

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE YEAR ENDED DECEMBER 31, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION FROM _____ to _____

Commission File Number:

Bank of Napa, N.A.

State of California

TIN #: 20-2314309

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification

2007 Redwood Road, Ste 101, 94558

707 257-7777

(Address of principal executive offices) (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Warrants to purchase Common Stock

Indicate by check mark if the registrant is a well-known, seasoned issuer as defined in Rule 405 of the Securities Act. **Yes** ___ **No**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **Yes** ___ **No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **No** ___

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ___ **Accelerated filer** ___

Non-accelerated filer ___ **Smaller reporting company**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** ___ **No**

The aggregate market value of the voting stock held by non-affiliates of the Registrant at June 30, 2008 was approximately \$11,444,420. As of March 25, 2009, there were 2,288,884 shares of common stock outstanding.

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PART I

ITEM 1. BUSINESS

General

Bank of Napa, National Association (the “Bank”) is a national bank that engages in commercial banking activities to deliver its products and services to the public, primarily in Napa County, California.

On May 21, 2005 an Application for Authority to Organize the Bank was filed with the Office of the Comptroller of the Currency (“OCC”). The OCC approved the application on November 7, 2005, and the Bank's Articles of Association and Organization Certificate were adopted by the Bank's organizing group on December 1, 2005, and filed with the OCC thereby establishing the Bank's corporate existence.

The Bank commenced operations on August 14, 2006. Prior to August 14, 2006 the Bank obtained a final Certificate of Approval from the OCC, received deposit insurance from the Federal Deposit Insurance Corporation, (“FDIC”), became a member of the Federal Reserve System, and sold 2,288,634 shares of its common stock.

The Bank was in the organizational stage from December 3, 2003 to August 14, 2006, the date the operations commenced. During this period activities consisted primarily of the organizational and pre-opening activities necessary to obtain regulatory approvals, preparing for the common stock offering to capitalize the bank, acquiring facilities, and preparing to commence business as a financial institution.

To capitalize the Bank, its organizers sold 2,288,634 shares of the common stock of the Bank at \$10 per share. A warrant to purchase one share of common stock for \$12.50 was issued for every five shares of common stock a purchaser acquired in the initial offering. The organizers and directors of the Bank acquired 325,477 shares of common stock in the offering. In addition to the common stock and warrants purchased in the offering, the Bank issued the organizers an additional 159,000 warrants to purchase common stock at the offering price.

The Bank operates through one office located at 2007 Redwood Road, Suite 101 in Napa, California. The Bank's business banking focus is on small to medium sized businesses, professionals and not-for-profit organizations. The Bank offers a broad range of commercial and retail lending programs designed to meet the needs of its target markets. These include commercial loans and lines of credit, construction financing, consumer loans, auto loans, home improvement loans and home equity lines of credit. The Bank offers a proprietary Visa credit card combined with a rewards program to its customers, which includes a Business Visa program for business and professional customers.

The Bank offers a variety of checking and savings accounts, and a number of time deposit alternatives, including interest bearing and non-interest bearing personal and business checking accounts and time certificates of deposit. The Bank also offers direct deposit of payroll, social security and pension checks. A deposit pick-up service is available to the Bank's professional and business clients. An automatic teller machine (ATM) is available at the office location. The Bank's ATM network is linked to both the PLUS and EXCHANGE networks. The Bank offers its depositors 24-hour access to their accounts by telephone and to both consumer and business accounts through its internet banking products.

The Bank attracts deposit relationships from individuals, merchants, small-to-medium sized businesses, not-for-profit organizations and professionals who live and/or work in Napa County. The Bank does not directly offer international banking services, but does make such services available to its customers through other financial institutions with whom the Bank has correspondent banking relationships.

The Bank holds no patents, registered trademarks, licenses (other than licenses required by the appropriate banking regulatory agencies), franchises or concessions. However, the Bank has registered the service mark "Bank of Napa" with the California Secretary of State.

Market Area

The Bank's market area is in Napa Valley California, renown for producing many of the world's finest premium wines. The Bank has no foreign or international activities or operations.

Competition

The banking business in California generally, and in the Bank's market area specifically, is highly competitive with respect to attracting both loan and deposit relationships. The Napa County market area is dominated by two major banks, each of which have more branch offices than Bank of Napa in our defined service area. Additionally, there are several thrifts, including the major thrift institutions operating in the California market, credit unions and other independent banks.

In recent years, a large number of mergers and consolidations of both banks and savings entities have occurred in California and throughout the nation. A substantial number of the larger banks have been involved in major mergers. The result is that these institutions generally have centralized and standardized their services. Similarly, most lending functions and decisions are sent outside the area. Acquisitions by major interstate bank holding companies and other large acquirers in the Bank's market area have resulted in numerous branch consolidations in the area. Many long-standing relationships have been disrupted or severed, while many other customers are now subjected to less personalized and more "standardized" services.

The Bank believes that this recent merger and consolidation activity presents the Bank with the opportunity to attract customers who are dissatisfied with the level of service provided by larger banks. The Bank solicits customers "displaced" by the recent and current merger activity.

In order to compete with the major financial institutions in the Bank's primary service areas, the Bank uses to the fullest extent possible the contacts of its organizers, founders, advisors, directors and officers with residents and businesses in the Bank's primary service areas. The Bank emphasizes specialized services, local promotional activity and personal contacts by the Bank's officers, directors and other employees. Programs have been developed to specifically address the needs of small to medium-sized businesses, professional businesses, and individuals in the community. As necessary, the Bank can arrange for loans that are too large for the Bank to make by itself to be made on a participation basis with other financial institutions and intermediaries.

The Bank also helps its customers who require other services not offered by the Bank to obtain such services from its correspondent banks or other sources. In addition, the Bank has joined the STAR® and PLUS® ATM networks and also offers, among other services, a night depository, courier services, bank-by-mail services, direct deposit, and on-line Internet banking. To implement its strategy to compete effectively, the Bank has hired highly qualified, professional management and staff. By offering a professional work environment, competitive salaries and benefits and a unique opportunity to grow with a new financial institution, the Bank believes it has hired management and staff that are successfully implementing the Bank's business plan.

Employees

At December 31, 2008, the Bank employed 17 full-time equivalent (FTE) staff. Actual number of employees at year-end 2008 included 2 executive officer, 6 other corporate officers and 9 staff. None of the Bank's employees are presently represented by a union or covered by a collective bargaining agreement. The Bank believes that its employee relations are good.

Supervision and Regulation

The following discussion of statutes and regulations affecting banks is only a summary and does not purport to be complete. This is qualified in its entirety by reference to such statutes and regulations. No assurance can be given that such statutes and regulations will not change in the future. Moreover, any changes may have a material effect on the business of the Bank.

General

Banking is a complex, highly regulated industry. Consequently, the growth and earnings performance of the Bank can be affected, not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. These authorities include, but are not limited to, the Federal Reserve, the FDIC, the OCC, the Internal Revenue Service and state taxing authorities. The effect of these statutes, regulations and policies and any changes to any of them can be significant and cannot be predicted.

As a national association, the Bank is subject to regulation, supervision and periodic examination by the OCC. The Bank is a member of the Federal Reserve System, and is subject to certain regulations of the Board of Governors of the Federal Reserve System. The Bank's deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the maximum amount permitted by law, which is currently \$250,000. In light of the current economic environment and the events of the financial markets during 2008, the Board of Directors of the FDIC adopted the Temporary Liquidity Guarantee Program (TLGP) on October 13, 2008. The TLGP has two parts: First, it guarantees newly issued senior unsecured debt of banks, thrifts, and certain holding companies, and provides full coverage of non-interest bearing deposit transaction accounts. The FDIC adopted the TLGP because of disruptions in the credit market, particularly the interbank lending market, which reduced banks' liquidity and impaired their ability to lend. The goal of the TLGP is to decrease the cost of bank funding so that bank lending to consumers and businesses will normalize. Second, under the TLGP's transaction account guarantee program, a participating institution will be able to provide customers full coverage on non-interest bearing transaction accounts for an annual fee of 10 basis points. The coverage will be in effect for participating institutions until the end of 2009. After that date, these accounts will be subject to the basic insurance amount. The FDIC Board voted to include NOW accounts with interest rates of 0.5 percent or less and IOLTAs (lawyer trust accounts) in the transaction account program. The Bank has opted-out of the guarantee of newly issued unsecured debt since it does not have any debt but has opted-in to participate in providing unlimited FDIC coverage to customers with non-interest bearing transaction accounts.

On February 27, 2009, the FDIC approved an interim rule to institute a one-time special assessment of 20 cents per \$100 in domestic deposits on June 30, 2009, to be collected by September 30, 2009, to restore the DIF reserves depleted by recent bank failures. The interim rule additionally permits the FDIC to charge a special premium up to 10 basis points after June 30, 2009 at a later time if the DIF reserves continue to fall. The FDIC also approved an increase in regular annual premium rates beginning on April 1, 2009. For most banks, this will be between 12 to 16 basis points per \$100 in domestic deposits.

The regulations of the OCC govern most aspects of the Bank's business and operations. The regulations include the requirement for the maintenance of non-interest bearing reserves on deposits, limits on the nature and amount of investments and loans which may be made, rules on the issuance of securities, restrictions on the payment of dividends, directives on bank branch expansion and other bank activities. The primary goals of the Bank regulatory scheme are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. In furtherance of these goals, Congress has created several largely autonomous regulatory agencies and enacted numerous laws that govern banks, bank holding companies and the banking industry. The system of supervision and regulation applicable to the Bank establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's deposit insurance funds, the Bank's depositors and the public, rather than the shareholders and creditors. The following is an attempt to summarize some of the relevant laws, rules and

regulations governing banks and bank holding companies, but does not purport to be a complete summary of all applicable laws, rules and regulations governing banks and bank holding companies. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed.

In addition, for recent developments, see the discussion of the Emergency Economic Stabilization Act of 2008, the Troubled Asset Relief Program, the American Recovery and Reinvestment Act of 2009 in Note 14 to the Bank's financial statements below.

Impact of Monetary Policies

Banking is a business that depends on rate differentials. In general, the difference between the interest rate paid by the Bank on its deposits and other borrowings and the interest rate earned by the Bank on loans, securities and other interest-earning assets comprises the major source of the Bank's earnings. These rates are highly sensitive to many factors which are beyond the control of the Bank and, accordingly, the earnings and growth of the Bank are subject to the influence of economic conditions generally, both domestic and foreign, including inflation, recession, and unemployment; and also to the influence of monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve Bank ("FRB"). The FRB implements national monetary policy, such as seeking to curb inflation and combat recession, by its open-market dealings in United States government securities, by adjusting the required level of reserves for financial institutions subject to reserve requirements, and through adjustments to the discount rate applicable to borrowings by banks which are members of the Federal Reserve System. The actions of the FRB in these areas influence the growth of bank loans, investments, and deposits and also affect interest rates. The nature and timing of any future changes in such policies and their impact on the Bank cannot be predicted; however, the impact on the Bank's net interest margin, whether positive or negative, depends on the degree to which the Bank's interest-earning assets and interest-bearing liabilities are rate sensitive. In addition, adverse economic conditions could make a higher provision for loan losses a prudent course and could cause higher loan charge-offs, thus adversely affecting the Bank's results of operations.

Privacy.

Under state and federal law, a bank must protect the privacy of its customers. Applicable law prohibits financial institutions from sharing or selling personally identifiable nonpublic information without obtaining a consumer's consent, as provided. It provides for a plain-language notice of the privacy rights it confers. The law requires that (1) a consumer must "opt in" before a financial institution may share personal information with an unaffiliated third party, (2) consumers be given an opportunity to "opt out" of sharing with a financial institution's financial marketing partners, and (3) consumers be given the opportunity to "opt out" of sharing with a financial institution's affiliates, with some exceptions. When an affiliate is wholly owned, in the same line of business, subject to the same functional regulator and operates under the same brand name, an institution may share its customers' personal information with the affiliate without providing an opt-out right. Ongoing litigation is contesting the rights of the State of California to impose greater restrictions than the federal law.

Corporate Governance.

The Sarbanes-Oxley Act ("SOX") was adopted in 2002 for the stated purpose to increase corporate responsibility, enhance penalties for accounting and auditing improprieties at publicly traded companies, and protect investors by improving the accuracy and reliability of corporate disclosures. SOX amends the Securities Act of 1934 and contains far-reaching securities legislation. SOX includes very specific additional disclosure requirements and new corporate governance rules, requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules. Among its provisions, SOX subjects bonuses issued to top executives to disgorgement if a subsequent restatement of a company's financial statements was due to corporate misconduct, prohibits an officer or director

from misleading or coercing an auditor, prohibits insider trades during pension fund “blackout periods,” imposes new criminal penalties for fraud and other wrongful acts and extends the period during which certain securities fraud lawsuits can be brought against a company or its officers.

SOX represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees. In addition, the federal banking regulatory authorities have adopted requirements concerning the certification of financial statements by bank officials that are generally similar to requirements under SOX.

Specifically, SOX prohibits a registered public accounting firm from performing specified nonaudit services contemporaneously with a mandatory audit and vests the audit committee of an issuer with responsibility for the appointment, compensation, and oversight of any registered public accounting firm employed to perform audit services. SOX also requires each audit committee member to be a member of the board of directors of the issuer, and to be otherwise independent. SOX further requires the chief executive officer and chief financial officer of an issuer to make certain certifications as to each annual or quarterly report filed with the Securities and Exchange Commission, (“SEC”). Pursuant to the mandate in SOX, the SEC has adopted various rules, including rules to require reporting companies to adopt a code of ethics for its senior financial officers, disclosure of all material off-balance sheet transactions and relationships that may have a material effect upon the financial status of an issuer and the presentation of pro forma financial information in a manner that is not misleading, and which is reconcilable with the financial condition of the issuer under generally accepted accounting principles.

SOX also provides for a mandated internal control report and assessment with the annual report. In 2006, the SEC delayed the implementation of this requirement for reporting companies that are nonaccelerated filers with respect to the audit of internal control assessment. The Bank performed the required control assessment for 2007 and 2008.

It is impossible to predict what effect the enactment of certain of the above-mentioned legislation will have on the Bank. Moreover, it is likely that other bills affecting the business of banks may be introduced in the future by the United States Congress or California legislature.

Restrictions on Transactions With Insiders

Sections 23A and 23B of the Federal Reserve Act regulate transactions between insured institutions and their "affiliates" and transactions by the Bank that benefit affiliates. For these purposes, an "affiliate" is a company under common control with the institution. In general, Section 23A imposes limits on the amount of such transactions, and also requires certain levels of collateral for loans to affiliates. Section 23B of the Federal Reserve Act generally requires that certain transactions between a bank and its respective affiliates be on terms substantially the same, or at least as favorable to such bank, as those prevailing at the time for comparable transactions with or involving other nonaffiliated persons. At this time the Bank does not have any "affiliates."

The restrictions on loans to directors, executive officers, principal stockholders and their related interests (collectively referred to herein as "insiders") contained in the Federal Reserve Act and Regulation O promulgated thereunder apply to all federally insured institutions and their subsidiaries and holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made. There is also an aggregate limitation on all loans to insiders and their related interests. These loans cannot exceed the institution's total unimpaired capital and surplus, and the FDIC may determine that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions.

Deposit Insurance Assessments

The FDIC is required to implement a risk-based assessment system in which the insurance premium relates to the probability that the deposit insurance fund will incur a loss and the FDIC sets semi-annual assessments in an amount necessary to increase the reserve ratio of the Bank Insurance Fund (the "BIF") to at least 1.25% of insured deposits or a higher percentage as determined to be justified by the FDIC.

Under the risk-based assessment system adopted by the FDIC, a BIF member institution such as the Bank is categorized into one of three capital categories ("well capitalized," "adequately capitalized," and "undercapitalized) and one of three categories based on supervisory evaluations by its primary federal regulator (in the Bank's case, the OCC). The three supervisory categories are: financially sound with only a few minor weaknesses (Group A), demonstrates weaknesses that could result in significant deterioration (Group B), and poses a substantial probability of loss (Group C). The capital ratios used by the FDIC to define well-capitalized, adequately capitalized and undercapitalized are the same as in the FDIC's prompt corrective action regulations, discussed below under "–Enforcement Powers." See the discussion of special assessments by the FDIC under "General" above.

Risk-Based Capital Guidelines

The federal banking agencies have issued risk-based capital guidelines. The risk-based capital guidelines include a definition of capital and a framework for calculating risk weighted assets by assigning assets and off-balance sheet items to broad credit risk categories. A bank's risk-based capital ratio is calculated by dividing its qualifying total capital (the numerator of the ratio) by its risk-weighted assets (the denominator of the ratio).

A bank's qualifying total capital will consist of two types of capital components: "core capital elements" (comprising Tier 1 capital) and "supplementary capital elements" (comprising Tier 2 capital). The Tier 1 component of a bank's qualifying capital must represent at least 50% of qualifying total capital and may consist of the following items that are defined as core capital elements: (i) common stockholders' equity; (ii) qualifying noncumulative perpetual preferred stock (including related surplus); and (iii) minority interest in the equity accounts of consolidated subsidiaries. The Tier 2 component of a bank's qualifying total capital may consist of the following items: (i) allowance for loan and lease losses (subject to limitations); (ii) perpetual preferred stock and related surplus (subject to conditions); (iii) hybrid capital instruments (as defined) and mandatory convertible debt securities; and (iv) term subordinated debt and intermediate-term preferred stock, including related surplus (subject to limitations).

Assets and credit equivalent amounts of off-balance sheet items are assigned to one of several broad risk categories, according to the obligor, or, if relevant, the guarantor or the nature of collateral. The aggregate dollar value of the amount in each category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are added together, and this sum is the bank's total risk weighted assets that comprise the denominator of the risk-based capital ratio.

A two-step process determines risk weights for all off-balance sheet items. First, the "credit equivalent amount" of off-balance sheet items is determined, in most cases by multiplying the off-balance sheet item by a credit conversion factor. Second, the credit equivalent amount is treated like any balance sheet asset and generally is assigned to the appropriate risk category according to the obligor, or, if relevant, the guarantor or the nature of the collateral.

All banks are required to meet a minimum ratio of qualifying total capital to risk weighted assets of 8%, of which at least 4% should be in the form of Tier 1 capital.

The regulatory agencies have adopted leverage requirements that apply in addition to the risk-based capital requirements. Under these requirements, banks are required to maintain core capital of at least 3% of their assets (the "Leverage Ratio"). However, an institution may be required to maintain core capital of at least 4% or 5% or possibly higher, depending upon its activities, risks, rate of growth, and other factors deemed material by regulatory authorities.

Enforcement Powers

Federal regulatory agencies have broad and strong enforcement authority reaching a wider range of persons and entities. Some of these provisions include those which: (i) establish a broad category of persons subject to enforcement under the Federal Deposit Insurance Act; (ii) establish broad authority for the issuance of cease and desist orders and provide for the issuance of temporary cease and desist orders; (iii) provide for the suspension and removal of wrongdoers on an industry-wide basis; (iv) prohibit the participation of persons suspended or removed or convicted of a crime involving dishonesty or breach of trust from serving in another insured institution; (v) require regulatory approval of new directors and senior executive officers in certain cases; (vi) provide protection from retaliation against "whistleblowers" and establishes rewards for "whistleblowers" in certain enforcement actions resulting in the recovery of money; (vii) require the regulators to publicize all final enforcement orders; (viii) require each insured financial institution to provide its independent auditor with its most recent Report of Condition ("Call Report"); (ix) permit the imposition of significant penalties for failure to file accurate and timely Call Reports; and (x) provide for the assessment of significant civil money penalties and the imposition of civil and criminal forfeiture and other civil and criminal fines and penalties.

The prompt corrective action regulations, which were promulgated to implement certain provisions of Federal Deposit Insurance Corporation's Improvement Act of 1991, ("FDICIA"), also effectively impose capital requirements on national banks, by subjecting banks with less capital to increasingly stringent supervisory actions. For purposes of the prompt corrective action regulations, a bank is "undercapitalized" if it has a total risk-based capital ratio of less than 8%; a Tier 1 risk-based capital ratio of less than 4%; or a leverage ratio of less than 4% (or less than 3% if the bank has received a composite rating of 1 in its most recent examination report and is not experiencing significant growth). A bank is "adequately capitalized" if it has a total risk-based capital ratio of 8% or higher; a Tier 1 risk-based capital ratio of 4% or higher; a leverage ratio of 4% or higher (3% or higher if the bank was rated a composite 1 in its most recent examination report and is not experiencing significant growth); and does not meet the criteria for a "well capitalized" bank. A bank is "well capitalized" if it has a total risk-based capital ratio of 10% or higher; a Tier 1 risk-based capital ratio of 6% or higher; a leverage ratio of 5% or higher; and is not subject to any written requirement to meet and maintain any higher capital level(s). There is no assurance as to what capital ratios the Bank will be able to maintain.

Under the provisions of FDICIA and the prompt corrective action regulations, for example, an "undercapitalized" bank is subject to a limit on the interest it may pay on deposits. Also, an undercapitalized bank cannot make any capital distribution, including paying a dividend (with some exceptions), or pay any management fee (other than compensation to an individual in his or her capacity as an officer or employee of the bank). Such a bank also must submit a capital restoration plan to the OCC for approval, restrict total asset growth and obtain regulatory approval prior to making any acquisition, opening any new branch office or engaging in any new line of business. Additional broad regulatory authority is granted with respect to "significantly undercapitalized" banks, including forced mergers, ordering new elections for directors, forcing divestiture by its holding company, if any, requiring management changes, and prohibiting the payment of bonuses to senior management. Additional mandatory and discretionary regulatory actions apply to "significantly undercapitalized" and "critically undercapitalized" banks, the latter being a bank with capital at or less than 2%. The OCC may appoint a receiver or conservator for a "critically undercapitalized" bank after 90 days, even if the bank is still solvent. Failure of a bank to maintain the required capital could result in such a bank being declared insolvent and closed.

Community Reinvestment Act and Fair Lending Developments

The Bank is subject to certain fair lending requirements and reporting obligations involving home mortgage lending operations and Community Reinvestment Act ("CRA") activities. The CRA generally requires the federal banking agencies to evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods. In addition to substantial penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities.

The federal banking agencies have adopted regulations that measure a bank's compliance with its CRA obligations on a performance-based evaluation system. This system bases CRA ratings on an institution's actual lending service and investment performance rather than the extent to which the institution conducts needs assessments, documents community outreach or complies with other procedural requirements. In March 1994, the Federal Interagency Task Force on Fair Lending issued a policy statement on discrimination in lending. The policy statement describes the three methods that federal agencies will use to prove discrimination: overt evidence of discrimination, evidence of disparate treatment and evidence of disparate impact.

Allowance For Loan and Lease Losses

On December 13, 2006, the OCC and the other federal financial institution regulatory agencies issued an Interagency Policy Statement on the allowance for loan and lease losses, ("ALLL"). The policy statement replaces a 1993 policy statement on the ALLL. The Policy statement has been updated to ensure consistency with generally accepted accounting principles (GAAP) and post-1993 supervisory guidance. The 1993 policy statement was intended to describe: the responsibilities of the boards of directors, management, and examiners of banks and savings associations regarding the ALLL; factors to be considered in the estimation of the ALLL; and the objectives and elements of an effective loan review system, including a sound credit grading system. The revised policy statement updates this guidance and reiterates key concepts and requirements included in GAAP and existing ALLL supervisory guidance. The ALLL represents one of the most significant estimates in an institutions financial statements and regulatory reports. Because of its significance, each institution has a responsibility for developing, maintaining and documenting a comprehensive, systematic, and consistently applied process appropriate to its size and the nature, scope, and risk of its lending activities for determining the amounts of the ALLL and the provision for loan and lease losses. To fulfill this responsibility, each institution should ensure controls are in place to consistently determine the ALLL in accordance with GAAP, the institution's stated policies and procedures, management's best judgment and relevant supervisory guidance.

Consistent with longstanding supervisory guidance, institutions must maintain an ALLL at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. Estimate of credit losses should reflect consideration of all significant factors that affect the collectibility of the portfolio as of the evaluation date. Arriving at an appropriate allowance involves a high degree of management judgment and results in a range of estimated losses.

Other Aspects of Federal and State Law

The Bank is also subject to federal and state statutory and regulatory provisions covering, among other things, security procedures, currency and foreign transactions reporting, insider and affiliated party transactions, management interlocks, truth-in-lending, electronic funds transfers, funds availability, truth-in-savings, home mortgage disclosure, and equal credit opportunity. There are also a variety of federal statutes, which restrict the acquisition of control of the Bank.

Programs To Mitigate Identity Theft. In November 2007, federal banking agencies together with the National Credit Union Association and Federal Trade Commission adopted regulations under the Fair and Accurate Credit Transactions Act of 2003 to require financial institutions and other creditors to develop and implement a written identity theft prevention program to detect, prevent and mitigate identity theft in connection with certain new and existing accounts. Covered accounts generally include consumer accounts and other accounts that present a reasonably foreseeable risk of identity theft. Each institution's program must include policies and procedures designed to: (i) identify indicators, or "red flags," of possible risk of identity theft; (ii) detect the occurrence of red flags; (iii) respond appropriately to red flags that are detected; and (iv) ensure that the program is updated periodically as appropriate to address changing circumstances. The regulations include guidelines that each institution must consider and, to the extent appropriate, include in its program.

Available Information

The Bank makes available the following filings as soon as reasonably practicable after they are filed with the OCC: the Bank's Annual Report on Form 10-K, the Bank's quarterly reports on Form 10-Q, the Bank's current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings are available free of charge by calling the Bank's Chief Financial Officer at 707-257-7777.

Risk Factors There are several factors that affect our business and the results of operations, some of which are beyond our control.

General Business and Economic Conditions

The Bank's earnings are affected by general business and economic conditions in the United States and, to a lesser extent, abroad. These conditions include short-term and long-term interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, the strength of the U.S. economy and the local economies in which we operate, and natural disasters. For example, an economic downturn, an increase in unemployment, or other events that affect household and/or corporate incomes could decrease the demand for loan and non-loan products and services and increase the number of customers who fail to pay interest or principal on their loans. In recent months the domestic and foreign financial markets, securities trading markets and economies generally have experienced significant turmoil including, without limitation, government takeovers of troubled institutions, government brokered mergers of such firms to avoid bankruptcy or failures, bankruptcies of securities trading firms and insurance companies, failures of financial institutions, and declines in real property values and increases in energy prices all of which have contributed to reduced availability of credit for businesses and consumers, elevated foreclosures on residential and commercial properties, falling home prices, reduced liquidity and a lack of stability across the entire financial sector. These recent events and the corresponding uncertainty and decline in financial markets are likely to continue for the foreseeable future and the full extent of the repercussions to our nation's economy in general and our business in particular therefore are not fully known at this time. Such events may have a negative effect on (i) our ability to service our existing customers and attract new customers, (ii) the ability of our borrowers to operate their business as successfully as in the past, (iii) the financial security and net worth of our customers, and (iv) the ability of our customers to repay their loans with us in accordance with the terms thereof. Such developments could have a material negative impact on our results of operations and financial condition.

Concentration of Lending Activities

Concentration of the Bank's lending activities in the California real estate sector could have the effect of intensifying the impact on the Bank of any adverse changes in the real estate market in the Bank's lending area. The value of the Bank's real estate collateral could be affected by adverse changes in the real estate market in which the Bank conducts business. Most of the properties that secure the Bank's loans are located within Napa County. As of December 31, 2008, approximately \$34 million, or 74%, of the loan portfolio of the Bank is secured by various forms of real estate, including residential and commercial real estate. A further decline in current economic conditions or rising interest rates could have an adverse

effect on the demand for new loans, the ability of borrowers to repay outstanding loans and the value of real estate and other collateral securing loans. If real estate values decline significantly, especially in California, the change could harm the financial condition of the Bank's borrowers, the collateral for its loans will provide less security and the Bank would be more likely to suffer losses on defaulted loans.

Competitive Financial Services Industry

Our market area is limited to Napa County. The Bank faces competition in attracting and retaining deposits, making loans and providing other financial services. Our competitors include other community banks, larger banking institutions and a range of other financial institutions such as credit unions and mutual fund companies. If the Bank is unable to compete effectively it will lose market share and income from loans and other products may be reduced. If the Bank is unable to retain its deposit base, it risks being challenged to fund its loans at competitive rates.

Regulatory Environment and Compliance

The Bank is subject to extensive federal and state governmental supervision, regulation and control with its primary regulator being the OCC. Future legislation and government regulation could adversely affect the commercial banking industry, including the Bank. Future legislative changes may also alter the structure and competitive relationship among financial institutions.

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards set forth by Bank regulators. Compliance risk also arises in situations where the laws or rules governing certain bank products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the Bank to potential fines, civil money penalties, payment of damages and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential and an inability to enforce contracts.

The Interest Rate Environment

Net interest income comprises the majority of the Bank's net income. As interest rates change, net income is affected. Rapid decreases in interest rates could result in interest earned on assets (securities and loans) declining more rapidly than interest paid on deposits. This scenario could result in lowered net interest income and net interest margin. In addition, loan demand generally rises and falls with the rate charged on loans. Substantially higher interest rates would reduce loan demand and may result in slower loan growth, particularly in construction lending, an important factor in the Bank's revenue growth. This relationship, known as the interest rate spread, is subject to fluctuation and is affected by the monetary policies of the Federal Reserve Board, the shape of the yield curve, the international interest rate environment, as well as by economic, regulatory 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. Many of these factors are beyond the Bank's control. Fluctuations in interest rates may affect the demand of customers for products and services. As interest rates change, the Bank expects to periodically experience "gaps" in the interest rate sensitivities of its assets and liabilities. This means that either interest-bearing liabilities will be more sensitive to changes in market interest rates than interest-earning assets, or vice versa. In either event, changes in market interest rates may have a negative impact on the Bank's earnings.

Changes in the level of interest rates also may negatively affect the Bank's ability to originate loans, the value of these loans and the ability to realize gains from the sale of loans, all of which ultimately affect earnings. A decline in the market value of the Bank's assets may limit its ability to borrow additional funds. As a result, the Bank could be required to sell some of its loans and investments under adverse market conditions, under terms that are not favorable, to maintain liquidity. If those sales are made at prices lower than the amortized costs of the investments, losses may be incurred.

Loan Losses May Exceed Our Allowance for Loan Losses in the Future

The Bank is subject to credit risk, which is the risk of losing principal and/or interest due to borrowers' failure to repay loans in accordance with their terms. A downturn in the economy or the real estate market in our service area or rapid change in interest rates could have a negative effect on collateral values and borrowers' ability to repay. The well-publicized downturn in the housing market and the related crisis in subprime mortgage lending have impacted the economy in many ways, including:

- slowdown in construction, both residential and commercial, including construction lending;
- slowdown in job growth;
- tightening of credit markets;
- lowering of consumer confidence and spending;
- increase in problem loans and foreclosures;

Financial institutions have been directly impacted by:

- slowdown in overall economic growth;
- write-offs of mortgage backed securities;
- tightening of credit standards for business and consumers; and
- tightening of available credit for bank holding companies and banks and other financial institutions for financing growth.

Management remains cautious of the residential and commercial real estate markets even though Napa and the immediate surrounding areas have not experienced the same downturns as had much of California and the rest of the Country. As a result, Management will continue to closely monitor the general real estate industry and use considerable caution in underwriting such loans.

Restriction on Capital Distributions

Under federal law, capital distributions would become prohibited with limited exceptions, if the Bank were categorized as "undercapitalized" under applicable OCC regulations.

Stock Options

The Bank has certain employee stock options, and the Bank is required to treat stock options as a non-cash expense based on the grant date fair market value of the options. As its common stock price fluctuates, the grant date fair value of new awards is affected, which in turn will affect the Bank's results of operations and equity.

Security Breaches

The Bank's business requires the secure handling of sensitive client information. A breach of security or well publicized breaches of other financial institutions could significantly harm our business. The Bank cannot be certain that advances in criminal capabilities, physical system or network break-ins or inappropriate access will not compromise or breach the technology protecting our networks or proprietary client information.

Reliance on Third Party Vendors

The Bank depends on the accuracy and completeness of information provided by certain of its vendors, including but not limited to, the Bank's data processing vendor. The Bank's ability to operate, as well as the Bank's financial condition and results of operations, could be negatively affected in the event of an undetected error or in the event of a natural disaster whereby certain vendors are unable to maintain business continuity.

Natural Disasters

A natural disaster, such as an earthquake or flood, could affect the Bank's loan portfolio by damaging properties pledged as collateral and by impairing the ability of certain borrowers to repay their loans. The ultimate impact of a natural disaster on the Bank's future financial results and condition is difficult to predict and will be affected by a number of factors, including the extent of damage to the collateral, the extent to which damaged collateral is not covered by insurance, the extent to which unemployment and other economic conditions caused by the natural disaster adversely affect the ability of borrowers to repay their loans, and the cost to the Bank of collection and foreclosure.

ITEM 2. PROPERTIES

The Bank opened for business on August 14, 2006, in its designated headquarters office located at 2007 Redwood Road, Suite 101, Napa, California. The office is leased for a period of two years with 2 four year options and 2 five year options to extend, and subject to annual rental increases which are based on increases in the Consumer Price Index ("CPI"). On November 5, 2007, the Bank exercised its first four year option. The lease was renewed on January 1, 2008 for four years ending December 31, 2011.

ITEM 3. LEGAL PROCEEDINGS

There are no pending, or to management's knowledge any threatened, material legal proceedings to which the Bank is a party, or to which any of the Bank's properties are subject. There are no material legal proceedings to which any director, any nominee for election as a director, any executive officer of the Bank, or any associate of any such director, nominee or officer is a party adverse to the Bank.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Bank of Napa common stock trades on the Over the Counter Bulletin Board (the "OTCBB") market under the symbol BNNP. The high and low prices of our common stock for the last eight quarters as quoted on the OTCBB are noted in the table below. The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
First Quarter, 2008	\$ 7.75	\$ 6.45
Second Quarter, 2008	\$ 8.75	\$ 5.00
Third Quarter, 2008	\$ 7.45	\$ 5.00
Fourth Quarter, 2008	\$ 7.00	\$ 4.05
First Quarter, 2007	\$10.20	\$ 9.65
Second Quarter, 2007	\$10.50	\$ 9.25
Third Quarter, 2007	\$10.00	\$ 8.10
Fourth Quarter, 2007	\$ 8.25	\$ 6.15

At December 31, 2008, 2,288,884 shares of the Bank's common stock were outstanding and held by 791 holders of record.

Payment of dividends is subject to legal restrictions. A national bank cannot pay dividends that exceed its current net profits and prior two years' retained net profits except with the consent of the OCC. The Board of Directors has no present intention to pay dividends, even if and when the Bank earns net profits.

Equity Compensation Plan Information

The information in the following table is provided as of the end of the fiscal year ended December 31, 2008, with respect to compensation plans under which equity securities are issuable:

<u>Plan category</u>	(a) Number of securities to be issued upon exercise of and rights	(b) Weighted-average	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a))
Equity compensation plans approved by security holders	209,000	\$9.12	179,000
Equity compensation plans not approved by security holders	-	-	-
Total	209,000	\$9.12	179,000

ITEM 6. SELECTED FINANCIAL DATA

Omitted.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This discussion of financial results includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "1933 Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Those sections of the 1933 Act and 1934 Act provide a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their financial performance so long as they provide meaningful, cautionary statements identifying important factors that could cause actual results to differ significantly from projected results.

The Bank's forward-looking statements include descriptions of plans or objectives of management for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "intend," "estimate" or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may."

Forward-looking statements are based on management's current expectations regarding economic, legislative and regulatory issues that may impact the Bank's earnings in future periods. A number of factors - many of which are beyond the Bank's control - could cause future results to vary materially from current management expectations. Such factors include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, real estate values and competition; changes in accounting principles, policies or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory and technological factors affecting the Bank's operations, pricing, products and services.

The Bank files quarterly, annual and other current reports with the OCC under the 1934 Act. Copies of these reports are available from the Bank at no charge. Forward-looking statements speak only as of the date they are made. The Bank does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events.

Critical Accounting Policies

This discussion should be read in conjunction with our financial statements, including the notes thereto, appearing in this document beginning on page 43. Our accounting policies are integral to understanding the results reported. Our most complex accounting policies require management's judgment to ascertain the valuation of assets, liabilities, commitments and contingencies. We have established detailed policies and control procedures that are intended to ensure valuation methods are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of our allowance for loan losses, the current accounting policy involving significant management valuation judgments.

The allowance for loan losses represents management's best estimate of losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. The provision for loan losses is determined based on management's assessment of several factors: reviews and evaluation of specific loans, changes in the nature and volume of the loan portfolio, current economic conditions and the related impact on

specific borrowers and industry groups, historical loan loss experiences, the level of classified and nonperforming loans and the results of regulatory examinations. Loans are considered impaired if, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The measurement of impaired loans is generally based on the present value of expected future cash flows discounted at the historical effective interest rate stipulated in the loan agreement, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. In measuring the fair value of the collateral, management uses assumptions and methodologies consistent with those that would be utilized by unrelated third parties. Changes in the financial condition of individual borrowers, in economic conditions, in historical loss experience and in the condition of the various markets in which collateral may be sold may all affect the required level of the allowance for loan losses and the associated provision for loan losses.

The Bank adopted Statement of Financial Accounting Standards No. 123R (SFAS 123R), "*Share-Based Payment*," on August 14, 2006. The scope of SFAS 123R includes a wide range of stock-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee stock purchase plans. SFAS 123R requires the Bank to measure the cost of employee services received in exchange for an award of equity instruments. The cost is determined based on the fair value of the award on the grant date. That cost must be recognized in the income statement over the service period of the award. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U. S. Treasury yield curve in effect at the time of the grant. Bank of Napa stock has limited liquidity and limited trading activity. Volatility was calculated using peer data. Calculations derived from a historical data bank of daily stock prices updated through December 31, 2008. Financial institutions included in the Survey have had readily accessible historical "adjusted" stock prices - either traded on a recognized exchange or consistently listed over the counter.

Selected Financial Data

	Twelve Months Ended, December 31,		
	2008	2007	2006
Operating Data:			
Net interest income	\$ 1,920,879	\$ 1,351,988	\$ 412,586
Provision for loan losses	417,000	81,000	30,000
Net interest income after provision for loan losses	1,503,879	1,270,988	382,586
Non-interest income	172,104	39,688	4,554
Non-interest expense	3,092,459	3,334,853	1,240,462
Loss before taxes	(1,416,476)	(2,024,177)	(853,322)
Provision for income taxes	800	2,400	800
Net loss	\$ (1,417,276)	\$ (2,026,577)	\$ (854,122)
Net loss per basic share	\$ (0.62)	\$ (0.89)	\$ (0.37)
Balance Sheet Data:			
Total assets	\$ 60,991,673	\$ 43,809,606	\$ 26,602,613
Investments	\$ 9,140,327	\$ 11,307,229	\$ -
Loans, net	\$ 46,136,164	\$ 12,086,213	\$ 1,091,234
Deposits	\$ 43,721,226	\$ 25,523,835	\$ 6,608,264
Shareholders' equity	\$ 17,012,848	\$ 18,018,717	\$ 19,858,299
Selected Ratios:			
Return on average assets	-2.59%	-5.72%	-8.87%
Return on average equity	-8.18%	-10.64%	-10.65%
Average equity to average assets	31.63%	53.75%	85.27%
Allowance for loan losses as a percentage of gross loans	1.13%	0.91%	2.68%
Non-performing loans as a percentage of gross loans	0.00%	0.00%	0.00%
Net charge-offs (recoveries) as a percentage of average loans	0.00%	0.00%	0.00%
Net interest margin	3.78%	4.07%	5.03%
Regulatory Capital Ratios:			
Total risk-based capital	34.00%	100.20%	320.89%
Tier one risk-based capital	32.90%	99.60%	320.10%
Tier one leverage	27.70%	42.30%	80.46%

Overview

The Bank opened for business on August 14, 2006. As is common in the community banking industry, we are incurring losses during this initial operating period. During our four and one-half months of operation in 2006 our focus was on opening our facility, training our personnel, implementing our data processing systems and establishing our policies and procedures. In 2007 and 2008 we worked on our customer base through a comprehensive marketing and business development plan to achieve the asset level necessary to become profitable. As of December 31, 2008, we had \$46.7 million in loans, \$43.7 million in deposits and had incurred a loss of \$1.4 million for the year ended December 31, 2008.

Results of Operation

The Bank's net loss for the year ended December 31, 2008 was \$1,417,000, or \$.62 per share compared to a net loss of \$2,027,000 or \$.89 per share, for the year ended December 31, 2007. The significant components of the Bank's non-interest expenses include salary and benefits, occupancy expense, data processing costs and other expense. Respectively, these amounts totaled \$1,716,000, \$463,000, \$267,000 and \$646,000, and \$1,862,000, \$446,000, \$216,000 and \$811,000 for the years ended 2008 and 2007, respectively.

Net Interest Income and Net Interest Margin

Net Interest Income

Net interest income, the difference between interest earned on loans, investment securities and Federal Funds, and the interest paid on deposits and other borrowings, is the principal component of our earnings. Net interest income for the year-ended December 31, 2008 was \$1,921,000 compared to \$1,352,000 for the year-ended December 31, 2007.

Interest Income

Interest income for the year ended December 31, 2008 totaled \$2,505,000 versus \$1,806,000 for the year ended December 31, 2007, the majority of which was derived from interest and fees earned from loans. Loan income was \$1,769,000 with the balance of interest income stemming from interest on Federal Funds and securities. In 2007, Federal Funds income was \$1,179,000 with the balance of interest income stemming from interest on loans and securities.

Interest Expense

Interest expense was \$584,000 in 2008, compared to \$454,000 for 2007. All interest expense in 2008 stemmed from the Bank's deposit portfolio. The table, Distribution of Average Statements of Condition and Analysis of Net Interest Income follows and indicates net interest income, net interest margin and net interest spread.

The Bank's net interest margin as shown in Table 1, decreased to 3.78% for the twelve months ended December 31, 2008 from 4.07% for the same period in 2007, a decrease of 29 basis points (100 basis points = 1%) between the two periods. The prime rate averaged 4.69% for the twelve months ended December 31, 2008 compared to 8.22% for the comparative twelve months of 2007. For the twelve months ended December 31, 2008 the prime rate was cut by 400 basis points by the Federal Reserve.

The following table sets forth, for the period ended December 31, 2008 and 2007, information related to the Bank's average balance sheet and average yields on assets and average costs of liabilities. These yields were derived by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances were derived from the daily balances throughout the periods indicated.

**Distribution of Average Statements of Condition and
Analysis of Net Interest Income**

Table 1

	Twelve Months Ended, December 31, 2008		
	<u>Average Balance</u>	<u>Yield / Cost</u>	<u>Income / Expense</u>
Assets			
Interest Earning Assets:			
Loans, gross	\$ 28,393,157	6.23%	\$ 1,768,702
Federal funds sold	6,751,161	2.51%	172,335
Investment securities	14,937,351	3.47%	527,314
Other interest income	687,085	5.18%	36,164
Total Interest Earning Assets	50,768,754	4.93%	\$ 2,504,515
Non-Interest Earning Assets:			
Cash and due from banks	3,025,946		
Other assets	924,881		
Total Assets	\$ 54,719,581		
Liabilities and Equity			
Interest Bearing Liabilities:			
Interest bearing demand	\$ 2,939,842	0.63%	\$ 18,645
Money market	16,957,285	1.83%	309,611
Savings	881,144	0.62%	5,497
Time ≥ \$100K	4,189,711	3.53%	147,840
Time < \$100K	3,042,363	3.35%	102,043
Total Interest Bearing Deposits	28,010,345	2.08%	583,636
Total Interest Bearing Liabilities	28,010,345	2.08%	\$ 583,636
Non-Interest Bearing Liabilities:			
Non-interest bearing demand	9,247,765		
Other Liabilities	153,565		
Shareholders' Equity	17,307,906		
Total Liabilities and Equity	\$ 54,719,581		
Net Interest Margin / Net Interest Income		3.78%	\$ 1,920,879

**Distribution of Average Statements of Condition and
Analysis of Net Interest Income**

	Twelve Months Ended, December 31, 2007		
	Average <u>Balance</u>	<u>Yield / Cost</u>	<u>Income / Expense</u>
Assets			
Interest Earning Assets:			
Loans, gross	\$ 4,376,876	7.88%	\$ 345,024
Federal funds sold	23,434,795	4.96%	1,179,148
Investment securities	4,716,293	5.08%	242,834
Other interest income	693,595	5.60%	39,411
Total Interest Earning Assets	33,221,559	5.44%	\$ 1,806,417
Non-Interest Earning Assets:			
Cash and due from banks	1,099,562		
Other assets	1,130,465		
Total Assets	\$ 35,451,586		
Liabilities and Equity			
Interest Bearing Liabilities:			
Interest bearing demand	\$ 1,593,298	1.16%	\$ 18,499
Money market	7,483,774	3.64%	272,410
Savings	617,358	1.20%	7,430
Time ≥ \$100K	1,786,116	4.89%	87,354
Time < \$100K	1,455,161	4.72%	68,703
Total Interest Bearing Deposits	12,935,707	3.51%	454,396
Other borrowings	562	5.79%	33
Total Interest Bearing Liabilities	12,936,269	3.51%	\$ 454,429
Non-Interest Bearing Liabilities:			
Non-interest bearing demand	3,257,502		
Other Liabilities	204,174		
Shareholders' Equity	19,053,641		
Total Liabilities and Equity	\$ 35,451,586		
Net Interest Margin / Net Interest Income		4.07%	\$ 1,351,988

Volume, Mix and Rate Analysis of Net Interest Income

The following table presents the extent to which changes in volume, changes in interest rates, and changes in the interest rates times the changes in volume of interest earning assets and interest bearing liabilities affected the Bank's interest income and interest expense during the periods indicated. Information is provided on changes in each category due to (1) changes attributable to changes in volume (change in volume times the prior period interest rate), (2) changes attributable to changes in interest rate (changes in rate times the prior period volume), and (3) changes attributable to changes in rate/volume (changes in interest rate times changes in volume). Changes attributable to the combined impact of volume and rate have been allocated proportionally to the changes due to volume and the changes due to rate:

	Twelve Months Ended		
	December 31, 2008 compared to December 31, 2007		
	Increase (decrease) due to change in		
	<u>Average Volume</u>	<u>Average Rate</u>	<u>Total Change</u>
Interest income			
Loans	\$ 1,496,052	\$ (72,374)	\$ 1,423,678
Federal funds sold	(442,032)	(564,781)	(1,006,813)
Investment securities	357,494	(73,014)	284,480
Other interest earning assets	(882)	(2,365)	(3,247)
Total interest income	<u>1,410,632</u>	<u>(712,534)</u>	<u>698,098</u>
Interest expense			
Interest-bearing demand	8,540	(8,394)	146
Savings and money market	182,910	(147,642)	35,268
Time deposits \$100,000 or more	84,814	(24,328)	60,486
Time under \$100,000	53,236	(19,896)	33,340
Interest on Borrowed Funds	(33)	0	(33)
Total interest expense	<u>329,467</u>	<u>(200,260)</u>	<u>129,207</u>
Change in net interest income	<u>\$ 1,081,165</u>	<u>\$ (512,274)</u>	<u>\$ 568,891</u>

Twelve Months Ended, December 31, 2007	From August 14, 2006 (Date Operations Commenced) to December 31, 2006		
	Compared to Increase (decrease) due to change in		
	Average Volume	Average Rate	Total Change
Interest income			
Loans	\$ 284,090	\$ 43,365	\$ 327,455
Federal funds sold	913,604	(145,848)	767,756
Investment securities	2,188	240,646	242,834
Other interest earning assets	(11,241)	37,052	25,811
Total interest income	1,188,641	175,215	1,363,856
Interest expense			
Interest-bearing demand	7,291	10,175	17,466
Savings and money market	206,408	57,142	263,550
Time deposits \$100,000 or more	54,994	24,251	79,245
Time under \$100,000	46,096	18,064	64,160
Other Borrowings	33	0	33
Total interest expense	314,822	109,632	424,454
Change in net interest income	\$ 873,819	\$ 65,583	\$ 939,402

Provision for Loan Losses

Management performs quarterly detailed reviews to identify the risks inherent in the Bank's loan portfolio, to assess the overall quality of the loan portfolio, and to determine the adequacy of the allowance for loan losses and the related provision for loan losses to be charged to expense. The systematic reviews follow the Inter-Agency Policy Statement on the allowance for loan losses issued by the OCC on December 13, 2006. The allowance for loan losses is reduced by charge-offs and increased by provisions for loan losses charged to operating expense and recoveries of previously charged-off loans.

The Bank provided \$417,000 for loan losses for the year ended December 31, 2008 compared to \$81,000 for the year ended December 31, 2007. There were no charge-offs during the years 2008 or 2007. The Bank provided an additional \$5,000 to undisbursed loan commitments for 2008 and \$8,000 for 2007, which is reflected in other liabilities on the Statement of Condition.

As of December 31, 2008, the Bank had established an allowance for loan losses of \$528,000 compared to \$111,000 at December 31, 2007. The allowance for loan losses was approximately 1.13% of total loans at December 31, 2008 and .91% of total loans at December 31, 2007. The Bank has also reserved \$13,000 for the undisbursed portion of the loan portfolio for 2008 compared to \$8,000 in 2007, which is booked as other liabilities on the Statement of Condition. There were no nonperforming loans as of and for the years ended December 31, 2008 or 2007.

Management is of the opinion that the allowance for loan losses is maintained at a level adequate for known and unidentified losses inherent in the loan portfolio. However, the Bank's loan portfolio could be adversely affected if economic conditions in California and Napa County and surrounding areas were to weaken further. The effect of such events, although uncertain at this time, could result in an increase in the level of non-performing loans and the level of the allowance for loan losses, which could adversely affect the Bank's future growth and profitability. Residential values, within Napa County, have held up

relatively well when compared to other areas of Northern California, however, home prices per square foot have declined from 2007 thru 2008 in many of the Banks market area. The city of Napa has experienced a decline in values of approximately 22%, Yountville 16% and St. Helena 15%, while Calistoga, with only limited sales, has actually experienced an increase of 10% in median price per square foot. Unlike the housing market, Commercial real estate to date has remained relatively stable with some indication that a softening in that market may also occur in 2009. The Napa Office and Industrial market vacancy rate remains some of the lowest in the area at 11% and 5% respectively.

Noninterest Income and Noninterest Expense

Non-interest income in 2008 was \$172,000, an increase of \$132,000 compared to non-interest income of \$40,000 in 2007. The increase was primarily the result gain in sale of three mortgage-back securities and two U.S. Government Agency Obligations for a total of \$70,000. The remaining increase was the result of additional volume of service charges and fees on deposits.

Non-interest expense in 2008 totaled \$3.1 million of which salaries and employee benefits totaled \$1.7 million. Occupancy expenses were \$463,000 while data services was the next largest expense at \$267,000 followed by professional services at \$236,000 and marketing expenses at \$53,000. Noninterest expense in 2007 totaled \$3.3 million of which salaries and employee benefits totaled \$1.9 million. Occupancy expenses were \$446,000 while data services expenses were \$216,000, professional services expenses were \$327,000 and marketing expenses were \$140,000. The decrease in non-interest expenses were mostly due to lower legal and marketing costs in 2008 versus 2007.

Income Taxes

No tax benefit was recognized in 2008 and 2007 for the net operating losses incurred, as the ultimate realization was not considered more likely than not. The Bank paid a minimum state tax in 2008 and 2007 of \$800 and \$2,400, respectively.

Financial Condition

Investment Portfolio

The Bank's investment security portfolio consists of obligations of the U.S. Government agencies and municipal securities.

The following table summarizes the amounts and distribution of our fixed income investment securities held as of December 31, 2008 and 2007 and the weighted average yields:

December 31, 2008

Available-for-Sale Securities	Amortized Cost	Estimated Fair Value	Weighted Average Yield
U.S. Government Agencies			
One to five years	\$ 7,200,573	\$ 7,429,210	3.02%
Taxable Municipals			
One Year or less	702,406	702,667	3.73%
Five to Ten Years	985,717	1,008,450	5.05%
	1,688,123	1,711,117	4.51%
	<u>\$ 8,888,696</u>	<u>\$ 9,140,327</u>	<u>3.31%</u>

December 31, 2007

Available-for-Sale Securities	Amortized Cost	Estimated Fair Value	Weighted Average Yield
U.S. Government Agencies			
One to five years	\$ 5,500,000	\$ 5,516,300	4.96%
Mortgage-backed Securities			
Three years or less	4,766,344	4,784,489	5.33%
Five years and over	999,377	1,006,440	5.07%
	5,765,721	5,790,929	5.28%
	<u>\$ 11,265,721</u>	<u>\$ 11,307,229</u>	<u>5.12%</u>

Securities may be pledged to meet collateral requirements imposed as a condition of receipt of deposits of public funds and other purposes. At December 31, 2008 there were \$7.3 million pledged at the Federal Home Loan Bank of San Francisco for potential borrowing needs. At December 31, 2007 there were no securities pledged.

The Federal Home Loan Bank's Board of Directors decided on December 22, 2008 that it will not pay a dividend for the fourth quarter of 2008 and will not repurchase excess capital stock until further notice.

Loan Portfolio

The following table sets forth the components of total net loans outstanding in each category as of December 31, 2008 and 2007:

	2008	2007
	<u>Amount</u>	<u>Amount</u>
Loan category:		
Installment and other	\$ 483,265	\$ 62,607
Agricultural Loans	516,835	11,500
Construction and Land Development	3,744,944	-
Commercial	11,079,863	4,346,699
Real Estate	30,709,557	7,778,250
Gross Loans	46,534,464	12,199,056
Deferred loan fees and costs, net	129,700	(1,843)
Allowance for loan losses	(528,000)	(111,000)
Net Loans	<u>\$ 46,136,164</u>	<u>\$ 12,086,213</u>

The following table shows the contractual maturities of our loan portfolio at December 31, 2008 as well as the distribution of fixed rate and variable rate loans.

	Within One Year	After One Year But Within Five Years	After Five Years	Total
Installment and other	\$ 114,824	\$ 368,441	\$ -	\$ 483,265
Agricultural	-	516,835	-	516,835
Construction & Land Development	1,724,944	2,020,000	-	3,744,944
Real Estate	602,770	14,398,531	15,708,256	30,709,557
Commercial	2,231,256	2,005,108	6,843,499	11,079,863
Total	<u>4,673,794</u>	<u>\$ 19,308,915</u>	<u>\$ 22,551,755</u>	<u>\$ 46,534,464</u>
Loans with variable (floating) interest rates				\$ 33,659,357
Loans with predetermined (fixed) interest rates				\$ 12,875,107

Nonperforming Assets

As of December 31, 2008 and December 31, 2007, the Bank had no nonperforming loans. The Bank had no other real estate owned at December 31, 2008 and 2007.

Allowance for Loan Losses

Management performs quarterly detailed reviews to identify the risks inherent in the Bank's loan portfolio, to assess the overall quality of the loan portfolio, and to determine the adequacy of the allowance for loan losses and the related provision for loan losses to be charged to expense. The reviews follow the guidelines set forth by the banking agencies in their December 13, 2006 *Policy Statement on allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions*.

The following table sets forth information concerning the allocation of our allowance for loan losses by loan categories. The allowance for loan losses is available for offsetting credit losses in connection with any loan, but is internally allocated to various loan categories as part of our process for evaluating the adequacy of the allowance for loan losses.

2008

	Amount	% of Total ⁽¹⁾
Agricultural	\$ 3,399	1.11%
Commercial	106,748	23.81%
Real Estate	221,818	74.04%
Installment and other	196,035	1.04%
Unallocated	-	-
Total	<u>\$ 528,000</u>	<u>100.00%</u>

2007

	Amount	% of Total ⁽¹⁾
Agricultural	\$ 135	0.10%
Commercial	25,107	35.63%
Real Estate	84,576	63.76%
Installment and other	1,182	0.51%
Unallocated	-	-
Total	<u>\$ 111,000</u>	<u>100.00%</u>

(1) Represents percentage of allowance in category to total allowance.

There were no charge-offs during 2008 or 2007.

Deposits

Deposits are the Bank's primary source of funds. At December 31, 2008, the Bank had a deposit mix of 21% in non-interest bearing demand deposits, 49% in savings, money market and NOW deposits, and 30% in time deposits,

The scheduled maturity distribution of the Bank's time deposits as of December 31, 2008, were as follows:

90 days or less	\$ 4,542,792
Over 90 days through 180 days	3,025,149
Over 180 days through one year	5,111,860
Over one year	345,272
Total	<u>\$ 13,025,073</u>

Borrowings

At December 31, 2008, the Bank had three unused Federal funds purchased lines of credit totaling \$10.0 million.

Liquidity and Liability Management

The objective of the Bank's asset/liability strategy is to manage liquidity and interest rate risks to ensure the safety and soundness of the Bank and its capital base, while maintaining adequate net interest margins and spreads to provide an appropriate return to the Bank's shareholders.

The Bank manages its interest rate risk exposure by limiting the amount of long-term fixed rate loans it holds for investment, increasing emphasis on shorter-term, higher yield loans for portfolio, increasing or decreasing the relative amounts of long-term and short-term borrowings and deposits.

The table below sets forth the interest rate sensitivity of the Bank's interest-earning assets and interest-bearing liabilities as of December 31, 2008, using the interest rate sensitivity gap ratio. For purposes of the following table, an asset or liability is considered rate-sensitive within a specified period when it can be repriced or matures within its contractual terms except for \$15.9 million of loans in the "After 5 Year" category. These loans are tied to the prime-rate but have a floor on the interest rate and until an increase in the prime plus the margin exceeds the current floor rate repricing will not occur:

	Within Three Months	After Three Months But Within One Year	After One Year But Within Five Years	After Five Years	Total
Interest Earning Assets:					
Investment securities	\$ -	\$ 702,667	\$ 7,429,210	\$ 1,008,450	\$ 9,140,327
Loans	4,116,245	557,549	19,308,915	22,551,755	46,534,464
Total	4,116,245	1,260,216	26,738,125	23,560,205	55,674,791
Interest Bearing Liabilities:					
Money market, savings and NOW deposits	21,550,920	-	-	-	21,550,920
Time deposits	4,542,792	8,137,009	345,272	-	13,025,073
Total	26,093,712	8,137,009	345,272	-	34,575,993
Interest Rate Sensitivity Gap	\$ (21,977,467)	\$ (6,876,793)	\$ 26,392,853	\$ 23,560,205	\$ 21,098,798
Cumulative Interest Rate Sensitivity Gap	\$ (21,977,467)	\$ (28,854,260)	\$ (2,461,407)	\$ 21,098,798	
Ratio Based on Total Assets	-36%	-47%	-4%	35%	

Liquidity refers to the Bank's ability to maintain cash flows sufficient to fund operations, and to meet obligations and other commitments in a timely and cost-effective fashion. At various times the Bank requires funds to meet short-term cash requirements brought about by loan growth or deposit outflows, the purchase of assets, or liability repayments. An integral part of the Bank's ability to manage its liquidity position appropriately is the Bank's large base of core deposits, which are generated by offering traditional banking services in its service area and which have, historically, been a stable source of funds. To manage liquidity needs properly, cash inflows must be timed to coincide with anticipated outflows or sufficient liquidity resources must be available to meet varying demands. The Bank manages liquidity to be able to meet unexpected sudden changes in levels of its assets or deposit liabilities without maintaining excessive amounts of balance sheet liquidity. Excess balance sheet liquidity can negatively impact the Bank's interest margin. In order to meet short-term liquidity needs, the Bank utilizes overnight Federal funds purchase arrangements with correspondent banks, solicits brokered deposits if deposits are not available from local sources and maintains a collateralized line of credit with the Federal Home Loan Bank (the "FHLB") of San Francisco; the Bank can also borrow from the Federal Reserve Discount Window by pledging loans or securities. In addition, the Bank can raise cash for temporary needs by selling securities under agreements to repurchase and selling securities available-for-sale.

At December 31, 2008 the Bank had approximately \$3.7 million in cash equivalents. Management expects to be able to meet the liquidity needs of the Bank, primarily through balancing loan growth with corresponding increases in deposits and borrowings. The Bank also has unused unsecured formal lines of credit totaling \$10.0 million with its correspondent banks. On September 22, 2008, the Bank was approved for membership to the FHLB. The Bank is now eligible to obtain credit equal to 15 percent of its total assets, with original terms out to 84 months. As of December 31, 2008 the Bank has no outstanding borrowings.

The Bank's liquidity ratio is defined as the sum of cash and due from banks, federal funds sold, and investment securities, divided by the sum of total assets. Using this definition at December 31, 2008, the Bank's liquidity ratio was 21.0%.

The Board has determined that its funds management policies are adequate to provide appropriate liquidity for the Bank, and that as of December 31, 2008, the Bank's liquidity was adequate.

Capital Resources

The banking industry is subject to regulatory capital adequacy requirements based on risk-adjusted assets. These requirements take into consideration the risk inherent in investments, loans, and other assets for both on-balance sheet and off-balance sheet items. Under these requirements, the regulatory agencies have set minimum thresholds for Tier 1 capital, total capital and leverage ratios. At December 31, 2008, the Bank's capital exceeded all minimum regulatory requirements and the Bank was considered to be "well capitalized" as defined in the regulations issued by the OCC. The Bank's risk-based capital ratios, shown below as of December 31, 2008, have been computed in accordance with regulatory accounting policies.

	<u>Minimum Requirements</u>	<u>Bank</u>
Tier 1 Capital	4.00%	32.9%
Total Capital	8.00%	34.0%
Leverage Ratio	4.00%	27.7%

For 2008, the return on average assets was -2.56% the return on average equity was -8.08%, and the average equity to average assets was 31.63%.

Effects of Inflation

The financial statements and related financial information presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or same magnitude as the price of goods and services.

Impact of New Accounting Pronouncements

See Note 1 of the NOTES TO FINANCIAL STATEMENTS for information concerning recent accounting pronouncements. Except as discussed in Note 1, the Bank believes there are no new accounting pronouncements that will have a material impact on the Bank.

ITEM 8. Financial Statements

The financial statements and data required by Item 7 are set forth below.

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Statements of Changes in Shareholders' Equity and Comprehensive Loss for the year ended December 31, 2008 and 2007 and from August 14, 2006 (Date Operations Commenced) to December 31, 2006	35
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BANK OF NAPA, N.A.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Bank of Napa, N.A.

We have audited the accompanying statements of condition of Bank of Napa, N.A. (the "Bank") as of December 31, 2008 and 2007 and the related statements of operations, changes in shareholders' equity and comprehensive loss, and cash flows for the year ended December 31, 2008, and 2007, and for the period from August 14, 2006 (date operations commenced) through December 31, 2006. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Napa, N.A. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years ended December 31, 2008 and 2007, and for the period from August 14, 2006 (date operations commenced) through December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 10 to the financial statements, effective January 1, 2008, the Bank adopted provisions of Statement of Financial Accounting Standards (SFAS) No.157, Fair Value Measurements.

Moss Adams LHP

Stockton, California

March 30, 2009

BANK OF NAPA, N.A.

STATEMENTS OF CONDITION

December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and due from banks	\$ 3,678,377	\$ 1,244,926
Federal funds sold	-	17,270,000
TOTAL CASH AND CASH EQUIVALENTS	3,678,377	18,514,926
Investment securities, available-for-sale	9,140,327	11,307,229
Loans, net of deferred costs	46,664,164	12,197,213
Allowance for loan losses	(528,000)	(111,000)
Loans, net	46,136,164	12,086,213
Premises and equipment, net	843,345	989,831
Correspondent bank stock, at cost	857,190	687,257
Accrued interest receivable and other assets	336,270	224,150
TOTAL ASSETS	\$ 60,991,673	\$ 43,809,606
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing demand	\$ 9,145,233	\$ 7,159,876
Interest bearing demand	4,180,555	1,952,464
Money market	16,212,990	10,836,541
Savings	1,157,375	741,872
Time, less than \$100,000	4,492,615	2,398,490
Time, \$100,000 or more	8,532,458	2,434,592
TOTAL DEPOSITS	43,721,226	25,523,835
Accrued interest payable and other liabilities	257,599	267,054
TOTAL LIABILITIES	43,978,825	25,790,889
Commitments and contingencies (Note10)		
Shareholders' Equity:		
Common stock - 30,000,000 shares authorized, \$5.00 par value, 2,288,884 issued and outstanding in 2008 and 2007.	11,442,233	11,442,233
Additional paid in capital	11,803,598	11,602,314
Accumulated deficit	(6,484,614)	(5,067,338)
Accumulated other comprehensive income	251,631	41,508
TOTAL SHAREHOLDERS' EQUITY	17,012,848	18,018,717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 60,991,673	\$ 43,809,606

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

BANK OF NAPA, N.A.

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2008 and 2007

and

From August 14, 2006 (Date Operations Commenced) to December 31, 2006

	2008	2007	2006
INTEREST INCOME			
Interest and fees on loans	\$ 1,768,702	\$ 345,024	\$ 17,570
Interest on investment securities	527,314	242,834	-
Interest on federal funds sold	172,335	1,179,148	411,391
Other interest income	36,164	39,411	13,600
TOTAL INTEREST INCOME	2,504,515	1,806,417	442,561
INTEREST EXPENSE			
Interest on deposits	583,636	454,396	29,975
Other borrowings	-	33	-
TOTAL INTEREST EXPENSE	583,636	454,429	29,975
NET INTEREST INCOME	1,920,879	1,351,988	412,586
Provision for loan losses	417,000	81,000	30,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,503,879	1,270,988	382,586
NON-INTEREST INCOME			
Gain on sale of securities	70,007	-	-
Service charges and other non-interest income	102,097	39,688	4,554
TOTAL NON-INTEREST INCOME	172,104	39,688	4,554
NON-INTEREST EXPENSE			
Salaries and benefits	1,715,833	1,861,584	613,353
Occupancy expense	463,206	446,483	179,872
Professional services	235,750	327,049	174,396
Data processing expense	266,686	215,632	132,533
Marketing	53,301	139,695	47,178
Other expenses	357,683	344,410	93,130
TOTAL NON-INTEREST EXPENSE	3,092,459	3,334,853	1,240,462
LOSS BEFORE INCOME TAXES	(1,416,476)	(2,024,177)	(853,322)
Income taxes	800	2,400	800
NET LOSS	\$ (1,417,276)	\$ (2,026,577)	\$ (854,122)
NET LOSS PER BASIC SHARE	\$ (0.62)	\$ (0.89)	\$ (0.37)

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

BANK OF NAPA, N.A.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AND COMPREHENSIVE LOSS**

For the Years Ended December 31, 2008 and 2007

and

From August 14, 2006 (Date Operations Commenced) to December 31, 2006

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Comprehensive Loss	Shares				
Initial capitalization						
August 14, 2006		2,288,634	\$ 11,440,670	\$ -	\$ -	\$ 22,881,340
Organizational Expenses		-	-	(2,186,639)	-	(2,186,639)
Stock-Based Compensation			17,720			17,720
Comprehensive income:						
Net loss	\$ (854,122)	-	-	(854,122)	-	(854,122)
Other comprehensive income:						
Unrealized holding gain/(loss) on securities available- for-sale arising during the year	-	-	-	-	-	-
Total Comprehensive Loss	<u>\$ (854,122)</u>					
Balance at December 31, 2006		2,288,634	\$ 11,440,670	\$ (3,040,761)	\$ -	\$ 19,858,299
Stock-Based Compensation		-	142,362			142,362
Exercise of stock warrants		250	1,563			3,125
Comprehensive income:						
Net Loss	(2,026,577)			(2,026,577)		(2,026,577)
Other comprehensive income:						
Unrealized holding gain/(loss) on securities available- for-sale arising during the year	41,508				41,508	41,508
Total Comprehensive Loss	<u>\$ (1,985,069)</u>					
Balance at December 31, 2007		2,288,884	\$ 11,442,233	\$ (5,067,338)	\$ 41,508	\$ 18,018,717
Stock-Based Compensation		-	201,284			201,284
Comprehensive income:						
Net Loss	(1,417,276)			(1,417,276)		(1,417,276)
Other comprehensive income:						
Unrealized holding gain/(loss) on securities available- for-sale arising during the year	280,130				280,130	280,130
Less: reclassification adjustment for gain included in net loss	(70,007)				(70,007)	(70,007)
Total Comprehensive Loss	<u>\$ (1,207,153)</u>					
Balance at December 31, 2008		2,288,884	\$ 11,442,233	\$ (6,484,614)	\$ 251,631	\$ 17,012,848

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

BANK OF NAPA, N.A.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

and

From August 14, 2006 (Date Operations Commenced) to December 31, 2006

	2008	2007	2006
OPERATING ACTIVITIES			
Net loss	\$ (1,417,276)	\$ (2,026,577)	\$ (854,122)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	173,727	161,061	60,311
Amortization and accretion on securities	144,047	8,541	-
Deferred loan fees	(129,700)	1,843	-
Provision for loan losses	417,000	81,000	30,000
Stock based compensation expense	201,284	142,362	17,720
Gain on sales of available-for-sale securities	(70,007)	-	-
Net change in accrued interest receivable and other assets	(112,120)	(172,289)	(51,861)
Net change in accrued interest payable and other liabilities	(9,455)	131,004	136,050
NET CASH USED BY OPERATING ACTIVITIES	(802,500)	(1,673,055)	(661,902)
INVESTING ACTIVITIES			
Purchases of securities available-for-sale	(14,502,853)	(13,912,411)	-
Proceeds from sales, matured and called securities available-for-sale	16,805,838	2,638,149	-
Net change in loans	(34,337,251)	(11,077,823)	(1,121,234)
Purchase of premises and equipment	(27,241)	(76,216)	(71,049)
Purchase of correspondent bank stock	(169,933)	(37,257)	(650,000)
NET CASH USED BY INVESTING ACTIVITIES	(32,231,440)	(22,465,558)	(1,842,283)
FINANCING ACTIVITIES			
Net changes in deposits	18,197,391	18,916,572	6,607,264
Proceeds from exercise of warrants	-	3,125	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	18,197,391	18,919,697	6,607,264
DECREASE IN CASH AND CASH EQUIVALENTS	(14,836,549)	(5,218,916)	4,103,079
Cash and cash equivalents at beginning of year	18,514,926	23,733,842	19,630,763
Cash and cash equivalents at end of the period	\$ 3,678,377	\$ 18,514,926	\$ 23,733,842
Supplemental disclosures of cash flow information:			
Interest paid	\$ 535,533	\$ 387,115	\$ 29,975
Income taxes paid	\$ 800	\$ 2,400	\$ 800
Supplemental disclosure of noncash activities:			
Net change in unrealized gains and losses on available-for-sale securities	\$ 210,123	\$ 41,508	\$ -

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

BANK OF NAPA, N.A.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Bank of Napa, N.A. (the “Bank”) conform to generally accepted accounting principles and general practices within the banking industry. A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

On May 21, 2005 an Application for Authority to Organize the Bank was filed with the Office of the Comptroller of the Currency (“OCC”). The OCC approved the application on November 7, 2005, and the Bank's Articles of Association and Organization Certificate were adopted by the Bank's organizing group on December 1, 2005, and filed with the OCC thereby establishing the Bank's corporate existence.

The Bank commenced operations on August 14, 2006. Prior to August 14, 2006 the Bank obtained a final Certificate of Approval from the OCC, received deposit insurance from the Federal Deposit Insurance Corporation, became a member of the Federal Reserve System, and sold 2,288,634 shares of its common stock. The Bank engages in commercial banking activities to deliver its products and services to the public through one branch located in Napa County, California.

The Bank was in the organizational stage from December 3, 2003 to August 14, 2006, the date the operations commenced. During this period activities consisted primarily of the organizational and pre-opening activities necessary to obtain regulatory approvals, preparing for the common stock offering to capitalize the bank, acquiring facilities, and preparing to commence business as a financial institution.

To capitalize the Bank, its organizers sold 2,288,634 shares of the common stock of the Bank at \$10 per share. A warrant to purchase one share of common stock for \$12.50 was issued for every five shares of common stock a purchaser acquired in the initial offering. The organizers and directors of the Bank purchased 325,477 shares of common stock in the offering.

In addition to the common stock and warrants purchased in the offering, the Bank issued the organizers an additional 159,000 warrants to purchase common stock at the offering price.

Organization and Stock Offering Costs—Expenses incurred during the organizational stage prior to opening for business on August 14, 2006 totaled \$2,187,000. Organization costs were expensed as incurred in accordance with Statement of Position 98-5, “Reporting on the Costs of Start-Up Activities.”

The Bank adopted an Equity Incentive Plan to grant both incentive and non-qualified stock options to its organizers, directors, consultants, executive officers and employees. The bank has reserved 388,000 shares of common stock for issuance under the Equity Incentive Plan.

Estimates – In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses. In connection with determining the allowance for loan losses, management obtains independent appraisals for significant properties held as collateral.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, amounts due from banks, money market funds, and federal funds sold. Generally, federal funds are sold for one-day periods. The Bank maintains the minimum required amount of funds on deposit with other federally insured financial institutions under correspondent banking agreements. Generally, banks are required to maintain non-

BANK OF NAPA, N.A.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

interest bearing cash reserves equal to a percentage of certain deposits. For the period ended December 31, 2008, no reserve balance was required.

Investment Securities - Investment securities consist of U.S. agency securities and obligations of states and political subdivisions and other securities. At the time of purchase of a security, the Bank designates the security as held-to-maturity or available-for-sale, based on its investment objectives, operational needs, and intent to hold. The Bank does not purchase securities with the intent to engage in trading activity. Held to maturity securities are recorded at amortized cost, adjusted for amortization of premiums or accretion of discounts. The Bank did not have any investments in the held-to-maturity portfolio at December 31, 2008 or 2007. Securities available-for-sale are recorded at fair value with unrealized holding gains or losses, net of the related tax effect, reported as a separate component of shareholders' equity until realized. A decline in the market value of any security available-for-sale or held-to-maturity below cost that is deemed other than temporary results in a charge to earnings and the corresponding establishment of a new cost basis for the security. Amortization of premiums and accretion of discounts on debt securities are included in interest income over the life of the related security held-to-maturity or available-for-sale using the effective interest method. Dividend and interest income are recognized when earned. Realized gains and losses for securities classified as available-for-sale and held-to-maturity are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Federal Home Loan Bank ("FHLB") and Federal Reserve Bank ("FRB") Stock - The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Because this stock is viewed as a long term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The FHLB announced that it will not pay any dividends for the fourth quarter of 2008. It is uncertain when or if the FHLB will resume paying dividends.

The Bank is also member of the FRB. FRB stock is classified as a restricted security, and cash dividends are reported as income.

Loans and allowance for loan losses - Loans are reported at the principal amount outstanding, net of deferred loan fees and costs, and the allowance for loan losses. Interest on loans is calculated by using the simple interest method on the daily balance of the principal amount outstanding. Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. Accrual of interest on loans is discontinued either when reasonable doubt exists as to the full and timely collection of interest or principal or when a loan becomes contractually past due by ninety days or more with respect to interest or principal. When a loan is placed on non-accrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on such loans is then recognized only to the extent that cash is received and where the future collection of principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible. A loan that is more than 90 days delinquent may continue to accrue interest if the loan is well collateralized and in process of collection or renegotiation.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans, based on evaluations of collectibility and prior loss

BANK OF NAPA, N.A.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

experience of loans. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, and current economic conditions that may affect the borrower's ability to pay.

Impaired loans, as defined, are measured based on the present value of expected future cash flows discounted at the respective loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. The Bank considers a loan impaired when it is probable that all amounts of principal and interest due, according to the contractual terms of the loan agreement, will not be collected, which is the same criteria used for the transfer of loans to non-accrual status. Interest income is recognized on impaired loans in the same manner as non-accrual loans.

Premises and equipment – Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

The estimated lives used in determining depreciation and amortization are:

Equipment, Furniture and fixtures	2 – 7 years
Data Processing and Computers	2 – 7 years
Leasehold improvements	10 years

Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. The straight-line method of depreciation is followed for all assets for financial reporting purposes, but accelerated methods are used for tax purposes.

Income taxes – The Bank uses the asset and liability method to account for income taxes. Under such method, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences). Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes in the period of enactment. A valuation allowance is established to the extent that it is not more likely than not, that the benefits associated with the deferred tax assets will be fully realized.

Net Loss Per Common Share- Basic loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share are not presented when a loss occurs because the conversion of common stock equivalents to potential common stock is anti-dilutive.

BANK OF NAPA, N.A.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Pre-opening Activities-During the organizational period, the Bank incurred pre-opening expenses of \$2,187,000 from 2003 through August 14, 2006, the date operations commenced. These expenses were charged to the accumulated deficit at the date the Bank commenced operations. Cash flows from pre-opening activities are as follows:

	(000 omitted)
Advances from organizers	\$1,680
Proceeds from organizer line of credit	1,690
Proceeds from issuance of common stock	21,660
Repayment of organizer line of credit	(1,690)
Pre-opening expenses	(2,186)
Purchase of premise and equipment	(1,069)
Repayment to organizers for initial investment	<u>(454)</u>
Cash and cash equivalents at date operations commenced August 14, 2006	<u>\$19,631</u>

\$1,236 of common stock was paid to organizers in lieu of cash as repayment for their initial investment.

Recent Accounting Pronouncements- In September 2006, the SFAB issued SFAS No. 157, “*Fair Value Measurements*” (SFAS No.157). SFAS No.157 enhances existing guidance for measuring assets and liabilities using fair value. Prior to the issuance of SFAS No.157, guidance for applying fair value was incorporated in several accounting pronouncements. SFAS No.157 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. SFAS No.157 also emphasizes that fair value is a market-

based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No.157, fair value measurements are disclosed by level within that hierarchy. While SFAS No.157 does not add any new fair value measurements, it does change current practice. Changes to practice include: (1) a requirement for an entity to include its own credit standing in the measurement of its liabilities; (2) a modification of the transaction price presumption; (3) a prohibition on the use of block discounts when valuing large blocks of securities for broker-dealers and investment companies; and (4) a requirement to adjust the value of restricted stock for the effect of the restriction even if the restriction lapses within one year. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. SFAS No.157 was adopted on January 1, 2008 and did not have any material impact on our financial statements. On October 10, 2008 the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for that Asset Is Not Active*, which provides an example that illustrates key considerations in determining the fair value of a financial asset when the market for that asset is not active. FSP 157-3 provides clarification for how to consider various inputs in determining fair value under current market conditions consistent with the principles of FAS 157. FSP 157-3 became effective upon issuance. The adoption of Statement 157 has not impacted the Bank.

In February 2007, the FASB issued SFAS No.159, “*The Fair Value Option for Financial Assets and Financial Liabilities*”, including an amendment of SFAS Statement 115. SFAS No.159 provides an alternative measurement treatment for certain financial assets and financial liabilities, under an instrument-by-instrument election, that permits fair value to be used for both initial and subsequent measurement, with changes in fair values recognized in results of operations. SFAS No.159 is effective for financial statements issued for fiscal years beginning after November 15, 2007,

BANK OF NAPA, N.A.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

and interim periods within those fiscal years. SFAS No.159 was adopted on January 1, 2008 and did not have any material impact on our financial statements.

On March 19, 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB No. 133*" (SFAS 161). SFAS 161 requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Bank's financial position, financial performance and cash flows. SFAS 161 also clarifies that derivatives are subject to credit risk disclosures as required by SFAS No. 107, "*Disclosures about Fair Value of Financial Instruments.*" SFAS 161 is effective for the Bank's financial statements for the year beginning on January 1, 2009.

On December 4, 2007, the FASB issued SFAS No. 141 (revised 2007), "*Business Combinations*" (SFAS 141R). SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition-date fair value. In addition, SFAS 141R requires the expensing of acquisition-related transaction and restructuring costs, and certain contingent assets and liabilities acquired, as well as contingent consideration, to be recognized at fair value. SFAS 141R also modifies the accounting for certain acquired income tax assets and liabilities. SFAS 141R is effective for new acquisitions consummated on or after January 1, 2009 and earlier adoption is not permitted. The adoption of Statement 141R has not impacted the Bank.

NOTE 2 – CASH AND DUE FROM BANKS

Cash and due from banks includes balances with the Federal Reserve and other correspondent banks. The Bank is required to maintain specified reserves by the Federal Reserve Bank. The average reserve requirements are based on a percentage of the Bank's deposit liabilities. At December 31, 2008 no reserve was required. At December 31, 2008, the Bank had cash deposits at other financial institutions in excess of the FDIC insured limits. However, as the Bank places these deposits with major well-capitalized financial institutions and management monitors these institutions on a quarterly basis and believes the risk of loss to be minimal.

NOTE 3 – INVESTMENT SECURITIES

The amortized cost and fair value of securities with gross unrealized gains and losses are as follows:

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

As of December 31, 2008 and 2007, there were no unrealized losses in the securities portfolio.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2008 are shown below. Under certain interest rate environments, some, or all of these securities may be called for redemption by their issuers prior to scheduled maturities.

BANK OF NAPA, N.A.

NOTE 3 – INVESTMENT SECURITIES - Continued

	December 31, 2008	
	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 702,406	\$ 702,667
Due in one to three year	7,200,573	7,429,210
Due in five to ten years	985,717	1,008,450
	<u>\$ 8,888,696</u>	<u>\$ 9,140,327</u>

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agency securities	\$ 7,200,573	\$228,637	\$ -	\$ 7,429,210
Taxable Municipal Securities	1,688,123	22,994	-	1,711,117
	<u>\$ 8,888,696</u>	<u>\$251,631</u>	<u>\$ -</u>	<u>\$ 9,140,327</u>

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agency securities	\$ 5,500,000	\$ 16,300	\$ -	\$ 5,516,300
Mortgage backed securities	5,765,721	25,208	-	5,790,929
	<u>\$ 11,265,721</u>	<u>\$ 41,508</u>	<u>\$ -</u>	<u>\$ 11,307,229</u>

Securities may be pledged to meet collateral requirements imposed as a condition of receipt of deposits of public funds and other purposes. At December 31, 2008, the total market value of securities pledged was \$7.3 million at the Federal Home Loan Bank of San Francisco to provide for any future borrowing needs. At December 31, 2007, there were no securities pledged.

During the twelve months ended December 31, 2008, the Bank received proceeds in the amount of \$5,440,778 and \$4,090,278 from the sale of three mortgage-back securities and two U.S. Government Agency Obligations, respectively, and realized gains on the sales in the amount of \$70,007.

BANK OF NAPA, N.A.

NOTE 4 — LOANS

Major classifications of loans at December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
	Amount	Amount
Loan category:		
Installment and other	\$ 483,265	\$ 62,607
Agricultural Loans	516,835	11,500
Construction and Land Development	3,744,944	-
Commercial	11,079,863	4,346,699
Real Estate	<u>30,709,557</u>	<u>7,778,250</u>
Gross Loans	46,534,464	12,199,056
Deferred loan fees and costs, net	129,700	(1,843)
Allowance for loan losses	<u>(528,000)</u>	<u>(111,000)</u>
Net Loans	<u>\$ 46,136,164</u>	<u>\$ 12,086,213</u>

Changes in the allowance for loan losses for the periods ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Allowance for loan losses:			
Balance at the beginning of the period	\$ 111,000	\$ 30,000	\$ -
Loans charged off	-	-	-
Recoveries	-	-	-
Provisions	417,000	81,000	30,000
Balance at the end of the period	<u>\$ 528,000</u>	<u>\$ 111,000</u>	<u>\$ 30,000</u>
Ratios:			
Allowance to loans at period end	1.13%	0.91%	2.68%

There were no impaired loans during 2008 and 2007. In addition, no loans were placed on non-accrual status and no loans were past due greater than 90 days and still accruing interest during 2008 and 2007.

NOTE 5 –PREMISES AND EQUIPMENT

The Bank entered into a lease agreement in January 2006 on its permanent facility for a term of two years, with two four and two five year options. On November 5, 2007, the Bank exercised its first four year option. The lease was renewed on January 1, 2008 for four years ending December 31, 2011. Under the lease agreement, the Bank will pay \$23,650 a month adjusted annually based on the Consumer Price Index.

Bank Premises and Equipment consist of leasehold improvements, furniture, fixtures and equipment and are stated at cost, less accumulated depreciation and amortization, which are calculated on a straight-line basis over the estimated useful life of the property or the term of the lease (if less).

BANK OF NAPA, N.A.

NOTE 5 – PREMISES AND EQUIPMENT - Continued

A summary of premises and equipment as of December 31 follows:

	2008	2007
Leasehold improvements	\$ 727,049	\$ 727,049
Furniture, fixtures, and equipment	344,202	335,199
Data processing and computers	172,939	154,701
	1,244,190	1,216,949
Less: Accumulated depreciation and amortization	(400,845)	(227,118)
	\$ 843,345	\$ 989,831

Depreciation and amortization expense totaled \$173,727 and \$161,061 for the period ended December 31, 2008 and 2007, respectively.

NOTE 6 – DEPOSITS

Customer deposits are as follows at December 31, 2008 and 2007:

	2008	2007
Demand, non interest bearing	\$ 9,145,233	\$ 7,159,876
Interest bearing checking	4,180,555	1,952,464
Savings accounts	1,157,375	741,872
Money Market	16,212,990	10,836,541
Time, less than \$100,000	4,492,615	2,398,490
Time, \$100,000 or more	8,532,458	2,434,592
Total Deposits	\$ 43,721,226	\$ 25,523,835

Interest expense, net of early withdrawal penalty, recognized on interest bearing deposits for the period ended December 31, 2008, 2007 and 2006 consisted of the following:

Interest Expense	2008	2007	2006
Interest bearing checking	\$ 18,645	\$ 18,499	\$ 1,034
Savings accounts	5,497	7,430	1,067
Money Market	309,611	272,410	15,222
Time, less than \$100,000	102,043	68,703	4,543
Time, \$100,000 or more	147,840	87,354	8,109
Total Interest Expense	\$ 583,636	\$ 454,396	\$ 29,975

Maturities of Time Deposits at December 31, 2008 are as follows:

90 days or less	\$ 4,542,792
90 days through 180 days	3,025,149
Over 180 days through one year	5,111,860
Over one year	345,272
Total	\$ 13,025,073

BANK OF NAPA, N.A.

NOTE 7 - INCOME TAXES

The provision for income taxes for each of the years ended December 31, 2008, and 2007 consisted of \$800, and \$2,400, respectively, minimum California state tax.

Deferred tax assets and liabilities as of December 31, 2008, and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Pre-opening expenses	\$ 708,000	\$ 764,000
Net operating loss carryforwards	1,838,000	1,271,000
Accrual to cash	(38,000)	14,000
Allowance for loan loss	194,000	33,000
Deferred Loan costs	101,000	-
Other	(15,000)	1,000
Deferred Tax Assets	<u>2,788,000</u>	<u>2,083,000</u>
Deferred tax liabilities:		
Unrealized gains on available for sale securities	(104,000)	(17,000)
Accumulated depreciation	(92,000)	(67,000)
Deferred tax liabilities	(196,000)	(84,000)
Deferred income tax asset	2,592,000	1,999,000
Valuation allowance	<u>(2,592,000)</u>	<u>(1,999,000)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

A valuation allowance is recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. Management has assessed the realizability of the deferred tax assets and believes that it is more likely than not that a portion of the deferred tax assets will not be realized in the normal course of business. At December 31, 2008, the Bank has federal and state net operating loss carryforwards of approximately \$4.5 million and \$4.4 million, respectively. These net operating loss carryforwards will begin to expire in 2026 for federal income tax purposes and in 2016 for state income tax purposes, if not previously utilized.

The provision (benefit) for income taxes consists of the following for the period ending:

	December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current:			
Federal	\$ -	\$ -	\$ -
State	800	2,400	800
	<u>800</u>	<u>2,400</u>	<u>800</u>
Deferred:			
Federal	(503,000)	(569,000)	(915,000)
State	(177,000)	(203,000)	(329,000)
	<u>(680,000)</u>	<u>(772,000)</u>	<u>(1,244,000)</u>
Valuation Allowance	<u>680,000</u>	<u>772,000</u>	<u>1,244,000</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Provision for income taxes	<u>\$ 800</u>	<u>\$ 2,400</u>	<u>\$ 800</u>

BANK OF NAPA, N.A.

NOTE 7 - INCOME TAXES - Continued

The following summarizes the difference between the provision for income taxes for financial statement purposes and the federal statutory rate of 34% for the period ending December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Federal statutory rate	-34.00%	-34.00%
State franchise tax, net of federal benefit	-7.00%	-7.00%
Valuation allowance	<u>41.00%</u>	<u>41.00%</u>
Provision for income taxes	<u>0.00%</u>	<u>0.00%</u>

NOTE 8 – FINANCIAL INSTRUMENTS

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit in the form of loans. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

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

Financial instruments whose contract amount represents credit risk:

Undisbursed loan commitments at December 31, 2008	\$12,818,292
Undisbursed loan commitments at December 31, 2007	\$ 5,886,204

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

BANK OF NAPA, N.A.

NOTE 9 - RELATED-PARTY TRANSACTIONS

The Bank, in the normal course of business, makes loans to and receives deposits from its directors, officers, principal shareholders and their associates. In management's opinion, these transactions are on substantially the same terms as comparable transactions with other customers of the Bank. The Bank's related party loan and deposit activity at December 31, 2008 and 2007 is summarized below:

	<u>2008</u>	<u>2007</u>
Beginning Banlance	\$ 1,156,342	\$ 49,000
New loans or advances during the period	1,809,280	1,194,254
Repayments during the period	786,820	86,912
Aggregate amount outstanding	<u>\$ 2,178,802</u>	<u>\$ 1,156,342</u>
Loan commitments	\$ 2,847,103	\$ 1,793,522
Related party deposits	\$ 1,225,196	\$ 2,051,154

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Bank is obligated for a rental payment under a certain operating lease agreement, which contains renewal options and an escalation clause that provide for increased rent. Total rental expense for the period ended December 31, 2008 and 2007 was \$281,981 and \$274,351, respectively.

As of December 31, 2008, the future estimated minimum rental payment under the non-cancellable operating lease is as follows:

Year	Amount
2009	289,858
2010	308,705
2011	328,779
	<u>\$ 927,342</u>

The Bank has three unsecured Federal funds borrowing lines totaling nine million dollars with its correspondent banks. On September 22, 2008 the Bank was approved for membership to the Federal Home Loan Bank of San Francisco (FHLB). The Bank is now eligible to obtain credit equal to 15 percent of its total assets, with original terms out to 84 months. The Bank was also approved to borrow from the Federal Reserve Bank Discount Window. There were no amounts outstanding under these facilities at December 31, 2008 or 2007.

BANK OF NAPA, N.A.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 (SFAS 107) requires the Bank to disclose the fair value of its financial assets and liabilities. SFAS No.157 enhances existing guidance for measuring assets and liabilities using fair value. This Statement applies under other accounting pronouncements that require or permit fair value measurements, FASB having concluded in those pronouncements that fair value is the relevant measurement attribute.

The carrying amounts and estimated fair values of the bank's financial instruments for the period ending December 31, 2008 are as follows:

	2008	
	Carrying Value	Fair Value
Financial Assets:		
Cash and Due From Banks	\$ 3,678,377	\$ 3,678,377
Investment Securities	9,140,327	9,140,327
Loans, gross	46,664,164	47,301,151
Correspondent bank stock, at cost	857,190	857,190
Accrued interest receivable	273,596	273,596
Financial Liabilities:		
Deposits	\$ 43,721,226	\$ 43,820,849
Accrued interest payable	129,718	129,718
	2007	
	Carrying Value	Fair Value
Financial Assets:		
Cash and Due From Banks	\$ 1,244,926	\$ 1,244,926
Federal Funds Sold	17,270,000	17,270,000
Investment Securities	11,307,229	11,307,229
Loans, gross	12,197,213	12,034,469
Correspondent bank stock, at cost	687,257	687,257
Accrued interest receivable	145,892	145,892
Financial Liabilities:		
Deposits	\$ 25,523,836	\$ 25,576,643
Accrued interest payable	81,615	81,615

The following methods and assumptions were used to estimate the fair value in the table, above and below:

Cash and Due From Banks and Accrued Interest Receivable and Payable

The carrying amount approximates fair value because of the short maturities of these instruments.

Securities

Security fair values are based on market prices or dealer quotes and, if no such information is available, on the rate and term of the security and information about the issuer. It was not practical to determine the fair value of FHLB and FRB stock due to the restrictions placed on transferability.

Loans

Loans with similar financial characteristics are grouped together for purposes of estimating their fair value. Loans are segregated by type such as commercial, term real estate, residential construction, and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms. The fair value of performing, fixed rate loans is calculated by discounting scheduled future cash flows using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan.

BANK OF NAPA, N.A.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The fair value of variable rate loans approximates the carrying amount as these loans generally reprice within 90 days. The fair value of loans held for sale is based on estimated market values.

Deposits

The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings, and money market accounts, approximates the amount payable on demand. The carrying amount approximates the fair value of time deposits with a remaining maturity of less than 90 days. The fair value of all other time deposits is calculated based on discounting the future cash flows using rates currently offered by the Bank for time deposits with similar remaining maturities.

The following table presents information about the Bank’s assets measured at fair value on a recurring basis as of December 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by the Bank to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Bank’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Description	Fair Value Measurements at December 31, 2008, Using			
	Fair Value December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities, available-for-sale	\$ 9,140,327	\$ -	\$ 9,140,327	
Total assets measured at fair value	\$ 9,140,327	\$ -	\$ 9,140,327	\$ -

BANK OF NAPA, N.A.

NOTE 12 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2008, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2008, the Bank was well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are presented in the following table.

	Actual		Amount of Capital Required			
			To Be Adequately Capitalized		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2008						
Total capital to risk-weighted assets	\$ 17,289	34.0%	\$ 4,072	8.0%	\$ 5,090	10.0%
Tier 1 capital to risk-weighted assets	\$ 16,761	32.9%	\$ 2,036	4.0%	\$ 3,054	6.0%
Tier 1 capital to average assets	\$ 16,761	27.7%	\$ 2,419	4.0%	\$ 3,023	5.0%
As of December 31, 2007						
Total capital to risk-weighted assets	\$ 18,088	100.2%	\$ 1,444	8.0%	\$ 1,805	10.0%
Tier 1 capital to risk-weighted assets	\$ 17,977	99.6%	\$ 739	4.0%	\$ 1,083	6.0%
Tier 1 capital to average assets	\$ 17,977	42.3%	\$ 1,699	4.0%	\$ 2,124	5.0%

Payment of dividends is subject to legal restrictions. A national bank cannot pay dividends that exceed its current net profits and prior two years' retained net profits except with the consent of the OCC. The Board of Directors has no present intention to pay dividends, even if and when the Bank earns net profits.

NOTE 13 - STOCK OPTION PLAN

During 2006, the Bank's Board of Directors approved a stock option plan (the Plan) under which incentive and non-qualified stock options may be granted to key employees and directors, respectively, to purchase up to 388,000 shares of the authorized and un-issued common stock of the Bank at a price equal to the fair market value on the date of grant. The Plan provides that the incentive options are exercisable in equal increments over a three year period from the date of grant or over any other schedule approved by the Board of Directors. In addition, the Plan provides that all non-qualified stock options issued to the Bank's Directors are fully vested upon issuance. All incentive and non-qualified stock options expire no later than 10 years from the date of grant. The Plan was ratified by the shareholders at the Bank's annual meeting in August 2006.

BANK OF NAPA, N.A.

NOTE 13 - STOCK OPTION PLAN – Continued

The fair value of each option grant is estimated on the date of grant using a Black-Scholes options-pricing model with the following weighted-average assumptions used for grants of incentive stock options in 2008: expected volatility of 31.69%; risk-free interest rates of 2.8%; expected life of 6.5 years and no dividend yield and in 2007: expected volatility of 27.6%; risk-free interest rates of 4.6%; expected life of 5.3 years and no dividend yield. There were 32,361 grants of non-qualified stock options in 2008 and none in 2007. Expected volatility is based on the expected volatility of similar entities. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of options is based upon Management's best estimate as to the period of time that options granted are expected to be outstanding.

A summary of the status of the Bank's stock option plan and changes during the periods ending:

	December 31, 2008			December 31, 2007		
	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at beginning of period	119,500	\$ 9.72	-	108,500	\$ 10.00	-
Granted	89,500	\$ 8.30	-	31,000	\$ 8.93	-
Exercised	-	\$ -	-	-	\$ -	-
Forfeited	-	\$ -	-	20,000	\$ 10.00	-
Outstanding at end of period	209,000	\$ 9.12	\$ -	119,500	\$ 9.72	\$ -
Options exercisable at end of period	\$ 97,832	\$ 9.73	\$ -	56,333	\$ 9.82	\$ -
Weighted average fair value of options granted during the period		\$ 3.14		\$ 3.01		

In 2008 and 2007, the weighted-average remaining contractual life of the outstanding stock options was approximately 8.59 years and 9.05 years, respectively.

In 2008 and 2007, stock option compensation expense charged against income was \$201,284 and \$142,362, respectively. As of December 31, 2008, there was approximately \$275,997 of total unrecognized compensation cost related to non-vested stock options which is expected to be recognized over a period of 3 years.

NOTE 14 -EMPLOYEE BENEFIT PLANS

The Bank implemented a Safe Harbor 401k plan in October of 2006, which is available to all employees. Under the plan employees can defer a portion of their base compensation. The Bank will match 100% of the first 3% of salary deferral. Additionally, the Bank will match 50% on the next 2% of salary deferral, up to a maximum of 5% of each participant's base compensation. Employer contributions in 2008 and 2007 were \$41,000 and \$41,000, respectively.

NOTE 15 –SUBSEQUENT EVENTS

On February 27, 2009, the FDIC approved an interim rule to institute a one-time special assessment of 20 cents per \$100 in domestic deposits on June 30, 2009, to be collected by September 30, 2009, to restore the DIF reserves depleted by recent bank failures. The interim rule additionally permits the FDIC to charge a special premium up to 10 basis points after June 30, 2009 at a later time if the DIF reserves continue to fall. The FDIC also approved an increase in regular annual premium rates beginning on April 1, 2009. For most banks, this will be between 12 to 16 basis points per \$100 in domestic deposits.

BANK OF NAPA, N.A.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants regarding financial disclosure

ITEM 9A. Controls and Procedures

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Bank. The Bank's internal control over financial reporting is a process designed under the supervision of the Bank's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Bank's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Management has made a comprehensive review, evaluation and assessment of the Bank's internal control over financial reporting as of December 31, 2008. In making its assessment of internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. In accordance with Section 404 of the Sarbanes-Oxley Act of 2002, management makes the following assertions:

Management has implemented a process to monitor and assess both the design and operating effectiveness of internal control over financial reporting.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Bank's management assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2008. In making this assessment, it used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on that assessment, we believe that, as of December 31, 2008, the Bank's internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of the Bank's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Bank's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Bank to provide only management's report in this annual report.

ITEM 9B. Other Information

Not Applicable

BANK OF NAPA, N.A.

PART III

Item 10. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

We have adopted a Code of Ethics that applies to all of our employees and directors, and complies with the SEC's requirements for a code of ethics applicable to senior executive officers. It is filed as an exhibit to this report. All other information required by this Item is incorporated herein by reference from the Bank's Proxy Statement for the 2009 annual meeting of which will be filed on Schedule 14A.

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference from the Bank's Proxy Statement for the 2009 annual meeting of shareholders, which will be filed on Schedule 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management, and Related Stockholder Matters.

The information required by this Item is incorporated herein by reference from the Bank's Proxy Statement for the 2009 annual meeting of shareholders, which will be filed on Schedule 14A.

Item 13. Certain Relationships and Related Transactions.

The information required by this Item is incorporated herein by reference from the Bank's Proxy Statement for the 2009 annual meeting of shareholders, which will be filed on Schedule 14A.

PART IV

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated herein by reference from the Bank's Proxy Statement for the 2009 annual meeting of shareholders, which will be filed on Schedule 14A.

Item 15. Exhibits

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 53 of this Form 10-K, and are incorporated herein by this reference.

BANK OF NAPA, N.A.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bank of Napa, N.A.

Dated: March 30, 2009

/s/ M. Thomas LeMasters
M. Thomas LeMasters
President and Chief Executive Officer

Power of attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints M. Thomas LeMasters his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Office of the Comptroller of the Currency, granting unto attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: March 30, 2009

/s/ M. Thomas LeMasters
M. Thomas LeMasters, Director
President & Chief Executive Officer
(Principal Executive Officer)

Dated: March 30, 2009

/s/ Carmela D. Johnson
Carmela D. Johnson
Interim Chief Financial Officer
(Principal Financial and Accounting
Officer)

Dated: March 30, 2009

/s/ Richard N. Anderson
Richard N. Anderson, Director

Dated: March 30, 2009

/s/ Greg A. Bennett
Greg A. Bennett, Director

Dated: March 30, 2009

/s/ Jeffrey R. Gerlomes
Jeffrey R. Gerlomes, Director

Dated: March 30, 2009

/s/ Malcolm A. Mackenzie
Malcolm A. Mackenzie, Director

Dated: March 30, 2009

/s/ Joseph F. Malato
Joseph F. Malato, Director

BANK OF NAPA, N.A.

Dated: March 30, 2009

/s/ LeRoy Moore, MD
LeRoy Moore, MD, Director

Dated: March 30, 2009

/s/ John Meras
John Meras, Director

Dated: March 30, 2009

/s/ Harold Moskowitz
Harold Moskowitz, Director

Dated: March 30, 2009

/s/ Robert Patterson
Robert Patterson, Director

Dated: March 30, 2009

Lisa Paul
Lisa Paul, Director

Dated: March 30, 2009

Ernest A. Rota
Ernest A. Rota, Director

BANK OF NAPA, N.A.

INDEX TO EXHIBITS

- 3.1 Articles of Incorporation [incorporated by reference to Exhibit 3.1 to the registrant's Registration Statement on Form SB-2, as amended by Amendment No. 1 and Amendment No. 2, declared effective by the OCC on February 13, 2006.]
- 3.2 By-Laws [incorporated by reference to Exhibit 3.2 to the Registration Statement on Form SB-2, as amended by Amendment No. 1 and Amendment No. 2, declared effective by the OCC on February 13, 2006]
- 4.1 Form of Stock Certificate for common stock [incorporated by reference to Exhibit 4.3 to the Registration Statement on Form 8-A filed with the OCC on April 12, 2007.]
- 4.2 Warrant Agreement between the Bank and Registrar and Transfer Company dated August 14, 2006 [incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A filed with the OCC on May 25, 2007.]
- 4.3 Specimen Shareholder Warrant Certificate [incorporated by reference to Exhibit 4.2 to the Registration Statement on Form 8-A filed with the OCC on May 25, 2007.]
- 4.4 Specimen Organizer Warrant Certificate [incorporated by reference to Exhibit 4.3 to the Registration Statement on Form 8-A filed with the OCC on May 25, 2007.]
- 10.1 Bank of Napa, N.A. 2006 Equity Incentive Plan [incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 filed with the OCC on November 14, 2006]*.
- 10.2 Form of Incentive Stock Option Award Pursuant to Bank of Napa, N.A. 2006 Equity Incentive Plan [incorporated by reference to Exhibit 10.13 to the Registration Statement on Form SB-2, as amended by Amendment No. 1 and Amendment No. 2, declared effective by the OCC on February 13, 2006]*.
- 10.3 Form of Non-Qualified Stock Option Award Pursuant to Bank of Napa, N.A. 2006 Equity Incentive Plan [incorporated by reference to Exhibit 10.13 to the Registration Statement on Form SB-2, as amended by Amendment No. 1 and Amendment No. 2, declared effective by the OCC on February 13, 2006]*.
- 10.4 Form of Restricted Stock Award Pursuant to Bank of Napa, N.A. 2006 Equity Incentive Plan [incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-8 filed with the OCC on November 14, 2006]*.
- 10.5 Redwood Plaza Shopping Center Lease between Bank of Napa and DeMatei & Co., Inc. [incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-8 filed with the OCC on November 14, 2006].
- 10.6 Employment Agreement between Bank of Napa and M. Thomas LeMasters* [incorporated by reference to Exhibit 10.15 to the Registration Statement on Form SB-2, as amended by Amendment No. 1 and Amendment No. 2, declared effective by the OCC on February 13, 2006]*.
- 14.1 Whistle Blower Policy [incorporated by reference to Exhibit 14.2 to the Bank's Form 10-KSB for the year ended December 31, 2006]
- 23.1 Consent of Moss Adams LLP
- 31.1 Rule 13a-14(a) Certification of the Chief Executive Officer
- 31.2 Rule 13a-14(a) Certification of the Chief Financial Officer
- 32.1 Section 1350 Certification

* Management contract or compensatory plan or agreement.

BANK OF NAPA, N.A.

EXHIBIT 31.1

Certification pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.

I, M. Thomas LeMasters, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Bank of Napa (the Registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's Board of Directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Dated: March 30, 2009

/s/ M. Thomas LeMasters
M. Thomas LeMasters
President and Chief Executive Officer

BANK OF NAPA, N.A.

EXHIBIT 31.2

Certification pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.

I, Carmela D. Johnson, Interim Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Bank of Napa (the Registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's Board of Directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Dated: March 30, 2009

/s/ Carmela D. Johnson
Carmela D. Johnson
Interim Chief Financial Officer

BANK OF NAPA, N.A.

EXHIBIT 32.1

Certification pursuant to 18 U.S.C. §1350

In connection with the annual report on Form 10-K of Bank of Napa (the Registrant) for the year ended December 31, 2008, as filed with the Office of the Comptroller of the Currency, the undersigned hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- 1) such Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 30, 2009

/s/ M. Thomas LeMasters
M. Thomas LeMasters
President and Chief Executive Officer

Dated: March 30, 2009

/s/ Carmela D. Johnson
Carmela D. Johnson
Interim Chief Financial Officer