



BANK OF NAPA, N.A.

January 20, 2010

Dear Fellow Bank of Napa Shareholder,

Bank of Napa concluded 2009 by recording substantial increases to both loan and deposit balances. As of December 31, 2009, total deposits were \$67.5 million, representing a \$23.8 million or 54% increase over 2008. This growth, achieved in such a troubled economy, is an accomplishment of which we are quite proud. We attained this deposit growth without the use of brokered funds, and maintained a sound mix of core deposit balances, a mix similar to last year.

Loan totals concluded the year at \$63.4 million, a \$16.7 million or 35.9% increase over 2008. We take great pride in both the growth and quality of our portfolio. While many banks were forced to decrease their loan portfolios due to either credit or liquidity problems, we have added quality loans and customer relationships.

At year-end 2009, Bank of Napa had total assets of \$84.3 million, a \$23.3 million or 38.2% annual increase.

For the year, the bank experienced a loss of \$668,000, a \$749,000, or a 53% improvement from that incurred in 2008. Notably, the bank experienced its first quarterly net operating profit (profit before loan loss provision and taxes) of \$33,000 in the fourth quarter, and we posted our first net profit of \$16,000 in the month of December.

As of December 31, 2009, Bank of Napa had equity capital of \$16.4 million, and all capital ratios were in excess of the regulatory definition for a “well capitalized” designation.

The only blemish for Bank of Napa in 2009 was that of our stock performance. Last year, almost all large and small commercial bank stock values were negatively affected by concerns over the general state of the economy, and the decline in quality of their loan portfolios. For example, banks in our asset size range had stock valuations equal to 60% of book value – Bank of Napa’s was slightly better at 62%. Clearly, our stock performance was similar to most banks; however, our solid balance sheet distinguishes us. We continue to make good loans, gather new deposit relationships and have a strong capital base. We remain “bullish” on our bank, our business plan and our prospects for long-term success, all of which will ultimately be reflected in our share price.

We wish to recognize the management team and employees of Bank of Napa. Their effort and the results produced were outstanding. Our bank enjoyed growth of which we can all be proud in an environment that was challenging to say the least. Our board, management team and staff will continue to put forth such effort, and with your continued support look forward to a very successful 2010.

Sincerely,

Malcolm A. Mackenzie

Chairman of the Board

M. Thomas LeMasters

President & Chief Executive Officer



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**Year-End Report - December 31, 2009**

**Balance Sheet  
(Unaudited)**

	December 31,	
	2009	2008
<b>Assets</b>		
Cash and due from banks	\$ 5,260,000	\$ 3,678,000
Federal funds sold	7,080,000	-
Investment securities	8,001,000	9,141,000
Total loans	63,403,000	46,664,000
Less: allowance for loan losses	954,000	528,000
<b>Net Loans</b>	<b>62,449,000</b>	<b>46,136,000</b>
Premises and equipment, net	684,000	843,000
Other assets and interest receivable	792,000	1,194,000
<b>Total Assets</b>	<b>\$ 84,266,000</b>	<b>\$ 60,992,000</b>
<b>Liabilities and Shareholders' Equity</b>		
Demand deposits	\$ 12,481,000	\$ 9,145,000
Interest checking	7,114,000	4,181,000
Savings	1,594,000	1,157,000
Money market	25,445,000	16,213,000
Time deposits	20,882,000	13,025,000
<b>Total deposits</b>	<b>67,516,000</b>	<b>43,721,000</b>
Other liabilities and interest payable	363,000	258,000
<b>Total liabilities</b>	<b>67,879,000</b>	<b>43,979,000</b>
Common stock	11,442,000	11,442,000
Surplus	11,976,000	11,803,290
Accumulated other comprehensive income	121,000	252,000
Accumulated deficit	(6,484,000)	(5,067,000)
Net loss year-to-date	(668,000)	(1,417,290)
Total shareholders' equity	16,387,000	17,013,000
<b>Total liabilities and equity</b>	<b>\$ 84,266,000</b>	<b>\$ 60,992,000</b>

**Selected Ratios**

	December 31,	
	2009	2008
Book value per share	\$ 7.16	\$ 7.43
Earnings per share	\$ (0.29)	\$ (0.62)
Return on average assets	-0.91%	-2.59%
Return on average equity	-4.02%	-8.19%
Net interest margin	4.41%	3.78%
Efficiency ratio	117.23%	160.96%
Equity to assets	19.45%	27.89%
Nonperforming loans to assets	0.00%	0.00%
Loan to deposit ratio	93.91%	106.73%
Loan loss reserve to loans	1.50%	1.13%

**Statement of Operations  
(Unaudited)**

	Year-Ended December 31, 2009		Year-Ended December 31, 2008	
	2009	2008	2009	2008
Interest and fees on loans	\$ 3,231,000	\$ 1,769,000		
Interest on investments and fed funds	335,000	736,000		
Total interest income	3,566,000	2,505,000		
Deposit interest expense	676,000	584,000		
<b>Net interest income</b>	<b>2,890,000</b>	<b>1,921,000</b>		
<b>Other operating income</b>	<b>257,000</b>	<b>172,000</b>		
Salaries and benefits	1,990,000	1,945,000		
Deferred Loan Fees	(103,000)	(229,000)		
FF&E and occupancy expense	479,000	463,000		
Other	1,022,000	913,000		
<b>Total operating expenses</b>	<b>3,388,000</b>	<b>3,092,000</b>		
Loss before provision and income taxes	(241,000)	(999,000)		
Provision for loan losses	426,000	417,000		
Provision for income taxes	1,000	1,000		
<b>Net loss</b>	<b>\$ (668,000)</b>	<b>\$ (1,417,000)</b>		
<b>Net loss per share</b>	<b>\$ (0.29)</b>	<b>\$ (0.62)</b>		

