MISSION VALLEY BANK

ANNUAL REPORT

2004

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The Board of Directors, founding management team and staff of Mission Valley Bank are dedicated to building a tradition of strength and service. Since first opening our doors in July of 2001, the shared vision of this group has enabled Mission Valley Bank to maintain its course of continued steady growth and success, while never wavering from our commitment to extraordinary service.

We never forget that our clients can choose from hundreds of financial institutions and that it is up to us to earn their business daily – and we do. Quick, local decisions, financial solutions tailored to meet specific individual needs and extraordinary service, all delivered by a group of banking professionals that truly love what they do – these things combined have created a bank unmatched by its competition.

With offices now in both the San Fernando and Santa Clarita Valleys, Mission Valley Bank is well positioned to provide even better service to our continually growing client base.

To Our Shareholders:

Mission Valley Bank enjoyed another year of strong growth and continued profitability in 2004. This can be attributed to our ongoing outreach to the communities we serve and our philosophy of meeting the unique needs of each business and individual through tailored financial solutions. Additionally, the opening of our second branch office in Valencia has provided opportunities to expand our marketplace into the fast growing Santa Clarita Valley and to serve many of our existing customers and shareholders living and working in the area.

The graphs (on the right) illustrate the bank's progressive growth since inception in 2001 through the year-end 2004. Total Assets have grown steadily, rising an additional 34.5% in 2004 to $106 million. Net loans grew 52.8% during 2004 as the lower interest rate environment spurred demand for commercial and real estate loans. Deposits remained strong during 2004 as Total Deposits climbed 36.5% during the year, exceeding $95 million. In 2003 the bank enjoyed a tax benefit resulting from the loss carry forward from the beginning years of operations. As a result, Net income for 2004 declined from $614,569 in 2003 to $441,918. However, the bank's net revenue (or pre-tax income) grew from $497,270 at year-end 2003 to $706,695 at year-end 2004, which represents a 42% improvement.

Our success continues to be recognized in the industry by various firms that provide ratings on bank performance. Mission Valley Bank was designated a *Premier Performing Bank* for the second year in a row by The Findley Reports, a highly regarded banking industry publication. Also for the second consecutive year, Bauer Financial, Inc., recognized for its ratings on the safety and soundness of the nation's banks, awarded Mission Valley Bank with its five-star "SUPERIOR" rating, its highest designation.

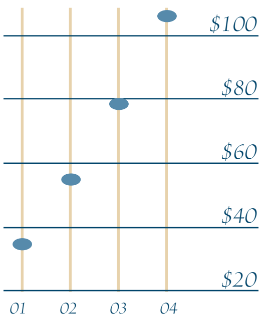
Steady improvement in the return on investment realized by shareholders continues to be of primary importance to our Board of Directors. On March 9, 2005, the bank announced a 3 for 2 stock split, which has since received regulatory approval and will be distributed to shareholders by the beginning of April. In addition to recognizing shareholders for their ongoing support of the bank, the split will allow for additional share availability in the marketplace, thereby providing an avenue for greater liquidity in the stock.

Since our opening in mid 2001, the bank has navigated one of the most volatile economic climates in recent memory. From the "dot.com" implosion, followed by the September 11th tragedy and subsequent geopolitical events, the economy entered into a recession that saw hundreds of thousands of jobs disappear and businesses become stagnant. Since then we have experienced the lowest interest rate environment in over forty years, resulting in industry-wide interest margin compression. Although the Federal Reserve Bank began steadily raising interest rates last June, the economic climate is still volatile due to uncertainty relative to geopolitical forces, the weakness of the dollar, trade imbalances, rising oil prices, and the growing budget deficit. In spite of these challenges, Mission Valley Bank was able to reach breakeven in nine months and achieve full profitability in just two and a half years—significant accomplishments for a de novo institution even in good times. We are very proud of the success that Mission Valley Bank has achieved during difficult times and feel confident that the experience has made us stronger and better prepared to meet future challenges.

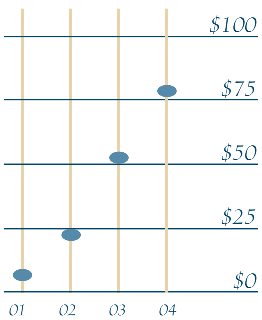
As a community business bank, Mission Valley Bank's officers and staff members continue to devote many hours to organizations focused on improving the greater San Fernando and Santa Clarita Valleys. Our strong commitment to involvement allows the bank to understand the constant changes taking place within the communities we serve and to provide services and programs aimed at meeting those needs. The bank's clients know that local deposits are channeled back into the community through loans to local businesses, serving to promote jobs and improve the economic viability of our marketplace.

Looking ahead to 2005, Mission Valley Bank is committed to the ongoing financial education of our clients, prospects and shareholders. Through various programs and seminars focused on providing tools and information important to achieving business and personal success, we hope to improve the overall value of our financial partnership. This remains an important initiative for Mission Valley Bank and is a primary component of the bank's mission and purpose.

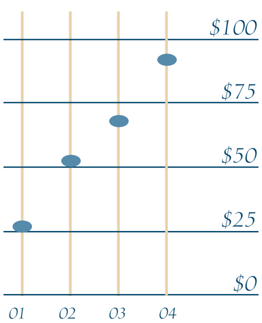
TOTAL ASSETS
(In Millions)



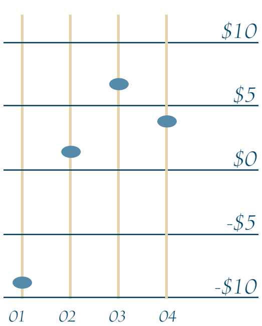
NET LOANS
(In Millions)



TOTAL DEPOSITS
(In Millions)



NET INCOME
(In Millions)



Additionally, our employee's growth and development is of equal importance to ensure our ability to provide extraordinary service and assistance to our clients in advising them of various services best suited to helping them achieve their goals. We believe that the quality of our employees is paramount to our ability to provide service excellence in a highly competitive industry. As such, continuing to attract and retain high quality employees is a key objective for the bank.

The past few years have been spent building the Mission Valley Bank franchise, penetrating our marketplace and expanding our client base. The bank took advantage of an opportunity to expand its footprint into the Santa Clarita Valley last year, and we are already experiencing positive results. While we will continue to pursue opportunities as they present themselves, further branch expansion must fit within a well-defined business strategy and model. Our primary focus will be to continue to serve the communities within our current marketplace, further penetrating the San Fernando and Santa Clarita Valleys, and deepening existing client relationships through new products and delivery channels that add value to those relationships. While technology will continue to play a significant role in the makeup and delivery of products, first and foremost it will be about the people—the hallmark of the Mission Valley Bank experience.

On behalf of management and the Board of Directors of Mission Valley Bank, we would like to thank our amazing staff for the incredible job they do every day, our customers for their support and encouragement as indicated by numerous referrals of new business, and our shareholders for being there and believing in the bank. Mission Valley Bank's success is a reflection of each of these constituencies. We look forward to this partnership continuing to prosper in the years ahead.

Sincerely,

James Bagge
Chairman of the Board

Tamara Gurney
President & CEO

James Bagge
Chairman of the Board
Mission Valley Bank
President
Helicopter Accessory Service, Inc.

Tamara G. Gurney
President & CEO
Mission Valley Bank

Marc J. Foulkrod
President & CEO
Avjet Corporation

Mark Lefever
Executive Vice President
Avjet Corporation

Darlynn Campbell Morgan
Attorney at Law

Jerold B. Neuman
Attorney at Law
Allen, Matkins, Leck, Gamble & Mallory, LLC

Patrick Visciglia
Vice President
United Title Company

Earle S. Wasserman
Chairman
Hallmark Group, Inc.

YVETTE MILLER, CEO & CORPORATE SECRETARY AND MATT MILLER, PRESIDENT OF CALIFORNIA SIGNS, INC.

More than fifteen years ago, Matt Miller began working at California Signs and in 2004 Matt & Yvette purchased the company from founders David and Ellen Rothstein. It was an exciting and fitting transition when Mission Valley Bank was able to assist the Miller's with the purchase of California Signs.

FRANK CARLISI, PRESIDENT & FOUNDER OF PERSONAL STORAGE

A charter client of Mission Valley Bank, Frank Carlisi has more than 50 years of experience in all areas of real estate development. In 1985 he founded Personal Storage as a pioneer in the industry. Today he and his children operate numerous locations throughout the area.

Mission Valley Bank strongly believes that adding value to our customer relationships will add value for our shareholders. Our consistent record of financial performance has proven the wisdom of this approach, as we demonstrate steadily rising shareholder equity and powerful appreciation in share prices.

We are following a carefully managed program of growth that allows us to bring our unique banking style to an increasing number of customers without compromising the values that are the heart of our business philosophy.

Something so simple and yet so important as access to a knowledgeable banker has become difficult to find in the impersonal world of giant banks whose decision-makers operate at a distance from their customers. At Mission Valley Bank we offer a better approach – it is closeness to our customers that we have maintained from the very day of our founding.

We are proud to be a community bank and, perhaps more than anything else, community banking is about caring. Our approach to banking also includes carefully listening to our customers, then recommending financial solutions that truly serve their needs. We understand that true relationship banking requires extra effort, but it also yields extra rewards. Customers of Mission Valley Bank know that they can count on us whenever they need responsive financial problem solving.

We believe that our employees and the personality of our Bank set us apart from other banks. When employees feel good about where they work and what they do, they strive to create a positive experience for our customers. As customers enjoy a level of unsurpassed service with us, they tell others. From top management to front-line customer service representatives, our employees have shown a sincere enthusiasm for their work and a passion for helping and serving customers.

Included in this annual report are a few customers who typify the growing businesses who bank with us. Our objective is to provide a productive partnership that helps every customer to better manage his or her business. As we grow, we look forward to continuing to offer in-depth banking relationships to an expanding number of business customers.

Mission Valley Bank continually strives to implement new technologies and to increase our collective knowledge to gain a distinct advantage over our competition. We use technology to enhance the personal quality of our service and never to replace it. This helps employees serve customers more efficiently, bringing them an ever-increasing level of personal service.

In the future, we seek new horizons of growth in the increasingly diverse markets that lie beyond our current service areas. We will pursue these growth opportunities with the same concern for strength and service that have always been the standards by which we measure our success. We see a bright future for Mission Valley Bank and are ready for the challenges of tomorrow.

Mark Schutz, Yoon Lee, David Schutz, Tony Schutz & Jay Schutz of All Corked Up

Known as one of the Santa Clarita Valley's most successful restaurateur families, the Schutz's came to Mission Valley Bank with a vision of their newest and most exciting venture – All Corked Up. With the world's best wines, fine dining, a relaxed atmosphere, and a state-of-the-art wine storage facility, All Corked Up has become a true wine lover's haven.

MISSION VALLEY BANK

ANNUAL REPORT

FINANCIAL STATEMENTS

Balance Sheets

December 31,	2004	2003
ASSETS		
Cash and due from banks	$ 4,321,871	$ 3,046,453
Federal funds sold	-	2,430,000
Cash and cash equivalents	4,321,871	5,476,453
Interest-bearing deposits with banks	6,877,906	5,485,288
Securities available-for-sale	11,458,679	13,422,113
Common stock, substantially restricted	750,100	120,000
Loans, net	78,222,602	51,180,771
Premises and equipment, net	1,406,293	1,314,924
Deferred tax asset	142,454	157,700
Cash surrender value life insurance	2,554,962	1,430,480
Accrued interest receivable and other assets	554,954	420,253
TOTAL ASSETS	$ 106,289,821	$ 79,007,982
LIABILITIES		
Deposits		
Noninterest-bearing demand	$ 27,391,881	$ 21,415,698
Interest-bearing demand	19,657,352	14,404,756
Savings	7,134,974	5,188,430
Time, under $100,000	4,330,574	3,737,307
Time, $100,000 and over	36,715,259	25,002,516
Total deposits	95,230,040	69,748,707
Fed funds purchased	1,220,000	-
Allowance for unfunded commitments	28,130	21,045
Accrued interest payable and other liabilities	228,327	117,430
Total liabilities	96,706,497	69,887,182
STOCKHOLDERS' EQUITY		
Common stock - no par value; 10,000,000 shares authorized; 1,087,418 shares outstanding at 2004 and 1,085,543 shares outstanding at 2003	9,349,520	9,334,520
Retained earnings (accumulated deficit)	276,177	(165,741)
Accumulated other comprehensive loss	(42,373)	(47,979)
Total stockholders' equity	9,583,324	9,120,800
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 106,289,821	$ 79,007,982

The accompanying notes are an integral part of these financial statements.

For the years ended December 31,	2004	2003
INTEREST INCOME		
Interest and fees on loans	$ 4,083,309	$ 2,442,119
Interest on federal funds sold	52,942	50,003
Interest on securities	794,837	644,161
Total interest income	4,931,088	3,136,283
INTEREST EXPENSE ON DEPOSITS	1,111,366	855,326
NET INTEREST INCOME	3,819,722	2,280,957
PROVISION FOR LOAN LOSSES	407,000	291,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,412,722	1,989,957
NONINTEREST INCOME		
Service charges and other income	842,970	677,146
Gain on sale of securities	40,176	51,840
Interest earned on life insurance	101,450	77,268
Merchant discount income	251,950	181,552
Other income	16,322	8,104
Total noninterest income	1,252,868	995,910
NONINTEREST EXPENSE		
Salaries and employee benefits	1,965,806	1,197,525
Occupancy	222,837	75,873
Furniture and equipment	422,676	278,070
Data processing	289,676	246,052
Advertising	180,972	94,839
Legal, professional, and consulting	204,522	164,512
Office supplies	54,336	46,192
Merchant discount expense	210,745	152,855
Other operating	407,325	232,679
Total noninterest expense	3,958,895	2,488,597
INCOME FROM BANK OPERATIONS	706,695	497,270
INCOME TAX (BENEFIT) PROVISION	264,777	(117,299)
NET INCOME	$ 441,918	$ 614,569

The accompanying notes are an integral part of these financial statements.

Statements of Stockholders' Equity

For the years ended December 31, 2004 and 2003

	Common Stock no par value; 10,000,000 shares authorized Shares Outstanding	Amount	Retained Earnings/ Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
BALANCE, January 1, 2003	755,904	$ 6,073,250	$ (780,310)	$ (54,073)	$ 5,238,867
Proceeds from stock offering	329,639	3,261,270	-	-	3,261,270
Net income	-	-	614,569	-	614,569
Unrealized losses on investment securities, net of taxes	-	-	-	36,628	36,628
Reclassification adjustment for realized gains on investments securities, net of $21,306 of taxes	-	-	-	(30,534)	(30,534)
Total comprehensive income					620,663
BALANCE, December 31, 2003	1,085,543	9,334,520	(165,741)	(47,979)	9,120,800
Proceeds from the exercise of stock options	1,875	15,000	-	-	15,000
Net income	-	-	441,918	-	441,918
Unrealized losses on investment securities, net of taxes	-	-	-	29,270	29,270
Reclassification adjustment for realized gains on investments securities, net of $16,512 of taxes	-	-	-	(23,664)	(23,664)
Total comprehensive income					447,524
BALANCE, December 31, 2004	1,087,418	$ 9,349,520	$ 276,177	$ (42,373)	$ 9,583,324

The accompanying notes are an integral part of these financial statements.

For the years ended December 31,	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 441,918	$ 614,569
Adjustments to reconcile net income to net cash used for operating activities:		
Provision for loan losses	407,000	291,000
Depreciation and amortization	291,208	189,927
Amortization of deferred loan fees	70,229	72,767
Net accretion of discount and amortization of premium	66,147	286,842
Gain realized on the sale of securities	(40,176)	(51,840)
Loss on disposal of premises and equipment	3,781	-
Decrease (increase) in deferred tax asset	15,246	(157,700)
Increase in value of cash surrender life insurance	(89,482)	(72,480)
Increase in accrued interest receivable and other assets	(134,701)	(130,191)
Increase in accrued interest payable and other liabilities	147,668	70,263
Net cash provided by operating activities	1,178,838	1,113,157
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of premises and equipment	(396,738)	(1,102,346)
Proceeds from sales of premises and equipment	3,300	-
Purchase of bank owned life insurance	(1,035,000)	-
Investment in interest bearing deposits with banks, net	(1,392,618)	(1,308,288)
Sales and principal maturities of securities available-for-sale	10,049,993	14,126,940
Purchases of securities available-for-sale	(8,136,615)	(9,409,406)
Purchase of common stock, substantially restricted	(630,100)	-
Recoveries of loans previously charged off	6,818	500
Net increase in loans	(27,518,793)	(27,347,492)
Net cash used in investing activities	(29,049,753)	(25,040,092)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of common stock	15,000	3,261,270
Increase in fed funds purchased	1,220,000	-
Net increase in deposits	25,481,333	19,670,266
Net cash provided by financing activities	26,716,333	22,931,536
Decrease in Cash and Cash Equivalents	(1,154,582)	(995,399)
Cash and Cash Equivalents, beginning of year	5,476,453	6,471,852
Cash and Cash Equivalents, end of year	$ 4,321,871	$ 5,476,453
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	$ (40,584)	$ 753,540
Income taxes	$ 34,000	$ -

The accompanying notes are an integral part of these financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - On July 12, 2001, a state banking charter was granted to Mission Valley Bank (hereinafter the "Bank"). Mission Valley Bank provides a full range of banking services to individual and corporate customers through one branch located in Sun Valley, California, and one branch location in Valencia, California, which opened in 2004. The Bank generates commercial and consumer loans and receives deposits from customers located primarily in Los Angeles County, California and the surrounding areas. As a state bank, the Bank is subject to regulation by the California Department of Financial Institutions ("DFI") and the Federal Deposit Insurance Corporation ("FDIC").

On February 18, 2003, the Board of Directors approved a five-for-four stock split which resulted in the issuance of 151,176 shares of additional common stock. During the year ended December 31, 2003, the Bank also underwent a secondary offering which resulted in the issuance of an additional 329,639 shares of common stock, the proceeds of which amounted to $3,261,270, net of capital raising cost and expenses.

Financial Statement Presentation and Use of Estimates - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the balance sheet. These estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimated amounts.

Reclassification - Certain prior year amounts have been reclassified to conform to current year presentation.

Concentrations of Credit Risk - Assets and liabilities that subject the Bank to concentrations of credit risk consist of interest bearing deposits at other banks, investments, loans and deposits. Most of the Bank's customers are located within Los Angeles County and the surrounding areas. As of December 31, 2004, one customer's deposit accounts amounted to approximately $9,500,000 or 10% of the Bank's total deposits.

The types of securities the Bank invests in are discussed in Note 2 and the Bank's primary lending products are discussed in Note 3.

Cash and cash equivalents - For purposes of the statement of cash flows, cash and cash equivalents include cash, balances due from banks, and federal funds sold, that are purchased with an original maturity of less than ninety days.

Certificates of deposit - Interest bearing deposits in banks are purchased with an original maturity date greater than ninety days and are carried at cost. Interest-bearing deposits with banks include certificates of deposit in major financial institutions located throughout the United States of America. At times, these deposits exceed the FDIC insured amount of $100,000.

Securities - The Bank is required to specifically identify its securities as "held-to-maturity," "available-for-sale" or "trading". The Bank did not invest in securities that were classified as trading or held-to-maturity during the years ended December 31, 2004 or 2003.

Securities available-for-sale consists of securities not classified as trading securities or as held-to-maturity. Securities available-for-sale are recorded at fair value. Fair values for these investment securities are based on quoted market prices. Unrealized holdings gains and losses, net of tax, on available-for-sale securities are reported as other comprehensive income (loss) and carried as accumulated comprehensive income (loss) within stockholders' equity until realized.

Premiums and discounts on purchased securities are recognized in interest income using the effective interest method over the term of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below cost that are deemed to be other than temporary are reflected in earnings as realized losses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans - The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is secured by real estate throughout Los Angeles County and the surrounding areas. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in the area.

Loans that management has the intent and ability to hold for the foreseeable future, until maturity or until pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the effective interest method.

The accrual of interest on loans is discontinued at the time a loan becomes ninety-days delinquent unless the credit is well secured and in process of collection. In some cases, loans can be placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not collected, for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until the loans qualify for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due become current and future payments are reasonably assured.

Allowance For Loan Losses - The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectibility of loan principal becomes unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on an on-going basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, changes in the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as conditions change.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting future scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial, construction, and consumer term loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Premises and Equipment - Equipment, furniture and fixtures are carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of improvements. Maintenance and repairs are expensed as incurred while major improvements or additions are capitalized. Gains and losses on dispositions are included in current operations.

Other Real Estate Owned - Real estate acquired through, or in lieu of, loan foreclosure is held for sale and is recorded at the lower of the Bank's carrying amount or fair value less estimated selling costs as of the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of adjusted basis or fair value less estimated costs to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding the property are expensed. Gains and losses on the sale of other real estate owned and write-downs resulting from periodic revaluation of the property are charged to other operating expense. The Bank does not have any other real estate owned at December 31, 2004 or 2003.

Advertising Costs - Advertising costs of $180,972 and $94,839 for the years ended December 31, 2004 and 2003, respectively, were expensed as incurred.

Financial Instruments - In the ordinary course of business, the Bank has entered into off-balance sheet agreements consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Income Taxes - The Bank records its provision for income taxes under the asset and liability method. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Deferred taxes result from temporary differences in the recognition of certain income and expense amounts between the Bank's financial statements and its tax return. The principal items giving rise to these differences include the allowance for loan losses, unused net operating losses, accruals for interest income and expense, and organization and start-up costs.

Employee Compensation and Benefits - The Bank procures all of its labor from an independent staffing provider. The provider is responsible for the hiring, administrative maintenance, payroll processing, and compensation, including income taxes, of all Bank employees. The Bank pays the provider a fee for these services.

Stock Option Plan - The Bank has a stock-based employee compensation plan, which is more fully described in Note 12. The Bank accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Stock-based employee compensation cost is not reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income if the Bank had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation. The significant assumptions used by the Bank's management in computing these amounts are disclosed in Note 12.

	2004	2003
Net income	$ 441,918	$ 614,569
Additional compensation for fair value of stock options, net of taxes	(38,545)	(22,000)
Proforma net income	$ 403,373	$ 592,569

The following assumptions were used in determining the fair value:

	2004	2003
Vesting period	4 years	4 years
Risk-free Interest Rate	4.36%	4.27%
Dividend Yield Rate	0%	0%
Price Volatility	34%	3%
Weighted average expected life of options	8 years	10 years

COMPREHENSIVE INCOME - Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in stockholders' equity from non-owner sources, such as gains and losses on available-for-sale securities, are reported with net income as comprehensive income and shown as a separate component of the equity section of the balance sheet. For the years ended December 31, 2004 and 2003, holding gains (losses) on available-for-sale securities were the only items of comprehensive income (loss) other than net income for the respective period.

FEDERAL HOME LOAN BANK AND PACIFIC COAST BANKERS BANK STOCK - As a member of the Federal Home Loan Bank (FHLB), the Bank is required to purchase FHLB stock in accordance with its advances, securities and deposit agreement. The stock is available-for-sale and may be redeemed at par value, however only in connection with the Bank surrendering its FHLB membership. The Bank also invests in the stock of Pacific Coast Bankers' Bank ("PCBB"), in connection with its correspondent banking arrangement with PCBB. These investments are carried at cost as of December 31, 2004 and 2003 and are included in common stock, substantially restricted on the balance sheet.

RECENT ACCOUNTING PRONOUNCEMENTS - The following paragraphs describe the recent accounting pronouncements affecting the Bank:

"ACCOUNTING FOR CERTAIN LOANS OR DEBT SECURITIES ACQUIRED IN A TRANSFER"- In December 2003, the Accounting Standards Executive Committees of the American Institute of Certified Public Accountants issued Statement of Position 03-3 ("SOP 03-3"), which addresses the accounting for certain loans acquired in a transfer when it is probable, at acquisition, that the investor will be unable to collect for all contractually required payments receivable. SOP 03-3 is to be applied prospectively, effective for loans acquired in years beginning after December 15, 2004. SOP 03-3 requires acquired loans with evidence of credit deterioration to be recorded at fair value and prohibits recording any valuation allowance related to such loans at the time of the purchase. This SOP limits the yield that may be accreted on such loans to the excess of the investor's estimated cash flows over its initial investment in the loan. The excess of contractual cash flows over cash flows expected to be collected are recognized prospectively through adjustment of the loan's yield over its remaining life. Decreases in cash flows are expected to be collected are recognized as impairment. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. At this time, there is no effect to the Bank; however, the Bank would need to consider the provisions of SOP-03-3, if it entered into an acquisition agreement.

"THE MEANING OF "OTHER-THAN-TEMPORARY" IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS"- In March 2004, the Financial Accounting Standards Board ("FASB") ratified the consensuses reached by the Emerging Issues Task Force ("EITF") regarding Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". Issue 03-1 provides guidance on recognition and measurement of other-than-temporary impairment and its application to certain investments, including all debt securities and equity securities that are subject to the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

On September 30, 2004, FASB issued a proposed Board-directed Staff Position, FSP EITF Issue 03-1-a, Implementation Guidance for the Application of Paragraph 16 of EITF issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The proposed FSP will provide implementation guidance with respect to debt securities that are impaired solely due to interest rates and/or sector spreads and analyzed for other-than-temporary impairment under paragraph 16 of Issue 03-1. The Board has delayed the effective date to provide further implementation guidance. This delay does not suspend the requirement to recognize other-than-temporary impairments as required by existing authoritative literature. The delay of the effective date for paragraphs 10-20 of Issue 03-1 will be superseded concurrent with the final issuance of FSB EITF Issue 03-1-a. Management does not expect implementation to have a material impact on the Bank's results of operations.

"STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 123 (REVISED 2004)" - On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supercedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

This Statement is effective for non-public entities as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The Bank expects to adopt Statement 123(R) on January 1, 2006.

As permitted by Statement 123, the Bank currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R)'s fair value method will have an impact on the Bank's results of operations, although it will have no impact on the overall financial position. The impact of adoption of Statement 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Bank adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the pro forma net income included in the summary of significant accounting policies shown above.

Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under the current literature. This requirement would reduce net operating cash flows and increase net financing cash flows in the periods after adoption. The Bank cannot estimate what those amounts will be in the future because they depend on, among other things, when employees exercise stock options.

2 - SECURITIES AVAILABLE-FOR-SALE

The Bank's securities are available-for-sale. The amortized cost of securities and their approximate fair values at December 31 are:

	2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage and asset-backed securities	$ 4,844,357	$ 20,286	$ (49,192)	$ 4,815,451
U.S. agency securities	4,081,479	-	(13,636)	4,067,843
Corporate bonds	1,004,907	-	(6,967)	997,940
Mutual funds	1,600,000	-	(22,555)	1,577,445
Total available-for-sale	$ 11,530,743	$ 20,286	$ (92,350)	$ 11,458,679

	2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage and asset-backed securities	$ 6,818,196	$ 25,199	$ (66,585)	$ 6,776,811
U.S. agency securities	2,989,458	4,652	(1,468)	2,992,642
Corporate bonds	2,062,437	17,538	(11,675)	2,068,300
Mutual funds	1,600,000	-	(15,640)	1,584,360
Total available-for-sale	$ 13,470,091	$ 47,389	$ (95,368)	$ 13,422,113

The amortized cost and estimated fair value of available-for-sale securities and certificates of deposits at December 31, 2004, by contractual or expected maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	4,097,244	4,085,153
Due after five years through ten years	3,577,864	3,561,731
Due after ten years through fifteen years	906,647	875,483
Due after fifteen years	1,348,988	1,358,867
No stated maturity	1,600,000	1,577,445
Totals	$ 11,530,743	$ 11,458,679

For the years ended December 31, 2004 and 2003, proceeds from sales of securities available-for-sale amounted to $7,772,771 and $8,532,335, respectively. The realized gains related to these sales amounted to $40,176 and $51,840, respectively.

The Bank does not have securities pledged to secure public deposits or for other purposes required or permitted by law at December 31, 2004 or 2003.

Information pertaining to securities with gross unrealized losses at December 31, 2004 aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage asset-backed securities	$ 1,830,480	$ (18,060)	$ 847,638	$ (31,133)	$ 2,678,118	$ (49,193)
U.S. Agency securities	4,067,843	(13,636)	-	-	4,067,843	(13,636)
Corporate bonds	997,940	(6,967)	-	-	997,940	(6,966)
Money Market Mutual Funds	794,063	(5,937)	783,382	(16,618)	1,577,445	(22,555)
Total	$ 7,690,326	$ (44,600)	$1,631,020	$ (47,751)	$ 9,321,346	$ (92,350)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2004, the eleven securities with unrealized losses have depreciated 1% from the Bank's amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities until maturity, or for the foreseeable future classified as available-for-sale, no declines are deemed to be other than temporary.

The Bank believes that the primary reason for the decline in value of money market mutual funds is due to the volatility of interest rates. The Bank does not believe that the decline in the net asset value of these securities has given rise to an other-than-temporary-impairment and furthermore, it has the intent and ability to hold these securities for the foreseeable future, and therefore does not expect to realize a loss on the mutual fund investment. As such, the Bank does not consider the impairment on this security to be other-than-temporary.

3 - LOANS

The major classification of loans at December 31 are summarized as follows:

	2004	2003
Real estate	$ 40,517,606	$ 30,745,952
Commercial	36,425,327	18,846,637
Consumer	1,492,205	2,154,969
Overdrafts	939,076	143,759
Gross loans	79,374,214	51,891,317
Less: deferred loan fees, net of costs	(175,270)	(140,937)
Less: allowance for loan losses	(976,342)	(569,609)
	$ 78,222,602	$ 51,180,771

Transactions in the allowance for loan losses during the year ended December 31, 2004 and 2003 are summarized as follows:

	2004	
	Loans	Unfunded Commitments
Balancing , beginning of year	$ 569,609	$ 21,045
Provision for loan losses charged to expense	407,000	-
Loans charged off	-	-
Transfers	(7,085)	7,085
Recoveries of loans previously charged off	6,818	-
Balance, end of year	$ 976,342	$ 28,130

	2003	
	Loans	Unfunded Commitments
Balancing , beginning of year	$ 295,054	$ 11,369
Provision for loan losses charged to expense	281,324	9,676
Loans charged off	(7,269)	-
Recoveries of loans previously charged off	500	-
Balance, end of year	$ 569,609	$ 21,045

The Bank had no loans not accruing interest or considered impaired as of December 31, 2004 or 2003.

4 - PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of December 31:

	2004	2003
Construction in process	$ 125,459	$ 13,441
Equipment, furniture and fixtures	1,237,474	980,245
Leasehold improvements	642,873	732,560
Total cost	2,005,806	1,726,246
Less accumulated depreciation and amortization	(599,513)	(411,322)
Premises and equipment, net	$ 1,406,293	$ 1,314,924

5 - DEPOSITS

At December 31, 2004, the scheduled maturities of time deposits are as follows:

	Time Deposits < $100,000	Time Deposits > $100,000
2005	$ 3,598,706	$ 19,147,112
2006	274,761	8,446,712
2007	415,118	1,768,134
2008	20,526	633,103
2009	21,463	6,720,198
	$ 4,330,574	$ 36,715,259

6 - FED FUND FACILITY

The Bank has an unsecured revolving line of credit with Pacific Coast Bankers Bank providing for federal fund purchases up to $2,000,000. Borrowings are payable on demand and interest on outstanding borrowings accrues at rates negotiated at the time of the borrowing. As of December 31, 2004, the Bank had $1,220,000 outstanding against the line at 3.1814%. The Bank had no outstanding borrowings against the line as of December 31, 2003.

7 - INCOME TAXES

The provision for income taxes consisted of the following for the periods ended December 31:

	2004	2003
Current:		
Federal	$ 173,458	$ 8,751
State	46,382	53,900
	219,840	62,651
Deferred:		
Federal	20,732	109,750
State	24,205	28,000
	44,937	137,750
Reduction in valuation allowance	-	(317,700)
Provision (benefit) for income taxes	$ 264,777	$ (117,299)

The following summarizes the differences between the provision for income taxes for financial statement purposes and the federal statutory rate of 34% for the years ended December 31, 2004 and 2003.

	2004	2003
Tax provision at federal statutory rate	34.0%	34.0%
State franchise tax, net of federal income tax benefit	6.3	7.2
Nondeductible expenses	(2.8)	(0.9)
Reduction in valuation allowance	-	(63.9)
Tax provision (benefit)	37.5%	(23.6)%

The tax effects of each type of significant item that gave rise to deferred taxes are:

	2004	2003
Depreciation	$ (71,516)	$ (82,000)
Accruals for income and expenses	(69,002)	43,000
Allowance for loan losses	316,723	233,000
Certain prepaid assets	(78,492)	(125,000)
Net operating losses and state taxes	14,429	64,000
Other, net	30,312	24,700
Net deferred tax asset	$ 142,454	$ 157,700

In 2003, the Bank recognized a net deferred tax asset by utilizing their federal operating loss carryforwards. The Bank has reversed its entire valuation allowance to reduce current year taxable income.

8 - REGULATORY CAPITAL

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices.

The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Under existing regulatory capital guidelines, the Bank is restricted in its ability to pay cash dividends.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets all of which are defined in the regulations.

To be categorized as adequately capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. Management believes, as of December 31, 2004 and 2003, that the Bank met all the capital adequacy requirements to which it is subject.

As of December 31, 2004, the most recent notification from the FDIC categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain a minimum total risk based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's required and actual capital amounts and ratios are as follows:

	Actual Capital		Amount of Capital Required: To Be Adequately Capitalized		Amount of Capital Required: To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2004:						
Total Risk-Based Capital to Risk Weighted Assets	$10,614,000	11.47%	$7,404,000	8.00%	$ 9,255,000	10.00%
Tier 1 Capital to Risk Weighted Assets	$ 9,610,000	10.38%	$3,702,000	4.00%	$ 5,553,000	6.00%
Tier 1 Capital to Average Assets	$ 9,610,000	8.94%	$4,301,000	4.00%	$ 5,376,000	5.00%
December 31, 2003						
Total Risk-Based Capitals to Weighted Assets	$ 9,744,000	15.35%	$5,077,000	8.00%	$ 6,346,000	10.00%
Tier 1 Capital to Risk Weighted Assets	$ 9,153,000	14.42%	$2,538,000	4.00%	$ 3,808,000	6.00%
Tier 1 Capital to Average Assets	$ 9,153,000	11.84%	$3,093,000	4.00%	$ 3,866,000	5.00%

9 - COMMITMENTS

The Bank moved into its permanent facility in June 2004. The Bank currently leases its administrative offices and the Sun Valley branch facility from a stockholder of the Bank. Rent expense for the years ended December 31, 2004 and 2003 was approximately $131,130 and $58,000, respectively. The lease expires in May 2008.

Minimum payments required under non-cancelable operating leases with terms in excess of one year are as follows for future years ending December 31:

2005	$ 121,908
2006	121,908
2007	121,908
2008	50,795
	$ 416,519

The Bank is in the process of negotiating a lease for its Valencia branch. The branch is currently located in a temporary facility under a month-to-month lease.

10 - RELATED PARTY TRANSACTIONS

The Bank grants loans to and accepts deposits from directors, officers and employees as well as to entities with which these individuals are associated. Management believes these transactions were made in the ordinary course of business under substantially the same terms and conditions, including interest rates and collateral requirements, as comparable transactions with other customers, and did not involve more than normal credit risk or present other unfavorable features. Loan balances outstanding at December 31, 2004 and 2003 were approximately $4,134,000 and $797,000, respectively. During 2004 and 2003, new loans made to such related parties amounted to approximately $2,110,000 and $7,000, respectively, and payments amounted to approximately $1,630,000 and $7,247,000, respectively. Deposits from related parties held by the Bank at December 31, 2004 and 2003 were $3,723,000 and $7,145,000, respectively.

11 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit, standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments.

At December 31, 2004, the following financial instruments were outstanding whose contract amounts represent credit risk:

Unfunded commitments under lines of credit	$ 8,864,575
Unfunded commitments under letters of credit	$ 155,292

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. All standby letters of credit issued by the Bank expire within one year of issuance. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments, if deemed necessary.

12 - STOCK OPTION PLAN

The Bank has an Employee Stock Option Plan (hereinafter the "Plan"), which provides for incentive and non-qualified stock options for employees and directors of the Bank for the purchase of up to a maximum of 150,000 shares of the Bank's common stock. The options, when granted, shall vest ratably over five years from the grant date and expire after ten years if not exercised. Option prices are the fair market value of the underlying stock as of the grant date.

Stock options transactions were:

	2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	141,250	$ 8.11	109,000	$ 10.00
Additional shares issued as a result of 2003 stock split	-	-	27,250	(1.89)
Granted	39,000	10.31	5,000	10.00
Exercised	(1,875)	(8.00)	-	-
Forfeited	(1,250)	(8.00)	-	-
Ending balance	177,125	$ 8.60	141,250	$ 8.11
Options exercisable at December 31	89,675	$ 8.25	29,500	$ 8.07
Weighted average fair value of options granted during the year		$ 3.08		$ 0.09

The following table summarizes information about stock options outstanding at December 31, 2004:

	Outstanding Options			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$8.00 - $9.00	133,125	7 Years	$ 8.00	79,875	$ 8.00
$9.01 - $10.00	41,000	9 Years	$ 10.00	9,200	$ 10.00
$10.01 - $14.00	3,000	9 Years	$ 14.00	600	$ 14.00
	177,125			89,675	

13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is the amount at which an asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Fair value estimates are made at a specific point in time based on the type of financial instrument and relevant market information.

Because no quoted market price exists for a significant portion of the Bank's financial instruments, the fair values of such financial instruments are derived based on the amount and timing of future cash flows, estimated discount rates, as well as management's best judgment with respect to current economic conditions. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision.

The fair value information provided is indicative of the estimated fair values of those financial instruments and should not be interpreted as an estimate of the fair market value of the Bank taken as a whole. The disclosures do not address the value of recognized and unrecognized non-financial assets and liabilities or the value of future anticipated business. In addition, tax implications related to the realization of the unrealized gains and losses could have a substantial impact on these fair value estimates and have not been incorporated into any of the estimates.

The following methods and assumptions were used to estimate the fair values of significant financial instruments at December 31, 2004 and 2003:

Cash and short-term investments – The carrying amounts of cash and short-term investments approximate their fair value.

Interest-bearing deposits in banks – Interest-bearing deposits in banks are reported at their fair values based on quoted market prices.

Investment securities, available-for-sale – Investment securities, available-for-sale, are reported at their fair values based on quoted market prices.

Common stock, substantially restricted – The carrying amounts of common stock, substantially restricted, which include FHLB stock and PCBB stock, are considered to reasonably estimate their fair value.

Loans – For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. The fair values for other loans (e.g., real estate construction and mortgage, commercial and installment loans) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Accrued interest – The carrying amounts of accrued interest approximate their fair value.

Deposits – The fair values of demand deposits, savings deposits and money market accounts were the amounts payable on demand at December 31, 2004 and 2003. The fair value of time deposits was based on the discounted value of contractual cash flows. The discount rate was estimated utilizing the rates currently offered for deposits of similar remaining maturities.

Short-term borrowings – For such short-term borrowings, the carrying amount was considered to be a reasonable estimate of fair value.

Commitments to extend credit and letters of credit – The estimated fair value of financial instruments with off-balance sheet risk is not significant at December 31, 2004 and 2003.

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS				
Cash and other short-term investments	$ 4,321,871	$ 4,321,871	$ 5,476,453	$ 5,476,453
Interest-bearing deposits with banks	6,877,906	7,154,000	5,485,288	5,613,000
Common stock, substantially restricted	750,100	750,100	120,000	120,000
Investment securities, available-for-sale	11,458,679	11,458,679	13,422,113	13,422,113
Loans, net	78,222,602	77,808,000	51,180,771	52,488,000
Accrued interest receivable	326,568	326,568	249,369	249,369
FINANCIAL LIABILITIES				
Deposits	$ 95,230,040	$ 89,966,000	$ 69,748,707	$ 68,909,000
Fed funds purchased	1,220,000	1,220,000	-	-
Accrued interest payable	40,584	40,584	27,812	27,812

To the Board of Directors
Mission Valley Bank

We have audited the accompanying balance sheets of Mission Valley Bank as of December 31, 2004 and 2003 and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Valley Bank as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California

January 28, 2005

Your Success is Our Mission

Financial products & services designed to meet the unique needs of each of our clients.

Complete Business & Personal Banking Services
Commercial Real Estate Acquisition
SBA Financing
Construction Loans
Business Financing
Lines of Credit
Equipment Financing
Apartment Financing
Leasing
Home Equity Loans
Mortgage Financing
Letters of Credit
Cash Management
Merchant BankCard Service
Payroll Services
Debit Cards
Online Banking
Savings Products
Retirement Products
Credit – Debit & ATM Cards
Overdraft Protection
Online Bill Payment
Time Deposits
Notary Services
International Services
Courier Services
Safe Deposit Services

Board of Directors:

James Bagge
Chairman of the Board
Mission Valley Bank
President
Helicopter Accessory Service, Inc.

Tamara G. Gurney
President & CEO
Mission Valley Bank

Marc J. Foulkrod
President & CEO
Avjet Corporation

Mark Lefever
Executive Vice President
Avjet Corporation

Darlynn Campbell Morgan
Attorney at Law

Jerold B. Neuman
Attorney at Law
Allen, Matkins, Leck,
Gamble & Mallory, LLC

Patrick Visciglia
Vice President
United Title Company

Earle S. Wasserman
Chairman
Hallmark Group, Inc.

Executive Committee:

Tamara G. Gurney
President & CEO

Marianne L. Cederlind
Senior Vice President

Jim Hackbarth
Senior Vice President
Chief Credit Officer

Linda Rousseau
Senior Vice President
Cashier

Officers:

Administration:

Cindy Albers
Vice President / Compliance Officer

Traci Bunker
Vice President / Information Systems

Carrie Campbell-Davis
Vice President / Marketing Manager

Sandy Konish
Vice President / Operations

Sandra Kay
Assistant Vice President /
Loan Servicing Manager

Sun Valley Office:

Carol Dignard
Vice President / Manager

Tom Odegard
Vice President / Commercial Lending

Elizabeth Halif
Assistant Vice President / Operations Manager

Lola Forbis
Loan Officer

Valencia Office:

Mark De Mik
Senior Vice President, Manager

Greg Wells
Vice President / Commercial Lending

COMMON STOCK

Effective February 12, 2004, Mission Valley Bank's stock began trading on the Bulletin Board in the over-the-counter market with our new symbol "MVBS". As of December 31, 2004 there were approximately 300 shareholders of record and 1,087,418 shares of common stock issued and outstanding.

STOCK INFORMATION

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STOCK TRANSFER AGENT

Shareholders with inquiries about accounts, lost stock certificates, or changes of address, may contact U.S. Stock Transfer Corporation by calling (818) 502-1404 between 9:00 a.m. and 5:00 p.m. Pacific Time. Written correspondence may be sent to:

U.S. Stock Transfer Corporation
1745 Gardena Avenue
Glendale, CA 91204

MISSION VALLEY BANK

Your Success is Our Mission

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