MID-STATE BANCSHARES
Form 424B1
September 22, 2003

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To the Shareholders of Ojai Valley Bank
A MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

The board of directors of Ojai Valley Bank has approved an agreement pursuant to which Ojai will merge with and into Mid-State Bank & Trust, which will continue as the wholly-owned subsidiary of Mid-State Bancshares.

In the transaction, shareholders of Ojai will have the election to receive shares of common stock of Mid-State Bancshares, cash or a combination in exchange for their shares of Ojai stock. Shareholders of Ojai who elect to receive stock will receive shares of Mid-State Bancshares' common stock in accordance with the exchange ratio set forth in the merger agreement for each share of Ojai common stock that they own. The amount of cash and/or Mid-State Bancshares common stock received depends upon the performance of Mid-State Bancshares common stock shortly before the closing of the merger. If Mid-State Bancshares "average closing price" is between $16.62 and $20.32, the exchange ratio will be calculated by dividing $68.50 by the "average closing price." If the "average closing price" is above $20.32, the exchange ratio becomes fixed at 3.371 and, if the "average closing price" is less than $16.62, the exchange ratio becomes fixed at 4.121. Shareholders of Ojai electing cash will receive an amount in cash equal to the "average closing price" multiplied by the exchange ratio.

Our agreement provides that 50% of the total consideration paid in the transaction must be in Mid-State common stock and 50% in cash. Since it is unlikely that the election process will result in exactly a 50%/50% division, we cannot guarantee each shareholder will receive exactly the amount of cash or stock as they elect. Proration procedures have been established to handle excess demand of one or the other, which is described in this proxy statement/prospectus.

We expect the transaction to be tax-free to Ojai's shareholders who elect to and receive Mid-State common stock. Cash paid in lieu of fractional shares and cash paid pursuant to those shareholders electing cash will be taxable. Upon completion of the merger, we expect that the shareholders of Ojai will own approximately 2.1% of the outstanding common stock of Mid-State Bancshares.

We will hold a special meeting at which we will ask our shareholders to approve the agreement and the proposed merger. Information about this meeting and the merger is contained in this proxy statement/prospectus. **In particular, see "Risk Factors" beginning on page 14.** We urge you to read this document carefully and in its entirety.

Whether or not you plan to attend the meeting, please vote as soon as possible to make sure that your shares are represented at the meeting. If you do not vote, it will have the same effect as voting against the merger.

Our board of directors unanimously recommends that our shareholders vote FOR the merger.

Alan Rains	Shari Skinner
Chairman of the Board	President and Chief Executive Officer
Ojai Valley Bank	Ojai Valley Bank

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE MERGER OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated September 19, 2003 and is first being mailed to shareholders on or about September 23, 2003.

Notice of Special Meeting of Ojai Valley Bank

Date:	October 23, 2003
Time:	5:00 pm
Place:	1207 Maricopa Highway Ojai, California 93023

To Ojai Valley Bank Shareholders:

We are pleased to notify you of, and invite you to, a special meeting of shareholders. At the meeting you will be asked to vote on the following matter:

Proposal to approve the principal terms of the merger and the merger agreement pursuant to which Ojai Valley Bank will merge with and into Mid-State Bank & Trust, which will continue to be the wholly-owned subsidiary of Mid-State Bancshares as described in the attached proxy statement/prospectus.

Shareholders of record at the close of business on September 19, 2003 may vote at the meeting.

Under California law, holders of Ojai stock who dissent from the merger and comply with certain provisions will be entitled to receive a cash payment for their shares. A summary of the applicable requirements of California law is contained in the attached proxy statement/prospectus under the caption "The Merger Dissenters' Rights." In addition, the text of the applicable provisions of California law is attached as Appendix C to the attached proxy statement/prospectus.

Your vote is important. Please complete, sign, date and return your proxy card in the enclosed envelope.

By order of the Board of Directors

SUSAN BROWN
Secretary

September 19, 2003

Table of Contents

This document incorporates important business and financial information about Mid-State Bancshares from documents that Mid-State has filed with the Securities and Exchange Commission but that have not been included in or delivered with this document. For a listing of documents incorporated by reference into this document, see the section entitled "Where You Can Find More Information" beginning on page 75 of this document.

Mid-State has arranged to provide you with copies of this information, without charge, upon written or oral request to:

Mr. James G. Stathos
Executive Vice President
Mid-State Bancshares
1026 Grand Avenue
Arroyo Grande, California 93420
(805) 473-7700

In addition, you may obtain copies of these documents on Mid-State's website, http://www.midstatebank.com. Information included or referenced on this website is not part of this document

In order for you to receive timely delivery of the documents in advance of the meeting, Mid-State should receive your request no later than October 9, 2003.

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is happening in this transaction?

A: Ojai Valley Bank is merging with and into Mid-State Bank & Trust. The merger is governed by the Agreement to Merge and Plan of Reorganization dated June 30, 2003, as amended. The combined enterprise will consist of one holding company, Mid-State Bancshares, and one bank, Mid-State Bank & Trust. For convenience, we refer to the entire transaction in this proxy statement/prospectus as simply "the merger."

Q: Why is the merger proposed?

A: Ojai is proposing the merger because its board of directors has concluded that the merger is in the best interest of Ojai and its shareholders. It affords greater value and liquidity in the stock, and the combined companies can offer Ojai's customers a broader array of services and products than Ojai could offer on its own.

Q: Why have you sent me this document?

A: We are delivering this document to you because it is serving as both a proxy statement for Ojai and a prospectus of Mid-State. It is a proxy statement because it is being used by our board of directors to solicit the proxies of our shareholders. It is a prospectus because Mid-State is offering shares of its common stock in exchange for shares of Ojai in the merger described below.

This proxy statement/prospectus contains important information regarding the proposed merger, as well as information about Mid-State and Ojai. It also contains important information about what the Ojai board of directors and management considered when evaluating this proposed merger. We urge you to read this proxy statement/prospectus carefully, including its appendices.

Q: What will happen to my shares of stock in Ojai?

A: When the merger closes, you will receive Mid-State shares, cash, or a combination in exchange for your shares of Ojai.

Q: What will I receive for my shares of stock of Ojai?

A: The valuations for the Mid-State stock and cash will depend on the average closing price of Mid-State stock shortly before the closing of the merger. On September 18, 2003, Mid-State common stock closed at $23.16. If that were the average closing price of Mid-State stock, you would receive either $78.07 in cash or 3.371 shares of Mid-State for an Ojai share.

You will have a choice to receive cash instead of Mid-State shares in exchange for any or all of your Ojai stock. Shareholder elections will be subject to the requirement that 50% of the total consideration paid in the merger shall be in Mid-State shares and 50% of the total consideration paid in the merger shall be in cash.

The merger agreement provides the right to modify your election in order to satisfy the 50% stock and 50% cash requirements. Therefore, depending on elections made by other shareholders, you may be required to receive on a pro rata basis more or fewer shares of Mid-State or more or less cash than you otherwise elected to receive.

If you fail to make a timely election, you will be allocated cash and/or shares as needed to satisfy the overall 50% stock and 50% cash requirements discussed above. For more detail on the election, please see "THE MERGER-Election and Proration."

Q: When do I make the election?

A: Separate written instructions for exchanging your stock certificates and making the stock/cash election are contained with this mailing. All elections must be returned by October 27, 2003.

Q: Will the shares I receive be listed on any stock exchange?

A: Mid-State common stock, including the shares to be issued to you on the completion of the merger, is listed on the Nasdaq National Stock Market under the symbol "MDST."

Q: What percentage of the combined companies will be held by former Ojai stockholders?

A: The former Ojai stockholders would own approximately 2.1% of the stock in the combined company, not counting shares of Mid-State they owned before the merger or purchased on the market afterwards.

Q: What are the federal tax consequences of the merger to me?

A: That depends on whether you choose to receive cash or Mid-State shares in exchange for your Ojai shares. Mid-State has obtained the opinion of PricewaterhouseCoopers, LLP, its accountants, that the exchange of your Ojai shares for Mid-State shares on the close of the merger will not be a taxable event for you for federal income tax purposes. Your tax basis in the Mid-State shares you receive will be the same as your basis in the Ojai shares you held immediately before the merger's effective date provided that you do not receive any cash for your Ojai shares.

If you choose to receive payment in cash for any of your Ojai shares or if you receive cash for fractional shares, the cash received will either be characterized as a dividend (to the extent of Ojai's earnings and profits) for U.S. federal income tax purposes or it will be characterized as a payment in exchange for stock. Because the determination of each shareholder's tax treatment is highly dependent upon that shareholder's specific facts and relationships with other shareholders, it is not possible to reach any general conclusions with respect to this issue. **You should consult your tax advisor for a full understanding of the consequences of the merger to you.**

Q: What if I object to the merger?

A: You are not required to participate in the merger, even if it is approved by the other shareholders. If you vote against the merger, and follow the other steps required by law to perfect your dissenter's rights, you will be entitled to receive cash for your Ojai shares, at $46.00 per share, the price at which they were valued in the market the day before the merger agreement was announced. If you would like to know more about dissenter's rights, please see "THE MERGER Dissenters' Rights," along with Appendix C.

Q: What should I do now?

A: Simply indicate on your proxy card how you want to vote and then sign and mail your proxy card in the enclosed return envelope in time to be represented at the Ojai special meeting.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares for you only if you provide instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you fail to instruct your broker how to vote your shares, the effect will be the same as a vote against the merger.

Q: What happens if I don't vote?

A: If you don't vote, your shares will not be counted to help establish a quorum at the stockholders' meeting. Not voting also has the same effect as voting against the merger.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. If your shares are held in your name you may do this in one of three ways:

- Send Ojai a written notice stating that you are revoking your proxy.

- Complete and submit a new proxy card. Ojai will follow the instructions on the

latest card it receives from you before the meeting.

- Attend the meeting and vote in person (but only if you tell the Secretary before the voting begins that you want to cancel your proxy and vote in person). Simply attending the special meeting, however, will not revoke your proxy.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy card to Ojai.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote or to vote at the Ojai special meeting.

Q: Should Ojai shareholders send in their certificates now?

A: Please do not enclose your share certificates in the envelope specially marked for return of your proxy card. Your share certificates must be enclosed with your election form in the special envelope provided for that purpose.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible. We currently expect to complete the merger in the fourth quarter of 2003.

Q: What risks should I consider?

A: You should review "RISK FACTORS." You should also review the factors considered by Ojai's board of directors. See "THE MERGER Background and Reasons for the Merger."

Q: Who can help answer my questions?

A: If you have more questions about the merger or the special meeting, you should contact:

For Mid-State:
Mr. James G. Stathos
Executive Vice President &
Chief Financial Officer
Mid-State Bancshares
1026 Grand Avenue
Arroyo Grande, California 93420
(805) 473-7700

For Ojai:
Mr. Alan Rains
Chairman of the Board
Ojai Valley Bank
1207 Maricopa Highway
Ojai, California 93023
(805) 646-3971

You may also want to review the documents listed under "WHERE YOU CAN FIND MORE INFORMATION."

SUMMARY

This brief summary, together with the "Questions and Answers" on the preceding pages, highlight selected information from the proxy statement/prospectus. It does not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement/prospectus and the other documents to which we refer to understand fully the merger. Each item in this summary refers to the page where that subject is discussed in more detail.

INFORMATION REGARDING THE PARTIES TO THE MERGER (PAGES 52 AND 53)

Mid-State Bancshares
1026 Grand Avenue
Arroyo Grande, California 93420
(805) 473-7700
http://www.midstatebank.com

Mid-State Bancshares ("Mid-State") is a California corporation incorporated November 12, 1996, and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. Mid-State owns Mid-State Bank & Trust, its wholly-owned subsidiary. At June 30, 2003, Mid-State had total consolidated assets of $2.02 billion, consolidated deposits of $1.74 billion, and consolidated shareholders' equity of $262.3 million.

Mid-State Bank & Trust is a California state-chartered bank headquartered in Arroyo Grande, California, which commenced operations on June 12, 1961. Mid-State Bank & Trust currently operates 39 banking offices in the central coast region of California.

Additional information about Mid-State, including financial statements and management's discussion and analysis thereof, are included in its Form 10-K for the year ended December 31, 2002 and in its Form 10-Q for the quarter ended June 30, 2003. These reports are incorporated by reference into this proxy statement/prospectus. If you want to obtain copies of these documents or other information concerning Mid-State, please see "WHERE YOU CAN FIND MORE INFORMATION" at page 75.

Ojai Valley Bank
1207 Maricopa Highway
Ojai, California 93023
(805) 646-7903
http://www.ojaibank.com

Ojai is a state-chartered bank headquartered in Ojai, California, which commenced operation in 1973. At June 30, 2003, Ojai had total assets of $88.4 million, deposits of $80.3 million and shareholders' equity of $7.8 million. Its deposits are insured up to the maximum legal limits by the FDIC. As with many state-chartered banks of its size in California, it is not a member of the Federal Reserve System. Ojai Bank is also subject to certain other federal laws and regulations.

Additional information about Ojai, including financial statements and management's discussion and analysis thereof, are included elsewhere in this proxy statement/prospectus. See "INFORMATION ABOUT OJAI VALLEY BANK" at pages 53 to 73, and "FINANCIAL STATEMENTS OF OJAI VALLEY BANK" starting at page F-1.

THE MERGER (PAGE 18 AND APPENDIX A)

The transaction constitutes the merger of Ojai with and into Mid-State Bank & Trust, Mid-State's banking subsidiary. In the merger, Mid-State Bank & Trust will be the surviving bank and Mid-State will be the bank holding company for Mid-State Bank & Trust. The separate existence of Ojai will end

with the merger. For convenience, we refer to the transaction in this proxy statement/prospectus as simply "the merger."

The merger is governed by the Agreement to Merge and Plan of Reorganization dated June 30, 2003, as amended (the "merger agreement"). We have attached a copy of the merger agreement, as Appendix A at the back of this proxy statement/prospectus. We encourage you to read this agreement, as it is the legal document that governs the merger.

THE SPECIAL MEETING; RECORD DATE (PAGE 17)

Ojai's special meeting of shareholders will be held at 5:00 p.m. on October 23, 2003, at Ojai's main office, 1207 Maricopa Highway, Ojai, California 93023. At the meeting, you will be asked to approve the merger.

You are entitled to vote at the meeting if you owned Ojai common stock as of the record date, September 19, 2003. As of that date, there were 295,552 shares of Ojai outstanding, held by 108 shareholders of record. Each holder of Ojai common stock is entitled to one vote per share on all matters that may properly come before the meeting.

MAJORITY VOTE OF OUTSTANDING SHARES REQUIRED FOR APPROVAL (PAGE 17)

Approval of the merger requires the affirmative vote of a majority of the outstanding shares of Ojai common stock.

CERTAIN SHAREHOLDERS HAVE AGREED TO VOTE IN FAVOR OF THE MERGER (PAGE 35)

As of the record date for the special meeting, the directors and executive officers of Ojai and their respective affiliates as well as certain principal shareholders held voting power with respect to 58.5% of the outstanding shares of Ojai common stock. The directors and executive officers as well as certain principal shareholders of Ojai have signed contracts agreeing to vote their shares in favor of the merger agreement and the merger.

These persons entered into these agreements in order to induce Mid-State to enter into the merger agreement. These agreements could discourage other companies from trying to acquire Ojai.

California Law requires that at least a majority of the outstanding shares of Ojai's common stock vote in favor of the merger. By virtue of these voting agreements the favorable vote for the merger has been assured. Both Ojai and Mid-State would like to have the merger approved by the largest possible vote of the shareholders and, therefore, urge you to vote.

OJAI'S FINANCIAL ADVISOR GIVES OPINION THAT MERGER IS FAIR TO YOU (PAGE 21 AND APPENDIX B)

In deciding to approve the merger agreement and the merger, Ojai's board of directors considered the opinion of its financial advisor, Carpenter & Company, dated as of June 30, 2003, as to the fairness of the merger consideration to Ojai's shareholders from a financial point of view. This opinion is attached as Appendix B to this proxy statement/prospectus. We encourage you to read this opinion carefully. Carpenter & Company was paid a total of $200,000 for its advisory services and for providing its opinion, analysis and opinion update.

OUR BOARD RECOMMENDS THAT YOU APPROVE THE MERGER (PAGE 26)

Ojai's board of directors believes that the merger is in your best interest and that of Ojai. Ojai believes that it must grow in order to compete with larger, more efficient financial institutions within its marketplace. The need has become more acute with recent consolidations in the banking industry. New

regulatory requirements and competition from larger banks will make the future more difficult for relatively small banks like Ojai. At this time, the board of directors believes the merger represents a better opportunity for Ojai's shareholders than pursuing a strategy of increasing the business on its own. The board of directors has unanimously approved the merger agreement and recommends that you vote:

FOR the principal terms of the merger and the merger agreement.

You should also refer to the reasons that the board considered in reaching its decision to approve the merger, as explained on page 18.

THE EXCHANGE RATIO (Page 26)

In the merger, each share of Ojai stock will be exchanged either for shares of Mid-State common stock or cash. The number of Mid-State shares or the amount of cash for which a share of Ojai is exchangeable depends on the exchange ratio. The exchange ratio will depend on the "average closing price" of Mid-State stock for the last twenty trading days it actually trades before the cutoff date for the calculation. That cutoff is five trading days before the effective date of the merger.

If the average closing price of Mid-State shares is between $16.62 and $20.32, the exchange ratio will be $68.50 divided by the average closing price. For example, if the average closing price is $20.04, the exchange ratio will be $68.50/20.04, or 3.4182 Mid-State shares for each Ojai share. The cash price per share is determined by multiplying the average closing price by the exchange ratio.

If the average closing price of Mid-State stock moves outside the range described above, the exchange ratio will become fixed. If the average closing price is more than $20.32, the exchange ratio will be fixed at 3.371. If the average closing price is less than $16.62, the exchange ratio will be fixed at 4.121.

YOU WILL RECEIVE (i) CASH, (ii) SHARES OF MID-STATE OR (iii) A COMBINATION OF CASH AND SHARES OF MID-STATE FOR YOUR SHARES OF OJAI COMMON STOCK (PAGE 27)

The value of Mid-State shares and/or cash you will receive in exchange for your Ojai stock is dependent on the exchange ratio. The exchange ratio will depend on the average closing price of Mid-State common stock shortly before the closing date. "Average closing price" means the average daily closing price of Mid-State common stock during the 20 trading days that Mid-State's stock trades ending on the fifth trading day immediately before the effective day of the merger.

You may elect to receive cash or Mid-State shares in exchange for some or all the Ojai shares you own. Your election to receive Mid-State shares, cash or a combination is subject to the following:

50% of the total consideration paid in the merger shall be in Mid-State shares and the remaining 50% of the total consideration shall be in cash. If elections to receive Mid-State shares are made with respect to less than 50% of the total consideration paid in the merger, the number of Ojai shares for which Mid-State shares will be exchanged will be increased including a number of Undesignated Shares (those shares for which a valid election has not been made) chosen by lot by the Exchange Agent until that level has been achieved. The increased number of Ojai shares for which Mid-State shares will be exchanged will be pro rated amongst all Ojai shareholders electing to receive cash. This procedure will result in your receiving less cash and more Mid-State shares on the closing of the merger.

If elections to receive cash are made with respect to less than 50% of the total consideration paid in the merger, the number of Ojai shares for which cash will be paid will be increased including a number of Undesignated Shares (those shares for which a valid election has not been made) chosen by lot by the Exchange Agent until that level has been achieved. The increased number of

Ojai shares for which cash will be paid will be pro rated among all Ojai shareholders electing to receive cash. This procedure will result in your receiving less cash and more Mid-State shares on the closing of the merger.

If you do not make a timely election and other shareholders have elected to receive less than 50% in Mid-State shares of the total consideration paid in the merger, you will, subject to the proration provisions of the merger agreement, likely receive Mid-State shares for your Ojai shares.

If you do not make a timely election and other shareholders have elected to receive more than 50% in Mid-State shares of the total consideration paid in the merger, you will, subject to the proration provisions of the merger agreement, likely receive cash for your Ojai shares.

Because the price of Mid-State common stock fluctuates, you will not know when you vote either the amount of cash or the value of the shares of Mid-State common stock which you will receive in the merger. The market value of Mid-State shares at the time of the merger could be higher or lower than the current market value. For illustrations, please see discussion on page 27 of this proxy statement/prospectus.

COMPARATIVE MARKET PRICE DATA

Mid-State common stock is listed and traded on the Nasdaq National Market under the symbol "MDST." Ojai common stock is traded infrequently and is not listed on any exchange or market. The following table sets forth historical per share market value for Mid-State common stock and Ojai common stock based on the last sales prices for Mid-State common stock and the last sales price for Ojai shares known to Ojai's Board of Directors on:

June 27, 2003, the last trading day before public announcement of the merger, and

September 18, 2003, the most recent date before the mailing of this proxy statement/prospectus.

	Historical Market Price	Ojai Equivalent Pro Forma Market Value

	Historical Market Price		
	Mid-State	Ojai	
June 27, 2003	~~$ 18.92~~	$ 46.00	$ 68.50(1)
September 18, 2003	$ 23.16	$ 46.00	$ 78.07(2)

(1) Assuming an exchange ratio of 3.6205 shares of Mid-State common stock for each share of Ojai common stock.

(2) Assuming an exchange ratio of 3.371 shares of Mid-State common stock for each share of Ojai common stock.

Mid-State cannot assure you that actual stock prices for its common stock will be equal to or greater than the prices shown in the table at the time of the merger or at any time after the completion of the merger. In the merger, Ojai will be merged into Mid-State and there will be no further public market for Ojai common stock after the merger.

LISTING OF YOUR STOCK (PAGE 30)

The Mid-State shares you receive in the merger will be listed on the Nasdaq National Market.

COMPARISON OF YOUR RIGHTS AS A SHAREHOLDER (PAGE 47)

There are differences between your rights as a shareholder of Ojai and the rights you will have as a shareholder of Mid-State. Among them are differences in:

- the term of office of directors (Mid-State elects one-third of its directors each year, and they serve for three-year terms);
- voting for directors and the right to remove directors (Mid-State does not have cumulative voting);
- the right and power to amend charter provisions (Mid-State requires a two-thirds vote of the shareholders for certain kinds of changes); and
- certain anti-takeover charter provisions.

TAX EFFECTS OF THE TRANSACTION (PAGE 30)

The merger will be tax-free for federal income tax purposes to Ojai shareholders who receive solely Mid-State shares in the merger. For Ojai shareholders who choose to receive cash in exchange for any of your Ojai shares or for those shareholders who receive cash for fractional shares, the cash received will either be characterized as a dividend (to the extent of Ojai's earnings and profits) for U.S. federal income tax purposes or it will be characterized as a payment in exchange for stock. Because the determination of each shareholder's tax treatment is highly dependent upon that shareholder's specific facts and relationships with other shareholders, it is not possible to reach any general conclusions with respect to this issue.

DIVIDENDS AFTER THE MERGER

Ojai generally has followed a policy of paying semi-annual cash dividends that totaled $2.00, $1.85, and $1.70 per share of common stock in 2002, 2001 and 2000, respectively. Of course, this will cease at the conclusion of the merger since the separate existence of Ojai will end.

Mid-State follows a policy of paying quarterly cash dividends with record dates approximating the last day of the calendar quarter. The payable date for the dividend generally occurs in the month following. In January, April, and July 2003, Mid-State paid $0.15 per share cash dividends. Mid-State anticipates declaring a quarterly cash dividend with an approximate September 30, 2003 record date with the dividend payable in October. Because the merger will likely not be effective by the anticipated record date in September, it is anticipated the dividend will not be paid on shares of Mid-State common stock issued in the merger to Ojai shareholders.

Mid-State expects to pay cash dividends at the same general level but may change that policy based on business conditions, its financial condition and earnings or other factors.

DISSENTERS' RIGHTS (PAGE 33 AND APPENDIX C)

If you do not vote for the merger, and you follow certain procedures, you may choose to receive the fair market value of your Ojai shares in cash when the merger is completed. For this purpose, Ojai's board of directors has determined that "fair market value" is $46.00 per share, which was the closing price for Ojai common stock on June 27, 2003, the last trading day before the announcement of the merger. You may have the right to challenge that determination. The procedures which you must follow to exercise your dissenters' rights are in Chapter 13 of the California General Corporation Law. We have attached Chapter 13 as Appendix C.

ACCOUNTING TREATMENT (PAGE 33)

Mid-State will account for the merger as a "purchase" for financial reporting purposes.

BENEFITS TO CERTAIN OFFICERS AND DIRECTORS IN THE MERGER (PAGE 34)

When considering the recommendation of the Ojai board of directors, you should be aware that some Ojai directors and officers have interests in the merger that differ from the interests of other Ojai shareholders. These interests include directors and officers who have continuing insurance protection under the existing directors' and officers' liability insurance and certain indemnification rights.

The Ojai board of directors was aware of these interests and considered them before approving the merger agreement.

THINGS WE MUST DO FOR THE MERGER TO OCCUR (PAGE 36)

Completion of the merger is subject to various conditions, including:

- approval of the merger agreement and the merger by the Ojai shareholders;
- receipt of all governmental and other consents and approvals that are necessary to permit completion of the merger; and
- other usual conditions.

Certain of these customary conditions to the merger may be waived by Mid-State or Ojai, as applicable.

REGULATORY APPROVALS NEEDED (PAGE 29)

We cannot complete the merger unless it is approved by the California Department of Financial Institutions and the Federal Deposit Insurance Corporation. Mid-State Bank & Trust has filed applications with these regulators seeking approval. Mid-State has also filed a notification with the Federal Reserve Bank of San Francisco.

We have obtained the approval of the FDIC. Although we do not know of any reason why we cannot obtain approval from the California Department of Financial Institutions in a timely manner, we cannot be certain when or if we will obtain such approval.

WHEN THE MERGER WILL OCCUR (PAGE 35)

The merger will occur shortly after all of the conditions to its completion have been satisfied. We currently anticipate that it will close in the fourth quarter of 2003.

TERMINATION OF THE MERGER AGREEMENT (PAGE 38)

The merger agreement may be terminated prior to the effective time of the merger for a variety of reasons, including the fact that either party may terminate the agreement if all significant conditions are not met by December 31, 2003 or if the other party breaches the agreement.

TERMINATION FEES BETWEEN OJAI AND MID-STATE

Certain cash payments may be made under the merger agreement in the event a party terminates the merger agreement in certain situations.

SELECTED HISTORICAL AND PRO-FORMA FINANCIAL DATA

We are providing the following information to aid you in your analysis of the financial effects of the merger. The historical selected financial data in the following tables shows financial results actually achieved by Mid-State and by Ojai for the periods presented. These are historical figures. **The following financial data should be read in conjunction with the complete financial statements of the two companies, attached to or incorporated by reference in this proxy statement/prospectus.**

Mid-State Historical Selected Financial Data

The following selected consolidated financial data with respect to Mid-State Bancshares' consolidated statement of financial position as of December 31, 2002 and 2001 and its consolidated statements of income for the years ended December 31, 2002, 2001 and 2000 have been derived from the audited consolidated financial statements of Mid-State Bancshares which are incorporated by reference into this proxy statement/prospectus. The selected consolidated financial data with respect to Mid-State Bancshares' consolidated statements of financial position as of June 30, 2003 and 2002 and its consolidated statements of income for the six months ended June 30, 2003 comes from the unaudited financial statements of Mid-State. Such interim financial statements include all adjustments that are, in the opinion of management, necessary to present fairly Mid-State's financial information for the interim periods presented. The selected consolidated financial data with respect to Mid-State Bancshares' consolidated statements of financial positions of December 31, 2000, 1999 and 1998 and its consolidated statements of income for the years ended December 31, 1999 and 1998 have been derived from the audited financial statements of Mid-State Bancshares, which are not incorporated by reference herein.

Selected Consolidated Financial Data-Mid-State Bancshares

	At and for the six months ended June 30,		At and for the years ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(Dollars in thousands, except per share amounts)						
Period Ended:							
Interest Income (not taxable equivalent)	$ 52,072	$ 55,061	$ 109,332	$ 114,002	$ 109,967	$ 99,627	$ 98,882
Interest Expense	5,402	8,957	16,381	26,480	27,599	26,071	29,441
Net Interest Income	46,670	46,104	92,951	87,522	82,368	73,556	69,441
Provision for Loan Losses	260	600	600	4,100	700	50	300

	At and for the six months ended June 30,		At and for the years ended December 31,				
Net Interest Income after provision for loan losses	46,410	45,504	92,351	83,422	81,668	73,506	69,141
Non-interest income	14,399	11,727	24,321	23,254	17,805	17,465	24,736
Non-interest expense operating	36,402	35,217	70,925	64,444	57,982	54,558	54,866
Non-interest expense non recurring merger related				300		2,930	7,440
Income before income taxes	24,407	22,014	45,747	41,932	41,491	33,483	31,571
Provision for income taxes	8,604	7,960	15,892	14,530	14,142	11,430	10,576
Net Income	$ 15,803	$ 14,054	$ 29,855	$ 27,402	$ 27,349	$ 22,053	$ 20,995
Per share:							
Net Income basic	$ 0.67	$ 0.58	$ 1.25	$ 1.22	$ 1.23	$ 0.98	$ 0.94
Net Income diluted	$ 0.64	$ 0.56	$ 1.20	$ 1.18	$ 1.20	$ 0.97	$ 0.93
Weighted average shares for Basic E.P.S. calculation	23,520	24,078	23,962	22,452	22,257	22,461	22,351
Weighted average shares for Diluted E.P.S. calculation	24,557	24,883	24,837	23,252	22,722	22,729	22,547
Cash dividends	$ 0.24	$ 0.20	$ 0.41	$ 0.37	$ 0.34	$ 0.25	$ 0.14
Book value at period-end	$ 11.22	$ 10.20	$ 10.72	$ 9.74	$ 8.05	$ 7.10	$ 6.74
Tangible book value at period-end	$ 9.41	$ 8.44	$ 8.94	$ 7.96	$ 7.96	$ 7.02	$ 6.65
Ending Shares	23,384	24,050	23,697	24,089	22,019	22,574	22,411
Period Averages:							
Total Assets	$ 1,969,121	$ 1,858,611	$ 1,892,137	$ 1,570,098	$ 1,389,625	$ 1,391,279	$ 1,331,954
Total Tangible Assets	1,926,984	1,816,068	1,849,767	1,557,995	1,387,759	1,389,287	1,329,971
Total Loans & Leases	1,124,190	1,128,360	1,109,245	999,501	847,797	685,566	633,324
Total Earning Assets	1,782,984	1,688,469	1,718,280	1,444,631	1,279,119	1,269,656	1,194,352
Total Deposits	1,691,883	1,596,422	1,623,510	1,351,256	1,205,826	1,220,340	1,184,293
Common Equity	258,248	238,226	244,295	195,955	166,402	155,419	140,989
Common Tangible Equity	216,111	195,683	201,925	183,852	164,536	153,427	139,006
At Period-End							
Cash and cash equivalents	$ 124,176	$ 115,891	$ 128,036	$ 102,970	$ 88,988	$ 56,080	$ 84,557
Investments and Fed Funds Sold	680,320	585,313	625,483	524,345	407,462	482,781	578,034
Loans held for sale	49,875	4,801	22,560	13,604			1,566
Loans, net of deferred fees, before allowance	1,102,210	1,101,695	1,087,551	1,136,099	919,967	768,814	673,915
Allowance for Loan & Lease Losses	(17,963)	(19,160)	(17,370)	(19,073)	(10,920)	(10,905)	(14,122)
Goodwill and Other Intangibles	42,292	42,441	42,264	42,742	1,771	1,943	2,044
Other assets	43,344	47,610	46,216	52,977	50,970	58,705	63,650
Total Assets	$ 2,024,254	$ 1,878,591	$ 1,934,740	$ 1,853,664	$ 1,458,238	$ 1,357,418	$ 1,389,644
Non-interest bearing deposits	$ 422,732	$ 374,744	$ 390,212	$ 367,370	$ 275,624	$ 230,271	$ 258,629
Interest bearing deposits	1,317,402	1,224,270	1,262,735	1,216,796	955,538	938,183	965,850
Other borrowings	6,354	12,696	10,973	17,714	30,240	15,357	3,049
Allowance for losses unfunded commitments	1,812	1,687	1,771	1,586	2,360	2,200	319
Other liabilities	13,594	19,888	14,914	15,647	17,334	11,076	10,706
Shareholders' equity	262,360	245,306	254,135	234,551	177,142	160,331	151,091
Total Liabilities and Shareholders' equity	$ 2,024,254	$ 1,878,591	$ 1,934,740	$ 1,853,664	$ 1,458,238	$ 1,357,418	$ 1,389,644
Asset Quality & Capital-At Period-End							
Non-accrual loans	$ 16,436	$ 12,449	$ 16,748	$ 2,986	$ 4,510	$ 1,520	$ 2,019
Loans past due 90 days or more	1	68	4	690	222	4,199	4,408

	At and for the six months ended June 30,		At and for the years ended December 31,				
Other real estate owned							259
Total non performing assets	$ 16,437	$ 12,517	$ 16,752	$ 3,676	$ 4,732	$ 5,719	$ 6,686
Financial Ratios							
Year to date:							
Return on assets	1.62%	1.52%	1.58%	1.75%	1.97%	1.59%	1.58%
Return on tangible assets	1.65%	1.56%	1.61%	1.76%	1.97%	1.59%	1.58%
Return on equity	12.34%	11.90%	12.22%	13.98%	16.44%	14.19%	14.89%
Return on tangible equity	14.75%	14.48%	14.79%	14.90%	16.62%	14.37%	15.10%
Net interest margin (not taxable equivalent)	5.28%	5.51%	5.41%	6.06%	6.44%	5.79%	5.81%
Net interest margin (taxable equivalent)	5.68%	5.81%	5.74%	6.36%	6.75%	6.02%	5.91%
Net loan losses (recoveries) to avg. loans	(0.06%)	0.07%	0.19%	0.22%	0.06%	0.20%	0.15%
Efficiency ratio	59.6%	60.9%	60.5%	58.4%	57.9%	63.2%	66.2%
At period-end:							
Equity to average assets (leverage ratio)	10.5%	10.7%	10.6%	10.2%	12.3%	11.6%	10.7%
Tier One capital to risk-adjusted assets	14.6%	14.7%	14.7%	13.8%	15.5%	16.0%	16.1%
Total capital to risk-adjusted assets	15.8%	16.0%	16.0%	15.0%	16.7%	17.2%	17.4%
Loan loss allowance to loans, gross (1)	1.8%	1.9%	1.8%	1.8%	1.4%	1.7%	2.1%
Non-accrual loans to total loans, gross	1.5%	1.1%	1.5%	0.3%	0.5%	0.2%	0.3%
Non performing assets to total assets	0.8%	0.7%	0.9%	0.2%	0.3%	0.4%	0.5%
Allowance for loan losses to non performing loans (1)	120.3%	166.5%	114%	562.0%	280.6%	229.1%	224.7%

(1) Includes allowance for loan losses and allowance for losses unfunded commitments

Ojai Valley Bank Selected Financial Data

The following selected consolidated financial data with respect to Ojai for the years ended December 31, 2002, 2001, 2000, 1999, and 1998 have been derived from the audited financial statements of Ojai. The selected consolidated financial data for the six months ended June 30, 2003 and 2002 comes from the unaudited financial statements of Ojai. Such interim financial statements include all adjustments that are, in the opinion of management, necessary to present fairly Ojai's financial information for the interim periods presented.

	At and for the six months ended June 30,		At and for the years ended December 31,				
	2003	**2002**	**2002**	**2001**	**2000**	**1999**	**1998**
	(Dollars in thousands, except per share amounts)						
For the period ended:							
Interest income	$ 2,282	$ 2,440	$ 4,893	$ 5,246	$ 5,105	$ 4,708	$ 4,709
Interest expense	311	412	774	1,369	1,326	1,154	1,326
Provision for loan losses					70	125	265
Non-interest income	261	245	497	509	508	486	523

	At and for the six months ended June 30,		At and for the years ended December 31,				
Non-interest expense	1,478	1,373	2,891	2,677	2,786	2,569	2,430
Provision for income taxes	264	325	628	629	522	515	442
Net income	$ 490	$ 575	$ 1,097	$ 1,080	$ 909	$ 831	$ 769
Per share information:							
Net income	$ 1.66	$ 1.95	$ 3.71	$ 3.65	$ 3.08	$ 2.81	$ 2.60
Cash dividends	$ 0.90	$ 0.85	$ 2.00	$ 1.85	$ 1.70	$ 1.65	$ 1.55
Book value at period-end	$ 26.44	$ 24.97	$ 25.65	$ 23.97	$ 22.10	$ 20.62	$ 19.65
Ending number of shares	295,552	295,552	295,552	295,552	295,552	295,552	295,552
Period averages:							
Total assets	$ 85,351	$ 81,102	$ 81,805	$ 76,732	$ 68,575	$ 65,643	$ 62,836
Total loans	34,662	32,768	33,904	31,606	31,057	29,265	28,528
Total earning assets	79,619	75,120	76,003	71,154	63,605	60,635	57,989
Total deposits	77,300	63,199	74,060	69,136	61,855	59,207	56,753
Total shareholders' equity	7,741	7,624	7,416	6,988	6,403	6,074	5,753
At period end:							
Loans, net of deferred fees, before allowance	33,770	35,313	34,582	32,099	30,944	31,035	28,343
Allowance for loan losses	(675)	(646)	(656)	(639)	(708)	(667)	(568)
Total Assets	88,397	80,984	82,868	79,723	74,719	67,832	64,567
Non-interest bearing deposits	23,212	20,072	19,665	18,309	18,437	16,031	15,019
Interest bearing deposits	57,125	53,292	55,357	54,064	49,479	45,383	43,476
Total shareholders' equity	7,815	7,381	7,580	7,086	6,531	6,095	5,807
Non-performing assets:							
Non-accrual loans	$ 24	$ 5	$ 1	$ 1	$ 610	$ 644	$ 50
Loans past due 90 days or more	60	8	1	5	1	393	
Other real estate owned	378	378	378	378			676
Total non-performing assets	$ 462	$ 391	$ 380	$ 384	$ 611	$ 644	$ 1,119
Financial Ratios:							
For the year:							
Return on assets	1.11%	1.42%	1.32%	1.35%	1.22%	1.23%	1.19%
Return on equity	12.54%	15.58%	14.47%	15.24%	13.92%	13.63%	13.24%
Net interest margin	4.75%	5.19%	5.39%	5.16%	5.88%	5.82%	5.78%
Net loan losses (recoveries) to average loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.54%
Efficiency ratio	66.22%	60.40%	62.63%	61.04%	64.99%	63.59%	62.21%
At period-end:							
Equity to average assets (leverage ratio)	9.16%	9.10%	9.27%	9.23%	9.52%	9.29%	9.24%
Tier one capital to risk-adjusted assets	15.85%	15.92%	15.96%	16.60%	17.69%	17.76%	17.48%
Total capital to risk-adjusted assets	17.11%	17.17%	17.21%	17.85%	18.95%	19.01%	18.84%
Loss loss allowance to loans, gross	1.99%	1.82%	1.89%	1.99%	2.28%	2.14%	2.00%
Non-accrual loans to total loans, gross	0.07%	0.01%	0.00%	0.00%	1.96%	2.07%	0.18%
Non-performing assets to total assets	0.25%	0.04%	0.01%	0.02%	1.97%	2.07%	1.56%
Allowance for loan losses to non-performing loans	806.57%	4969.23%	32800.00%	10666.67%	115.58%	103.57%	128.22%

Selected Unaudited Pro-Forma Combined Financial Information of Mid-State and Ojai Valley Bank

The accompanying unaudited pro forma consolidated balance sheet data assumes the merger took place as of June 30, 2003. The unaudited pro forma consolidated balance sheet data combines the unaudited consolidated balance sheet data of Mid-State as of June 30, 2003 and the unaudited consolidated balance sheet data of Ojai Valley Bank as of June 30, 2003.

The accompanying unaudited pro forma consolidated statements of income data present the consolidated statement of income data of Mid-State for the six months ended June 30, 2003 and the audited consolidated statement of income data for the year ended December 31, 2002 combined with Ojai's unaudited consolidated statement of income data for the six months ended June 30, 2003 and audited consolidated statement of income data for the year ended December 31, 2002. The unaudited pro forma consolidated statement of income data gives effect to the merger as if it had occurred as of January 1, 2002.

You should not assume that the combined company would have achieved the proforma combined results if they had actually been combined during the periods presented. For purposes of illustration, the pro-forma combined figures have been calculated assuming that the average closing price of Mid-State Stock is $18.92 resulting in value to Ojai Valley Bank's shareholders of $68.50 per share. As of June 30, 2003, there were 295,552 Ojai Valley Bank shares outstanding. The actual exchange ratio will be determined by the average closing price of Mid-State stock, as explained under the "THE MERGER Exchange Ratio," on page 26.

	At or for Six Months Ended June 30, 2003	At or for Year Ended December 31, 2002
	(in thousands, except per share data)	
Statement of Income Data:		
Net Interest Income	$ 48,578	$ 96,902
Net Income	$ 16,199	$ 30,737
Weighted Average Common Shares Outstanding:		
Basic	$ 24,055	$ 24,497
Diluted	$ 25,092	$ 25,372
Net Income per Common Share:		
Basic	$ 0.67	$ 1.25
Diluted	$ 0.65	$ 1.21
Pro Forma Equivalent:		
Basic	$ 2.43	$ 4.53
Diluted	$ 2.35	$ 4.38
Book Value	$ 41.24	
Balance Sheet Data:		
Total Assets	$ 2,114,959	
Total Deposits	$ 1,820,471	
Shareholders' Equity	$ 272,483	

RISK FACTORS

In deciding how to vote your shares at the meeting, you should carefully consider the following factors, in addition to the information and other matters set forth in this proxy statement/prospectus.

Mid-State May Be Unable to Integrate Operations Successfully or to Achieve Expected Cost Savings. The earnings, financial condition and prospects of Mid-State after the merger will depend in part on Mid-State's ability to integrate the operations and management of Ojai and to continue to implement its own business plan. We cannot assure you that Mid-State will be able to do so. Among the issues that Mid-State could face are:

- unexpected problems with operations, personnel, technology or credit;
- loss of customers and employees of Ojai;
- difficulty in working with Ojai's employees and customers;
- the assimilation of new operations, sites and personnel, which could divert resources from regular banking operations;
- new branches acquired in the merger may not generate enough revenue to offset acquisition costs; and
- instituting and maintaining uniform standards, controls, procedures and policies.

Further, although the boards of directors of all the parties anticipate cost savings as a result of the merger, Mid-State may not be fully able to realize those savings. Finally, any cost savings which are realized may be offset by losses in revenues or other charges to earnings.

The Combined Loan Portfolios May Not Perform as Expected. Mid-State's performance and prospects after the merger will be dependent to a significant extent upon the performance of the combined loan portfolios of Ojai and Mid-State Bank & Trust, and ultimately on the financial condition of their respective borrowers and other customers. The existing loan portfolios of the two banks differ to some extent in the types of borrowers, industries and credits represented. In addition, there are differences in the documentation, classifications, credit ratings and management of the portfolios. As a result, Mid-State's overall loan portfolio after the merger will have a different risk profile than the loan portfolio of either Ojai or Mid-State Bank & Trust before the merger. The performance of the combined loan portfolio will be adversely affected if any of such factors is worse than currently anticipated. In addition, to the extent that present customers are not retained by the surviving bank or additional expenses are incurred in retaining them, there could be adverse effects on future results of operations of Mid-State following the merger. Realization of improvement in profitability is dependent, in part, on the extent to which the revenues of Mid-State are maintained and enhanced.

A Downturn in the Real Estate Market Could Negatively Impact Mid-State's Business. As of June 30, 2003, approximately 77% of the value of Mid-State Bank & Trust's loan portfolio and 76% of the value of Ojai's loan portfolio consisted of loans secured by various types of real estate. If real estate values decline significantly in the areas served by Mid-State and its banking subsidiary, higher default rates and reduced selling prices on foreclosed property held for resale would reduce the net income of the combined companies.

The Market Price of Mid-State Common Stock After the Merger Is Uncertain. The shares of Mid-State common stock which will be issued to Ojai shareholders in the merger will be valued at the "average closing price" (as defined in the merger agreement) of Mid-State common stock shortly before the effective date of the merger. The market price of Mid-State common stock on or after consummation of the merger may not approximate the average closing price of Mid-State prior to the merger.

Shares Available for Future Sale May Dilute Value and Have Possible Anti-Takeover Effect. Shares of Mid-State common stock eligible for future sale, including issuance in future acquisitions, could dilute the market value of Mid-State common stock. The articles of incorporation of Mid-State authorize 100,000,000 shares of common stock, of which 23,216,384 shares were outstanding. Mid-State's articles of incorporation also authorize the issuance of 25,000,000 shares of preferred stock of which none are currently outstanding. Any new series of preferred stock could have rights, preferences and privileges senior to those of Mid-State common stock.

Mid-State plans to continue to take advantage of the consolidation of the financial services industry, and further develop its franchise, through the acquisition of financial institutions and related businesses. Such acquisitions may entail the payment by Mid-State of consideration in excess of the book value of the underlying net assets acquired, may result in the issuance of additional shares of Mid-State stock and/or the incurring of indebtedness by Mid-State, and may dilute the per share earnings or book value of Mid-State common stock. Future acquisitions may also result in significant front-end charges against earnings.

The shares of Mid-State common and preferred stocks were authorized in these amounts to provide Mid-State's board of directors with as much flexibility as possible to effect, among other transactions, financings, acquisitions, stock dividends, stock splits and the exercise of employee stock options. However, these additional authorized shares may also be used by the board of directors consistent with its fiduciary duty to deter future attempts to gain control of Mid-State.

Changing Interest Rates May Reduce Net Interest Income. Banking companies' earnings depend largely on the relationship between the cost of funds, primarily deposits, and the yield on earning assets, primarily loans and investments. This relationship, known as the interest rate margin, is subject to fluctuation and is affected by economic and competitive factors which influence interest rates, the volume and mix of interest-earning assets and interest-bearing liabilities, and the level of nonperforming assets. Fluctuations in interest rates affect the demand of customers for the products and services of both banks involved in the merger. Mid-State Bank & Trust and Ojai are subject to interest rate risk to the degree that their interest-bearing liabilities reprice or mature more slowly or more rapidly or on a different basis than their interest-earning assets. Given the banks' current volume and mix of interest-bearing liabilities and interest-earning assets, their interest rate spread could be expected to increase during times of rising interest rates and, conversely, to decline during times of falling interest rates. Therefore, significant fluctuations in interest rates may have an adverse effect on Mid-State's results of operations.

Geographic Concentration in One Market May Unfavorably Impact Mid-State. The operations of Mid-State and Ojai are located in the central coast region of California and concentrated in San Luis Obispo, Santa Barbara and Ventura Counties. This geographic concentration makes the combined companies depend largely upon economic conditions in these areas. A deterioration in economic conditions in these market areas could:

- increase loan delinquencies,
- increase problem assets and foreclosures,
- increase claims and lawsuits,
- decrease the demand for the bank's products and services, and
- decrease the value of collateral for loans, especially real estate, in turn reducing customers' borrowing power, the value of assets associated with problem loans and collateral coverage.

Changes in Government Regulation and Monetary Policy May Unfavorably Impact Mid-State. The banking industry is subject to extensive federal and state supervision and regulation. Such regulation

limits the manner in which Mid-State and Ojai conduct their respective businesses, undertake new investments and activities and obtain financing. This regulation is designed primarily for the protection of the deposit insurance funds and consumers, and not to benefit holders of Mid-State's or Ojai's common stocks. Financial institution regulation has been the subject of significant legislation in recent years, and may be the subject of further significant legislation in the future, none of which is under the control of Mid-State or Ojai. Significant new laws or changes in, or repeal of, existing laws may cause Mid-State's results to differ materially. Further, federal monetary policy, particularly as implemented through the Federal Reserve System, significantly affects credit conditions for financial institutions, primarily through open market operations in United States government securities, the discount rate for bank borrowings and bank reserve requirements. Any material change in these conditions would be likely to have a material impact on Mid-State's and Ojai's respective results of operations.

Intense Competition Exists for Loans and Deposits. The banking and financial services business in California generally, and specifically in the market areas that will be served by the combined businesses, is highly competitive. Competitive pressure is increasing as a result of changes in regulation, changes in technology and product delivery systems and the accelerating pace of consolidation among financial services providers. Mid-State, through its banking subsidiary, and Ojai compete for loans, deposits and customers with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions and other non-bank financial service providers. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets and offer a broader array of financial services than Ojai or Mid-State. There can be no assurance that Mid-State will be able to compete effectively in its markets, and the results of operations of Mid-State could be adversely affected if circumstances affecting the nature or level of competition change.

Lending Risk May Lead to Losses and Impaired Credit Quality. A significant source of risk for financial institutions such as Ojai and Mid-State arises from the possibility that more than the expected number of borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loans. Mid-State Bank & Trust and Ojai have both adopted underwriting and credit monitoring procedures and credit policies, including the establishment and review of the allowance for credit losses, that each company's respective management believes are appropriate to minimize this risk by assessing the likelihood of nonperformance, tracking loan performance and diversifying the respective credit portfolios. Such policies and procedures, however, may not prevent unexpected losses that could materially adversely affect the results of operations after the merger.

THE SPECIAL MEETING

Proxy Statement/Prospectus

This proxy statement/prospectus is being furnished to you in connection with the solicitations of proxies by our board of directors in connection with our special meeting of shareholders.

This proxy statement/prospectus is first being furnished to our shareholders on or about September 23, 2003.

Date, Time and Place of the Special Meeting

The special meeting is scheduled to be held as follows:

Date:	October 23, 2003
Time:	5:00 p.m.
Place:	1207 Maricopa Highway Ojai, California 93023

Record Date; Solicitation of Proxies

We have selected the close of business on September 19, 2003 as the record date for the determination of shareholders entitled to notice of, and to vote at, the special meeting. At that date, there were 295,552 outstanding shares of Ojai common stock entitled to vote at that special meeting.

In addition to soliciting proxies by mail, officers, directors and employees of Ojai Valley Bank ("Ojai"), without receiving any additional compensation, may solicit proxies by telephone or fax, in person or by other means. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of Ojai common stock held of record by such persons, and Ojai will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of pocket expenses incurred by them in connection therewith. Mid-State will pay all expenses related to printing and filing this proxy statement/prospectus, including all filing fees of the Securities and Exchange Commission.

The required quorum for the transaction of business at the special meeting is a majority of the shares of Ojai common stock entitled to vote at the special meeting. Shares voted on a matter are treated as being present for purposes of establishing a quorum. Abstentions and broker nonvotes will be counted for determining a quorum, but will not be counted for purposes of determining the number of votes cast "FOR" or "AGAINST" any matter.

Revocability of Proxies

Any holder of Ojai common stock may revoke a proxy at any time before it is voted by filing with the secretary of Ojai an instrument revoking the proxy or by returning a duly executed proxy bearing a later date, or by attending the special meeting and voting in person, provided the shareholder notifies the Secretary before voting begins that the shareholder is revoking his or her proxy and voting in person. Attendance at the special meeting will not by itself constitute revocation of a proxy. Any written notice of revocation or new proxy should be made to the attention of the Secretary, Ojai Valley Bank, 1207 Maricopa Highway, Ojai, California 93203.

Matters to be Considered at the Meeting

At the special meeting, you will be asked to approve the principal terms of the merger and the merger agreement. A vote of a majority of the outstanding shares of Ojai common stock entitled to be cast at the special meeting is required to approve the merger.

PROPOSAL 1: THE MERGER

General

As used in this section, the term "the merger" means the merger of Ojai with and into Mid-State Bank & Trust. The merger is governed by the Agreement to Merge and Plan of Reorganization dated June 30, 2003, as amended (the "merger agreement"). Shareholders of Ojai will have the election to receive shares of common stock of Mid-State Bancshares, cash or a combination in exchange for their shares of Ojai. After the merger, there will be a combined enterprise consisting of one bank, Mid-State Bank & Trust, and one holding company, Mid-State Bancshares ("Mid-State").

The boards of directors of Mid-State and of Ojai have approved the merger and the merger agreement.

This section of the proxy statement/prospectus describes certain aspects of the merger, including the background of the merger and Ojai's reasons for the merger.

Background and Reasons for the Merger

In the third quarter of 2002, the board of directors addressed the need for liquidity in the shares of Ojai by certain significant shareholders of Ojai. In September of 2002, the board of directors directed the Chairman to make select inquiries of potential buyers of Ojai as to their interest in acquiring Ojai and to gauge the price levels that these buyers might be willing to pay for Ojai. The Chairman made these inquiries to four financial institutions and received indications of interest from three institutions. Additionally, the board of directors directed the Chairman to explore other alternatives by which the shareholders could enjoy increased liquidity in their holdings.

On November 1, 2002 Ojai entered into an agreement with Carpenter & Company to provide financial advisory services to (i) advise with respect to Ojai's interest in developing and analyzing strategies designed to create liquidity for the shareholders of Ojai, and (ii) should Ojai elect to proceed with one or more of these strategies, to assist in the implementation and execution of the strategy. Carpenter & Company developed and analyzed various strategies including, but may not be limited to, a combination of Ojai and another financial institution, a tender offer from a third party for all or a portion of the outstanding shares of Ojai, or a borrowing, trust preferred or otherwise, by Ojai in coincident with a tender offer from Ojai to repurchase a portion of the outstanding shares.

In February 2003, Ojai completed its analyses of its alternatives and confirmed its engagement with Carpenter & Company to proceed with the implementation of a strategy to provide liquidity to Ojai's shareholders. On April 1, 2003, Carpenter & Company made a presentation to the board of directors evaluating the various alternatives available that might afford the liquidity sought by Ojai's shareholders. This analysis evaluated each alternative with respect to value, execution and completion risk, and associated advantages and disadvantages of each alternative.

After consideration of Carpenter & Company's April presentation, the board of directors instructed Carpenter & Company to contact the financial institutions that had earlier expressed an interest in acquiring Ojai and request submission of a written proposal to Ojai. On April 24, 2003, Carpenter & Company had received these written proposals and provided them to Ojai with a summary of the elements of each proposal. On April 30, 2003, Carpenter & Company made a presentation to the board of directors that analyzed the offers received and the merits of each proposal. As a result of its review of these competing proposals, the board of directors made the decision to invite Mid-State to conduct its due diligence of Ojai.

Due diligence efforts were satisfactorily completed during May whereby Ojai and Mid-State commenced the negotiation of a merger agreement. At several meetings in May and June of 2003, of Ojai's board of directors, management described the results of due diligence and operations of Mid-State. The members of the board of directors and advisers to Ojai discussed in detail the proposed merger terms and plans for Ojai's officers and staff following the proposed merger. On June 30, 2003, the Ojai board deliberated at length concerning the merger agreement and related documents, its strategic alternatives, the competitive banking environment in California, and the prospects for Ojai if it remained independent. At the June 30, 2003 meeting, Carpenter & Company presented its analysis of the merger and delivered to the Ojai board its opinion that the consideration to be received in the merger was fair to the Ojai shareholders from a financial point of view. Thereafter, the Ojai board unanimously approved, and authorized the execution of, the merger agreement.

The Ojai board believes that the terms of the merger are fair, and are in the best interests of Ojai and its shareholders and recommends that the shareholders of Ojai vote FOR approval of the merger. In reaching its conclusion, the Ojai board considered information provided at meetings of its board of directors in April, May, and June 2003, including, among other things:

- information concerning the financial performance and condition, business operations, capital levels, asset quality, loan portfolio breakdown, due diligence review of the loan portfolio, material contracts, contingent liabilities, management, and prospects of Mid-State;
- the structure of the transaction, including the fact that the Ojai shareholders would receive approximately 2.1% of the common stock of Mid-State, depending upon the average closing price of Mid-State common stock and other requirements of the merger agreement;
- the terms of the merger agreement and other documents to be executed in connection with the merger, including the substantial premium over book value and the substantial multiple over earnings of Ojai;
- the presentation of Carpenter & Company and the opinion of Carpenter & Company that the merger is fair to the shareholders of Ojai from a financial point of view;
- the prices paid and the terms of other recent comparable combinations of banks and bank holding companies;
- the Ojai board's review with its legal and financial advisors of alternatives to the merger, the range of possible values to Ojai shareholders obtainable through implementation of alternatives and the timing and likelihood of the same;
- the current and prospective economic environment and increasing regulatory and competitive burdens and constraints facing community banks;
- the pro forma financial statements of the combined companies and the capitalization of the combined companies;
- the compatibility of Ojai with Mid-State and the complementary lines of business;
- the geographic distribution of Mid-State Bank offices vis-à-vis Ojai's banking offices and strategic plan;
- the advantages of being part of a larger entity, including the potential for operating efficiencies, and the generally higher trading multiples of larger financial institutions;
- the business strategies, the strength and depth of management of the combined entity;
- the ability of a larger institution to compete in the banking environment and to leverage overhead costs;

the anticipated positive effect of the merger on existing shareholders, employees, officers and customers of Ojai;

information concerning the ability of Ojai and Mid-State to achieve operating efficiencies;

the anticipated positive impact on the communities served by Ojai and Mid-State in the merger, and the increased ability to serve the communities through the larger branch network;

the unprecedented consolidation currently underway in the banking industry and increased competition from larger independent banks in California;

the value of the consideration offered by Mid-State compared to the value of the consideration offered in other acquisitions of financial institutions in California in 2001 and 2002 and the first two quarters of 2003, and the prospects for enhanced value of the combined entity in the future;

the tax-free nature of the Mid-State offer for any Mid-State stock received in exchange for Ojai common stock; the ability of a Ojai shareholder to select all or a portion of the merger consideration in cash in exchange for Ojai common stock;

the future liquidity of the Mid-State common stock; and

the prospect for Ojai on a stand alone basis, such as dividends, share repurchases, restructurings and growth through acquisitions.

In addition to the advantages, discussed in the previous paragraph, of an acquisition with a larger financial institution, the board of directors and management of Ojai also discussed the various risks of combining with Mid-State, including

the disadvantages of being part of a larger entity, including no voting power for a representative of Ojai shareholders on the board of directors of Mid-State and the potential for decreased customer service;

the acquisition of Ojai will divert the combined entities' management from other activities;

since Ojai's market area is located generally in Ojai and the surrounding area, with generally little geographic overlap in the market areas of Ojai and Mid-State, the merger will generally introduce Mid-State to new markets, and no assurance can be given that the combined entities' policies, procedures and products will prove successful in the combined market areas and in a combined commercial and consumer culture; and

any cash received in exchange for Ojai common stock will be taxable to an Ojai shareholder.

However, after weighing the advantages and disadvantages of an acquisition by Mid-State, the Ojai board of directors determined that the advantages clearly outweighed the disadvantages. For example,

the prospects of the combined entity are substantially greater than the prospects of Ojai on a stand alone basis;

the liquidity of the Mid-State stock to be received by the Ojai shareholders would be substantially greater than the current liquidity of Ojai stock; and the substantial premium over book and the substantial multiple over earnings being paid by

Mid-State in the merger; and

the possible selection of cash by an Ojai shareholder may outweigh any negative impact of paying income taxes on such cash.

The managements of Ojai and Mid-State also saw opportunities for increased operating efficiencies. In particular, the managements believe that cost savings can be achieved as a result of economies of scale, the consolidation of executive management and elimination of certain redundant staff, the consolidation of data processing and operations activities and the elimination of duplicative administrative functions. There can be no assurance that Mid-State will be able to realize fully the increased operating efficiencies or that such operating efficiencies will be realized in a timely manner.

The managements of Ojai and Mid-State also believe that each complements each other both in their community-based approach to banking and in terms of geographic service areas. Consequently, Ojai and Mid-State believe that by combining forces, Ojai and Mid-State will be able to more effectively compete successfully and take advantage of banking opportunities in the California central coast market.

The foregoing discussion of the information and factors considered by the Ojai board of directors is not intended to be exhaustive, but constitutes the material factors considered by the Ojai board of directors. In reaching its determination to approve and recommend the principal terms of the merger, the Ojai board did not assign relative or specific weights to the foregoing factors and individual directors may have weighed such factors differently.

For the reasons set forth above, the Ojai board of directors has unanimously approved the merger agreement as in the best interest of Ojai and its shareholders and unanimously recommends that the Ojai shareholders approve the principal terms of the merger.

Opinion of Ojai's Financial Advisor

General. Pursuant to an engagement letter dated November 1, 2002, Ojai engaged Seapower Carpenter Capital, Inc., dba Carpenter & Company to provide certain financial advisory services, including possible business combinations involving Ojai and other companies. The services included the provision of a fairness opinion in connection with any proposed merger transaction. Carpenter & Company is an investment banking firm specializing in California financial institutions, and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with merger transactions and other types of acquisitions, underwritings, private placements and valuations for corporate and other purposes. Ojai selected Carpenter & Company to render the opinion on the basis of its experience and expertise in transactions similar to the merger and its reputation in the banking and investment communities. No limitations were imposed by Ojai on Carpenter & Company with respect to the investigations made or procedures followed in rendering its opinion.

At a meeting of the Ojai board of directors on June 30, 2003, Carpenter & Company delivered its written opinion that, as of the date of the opinion and subject to the limitations and assumptions set forth in the opinion, the merger consideration pursuant to the merger agreement between Ojai and Mid-State was fair to Ojai shareholders from a financial point of view.

The full text of Carpenter & Company's written opinion to the Ojai board of directors, which sets forth the assumptions made, matters considered, and limitations of the review, by Carpenter & Company, is attached hereto and is incorporated herein by reference. The following summary of Carpenter & Company's opinion is qualified in its entirety by reference to the full text of the opinion, which should be read carefully and in its entirety. In furnishing such opinion, Carpenter & Company does not admit that it is an expert with respect to the registration statement of which this proxy statement/prospectus is part within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder. Carpenter & Company does not admit that its opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act. Carpenter & Company's opinion is directed to the Ojai board of directors, covers only the fairness of the merger consideration to be received by holders of Ojai common stock from a financial point of view as of the date of the opinion, and does not constitute a recommendation to any holder of Ojai common stock as to how such shareholder should vote.

In connection with its opinion, Carpenter & Company, among other things: (i) reviewed certain publicly available financial and other data with respect to Ojai and Mid-State, including the consolidated financial statements for recent years through December 31, 2002 and March 31, 2003, and certain other relevant financial and operating data relating to these companies made available to Carpenter & Company from published sources and from the internal records of Ojai; (ii) reviewed the merger agreement; (iii) reviewed certain information concerning the trading of, and the trading market for Mid-State common stock; (iv) compared Ojai and Mid-State from a financial point of view with certain other companies in the banking industry, which Carpenter & Company deemed to be relevant; (v) considered the financial terms, to the extent publicly available, of selected recent business combinations of companies in the banking industry, which Carpenter & Company deemed to be

comparable, in whole or in part, to the merger; (vi) reviewed and discussed with representatives of the management of Ojai certain information of a business and financial nature regarding Ojai and Mid-State, furnished to Carpenter & Company by them; (vii) made inquiries regarding and discussed the merger and the merger agreement and other matters related thereto with Ojai's counsel; and (vii) performed such other analyses and examinations as Carpenter & Company deemed appropriate.

In connection with its review, Carpenter & Company did not assume any obligation to independently verify the foregoing information and relied on such information being accurate and complete in all material respects. Carpenter & Company also assumed that there has not been any material changes in the assets, financial condition, results of operations, business or prospects of all companies involved in the merger since the respective dates of their last financial statements made available to it. Carpenter & Company relied on advice of counsel to Ojai as to all legal matters with respect to Ojai, the merger and the merger agreement. Ojai acknowledged that Carpenter & Company did not discuss with Ojai's independent accountants any financial reporting matters with respect to Ojai, the merger or the merger agreement. Ojai informed Carpenter & Company, and Carpenter & Company assumed that the merger would be accounted for as a purchase under generally accepted accounting principles. Carpenter & Company assumed that the merger would be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act, the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations. Carpenter & Company assumed that the allowance for loan losses for each of Ojai and Mid-State are in the aggregate adequate to cover such losses. In addition, Carpenter & Company did not assume responsibility for reviewing any individual credit files, or making an independent evaluation, appraisal or physical inspection of any of the assets or liabilities (contingent or otherwise) of the companies involved in the merger, nor was Carpenter & Company furnished with any such appraisals. Finally, Carpenter & Company's opinion was based on economic, monetary and market and other conditions as in effect on, and the information made available to Carpenter & Company as of, the date of the opinion. Accordingly, although subsequent developments may affect Carpenter & Company's opinion, it has not assumed any obligation to update, revise or reaffirm such opinion.

Set forth below is a summary of Carpenter & Company's analysis in connection with its opinion that is complete in all material respects.

Review of Mid-State and Ojai. Carpenter & Company analyzed Ojai and Mid-State as reported by the companies in their respective financial reports and regulatory filings, and on a combined basis. Specifically, Carpenter & Company reviewed total loans, total assets, total deposits, total shareholders' equity, and net income. The following table summarizes these values for each company at or for the twelve month period ending March 31, 2003, and on a combined basis, excluding any purchase accounting adjustments, estimated cost savings, or potential revenue enhancements.

	At or for the Twelve Months Ended March 31, 2003		
	Mid-State	**Ojai**	**Combined**
		(In millions)	
Total tangible assets	$ 1,928.8	$ 84.3	$ 2,013.1
Total loans	1,116.4	34.8	1,151.2
Total deposits	1,677.9	76.2	1,754.1
Tangible shareholders' equity	218.8	7.8	226.7
Net income	30.2	1.0	31.2

Trading Activity. The common stock of Mid-State is quoted and traded on the NASDAQ National Market exchange under the ticker symbol MDST, while the stock of Ojai is not listed or traded on any exchange. The trading volume for Mid-State common stock was significantly higher than that of Ojai.

According to publicly available share volume, the average daily trading volume for Mid-State's common stock during the most recent quarter was approximately 24,000 shares, equivalent to annual trading of over 25% of the total number of shares outstanding. Ojai on the other hand has not reported a recent trade in its shares. Based upon this analysis, Carpenter & Company concluded that shareholders of Ojai would benefit from the increased liquidity available by holding shares of Mid-State in comparison to that of Ojai.

Analysis of Selected Merger Transactions. Carpenter & Company compared the consideration payable in the merger to that paid in two distinct groups of comparable transactions. First, using publicly available information, Carpenter & Company reviewed the consideration paid in 27 transactions (Group 1) representing all the acquisitions of banks with total assets under $150 million, headquartered in California, and announced in 1996 through April 30, 2003. Secondly, because Ojai earnings have consistently exceeded a return on average assets of 1.0% Carpenter & Company deemed it appropriate to examine a subset of Group 1, including only those transactions announced where the seller had a return on average assets greater than 1.0% (Group 2). The chart below provides a list of the transactions used in this analysis, including the buyer and seller, seller return on average assets, and the announcement date.

Buyer/ Target	ROAA	Date Announced	Group 1	Group 2
Nara Bancorp Inc./Asiana Bk	(1.81)	04/25/2003	X	
Vineyard National Bancorp/Southland Business Bank	(1.28)	04/09/2003	X	
Western Sierra Bancorp/Central Sierra Bank	0.67	03/13/2003	X	
TriCo Bancshares/North State National Bank	1.48	10/07/2002	X	X
First Community Bancorp/Bank of Coronado	0.36	09/20/2002	X	
Community Bankshares, Inc./Tracy Federal Bank, FSB	1.14	08/30/2002	X	X
First Community Bancorp/Marathon Bancorp	1.50	05/14/2002	X	X
First Community Bancorp/Upland Bank	1.31	04/18/2002	X	X
Westamerica Bancorp./Kerman State Bank	0.76	02/25/2002	X	
CVB Financial Corp./Western Security Bank, NA	(1.78)	01/17/2002	X	
Western Sierra Bancorp/Central California Bank	0.89	11/15/2001	X	
First Community Bancorp/W.H.E.C. Inc.	1.12	11/13/2001	X	X
First Banks Inc./Charter Pacific Bank	0.03	05/23/2001	X	
First Community Bancorp/First Charter Bank NA	(2.04)	05/22/2001	X	
Montecito Bancorp/Valley Oaks National Bank	1.28	05/18/2001	X	X
Bank of East Asia, Ltd./Grand National Bank	1.26	05/05/2001	X	X
East West Bancorp Inc./Prime Bank	0.56	11/02/2000	X	
Boston Bank of Commerce/Founders National Bank	0.29	10/24/2000	X	
PremierWest Bancorp/Timberline Bancshares Inc.	0.90	10/17/2000	X	
Centennial First Financial/Palomar Community Bank	0.43	09/20/2000	X	
First Banks Inc./Millennium Bank	1.37	08/24/2000	X	X
Innovative Bancorp/Bank of Oakland	1.06	07/19/2000	X	X
Business Bancorp/Valley Merchants Bank, NA	1.50	04/05/2000	X	X
Pacific Capital Bancorp/Los Robles Bancorp	1.31	03/23/2000	X	X
First Banks Inc./Bank of Ventura	1.14	03/21/2000	X	X
Westamerica Bancorp./First Counties Bank	0.93	03/15/2000	X	
American River Holdings/North Coast Bank NA	0.43	03/02/2000	X	

No other company or transaction used as a comparison in these analyses is identical to Ojai or the Ojai/Mid-State merger. Accordingly, an analysis of the results of the foregoing is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value

and the announced acquisition prices of the companies to which Ojai and the merger are being compared.

For each bank acquired or to be acquired in such transactions, Carpenter & Company analyzed data illustrating, among other things, purchase price to tangible book value, purchase price to last 12 months' earnings, purchase price as a percentage of total assets, and as a percentage of core deposits. For the purpose of calculating the price ratios in the merger, Carpenter & Company used the reported financial condition and earnings of Ojai at and for the twelve month period ending March 31, 2003. Based upon this level of consideration, the following table compares the relative valuation ratios for California bank acquisitions to the valuation ratios for Ojai in the Ojai/Mid-State merger:

			Announced Price to			
	ROAA (%)	ROAE (%)	Earnings (X)	Book (X)	Assets (%)	Deposits (%)
Group 1 (27)	0.55	6.30	20.87	1.84	16.26	18.30
Group 2 (12)	1.29	14.29	15.74	2.08	18.87	21.16
Offer considered	***1.22***	***13.38***	***19.64***	***2.67***	***23.47***	***25.93***

A review of the comparable earning multiples indicates that the multiples paid in the Ojai/Mid-State merger are higher than the average multiples paid for Group 2 and just below those for Group 1. Because the return on average assets for Ojai is more than two times that of Group 1, the more comparable earnings multiple is that for Group 2 that had a return on average assets almost identical to that of Ojai. In reviewing all other price ratios, Carpenter & Company found that all of the Ojai ratios exceeded those for both groups. After this review of the comparable merger price ratios, Carpenter & Company concluded that the comparisons support the conclusion that the merger consideration is fair.

Earnings Accretion Analysis. Carpenter & Company analyzed the projected earnings of stand alone Ojai, and pro forma Mid-State. Carpenter & Company compared the projected earnings per share for stand-alone Ojai shareholders and for the pro forma Mid-State over the next three years. In the combined projections, Carpenter & Company assumed future cost savings equal to approximately 25% of Ojai's non-interest expenses. Carpenter & Company made a comparison of earnings per share for the twelve months ended March 31, 2003, assuming all cost savings were realized at the beginning of the period. Based upon these projections, the earnings per share for pro forma Mid-State was approximately 30% higher than that projected for the stand alone Ojai. This analysis suggests that there are substantially higher potential earnings per share, and therefore higher potential value per share for Ojai shareholders if the merger is completed.

Future Trading and Merger Value Analysis. Carpenter & Company also estimated the future price at which Ojai stand alone and the combined companies might trade in the open market. Carpenter & Company utilized the projected financial condition and earnings at and for the twelve month period ending December 31, 2005. In estimating trading values, Carpenter & Company first arrived at an estimated market value of equity for stand alone Ojai and pro forma Mid-State by multiplying their respective trailing earnings by a market multiple; Carpenter & Company utilized a market multiple of 15 for stand alone Ojai, and 15 for pro forma Mid-State, which reflects the then current average trading earnings multiple for Mid-State. Carpenter & Company computed the estimated trading value per share by dividing the estimated market value of equity by the fully diluted shares outstanding. As a result of these computations, Carpenter & Company arrived at an estimated trading value per share for stand alone Ojai, and for pro forma Mid-State; the estimated pro forma Mid-state value was approximately 60% higher than the stand alone Ojai scenario.

Similarly, Carpenter & Company estimated the future merger value of stand alone Ojai and pro forma Mid-State as of December 31, 2005. Carpenter & Company utilized the projected financial condition and earnings at and for the twelve month period ending December 31, 2005. In estimating merger values, Carpenter & Company first arrived at an estimated market value of equity for stand alone Ojai and pro forma Mid-State by multiplying comparable merger transaction multiples to their respective trailing earnings, tangible book value, total assets and total core deposits. Carpenter & Company utilized the merger multiples of Group 2 above for stand alone Ojai; for pro forma Mid-State Carpenter & Company assumed a 35% control premium over the estimated trading value. Carpenter & Company computed the estimated merger value per share by dividing the estimated market value of equity by the fully diluted shares outstanding. As a result of these computations, Carpenter & Company arrived at an estimated merger value per share for the stand alone Ojai, and the pro forma Mid-State; the estimated pro forma Mid-State value was approximately 50% higher than the stand alone Ojai scenario.

Carpenter & Company also performed an analysis on the future value of the total consideration being offered since the consideration being offered is a combination of cash and stock. For this analysis, Carpenter & Company assumed that each shareholder received half of their consideration in stock and half in cash. In estimating the future value of cash, Carpenter & Company assumed interest earned at an average annual interest rate of 5% over the holding period. In this analysis, Carpenter & Company computed the estimated value of one share of Ojai in the future on both a trading and merger basis, for the stand alone and merger scenarios. Based upon this analysis, the projected trading value was approximately 50% higher in the merger scenario over the stand alone scenario. Likewise, the projected value on a future sale was approximately 25% higher in the merger scenario over the stand alone scenario.

Because the value range for the combined companies is higher than the range for Ojai on a stand-alone basis, the future trading and merger value analysis suggests that there is greater potential value for Ojai shareholders in completing the merger.

The summary set forth above does not purport to be a complete description of the presentation by Carpenter & Company to the Ojai board of directors or of the analyses performed by Carpenter & Company. The preparation of a fairness opinion is not necessarily susceptible to partial analysis or summary description. Carpenter & Company believes that its analyses and the summary set forth above must be considered as a whole and that selecting a portion of its analyses and factors, without considering all analyses and factors, would create an incomplete view of the process underlying the analyses set forth in its presentation to the Ojai board of directors. The ranges of valuations resulting from any particular analysis described above should not be taken to be Carpenter & Company's view of the actual value of Ojai or the combined companies.

In performing its analyses, Carpenter & Company made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Ojai or Mid-State. Material among those assumptions were that of a reasonably stable economic and interest rate environment and no significant changes in the regulatory and statutory regime governing the businesses of both Mid-State and Ojai sufficient to materially impact their results. The analyses performed by Carpenter & Company are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Carpenter & Company's analysis of the fairness of the consideration to be received by the holders of Ojai common stock in the merger and were provided to the Ojai board of directors in connection with the delivery of Carpenter & Company's opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at the present time or any time in the future. The forecasts utilized by Carpenter & Company in certain of its analyses are based on numerous variables and assumptions, which are inherently unpredictable and must be considered not

certain of occurrence as projected. Accordingly, actual results could vary significantly from those contemplated in such forecasts.

In the ordinary course of Carpenter & Company's business, it represents acquirers and sellers of financial institutions, and has performed other services for Ojai in the past. Under the terms of the engagement letter, Ojai will pay Carpenter & Company a transaction fee of approximately $200,000, which will vary slightly depending upon the average trading price of Mid-State as defined in the merger agreement. Ojai has also agreed to reimburse Carpenter & Company for its reasonable out-of-pocket expenses. Ojai has agreed to indemnify Carpenter & Company, its affiliates, and their respective partners, directors, officers, agents, consultants, employees and controlling persons against certain liabilities including liabilities under federal securities laws.

The full text of Carpenter & Company's updated written opinion, dated June 30, 2003, is attached as Appendix B to this joint proxy statement/prospectus and is incorporated here by this reference.

Ojai shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Carpenter & Company.

Recommendation of the Board of Directors

After careful consideration, Ojai's board of directors, by unanimous vote of the directors, has determined that the merger is fair to and in the best interests of the shareholders of Ojai. Accordingly, the Ojai board has unanimously approved the merger. Your board of directors recommends a vote "FOR" this proposal.

Exchange Ratio

When the merger is completed, unless you have elected to receive cash for some or all your Ojai shares, you will receive shares of Mid-State stock in exchange for your shares of Ojai stock. The exchange ratio will depend on the "average closing price" of Mid-State stock for the last twenty trading days it actually trades before the cutoff date for the calculation. That cutoff is five trading days before the effective date of the merger. Based on the share prices and number of shares of Ojai common stock outstanding on September 19, 2003, and assuming that 50% of the Ojai shares are converted to cash, Mid-State would issue approximately 498,153 shares to former Ojai stockholders in the merger, representing approximately 2.1% of the total number of Mid-State common shares that will be outstanding after the merger. The number of shares actually issued will vary depending on the average closing price for Mid-State stock during the 20 trading days while it is being determined, as well as on the number of Ojai shares whose holders exercise dissenters' rights or elect to receive cash instead of Mid-State shares, subject to the issuance of a minimum amount of Mid-State stock equal to 50% of the total consideration of the merger.

If the average closing price of Mid-State shares is between $16.62 and $20.32, the exchange ratio will be $68.50 divided by the average closing price. For example, if the average closing price is $20.04, the exchange ratio will be 68.50/20.04, or 3.4182 Mid-State shares for each Ojai share. If you owned 100 shares of Ojai and did not elect cash, you would receive 341 Mid-State shares, plus a check for $56.17, the value of the .82 fractional share (fractional shares will be paid in cash).

Share prices cannot be predicted, of course. If the average closing price of Mid-State stock moves outside the range described above, the exchange ratio will change. If the average closing price is more than $20.32, the exchange ratio will be 3.371. If the average closing price is less than $16.62, the exchange ration shall be 4.121.

Illustrations

As described above, the exchange ratio and the resulting value of the Mid-State common stock to be received in the merger depends on the average closing price of Mid-State stock. The following table illustrates the effective exchange ratio and resulting value of the Mid-State stock to be received as a function of several possible average closing prices, assuming no cash is selected:

Price of Mid-State stock	Number of Mid-State Shares to be Received for Each Ojai Share	Market Value of Mid-State Shares to be Received
$ 12	4.121	$ 49.45
13	4.121	$ 53.57
14	4.121	$ 57.69
15	4.121	$ 61.82
16	4.121	$ 65.94
17	4.0294	$ 68.50
18	3.8056	$ 68.50
19	3.6053	$ 68.50
20	3.425	$ 68.50
21	3.371	$ 70.79
22	3.371	$ 74.16

Cash Election

You may elect to receive cash instead of any or all of Mid-State shares for the Ojai shares you own as of a record date approximately 35 days before the closing date of the merger. If you do elect to receive cash, the amount you receive per share will be the average closing price of Mid-State shares multiplied by the exchange ratio. For example, if the average closing price were $20.00 and the exchange ratio were 3.425, you would receive $68.50 per share for your Ojai shares upon the closing of the merger.

Election Procedure

In order to make a valid election, you must complete the form transmittal letter which is included in this mailing. Such transmittal letter allows holders of Ojai stock to select either shares of Mid-State common stock, cash or a combination of the foregoing. You will receive cash upon the closing of the merger in exchange for any Ojai shares not covered by a valid and timely share election, subject to the proration provisions discussed below.

A valid election will be properly made and effective only if the exchange agent actually receives a properly completed letter of transmittal by 5:00 p.m. New York time on or before October 27, 2003. A letter of transmittal will be deemed properly completed only if an election is indicated for each share of Ojai common stock and accompanied by one or more certificates, or customary affidavits and indemnity for lost certificates, representing all shares of Ojai common stock covered by such letter of transmittal. An election may be revoked or changed at any time prior to the election deadline.

The number of Ojai shares with respect to which a stock or cash or combination election is effective may be reduced under certain circumstances. By the terms of the merger agreement, 50% of the total consideration in the merger must be Mid-State shares and 50% of the total consideration in the merger must be in cash.

If, after taking account of all valid stock elections, less than 50% of the total consideration would be in Mid-State shares, the exchange agent will deliver Mid-State stock instead of cash first to shareholders who failed to make a valid election and then, if necessary, to Ojai shareholders even though they made a valid cash election. As a result, the Ojai shareholders that made a valid cash election could be subject to an additional pro ration process which will result in the holder receiving a

different pro ration than originally requested, which will result in a final prorated amount of cash and a prorated number of shares of Mid-State common stock with a value equal to at least 50% of the total consideration.

On the other hand, if after taking into account all valid stock elections, more than 50% of the total consideration would be in Mid-State shares, the exchange agent will deliver cash instead of Mid-State shares first to shareholders who failed to make a valid election and then, if necessary, to Ojai shareholders even though they made a valid stock election. As a result, the Ojai shareholders that made a valid stock election could be subject to an additional proration process which will result in the holder receiving a different pro ration than originally requested, which will result in a final prorated amount of cash and a prorated number of shares of Mid-State common stock with a value equal to 50% of the total consideration.

For details on the proration provisions, please refer to the merger agreement, attached as Appendix A to this joint proxy statement/prospectus.

Because the price of Mid-State common stock fluctuates, you will not know, when you vote or make your election, either the number or the exact value of the shares of Mid-State common stock, or the amount of cash, which you will receive in the merger. The market value of Mid-State shares at the time of the merger and afterwards could be substantially higher or lower than the current market value. You are urged to obtain current market quotations for both Mid-State and Ojai stock, and to consult with your financial advisors before you vote. In addition, please review the "Risk Factors" section of this prospectus before deciding how to vote or whether to make a cash election.

Surrender of Ojai Stock Certificates

As soon as practicable following the closing date of the merger, and after the proration procedures described above are completed, each holder of Ojai common stock who submitted a properly completed letter of transmittal along with such holder's share certificates of Ojai stock by the election deadline will be issued a certificate representing the number of shares of Mid-State common stock to which such holder is entitled, if any (and, if applicable, a check for the amount to be paid in lieu of fractional shares of Mid-State common stock), and/or an amount of cash to which such holder is entitled, if any.

Holders of Ojai common stock who did not submit a letter of transmittal prior to the election deadline must nevertheless submit a properly completed letter of transmittal (other than the section pertaining to the election) and the certificate representing Ojai common stock to the exchange agent in order to receive the merger consideration. If your shares are held by your broker in a "street name" account, this will be done for you automatically. If you own the shares in your own name, as a shareholder of record, Mellon Investor Services (our exchange agent) will mail you a letter instructing you how to accomplish this task. Please follow these instructions carefully to avoid delay in receipt of your new stock certificate, cash or a combination of the foregoing. You will need to endorse all certificates representing Ojai shares, sign the authorization form sent by the exchange agent, and return these items to the exchange agent at the address included in the instructions.

No dividends or other distributions that are declared on Mid-State common stock will be paid to persons otherwise entitled to receive the same until the Ojai certificates for their shares have been surrendered in exchange for the Mid-State certificates, but upon such surrender, such dividends or other distributions, from and after the effective time of the merger, will be paid to such persons in accordance with the terms of Mid-State common stock. No interest will be paid to the Ojai shareholders on the cash or the Mid-State common stock into which their shares of Ojai common stock will be exchanged.

YOU SHOULD NOT SEND IN YOUR STOCK CERTIFICATES IN THE ENVELOPE DESIGNATED FOR YOUR PROXY. PLEASE INCLUDE YOUR STOCK CERTIFICATES WITH THE LETTER OF TRANSMITTAL IN THE SPECIALLY DESIGNATED ENVELOPE.

Regulatory Approvals Required

Bank holding companies, such as Mid-State, and banks, such as Ojai and Mid-State Bank & Trust, are heavily regulated institutions with numerous federal and state laws and regulations governing their activities. Among these laws and regulations are requirements of prior approval by applicable government regulatory authorities in connection with acquisition and merger transactions such as the merger. In addition, these institutions are subject to ongoing supervision, regulation and periodic examination by various federal and state financial institution regulatory agencies. Detailed discussion of such ongoing regulatory oversight and the laws and regulations under which it is carried out can be found in the Form 10-K of Mid-State for the year ended December 31, 2002, which is incorporated by reference into this proxy statement/prospectus.

Consummation of the merger is subject to various conditions, including, among others, receipt of the prior approvals of the California Department of Financial Institutions and the Federal Deposit Insurance Corporation, as well as the filing of a notification with the Board of Governors of the Federal Reserve System.

The merger agreement provides that the obligations of the parties to consummate the merger are conditioned upon all regulatory approvals having been granted by December 31, 2003 without the imposition of conditions which, in the opinion of Mid-State, would materially adversely effect the financial condition or operations of any party or otherwise be burdensome.

Applications for regulatory review and approval of the merger and the related transactions have been filed, as well as the notice to the Federal Reserve. Approval has been received from the Federal Deposit Insurance Corporation. There can be no assurance that the California Department of Financial Institutions will approve or take other required action with respect to the merger and the related transactions or as to the date of such approval or action.

Management and Operations of Mid-State after the Merger

Management.

The directors and the principal executive officers of Mid-State and Mid-State Bank & Trust immediately prior to the effective time of the merger will continue as the directors and the principal executive officers following the merger.

Operations.

Although we cannot assure you that any specific level of cost savings will be achieved, Mid-State currently expects cost reductions attributable to the merger to approximate $0.1 million for the remainder of 2003 and $0.5 million for the calendar year 2004. Savings in salaries and benefits will provide approximately $50 thousand of this total for 2003 and $0.2 million of the total for 2004. The remaining cost savings identified by management reflect expected reductions in operating expenses in the areas of marketing, data processing and directors' fees.

It is also estimated that one-time, merger-related restructuring charges will total approximately $2.6 million before taxes, or $1.5 million after taxes. These charges will be recognized as incurred. It is expected that substantially all of such charges will be recognized in the forth quarter of 2003. Approximately $1.0 million of the total pre-tax charges will relate to severance and benefits of displaced employees, and another $0.7 million to investment banking fees, attorneys' fees, accountants' charges and filing fees. The remaining cost will relate to write-offs of contracts and marketing and advertising expenses.

This information should be read in conjunction with the historical consolidated financial statements of Ojai and Mid-State, including the respective notes thereto, attached to this proxy statement/

prospectus or incorporated herein, and in conjunction with the combined condensed historical selected financial data and other pro forma combined financial information appearing elsewhere in this proxy statement/prospectus.

The statements contained in this section constitute "forward looking statements." Actual results, which are dependent on a number of factors, many of which are beyond the control of Mid-State and Ojai, may differ materially. See "FORWARD LOOKING STATEMENTS." The cost savings and restructuring charges reflected above and in this proxy statement/prospectus may not be indicative of the results that may be achieved in the future. Assuming consummation of the merger, the actual cost savings and restructuring charges that may be realized in the merger may differ, perhaps significantly, from the amounts described above and elsewhere in this proxy statement/prospectus.

Nasdaq Listing

The shares of Mid-State common stock to be issued in the merger will be listed on the Nasdaq National Market.

Resales of Mid-State Common Stock

The shares of Mid-State common stock to be issued to shareholders of Ojai in the merger have been registered under the Securities Act of 1933. Such shares will be freely transferable under such Act, except for shares issued to any person who may be deemed to be an "affiliate" of Ojai within the meaning of Rule 145 under the Securities Act of 1933.

Federal Income Tax Consequences

In the opinion of PricewaterhouseCoopers, LLP, the following are the material federal income tax considerations of the merger generally applicable to Ojai shareholders. These opinions and the following discussion are based on and subject to the Internal Revenue Code of 1986, as amended, or the Code, the regulations promulgated under the Code, existing interpretations and court decisions, all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of the discussion. This discussion does not address all aspects of federal income taxation that may be important to you in light of your particular circumstances or if you are subject to special rules, such as rules relating to:

- shareholders who are not United States persons;
- financial institutions;
- tax exempt organizations;
- insurance companies;
- dealers in securities;
- traders in securities that elect to use a mark-to-market method of accounting;
- shareholders who acquired their shares of Ojai common stock pursuant to the exercise of employee stock options or otherwise acquired shares as compensation; and
- shareholders who hold their shares of Ojai common stock as part of a hedge, straddle, or other risk reduction, constructive sale, or conversion transaction.

This discussion assumes you hold your shares of Ojai common stock as capital assets within the meaning of Section 1221 of the Code.

It is intended that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. Mid-State's and Ojai's obligations to complete the merger are conditioned

on, among other things, Mid-State's receipt of an opinion from PricewaterhouseCoopers, LLP dated the effective date, to the effect that, on the basis of the facts, representations and assumptions set forth in the opinion, the merger constitutes a reorganization under Section 368(a) of the Code. The opinion of PricewaterhouseCoopers, LLP will be based on the then-existing law, will assume the absence of changes in existing facts, will rely on customary assumptions, and may rely on representations contained in certificates executed by officers of Mid-State and Ojai. The opinion neither binds the Internal Revenue Service, nor precludes them from adopting a contrary position, and it is possible that they may successfully assert a contrary position in litigation or other proceedings. Neither Mid-State nor Ojai intends to obtain a ruling from the Internal Revenue Service with respect to the tax consequences of the merger.

In the opinion of PricewaterhouseCoopers, LLP, assuming that the merger is consummated in accordance with the terms of the merger agreement and as described in this joint proxy statement/ prospectus and that the assumptions and representations described in the proceeding paragraph are true and complete as of the effective date, the merger will be treated as a "reorganization" within the meaning of Section 368(a) of the Code. The following discussion assumes that the merger will be treated accordingly.

Ojai Shareholders Who Receive Only Mid-State Common Stock.

If you are a holder of Ojai common stock, except as discussed below with respect to cash received in lieu of fractional shares, you will not recognize gain or loss for federal income tax purposes if you exchange your Ojai common stock solely for Mid-State common stock pursuant to the merger.

Ojai Shareholders Who Receive Both Mid-State Common Stock and Cash.

If you are a holder of Ojai common stock and you receive both Mid-State common stock and cash (other than cash received in lieu of fractional shares) in exchange for your Ojai common stock, you will recognize any gain, but not loss, in an amount equal to **the lesser of**:

(i) the excess, if any, of:

  (1) the sum of the fair market value at the effective time of the merger of the Mid-State common stock and cash received; over

  (2) your tax basis in the shares of Ojai common stock exchanged in the merger; and

(ii) the amount of cash that you receive in exchange for your Ojai common stock.

Any gain will be treated as capital gain unless the receipt of the cash has the effect of the distribution of a dividend for federal income tax purposes, in which case the gain will be treated as ordinary dividend income to the extent of your ratable share of Ojai's accumulated earnings and profits. Any capital gain will be long-term capital gain if, as of the date of the merger, your holding period in your Ojai common stock is greater than one year. The following is a brief discussion of the tax treatment described above; however, you should consult your own tax advisor about the possibility that all or a portion of any cash received in exchange for Ojai common stock will be treated as a dividend.

The stock redemption provisions of Section 302 of the Code apply in determining whether cash received by you in exchange for your Ojai common stock has the effect of a distribution of a dividend under Section 356(a)(2) of the Code, which we refer to as a hypothetical redemption analysis. Under the hypothetical redemption analysis, you will be treated as if the portion of Ojai common stock that you exchange for cash in the merger will instead be exchanged for Mid-State common stock, which we call the hypothetical shares, followed immediately by a redemption of the hypothetical shares by Mid-State for cash. Under the principles of Section 302 of the Code, you will recognize capital gain

rather than dividend income with respect to the cash received if the hypothetical redemption is "not essentially equivalent to a dividend" or is "substantially disproportionate" with respect to you. In applying the principles of Section 302, the constructive ownership rules of Section 318 of the Code will apply in comparing your ownership interest in Mid-State both immediately after the merger (but before the hypothetical redemption) and after the hypothetical redemption.

If you are a holder of Ojai common stock, whether the hypothetical redemption by Mid-State of the hypothetical shares for cash is "not essentially equivalent to a dividend" will depend on your particular circumstances. However, the hypothetical redemption must, in any event, result in a "meaningful reduction" in your percentage ownership of Mid-State common stock. In determining whether the hypothetical redemption by Mid-State results in a meaningful reduction in your percentage ownership of Mid-State common stock, and, therefore, does not have the effect of a distribution of a dividend, you should compare your interest in Mid-State (including interests owned actually, hypothetically, and constructively) immediately after the merger (but before the hypothetical redemption) to your interest after the hypothetical redemption. The Internal Revenue Service has indicated, in Revenue Ruling 76-385, that a shareholder in a publicly-held corporation whose relative stock interest in the corporation is minimal and who exercises no "control" over corporate affairs is generally treated as having had a meaningful reduction in his or her stock after a redemption transaction if his or her percentage stock ownership in the corporation has been reduced to any extent, taking into account the shareholder's actual and constructive ownership before and after the hypothetical redemption.

If you are a holder of Ojai common stock, the hypothetical redemption transaction would be "substantially disproportionate," and, therefore, would not have the effect of a distribution of a dividend if you own less than 50 percent of the voting power of the outstanding Mid-State common stock and the percentage of Mid-State common stock actually and constructively owned by you immediately after the hypothetical redemption is less than 80 percent of the percentage of Mid-State common stock actually, hypothetically, and constructively owned by you immediately before the hypothetical redemption.

Ojai Shareholders Who Receive Only Cash.

If you are a holder of Ojai common stock who exchanges all of your shares of common stock for cash or who exercises appraisal rights in connection with the merger, you will generally recognize capital gain to the extent the amount of cash received in the merger exceeds your tax basis in the Ojai common stock, or loss to the extent your tax basis in Ojai common stock exceeds the amount of cash received in the exchange. Any capital gain or loss will be long-term capital gain or loss if you have held your shares of Ojai common stock for more than one year at the time the merger is completed. Long-term capital gain of a non-corporate U.S. shareholder is generally subject to a maximum rate of 15 percent.

Tax Basis and Holding Period.

The aggregate tax basis of the Mid-State common stock you receive as a result of the merger will be the same as your aggregate tax basis in the Ojai common stock you surrender in exchange for the Mid-State common stock, decreased by the amount of cash received in the merger, and increased by the amount of dividend or gain recognized in the merger. The holding period of the Mid-State common stock you receive as a result of the exchange will include the holding period of the Ojai common stock you exchange in the merger.

Cash Received in Lieu of Fractional Shares.

If you receive cash in the merger instead of a fractional share interest in Mid-State common stock, you will be treated as having received the cash in redemption of the fractional share interest. Assuming that, immediately after the merger, you hold a minimal interest in Mid-State, you exercise no control over Mid-State and, as a result of the deemed redemption and after giving effect to certain constructive ownership rules, you experience an actual reduction in your interest in Mid-State, you will recognize capital gain or loss on the deemed redemption in an amount equal to the difference between the amount of cash received and your adjusted tax basis allocable to such fractional share. Otherwise, the cash payment may be taxable to you as a dividend. Any capital gain or loss will be long-term capital gain or loss if you have held your shares of Ojai common stock for more than one year at the time the merger is completed. Long-term capital gain of a non-corporate U.S. shareholder is generally subject to a maximum rate of 15 percent.

The foregoing discussion is not intended to be a complete analysis or description of all potential federal income tax consequences of the merger. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address any non-income tax or any foreign, state, or local tax consequences of the merger. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular federal, state, local, or foreign income or other tax consequences to you of the merger.

The exchange of Ojai common stock for cash pursuant to the exercise of dissenters' rights will be a taxable transaction. If you are considering the exercise of dissenters' rights, you should consult your own tax advisers about the tax treatment of your receipt of such cash. See "Dissenting Shareholders' Rights."

Accounting Treatment

It is anticipated that the merger will be accounted for as a purchase transaction under generally accepted accounting principles. The unaudited pro-forma financial information contained in this proxy statement/prospectus has been prepared using the purchase method of accounting.

Dissenters' Rights

If you do not vote your Ojai shares in favor of the proposal to approve the merger and you remain a holder of Ojai common stock at the effective time of the merger, you will, by complying with the procedures set forth in Chapter 13 of the California General Corporation Law, be entitled to receive an amount equal to the fair market value of your shares as of June 27, 2003 the last trading day before the public announcement of the merger. The final closing price for Ojai common stock on that day was $46.00 per share. Both Carpenter & Company as well as Ojai's board of directors have determined $46.00 was the fair value on June 27, 2003.

A copy of Chapter 13 of the California General Corporation Law is attached hereto as Appendix C. You should read it for more complete information concerning dissenters' rights. The discussion in this section is qualified in its entirety by reference to Appendix C. **THE REQUIRED PROCEDURE SET FORTH IN CHAPTER 13 OF THE CALIFORNIA GENERAL CORPORATION LAW MUST BE FOLLOWED EXACTLY OR ANY DISSENTERS' RIGHTS MAY BE LOST.**

In order to be entitled to exercise dissenters' rights, you must not vote for the merger. Thus, if you wish to dissent and you execute and return a proxy in the accompanying form, you must specify that your shares are to be either voted "AGAINST" or "ABSTAIN" on Proposal 1. If you return a proxy without voting instructions or with instructions to vote "FOR" the Proposal 1, your shares will automatically be voted in favor of the merger and you will lose your dissenters' rights.

If the merger is approved by the shareholders, Ojai will have 10 days after the approval to send to those shareholders who did not vote in favor of the merger a written notice of such approval accompanied by:

- a copy of Chapter 13 of the California General Corporation Law,
- a statement of the price determined to represent the fair market value of the dissenting shares as of June 27, 2003 and
- a brief description of the procedure to be followed if a shareholder desires to exercise dissenters' rights.

Within 30 days after the date on which the notice of the approval of the merger is mailed, the dissenting shareholder who plans to exercise dissenters' rights must make written demand upon Ojai for the purchase of dissenting shares and payment to such shareholder of their fair market value. The written demand must specify the number of shares held of record by such shareholder and a statement of what the shareholder claims to be the fair market value of those shares as of June 27, 2003. At the same time, the shareholder must surrender, at the office designated in the notice of approval, the certificates representing the dissenting shares to be stamped or endorsed with a statement that they are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed. Any shares of Ojai common stock that are transferred prior to their submission for endorsement lose their status as dissenting shares.

If Ojai and the dissenting shareholder agree that the surrendered shares are dissenting shares and agree upon the price of the shares, the dissenting shareholder will be entitled to the agreed price with interest from the date of such agreement. The applicable interest rate will be the rate then set by law for the accrual of interest on judgments for money. That rate is currently 10% per annum simple interest (not compounded). Subject to the restrictions imposed under California law on the ability of a California corporation to repurchase its own shares, Mid-State must pay the fair value of the dissenting shares within 30 days after the amount thereof has been agreed upon, or 30 days after any statutory or contractual conditions to the merger have been satisfied, whichever is later. The obligation to pay for the dissenting shares is subject to receipt of the certificates representing them.

If Ojai denies that the shares surrendered are dissenting shares, or if Ojai and the dissenting shareholder fail to agree upon a fair market value of such shares, then the dissenting shareholder must, within six months after the notice of approval is mailed, file a complaint in the Superior Court of the proper county requesting the court to make such determination(s) or intervene in any pending action brought by any other dissenting shareholder. If the complaint is not filed or intervention in a pending action is not made within the specified six-month period, the dissenter's rights are lost. If the fair market value of the dissenting shares is at issue, the court will determine, or will appoint one or more impartial appraisers to determine, such fair market value.

A dissenting shareholder may not withdraw his or her dissent or demand for payment unless Ojai consents to such withdrawal.

Interests of Certain Persons in the Merger

As a condition of the merger, each of the non-officer directors of Ojai has entered into an agreement whereby each has agreed to (i) vote his or her shares of Ojai stock that he or she owns or controls in favor of approving the principal terms of the merger and any other matter contemplated by the merger agreement; (ii) subject to their fiduciary obligations, recommend to Ojai's shareholders to vote in favor of the merger agreement; (iii) cooperate fully with Mid-State in connection with the merger; (iv) for a period of two years from the effective date of the merger, he or she shall not directly or indirectly enter into or in any manner take part in any business, profession or other endeavor which shall be competitive with the business of Mid-State or Mid-State Bank & Trust in Ventura County as an

employee, agent, independent contractor, 1% or more owner of an entity, director or other business representatives; and (v) that for same two-year period, (A) the director shall not solicit or market financial services to any customer who Ojai, Mid-State or Mid-State Bank & Trust has done business during the five year period preceding the date of the agreement, nor (B) solicit or offer employment to any person employed by Ojai on the date of the agreement.

As a condition of the merger, Shari Skinner and Thomas Farmer have entered into agreements whereby each has agreed to: (i) vote his or her shares of Ojai stock that he or she owns or controls in favor of approving the principal terms of the merger and any other matter contemplated by the merger agreement; (ii) subject to their fiduciary obligations, recommend to Ojai's shareholders to vote in favor of the merger agreement; and (iii) cooperate fully with Mid-State in connection with the merger.

Many of the officers and employees of Ojai at the effective time will remain officers and employees of Mid-State Bank & Trust, respectively, and as such will be entitled to participate in all employee benefits and benefit programs of Mid-State and Mid-State Bank & Trust on the same basis as similarly situated employees of Mid-State Bank & Trust. Mid-State has adopted a severance policy by which all employees of Ojai who were not offered employment following the effective time of the merger, will receive certain severance benefits.

The discovery period for Ojai's policy of directors and officers liability insurance will be extended for up to 48 months with respect to all matters arising from facts or events which occurred before the effective time of the merger for which Ojai would have an obligation to indemnify its directors and officers. The cost of this extension shall not exceed $50,000 under the terms of the merger agreement.

For a period of four years following the effective time of the merger, Mid-State has agreed to maintain and preserve the rights to indemnification of the officers and directors provided for in the charter documents of Ojai as in effect on the date of the merger agreement to the extent such rights to indemnification are not in excess of that permitted by applicable state or federal laws or regulatory authorities.

The Merger Agreement

Structure of the Merger.

Ojai is merging with and into Mid-State's banking subsidiary, Mid-State Bank & Trust. Mid-State Bank & Trust will be the surviving bank in the merger and Mid-State will be the surviving holding company. Ojai will become part of Mid-State Bank & Trust and its existence as a separate company will end. For convenience, we refer to the transaction in this proxy statement/prospectus as simply "the merger."

Effective Time.

The merger will become effective upon the last to occur of the following events: (1) receipt of all necessary regulatory approvals with the expiration of any applicable regulatory waiting periods; (2) satisfaction of the other conditions precedent set forth in the merger agreement; and (3) filing by the California Department of Financial Institutions of the merger agreement for the bank merger. We currently anticipate that the merger will occur in the fourth quarter of 2003.

Additional Agreements.

As a condition to the merger, each of the directors and executive officers of Ojai has entered into an agreement with Mid-State whereby each has agreed:

- to vote his or her shares of Ojai stock in favor of the merger and all transactions contemplated thereby;

- to recommend, subject to his or her fiduciary duty, that Ojai shareholders vote in favor of the merger;
- subject to certain exceptions, to keep his or her shares of Ojai stock;
- except for Ms. Skinner and Mr. Farmer, for a two-year period not to compete with Mid-State or solicit anyone who was a customer of Mid-State or Mid-State Bank & Trust or Ojai during the last five years and for the same two years period not to solicit anyone for employment who is employed by Ojai; and
- to cooperate fully with Mid-State in connection with the merger.

Several of the Principal Shareholders of Ojai (shareholders of Ojai who are neither executive officers or directors of Ojai but who beneficially own 5% or more of Ojai's common stock) have also agreed:

- to vote his or her shares of Ojai stock in favor of the merger and all transactions contemplated thereby;
- to recommend that Ojai shareholders vote in favor of the merger;
- subject to certain exceptions, to keep his or her shares of Ojai stock;
- to cooperate fully with Mid-State in connection with the merger.

Under these agreements the respective directors, executive officers and principal shareholders of Ojai have agreed to vote their shares (approximately 58.5% of the outstanding shares in the case of Ojai common stock) to approve the merger. By virtue of these voting agreements the favorable vote for the merger has been assured.

The directors and executive officers of Ojai have also entered into other agreements restricting their ability to sell shares of Mid-State common stock which they acquire in connection with the merger.

Conditions to the Merger.

The obligations of Mid-State and Ojai to consummate the merger are subject to the satisfaction or waiver on or before the effective time of the merger of, among other things, the following conditions:

- the merger agreement and the transactions contemplated thereby will have received all requisite approvals of the boards of directors of Mid-State, Mid-State Bank & Trust, Ojai, and of the shareholders of Ojai;
- no judgment, decree, injunction, order or proceeding will be outstanding or threatened by any governmental entity which prohibits or restricts the effectuation of, or threatens to invalidate or set aside the merger substantially in the form contemplated by the merger agreement, unless a favorable opinion is given by legal counsel that such judgment, decree, injunction, order or proceeding is without merit;
- by December 31, 2003, all approvals or consents of all applicable governmental agencies will have been obtained or granted for the merger and all the transactions contemplated by the merger agreement, and the applicable waiting period under all laws will have expired;
- no rule will have been adopted or proposed by any government agency which would prohibit or substantially restrict the merger or the business carried on by the parties to the merger;

Mid-State's registration statement shall have been declared effective by the Securities and Exchange Commission and shall not be the subject of any stop order or proceedings seeking or threatening a stop order;

Mid-State shall have received all state securities permits and other authorizations necessary to issue the Mid-State common stock to consummate the merger;

Mid-State and Ojai will have received a favorable opinion from PricewaterhouseCoopers, LLP as to federal tax effects of the merger (see " Federal Income Tax Consequences"); and

all third party consents necessary to permit the parties to consummate the merger will have been obtained except under certain specified circumstances.

The obligations of Ojai to consummate the merger are also subject to fulfillment of certain other conditions, including the following:

there will not have occurred, between June 30, 2003 and the effective time of the merger, any materially adverse change in the business, financial condition, results of operations or properties of Mid-State or Mid-State Bank & Trust;

Ojai will have received a fairness opinion from Carpenter & Company to the effect that the merger and the transactions it contemplates are fair to the shareholders of Ojai from a financial point of view; and

The obligations of Mid-State and Mid-State Bank & Trust to consummate the merger are also subject to the fulfillment of certain other conditions, including the following:

there will not have occurred, between June 30, 2003 and the effective time of the merger, any material adverse change in the business, financial condition, results of operations, prospects, capitalization or properties of Ojai; and

Mid-State will have received a letter from Dain, Rauscher, Wessles to the effect that the merger and the transactions it contemplates are fair to the shareholders of Mid-State from a financial point of view.

Additionally, the consummation of the merger is subject to the performance of covenants, the execution and delivery of certain ancillary documents, the accuracy of representations and warranties and the receipt of various legal opinions, third-party consents, officers' certificates and other documents.

If these and other conditions are not satisfied or waived, the merger agreement may be terminated. The merger agreement may also be terminated upon the occurrence of certain other events. See "The Merger Agreement Termination."

Nonsolicitation.

Under the terms of the merger agreement, Ojai has agreed not to solicit, initiate or encourage any "Competing Transaction." In addition, it has agreed (unless it determines, with advice of counsel, that its fiduciary duty requires otherwise) not to participate in any negotiations or discussions regarding, or furnish any information with respect to, or otherwise cooperate in any way in connection with, any effort or attempt to effect any Competing Transaction with or involving any person other than with Mid-State, unless Ojai receives a bona fide offer from a person other than the parties to the merger agreement and subject to the fiduciary obligations of the Ojai board of directors. Ojai has agreed to promptly notify Mid-State of the terms of any proposal which it may receive in respect of any Competing Transaction. The term "Competing Transaction" means any of the following involving Ojai:

a merger, consolidation, share exchange or other business combination;

a sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets representing 25% or more of Ojai's assets;

a sale of shares of capital stock (or securities convertible or exchangeable into or otherwise evidencing, or any agreement or instrument evidencing, the right to acquire capital stock), representing 25% or more of the voting power of Ojai;

a tender offer or exchange offer for at least 25% of the outstanding shares of Ojai;

a solicitation of proxies in opposition to approval of the merger by Ojai's shareholders; or

a public announcement of an unsolicited *bona fide* proposal, plan or intention to do any of the foregoing.

Any violation of these agreements by Ojai will result in Mid-State having the right to terminate the merger agreement.

Expenses.

If the merger agreement is terminated by Ojai because Mid-State fails to satisfy certain of its obligations under the merger agreement, because certain conditions have not been fulfilled or because of a material adverse change at Mid-State, Mid-State will be obligated to pay all of Ojai's expenses incurred in connection with the merger transaction, not to exceed $400,000.

If the merger agreement is terminated by Mid-State because certain conditions have not been fulfilled, because Ojai fails to satisfy certain of its obligations under the merger agreement, or because of a material adverse change at Ojai, Ojai will be obligated to pay all of Mid-State's expenses incurred in connection with the merger transaction, not to exceed $400,000.

Termination.

The merger agreement may be terminated prior to the effective time of the merger:

by mutual consent of Mid-State and Ojai;

by Mid-State or Ojai if any material breach or default by the other party is not cured within 20 business days after notice thereof;

by Mid-State or Ojai if any governmental or regulatory consent is not obtained by December 31, 2003 or if any governmental or regulatory authority denies or refuses to grant any approval, consent or authorization required to be obtained to consummate the transactions contemplated by the merger agreement unless, within 20 business days after such denial or refusal, all parties agree to resubmit the application to the regulatory authority that has denied or refused to grant the approval, consent or qualification requested;

by Ojai if any of the conditions to its performance of the merger agreement shall not have been met, or by Mid-State if any of the conditions to its performance of the merger agreement shall not have been met, by December 31, 2003, or such earlier time as it becomes apparent that such conditions shall not be met;

by Mid-State if Ojai shall have violated its agreements concerning a "competing transaction" or taken certain steps in connection with a "competing transaction" (if Ojai were to terminate the merger agreement pursuant to this provision and Ojai were to enter into a "competing transaction within one year, Ojai would be obligated to pay $1,000,000 in liquidated damages inclusive of Mid-State's expenses);

Representations and Warranties.

The merger agreement contains customary mutual representations and warranties by each party relating to, among other things: (1) incorporation, standing and power; (2) capitalization;

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(3) subsidiaries; (4) financial statements; (5) corporate authority; (6) litigation; (7) compliance with laws and regulations; (8) brokers and finders; (9) absence of material changes; (10) environmental matters; (11) Community Reinvestment Act; (12) government reports; (13) regulatory approvals; (14) performance of obligations; (15) licenses and permits; (16) undisclosed liabilities; and (17) accounting records and (18) Bank Secrecy Act.

In the merger agreement, Ojai makes additional representations and warranties relating to: (1) insurance; (2) title to assets; (3) real estate; (4) taxes; (5) employees; (6) employee benefit plans; (7) corporate records; (8) offices and ATMs; (9) loan portfolio; (10) power of attorney; (11) operating losses; (12) derivatives; and (13) material contracts.

The representations and warranties of the parties terminate as of the effective time of the merger.

Covenants; Conduct of Business Prior to Effective Time.

The merger agreement provides that, during the period from June 30, 2003 to the effective time of the merger, Ojai will conduct its business only in the normal and customary manner and in accordance with sound banking practices and will not, without the prior written consent of Mid-State, which will not be unreasonably withheld, take any of the following actions, among others:

- issue any security except pursuant to the exercise of options outstanding as of the date of the merger agreement;
- declare, set aside or pay any dividend or make any other distribution upon, or purchase or redeem any shares of its stock;
- amend its articles of incorporation or its bylaws;
- grant any general or uniform increase in the rate of pay of employees or employee benefits except in the ordinary course of business and consistent with past practice;
- grant any promotions or increases on the pay rate of any employee, incentive compensation or employee benefits or pay any bonus, severance or similar payment to any person;
- make any capital expenditure in excess of $10,000, except for ordinary repairs, renewals and replacements;
- compromise, settle or adjust any assertion or claim of a deficiency in taxes (or interest thereon or penalties in connection therewith), extend the statute of limitations with any tax authority or file any pleading in court on any tax litigation or any appeal from an asserted deficiency, or file or amend any federal, foreign, state or local tax return, or make any tax election;
- grant, renew or commit to grant or renew any extension of credit or amend the terms of any such credit outstanding on the date hereof to any executive officer, director or principal shareholder, or to any corporation, partnership, trust or other entity controlled by any such person, except under certain circumstances and in amounts not exceeding $50,000 per person; with the aggregate of all loan, extensions of credit or commitments not exceeding $100,000;
- make their credit underwriting policies, standards or practices less stringent than those in effect on June 30, 2003;

enter into or consent to any new employment agreement or other benefit arrangement, or amend or modify any employment agreement or other benefit arrangement in effect on the date of the merger agreement;

grant any person a power of attorney or similar authority;

make any material investment by purchase of stock or securities, contributions to capital, property transfers or otherwise in any other company, except for investments made in the ordinary course of business consistent with past practice;

amend, modify or terminate, except in accordance with its terms, any material contract or enter into any material agreement or contract;

sell, encumber or otherwise dispose of any assets or release any claims, except in the ordinary course of business consistent with past practice;

take or cause to be taken any action which would prevent the transactions contemplated hereby from qualifying as tax free reorganizations under Section 368 of the Internal Revenue Code;

sell any investment security prior to maturity, except in the ordinary course of business;

change any of its basic policies and practices with respect to liquidity management and cash flow planning, marketing, deposit origination, lending, budgeting, tax planning, personnel practices or other material aspects of its business, or allow its subsidiary to do so;

settle any litigation or claim involving any material liability for damages, or take any action with respect to any material pending litigation disclosed as such under the merger agreement, without the advice and consent of Mid-State;

incur any new indebtedness or give any guaranties or endorsements except short-term borrowings and routine banking transactions in the ordinary course of business; or

grant, renew or commit to grant or renew any extension of credit if such extension of credit, together with all other credit then outstanding to the same person and all affiliated persons, would exceed $250,000 on an unsecured basis and $500,000 on a secured basis subject to certain exceptions.

The merger agreement further provides that, during the period from June 30, 2003 to the effective time of the merger, Mid-State will conduct its business only in the normal and customary manner and in accordance with sound banking practices and will not, without the prior written consent of Ojai, which will not be unreasonably withheld, take any of the following actions, among others:

issue any security except pursuant to the exercise of options outstanding as of the date of the merger agreement;

declare, set aside or pay any dividend (other than up to $0.15 per share cash dividends per quarter) or make any other distribution upon, or purchase or redeem any shares of its stock;

amend its articles of incorporation or bylaws; or

take or cause to be taken any action which would prevent the transactions contemplated hereby from qualifying as tax free reorganizations under Section 368 of the Internal Revenue Code.

The merger agreement also provides that each party will (1) use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by the merger agreement as promptly as practical; and (2) obtain the consent of the other party before it issues any press release or makes any public statement with respect to the merger agreement or the transactions contemplated hereby.

The merger agreement also provides that each party will:

duly and timely file all required governmental reports;

periodically furnish to the other party certain information, loan reports and updates of information previously provided;

promptly notify the other party of certain communications from tax authorities, material litigation and any event which has had or may reasonably be expected to have a materially adverse effect on the financial condition, operations, business or properties;

provide access to the other party of certain information; and

use its reasonable efforts between the date of the merger agreement and the effective time of the merger to take all actions necessary or desirable, including the filing of any regulatory applications.

Amendment and Waiver.

Subject to applicable law: (1) the merger agreement may be amended at any time by the action of the boards of directors of Mid-State, Mid-State Bank & Trust and Ojai without action by their shareholders pursuant to a writing signed by all parties to the merger agreement; and (2) the parties, by action of their respective boards of directors, may, at any time prior to the effective time, extend the performance of any obligation or action required by the merger agreement, waive inaccuracies in representations and warranties and waive compliance with any agreements or conditions for their respective benefit contained in the merger agreement.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

These pro-forma combined figures are arithmetical combinations of Mid-State's and Ojai Valley Bank's separate financial results modified to reflect certain merger related adjustments. These presentations include a Pro-Forma Statement of Condition as of June 30, 2003 prepared under the assumption that the transaction is completed using an average closing price of Mid-State common stock of $18.92. As of June 30, 2003, there were 295,552 shares of Ojai Valley common stock outstanding. Pro Forma Statements of Income are also presented for the six months ended June 30, 2003 and 2002, and the twelve month period ended December 31, 2002. The Unaudited Pro Forma Statement of Condition assumes the merger took place on June 30, 2003. The Unaudited Pro Forma Statements of Income give effect to the merger as if it had occurred as of January 1 of each of the respective periods. Certain assumptions associated with these statements are shown as footnotes to the statements.

You should not assume that the combined company would have achieved the pro-forma combined results if they had actually been combined during the periods presented. No merger related synergies or savings were built into these pro forma statements. Management believes that, based on the assumptions presented below, cost savings in excess of $160 thousand are necessary to make the transaction accretive to Mid-State shareholders in 2004. For purposes of illustration, the pro-forma combined figures have been calculated using an exchange ratio which results in value to Ojai Valley Bank shareholders of $68.50 per share for the proposed merger and an average closing price of Mid-State Stock of $18.92. The actual exchange ratio will be determined by the average closing price of Mid-State stock, as explained under the "THE MERGER Exchange Ratio," on page 26.

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Unaudited Pro Forma Combined Financial Statements

As of June 30, 2003

(In thousands, except per share amounts)

50% Stock/50% Cash Transaction	Mid-State Bancshares	Ojai Valley Bk	Pro Forma Adjustments	Combined
Cash and Due From Banks	$ 124,176	$ 4,379		$ 128,555
Fed Funds Sold	79,200	14,830	(10,123)(1)	83,907
Investment Securities Available for Sale	601,120	2,144		603,264
Investment Securities Held to Maturity		31,834	1,003(2)	32,837
Total Investment Securities	601,120	33,978	1,003	636,101
Loans Available for Sale	49,875			49,875
Total Loans	1,102,210	33,770		1,135,980
Loan Loss Allowance	(17,963)	(675)		(18,638)
Net Loans	1,134,122	33,095		1,167,217
Premises and Equipment	25,570	346		25,916
Accrued Interest Receivable	10,764	622		11,386
Other Real Estate Owned		378		378
Investments in Real Estate	91			91
Goodwill, Intangibles	42,292		11,408(2)	53,700
Other	6,919	769	20(2)	7,708
TOTAL ASSETS	$ 2,024,254	$ 88,397	2,308	$ 2,114,959
Non Interest Bearing Demand	$ 422,732	$ 23,212		$ 445,944
NOW, Savings and Money Market	919,768	34,137		953,905
Time Deposits $100,000 or more	156,632	5,940		162,572
Time Deposits Under $100,000	241,002	17,048		258,050
Total Deposits	1,740,134	80,337		1,820,471
Other Liabilities	21,760	245		24,619
Capital:				
Common Stock and Surplus	71,566	1,597	8,526	81,689
Undivided Profits	173,489	6,189	(6,189)	173,489
Unrealized Gain on AFS Securities	17,305	29	(29)	17,305

50% Stock/50% Cash Transaction	Mid-State Bancshares	Ojai Valley Bk	Pro Forma Adjustments	Combined
Total Equity Capital	262,360	7,815(2)	2,308	272,483
TOTAL LIABILITIES & EQUITY	$ 2,024,254	$ 88,397	$ 2,308	$ 2,114,959

(1) It is assumed that cash portion of transaction is $10.1 million (50% of total consideration) which is paid out of fed funds sold.

(2) Allocation of purchase price is estimated as follows:

Goodwill	$ 9,408
Core Deposit Intangible	2,000
Adjustments to fair value of securities	1,003
Reversal of deferred tax liability on AFS securities	20
Net Assets Acquired	7,815
Total Purchase Price	$ 20,246

Unaudited Pro Forma Combined Statement of Income

For the Six Months Ended June 30, 2003

(In thousands, except per share amounts)

Assumes 50%/50% Stock/Cash Transaction	Mid-State Bancshares	Ojai Valley Bank	Pro Forma Adjustments	Pro Forma Combined
Interest Income:				
Interest and Fees on Loans and Leases	$ 39,887	$ 1,531		$ 41,418
Interest on Securities, Fed Funds Sold Taxable	6,876	607	(63)(1)	7,420
Interest on Securities Tax-exempt	5,309	144		5,453
TOTAL INTEREST INCOME	52,072	2,282	(63)	54,291
Interest Expense:				
Interest on NOW, Money Market and Savings Deposits	1,500	68		1,568
Interest on Time Deposits $100,000 and over	1,323	66		1,389
Interest on Time Deposits Under $100,000	2,506	177		2,683
Interest on Mortgages Payable, Other	73			73
TOTAL INTEREST EXPENSE	5,402	311		5,713
Net Interest Income:				
Before Provision for Loan Losses	46,670	1,971	(63)	48,578
Provision for Loan Losses	260			260

Assumes 50%/50% Stock/Cash Transaction	Mid-State Bancshares	Ojai Valley Bank	Pro Forma Adjustments	Pro Forma Combined
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	46,410	1,971	(63)	48,318
Other Income:				
Service Charges on Deposit Accounts	4,564	205		4,769
Commissions, Fees and Other	9,834	56		9,890
TOTAL OTHER INCOME	14,398	261		14,659
Other Expense:				
Salaries and Employee Benefits	18,859	762		19,621
Occupancy and Equipment Expenses	5,632	180		5,812
Other Operating Expenses	11,910	536	100 (2)	12,546
TOTAL OTHER EXPENSES	36,401	1,478	100 (3)	37,979
Income (Loss) Before Taxes	24,407	754	(163)	24,998
Tax Expense	8,604	264	(69)	8,799
NET INCOME (LOSS)	$ 15,803	$ 490	$ (94)	$ 16,199
Earnings Per Share				
Basic	$ 0.67	$ 1.66		$ 0.67
Diluted	$ 0.64	$ 1.66		$ 0.65
Return on Assets	1.61%	1.15%		1.58%
Return on Equity	12.34%	12.84%		12.28%
Average Assets	$ 1,979,497	$ 85,633		$ 2,065,130
Average Equity	$ 258,248	$ 7,698		$ 265,946
Average Shares Basic	23,520	296	239 (4)	$ 24,055
Average Shares Diluted	24,557	296	239 (4)	$ 25,092

(1) Assumes cash portion of transaction = $10.1 million (50% of total consideration) which is paid out of Fed Funds Sold. Average rate during first 6 months of 2003 = 1.25%.

(2) Amortization of $2.0 million of core deposit intangibles created and amortized over 10 years.

(3) Assumes no merger related synergies or savings.

(4) Additional shares issued based on MDST average stock price of $18.92. Total new MDST shares issued equals 535 thousand shares.

Unaudited Pro Forma Combined Statement of Income

For the Six Months Ended June 30, 2002

(In thousands, except per share amounts)

Assumes 50%/50% Stock/Cash Transaction	Mid-State Bancshares	Ojai Valley Bank	Pro Forma Adjustments	Pro Forma Combined
Interest Income:				
Interest and Fees on Loans and Leases	$ 43,536	$ 1,531		$ 45,067
Interest on Securities, Fed Funds Sold Taxable	7,724	795	(87)(1)	8,432
Interest on Securities Tax-exempt	3,801	114		3,915
TOTAL INTEREST INCOME	55,061	2,440	(87)	57,414
Interest Expense:				
Interest on NOW, Money Market and Savings Deposits	2,503	80		2,583
Interest on Time Deposits $100,000 and over	2,230	106		2,336
Interest on Time Deposits Under $100,000	4,117	226		4,343
Interest on Mortgages Payable, Other	107			107
TOTAL INTEREST EXPENSE	8,957	412		9,369
Net Interest Income:				
Before Provision for Loan Losses	46,104	2,028	(87)	48,045
Provision for Loan Losses	600			600
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	45,504	2,028	(87)	47,445
Other Income:				
Service Charges on Deposit Accounts	4,429	211		4,640
Commissions, Fees and Other	7,298	34		7,332
TOTAL OTHER INCOME	11,727	245		11,972
Other Expense:				
Salaries and Employee Benefits	18,512	737		19,249
Occupancy and Equipment Expenses	5,404	180		5,584
Other Operating Expenses	11,301	456	100 (2)	11,857
TOTAL OTHER EXPENSES	35,217	1,373	100 (3)	36,690
Income (Loss) Before Taxes	22,014	900	(187)	22,727
Tax Expense	7,960	325	(79)	8,206
NET INCOME (LOSS)	$ 14,054	$ 575	$ (108)	$ 14,521
Earnings Per Share				
Basic	$ 0.58	$ 1.95		$ 0.59
Diluted	$ 0.56	$ 1.95		$ 0.57
Return on Assets	1.52%	1.44%		1.50%
Return on Equity	11.81%	16.03%		11.85%
Average Assets	$ 1,866,128	$ 80,356		$ 1,946,484
Average Equity	$ 239,929	$ 7,234		$ 247,163
Average Shares Basic	24,078	296	239 (4)	$ 24,613
Average Shares Diluted	24,883	296	239 (4)	$ 25,418

(1) Assumes cash portion of transaction = $10.1 million (50% of total consideration) which is paid out of Fed Funds Sold. Average rate during first 6 months of 2002 = 1.74%.

(2) Amortization of $2.0 million of core deposit intangibles created and amortized over 10 years.

(3) Assumes no merger related synergies or savings.

(4) Additional shares issued based on MDST average stock price of $18.92. Total new MDST shares issued equals 535 thousand shares.

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Unaudited Pro Forma Combined Statement of Income

For the Year Ended December 31, 2002

(In thousands, except per share amounts)

Assumes 50%/50% Stock/Cash Transaction	**Mid-State Bancshares**	**Ojai Valley Bank**	**Pro Forma Adjustments**	**Pro Forma Combined**
Interest Income:				
Interest and Fees on Loans and Leases	$ 84,962	$ 3,166		$ 88,128
Interest on Securities, Fed Funds Sold Taxable	15,937	1,477	(169)(1)	17,245
Interest on Securities Tax-exempt	8,433	251		8,684
TOTAL INTEREST INCOME	109,332	4,894	(169)	114,057
Interest Expense:				
Interest on NOW, Money Market and Savings Deposits	4,894	162		5,056
Interest on Time Deposits $100,000 and over	3,938	184		4,122
Interest on Time Deposits Under $100,000	7,337	428		7,765
Interest on Mortgages Payable, Other	212			212
TOTAL INTEREST EXPENSE	16,381	774		17,155
Net Interest Income:				
Before Provision for Loan Losses	92,951	4,120	(169)	96,902
Provision for Loan Losses	600			600
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	92,351	4,120	(169)	96,302
Other Income:				
Service Charges on Deposit Accounts	8,909	434		9,343
Commissions, Fees and Other	15,412	62		15,474
TOTAL OTHER INCOME	24,321	496		24,817
Other Expense:				
Salaries and Employee Benefits	36,537	1,632		38,169
Occupancy and Equipment Expenses	10,954	369		11,323
Other Operating Expenses	23,434	891	200 (2)	24,525
TOTAL OTHER EXPENSES	70,925	2,892	200 (3)	74,017

Assumes 50%/50% Stock/Cash Transaction	Mid-State Bancshares	Ojai Valley Bank	Pro Forma Adjustments	Pro Forma Combined
Income (Loss) Before Taxes	45,747	1,724	(369)	47,102
Tax Expense	15,892	628	(155)	16,365
NET INCOME (LOSS)	$ 29,855	$ 1,096	$ (214)	$ 30,737
Earnings Per Share				
Basic	$ 1.25	$ 3.71		$ 1.25
Diluted	$ 1.20	$ 3.71		$ 1.21
Return on Assets	1.58%	1.33%		1.56%
Return on Equity	12.22%	14.95%		12.22%
Average Assets	$ 1,892,137	$ 82,616		$ 1,974,753
Average Equity	$ 244,295	$ 7,333		$ 251,628
Average Shares Basic	23,962	296	239 (4)	$ 24,497
Average Shares Diluted	24,837	296	239 (4)	$ 25,372

(1) Assumes cash portion of transaction = $10.1 million (50% of total consideration) which is paid out of Fed Funds Sold. Average rate during full year of 2002 = 1.67%.

(2) Amortization of $2.0 million of core deposit intangibles created and amortized over 10 years.

(3) Assumes no merger related synergies or savings.

(4) Additional shares issued based on MDST average stock price of $18.92. Total new MDST shares issued equals 535 thousand shares.

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MID-STATE STOCK

Mid-State is authorized by its articles of incorporation to issue 100,000,000 shares of no par value common stock and 25,000,000 shares of preferred stock. As of June 30, 2003, 23,384,425 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding. Holders of Mid-State common stock are entitled to one vote, in person or by proxy, for each share of stock held of record in the shareholder's name on the books of Mid-State as of the record date on any matter submitted to the vote of the shareholders. Shares of Mid-State common stock may not be voted cumulatively in connection with the election of directors.

Each share of Mid-State stock has the same rights, privileges and preferences as every other share, and will share equally in Mid-State's net assets upon liquidation or dissolution. Mid-State stock has no preemptive, conversion or redemption rights or sinking fund provisions, and all of the issued and outstanding shares of Mid-State common stock are fully paid and nonassessable.

Mid-State shareholders are entitled to dividends when, as and if declared by Mid-State's board of directors out of funds legally available therefor and after satisfaction of the prior rights of holders of outstanding preferred stock, if any (subject to certain restrictions on payment of dividends imposed by the General Corporation Law of California).

The transfer agent and registrar for Mid-State common stock is ChaseMellon Financial Services.

In connection with the 25,000,000 shares of preferred stock authorized in the articles of incorporation, the Mid-State board of directors has sole authority to determine the terms of any one or more series of preferred stock, including voting rights, conversion rates, and liquidation preferences.

COMPARISON OF MID-STATE COMMON STOCK AND OJAI COMMON STOCK

Ojai is a California corporation and the rights of its shareholders are governed by the California General Corporation Law and the California Financial Code, together with the corporation's articles of incorporation and bylaws. As shareholders of Mid-State, you will have, in some cases, different rights than you had as Ojai shareholders, since the combined corporation will operate under the provisions of Mid-State's articles of incorporation and bylaws.

The following subsections discuss certain differences between rights of holders of Mid-State common stock and Ojai common stock.

Classification of Board of Directors and Filing Vacancies

Ojai's articles of incorporation require the election of its entire board of directors every year. Each director of Ojai serves a one-year term and must stand for election annually. Ojai's articles do not permit its board of directors to be divided into classes. Ojai's bylaws also provide that any vacancy occurring in the board, except in the case of removal, may be filled by a majority of the remaining directors. The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, including a vacancy created by removal, at a meeting of shareholders or otherwise by their unanimous written consent.

As a "listed corporation" on Nasdaq's National Market, Mid-State is allowed to, and does, "classify" its board of directors, electing approximately one-third of the total number of directors each year, with each director serving for a term of three years. Mid-State's articles of incorporation also provide that any vacancy occurring in the board, including a vacancy created by an increase in the number of directors, shall be filled by a vote of two-thirds of the directors then in office and any director so chosen shall hold office for a term expiring at the special meeting of shareholders at which the term of the class to which the director has been chosen expires.

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Voting Rights

Holders of Ojai common stock are entitled to one vote, in person or by proxy, for each share of stock held of record in the shareholder's name on the books of Ojai as of the record date on any matter submitted to the vote of the shareholders. In connection with the election of directors, shares of Ojai common stock are entitled to be voted cumulatively if a candidate's or candidates' name(s) have been properly placed in nomination prior to the voting and a shareholder present at the shareholders' meeting has given notice of his or her intention to vote his or her shares cumulatively. If a shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination. Cumulative voting entitles a shareholder to give one nominee as many votes as is equal to the number of directors to be elected multiplied by the number of shares of Ojai common stock owned by such shareholder, or to distribute his or her votes on the same principle between two or more nominees as he or she deems appropriate.

Holders of Mid-State common stock are also entitled to one vote for each share of stock held. However, cumulative voting does not apply in connection with the election of Mid-State directors. The candidates receiving the highest number of affirmative votes up to the number of directors to be elected will be elected.

Vote on Business Combinations

Under California law, most business combinations, including mergers, consolidations and sales of substantially all of the assets of a corporation must be approved by the vote of the holders of at least a majority of the outstanding shares of common stock and any other affected class of stock. The articles or bylaws of a California corporation may, but are not required to, set a higher standard for approval of such transactions. Ojai's articles and bylaws follow the statutory rule, requiring majority approval of a business combination.

Mid-State's articles of incorporation raise the shareholder approval requirement to two-thirds of the outstanding shares on certain business combinations involving a "Related Person," except in cases where the proposed transaction has been approved in advance by a majority of those members of Mid-State's board of directors who are unaffiliated with the Related Person and were directors prior to the time when the Related Person became a Related Person. The term "Related Person" is defined to include (1) any individual, corporation, partnership or other entity which owns beneficially or controls, directly or indirectly, 10% or more of the outstanding shares of voting stock of Mid-State, or (2) an affiliate of such person or entity. This provision of Mid-State's articles of incorporation applies to any "Business Combination," which is defined to include:

any merger or consolidation of Mid-State with or into any Related Person;

any sale, lease, exchange, mortgage, transfer, or other disposition of 25% or more of the assets of Mid-State or combined assets of Mid-State and its subsidiaries to a Related Person;

any merger or consolidation of a Related Person with or into Mid-State or a subsidiary of Mid-State;

any sale, lease, exchange, transfer, or other disposition of 25% or more of the assets of a Related Person to Mid-State or a subsidiary of Mid-State;

the issuance of any securities of Mid-State or a subsidiary of Mid-State to a Related Person;

the acquisition by Mid-State or a subsidiary of Mid-State of any securities of a Related Person;

any reclassification of common stock of Mid-State or any recapitalization involving the common stock of Mid-State; or

any agreement or other arrangement providing for any of the foregoing.

Number of Directors

Although the Corporations Code does not require Mid-State or Ojai to maintain any specific number of directors, they each must establish a range that specifies the minimum and maximum number of directors. The maximum may not be more than twice the minimum number of directors. The board of directors sets the exact number of directors, and may change it from time to time, within that range. Ojai's bylaws currently provide that the number of directors on its board of directors may not be fewer than eight nor more than fifteen, and the current size of Ojai's board has been set at eight. Mid-State's bylaws currently provide that the number of directors on its board of directors may not be fewer than nine nor more than seventeen, and the current number of members on Mid-State's board of directors has been fixed at twelve.

Dividend Restrictions

As a state-chartered regulated bank, Ojai is subject to the California Financial Code restrictions on dividends, which generally provides that neither a bank nor any majority-owned subsidiary of a bank may make a distribution to its shareholders in an amount which exceeds the lesser of:

the bank's retained earnings; or

the bank's net income for its last three fiscal years, less the amount of any distributions made by the bank or by any majority-owned subsidiary of the bank to the shareholders of the bank during such period.

Notwithstanding the previous provision, a bank may, with the prior approval of the Commissioner of Financial Institutions make a distribution to the shareholders of the bank in an amount not exceeding the greatest of (1) its retained earnings; (2) its net income for its last fiscal year; or (3) the net income of the bank for its current fiscal year. If the Commissioner finds that the shareholders' equity of a bank is inadequate or that the making of a distribution by a bank would be unsafe or unsound, the Commissioner may order the bank to refrain from making a proposed distribution.

Mid-State as a non-banking California corporation is subject to the restrictions under Section 500 of the California General Corporation Law on its ability to pay dividends to shareholders. Generally, a California corporation may not pay dividends unless:

- the retained earnings of the corporation immediately prior to the distribution exceeds the amount of the distribution;
- the assets of the corporation exceed $1^1/_4$ times its liabilities; or
- the current assets of the corporation exceed its current liabilities, but if the average pre-tax earnings of the corporation before interest expenses for the two years preceding the distribution was less than the average interest expenses of the corporation for those years, the current assets of the corporation must exceed $1^1/_4$ times its current liabilities.

The ability of Mid-State to pay cash dividends is almost wholly dependent on the ability of its banking subsidiary to pay dividends to it. As a regulated bank, Mid-State Bank & Trust is subject to the same California Financial Code, restrictions applicable to Ojai, which are discussed above.

Amendments to Articles of Incorporation and Bylaws

Amendments to the articles of incorporation of Ojai, in general, require the approval of the board of directors and a majority of the outstanding voting shares. Amendments to the bylaws may be adopted by the board of directors or the shareholders.

Mid-State's articles of incorporation also provide that most amendments to its articles may be approved by a majority vote of its board of directors, together with a majority of the outstanding shares of its voting stock. However, the affirmative vote of at least two-thirds of the outstanding voting stock is required to amend or repeal certain provisions of Mid-State's articles, including the provisions relating to approval of certain business combinations, the number and classification of directors, director and officer indemnification by Mid-State and amendment of Mid-State's bylaws and Mid-State's articles. Mid-State bylaws may be amended by its board of directors, or by a vote of two-thirds of the total votes eligible to be voted at a duly constituted meeting of shareholders.

Dissenters' Rights

Pursuant to the General Corporation Law of California, holders of Ojai common stock would be entitled, subject to the provisions of Chapter 13, to dissenters' rights in connection with any transaction which constitutes a reorganization (as defined in Section 181 of the General Corporation Law).

The California General Corporation Law generally does not require dissenters' rights with respect to shares which, immediately prior to the merger are:

- listed on any national securities exchange certified by the California Commissioner of Corporations, or
- listed on the list of over-the-counter margin stock issued by the Board of Governors of the Federal Reserve System.

Mid-State common stock is listed on the list of over-the-counter margin stock issued by the Board of Governors of the Federal Reserve System. Mid-State shareholders are therefore not entitled to dissenters' right under ordinary circumstances. However, dissenters' right could apply in future reorganizations involving Mid-State if holders of five percent or more of the outstanding shares make a written demand on Mid-State in accordance with Chapter 13 of the General Corporation Law.

Anti-Takeover Provisions in Mid-State's Articles of Incorporation and Bylaws

Mid-State's articles of incorporation and bylaws contain certain provisions that deal with matters of corporate governance and certain rights of shareholders which are different from those of Ojai inasmuch as they might be deemed to have a potential "anti-takeover" effect. These provisions may have the effect of discouraging a future takeover attempt which is not approved by the board of directors but which individual

Mid-State shareholders may deem to be in their best interest, or in which shareholders may receive a substantial premium for their shares over then current market prices. As a result, Mid-State shareholders who might desire to participate in such a transaction may not have an opportunity to do so. Such provisions will also render the removal of an incumbent board of directors or management of Mid-State more difficult.

The following description of certain of the provisions of the articles of incorporation and bylaws of Mid-State is necessarily general, and reference should be made in each case to such documents, which are contained as exhibits to Mid-State's previous filings with the Securities and Exchange Commission. See "WHERE YOU CAN FIND MORE INFORMATION" to learn how to obtain a copy of these documents.

Board of Directors.

As discussed in "Classification of Board of Directors and Vacancies," Mid-State's board is divided into three classes so that approximately one-third of the total number of directors are elected each year. This "classified" board of directors is intended to provide for continuity of the Mid-State board of directors and to make it more difficult and time consuming for a shareholder group to use its voting

power to gain control of the board of directors without consent of the incumbent board of directors of Mid-State.

Cumulative Voting.

Mid-State's articles of incorporation do not permit cumulative voting in the election of directors. Cumulative voting may assist a shareholder or group of shareholders to elect a representative or representatives to the board of directors in order to express their views.

Authorized Shares.

Mid-State's articles of incorporation authorize the issuance of 100,000,000 shares of common stock and 25,000,000 shares of preferred stock. The shares of common stock and preferred stock were authorized to provide Mid-State's board of directors with as much flexibility as possible to effect, among other transactions, financings, acquisitions, stock dividends, stock splits and the exercise of employee stock options. However, these additional authorized shares may also be used by the board of directors, to the extent consistent with its fiduciary duty, to deter future attempts to gain control of Mid-State. As a result of the ability to fix voting rights for a series of preferred stock, the board has the power to issue a series of preferred stock to persons friendly to management in order to attempt to block a tender offer, merger or other transaction by which a third party seeks control of Mid-State, and thereby allow members of management to retain their positions. Mid-State's board has no present plans for the issuance of additional shares, other than the issuance of shares of Mid-State common stock upon exercise of stock options and in the merger.

Shareholder Vote Required to Approve Business Combination with Principal Shareholders.

As discussed above, Mid-State's articles of incorporation require the approval of the holders of at least two-thirds of Mid-State's outstanding shares of voting stock to approve certain "Business Combinations" involving a "Related Person" except in cases where the proposed transaction has been approved in advance by a majority of the members of Mid-State's board of directors who are unaffiliated with the Related Person as described more fully above. The increased shareholder vote required to approve this kind of business combination may have the effect of foreclosing mergers and other business combinations which a majority of shareholders deem desirable and place the power to prevent such a merger or combination in the hands of a minority of shareholders.

Amendment of Articles of Incorporation and Bylaws.

Amendments to Mid-State articles of incorporation must be approved by a majority vote of its Board of Directors and also by a majority of the outstanding shares of its voting stock, provided, however, that an affirmative vote of at least two-thirds of the outstanding voting stock entitled to vote (after giving effect to the provision limiting voting rights) is required to amend or repeal certain provisions of the articles, including the provisions relating to approval of certain business combinations, the number and classification of directors, director and officer indemnification by Mid-State and amendment of Mid-State's bylaws and articles of incorporation. Mid-State bylaws may be amended by its Board of Directors, or by a vote of two-thirds of the total votes eligible to be voted at a duly constituted meeting of shareholders.

Shareholder Nominations.

Mid-State's bylaws require a shareholder who intends to nominate a candidate for election to the board of directors to give not less than 10 days' advance notice to the Secretary of Mid-State.

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Purpose and Takeover Defensive Effects of Mid-State's Articles of Incorporation

The board of directors of Mid-State believes that the provisions described above are prudent and will reduce Mid-State's vulnerability to takeover attempts and certain other transactions which have not been negotiated with and approved by its board of directors. The board of directors believes these provisions are in the best interest of Mid-State and its shareholders. In the judgment of the board of directors, Mid-State's board will be in the best position to determine the true value of Mid-State and to negotiate more effectively for terms that will be in the best interest of its shareholders. Accordingly, the board of directors believes that it is in the best interest of Mid-State and its shareholders to encourage potential acquirers to negotiate directly with the board of directors of Mid-State, and that these provisions will encourage such negotiations and discourage hostile takeover attempts. It is also the view of the board of directors that these provisions should not discourage persons from proposing a merger or other transaction at a price reflective of the true value of Mid-State and otherwise in the best interest of all shareholders.

Attempts to acquire control of financial institutions have become increasingly common. Takeover attempts which have not been negotiated with and approved by the board of directors present to shareholders the risks of a takeover on terms which may be less favorable than might otherwise be available. A transaction which is negotiated and approved by the board of directors, on the other hand, can be carefully planned and undertaken at an opportune time in order to obtain maximum value for Mid-State and its shareholders, with due consideration given to matters such as the management and business of the acquiring corporation and maximum strategic development of Mid-State's assets.

An unsolicited takeover proposal can seriously disrupt the business and management of a corporation and cause it to incur great expense. Although a tender offer or other takeover attempt may be made at a price substantially above the current market prices, such offers are sometimes made for less than all of the outstanding shares of a target company. As a result, shareholders may be presented with the alternative of partially liquidating their investment at a time that may be disadvantageous, or retaining their investment in an enterprise which is under different management and whose objectives may not be similar to those of the remaining shareholders. The concentration of control which could result from a tender offer or other takeover attempt could also deprive Mid-State's remaining shareholders of benefits of certain protective provisions of the Securities Exchange Act of 1934, if the number of beneficial owners became less than the 300, thereby allowing for Exchange Act deregistration.

Despite the belief of Mid-State as to the benefits to shareholders of these provisions of Mid-State's articles of incorporation, these provisions may also have the effect of discouraging a future takeover attempt which would not be approved by Mid-State's board of directors, but pursuant to which shareholders may receive a substantial premium for their shares over then current market prices. As a result, shareholders who might desire to participate in such a transaction may not have any opportunity to do so. Such provisions will also render the removal of Mid-State's board of directors and management more difficult. The board of directors of Mid-State, however, has concluded that the potential benefits outweigh the possible disadvantages.

INFORMATION ABOUT MID-STATE AND MID-STATE BANK & TRUST

General

Mid-State Bancshares is a California corporation incorporated November 12, 1996, and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. As a bank holding company, Mid-State is allowed to acquire or invest in the securities of companies that are engaged in banking or in activities closely related to banking as authorized by the Board of Governors of the Federal Reserve System.

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Mid-State's principal asset is its wholly owned subsidiary, Mid-State Bank & Trust. At June 30, 2003, Mid-State had total consolidated assets of $2.02 billion, consolidated deposits of $1.74 billion, and consolidated shareholders' equity of $262.3 million.

Mid-State Bank & Trust

Mid-State Bank & Trust was founded in 1961 and operates a full service commercial banking business serving its customers on the Central Coast of California. It is headquartered in Arroyo Grande and operates 39 offices in communities throughout San Luis Obispo, Santa Barbara and Ventura counties. Based on data supplied by banks in its trade area, Mid-State Bank & Trust is the second largest bank in terms of total assets of the independent banks headquartered in these counties. Mid-State Bank & Trust operates two wholly owned subsidiaries MSB Properties and Mid Coast Land Company.

Additional Information Concerning Mid-State

Information concerning:

directors and executive officers,

executive compensation,

principal stockholders,

certain relationships and related transactions,

and other related matters concerning Mid-State

is included or incorporated by reference in its annual report on Form 10-K for the year ended December 31, 2002. Additionally, financial statements and information as well as management's discussion and analysis thereof are included in the Form 10-K and in its Form 10-Q for the quarter ended June 30, 2003. These reports are incorporated by reference into this proxy statement/prospectus. If you want to obtain copies of these documents or other information concerning Mid-State, please see "WHERE YOU CAN FIND MORE INFORMATION."

INFORMATION ABOUT OJAI

General

Ojai is a California community bank located in Ojai, California. In addition to its headquarters, Ojai maintains one branch in Oak View, both of which are in Ventura County. Ojai commenced operations as a California state chartered bank on March 30, 1973. Ojai is licensed by the California Department of Financial Institutions. Its deposits are insured up to the maximum legal limits by the FDIC. As are many banks similar to Ojai in size, Ojai is not a member of the Federal Reserve System. Ojai is also subject to certain other federal laws and regulations. As of June 30, 2003, Ojai had total assets of approximately $88.4 million, total deposits of $80.3 million, and total stockholders' equity of $7.8 million.

Ojai conducts a general commercial banking business that serves individuals, professionals and small to medium-sized businesses. Ojai offers a full range of lending activities, including commercial loans, various types of consumer and real estate loans, term loans, and construction financing. For its deposit customers, Ojai offers checking and savings deposits, money market accounts and time deposits, and other deposit related services.

Ojai's main office is located at 1207 Maricopa Highway, Ojai, CA 93023, and its telephone number is (805) 646-0111. Ojai's additional branch office is located at 410 Ventura Avenue, Oak View, CA 93022, and its telephone number is (805) 649-4047. Ojai also maintains a website from which its

customers can conduct many banking transactions online. The home page for Ojai is www.ojaibank.com.

Business Strategy

Ojai's business strategy is to support the banking needs of small businesses, primarily in the immediate areas served by its offices, and to a larger extent Ventura County. To this end, Ojai offers an array of business lending services including SBA and other government guaranteed loans, term loans, commercial notes, commercial real estate financing, construction loans, domestic letters of credit, and business checking, savings, money market and time deposit accounts. Ojai has focused on marketing efforts to implement its business strategy of continuing to increase its core deposits through business development efforts, diversifying its customer base, enhancing its product lines and providing superior customer service.

These efforts include obtaining increased loan and deposit business from existing customers, word-of-mouth referrals, and focused personal solicitation of customers by officers and directors. Ojai directs promotional efforts toward professionals, builders, and small-to-medium sized businesses.

There has been no significant change in the types of services offered by Ojai since its inception, except in connection with new types of accounts allowed by statute or regulation in recent years. Ojai has no present plans regarding any new lines of business that would require the investment of a material amount of total assets, nor has Ojai engaged in any material research activities relating to the development of new services or the improvement of existing Ojai services.

Most of Ojai's business originates from within Ventura County, and there is no emphasis on foreign sources and application of funds. Ojai's business, based upon performance to date, does not appear to be seasonal. With the exception of the geographic concentration of its loan portfolio and deposit customers, there is not a material portion of Ojai's loan portfolio concentrated within a single industry or group of related industries, nor is Ojai dependent upon a single customer or group of related customers for a material portion of its deposits. Management of Ojai is unaware of any material effect upon Ojai's capital expenditures, earnings or competitive position as a result of federal, state or local environmental regulation.

Ojai holds no patents, licenses (other than licenses obtained from regulatory authorities), franchises or concessions.

Properties

Ojai leases its headquarters office and its one branch location. The headquarters office consists of 7,200 square feet and the Oak View branch consists of 1,922 square feet. Aggregate annual rental for Ojai for leased premises was $117 thousand for the year ended December 31, 2002. Ojai considers its present facilities to be more than sufficient for its current operations.

Employees

As of June 30, 2002, Ojai had a total of 30 full-time employees and 15 part-time employees. The management of Ojai believes that its employee relations are satisfactory.

Competition

The banking and financial services business is highly competitive with respect to both loans and deposits and is dominated by a relatively small number of major banks which have many offices operating over wide geographic areas. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology and product delivery systems, and the accelerating pace of consolidation among financial service providers.

Ojai competes for loans and deposits and customers for financial services with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other non-bank financial service providers. Among the advantages certain of these institutions have over Ojai is their ability to finance extensive advertising campaigns, to allocate their investment assets to regions of highest yield and demand, and to allocate significant resources to improved technology. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets and offer a broader array of financial services than Ojai.

In order to compete with the other financial service providers, Ojai principally relies upon local promotional activities, direct contact by officers, directors and employees with its customers, and personalized services tailored to meet its customers' needs. For clients whose loan demands exceed Ojai's lending limits, Ojai attempts to arrange for these loans on a participation basis with other banks and financial institutions.

Effect Of Governmental Policies And Recent Legislation

Banking is a business that depends on rate differentials. In general, the difference between the interest rate paid by Ojai on its deposits and other borrowings, and the interest rate received on loans extended to its customers and securities held in Ojai's portfolio comprise the major portion of Ojai's earnings. These rates are highly sensitive to many factors that are beyond the control of Ojai. Accordingly, the earnings and growth of Ojai are influenced by domestic and foreign economic conditions, including inflation, recession and unemployment.

The commercial banking business is not only affected by general economic conditions, but is also influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the Federal Reserve Board. The Federal Reserve Board implements national monetary policies (with objectives such as curbing inflation and combating recession) via its open-market operations in United States Government securities. This is accomplished by adjusting the required level of reserves for financial institutions subject to its reserve requirements and by varying the discount rates applicable to borrowings by depository institutions. The actions of the Federal Reserve Board in these areas influence the growth of Ojai loans, investment and deposits and also affect interest rates charged on loans and paid on deposits. The nature and impact of any future changes in monetary policies cannot be predicted.

From time to time, legislation is enacted which has the effect of increasing the cost of doing business, limiting or expanding permissible activities or affecting the competitive balance between banks and other financial institutions. Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies and other financial institutions are frequently made in Congress, in the California legislature and before various bank regulatory and other professional agencies.

Legal Proceedings

Ojai is, from time to time, subject to various pending and threatened legal actions arising out of the normal course of its business. In the opinion of management, no such pending or threatened litigation is likely to have a material adverse effect on Ojai's financial condition or results of operations.

OJAI VALLEY BANK MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Introduction

The following is Ojai's management discussion and analysis of the results of operations and the historical financial condition of Ojai. This discussion should be read in conjunction with Ojai's audited financial statements and accompanying footnotes and other selected financial data presented elsewhere herein.

The following discussion and analysis will provide insight and supplementary information into the accompanying financial statements of Ojai. Certain statements contained in this discussion and analysis, including, without limitation, statements containing the words "believes", "anticipates", "intends", "expects", and words of similar impact, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Ojai to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions in those areas in which Ojai operates, demographic changes, competition, fluctuations in interest rates, changes in business strategy or development plans, changes in governmental regulation, credit quality, the availability of capital to fund the expansion of Ojai's business, economic, political and global changes arising from the terrorist attacks of September 11, 2001 and the ongoing conflict in Iraq. Ojai disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations are based on Ojai's financial statements and notes thereto, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make a number of estimates and assumptions. These assumptions affect the reported amounts and disclosures. On an ongoing basis, management evaluates these estimates and assumptions based upon historical experience and other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results may differ significantly from these estimates and assumptions that could have a material impact on the carrying value of assets and liabilities at the balance sheet dates and the results of operations for the reporting periods. Ojai's significant accounting policies and practices are described in Note 1 to the audited financial statements for the year ended December 31, 2002.

OPERATING RESULTS AND ACCOMPLISHMENTS

Financial

Ojai reported net income of $1.1 million in 2002 and 2001 after generating net income of $909 thousand in 2000. Diluted earnings-per-share was $3.71 for 2002 compared to $3.65 in 2001 and $3.08 in 2000. Total assets at December 31, 2002 were $82.9 million compared to $79.7 million at December 31, 2001, or an increase of 4.0%. Total deposits also increased to $75.0 million as of December 31, 2002 from $72.4 million as of December 31, 2001, or 3.6%. Shareholders' common equity stood at $7.6 million at year end up from its $7.1 million at December 31, 2001. Shareholders' common equity increased during 2002 due to the $1.1 million of net income generated for the year, partially offset by an $11 thousand decrease in accumulated other comprehensive income and $591 thousand in dividends paid out.

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Ojai reported net income of $490 thousand for the first six months in 2003 compared to $575 thousand for the same period in 2002. Diluted earnings-per-share was $1.66 for the first half of 2003 compared to $1.95 for the same period in 2002. Total assets at June 30, 2003 were $88.4 million, an increase of 6.6% from $82.9 million at December 31, 2002. Total deposits also increased to $80.3 million as of June 30, 2003 from $75.0 million as of December 31, 2002, or 7.1%. Shareholders' common equity stood at $7.8 million at June 30, 2003, up from $7.6 million at December 31, 2002. Shareholders' common equity increased during the first half of 2003 due to the $490 thousand of net income generated for the year, an $11 thousand increase in accumulated other comprehensive income, and was partially offset by $266 thousand in dividends paid out.

ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Loans

Net loans at June 30, 2003 represent approximately 37% of Ojai's total assets. Net loans of Ojai totaled $33.1 million at June 30, 2003, a decrease of $831,000 since the beginning of the year. Since December 31, 1998, Ojai's loan portfolio has increased 19%, an average annual growth rate of 4.0%. Ojai experienced an increase in net loans to $33.9 million at December 31, 2002 from $31.4 million at the end of 2001. This represents an increase in the loan portfolio of $2.5 million, or 7.8%, following the $1.2 million increase, or 4.1%, in 2001. The following table provides a detail by loan type of Ojai's loan portfolio as of the dates indicated.

	At and for the six months ended June 30,		At and for the years ended December 31,			
	2003	2002	2001	2000	1999	1998
	(Dollars in thousands)					
Commercial Loans	$ 3,198	$ 3,144	$ 2,897	$ 3,206	$ 3,010	$ 1,882
Real Estate Loans	15,147	15,457	13,747	16,193	16,494	13,463
Real Estate Construction Loans	3,126	4,706	4,080	2,309	2,898	2,592
Equity Lines of Credit	7,643	6,735	6,339	4,320	3,506	5,353
Consumer Loans	4,785	4,699	5,155	5,042	5,218	5,127
Total Loans	33,899	34,741	32,218	31,070	31,126	28,417
Less allowance for loan losses	(675)	(656)	(640)	(708)	(667)	(568)
Less deferred loan fees	(129)	(159)	(118)	(126)	(92)	(74)
Loans, net	$ 33,095	$ 33,926	$ 31,460	$ 30,236	$ 30,367	$ 27,775

For the periods presented in the table above, there were no concentrations of loans greater than 10% of total loans that are not otherwise disclosed as a category of loans in the table above.

Real estate loans have consistently represented the greatest concentration of loans in Ojai's loan portfolio, which at June 30, 2003 equaled 45% of total gross loans. Real estate loans at June 30, 2003 totaled $15.1 million, down slightly from the $15.5 million at December 31, 2002. However, real estate loans at December 31, 2002 had increased $1.8 million from $13.7 million at December 31, 2001. The increase during 2002 resulted from the concentrated efforts by Ojai to replace loans that had paid off during 2001. The majority of Ojai's real estate loans are collateralized by owner occupied commercial real estate and non-speculative single family residences. Because Ojai is a very relationship oriented bank, much of the fluctuation in the outstanding loan balances reflect the demand of the businesses in and around Ojai. Additionally, the falling interest rate environment that began in 2001 has resulted in a historically higher level of loans being refinanced, and was the primary cause for the decline experienced in 2001. The increase in real estate loans since 2001 reflect the ongoing customer demand for loans secured by real estate in Ojai's market.

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Real estate construction loans at June 30, 2003 totaled $3.1 million, or 9% of Ojai's total gross loans. Due to the nature of funding patterns in construction lending, the outstanding balance of this loan category can vary considerably. Ojai primarily lends on the construction of single-family home loans which, for the most part are small spec projects, or owner built projects. The number of customer relationships have been on a continued increase during the last few years, and as a result, the annual growth in this loan category since December 31, 1998 has for the most part kept pace with growth in the overall loan portfolio.

Commercial loans at June 30, 2003 totaled $3.2 million and have remained at this approximate level since 1999. Ojai strives to meet the needs of its relationship customers, and provides commercial loans that fit the needs of their borrowers. With the low interest rate environment and uncertainty in the current and recent economy, business borrowers have tended to pay down their commercial lines of credit and have withheld expansion activities. As a result of these factors, Ojai has been able to maintain this level of commercial loans, with approximately 70% of approved lines remaining undisbursed.

Meeting the credit needs of individuals in the community has been met by Ojai through traditional installment loans as well as equity lines of credit. At June 30, 2003, these loan categories, in the aggregate, represented approximately 37% of Ojai's total gross loans. With the rise in values of single family residences, the demand for equity lines of credit has increased resulting in a 43% increase in this loan category from December 31, 1998 to June 30, 2003; during this same time period, Ojai's other consumer loans have declined 7%.

A summary of maturities and sensitivities of loans to changes in interest rates at December 31, 2002 is shown in the table below. A more complete discussion of the Bank's exposure to changes in interest rates can be found in the MD&A under the section titled "Net Interest Income and Interest Rate Risk".

	December 31, 2002			
	One Year or Less	One Year Through Five Years	After Five Years	Total
	(Dollars in thousands)			
Loan category:				
Commercial, real estate and installment	$ 6,737	$ 21,586	$ 1,911	$ 30,234
Real estate construction	3,280	1,226		4,506
Total	$ 10,017	$ 22,812	$ 1,911	$ 34,740
Interest rate sensitivity:				
Loans with predetermined rates	$ 8,251	$ 15,661	$ 1,731	$ 25,643
Loans with floating or adjustable rates	1,766	7,151	180	9,097
Total	$ 10,017	$ 22,812	$ 1,911	$ 34,740

Non-performing Assets

Proper loan grading and the early detection of potentially problematic credits help management and the Board of Directors accurately assess Ojai's level of portfolio risk, focus resources, and provide for adequate provision for loan loss. All loans and leases are graded using the pre-classified and classified loan grades of "special mention", "substandard", "doubtful", or "loss" and include non-performing loans. Each classified credit is monitored on an on-going basis by Credit Administration. The Board's Loan Committee receives reports on the status of these loans on a monthly basis.

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Non-performing loans consist of loans that have been placed on non-accrual status and loans that are delinquent 90 days or more. Non-accrual loans are loans where there is reasonable doubt as to the collectibility of principal or interest on a loan. All non-accrual loans carry a classified loan grade of either "substandard", "doubtful", or "loss". Ojai stops recognizing income from the interest on the loan and reverses any uncollected interest that had been accrued but not received. These loans may or may not be adequately collateralized, and collection efforts are being pursued. All loans are defaulted on the computer system to be placed on non-accrual status when interest and/or principal payments are past due 90 days or more. Loans are reviewed periodically to determine if it should be placed on non-accrual status even though, in some cases, the loans are current at the time. If placed on non-accrual, removal from non-accrual is directed by the Board.

Non-accrual loans within the Bank's portfolio increased to $24 thousand at June 30, 2003 from $1 thousand at December 31, 2002 and 2001. Loans 90 days or more past due increased to $60 thousand from $1 thousand at December 31, 2002. That represented an increase from $5 thousand at the end of 2001. At June 30, 2003, and at December 31, 1998 through 2002 Ojai did not have any troubled debt restructured loans.

At June 30, 2003, Ojai had a total of $378 thousand of real estate foreclosed upon and held for sale. This amount consists of one property acquired in the second quarter of 2001, which is undeveloped land and contains a natural spring. Ojai has had this property appraised at a value in excess of its cost and estimated selling costs. The marketing and liquidation process of this property has been longer than normal due to the specialized nature of the property. Presently, there are no offers to purchase this property but Ojai expects to realize a small gain on the ultimate sale.

The table below summarizes the non-performing assets of Ojai as of the dates indicated.

	June 30,		**December 31,**				
	2003	**2002**	**2002**	**2001**	**2000**	**1999**	**1998**
	(Dollars in thousands)						
Non-performing loans:							
Non-Accrual	$ 24	$ 5	$ 1	$ 1	$ 610	$ 644	$ 50
90 Days or More Past Due	60	8	1	5	1		393
Troubled Debt Restructurings							
Total non-performing loans	84	13	2	6	611	644	443
Other real estate owned	378	378	378	378			676
Total non-performing assets	$ 462	$ 391	$ 380	$ 384	$ 611	$ 644	$ 1,119

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance, increased by the provision for loan losses and decreased by charge-offs, less recoveries. Management estimates the allowance balance required based on past loan loss experience, known and inherent risks in the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. In making this judgment, management reviews selected large loans as well as impaired loans, other delinquent, non-accrual and problem loans and loans to industries experiencing economic difficulties. The collection of these loans is evaluated after considering current operating results and financial position of the borrower, estimated market value of collateral, guarantees and the collateral position versus other creditors. Judgments, which are necessarily subjective, as to probability and amount of loss are formed on these loans, as well as other loans taken together. While Ojai believes that it uses the best information available to determine the allowance for loan and lease losses, unforeseen market conditions could result in material adjustments, and net earnings could be adversely affected, if circumstances differ substantially from the assumptions used in making the final determination.

Ojai's allowance for loan losses at June 30, 2003 stands at $675 thousand, or 2.0% of gross loans, and represents losses not yet realized, but inherent in the loan portfolio and on unfunded commitments. This amount is up from the $656 thousand at December 31, 2002, which represented 1.9% of gross loans. Ojai's allowance for loan losses was significantly greater than its non-performing loans that at June 30, 2003 and December 31, 2002 were $84 thousand and $2 thousand, respectively.

Recoveries of loans previously charged-off since the beginning of the year totaled $35 thousand compared to charge-offs of $16 thousand. In 2002 recoveries of loans previously charged-off totaled $54 thousand compared to charge-offs of $38 thousand taken during the year resulting in a net recovery of $16 thousand. This compares to net charge-offs incurred during 2001 of $68 thousand and $29 thousand in 2000. Ojai anticipates that charge-offs (actual losses) will continue during 2003, while it is less certain that recoveries will exceed charge-offs for the year.

A five-year review of activity in the allowance for loan losses is shown in the table below.

	June 30,		December 31,				
	2003	**2002**	**2002**	**2001**	**2000**	**1999**	**1998**
				(Dollars in thousands)			
Balance of allowance for loan losses Beginning of period	$ 656	$ 640	$ 640	$ 708	$ 667	$ 568	$ 457
Charge-offs:							
Commercial loans	(6)	(2)	(2)	(32)	(12)	(44)	(50)
Real estate loans				(40)			(66)
Real estate construction loans							
Equity lines of credit							
Consumer loans	(10)	(18)	(36)	(25)	(46)	(5)	(40)
Total charge-offs	(16)	(20)	(38)	(97)	(58)	(49)	(156)
Recoveries:							
Commercial loans	26	20	43	26	22	12	
Real estate loans							
Real estate construction loans							
Equity lines of credit							
Consumer loans	9	6	11	3	7	11	2
Total recoveries	35	26	54	29	29	23	2
Net recoveries and charge-offs	19	6	16	(68)	(29)	(26)	(154)
Provision for possible loan losses					70	125	265
Balance of allowance for loan losses End of period	$ 675	$ 646	$ 656	$ 640	$ 708	$ 667	$ 568

	June 30,		December 31,				
Ratio of net recoveries/charge-offs during the period to average loans outstanding during the period	-0.05%	-0.02%	-0.05%	0.22%	0.09%	0.09%	0.54%

The table below sets forth the allocation of the allowance for loan losses by loan type as of the dates specified. The allocation of individual categories of loans includes amounts applicable to specifically identified as well as unidentified losses inherent in that segment of the loan portfolio and will necessarily change whenever management determines that the risk characteristics of the loan portfolio have changed. Management believes that any breakdown or allocation of the allowance for loan and lease losses into loan categories lends an appearance of exactness which does not exist, in that the allowance is utilized as a single unallocated allowance available for all loans and undisbursed commitments. The allocation below should not be interpreted as an indication of the specific amounts of, or loan categories in which, future charge-offs may occur.

			December 31,									
	June 30, 2003		2002		2001		2000		1999		1998	
Balance at end of period applicable to	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
						(Dollars in thousands)						
Commercial	$ 173	9.43%	$ 167	9.05%	$ 172	8.99%	$ 189	10.32%	$ 171	9.67%	$ 193	6.62%
Real estate	284	44.68%	276	44.49%	298	42.67%	401	52.12%	366	52.99%	257	47.38%
Real estate construction	39	9.22%	56	13.55%	42	12.66%	22	7.43%	22	9.31%	20	9.12%
Installment and other consumer	179	36.67%	157	32.91%	128	35.68%	96	30.13%	108	28.03%	98	36.88%
Unallocated Allowance												
Total	$ 675	100.00%	$ 656	100.00%	$ 640	100.00%	$ 708	100.00%	$ 667	100.00%	$ 568	100.00%

Investment Portfolio

Ojai's investment portfolio primarily consists of US treasury securities, US agency securities, and municipal securities. Additionally, Ojai invests funds overnight with other banks (Federal funds sold) that represent liquidity maintained to meet the fluctuating needs of its borrowers and depositors. Banks must segregate their securities portfolio into three categories: (i) a trading portfolio (which is carried at market value, with changes in market value reflected in the income statement), (ii) a held-to-maturity portfolio (which is carried at amortized cost, with changes in market value having no impact on the financial statements), and (iii) an available-for-sale portfolio (which is carried at market value, with changes in market value reflected in comprehensive income). Ojai does not hold any securities that should be classified as trading securities, but holds securities that have been categorized as hold-to-maturity and available-for-sale.

At June 30, 2003, total securities were $34.0 million compared to $31.8 million at December 31, 2002. Total securities at December 31, 2002 decreased from $32.7 million at December 31, 2001, which represented an increase from $27.1 million at December 31, 2000. The overall growth in Ojai's securities since December 31, 2000 generally corresponds to the growth in its deposits, and represents funds it has available to meet long-term liquidity needs of its borrowers and depositors. Footnote number two in Ojai's financial statements provide a detail of the historical cost, unrealized gains and losses, and fair value of the securities in Ojai's investment portfolio.

The composition of the securities portfolio remained fairly stable during the period from December 31, 2000 to June 30, 2003. Excluding holdings of U.S. Treasury securities and agencies of the U.S. Government, there were no investments in securities of any one issuer exceeding 10% of Ojai's stockholders' equity since December 31, 2000.

Securities may be pledged to meet security requirements imposed as a condition to receipt of deposits of public funds and other purposes. At June 30, 2003, and at December 31, 2002, 2001, and 2000 the carrying values of securities pledged to secure public deposits and other purposes were $4.6 million, $4.6 million, $3.5 million, and $3.5 million, respectively.

The table below is a schedule of maturities for each category of debt securities and the related weighted-average yield of such securities as of the dates indicated. The weighted-average yields are calculated using amortized cost of securities and are based on coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were

purchased at a premium or discount. The weighted-average yield on tax-exempt obligations is presented without tax-equivalent adjustment.

	One Year or Less	After One Year to Five Years	After Five Years to Ten Years	After Ten Years	Total
			(Dollars in thousands)		
As of June 30, 2003:					
Maturity Distribution:					
U.S. Treasury and Government Agencies	$ 7,497	$ 16,721	$	$	$ 24,218
States and Political Subdivisions	1,575	6,185	1,951		9,711
Total	$ 9,072	$ 22,906	$ 1,951	$	$ 33,929
Weighted Average Yield:					
U.S. Treasury and Government Agencies	5.19%	5.46%	N/A	N/A	5.38%
States and Political Subdivisions	5.21%	4.46%	3.31%	N/A	4.35%
As of December 31, 2002:					
Maturity Distribution:					
U.S. Treasury and Government Agencies	$ 8,975	$ 16,106	$	$	$ 25,081
States and Political Subdivisions	1,173	5,087	445		6,705
Total	$ 10,148	$ 21,193	$ 445	$	$ 31,786
Weighted Average Yield:					
U.S. Treasury and Government Agencies	5.52%	5.54%	N/A	N/A	5.53%
States and Political Subdivisions	5.11%	4.89%	4.54%	N/A	4.91%

Deposits

Ojai's primary source of funds is deposits. Ojai's community focus results in a relationship oriented focus in its approach to obtaining deposit funding. While many competing banks in Ojai's market specifically promote certain deposit products, Ojai promotes the overall relationship and service level aspects of the bank. Specifically, Ojai has conducted personal officer calling programs to businesses in their community, seeking their banking relationship. As a result, the overall deposit growth reflects Ojai's effort to promote itself in the community, and growth among the various deposit categories reflects the needs of the individual customers.

At June 30, 2003, total deposits were $80.3 million, an increase of $5.3 million, or 7.1%, from $75.0 million at December 31, 2002. Total deposits at December 31, 2002 increased $2.6 million, or 3.6%, from $72.4 million at December 31, 2001. From December 31, 2001 through June 30, 2003, non-interest bearing deposits provided the greatest increase of $4.9 million, or 26.8%, while interest-bearing deposits increased $3.1 million, or 5.7%. During this same period, the majority of the growth in interest bearing deposits was in savings and interest bearing demand accounts which, in the aggregate, increased $4.3 million, or 14.5%, while Ojai reduced its reliance on time certificates that declined

$1.3 million, or 5.2%. The table below provides a detail of Ojai's deposits by type for the periods indicated.

	June 30, 2003	December 31, 2002	December 31, 2001	December 31, 2000
	(Dollars in thousands)			
Noninterest-bearing demand	$ 23,212	$ 19,665	$ 18,309	$ 18,437
Interest-bearing demand	16,038	15,536	14,133	15,191
Savings	18,099	16,840	15,678	14,749
Time, under $100,000	17,048	16,508	15,320	14,256
Time, over $100,000	5,940	6,472	8,933	5,282
Total deposits	$ 80,337	$ 75,021	$ 72,373	$ 67,915

At December 31, 2002, Ojai's deposit mix included 26.2% in non-interest bearing demand deposits. At this same date, interest bearing demand accounts, savings deposits, and time deposits accounted for 20.7%, 22.5%, and 30.6% of total deposits, respectively. At June 30, 2003, Ojai's deposit mix included 28.9% in non-interest bearing demand deposits. At this same date, interest bearing demand accounts, savings deposits, and time deposits accounted for 20.0%, 22.5%, and 28.6% of total deposits, respectively. Changes in the mix of deposit balances since the beginning of the year are consistent with seasonal fluctuations typical of the second quarter of the year.

The following table provides a detail of the average balances, and average rate for the periods indicated.

	Six Months Ended June 30, 2003		Year Ended December 31, 2002		2001		2000	
	Average		Average		Average		Average	
	Balance	Rate[1]	Balance	Rate	Balance	Rate	Balance	Rate
	(Dollars in thousands)							
Interest bearing deposits:								
Interest bearing demand	$ 15,978	0.28%	$ 15,187	0.28%	$ 13,708	0.92%	$ 12,428	1.17%
Savings	17,161	0.54%	16,708	0.72%	14,848	1.31%	13,977	1.73%
Time deposits	22,502	2.16%	22,477	2.72%	23,024	4.56%	18,094	5.19%
Total interest bearing deposits	55,641	1.12%	54,372	1.42%	51,580	2.65%	44,499	2.98%
Non-interest bearing deposits	21,659		19,688		17,556		17,356	
Total deposits	$ 77,300		$ 74,060		$ 69,136		$ 61,855	

[1] Rates for the six month period ended June 30, 2003 are based upon annualized interest expense.

At June 30, 2003, the majority of the Bank's time deposits, approximately 65%, have balances which are under $100,000 in size. While time deposits are somewhat more rate sensitive than other deposit categories, the smaller time deposit balances tend to be more stable and less sensitive to absolute rate levels than do time deposits of $100,000 or more. Approximately 85% of Ojai's time deposits over $100,000 mature within one year and would be potentially subject to a change in rate on

their maturity date. The following table provides a summary of the maturity information of time deposits over $100,000 for the dates indicated.

	June 30, 2003	December 31, 2002
	(Dollar in thousands)	
Three months or less	$ 4,290	$ 3,249
After three months to six months	915	1,475
After six months to one year	1,506	2,256
After one year	1,264	1,156
Total	$ 7,975	$ 8,136

Other Borrowings

Ojai maintains borrowing capability that it may utilize from time to time to meet the liquidity needs of its borrowers and depositors. These can consist of borrowings under the U.S. Treasury Tax and Loan note account, Federal funds purchased, and securities sold under agreements to repurchase. At June 30, 2003, and at December 31, 2002, 2001, and 2000, Ojai did not have any outstanding borrowings. Ojai has only utilized its borrowing capability during 2002, where the average borrowing for the year was $9 thousand with an average cost of 0.42%, and the highest amount outstanding during this period was $900 thousand.

Capital

Capital ratios for commercial banks in the United States are generally calculated using three different formulas. These calculations are referred to as the "Leverage Ratio" and two "risk based" calculations known as "Tier One Risk Based Capital Ratio" and the "Total Risk Based Capital Ratio." Banks are subject to certain standards concerning these ratios. These standards were developed through the joint efforts of banking authorities from 12 different countries around the world. The standards essentially take into account the fact that different types of assets have different levels of risk associated with them. Further, they take into account the off-balance sheet exposures of banks when assessing capital adequacy.

The Leverage Ratio calculation simply divides common stockholders' equity (reduced by goodwill and certain other intangibles that a bank may have) by the total assets of the bank. In the Tier One Risk Based Capital Ratio, the numerator is the same as the leverage ratio, but the denominator is the total "risk-weighted assets" of the bank. Risk-weighted assets are determined by segregating all the assets and off-balance sheet exposures into different risk categories and weighting them by a percentage ranging from 0% (lowest risk) to 100% (highest risk). The Total Risk Based Capital Ratio again uses "risk-weighted assets" in the denominator, but expands the numerator to include other capital items besides equity such as a limited amount of the allowance for loan losses, long-term capital debt, preferred stock and other instruments. Summarized below are the capital ratios of Ojai at June, 30,

2003, and at December 31, 2002 and 2001. Additionally, the standards for adequately and well-capitalized institutions, as defined by the federal banking agencies, are displayed.

	Actual	For Capital Adequacy Purposes	To Be Well Capitalized Under Provisions

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of June 30, 2003:						
Total Capital (to Risk-Weighted Assets)	$ 8,402	17.11%	$ 3,929	8.00%	$ 4,912	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	$ 7,786	15.85%	$ 1,965	4.00%	$ 2,947	6.00%
Tier 1 Capital (to Average Assets)	$ 7,786	9.03%	$ 3,452	4.00%	$ 4,315	5.00%
As of December 31, 2002:						
Total Capital (to Risk-Weighted Assets)	$ 8,155	17.21%	$ 3,791	8.00%	$ 4,738	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	$ 7,562	15.96%	$ 1,895	4.00%	$ 2,843	6.00%
Tier 1 Capital (to Average Assets)	$ 7,562	9.12%	$ 3,316	4.00%	$ 4,144	5.00%
As of December 31, 2001:						
Total Capital (to Risk-Weighted Assets)	$ 7,588	17.85%	$ 3,402	8.00%	$ 4,252	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	$ 7,057	16.60%	$ 1,701	4.00%	$ 2,551	6.00%
Tier 1 Capital (to Average Assets)	$ 7,057	8.90%	$ 3,170	4.00%	$ 3,963	5.00%

Liquidity

The focus of Ojai's liquidity management is to ensure its ability to meet cash requirements. Sources of liquidity include cash, due from bank balances (net of Federal Reserve requirements to maintain reserves against deposit liabilities), Federal funds sold, investment securities (net of pledging requirements), loan repayments, deposits and fed funds borrowing lines. Typical demands on liquidity are deposit run-off from demand deposits and savings accounts, maturing time deposits, which are not renewed, and anticipated funding under credit commitments to customers.

Ojai has adequate liquidity at the present time. Its loan to deposit ratio at June 30, 2003 was 41.2% compared to 45.2% and 43.5% at December 31, 2002 and 2001, respectively. At June 30, 2003 Ojai's internally generated liquidity ratio stood at 24.1%, well inside Ojai's policy guideline range of 15% to 30%.

Off Balance Sheet and Other Related Party Transactions

As noted in footnote number eleven to Ojai's financial statements, Ojai is contingently liable for standby letter of credit accommodations made to its customers in the ordinary course of business totaling $1.1 million at June 30, 2003 compared to $1.0 million and $1.2 million at December 31, 2002 and 2001, respectively. Additionally, Ojai has undisbursed loan commitments, also made in the ordinary course of business, totaling $8.9 million at June 30, 2003, compared to $7.2 million at December 31, 2002 and 2001.

There are no special purpose entity trusts, corporations, or other legal entities established by Ojai which reside off-balance sheet. There are no other off-balance sheet items other than the aforementioned items related to letter of credit accommodations and undisbursed loan commitments.

Ojai does make loans to related parties (directors and officers) in the ordinary course of business at prevailing rates and terms. These loans totaled $1.1 million at June 30, 2003 compared to $941 thousand and $1.1 million at December 31, 2002 and 2001, respectively.

INCOME STATEMENT ANALYSIS

Net Interest Income and Interest Rate Risk

Net interest income is the difference between interest and fees earned on all earning assets and interest paid on interest bearing liabilities. Interest income for the twelve months ended December 31, 2002, 2001, and 2000 was $4.9 million, $5.2 million, and $5.1 million, respectively.

Interest expense for 2002, 2001, and 2000 was $774 thousand, $1.4 million, and $1.3 million, respectively, which resulted in net interest income for 2002 of $4.1 million, up from $3.9 million recorded in 2001, and $3.8 million in 2000. The following table presents an analysis of average balances, interest income and expense, and of yields and costs for the years ended December 31, 2002, 2001, and 2000.

	Year Ended December 31,								
	2002			2001			2000		
	Balance	Interest	Rate	Balance	Interest	Rate	Balance	Interest	Rate
	(Dollars in thousands)								
Assets:									
Loans	$ 33,904	$ 2,915	8.60%	$ 31,606	$ 3,037	9.61%	$ 31,057	$ 3,090	9.95%
Loan fees		251			185			147	
Total loans	33,904	3,166	9.34%	31,606	3,222	10.19%	31,057	3,237	10.42%
Investments:									
Taxable securities	26,412	1,330	5.04%	25,666	1,471	5.73%	19,989	1,193	5.97%
Non-taxable securities	6,185	251	4.06%	5,087	221	4.34%	4,728	203	4.29%
Total securities	32,597	1,581	4.85%	30,753	1,692	5.50%	24,717	1,396	5.65%
Time deposits in other financial institutions	358	7	1.96%	100	5	5.00%	100	5	5.00%
Federal Funds Sold	9,150	139	1.52%	8,695	327	3.76%	7,731	467	6.04%
Total investments	9,508	146	1.54%	8,795	332	3.77%	7,831	472	6.03%
Total earnings assets	76,009	4,893	6.44%	71,154	5,246	7.37%	63,605	5,105	8.03%
Total non-earnings assets	5,796			5,278			4,970		
Total assets	$ 81,805			$ 76,432			$ 68,575		
Liabilities and Shareholders' Equity:									
Borrowed funds	$ 9		0.00%	$		N/A	$		N/A
Interest bearing deposits:									
Savings and interest bearing transaction accounts	31,895	163	0.51%	28,556	320	1.12%	26,405	387	1.47%
Time deposits	22,477	611	2.72%	23,024	1,049	4.56%	18,094	939	5.19%
Total interest bearing accounts	54,372	774	1.42%	51,580	1,369	2.65%	44,499	1,326	2.98%
Total interest bearing liabilities	54,381	774	1.42%	51,580	1,369	2.65%	44,499	1,326	2.98%
Demand deposits	19,688			17,556			17,356		
Other liabilities	320			308			317		
Shareholders' equity	7,416			6,988			6,403		
	$ 81,805			$ 76,432			$ 68,575		

	Year Ended December 31,								
Total liabilities and shareholders' equity									
Interest income/Earning assets			6.44%			7.37%			8.03%
Interest expense/Earning assets			1.02%			1.92%			2.08%
Net yield on average earnings assets	$	4,119	5.42%	$	3,877	5.45%	$	3,779	5.94%

Interest income for the six months ended June 30, 2003 and 2002 was $2.3 million and $2.4 million, respectively. Interest expense for the same six month periods in 2003 and 2002 was $311 thousand and $412 thousand, respectively, which resulted in net interest income of $2.0 million for

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the six months ended June 30, 2003 and 2002. The components of net interest income change in response to both changes in rate, average balance and mix of both earning assets and liabilities. The following table presents an analysis of average balances, interest income and expense, and of yields and costs for six months ended June 30, 2003 and 2002.

	Six Months Ended June, 30[1]					
	2003			2002		
	Balance	Interest	Rate	Balance	Interest	Rate
	(Dollars in thousands)					
Assets:						
Loans	$ 34,662	$ 1,417	8.18%	$ 32,768	$ 1,413	8.62%
Loan fees		114			118	
Total loans	34,662	1,531		32,768	1,531	
Investments:						
Taxable securities	25,438	540	4.25%	27,646	722	5.22%
Non-taxable securities	7,823	145	3.71%	5,437	114	4.19%
Total securities	33,261	685	4.12%	33,083	836	5.05%
Time deposits in other financial institutions	1		N/A	288	1	0.69%
Federal Funds Sold	11,695	66	1.13%	8,981	72	1.60%
Total investments	11,696	66	2.26%	9,269	73	1.58%
Total earnings assets	79,619	2,282	5.73%	75,120	2,440	6.50%
Total non-earnings assets	5,732			5,982		
Total assets	$ 85,351			$ 81,102		

	Six Months Ended June, 30[1]					
Liabilities and Shareholders' Equity:						
Borrowed funds	$		N/A	$		N/A
Interest bearing deposits:						
Savings and interest bearing transaction accounts	33,140	68	0.41%	31,220	80	0.51%
Time deposits	22,501	243	2.16%	22,553	332	2.94%
Total interest bearing accounts	55,641	311	1.12%	53,773	412	1.53%
Total interest bearing liabilities	55,641	311	1.12%	53,773	412	1.53%
Demand deposits	21,659			19,426		
Other liabilities	310			279		
Shareholders' equity	7,741			7,624		
Total liabilities and shareholders' equity	$ 85,351			$ 81,102		
Interest income/Earning assets			5.73%			6.50%
Interest expense/Earning assets			0.78%			1.10%
Net yield on average earnings assets		$ 1,971	4.95%		$ 2,028	5.40%

[1] Rates for the six month periods ended June 30, 2003 and 2002 are based upon annualized interest income/expense.

Analysis of Changes in Interest Income and Expense

During 2002 there was a $353 thousand decrease in interest income along with a decrease of $595 thousand in interest expense compared to 2001. The resulting $242 thousand increase in net

interest income for 2002 is a result of a number of dynamics affecting both average balance and interest rate considerations. Ojai experienced an increase in its average earning assets outstanding of $4.9 million, which was primarily attributable to the net increase in average loans that were up by $2.3 million coupled with an increase in average investments of $1.8 million, and an increase in average Federal funds sold of $455 thousand. Partially offset by an increase in Ojai's average interest bearing liabilities by $2.8 million, the increase in average earning assets contributed to a $376 thousand increase in net interest income. Additionally, the interest rate environment was considerably lower in 2002 compared to the average for 2001; for example, the Prime Rate averaged 4.67% in 2002 compared to 6.91% in 2001. As a result, the weighted average interest rate on earning assets during 2002 was 6.44%, down from 7.37% in 2001. Likewise, the weighted average cost of interest bearing liabilities declined to 1.42% in 2002 from 2.65% in 2001. The decline in interest rates contributed to a decline of $134 thousand in net interest income. As a result of these factors, Ojai's net yield on earning assets declined to 5.42% in 2002 from 5.45% in 2001. The following table provides a summary of the changes in interest income and interest expense attributable to the aforementioned rate and volume fluctuations for 2002 over 2001.

Year Ended December 31, 2002 Versus Year Ended December 31, 2001

	Volume	Rate	Total
	(Dollars in thousands)		
Increase (decrease) in:			
Interest earning assets:			
Loans	$ 211	$ (333)	$ (122)
Loan fees	66		$ 66
Taxable securities	41	(182)	(141)
Non-taxable securities	45	(15)	30
Time deposits in other financial institutions	6	(4)	2
Federal funds sold	16	(204)	(188)
Total interest income	385	(738)	(353)
Interest bearing liabilities:			
Savings and interest bearing transaction accounts	33	(190)	(157)
Time deposits	(24)	(414)	(438)
Total interest expense	9	(604)	(595)
Increase (decrease) in net interest margin	$ 376	$ (134)	$ 242

In 2001, there was a $141 thousand increase in interest income along with an increase of $43 thousand in interest expense compared to 2000. The resulting $98 thousand increase in net interest income for 2001 is a result of similar, yet slightly different dynamics. Ojai experienced an increase in its average earning assets outstanding of $7.5 million. The increase in interest income was primarily attributable to the net increase in average investments, which were up by $6.0 million, while average loans only increased $549 thousand, and Federal funds sold increased by $964 thousand. Partially offset by an increase in Ojai's average interest bearing liabilities by $7.1 million, the increase in average earning assets contributed to a $225 thousand increase in net interest income. The interest rate environment was considerably lower in 2001 compared to the average for 2000; for example, the Prime Rate averaged 6.91% in 2001 compared to 9.23% in 2000. As a result, the weighted average interest rate on earning assets during 2001 was 7.37%, down from 8.03% in 2000. Likewise, the weighted average cost of interest bearing liabilities declined to 2.65% in 2001 from 2.98% in 2000. This decline in interest rates contributed to a decline of $127 thousand in net interest income. As a result of these factors, Ojai's net yield on earning assets declined to 5.45% in 2001 from 5.94% in 2000. The following

table provides a summary of the changes in interest income and interest expense attributable to the aforementioned rate and volume fluctuations for 2001 over 2000.

	Year Ended December 31, 2001 Versus Year Ended December 31, 2000		
	Volume	Rate	Total
	(Dollars in thousands)		
Increase (decrease) in:			
Interest earning assets:			
Loans	$ 54	$ (107)	$ (53)
Loan fees	38		38

	Year Ended December 31, 2001 Versus Year Ended December 31, 2000		
Taxable securities	328	(50)	278
Non-taxable securities	16	2	18
Time deposits in other financial institutions			
Federal funds sold	53	(193)	(140)
Total interest income	489	(348)	141
Interest bearing liabilities:			
Savings and interest bearing transaction accounts	30	(97)	(67)
Time deposits	234	(124)	110
Total interest expense	264	(221)	43
Increase (decrease) in net interest margin	$ 225	$ (127)	$ 98

During the first six months of 2003, there was a $158 thousand decrease in interest income along with a decrease of $101 thousand in interest expense compared to the same period in 2002. The resulting $57 thousand decrease in net interest income for the first six months of 2003 compared to the same period last year is a result of a number of dynamics affecting both average balance and interest rate considerations. Ojai experienced an increase in its average earning assets outstanding of $4.5 million. The increase was primarily attributable to the net increase in average loans, which were up by $1.9 million combined with an increase in average Federal funds sold, and investments of $2.7 million, and $178 thousand, respectively. Partially offset by an increase in Ojai's average interest bearing liabilities by $1.9 million, the increase in average earning assets contributed to a $77 thousand increase in net interest income. The interest rate environment was slightly lower during the six months ended June 30, 2003 compared to the same period in 2002; for example, the Prime Rate averaged 4.24% for the first six months in 2003 compared to 4.75% for the same period in 2002. As a result, the weighted average interest rate on earning assets during the first half of 2003 was 5.73%, down from 6.50% for the first half of 2002. Likewise, the weighted average cost of interest bearing liabilities declined to 1.12% for the first half of 2003 from 1.53% for this same period in 2002. This decline in interest rates contributed to a decline of $134 thousand in net interest income. As a result of these factors, Ojai's net yield on earning assets declined to 4.95% for the six months ended June 30, 2003 from 5.40% for the same period in 2002. The following table provides a summary of the changes in

interest income and interest expense attributable to the aforementioned rate and volume fluctuations for the first six months of 2003 over 2002.

	Six Months Ended June 30, 2003 Versus Six Months Ended June 30, 2002		
	Volume	Rate	Total
	(Dollars in thousands)		
Increase (decrease) in:			
Interest earning assets:			
Loans	$ 78	$ (74)	$ 4
Loan fees	(4)		(4)
Taxable securities	(55)	(127)	(182)
Non-taxable securities	45	(14)	31
Time deposits in other financial institutions	(1)		(1)
Federal funds sold	18	(24)	(6)

	Six Months Ended June 30, 2003 Versus Six Months Ended June 30, 2002		
Total interest income	81	(239)	(158)
Interest bearing liabilities:			
Savings and interest bearing transaction accounts	5	(17)	(12)
Time deposits	(1)	(88)	(89)
Total interest expense	4	(105)	(101)
Increase (decrease) in net interest margin	$ 77	$ (134)	$ (57)

Ojai expects its risk exposure to changes in interest rates to remain manageable and well within acceptable policy ranges. A recent review as of the end of 2002 of the potential changes in its net interest income over a 12 month time horizon showed that it could fluctuate under extreme alternative rate scenarios from between -3.5% and +3.9% of the base case (rates unchanged) of $4.2 million. Ojai's policy is to maintain a structure of assets and liabilities such that net interest income will not decline more than 5% of the base forecast over the next twelve months under scenarios of an upward or downward 100 basis point shift in interest rates. Management expects that its exposure to interest rate risk is manageable and it will continue to strive for an optimal trade-off between risk and earnings.

The following table presents a summary of Ojai's net interest income annualized for the most recent quarter under alternative interest rate scenarios.

	Interest Rate Shock			
	Estimated Impact		IRR Policy	
	Amount[1]	Percent	Amount[1]	Percent
	(Dollars in thousands)			
100 basis point decline Prime rate at 3.25%	$ (148)	(3.5)	$ (211)	(5.0)
50 basis point decline Prime rate at 3.75%	(78)	(1.8)	(106)	(2.5)
Baseline Prime rate at 4.25%				
100 basis point rise Prime rate at 5.25%	82	1.9	(211)	(5.0)
200 basis point rise Prime rate at 6.25%	163	3.9	(422)	(10.0)

1 Based upon annualized fourth quarter 2002 net interest income

Net interest income under the above scenarios is influenced by the characteristics of Ojai's assets and liabilities. In the case of interest bearing transaction and savings accounts, interest is based on rates set at the discretion of management. In a downward rate environment, there is a limit to how far these deposit instruments can be re-priced as they are presently at rates between 0.26% and 0.70%. In an upward rate environment, the magnitude and timing of changes in rates on these deposits is assumed to be move more in step with the re-pricing of variable rate assets.

It is important to note that the above table is a summary of annualized historical earnings and actual future results may vary. Therefore the results of this analysis should not be relied upon as indicative of actual future results. Historically, Ojai has been able to manage its net interest income in a fairly narrow range reflecting Ojai's relative insensitivity to interest rate changes. Over the last three years, Oja