MID-STATE BANCSHARES
Form 11-K
June 28, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2003

OR

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o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

Commission file number:

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Mid-State Bank & Trust Profit Sharing and Salary Deferral 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Mid-State Bank & Trust

1026 Grand Avenue

Arroyo Grande, California 93420

Mid-State Bank & Trust

Profit Sharing and Salary

Deferral 401(k) Plan

Financial Statements and

Supplemental Schedule

As of December 31, 2003 and 2002 and

For the Year Ended December 31, 2003

Contents

Note: Schedules other than that listed above have been omitted because they are not required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended.

Report of Independent Registered Public Accounting Firm

To the Retirement Committee of the

Mid-State Bank & Trust Profit Sharing and Salary Deferral 401(k) Plan:

We have audited the accompanying statements of net assets available for plan benefits of the Mid-State Bank & Trust Profit Sharing and Salary Deferral 401(k) Plan (the Plan) as of December 31, 2003 and 2002, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2003. These financial statements and the schedule referred to below are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2003 and 2002, and the changes in net assets available for plan benefits for the year ended December 31, 2003, in conformity with United States generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2003 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Los Angeles, California

June 23, 2004

Mid-State Bank & Trust

Profit Sharing and Salary Deferral 401(k) Plan

Statements of Net Assets Available for Plan Benefits

December 31,		**2003**		**2002**
Assets:				
Investments, at fair value	**$**	**45,847,971**	$	34,907,223
Receivables:				
Participant contributions				
Employer contributions				
Total receivables				
Total assets		**45,847,971**		34,907,223
Liabilities				
Total liabilities				
Net assets available for plan benefits	**$**	**45,847,971**	$	34,907,223

See accompanying notes to financial statements.

Mid-State Bank & Trust

Profit Sharing and Salary Deferral 401(k) Plan

Statement of Changes in Net Assets Available for Plan Benefits

Year ended December 31,		**2003**
Net assets available for plan benefits, beginning of year	$	34,907,223
Additions:		
Investment income:		
Interest		409,157
Dividends		84,438
		493,595
Less: transactional expenses		13,923
Net investment income		479,672
Contributions:		
Employer contributions, net of forfeitures of $44,597		2,685,034
Participant contributions		1,700,075
Participant rollover contributions		135,316
Total contributions		4,520,425
Net appreciation in fair value of investments		7,424,381
Transfer of assets to this plan in connection with merger		621,058
Total additions		13,045,536
Deductions:		
Benefits paid to participants		2,104,788
Total deductions		2,104,788
Net increase		10,940,748
Net assets available for plan benefits, end of year	$	45,847,971

See accompanying notes to financial statement.

Mid-State Bank & Trust

Profit Sharing and Salary Deferral 401(k) Plan

Notes to Financial Statements

1. Description of the Plan

The following summary description of the Mid-State Bank & Trust Profit Sharing and Salary Deferral 401(k) Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document and related amendments for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan covering substantially all employees of Mid-State Bank & Trust (the Bank or Mid-State). Participants become eligible on the first day of the month following completion of ninety days of service. The Bank is both the sponsor and administrator of the Plan. The trustee of the Plan is the CIGNA Retirement and Investment Services (the Trustee or CIGNA). Connecticut General Life Insurance is an indirect wholly-owned Subsidiary of CIGNA. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, (ERISA). Subsequent to the period covered by this report, CIGNA was acquired by Prudential Financial Services. The completion of the transaction was in February 2004. It is unclear what impact, if any, the acquisition will have on the operation of the Trustee.

Effective October 31, 2001, the Bank entered into an Agreement of Merger (the Agreement) with Ojai Valley Bank. In connection with the Agreement, the assets of Ojai Valley Bank 401(k) Plan were transferred into the Plan. The aggregate balance of accounts transferred was $621,058 (including participant loans of $27,000). On the date of transfer, participants of this plan became fully vested in any unvested portions of their accounts. Future contributions under the Plan will vest in accordance with the vesting schedule defined herein. In accordance with the Agreement, participants were given credit for any prior service at Ojai Valley Bank.

Effective January 1, 2002, the Plan adopted various mandated and optional provisions of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA). Among these new provisions are permitting increased deferral limits for all participants, and further deferrals for participants 50 years of age and older.

Contributions

Participants may defer up to 15 percent of their pre-tax compensation through payroll deductions, subject to certain income related restrictions. The Bank made a discretionary matching contribution per pay period to all participants who made contributions to the Plan during the years presented. For the year ended December 31, 2003, the matching contribution was $575,608, net of forfeitures applied of $44,597. For each eligible employee that is employed by the Plan Sponsor on the last day of the contribution period, the Bank may also contribute a profit sharing allocation to the Plan. This contribution is determined annually by the Bank s Board of Directors. The Board of Directors of the Bank elected to make a profit sharing allocation to the Plan of $2,109,426. The profit-sharing contribution was remitted to the Plan prior to December 31, 2003 and accordingly is included in investments on the Statement of Net Assets Available for Plan Benefits as of December 31, 2003. The Bank s profit-sharing contribution, together with its salary deferral matching contribution and any additional contributions in each Plan year, may not exceed 15 percent of the compensation of all Plan participants. Total contributions in any Plan year are subject to the applicable annual additions limitations under the Internal Revenue Code (IRC).

Participant Accounts

Each participant s account is credited with the participant s voluntary contribution and an allocation of (a) the Bank s contributions; (b) amounts previously forfeited for reinstated employees; (c) investment income; and (d) investment appreciation or depreciation. Participants who make distributions from their accounts or invest in the Bank s stock are charged a transaction fee. The Bank s profit sharing contribution was allocated to each participant s account in the proportion that each participant s annual compensation bears to the total compensation for all participants for the Plan year. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Vesting

Participants are fully vested in any voluntary contributions and income thereon. Participants vest in Bank contributions and the related income earned as follows:

Year(s) of Service	Percentage Vested
1	20%
2	40%
3	60%
4	80%
5	100%

Notwithstanding the above, if a participant (1) attains the age of 59½, (2) dies or (3) terminates employment by reason of disability while employed, the Bank s contribution and forfeitures allocated to such participant becomes 100 percent vested without regard to years of service.

Payment of Benefits

Upon termination of employment, attaining the age of 59 ½, death or disability, participants may elect to receive benefits in the form of a single lump-sum amount equal to the value of their vested interest in their account or equal installments over a period of not more than the life expectancy determined at the time of distribution. The Plan also provides for hardship withdrawals from a participant s vested interest in their account for immediate and heavy financial needs, subject to certain limitations. Payments are valued as of the last valuation date on or before termination and are recorded when paid.

Participant Loans

The Plan permits participants to borrow against their vested account balances. Participants can borrow the lesser of 50 percent of their vested account balance or $50,000 reduced by the excess, if any, of their highest outstanding balance of loans from the Plan during the one-year period prior to the date of the loan over their current outstanding balance of loans. Loans outstanding as of December 31, 2003 and 2002 had an interest rate of 3.75 percent to 9.75 percent and 4.75 percent to 9.50 percent, respectively, and mature between 2004 and 2018, and 2003 and 2017, respectively.

Forfeitures

Forfeitures attributable to the Bank s matching contributions are used to reduce the Bank s contribution for the Plan year in which the forfeitures occur.