses                           | (96,000)                 | (25,000)                  | (10,000)             | (15,000)              | (20,000)                 | (15,000)                  |
| Net interest income after provision for loan losses | 329,293                  | 324,718                   | 273,832              | 215,605               | 212,835                  | 226,105                   |
| Non-interest income                                 | 280,188                  | 58,011                    | 89,682               | 37,237                | 85,158                   | 52,087                    |
| Non-interest expense                                | (474,531)                | (342,589)                 | (357,983)            | (372,686)             | (390,031)                | (414,412)                 |
| Income (loss) before provision for income taxes     | 134,950                  | 40,140                    | 5,530                | (119,844)             | (92,039)                 | (136,219)                 |
| Provision for income taxes                          | -                        | 800                       | (800)                | -                     | -                        | -                         |
| Net Income (loss)                                   | <u>\$ 134,950</u>        | <u>\$ 40,940</u>          | <u>\$ 4,730</u>      | <u>\$ (119,844)</u>   | <u>\$ (92,039)</u>       | <u>\$ (136,219)</u>       |
| Net Income (loss) per share of common stock         |                          |                           |                      |                       |                          |                           |
| Basic   | <u>\$ 0.17</u>           | <u>\$ 0.06</u>            | <u>\$ 0.01</u>       | <u>\$ (0.17)</u>      | <u>\$ (0.13)</u>         | <u>\$ (0.19)</u>          |
| Diluted (4)   | <u>\$ 0.17</u>           | <u>\$ 0.06</u>            | <u>\$ 0.01</u>       | <u>\$ (0.17)</u>      | <u>\$ (0.13)</u>         | <u>\$ (0.19)</u>          |

Note 4: Diluted gain (loss) per share for respective quarters are based on the weighted average number of common shares and common equivalent shares outstanding of approximately 780,780 for the fourth quarter of 2004 and 700,000 for all others.