



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 5, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ramona National Bank
Charter Number 24100**

**1315 Main Street
Ramona, California 92065**

**Office of the Comptroller of the Currency
Southern California South Field Office
1925 Palomar Oaks Way, Suite 202
Carlsbad, California 92008**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Ramona National Bank (Ramona) satisfactorily meets the credit needs of its assessment area (AA).

- Ramona originated a substantial majority of its loans within the AA.
The bank's quarterly average loan-to-deposit ratio is reasonable.
The bank's loan distribution by income meets the standards for a satisfactory rating.
- The bank's geographic distribution of loans meets the standards for a satisfactory rating.
The bank did not receive any complaints about its performance in helping to meet AA credit needs during the evaluation period.
We found no evidence of illegal discrimination or other illegal credit practices.

Examiners reviewed a sample of loans originated from January 1, 2002 to December 31, 2003. Loans originated in 2002 were compared to 1990 U.S. Census data, while loans originated in 2003 were compared to 2000 Census data. We used separate census data because the 2000 census data became effective in January 2003 and changed boundaries and income levels of many existing census tracts, deleted some census tracts, and created many new ones.

DESCRIPTION OF INSTITUTION

Ramona National Bank is a \$26 million community bank located in Ramona, California. The main office is located at 1315 Main Street, Ramona. There are no branch offices. The bank offers a full range of credit products within its AA including commercial, consumer, and residential real estate loans. The bank's primary loan products are commercial loans and consumer loans. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. This is Ramona's first CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA encompasses all of San Diego County and is located within the San Diego Metropolitan Area (MA). Both 1990 and 2000 U.S. Census data show this AA contains low- and moderate-income (LMI) geography tracts. Census data from 1990 shows the AA has 445 census tracts with 122 LMI tracts. Census data from 2000 shows the AA has 605 census tracts with 183 LMI tracts. These LMI tracts are spread throughout the county, with a high concentration in and around the city of San Diego. The bank is located in a rural, geographically isolated community of North San Diego County. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any LMI areas.

Examiners contacted a local community organization during this review. The contact stated there is an ongoing need in the community for working capital loans to small business owners, in the amount of \$25,000 to \$100,000.

Please refer to Ramona National Bank's CRA public file for more information about the AA.

DETERMINATION OF PRIMARY LOAN PRODUCTS

The table lists the outstanding balances of the bank's major loan products as of December 31, 2003.

Ramona National Bank Loan Portfolio as of December 31, 2003				
Loan Type	Number	Percentage	Dollar	Percentage
Loans secured by Residential Real Estate	21	10	2,760,588	22
Commercial	53	25	3,273,000	26
Commercial Real Estate	39	19	5,769,412	45
Consumer	96	46	972,000	7
Total	209	100	12,775,000	100

The bank's primary loan products are commercial loans (including commercial real estate loans) and consumer loans. Commercial loans are the largest loan type by dollar amount. Consumer loans are a primary loan product by number. This is reasonable, because the bank promotes itself as a locally owned bank serving small businesses and consumers in Ramona and its adjacent communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING IN THE ASSESSMENT AREA

Ramona exceeded the standards for originating loans in its AA. Examiners found 86% of the number and 79% of the dollar volume of loans were originated within the bank's AA. This conclusion is based on our sample of commercial loans and consumer loans.

LOAN TO DEPOSIT RATIO

Ramona's average quarterly loan-to-deposit ratio over the past eight quarters is reasonable at 65%. The eight-quarter average of similarly situated financial institutions chartered in the bank's assessment area is 39%, with a range of 26% to 65%.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

Ramona's record of lending to businesses of different sizes throughout the AA is satisfactory. Ramona's loan distribution by borrower income meets the standards for a satisfactory rating. The bank has good loan penetration among businesses of different sizes and households of different income levels. The following tables show the results for each loan sample.

Lending to Businesses of Different Sizes

The following table displays the bank's lending practices based on our sample of 2002 business borrowers.

Borrower Distribution of 2002 Loans to Businesses in San Diego County		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	69	6
% of Bank Loans in AA by #	55	45
% of Bank Loans in AA by \$	39	61

Demographic Data Source: Dunn and Bradstreet

** 25% of AA businesses did not report revenue data*

The table shows 55% of the number of Ramona's 2002 business borrowers generated gross annual revenues of \$1 million or less. This compares reasonably to Dunn and Bradstreet data that shows 69% of reporting businesses had gross annual revenues of \$1 million or less.

The following table displays the bank's lending practices based on our sample of 2003 business borrowers.

Borrower Distribution of 2003 Loans to Businesses in San Diego County		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	65	5
% of Bank Loans in AA by #	95	
% of Bank Loans in AA by \$	82	

Demographic Data Source: Dunn and Bradstreet

** 30% of AA businesses did not report revenue data*

The table shows 95% of the number of Ramona's 2003 business borrowers generated gross annual revenues of \$1 million or less. This exceeds Dunn and Bradstreet data that shows 65% of reporting businesses had gross annual revenues of \$1 million or less.

The bank's performance is consistent with its business strategy to focus on small-to-medium sized businesses. During 2002, which is the bank's first year of operations, management purchased loans from larger banks and brought in existing commercial loan relationships from out of the area. Many of these borrowers are businesses with annual revenues exceeding \$1 million. Purchased participation loans (extended to larger commercial borrowers) contributed to a lower percentage of lending to businesses with gross annual revenues of \$1 million or less in

2002. In 2003, the borrower distribution of loans to businesses with gross annual revenues of \$1 million or less improved when compared with both the prior year and 2003 business demographic data. This is because the bank originated more loans locally, which reflects favorably on Ramona’s performance in this criterion.

Lending to Borrowers of Different Income Levels

The following table displays the bank’s lending practices to consumers within the AA.

Borrower Distribution of Consumer Loans in San Diego County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
2002 Sample ¹	22	20	17	5	21	15	40	60
2003 Sample ²	22	25	17	20	19	25	42	30

Demographic Data Source: ¹ 1990 U.S. Census
2000 U.S. Census

The bank meets the standards of lending to borrowers of different income levels for our sample of consumer loans. The above table shows in 2002, 20% of the consumer borrowers have low-income levels and 5% of borrowers have moderate-income levels. This is reasonable when compared to 1990 U.S. Census data, which shows 22% of households in the AA have low-income levels and 17% of households have moderate-income levels. The table also shows in 2003, 25% of Ramona’s consumer borrowers have low-income levels, and 20% have moderate-income levels. These percentages exceed the 2000 U.S. Census data that shows 22% of low-income households and 17% of moderate-income households in the AA. The bank’s 2003 performance improved as it increased its presence in the community.

GEOGRAPHIC DISTRIBUTION OF LOANS

A comparison of Ramona’s two primary loan types reveals that the bank’s geographic distribution of loans throughout the AA meets the standards for a satisfactory rating. The loan distribution reflects reasonable dispersion throughout the AA for both commercial loans and consumer loans.

Geographic Distribution of Business Loans

The following table displays the bank’s geographic lending practices to commercial businesses based on our sample of business borrowers.

Geographic Distribution of Loans to Businesses in San Diego County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
2002 Sample	5	0	22	10	38	70	35	20
2003 Sample	3	0	23	15	43	35	31	45

Demographic Data Source: Dunn and Bradstreet

The table shows that in 2002, 5% of businesses are located in low-income tracts and 22% of businesses are located in moderate-income tracts. In comparison, none of the bank’s commercial borrowers are located in low-income tracts and only 10% of commercial borrowers are located in moderate-income tracts. This is understandable because in 2002, the community of Ramona did not have any low- or moderate-income census tracts.

The table also shows that in 2003, 3% of businesses are located in low-income tracts, while 23% of businesses are located in moderate-income tracts. When compared to the bank’s performance again, there are no commercial borrowers located in low-income tracts, but borrowers located in the moderate-income tracts increased to 15%. In 2003, the bank again did not have any low-income tracts in the community of Ramona, but did have one moderate-income level tract.

The bank’s geographic distribution record of providing commercial loans throughout the AA, including the LMI tracts, is reasonable. Ramona’s ability to originate loans in LMI areas is severely restricted by their geographic isolation. In both 2002 and 2003, neither Ramona, nor its adjacent communities contained any low-income census tracts. In 2003, the demographics changed slightly so that Ramona now contained one moderate-income census tract. Outside of Ramona, the closest LMI tracts are located in Escondido, which is approximately 15 miles distance and accessible only via a two-lane, mountain road. Overall, we concluded that Ramona’s performance in providing business loans throughout the AA meets the standards for a satisfactory rating because it is lending to the businesses within its local community.

Geographic Distribution of Consumer Loans

The following table displays the geographic distribution of the bank’s lending practices based on our sample of consumer borrowers.

Geographic Distribution of Consumer Loans in San Diego County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of Households	% of Number of Loans	% of Households	% of Number of Loans
2002 Sample ¹	5	0	23	5	46	35	26	60
2003 Sample ²	7	0	23	20	39	30	32	50

Demographic Data Source: ¹ 1990 U.S. Census
² 2000 U.S. Census

The above table shows the bank did not originate any consumer loans in low-income tracts in either 2002 or 2003. This is understandable because there are no low-income tracts in Ramona. The table also shows that in 2002, 5% of consumer borrowers are located in moderate-income tracts, and in 2003, this increased to 20% of consumer borrowers. In 2002, Ramona did not have any moderate-income tracts, but received one moderate-income tract in 2003. The geographic distribution record of the bank’s consumer loans is impacted by the same factors that restricted its lending to commercial businesses – geographic location, the lack of LMI tracts in the community in 2002, and only one LMI tract in its community in 2003. The bank is lending to consumers who are physically located in Ramona and its adjacent communities. Overall, based on the restrictions described, we concluded that Ramona’s geographic distribution record on consumer lending meets the standards for a satisfactory rating.

RESPONSE TO COMPLAINTS

The bank did not receive any consumer complaints regarding its CRA performance during the assessment period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of illegal discrimination or other illegal credit practices.