

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **Bank of Napa, N.A.**

(Exact name of registrant as specified in its charter)

California

TIN #: 20-2314309

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2007 Redwood Road, Ste 101

(Address of principal executive offices)

94558

(Zip Code)

707 257-7777

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer _____ Accelerated filer _____

Non-accelerated filer _____ Smaller reporting company **X**

(Do not check if a smaller reporting company)

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

BANK OF NAPA, N.A.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1	Financial Statements	
	Condensed Statements of Condition (Unaudited)	3
	Condensed Statements of Operations (Unaudited)	4
	Condensed Statements of Changes in Stockholders' Equity and Comprehensive Loss (Unaudited)	5
	Condensed Statements of Cash Flows (Unaudited)	6
	Notes to Financial Statements (Unaudited)	7
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 4	Controls and Procedures	24
PART II OTHER INFORMATION		
Item 1	Legal Proceedings	24
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3	Defaults Upon Senior Securities	24
Item 4	Submission of Matters to a Vote of Security Holders	24
Item 5	Other Information	24
Item 6	Exhibits	24
	Signatures	25
	Exhibit Index	26
	Certifications	27-29

BANK OF NAPA, N.A.

CONDENSED STATEMENTS OF CONDITION

December 31, 2008 and June 30, 2009

	June 30, 2009	December 31, 2008
ASSETS	(unaudited)	
Cash and due from banks	\$ 4,374,775	\$ 3,678,377
Federal funds sold	5,215,000	-
TOTAL CASH AND CASH EQUIVALENTS	9,589,775	3,678,377
Investment securities, available-for-sale	6,780,443	9,140,327
Loans, net of deferred costs	54,278,842	46,664,164
Allowance for loan loss	(692,000)	(528,000)
Loans, net	53,586,842	46,136,164
Premises and equipment, net	765,009	843,345
Correspondent bank stock, at cost	857,602	857,190
Accrued interest receivable and other assets	348,770	336,270
TOTAL ASSETS	\$ 71,928,441	\$ 60,991,673
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing demand	\$ 11,566,586	\$ 9,145,233
Interest bearing demand	6,283,523	4,180,555
Money market	17,266,285	16,212,990
Savings	1,439,601	1,157,375
Time, less than \$100,000	7,111,115	4,492,615
Time, \$100,000 or more	11,316,044	8,532,458
TOTAL DEPOSITS	54,983,154	43,721,226
Accrued interest payable and other liabilities	331,652	257,599
TOTAL LIABILITIES	55,314,806	43,978,825
 Commitments and contingencies		
Shareholders' Equity:		
Common stock - 30,000,000 shares authorized, \$5.00 par value, 2,288,884 issued and outstanding in 2009; 2,288,884 issued and outstanding in 2008.	11,442,233	11,442,233
Additional Paid in Capital	11,891,865	11,803,598
Accumulated deficit	(6,816,776)	(6,484,614)
Accumulated other comprehensive income	96,313	251,631
TOTAL STOCKHOLDERS' EQUITY	16,613,635	17,012,848
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 71,928,441	\$ 60,991,673

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

BANK OF NAPA, N.A.

CONDENSED STATEMENTS OF OPERATIONS
For Three Months and Six Months Ended June 30, 2008 and 2009
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans	\$ 801,225	\$ 363,693	\$ 1,513,564	\$ 602,905
Interest on investment securities	69,227	149,168	146,798	335,907
Interest on federal funds sold	480	44,239	677	143,120
Other interest income	7,661	8,221	16,389	18,700
TOTAL INTEREST AND DIVIDEND INCOME	878,593	565,321	1,677,428	1,100,632
INTEREST EXPENSE				
Interest on deposits	171,815	128,399	337,702	278,548
Interest on other borrowings	-	-	7	-
TOTAL INTEREST EXPENSE	171,815	128,399	337,709	278,548
NET INTEREST INCOME	706,778	436,922	1,339,719	822,084
Provision for loan losses	64,000	67,000	164,000	161,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	642,778	369,922	1,175,719	661,084
NONINTEREST INCOME				
Gain on sale of securities	-	46,676	111,250	62,299
Service charges and other noninterest income	34,057	21,491	67,253	40,468
TOTAL NONINTEREST INCOME	34,057	68,167	178,503	102,767
NONINTEREST EXPENSE				
Salaries and benefits	445,418	423,475	931,547	846,390
Occupancy expense	118,006	117,985	233,601	231,637
Data processing expense	82,448	69,817	149,993	129,385
Professional services	54,205	63,932	127,758	119,607
Marketing	5,401	15,503	23,278	24,655
Other expenses	106,885	91,818	219,407	180,040
TOTAL NONINTEREST EXPENSE	812,363	782,530	1,685,584	1,531,714
LOSS BEFORE INCOME TAXES	(135,528)	(344,441)	(331,362)	(767,863)
Income taxes	-	-	800	800
NET LOSS	\$ (135,528)	\$ (344,441)	\$ (332,162)	\$ (768,663)
NET LOSS PER SHARE - BASIC	\$ (0.06)	\$ (0.15)	\$ (0.15)	\$ (0.34)

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

BANK OF NAPA, N.A.

**CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY and
COMPREHENSIVE LOSS**

**December 31, 2006 to December 31, 2008, (audited)
and the Six Month Period Ending June 30, 2009, (unaudited)**

	<u>Common Stock</u>		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Comprehensive Loss	Shares				
Balance at December 31, 2008		2,288,884	\$ 11,442,233	\$ 11,803,598	\$ (6,484,614)	\$ 17,012,848
Stock-Based Compensation		-		88,267		88,267
Comprehensive income:						
Net Loss	(332,162)			(332,162)		(332,162)
Other comprehensive income:						
Unrealized holding (loss)/gain on securities available- for-sale arising during the year	(44,068)				(44,068)	(44,068)
Less: reclassification adjustment for gain included in net loss	(111,250)				(111,250)	(111,250)
Total Comprehensive Loss	<u>\$ (487,480)</u>					
Balance at June 30, 2009		<u>2,288,884</u>	<u>\$ 11,442,233</u>	<u>\$ 11,891,865</u>	<u>\$ (6,816,776)</u>	<u>\$ 16,613,635</u>

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

BANK OF NAPA, N.A.
CONDENSED STATEMENTS OF CASH FLOWS
For the Six Month Period Ending June 30, 2008 and 2009
(unaudited)

	2009	2008
OPERATING ACTIVITIES		
Net loss	\$ (332,162)	\$ (768,663)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	87,091	87,503
Amortization and accretion on securities	25,468	77,141
Gain on sale of securities available-for-sale	(111,250)	(62,299)
Provision for loan losses	164,000	161,000
Stock based compensation expense	88,267	105,696
Net change in accrued interest receivable and other assets	(12,500)	(136,604)
Net change in accrued interest payable and other liabilities	74,052	(32,301)
NET CASH USED BY OPERATING ACTIVITIES	(17,034)	(568,527)
INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(2,447,856)	(14,502,853)
Proceeds of matured, sold and called securities available-for-sale	4,738,205	10,315,839
Net change in loans	(7,614,678)	(15,606,049)
Purchase of premises and equipment	(8,755)	(12,346)
(Purchase) redemption of correspondent bank stock	(412)	94,867
NET CASH USED BY INVESTING ACTIVITIES	(5,333,496)	(19,710,542)
FINANCING ACTIVITIES		
Net changes in deposits	11,261,928	12,216,233
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,261,928	12,216,233
Cash and cash equivalents at beginning of year	5,911,398	(8,062,836)
Cash and cash equivalents at end of the period	\$ 9,589,775	\$ 10,452,090
Supplemental disclosures of cash flow information:		
Interest paid	\$ 45,682	\$ 176,400
Income taxes paid	\$ 800	\$ 800
Supplemental disclosure of noncash activities:		
Net change in unrealized gains and losses on available-for-sale securities	\$ (155,318)	\$ (209,352)

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

BANK OF NAPA, N.A.
Notes to Financial Statements - (Unaudited)

NOTE 1 - Organization and Summary of Significant Accounting and Reporting 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.

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.

BANK OF NAPA, N.A.

NOTE 1 - Organization and Summary of Significant Accounting and Reporting Policies - Continued

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 loans with significant properties held as collateral.

Recent Accounting Pronouncements

On October 10, 2008 the Financial Accounting Standards Board, (FASB) issued FASB Staff Position (FSP) 157-3, *Determining the Fair Value of a Financial Asset When the Market for that Asset Is Not Active*, which provides an example that illustrates key considerations in determining the fair value of a financial asset when the market for that asset is not active. FSP 157-3 provides clarification for how to consider various inputs in determining fair value under current market conditions consistent with the principles of Statement of Financial Accounting Standard, (SFAS) 157. FSP 157-3 became effective upon issuance. The adoption of SFAS 157 has not impacted the Bank.

On March 19, 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB No. 133* (SFAS 161). SFAS 161 requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Bank's financial position, financial performance and cash flows. SFAS 161 also clarifies that derivatives are subject to credit risk disclosures as required by SFAS No. 107, *Disclosures about Fair Value of Financial Instruments.* SFAS 161 is effective for the Bank's financial statements for the year beginning on January 1, 2009. The adoption of Statement 161 has not impacted the Bank.

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

In April, 2009, the FASB amended SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. Also amended was Accounting Principles Board (APB) Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. This amendment shall be effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods

BANK OF NAPA, N.A.

NOTE 1 - Organization and Summary of Significant Accounting and Reporting Policies - Continued

ending after March 15, 2009. An entity may early adopt this SFAS only if it also elects to early adopt SFAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, and SFAS 115-2 and SFAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This SFAS does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this SFAS requires comparative disclosures only for periods ending after initial adoption. The Bank has adopted these amendments for the interim reporting period ending June 30, 2009. The adoption of SFAS 107-1 and APB 28-1 will have no impact on the Bank other than modification of its footnote disclosures.

In April, 2009, the FASB issued SFAS 115-2 and SFAS 124-2, the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The objective of an other-than-temporary impairment analysis under existing U.S. generally accepted accounting principles (GAAP) is to determine whether the holder of an investment in a debt or equity security for which changes in fair value are not regularly recognized in earnings (such as securities classified as held-to-maturity or available-for-sale) should recognize a loss in earnings when the investment is impaired. An investment is impaired if the fair value of the investment is less than its amortized cost basis. The adoption of SFAS 115-2 and SFAS 124-2 has not impacted the Bank.

In April, 2009, the FSP 157-4 provided additional guidance for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This FSP applies to all assets and liabilities within the scope of accounting pronouncements that require or permit fair value measurements, except as discussed in paragraphs 2 and 3 of Statement 157. This has not impacted the Bank.

On May 28, 2009 the Financial Accounting Standards Board (FASB) announced the issuance of Statement of Financial Accounting Standards No. 165, *Subsequent Events* (SFAS 165). The objective of SFAS 165 is to establish general standards for the accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, SFAS 165 sets forth:

1. The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements.

BANK OF NAPA, N.A.

NOTE 1 - Organization and Summary of Significant Accounting and Reporting Policies - Continued

2. The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements.
3. The disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009 with prospective application. This has not impacted the Bank.

The Bank's unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Accordingly, these financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2008. The financial statements reflect all adjustments, that in the opinion of Management, are necessary for the fair presentation of interim periods. All such adjustments are of a normal recurring nature.

Results of operations for interim periods are not necessarily indicative of results for the full year.

NOTE 2 - 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 June 30, 2009, no reserve balance was required.

NOTE 3 - Investment Securities

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

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

As of June 30, 2009 there were unrealized gains of \$106,000 and unrealized losses of \$9,000 in the portfolio. As of December 31, 2008 there were unrealized gains of \$252,000 and no unrealized losses in the securities portfolio. As of June 30, 2009 there were no continual unrealized losses over a twelve month period.

BANK OF NAPA, N.A.

NOTE 3 - Investment Securities - Continued

Investment securities consist of U.S. agency securities and obligations of states and political subdivisions and other securities. At the time of purchase of a security, the Bank designates the security as held-to-maturity or available-for-sale, based on its investment objectives, operational needs, and intent to hold. The Bank does not purchase securities with the intent to engage in trading activity. Held-to-maturity securities are recorded at amortized cost, adjusted for amortization of premiums or accretion of discounts. The Bank did not have any investments in the held-to-maturity portfolio at June 30, 2009 or December 31, 2008. Securities available-for-sale are recorded at fair value with unrealized holding gains or losses, net of the related tax effect, reported as a separate component of stockholders' equity until realized. A decline in the market value of any security available-for-sale or held-to-maturity below cost that is deemed other than temporary results in a charge to earnings and the corresponding establishment of a new cost basis for the security. Amortization of premiums and accretion of discounts on debt securities are included in interest income over the life of the related security held-to-maturity or available-for-sale using the effective interest method. Dividend and interest income are recognized when earned. Realized gains and losses for securities classified as available-for-sale and held-to-maturity are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Federal Home Loan Bank ("FHLB") and Federal Reserve Bank ("FRB") Stock - The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Because this stock is viewed as a long term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The FHLB announced that it will not pay any dividends for the first and second quarters of 2009. It is uncertain when or if the FHLB will resume paying dividends.

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

At June 30, 2009, the Bank's investment portfolio, comprised of U.S. Government agency securities and taxable municipal bonds, had an amortized cost of approximately \$6,684,000. The maturity of these securities ranges from six months to twenty-eight years and the average life of the portfolio is 4.87 years.

BANK OF NAPA, N.A.

NOTE 3 - Investment Securities - Continued

Following is a comparison of the amortized cost and approximate fair value of securities available-for-sale as of June 30, 2009 and December 31, 2008:

June 30, 2009				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government agency securities	\$ 2,551,716	\$ 73,924	\$ -	\$ 2,625,640
Municipal securities	4,132,413	31,597	(9,207)	4,154,803
	\$ 6,684,129	\$105,521	\$ (9,207)	\$ 6,780,443

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

During the six months ended June, 2009 and 2008, the Bank received proceeds in the amount of \$4,738,205 and \$5,440,778 and realized a gain in the sale of U.S. Government agency securities in the amount of \$111,250 and \$62,299, respectively. There were no sales of securities during the three months ended June 30, 2009 and 2008.

NOTE 4 - 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.

BANK OF NAPA, N.A.

NOTE 4 - Loans and allowance for loan losses - Continued

Major classifications of loans at June 30, 2009 and December 31, 2008 are as follows:

Loan category	June 30, 2009		December 31, 2008	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural Loans	\$ 521,835	1.0%	\$ 516,835	1.2%
Construction and land development	6,514,670	12.0%	3,744,944	8.0%
Commercial	11,962,625	22.1%	11,079,863	23.8%
Real Estate	34,675,725	64.1%	30,709,557	66.0%
Installment and other	458,887	0.8%	483,265	1.0%
Total Gross Loans	<u>54,133,742</u>	<u>100%</u>	<u>46,534,464</u>	<u>100%</u>
Deferred loan fees and costs, net	145,100		129,700	
Allowance for loan losses	<u>(692,000)</u>		<u>(528,000)</u>	
Net Loans	<u>\$ 53,586,842</u>		<u>\$ 46,136,164</u>	

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.

	For the Six Months Ended	
	June 30, 2009	June 30, 2008
Allowance for loan losses:		
Balance at the beginning of the period	\$ 528,000	\$ 111,000
Loans charged off	-	-
Recoveries	-	-
Provisions	164,000	161,000
Balance at the end of the period	<u>\$ 692,000</u>	<u>\$ 272,000</u>

Impaired loans, as defined, are measured based on the present value of expected future cash flows discounted at the respective loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. The Bank considers a loan impaired when it is probable that all amounts of principal and interest due, according to the contractual terms of the loan agreement, will not be collected, which is the same criteria used for the transfer of loans to non-accrual status. Interest income is recognized on impaired loans in the same manner as non-accrual loans. At June 30, 2009 and June 30, 2008, the Bank did not have any impaired loans.

BANK OF NAPA, N.A.

NOTE 5 - 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
Data Processing and computers	2 - 7 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.

	June 30, 2009	December 31, 2008
Leasehold improvements	\$ 727,049	\$ 727,049
Furniture, fixtures, and equipment	352,957	344,202
Data Processing & Computers	172,939	172,939
	<u>1,252,945</u>	<u>1,244,190</u>
Less: Accumulated depreciation and amortization	(487,936)	(400,845)
	<u>\$ 765,009</u>	<u>\$ 843,345</u>

NOTE 6 – 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. As of June 30, 2009 and December 31, 2008, the Bank has a 100% valuation allowance equal to the amount of its net deferred tax asset.

BANK OF NAPA, N.A.

NOTE 7 - 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.

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Net (loss)	\$ (135,528)	\$ (344,441)	\$ (332,162)	\$ (768,663)
Weighted average shares used in computing:				
Basic earnings per share	2,288,884	2,288,884	2,288,884	2,288,884
Effect of dilutive securities	-	-	-	-
Total average shares and equivalents	<u>2,288,884</u>	<u>2,288,884</u>	<u>2,288,884</u>	<u>2,288,884</u>
Basic EPS	\$ (0.06)	\$ (0.15)	\$ (0.15)	\$ (0.34)
Diluted EPS	\$ (0.06)	\$ (0.15)	\$ (0.15)	\$ (0.34)

NOTE 8 – Related Party Transactions

The Bank, in the normal course of business, makes loans to and receives deposits from its directors, officers, principal stockholders 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 and for the six months ended June 30, 2009 is summarized below:

Aggregate amount outstanding, December 31, 2008	\$2,178,803
New loans or advances during the period	1,363,268
Repayments during the period	<u>1,142,803</u>
Aggregate amount outstanding, June 30, 2009	<u>\$2,399,268</u>
Loan commitments at June 30, 2009	\$2,992,220
Related party deposits at June 30, 2009	\$1,906,029

BANK OF NAPA, N.A.

Note 9 – Fair Value of Financial Instruments

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

The carrying amounts and estimated fair values of the bank's financial instruments for the period ending June 30, 2009 are as follows:

	June 30, 2009	
	Carrying Value	Fair Value
Financial Assets:		
Cash and Due From Banks	\$ 4,374,775	\$ 4,374,775
Federal Funds Sold	5,215,000	5,215,000
Investment Securities	6,780,443	6,780,443
Loans	54,278,842	54,285,486
Correspondent bank stock, at cost	857,602	857,602
Accrued interest receivable	270,873	270,873
Financial Liabilities:		
Deposits	\$ 54,983,154	\$ 55,183,076
Accrued interest payable	175,867	175,867

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

Cash and Due From Banks and Accrued Interest Receivable and Payable

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

Securities

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

Loans

Loans with similar financial characteristics are grouped together for purposes of estimating their fair value. Loans are segregated by type such as commercial, term real estate, residential construction, and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms.

The fair value of performing, fixed rate loans is calculated by discounting scheduled future cash flows using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan.

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

BANK OF NAPA, N.A.

Note 9 – Fair Value of Financial Instruments - Continued

Deposits

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

The following table presents information about the Bank's assets measured at fair value on a recurring basis as of June 30, 2009, and indicates the fair value hierarchy of the valuation techniques utilized by the Bank to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Bank's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Description	Fair Value June 30, 2009	Fair Value Measurements at June 30, 2009, Using		
		Quoted Prices in Active Markets Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities, available-for-sale	\$ 6,780,443	\$ -	\$ 6,780,443	\$ -
Total assets measured at fair value	\$ 6,780,443	\$ -	\$ 6,780,443	\$ -

Note 10 – Subsequent Events

The Bank has evaluated subsequent events through August 6, 2009, the date the financial statements were issued, and has determined that there were no recognized or nonrecognized subsequent events that require recognition or disclosure.

BANK OF NAPA, N.A.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Information contained herein may contain certain forward-looking statements that are based on management's current expectations regarding economic, legislative, and regulatory issues that may impact the Bank's earnings in future periods. 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." Factors that could cause future results to vary materially from current management expectations 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 undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

Results of Operations

The bank's total deposits at June 30, 2009 were \$55.0 million, an increase from the same period last year of \$17.3 million or 45.9%. Loan balances at the end of the second quarter of 2009 were \$54.3 million, an increase of \$26.5 million or 95.3%. The Bank had total assets of \$71.9 million at June 30, 2009, representing a \$16.8 million or 30.5% increase since June 30, 2008.

For the three months ended June 30, 2009, the Bank reported a net loss of \$136,000 or \$.06 per share compared to a loss of \$344,000 or \$.15 per share for the three months ended June 30, 2008. The improvement of 60.5% in the second quarter 2009 over the same period in 2008 is attributable mostly to the increase in the net interest income of \$270,000 or 61.8%.

For the six months ended June 30, 2009, the Bank reported a net loss of \$332,000 or \$.15 per share compared to a loss of \$769,000 or \$.34 per share for the six months ended June 30, 2008. The improvement of 56.8% in the first six months of 2009 over the same period in 2008 is attributable mostly to the increase in the net interest income of \$518,000 or 63.0%.

Net Interest Income

The table, Distribution of Average Statement of Condition and Analysis of Net Interest Income, compares income from interest earning assets with expense from interest bearing liabilities. The table also indicates net interest income, net interest margin, and net interest rate spread for each period presented. Interest income represents the interest earned by the Bank on its portfolio of loans, investment securities, and other short-term investments. Interest expense represents interest paid to the Bank's depositors and on borrowings. Net interest income is the difference between interest income and interest expense. The volume and mix of earning assets and interest bearing liabilities, as well as interest rate fluctuations caused by economic conditions, can significantly affect net interest income.

BANK OF NAPA, N.A.

For the quarter ended June 30, 2009, the Bank's net interest income before provision for loan losses was \$707,000 compared to \$437,000 for the same period in 2008. The increase in total interest income from 2008 to 2009 was largely generated from an increase in loan volume by \$30.9 million. Interest expense of \$172,000 increased from \$128,000 as a result of increases in the volume of deposits by \$14.4 million for the three months ended June 30, 2009.

For the six months ended June 30, 2009, the Bank's net interest income before provision for loan losses was \$1.3 million compared to \$822,000 for the same period in 2008. The increase in total interest income from 2008 to 2009 was largely generated from an increase in loan volume by \$32.6 million. Interest expense of \$338,000 increased from \$279,000 as a result of increases in the volume of deposits by \$14.6 million for the six months ended June 30, 2009.

The Bank's net interest margin as shown in Table 1, increased to 4.58% for the three months ended June 30, 2009 from 3.57% for the same period in 2008, an increase of 101 basis points (100 basis points = 1%) between the two periods. The prime rate averaged 3.25% for the three months ended June 30, 2009 compared to 5.0% for the comparative three months of 2008.

For the six months ended June 30, 2009 the net interest margin increased 99 basis points from 3.51% to 4.50%. The prime rate averaged 3.25% for the six months ended June 30, 2009 compared to 5.69% for the comparative six months of 2008.

Table 1. Distribution of Average Statement of Condition and Analysis of Net Interest Income for the Three Months and Six Months Ended:

	<u>Three Months Ended</u>					
	June 30, 2009			June 30, 2008		
	<u>Average</u>		<u>Income /</u>	<u>Average</u>	<u>Yield /</u>	<u>Income /</u>
	<u>Balance</u>	<u>Yield / Cost</u>	<u>Expense</u>	<u>Balance</u>	<u>Cost</u>	<u>Expense</u>
Assets						
Interest Earning Assets:						
Loans, gross	\$ 53,443,266	6.01%	\$ 801,225	\$ 22,529,569	6.49%	\$ 363,693
Federal Funds Sold	964,670	0.20%	480	8,845,989	2.01%	44,239
Debt Securities	6,688,372	4.09%	69,227	17,259,705	3.48%	149,168
Other Securities	856,938	3.54%	7,661	599,759	5.51%	8,221
Total Interest Earning Assets	<u>61,953,246</u>	<u>5.69%</u>	<u>878,593</u>	<u>49,235,022</u>	<u>4.62%</u>	<u>565,321</u>
Non-Interest Earning Assets:						
Cash and Due From Banks	7,546,253			3,119,665		
All Other Assets	570,403			1,019,158		
Total Assets	<u>\$ 70,069,902</u>			<u>\$ 53,373,845</u>		
Liabilities and Equity						
Interest Bearing Liabilities:						
Interest-bearing demand	5,051,741	0.32%	3,987	2,422,675	0.82%	4,911
Money Market	16,826,999	1.29%	53,978	18,286,894	1.59%	72,230
Savings	1,740,782	0.61%	2,651	883,750	0.67%	1,477
CDs < \$100K	6,775,153	2.37%	39,998	2,459,041	3.69%	22,574
CDs ≥ \$100K	10,859,902	2.63%	71,201	2,833,065	3.86%	27,207
Total Interest Bearing Liabilities	<u>41,254,577</u>	<u>1.67%</u>	<u>171,815</u>	<u>26,885,425</u>	<u>1.92%</u>	<u>128,399</u>
Non-Interest Bearing Liabilities:						
Non-Interest Bearing Demand	11,523,298			8,877,412		
Other Liabilities	331,683			214,867		
Stockholders' Equity	16,960,344			17,396,141		
Total Liabilities and Equity	<u>\$ 70,069,902</u>			<u>\$ 53,373,845</u>		
Net Interest Margin / Net Interest Income		4.58%	\$ 706,778		3.57%	\$ 436,922

BANK OF NAPA, N.A.

	<u>Six Months Ended</u>					
	June 30, 2009			June 30, 2008		
	<u>Average Balance</u>	<u>Yield / Cost</u>	<u>Income / Expense</u>	<u>Average Balance</u>	<u>Yield / Cost</u>	<u>Income / Expense</u>
Assets						
Interest Earning Assets:						
Loans, gross	\$ 50,894,472	6.00%	\$ 1,513,564	\$ 18,318,803	6.62%	\$ 602,905
Federal Funds Sold	631,022	0.21%	677	10,186,648	2.78%	143,120
Debt Securities	7,641,527	3.82%	146,798	17,974,411	3.70%	335,907
Other Securities	857,444	3.80%	16,389	643,887	5.74%	18,700
Total Interest Earning Assets	<u>60,024,465</u>	<u>5.64%</u>	<u>1,677,428</u>	<u>47,123,749</u>	<u>4.70%</u>	<u>1,100,632</u>
Non-Interest Earning Assets:						
Cash and Due From Banks	6,682,030			2,534,998		
All Other Assets	704,720			1,096,527		
Total Assets	<u>\$ 67,411,215</u>			<u>\$ 50,755,274</u>		
Liabilities and Equity						
Interest Bearing Liabilities:						
Interest-bearing demand	4,872,110	0.35%	8,377	2,471,619	0.90%	11,122
Money Market	16,890,616	1.39%	116,203	15,992,828	1.95%	154,910
Savings	1,490,667	0.53%	3,945	887,716	0.87%	3,859
CDs < \$100K	5,943,169	2.47%	72,842	2,390,910	4.08%	48,550
CDs ≥ \$100K	10,025,279	2.74%	136,335	2,817,667	4.29%	60,107
Total Interest Bearing Deposits	<u>39,221,841</u>	<u>1.74%</u>	<u>337,702</u>	<u>24,560,740</u>	<u>2.28%</u>	<u>278,548</u>
Other Borrowings	2,210	0.64%	7	-	0.00%	-
Total Interest Bearing Liabilities	<u>39,224,051</u>	<u>1.74%</u>	<u>337,709</u>	<u>24,560,740</u>	<u>2.28%</u>	<u>278,548</u>
Non-Interest Bearing Liabilities:						
Non-Interest Bearing Demand	11,091,134			8,283,062		
Other Liabilities	321,277			246,247		
Stockholders' Equity	16,774,753			17,665,225		
Total Liabilities and Equity	<u>\$ 67,411,215</u>			<u>\$ 50,755,274</u>		
Net Interest Margin / Net Interest Income		4.50%	1,339,719		3.51%	822,084

Federal Funds Sold, Debt and Other Securities yields are calculated on a 360-day basis.

Since December 31, 2008 through June 30, 2009, the total deposits of the Bank increased to \$55.0 million while earning assets (the combination of federal funds sold, securities and loans) totaled \$66.3 million, an increase of \$10.5 million or 18.8%. From December 31, 2007 to June 30, 2008, total deposits increased to \$37.5 million and earning assets totaled \$48.4 million, an increase of \$7.6 million or 18.6%.

BANK OF NAPA, N.A.

Table 2. Rate and Volume Analysis

	Three Months Ended		
	June 30, 2009 compared to June 30, 2008		
	Increase (decrease) due to change in		
	Average Volume	Average Rate	Total Change
Interest income			
Loans	\$ 463,460	\$ (25,928)	\$ 437,532
Federal funds sold	(4,575)	(39,184)	(43,759)
Investment securities	(108,934)	28,993	(79,941)
Other interest earning assets	2,252	(2,812)	(560)
Total interest income	<u>352,203</u>	<u>(38,931)</u>	<u>313,272</u>
Interest expense			
Interest-bearing demand	\$ 2,076	\$ (3,000)	\$ (924)
Savings and money market	(1,839)	(15,239)	(17,078)
Time under \$100,000	25,481	(8,057)	17,424
Time deposits \$100,000 or more	52,626	(8,632)	43,994
Total interest expense	<u>78,344</u>	<u>(34,928)</u>	<u>43,416</u>
Change in net interest income	<u>\$ 273,859</u>	<u>\$ (4,003)</u>	<u>\$ 269,856</u>

	Six Months Ended		
	June 30, 2009 compared to June 30, 2008		
	Increase (decrease) due to change in		
	Average Volume	Average Rate	Total Change
Interest income			
Loans	\$ 967,263	\$ (56,604)	\$ 910,659
Federal funds sold	(12,478)	(129,965)	(142,443)
Investment securities	(200,223)	11,114	(189,109)
Other interest earning assets	3,910	(6,221)	(2,311)
Total interest income	<u>758,472</u>	<u>(181,676)</u>	<u>576,796</u>
Interest expense			
Interest-bearing demand	\$ 4,116	\$ (6,861)	\$ (2,745)
Savings and money market	9,502	(48,123)	(38,621)
Time under \$100,000	43,456	(19,164)	24,292
Time deposits \$100,000 or more	97,911	(21,683)	76,228
Other Borrowings	7	0	7
Total interest expense	<u>154,992</u>	<u>(95,831)</u>	<u>59,161</u>
Change in net interest income	<u>\$ 603,480</u>	<u>\$ (85,845)</u>	<u>\$ 517,635</u>

BANK OF NAPA, N.A.

For the three months ended June 30, 2009, total interest income increased approximately \$313,000 or 55.6% compared to the three month period ended June 30, 2008. Earning asset volumes increased in loans while volumes decreased in federal funds sold and investment securities. For the six months ended June 30, 2009, total interest income increased approximately \$577,000 or 52.3% compared to the six month period ended June 30, 2008. Earning asset volumes increased in loans while volumes decreased in federal funds sold and investment securities. The average rate earned on total average earning assets for the three month and six month periods increased by 107 and 94 basis points, respectively.

Total interest expense increased approximately \$43,000 or 33.8% for the three months ended June 30, 2009 compared to three month period ended June 30, 2008. Between the two periods average interest-bearing liabilities increased by \$14.4 million, while the average rates paid on those liabilities decreased by 25 basis points. Total interest expense increased approximately \$59,000 or 21.2% for the six months ended June 30, 2009 compared to six month period ended June 30, 2008. Between the two periods average interest-bearing liabilities increased by \$14.6 million, while the average rates paid on those liabilities decreased by 54 basis points.

Allowance for Loan Losses

Provisions for loan losses are determined on the basis of management's periodic credit review of the loan portfolio. Based on the condition of the loan portfolio, management believes the allowance for loan losses is sufficient to cover risk elements in the loan portfolio. For the three months ended June 30, 2009, the provision to the allowance for loan losses amounted to \$64,000 compared to \$67,000 for the three months ended June 30, 2008. For the six months ended June 30, 2009, the provision to the allowance for loan losses amounted to \$164,000 compared to \$161,000 for the six months ended June 30, 2008. The amount provided to the allowance for loan losses during the first six months brought the allowance to 1.27% of net outstanding balances at June 30, 2009, compared to 1.13% of net loans outstanding at December 31, 2008. Additionally, there are no loans which have been charged-off or loans that are on non accrual status for the six months ended June 30, 2009 and 2008.

Noninterest Income

Noninterest income for the quarter end June 30, 2009 decreased by approximately \$34,000 or 50% over the same period in 2008. The decrease from 2009 over 2008 is attributable to the gain in the sale securities of \$47,000 which occurred in 2008. Noninterest income for the six months ended June 30, 2009 increased by \$76,000 or 73.8% over the same period in 2008. The increase from 2009 over 2008 is attributable to the gain in the sale securities of \$111,000.

Noninterest Expense

The Bank recognized stock-based compensation expense of \$41,000 and \$53,000 for the quarters ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008 the Bank recognized stock based compensation of \$88,000 and \$106,000, respectively. This expense is included in noninterest expense under salaries and employee benefits.

BANK OF NAPA, N.A.

The significant components of other expense includes supplies, insurance, regulatory fees and loan expenses which for the quarter ended June 30 were approximately \$8,000, \$14,000, \$44,000 and \$9,000 respectively, in 2009 and \$8,000 and \$15,000, \$12,000 and \$11,000 respectively, in 2008. For the six months ended June 30, 2009 these same significant components were \$10,000, \$15,000, \$68,000 and \$9,000, respectively and \$16,000, \$28,000, \$26,000 and \$31,000 respectively, in 2008. The increase in FDIC insurance of \$42,000 or 161.2% for the six months ending June 30, 2009 compared to the same period in 2008 is attributable to the one-time special assessment of 5 basis points imposed by the FDIC to all financial institutions. This assessment was calculated based on total assets less Tier I capital as of June 30, 2009.

Data processing fees increased by \$13,000 for the quarter-end June 30, 2009 compared to the same period in 2008, an increase of 18.1% and \$30,000 or 25.4% for the six months ended June 30, 2009 compared to the same period in 2008. The increase is attributable to volume increase in the number of accounts for the Bank.

Capital Adequacy

The Bank's capital adequacy ratios at June 30, 2009 and December 31, 2008 are presented in the following table. The ratios at June 30, 2009 as compared to December 31, 2008, declined, typical of de novo institutions. This is primarily due to the expected net loss the Bank incurred in the first six months of 2009.

Capital ratios are reviewed by Management on a regular basis to ensure that capital exceeds the prescribed regulatory minimums and is adequate to meet the Bank's anticipated future needs. All ratios are in excess of the regulatory definition of "well capitalized".

	Actual		Amount of Capital Required			
			To Be Adequately Capitalized		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2009						
Total capital to risk-weighted assets	\$ 17,210	28.9%	\$ 4,758	8.0%	\$ 5,948	10.0%
Tier 1 capital to risk-weighted assets	\$ 16,518	27.8%	\$ 2,379	4.0%	\$ 3,569	6.0%
Tier 1 capital to average assets	\$ 16,518	24.5%	\$ 2,696	4.0%	\$ 3,371	5.0%
As of December 31, 2008						
Total capital to risk-weighted assets	\$ 17,289	34.0%	\$ 4,072	8.0%	\$ 5,090	10.0%
Tier 1 capital to risk-weighted assets	\$ 16,761	32.9%	\$ 2,036	4.0%	\$ 3,054	6.0%
Tier 1 capital to average assets	\$ 16,761	27.7%	\$ 2,419	4.0%	\$ 3,023	5.0%

Liquidity

Liquidity refers to the Bank's ability to maintain cash flows sufficient to fund operations, and to meet obligations and other commitments in a timely and cost-effective fashion. At various times the Bank requires funds to meet short-term cash requirements brought about by loan growth or deposit outflows, the purchase of assets, or liability repayments. An integral part of the Bank's ability to manage its liquidity position appropriately is the Bank's large base of core deposits, which are generated by offering traditional banking services in its service area and which have, historically, been a stable source of funds. To manage liquidity needs properly, cash inflows must be timed to coincide with anticipated outflows or sufficient liquidity resources must be available to

BANK OF NAPA, N.A.

meet varying demands. The Bank manages liquidity to be able to meet unexpected sudden changes in levels of its assets or deposit liabilities without maintaining excessive amounts of balance sheet liquidity. Excess balance sheet liquidity can negatively impact the Bank's interest margin. In order to meet short-term liquidity needs, the Bank utilizes overnight Federal funds purchase arrangements with correspondent banks, solicits brokered deposits if deposits are not available from local sources and maintains a collateralized line of credit with the Federal Home Loan Bank (the "FHLB") of San Francisco. The Bank is now eligible to obtain credit equal to 15 percent of its total assets, with original terms out to 84 months. The Bank is also approved to borrow from the Federal Reserve Bank (the "FRB") Discount Window. In addition, the Bank can raise cash for temporary needs by selling securities under agreements to repurchase and selling securities available-for-sale.

At June 30, 2009 the Bank had approximately \$9.6 million in cash equivalents. Management expects to be able to meet the liquidity needs of the Bank, primarily through balancing loan growth with corresponding increases in deposits and borrowings. The Bank also has unused unsecured formal lines of credit totaling \$10.0 million with its correspondent banks. The Bank had no borrowings outstanding with the FHLB or the FRB.

Financial Instruments with Off-Balance Sheet Risk

The Bank makes commitments to extend credit 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. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments and evaluates each customer's creditworthiness on a case-by-case basis. As of June 30, 2009 the Bank had undisbursed loan commitments of \$14.0 million compared to \$10.0 million as of June 30, 2008. These commitments, to the extent used, are expected to be funded through repayment of existing loans and normal deposit growth. As of June 30, 2009 the Bank has allocated \$24,000 in reserve for the undisbursed loan commitments included in other liabilities.

BANK OF NAPA, N.A.

ITEM 4 CONTROLS AND PROCEDURES

The Bank maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed, is accumulated and communicated to management in a timely manner. Management has reviewed this system of disclosure controls and procedures as of the end of the period covered by this report and believes that the system is operating effectively to ensure appropriate disclosure. No significant changes were made in the Bank's internal controls over financial reporting during the quarter that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 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.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Submission of Matters to a Vote of Security Holders

On May 20, 2009 the Bank conducted its annual meeting of shareholders. At that meeting Richard Neal Anderson, Jeffrey R. Gerlomes, M. Thomas LeMasters and Robert J. Patterson were elected to serve as directors of the Bank for three-year terms until the 2012 Annual Meeting of Shareholders. Additionally, shareholders ratified the selection of Moss Adams LLP, independent certified public accountants, to serve as the Bank's auditors for the fiscal year ending December 31, 2009.

Item 5 Other Information

Item 6 Exhibits

The exhibit index following the signature page is incorporated by reference.

BANK OF NAPA, N.A.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bank of Napa, National Association

Date: August 10, 2009

/s/M. Thomas LeMasters

M. Thomas LeMasters, President and CEO

Date: August 10, 2009

/s/Carmela D. Johnson

Carmela D. Johnson, Interim Chief Financial Officer and Interim Principal Financial Officer

BANK OF NAPA, N.A.

Exhibit Index

No.	Exhibit	Page
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	23
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	24
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	25

BANK OF NAPA, N.A.

EXHIBIT 31.1

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

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

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

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

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

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

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

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

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

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

Dated: August 10, 2009

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

BANK OF NAPA, N.A.

EXHIBIT 31.2

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

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

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

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

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

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

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

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

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

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

Dated: August 10, 2009

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

BANK OF NAPA, N.A.

Exhibit 32

**Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906
of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q of the Bank of Napa, N.A. for the quarter ended June 30, 2009, as filed with the Office of 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-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ M. Thomas LeMasters

M. Thomas LeMasters
President and Chief Executive Officer

Date: August 10, 2009

/s/ Carmela D. Johnson

Carmela D. Johnson
Interim Chief Financial Officer

This certification accompanies each report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.