

**OFFICE OF THE COMPTROLLER
OF THE CURRENCY
Washington, D.C. 20219
FORM 10-KSB**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the Year Ended December 31, 2007.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from to

BANK OF NAPA, NATIONAL ASSOCIATION

(Name of small business issuer as specified in its charter)

United States of America

(State or other jurisdiction of employee incorporation or organization)

20-2314309

(I.R.S Employer Identification No.)

2007 Redwood Road, Suite 101, Napa,

(Address of principal executive offices)

California 94558

(Zip Code)

Issuer's telephone number (707) 257-7777

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

Title of each class

Common Stock

Common stock purchase warrants

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. []

Check whether the issuer (1) 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 [X] No []

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB [X].

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

Registrant's revenues for 2007 were \$1,846,105. The aggregate market value of the voting stock held by non-affiliates of the Registrant at June 30, 2007 was approximately \$14,763,173. As of March 26, 2008, the Registrant had 2,288,884 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III, Items 9 through 12 and 14 are incorporated herein by reference to Registrant's definitive proxy statement for the 2008 annual meeting of shareholders.

Transitional Small Business Disclosure Format (check one) Yes [] No[X]

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

On May 21, 2005 an Application for Authority to Organize the Bank of Napa, National Association (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 intends to engage in commercial banking activities to deliver its products and services to the public.

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, 2007, the Bank employed 16 full-time equivalent (FTE) staff. Actual number of employees at year-end 2007 included 1 executive officer, 7 other corporate officers and 8 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 FDIC to the maximum amount permitted by law, which is currently \$100,000. 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.

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 net income.

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 Bank'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 Bank 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 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 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 to the first fiscal year ending after December 15, 2007. The auditor's report on internal control is not required until the first fiscal year ending after December 15, 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 Bank 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 Shareholders and their related interests (collectively referred to herein as "insiders") contained in the Federal Reserve Act and Regulation O promulgated hereunder 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."

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 Shareholders' 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 Bank, 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 revises and 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. Accordingly, prudent, conservative, but not excessive, loan loss allowances that represent management's best estimate from within an acceptable range of estimated losses are appropriate.

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.

Recent Developments

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 based; (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.

Administration Response to Subprime Mortgage Crisis. In 2007 the subprime mortgage market suffered substantial losses. Subprime mortgages generally include residential real estate loans made to borrowers with certain credit deficiencies, most using relaxed underwriting and documentation standards and usually with adjustable interest rates that reset upward after an introductory period. The combination of falling real estate prices and upward interest rate and payment adjustments has caused the default rate on

subprime mortgages to increase. In 2007 and early 2008 major banks and securities firms announced losses in the tens of billions of dollars on subprime related investments. In December 2007, the Bush administration announced a proposal to freeze interest rates on certain subprime mortgages at pre-adjustment levels for up to five years in an effort to minimize residential foreclosures and bring some stability to home prices. As currently described, the proposal would benefit residential owner-occupants who are not yet in default but are likely to default after interest rate and payment adjustments are put into effect; those already in default and those who are presumed able to afford their adjusted payments would not be covered. No assurance can be given whether this proposal will ultimately be adopted, what revisions might be made before adoption, how many borrowers will be affected by it or what effect it may have on foreclosures and home prices. In addition to the Bush administration proposal, various state and federal legislative proposals are pending and could be enacted. The Bank did not originate subprime mortgages and does not hold subprime investments, but the value of real estate collateral securing its commercial mortgages may be affected by residential real estate values in its service area.

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-KSB, the Bank's quarterly reports on Form 10-QSB, 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.

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.

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.

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. This deterioration in economic conditions could result in losses to the Bank in excess of our loan loss allowance. To the extent loans are not paid timely by borrowers, the loans are placed on non-accrual, thereby reducing interest income. Generally if a loan becomes 90 days or more past due the loan is placed on nonaccrual status and accrued but uncollected interest is reversed from income.

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 net income 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. DESCRIPTION OF PROPERTY

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").

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 SHAREHOLDERS

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 OTCBB market under the symbol BNNP. The high and low prices of our common stock as traded on the OTC Bulletin Board were as follows. 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	\$10.20	\$ 9.65
Second Quarter	\$10.50	\$ 9.25
Third Quarter	\$10.00	\$ 8.10
Fourth Quarter	\$ 8.25	\$ 6.15

At December 31, 2007, 2,288,884 shares of the Bank’s common stock were outstanding and held by 825 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, 2007, with respect to compensation plans under which equity securities are issuable:

<u>Plan category</u>	Column (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	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	119,500	\$9.72	268,500
Equity compensation plans not approved by security holders	-	-	-
Total	119,500	\$9.72	268,500

ITEM 6. 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 28. 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 (FAS 123R), "Share-Based Payment," on August 14, 2006. The scope of FAS 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. FAS 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. Under the 'modified prospective' transition method, awards that are granted, modified or settled beginning at the date of adoption will be measured and accounted for in accordance with FAS 123R. In addition, expense must be recognized in the income statement for unvested awards that were granted prior to the date of adoption.

Selected Financial Data

	From August 14, 2006 Twelve Months Ended, (Date Operations Commenced) to December 31,	
	2007	2006
Operating Data:		
Net interest income	\$ 1,351,988	\$ 412,586
Provision for loan losses	81,000	30,000
Net interest income after provision for loan losses	1,270,988	382,586
Non-interest income	39,688	4,554
Non-interest expense	3,334,853	1,240,462
Loss before taxes	(2,024,177)	(853,322)
Provision for income taxes	2,400	800
Net loss	\$ (2,026,577)	\$ (854,122)
Net loss per basic share	\$ (0.89)	\$ (0.37)
Balance Sheet Data:		
Total assets	\$ 43,809,606	\$ 26,602,613
Investments	\$ 11,307,229	\$ -
Loans, net	\$ 12,086,213	\$ 1,091,234
Deposits	\$ 25,523,836	\$ 6,608,264
Stockholders' equity	\$ 18,018,717	\$ 19,858,299
Selected Ratios:		
Return on average assets	-5.72%	-8.87%
Return on average equity	-10.64%	-10.65%
Average equity to average assets	53.75%	85.27%
Allowance for loan losses as a percentage of gross loans	0.91%	2.68%
Non-performing loans as a percentage of gross loans	0.00%	0.00%
Net charge-offs (recoveries) as a percentage of average loans	0.00%	0.00%
Net interest margin	4.07%	5.03%
Regulatory Capital Ratios:		
Total risk-based capital	100.20%	320.89%
Tier one risk-based capital	99.60%	320.10%
Tier one leverage	42.30%	80.46%

Overview

On August 14, 2006, Bank of Napa, N.A. opened for business and remains in the initial start-up phase of operations. 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 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, 2007, we had \$12.1 million in loans, \$25.5 million in deposits and had incurred a loss of \$2.0 million

Results of Operation

The Bank's net loss for the year ended December 31, 2007 was \$2,027,000, or \$.89 per share compared to a net loss of \$854,000, or \$.37 per share, for the period ended December 31, 2006. 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 \$1,862,000, \$446,000, \$216,000 and \$803,000 for the year ended 2007 and \$613,000, \$180,000, \$133,000 and \$314,000 for the four and one-half months ending 2006.

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, 2007 was \$1,352,000 compared to \$413,000 for the four and one half months the bank was in operation at December 31, 2006.

Interest Income

Interest income for the year ended December 31, 2007 totaled \$1,806,000 versus \$443,000 for the year ended December 31, 2006, the majority of which was derived from interest earned from overnight investments in Federal Funds. 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 \$454,000 in 2007, compared to \$30,000 for the four and one-half months in 2006. All interest expense 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 following table sets forth, for the periods ended December 31, 2007 and 2006, 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**

	Twelve Months Ended, December 31, 2007		
	Average Balance	Yield / Cost	Income / Expense
Assets			
Interest Earning Assets:			
Loans, gross	\$ 4,376,876	7.88%	\$ 345,024
Federal Funds Sold	23,434,795	4.96%	1,179,148
Debt Securities	4,716,293	5.08%	242,834
Other Securities	693,595	5.60%	39,411
Total Interest Earning Assets	33,221,558	5.36%	1,806,417
Non-Interest Earning Assets:			
Cash and Due From Banks	1,099,562		
All Other Assets	1,130,466		
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
CDs > \$100K	1,786,116	4.89%	87,354
CDs < \$100K	1,455,161	4.72%	68,703
Total Interest Bearing Deposits	12,935,707	3.51%	454,396
Other Borrowings	562	5.88%	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		
Stockholders' Equity	19,053,641		
Total Liabilities and Equity	\$ 35,451,586		
 Net Interest Margin / Net Interest Income		 4.07%	 1,351,988

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

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

	<u>Average Balance</u>	<u>Yield / Cost</u>	<u>Income / Expense</u>
Assets			
Interest Earning Assets:			
Loans, gross	\$ 566,668	8.14%	\$ 17,570
Federal Funds Sold	20,510,179	5.19%	411,391
Debt Securities	-	NA	-
Other Securities	650,000	6.17%	13,600
Total Interest Earning Assets	<u>21,726,847</u>	<u>5.35%</u>	<u>442,561</u>
Non-Interest Earning Assets:			
Cash and Due From Banks	989,423		
All Other Assets	1,087,136		
Total Assets	<u><u>\$ 23,803,407</u></u>		
Liabilities and Equity			
Interest Bearing Liabilities:			
Interest-bearing demand	530,084	0.51%	1,034
Money Market	1,124,589	3.55%	15,222
Savings	321,919	0.87%	1,067
CDs > \$100K	467,857	4.55%	8,109
CDs < \$100K	317,339	3.76%	4,543
Total Interest Bearing Deposits	<u>2,761,789</u>	<u>2.85%</u>	<u>29,975</u>
Other Borrowings	-	NA	-
Total Interest Bearing Liabilities	<u>2,761,789</u>	<u>2.85%</u>	<u>29,975</u>
Non-Interest Bearing Liabilities:			
Non-Interest Bearing Demand	704,566		
Other Liabilities	38,766		
Stockholders' Equity	20,298,285		
Total Liabilities and Equity	<u><u>\$ 23,803,407</u></u>		
Net Interest Margin / Net Interest Income		4.99%	412,586

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, 2007	Compared to	From August 14, 2006 (Date Operations Commenced) to December 31, 2006	
		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	<u>1,188,641</u>	<u>175,215</u>	<u>1,363,856</u>
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	<u>314,822</u>	<u>109,632</u>	<u>424,454</u>
Change in net interest income	<u>\$ 873,819</u>	<u>\$ 65,583</u>	<u>\$ 939,402</u>

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 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 \$81 thousand for loan losses for the year ended December 31, 2007. There were no charge-offs during the years 2007 or 2006. The Bank provided an additional \$8 thousand to undisbursed loan commitments which is reflected in other liabilities on the statement of condition.

As of December 31, 2007, the Bank had established an allowance for loan losses of \$111 thousand compared to \$30 thousand at December 31, 2006. The allowance for loan losses was approximately .91% of total loans at December 31, 2007 and 2.68% of total loans at December 31, 2006. The Bank has also reserved \$8 thousand for the undisbursed portion of the loan portfolio and it is booked as other liabilities on the balance sheet. There were no nonperforming loans at years-end December 31, 2007 or 2006.

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. 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.

Noninterest Income and Noninterest Expense

Noninterest income in 2007 was \$40 thousand, an increase of \$35 thousand compared to noninterest income of \$5 thousand in 2006. The increase was primarily the result of additional volume of service charges and fees on deposits..

Noninterest expense in 2007 totaled \$3.3 million of which salaries and employee benefits totaled \$1.9 million. Occupancy expenses were \$446 thousand while professional services was the next largest expense at \$327 thousand followed by data services at \$216 thousand and marketing expenses at \$140 thousand.

Income Taxes

No tax benefit was recognized in 2007 and 2006 for the net operating losses incurred, as the ultimate realization was not reasonably assured. The Bank paid a minimum state tax in 2007 and 2006 of \$2,400 and \$800, respectively.

Financial Condition

Investment Portfolio

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

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

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%
After ten years	999,377	1,006,440	5.07%
	<u>5,765,721</u>	<u>5,790,929</u>	<u>5.28%</u>
	<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, 2007 there were no securities pledged.

Loan Portfolio

The following table sets forth the components of total net loans outstanding in each category as of December 31, 2007 and 2006:

Loan category	2007	2006
	Amount	Amount
Agricultural Loan	\$ 11,500	\$ -
Commercial	4,346,699	986,175
Commercial Real Estate	7,778,250	-
Installment and other	62,607	135,059
Gross Loans	12,199,056	1,121,234
Deferred loan fees and costs, net	(1,843)	-
Allowance for loan losses	(111,000)	(30,000)
Net Loans	<u>\$12,086,213</u>	<u>\$ 1,091,234</u>

The following table shows the contractual maturities of our loan portfolio at December 31, 2007 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
Agricultural	\$ 11,500	\$ -	\$ -	\$ 11,500
Commercial	544,500	2,405,649	1,396,550	4,346,699
Commercial Real Estate	1,070,527	3,444,251	3,263,472	7,778,250
Installment and other	21,187	41,420	-	62,607
Total	<u>1,647,714</u>	<u>\$ 5,891,320</u>	<u>\$ 4,660,022</u>	<u>\$ 12,199,056</u>

Loans with variable (floating) interest rates	\$ 9,811,042
Loans with predetermined (fixed) interest rates	\$ 2,388,014

Nonperforming Assets

As of December 31, 2007 and December 31, 2006, the Bank had no nonperforming loans. The Bank had no other real estate owned at December 31, 2007 and 2006.

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 July 2001 *Policy Statement on allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions*.

As of December 31, 2007, the Bank had established an allowance for loan losses of \$111.0 thousand or .91% of total loans.

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.

2007

	Amount	% of Total (1)
Agricultural	\$ 135	.1%
Commercial	25,107	35.6%
Commercial Real Estate	84,576	63.8%
Installment and other	1,182	.5%
Unallocated	-	-
	\$111,000	100.0%

2006

	Amount	% of Total (1)
Commercial	\$26,400	88.0 %
Real estate other	-	- %
Installment and other	3,600	12.0 %
Unallocated	-	-
	\$ 30,000	100.0%

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

There were no charge-offs during 2007 or 2006.

Deposits

Deposits are the Bank's primary source of funds. At December 31, 2007, the Bank had a deposit mix of 28% in noninterest-bearing demand deposits, 53% in savings, money market and NOW deposits, and 19% in time deposits,

The scheduled maturity distribution of the Bank's time deposits of \$100,000 or greater, as of December 31, 2007, were as follows:

Three Months or Less	\$ 408,267
Over Three Months to Twelve Month	1,641,255
Over One Year to Three Years	385,070
Over Three Year	-
	\$ 2,434,592

Borrowings

At December 31, 2007, the Bank had three unused Federal funds purchased lines of credit totaling \$8.0 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, 2007, 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:

(dollars in thousands)	Within Three Months		Three Months But Within One Year		Year But Within Five Years		After Five Years		Total
Interest-Earning Assets:									
Federal Funds Sold	\$	17,270	\$	-	\$	-	\$	-	\$ 17,270
Investment Securities		1,000		500		8,801		1,006	11,307
Loans		10,203		289		1,148		559	12,199
Total		28,473		789		9,949		1,565	40,776
Interest-Bearing Liabilities:									
Money Market, Savings And NOW Deposits	\$	13,531	\$	-	\$	-	\$	-	\$ 13,531
Time Deposits		988		3,062		783		-	4,833
Other Borrowings		-		-		-		-	-
Total		14,519		3,062		783		-	18,364
Interest Rate Sensitivity Gap	\$	13,954	\$	(2,273)	\$	9,166	\$	1,565	\$ 22,412
Cumulative Interest Rate Sensitivity Gap									
	\$	13,954	\$	11,681	\$	20,847	\$	22,412	
Ratio Based on Total Assets		32%		27%		48%		51%	

Liquidity refers to the Bank's ability to maintain a cash flow adequate to fund both on-balance sheet and off-balance sheet requirements on a timely and cost-effective basis. Potentially significant liquidity requirements include funding of commitments to loan customers and withdrawals from deposit accounts. Our liquidity is actively managed on a daily basis and reviewed monthly by management and the Board of Directors. This process is intended to ensure the maintenance of sufficient funds to meet our needs, including adequate cash flow and off-balance sheet instruments.

For short term funding purposes we have established three Fed Funds lines of credit of \$8.0 million to provide liquidity for high loan demand and or if volatile deposits were to be withdrawn. 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, 2007, the Bank's liquidity ratio was 68.1%.

The Board has determined that its funds management policies are adequate to provide appropriate liquidity for the Bank, and that as of December 31, 2007, 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, 2007, 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, 2007, have been computed in accordance with regulatory accounting policies.

	Minimum Requirements	Bank
Tier 1 Capital	4.00%	99.61%
Total Capital	8.00%	100.22%
Leverage Ratio	4.00%	42.32%

For 2007, the return on average assets was -5.72% the return on average equity was -10.64%, and the average equity to average assets was 53.75%.

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 7. Financial Statements

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

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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, 2007 and 2006 and the related statements of operations, changes in shareholders' equity and comprehensive loss and cash flows for the year ended December 31, 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 Bank 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, 2007 and 2006, and the results of its operations and its cash flows for the year ended December 31, 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.

Moss Adams LHP

Stockton, California

March 27, 2008

BANK OF NAPA, N.A.

STATEMENT OF CONDITION
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and due from banks	\$ 1,244,926	\$ 998,842
Federal funds sold	17,270,000	22,735,000
TOTAL CASH AND CASH EQUIVALENTS	18,514,926	23,733,842
Investment securities, available-for-sale	11,307,229	-
Loans, net	12,086,213	1,091,234
Premises and equipment, net	989,831	1,074,676
Correspondent bank stock, at cost	687,257	650,000
Accrued interest receivable and other assets	224,150	51,861
TOTAL ASSETS	\$ 43,809,606	\$ 26,601,613
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing demand	\$ 7,159,876	\$ 1,175,876
Interest bearing demand	1,952,465	606,451
Money market	10,836,541	3,241,871
Savings	741,872	285,263
Time, less than \$100,000	2,398,490	497,803
Time, \$100,000 or more	2,434,592	800,000
TOTAL DEPOSITS	25,523,836	6,607,264
Accrued interest payable and other liabilities	267,053	136,050
TOTAL LIABILITIES	25,790,889	6,743,314
Commitments and contingencies (Note 9)		
Shareholders' Equity:		
Common stock - 30,000,000 shares authorized, \$5.00 par value, 2,288,884 issued and outstanding in 2007; 2,288,634 issued and outstanding in 2006.	11,442,233	11,440,670
Additional Paid in Capital	11,602,314	11,458,390
Accumulated deficit	(5,067,338)	(3,040,761)
Accumulated other comprehensive income	41,508	-
TOTAL SHAREHOLDERS' EQUITY	18,018,717	19,858,299
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 43,809,606	\$ 26,601,613

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

BANK OF NAPA, N.A.

STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007

and

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

	2007	2006
INTEREST INCOME		
Interest and fees on loans	\$ 345,024	\$ 17,570
Interest on investment securities	242,834	-
Interest on federal funds sold	1,179,148	411,391
Other interest income	39,411	13,600
TOTAL INTEREST INCOME	1,806,417	442,561
INTEREST EXPENSE		
Interest on deposits	454,396	29,975
Other borrowings	33	-
TOTAL INTEREST EXPENSE	454,429	29,975
NET INTEREST INCOME	1,351,988	412,586
Provision for loan losses	81,000	30,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,270,988	382,586
NON-INTEREST INCOME		
Service charges and other non-interest income	39,688	4,554
TOTAL NON-INTEREST INCOME	39,688	4,554
NON-INTEREST EXPENSE		
Salaries and benefits	1,861,584	613,353
Occupancy expense	446,483	179,872
Professional services	327,049	174,396
Data processing expense	215,632	132,533
Marketing	139,695	47,178
Other expenses	344,410	93,130
TOTAL NON-INTEREST EXPENSE	3,334,853	1,240,462
LOSS BEFORE INCOME TAXES	(2,024,177)	(853,322)
Income taxes	2,400	800
NET LOSS	\$ (2,026,577)	\$ (854,122)
NET LOSS PER BASIC SHARE	\$ (0.89)	\$ (0.37)

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

BANK OF NAPA, N.A.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AND COMPREHENSIVE LOSS
For the Year Ended December 31, 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	\$ 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	\$ 11,458,390	\$ (3,040,761)	\$ 19,858,299
Stock-Based Compensation		-	142,362			142,362
Exercise of stock warrants		250	1,563	1,562		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		<u>2,288,884</u>	<u>\$ 11,442,233</u>	<u>\$ 11,602,314</u>	<u>\$ (5,067,338)</u>	<u>\$ 18,018,717</u>

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

BANK OF NAPA, N.A.

**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007**

and

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

	2007	2006
OPERATING ACTIVITIES		
Net loss	\$ (2,026,577)	\$ (854,122)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	161,061	60,311
Amortization and accretion on securities	8,541	-
Provision for loan losses	81,000	30,000
Stock based compensation expense	142,362	17,720
Net change in accrued interest receivable and other assets	(172,289)	(51,861)
Net change in accrued interest payable and other liabilities	131,004	136,050
NET CASH USED BY OPERATING ACTIVITIES	(1,674,898)	(661,902)
INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(13,912,411)	-
Proceeds of matured and called securities available-for-sale	2,638,149	-
Net change in loans	(11,075,980)	(1,121,234)
Purchase of premises and equipment	(76,216)	(71,049)
Purchase of correspondent bank stock	(37,257)	(650,000)
NET CASH USED BY INVESTING ACTIVITIES	(22,463,715)	(1,842,283)
FINANCING ACTIVITIES		
Net changes in deposits	18,916,572	6,607,264
Proceeds from exercise of warrants	3,125	-
NET CASH USED BY FINANCING ACTIVITIES	18,919,697	6,607,264
DECREASE IN CASH AND CASH EQUIVALENTS	(5,218,916)	4,103,079
Cash and cash equivalents at beginning of year	23,733,842	19,630,763
Cash and cash equivalents at end of the period	\$ 18,514,926	\$ 23,733,842
Supplemental disclosures of cash flow information:		
Interest paid	\$ 387,115	\$ 29,975
Income taxes paid	\$ 2,400	\$ 800
Supplemental disclosure of noncash activities:		
Net change in unrealized gains and losses on available-for-sale securities	\$ 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 of Napa, National Association (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-interest bearing cash reserves equal to a percentage of certain deposits. For the period ended December 31, 2007, no reserve balance was required.

BANK OF NAPA, N.A.

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

Investments - Bonds, notes, and debentures for which the Bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

Investments not classified as trading securities nor as held-to-maturity securities are classified as available-for-sale securities and recorded at fair value. Unrealized gains or losses on available-for-sale securities are excluded from net income and reported as an amount net of taxes as a separate component of other comprehensive income included in shareholders' equity. Premiums or discounts on held-to-maturity and available-for-sale securities are amortized or accreted into income using the interest method. Realized gains or losses on sales of held-to-maturity or available-for-sale securities are recorded using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and 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.

Federal Reserve Bank stock is a required investment for institutions that are members of the Federal Reserve Bank system. The required investment in the common stock is based on a predetermined formula.

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 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

BANK OF NAPA, N.A.

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

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	2 – 7 years
Furniture and fixtures	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.

The Bank adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. The Bank had no unrecognized tax benefits which would require an adjustment to the January 1, 2007, beginning retained earnings. The Bank had no unrecognized tax benefits at January 1, 2007 and at December 31, 2007.

The Bank recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2007 and 2006, the amount of interest and penalties recognized by the Bank were not material.

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.

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:

BANK OF NAPA, N.A.

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

	(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><u>\$19,631</u></u>

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

Accounting for Uncertainty in Income Taxes - In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (FIN 48) which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. This interpretation is effective for fiscal years beginning after December 15, 2006. The Bank has determined that this interpretation has no material impact on our results from operations or financial position.

Share-Based Payments - The Bank adopted Statement of Financial Accounting Standards No. 123R (FAS 123R), "*Share-Based Payment*," on August 14, 2006. The scope of FAS 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. FAS 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. Under the 'modified prospective' transition method, awards that are granted, modified or settled beginning at the date of adoption will be measured and accounted for in accordance with FAS 123R. In addition, expense must be recognized in the income statement for unvested awards that were granted prior to the date of adoption.

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140." SFAS No. 155 simplifies accounting for certain hybrid instruments currently governed by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," by allowing fair value re-measurement of hybrid instruments that contain an embedded derivative that otherwise would require bifurcation. SFAS No. 155 also eliminates the guidance in SFAS No.133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets," which provides such beneficial interests are not subject to SFAS No.133. SFAS No. 155 amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a Replacement of FASB Statement No. 125," by eliminating the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. This statement is effective for financial instruments

BANK OF NAPA, N.A.

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

acquired or issued after the beginning of the Bank's fiscal year 2007. The adoption of this statement had no financial impact on the Bank's financial statements.

In March 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 156, "Accounting for Servicing of Financial Assets- an amendment of FASB Statement No. 140." SFAS No.156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in specific situations. Additionally, the servicing asset or servicing liability shall be initially measured at fair value; however, an entity may elect the "amortization method" or "fair value method" for subsequent balance sheet reporting periods. SFAS No.156 is effective as of an entity's first fiscal year beginning after September 15, 2006. Early adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including interim financial statements, for any period of that fiscal year. The adoption of this statement had no financial impact on the Bank's financial statements.

In September 2006, the FASB 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. We do not expect adoption of SFAS No.157 to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No.159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB 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 earnings. SFAS No.159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect adoption of SFAS No.159 to have a material impact on our financial statements.

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, 2007 no reserve was required. At December 31, 2007, 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 financial institutions, management believes the risk of loss to be minimal.

BANK OF NAPA, N.A.

NOTE 3 – INVESTMENT SECURITIES

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

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market 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
	\$ 11,265,721	\$ 41,508	\$ -	\$ 11,307,229

The Bank held no securities as of December 31, 2006.

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.

As of December 31, 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, 2007 are shown below. Over certain interest rate environments, some, or all of these securities may be called for redemption by their issuers prior to scheduled maturities. Expected maturities for mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or retire obligations with or without prepayment penalties.

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 1,500,000	\$ 1,500,450
Due in one to three year	4,000,000	4,015,850
Mortgage backed securities	5,765,721	5,790,929
	\$ 11,265,721	\$ 11,307,229

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, 2007, there were no securities pledged for public funds or other purpose.

BANK OF NAPA, N.A.

NOTE 4 — LOANS

Major classifications of loans at December 31, 2007 and 2006 are as follows:

Loan category	<u>2007</u>	<u>2006</u>
Agricultural Loan	\$ 11,500	\$ -
Commercial	4,346,699	986,175
Commercial Real Estate	7,778,250	-
Installment and other	62,607	135,059
Gross Loans	<u>12,199,056</u>	<u>1,121,234</u>
Deferred loan fees and costs, net	(1,843)	-
Allowance for loan losses	(111,000)	(30,000)
Net Loans	<u><u>\$12,086,213</u></u>	<u><u>\$ 1,091,234</u></u>

Changes in the allowance for loan losses for the periods ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Allowance for loan losses:		
Balance at the beginning of the period	\$ 30,000	\$ -
Loans charged off	-	-
Recoveries	-	-
Provisions	81,000	30,000
Balance at the end of the period	<u><u>\$ 111,000</u></u>	<u><u>\$ 30,000</u></u>

Ratios:

Allowance to loans at period end	0.91%	2.68%
----------------------------------	-------	-------

There were no impaired loans during 2007 and 2006. 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 2007 and 2006.

NOTE 5 –PREMISES AND EQUIPMENT

The Bank entered into a lease agreement in January 2006 on the 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 \$21,025 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:

	2007	2006
Leasehold improvements	\$ 727,049	\$ 725,665
Furniture, fixtures, and equipment	335,199	314,999
DP & Computers	154,701	100,070
	1,216,949	1,140,733
Less: Accumulated depreciation and amortization	(227,118)	(66,057)
	\$ 989,831	\$ 1,074,676

Depreciation and amortization expense totaled \$161,061 and \$60,311 for the period ended December 31, 2007 and 2006, respectively.

NOTE 6 – DEPOSITS

Customer deposits are as follows at December 31, 2007 and 2006:

	2007	2006
Demand, non interest bearing	\$ 7,159,876	\$ 1,175,876
Interest bearing checking	1,952,465	606,451
Savings accounts	741,872	285,263
Money Market	10,836,541	3,241,871
Time, less than \$100,000	2,398,490	497,803
Time, \$100,000 or more	2,434,592	800,000
Total Deposits	\$ 25,523,836	\$ 6,607,264

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

	2007	2006
Interest bearing checking	\$ 18,499	\$ 1,034
Savings accounts	7,430	1,067
Money Market	272,410	15,222
Time, less than \$100,000	68,703	4,543
Time, \$100,000 or more	87,354	8,109
Total Interest Expense	\$ 454,396	\$ 29,975

BANK OF NAPA, N.A.

NOTE 6 – DEPOSITS - Continued

Maturities of Time Deposits at December 31, 2007 are as follows:

90 days or less	\$ 987,532
90 days through 180 days	1,605,919
Over 180 days through one year	1,455,621
Over one year	784,010
Total	<u><u>\$ 4,833,082</u></u>

NOTE 7 - INCOME TAXES

The provision for income taxes for each of the years ended December 31, 2007 and 2006 consisted of \$2,400 and \$800, respectively, minimum California state tax.

Deferred tax assets and liabilities as of December 31, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Pre-opening expenses	\$ 764,000	\$ 825,000
Net operating loss carryforwards	1,271,000	410,000
Accrual to cash	14,000	34,000
Allowance for loan loss	33,000	-
Other	1,000	1,000
Deferred Tax Assets	<u>2,083,000</u>	<u>1,270,000</u>
Deferred tax liabilities:		
Unrealized gains on available for sale securities	17,000	-
Accumulated depreciation	67,000	26,000
Deferred tax liabilities	<u>84,000</u>	<u>26,000</u>
Net deferred income tax asset	1,999,000	1,244,000
Valuation allowance	<u>(1,999,000)</u>	<u>(1,244,000)</u>
Net deferred tax assets	<u><u>\$ -</u></u>	<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, 2007, the Bank has federal and state net operating loss carryforwards of approximately \$3.0 million and \$3.0 million, respectively. These net operating loss carryforwards will expire in 2026 for federal income tax purposes and in 2016 for state income tax purposes, if not previously utilized.

BANK OF NAPA, N.A.

NOTE 7 - INCOME TAXES - Continued

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

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

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:

	2007	2006
Federal statutory rate	-34.00%	-34.00%
State franchise tax, net of federal benefit	- 7.00%	- 7.00%
Valuation allowance	41.00%	41.00%
	0.00%	0.00%

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 for the period ending:

	December 31,	
	2007	2006
Commitments to extend credit	\$ 5,886,203	\$ 797,000

BANK OF NAPA, N.A.

NOTE 8 – FINANCIAL INSTRUMENTS - Continued

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. As of December 31, 2007 the Bank allocated an allowance of \$8,000 to undisbursed loan commitments.

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, 2007 and 2006 is summarized below:

	<u>2007</u>	<u>2006</u>
New loans or advances during the period	\$ 1,194,254	\$ 49,000
Repayments during the period	86,625	-
Aggregate amount outstanding	<u>\$ 1,156,342</u>	<u>\$ 49,000</u>
Loan commitments	\$ 1,793,522	\$ 183,000
Related party deposits	\$ 2,051,154	\$ 798,000

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Bank is obligated for a rental payment under a certain operating lease agreement, which contains a renewal options and escalation clause that provide for increased rent. Total rental expense for the period ended December 31, 2007 and 2006 were \$274,351 and \$111,730, respectively.

As of December 31, 2007, the future estimated minimum rental payment under the non-cancellable operating lease is as follows:

Year	Amount
2008	\$ 257,676
2009	274,431
2010	292,276
2011	311,281
	<u>\$ 1,135,665</u>

The Bank has three unsecured Federal funds borrowing lines totaling eight million dollars with its

BANK OF NAPA, N.A.

correspondent banks. There were no amounts outstanding under these facilities at December 31, 2007.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 (FAS 107) requires the Bank to disclose the fair value of its financial assets and liabilities. Fair value is estimated by discounting the future cash flows using current rates offered for similar assets and liabilities. As the Bank commenced operations on August 14, 2006 and there were no substantive changes in the rates offered for loans and deposits during the period ended December 31, 2006, the carrying amounts of the bank's financial instruments therefore approximate their fair value for the period ending December 31, 2006.

The following methods and assumptions were used by the Bank in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents — The carrying amounts reported in the statements of condition for cash and cash equivalents are a reasonable estimate of fair value.

Investment securities — Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Securities available-for-sale are carried at their aggregate fair value, while securities held-to-maturity are carried at amortized cost.

Correspondent bank stock — The carrying amounts reported in the statements of condition for the correspondent bank stock are a reasonable estimate of fair value.

Loans — For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for fixed rate loans are estimated using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest receivable approximates its fair value.

Deposit liabilities — The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits. The carrying amount of accrued interest payable approximates its fair value.

Accrued interest — The carrying amounts reported in the statements of condition for accrued interest are a reasonable estimate of fair value.

Limitations — Fair value estimates are made at a specific point in time, based on relevant market information and other information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument.

Because no market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors.

BANK OF NAPA, N.A.

These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Fair value estimates are based on current on and off-balance sheet financial instruments without attempt to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial assets or liabilities include deferred tax assets and liabilities, and property, plant and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant impact on fair value estimates and have not been considered in any of the estimates.

The carrying amounts of the bank's financial instruments for the period ending December 31, 2007 are as follows:

	2007	
	<u>Carrying Value</u>	<u>Fair Value</u>
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	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

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, 2007, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2007, 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.

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NOTE 12– REGULATORY MATTERS - Continued

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, 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%
As of December 31, 2006:						
Total capital to risk-weighted assets	\$ 19,889	320.9%	\$ 496	8.0%	\$ 620	10.0%
Tier 1 capital to risk-weighted assets	\$ 19,859	320.1%	\$ 248	4.0%	\$ 372	6.0%
Tier 1 capital to average assets	\$ 19,859	80.5%	\$ 987	4.0%	\$ 1,234	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.

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 2007: expected volatility of 27.6%; risk-free interest rates of 4.6%; expected life of 5.3 years and no dividend yield and in 2006: expected volatility of 18.4%; risk-free interest rates of 4.6%; expected life of 6.4 years and no dividend yield. There were no grants of non-qualified stock options in 2007 or 2006. 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.

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NOTE 13— STOCK OPTION PLAN - Continued

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

	December 31, 2007			December 31, 2006		
	Shares	Weighted Average Price	Aggregate Intrinsic Value	Shares	Weighted Average Price	Aggregate Intrinsic Value
Outstanding at beginning of period	108,500	\$ 10.00	-	-	\$ -	-
Granted	31,000	\$ 8.93	-	108,500	\$ 10.00	-
Exercised	-	\$ -	-	-	\$ -	-
Forfeited	20,000	\$ 10.00	-	-	\$ 10.00	-
Outstanding at end of period	119,500	\$ 9.72	\$ -	108,500	\$ 10.00	\$ 81,375
Options exercisable at end of period	56,333	\$ 9.82	\$ -	4,018	\$ 10.00	\$ 3,014
Weighted average fair value of options granted during the period		\$ 3.01			\$ 3.17	

In 2007 and 2006, the weighted-average remaining contractual life of the outstanding stock options was approximately 9.05 years and 9.92 years, respectively.

In 2007 and 2006, stock option compensation expense charged against income was \$142,362 and \$17,720, respectively. As of December 31, 2007, there was approximately \$253,103 of total unrecognized compensation cost related to non-vested stock options which is expected to be recognized over a period of 2 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 2007 and 2006 were \$41,000 and \$25,000, respectively.

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ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

ITEM 8A. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are, as of the date covered by this Annual Report, effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

In connection with the evaluation of our internal controls during our last fiscal quarter, our principal executive officer and principal financial officer have determined that there have been no changes to our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting

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, 2007. 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, 2007. 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, 2007, 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 8B. Other Information

BANK OF NAPA, N.A.

Not Applicable

PART III

Item 9. 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 2008 annual meeting of shareholders which will be filed on Schedule 14A.

Item 10. Executive Compensation.

The information required by this Item is incorporated herein by reference from the Bank's Proxy Statement for the 2008 annual meeting of shareholders, which will be filed on Schedule 14A.

Item 11. 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 2008 annual meeting of shareholders, which will be filed on Schedule 14A.

Item 12. Certain Relationships and Related Transactions.

The information required by this Item is incorporated herein by reference from the Bank's Proxy Statement for the 2008 annual meeting of shareholders, which will be filed on Schedule 14A.

Item 13. Exhibits

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 47 of this Form 10-KSB, and are incorporated herein by this reference.

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 2008 annual meeting of shareholders, which will be filed on Schedule 14A.

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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.

Dated: 3-27-08

Bank of Napa
/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-KSB, 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: 3-27-08

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

Dated: 3-27-08

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

Dated: 3-27-08

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

Dated: 3-27-08

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

Dated: 3-27-08

/s/ Michael Livingston
Michael Livingston, Director

Dated: 3-27-08

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

BANK OF NAPA, N.A.

Dated: 3-27-08

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

Dated: 3-27-08

/s/ LeRoy Moore MD
LeRoy Moore, MD Director

Dated: 3-27-08

/s/ John Meras
John Meras, Director

Dated: 3-27-08

/s/ Harold Moskowitz
Harold Moskowitz, Director

Dated: 3-27-08

/s/ Lisa Paul
Lisa Paul, Director

Dated: 3-27-08

/s/ D. Kent Payne
D. Kent Payne, Director

Dated: 3-27-08

/s/ 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
 - 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]*.
 - 14.2 Whistle Blower Policy
 - 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 14.2

WHISTLE-BLOWER POLICY

Introduction

It is the policy of Bank of Napa, NA (the “Bank”) that its reported financial information be accurate and complete in all material respects and that all state and federal regulations be adhered to and followed.. This policy is to ensure achievement of this goal, encourage proper individual conduct relating to accounting , auditing matters, or compliance with state or federal laws and regulations and provide a means for early detection of problematic situations related to accounting or auditing matters before they have serious consequences.

This policy provides a process for the anonymous submission of suspected wrongdoing (whistle-blowing) by any employee of the Bank or of any subsidiary of the Bank who has reasonable cause to believe:

- Internal accounting controls or auditing matters have been compromised and desires to report those concerns.
- The Bank has violated a state or federal statute.
- A violation or noncompliance with state or federal rule or regulation with reference to employee safety or health, unsafe working conditions or work practices in the employee’s employment or place of employment

The Audit Committee has adopted the following procedures for the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal accounting controls, auditing matters or violations of law, and for the confidential, anonymous submission by employees of concerns regarding these complaints.

1. Scope of Matters Covered by These Procedures

These procedures relate to complaints or concerns regarding accounting, internal accounting controls or auditing matters of the Bank (“Complaints”), including, without limitation, the following:

- Fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Bank;
- Fraud or deliberate error in the recording or maintaining of financial records of the Bank;
- Deficiencies in or noncompliance with the Bank’s internal accounting controls;
- Misrepresentations or false statements to or by an officer of the Bank or an accountant regarding a matter contained in the financial records, financial reports or audit reports of the Bank; or
- Deviation from reporting of the Bank’s financial condition as required by applicable, accounting standards, laws and regulations.
- Violation or noncompliance of laws or regulations.

BANK OF NAPA, N.A.

2. Submission and Receipt of Complaints

All Complaints will be kept confidential to the fullest extent reasonably practicable within the legitimate needs of law and any ensuing evaluation or investigation. The Complaint may, at the discretion of the person submitting the Complaint, be submitted anonymously.

• A person with a Complaint should promptly report it in writing to the Bank's Director & Audit Committee Chairman. Complaints may be submitted:

a. By mail. Address the envelope to either:

- Bank of Napa, NA,
2007 Redwood Road, Ste 101,
Napa, CA 94558,
Attn: Mr. Greg Bennett, or

- Mr. Greg Bennett
3264 Villa Lane
Napa, CA 94558

b. Telephonically.

- Mr. Bennett may be reached by dialing 707 224-7948

d. Electronically.

- Send e-mails to Mr. Bennett at greg@gjcollp.com; or

e. Fax.

- The fax number is 707 224-7940

Employees who have Complaints may, rather than submitting such Complaints directly to the Audit Committee Chairman, submit them confidentially and anonymously to the Chairman of the Board, or to any member of the Audit Committee. The Chairman and members of the Audit Committee and their addresses, telephone numbers and e-mail addresses are listed in Attachment C.

Employee may also contact the California State Attorney General's Whistle-blowers hotline at 1-800-952-5225.

Each of these members is an independent third party who will coordinate delivery of Complaints to the Audit Committee or appropriate Bank personnel. This provides a means for submission of Complaints involving senior management without filtering by any management person or other entity personnel.

Any supervisor or other employee who receives a report of such concerns should refer the information received to one of those to whom reports are to be given in accordance with this policy.

3. Complaints

To assist the Bank in the response or investigation of a Complaint, the Complaint should be factual rather than speculative, and contain as much specific information as possible to allow for proper assessment of the nature, extent and urgency of the matter that is the subject of the Complaint. It is less likely that the Bank will be able to conduct an investigation based on a Complaint that contains unspecified wrongdoing or broad allegations without verifiable evidentiary support. If possible,

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complaints should be submitted using the “Complaint/Concern Regarding Accounting, Internal Accounting Controls or Auditing Matters” form (Attachment B). Without limiting the foregoing, the Complaint should, to the extent possible, contain the following information:

- The alleged event, matter or issue that is the subject of the Complaint;
- The name(s) of the person(s) involved;
- If the Complaint involves a specific event or events, the approximate time and location of each event; and
- Any additional information, documentation or other evidence available to support the Complaint.
- To the extent that it can be provided without compromising the desire for anonymity, a method to respond to the Complaint and/or request additional information.

4. Retention of Complaints

Each Complaint shall be logged on the Whistle-blower Tracking Matrix (Attachment A) by a person as designated by the Audit Committee. This person shall note, on the Complaint: the date of receipt, the date the Complaint was listed on the Whistle-blower Tracking Matrix, and the date of submission to the Audit Committee.

All Complaints shall be kept in a Complaint file under the control of the Audit Committee Chairman. The Complaints shall be maintained in accordance with the Bank’s document retention policy.

5. Treatment of Complaints

A copy of all Complaints shall be promptly forwarded to the Audit Committee and reviewed at its next regularly scheduled meeting unless the nature of the Complaint dictates otherwise. All Complaints will be investigated under the direction of the Audit Committee. The Committee shall designate a person to record the Complaint on the Whistle-blower Tracking Matrix and to periodically update the matrix regarding the status of the actions being taken concerning the Complaint. The Complaints will promptly be investigated in a manner that is as discreet as the circumstances reasonably permit. Normally, General Counsel, or a representative designated by General Counsel, shall conduct the investigation; however, the Audit Committee does reserve the authority to name another individual to perform an investigation if circumstances make it appropriate to do so. The individual who will conduct the investigation shall gather such documents and materials and interview such individuals as is reasonably necessary to complete the investigation. The results of any investigation conducted pursuant to this policy shall be reported to the Audit Committee and the Chief Executive Officer of the Bank (unless clearly inappropriate due to the nature of the report). The Audit Committee shall have the authority to, at any time, request a briefing regarding any investigation of a Complaint and any findings regarding a Complaint.

Upon completion of the investigation, the Audit Committee shall review the results and determine the corrective action, if any, to be taken in response to a Complaint or direct additional investigation of any Complaint. All documents and materials compiled during the investigation shall be retained with the Complaint and handled in accordance with Section 4 of this policy.

At the conclusion, the Audit Committee shall direct a designated person to prepare a written report/response to the Complaint. Upon completion of the written response, it shall be submitted to the Audit Committee for review and approval. A copy of the response letter shall be maintained with the

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Complaint and documentation compiled during the investigation, and a copy sent to the Complainant, if possible. Upon completion of these procedures, the Whistle-blower Complaint form and Whistle-blower Tracking Matrix will be updated.

6. Confidentiality/Anonymity

Concerns may be reported anonymously, at the employee's option. The Bank shall maintain the confidentiality or anonymity of the person(s) making the Complaint to the fullest extent reasonably practicable within the legitimate needs of law and of any ensuing evaluation or investigation. Legal or business requirements may not allow for complete anonymity. Also, in some cases it may not be possible to proceed with or properly conduct an investigation unless the complainant identifies himself or herself. In general it is less likely that a thorough investigation can be completed in response to an anonymous Complaint due to the difficulty of interviewing anonymous complainants and evaluating the credibility of their Complaints. In addition, persons making Complaints should be cautioned that their identity might be come known for reasons outside the control of the Bank. The identity of other persons subject to or participating in any inquiry or investigation relating to a Complaint shall be maintained in confidence subject to the same limitations.

7. Protections from Retaliation

Retaliation against an individual who, in good faith, has made a Complaint, disclosed information relating to a Complaint or otherwise participated in an investigation relating to a Complaint, is prohibited regardless of the outcome of the investigation. The Bank shall not discharge, demote, suspend, threaten, harass or in any manner discriminate against an employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of Complaints, participation in a related investigation or otherwise as specified in Section 806 of the Sarbanes-Oxley Act of 2002. An employee's right to protection from retaliation does not extend immunity for any complicity in the matters that are the subject of the Complaint or an ensuing investigation.

Under California Labor Code Section 98.6, if an employer retaliates against a Whistle-blower, the employer may be required to reinstate the employee's employment and work benefits, pay lost wages, and take other steps necessary to comply with the law.

Deliberately making a false report is also against this policy. This is not meant to discourage or limit the rights of individuals from making reports of alleged violations relating to accounting or auditing matters. The Bank recognizes that, in some instances, it may not be possible to determine whether a report is warranted. Employees should not be reluctant to report information because they are uncertain of who will be believed and whether the allegation can be proved.

These procedures are in no way intended to limit the right of employees to report alleged violations relating to accounting or auditing matters to proper governmental and regulatory authorities.

8. Policy Accessibility

a. Internally.

- Employees have access to this policy through the "Public Drive on their computer.

b. Externally.

BANK OF NAPA, N.A.

- The policy is accessible to anyone through Bank of Napa website at thebankofnapa.com (See Attachment D, Step A). On the website, look for and place the pointer on “About Us”. These words are to the far right and directly above the picture. When you do this, a drop down menu will appear. One of the lines on the drop down menu is “Policies and Disclaimers” (See Attachment D, Step B). Click on the line “Policies and Disclaimers” (See Attachment D, Step C) and the website for this page will reflect a list of policies and disclaimers, which includes the Whistle-blower Policy. This page also displays a complete copy of the policy or disclaimer identified on this page.
- If an employee believes he or she has been fired, demoted, suspended, threatened, harassed, coerced, or put on any sort of blacklist because of whistle-blowing, he or she can file a complaint with 90 days of the alleged discriminatory treatment. After OSHA receives the complaint, the agency notifies the employer of the allegations and evidence and gives it an opportunity to respond. The Secretary of labor issues its decision within 180 days of the filing of the complaint. The OSHA regulations and procedures can be located at www.osha.gov.

BANK OF NAPA, N.A.

(ATTACHMENT C)

Greg A. Bennett, Chairman
3264 Villa Lane
Napa, CA 94558
Office: 707 224-7948
Fax: 707 224-7940
greg@gjcollp.com

John Meras
2180 Jefferson St.
Napa, CA 94559
Office: 707 224-6866
Fax: 707 2247711
jkmeras@aol.com

Ernie Rota
1975 Main St.
Napa, CA 94559
Office: 707 224-5210
Fax: 707 224-8430
claffeyrota@yahoo.com

Robert Patterson, Vice Chairman
Pending OCC Approval

BANK OF NAPA, N.A.

(ATTACHMENT D)

The Whistle-blower Policy will be incorporated into the Bank's website.

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EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 filed with the Office of the Comptroller of the Currency of our report dated March 27, 2008, relating to the financial statements of Bank of Napa, N.A. which appear in this Annual Report on Form 10-KSB.

Moss Adams LLP

Stockton, California
March 27, 2008

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-KSB 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)) 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: 3-27-08

/s/ M. Thomas LeMasters
M. Thomas LeMasters

BANK OF NAPA, N.A.

President and Chief Executive Officer

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-KSB 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)) 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: 3-27-08

/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-KSB of Bank of Napa (the Registrant) for the year ended December 31, 2007, 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-KSB 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-KSB fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: 3-27-08

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

Dated: 3-27-08

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