

**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, 2008

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

(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. As of August 4, 2008 there were 2,288,884 shares outstanding.

BANK OF NAPA, N.A.

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BANK OF NAPA, N.A.

CONDENSED STATEMENT OF CONDITION

December 31, 2007 and June 30, 2008

	June 30, 2008	December 31, 2007
ASSETS	(unaudited)	
Cash and due from banks	\$ 5,172,090	\$ 1,244,926
Federal funds sold	5,280,000	17,270,000
TOTAL CASH AND CASH EQUIVALENTS	10,452,090	18,514,926
Investment securities, available-for-sale	15,270,049	11,307,229
Loans, net	27,531,262	12,086,213
Premises and equipment, net	914,674	989,831
Correspondent bank stock, at cost	592,390	687,257
Accrued interest receivable and other assets	360,753	224,150
TOTAL ASSETS	\$ 55,121,218	\$ 43,809,606
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing demand	\$ 9,432,621	\$ 7,159,876
Interest bearing demand	2,389,080	1,952,464
Money market	19,730,363	10,836,541
Savings	859,423	741,872
Time, less than \$100,000	2,518,699	2,398,490
Time, \$100,000 or more	2,809,881	2,434,592
TOTAL DEPOSITS	37,740,067	25,523,835
Accrued interest payable and other liabilities	234,753	267,054
TOTAL LIABILITIES	37,974,820	25,790,889
 Commitments and contingencies		
Shareholders' Equity:		
Common stock - 30,000,000 shares authorized, \$5.00 par value, 2,288,884 issued and outstanding in 2008; 2,288,884 issued and outstanding in 2007.	11,442,233	11,442,233
Additional Paid in Capital	11,708,010	11,602,314
Accumulated deficit	(5,836,001)	(5,067,338)
Accumulated other comprehensive (loss)/income	(167,844)	41,508
TOTAL SHAREHOLDERS' EQUITY	17,146,398	18,018,717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 55,121,218	\$ 43,809,606

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

BANK OF NAPA, N.A.

CONDENSED STATEMENT OF OPERATIONS

For Three Months and the Six Months Ended June 30, 2007 and 2008

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans	\$ 363,693	\$ 83,775	\$ 602,905	\$ 133,909
Interest on investment securities	149,168	16,096	335,907	16,096
Interest on federal funds sold	44,239	320,210	143,120	627,799
Other interest income	8,221	18,946	18,700	19,803
TOTAL INTEREST AND DIVIDEND INCOME	565,321	439,027	1,100,632	797,607
INTEREST EXPENSE				
Interest on deposits	128,399	99,312	278,548	163,464
TOTAL INTEREST EXPENSE	128,399	99,312	278,548	163,464
NET INTEREST INCOME	436,922	339,715	822,084	634,143
Provision for loan losses	67,000	-	161,000	17,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	369,922	339,715	661,084	617,143
NON-INTEREST INCOME				
Gain on sale of securities	46,676	-	62,299	-
Service charges and other non-interest income	21,491	7,146	40,468	12,661
TOTAL NON-INTEREST INCOME	68,167	7,146	102,767	12,661
NON-INTEREST EXPENSE				
Salaries and benefits	423,475	435,671	846,390	809,681
Occupancy expense	117,985	111,516	231,637	216,334
Data processing expense	69,817	56,977	129,385	105,651
Professional services	63,932	51,244	119,607	110,510
Marketing	15,503	23,352	24,655	48,705
Other expenses	91,818	71,276	180,040	147,348
TOTAL NON-INTEREST EXPENSE	782,530	750,036	1,531,714	1,438,229
LOSS BEFORE INCOME TAXES	(344,441)	(403,175)	(767,863)	(808,425)
Income taxes	-	-	800	800
NET LOSS	\$ (344,441)	\$ (403,175)	\$(768,663)	\$(809,225)
NET LOSS PER SHARE - BASIC	\$ (0.15)	\$ (0.18)	\$ (0.34)	\$ (0.35)

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

BANK OF NAPA, N.A.

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

**December 31, 2006 to December 31, 2007, (audited)
and the Six Month Period Ending June 30, 2008, (unaudited)**

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total	
	Comprehensive Loss	Shares					Amount
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 on securities available- for-sale arising during the year	41,508					41,508	41,508
Total Comprehensive Loss	<u><u>\$(1,985,069)</u></u>						
Balance at December 31, 2007		2,288,884	\$11,442,233	\$ 11,602,314	\$ (5,067,338)	\$ 41,508	\$ 18,018,717
Stock-Based Compensation				105,696			105,696
Comprehensive income:							
Net Loss	(768,663)				(768,663)		(768,663)
Other comprehensive income:							
Unrealized holding loss on securities available- for-sale arising during the period	(200,792)					(200,792)	(200,792)
Less: reclassification adjustment for gain included in net loss	(8,560)					(8,560)	(8,560)
Total Comprehensive Loss	<u><u>\$ (978,015)</u></u>						
Balance at June 30, 2008		2,288,884	\$11,442,233	\$ 11,708,010	\$ (5,836,001)	\$ (167,844)	\$ 17,146,398

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

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

	2008	2007
OPERATING ACTIVITIES		
Net loss	\$ (768,663)	\$ (809,225)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	87,503	76,788
Amortization and accretion on securities	77,141	-
Gain on sale of securities available-for-sale	(62,299)	-
Provision for loan losses	161,000	17,000
Stock based compensation expense	105,696	79,986
Net change in accrued interest receivable and other assets	(136,604)	(57,094)
Net change in accrued interest payable and other liabilities	(32,301)	58,608
NET CASH USED BY OPERATING ACTIVITIES	(568,527)	(633,937)
INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(14,502,853)	(3,500,000)
Proceeds of matured, sold and called securities available-for-sale	10,315,839	-
Net change in loans	(15,606,049)	(1,376,874)
Purchase of premises and equipment	(12,346)	(41,954)
Redemption (purchase) of correspondent bank stock	94,867	(63,257)
NET CASH USED BY INVESTING ACTIVITIES	(19,710,542)	(4,982,085)
FINANCING ACTIVITIES		
Net changes in deposits	12,216,233	8,246,322
Proceeds from exercise of warrants	-	3,125
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,216,233	8,249,447
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,062,836)	2,633,425
Cash and cash equivalents at beginning of year	18,514,926	23,733,842
Cash and cash equivalents at end of the period	\$ 10,452,090	\$ 26,367,267
 Supplemental disclosures of cash flow information:		
Interest paid	\$ 176,400	\$ 112,360
Income taxes paid	\$ 800	\$ 800
 Supplemental disclosure of noncash activities:		
Net change in unrealized gains and losses on available-for-sale securities	\$ (209,352)	\$ 6,050

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.

The Bank commenced operations on August 14, 2006. The Bank engages in commercial banking activities to deliver its products and services to the public through one branch located in Napa County, California.

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.

Recent Accounting Pronouncements

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. SFAS No.157 was adopted on January 1, 2008 and did not have any material impact on our financial statements.

BANK OF NAPA, N.A.

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

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 results of operations. SFAS No.159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS No.159 was adopted on January 1, 2008 and did not have any material impact on our financial statements.

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, 2007.

In the opinion of management, the unaudited interim financial statements contain all adjustments necessary to present fairly the financial position, results of operation, change in shareholders' equity and cash flows. All 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, 2008, no reserve balance was required.

NOTE 3 - Investment Securities Available for Sale

At June 30, 2008 and December 31, 2007, all of the Bank's securities are classified as available for sale. Investments classified as available for sale are reported at fair value, with unrealized gains and losses, net of related tax, if any, reported as a separate component of comprehensive income and included in shareholders' equity until realized. For the majority of the Bank's securities, fair values are determined based upon quoted prices for similar securities.

BANK OF NAPA, N.A.

NOTE 3 - Investment Securities Available for Sale - Continued

At June 30, 2008, the Bank's investment portfolio, comprised of U.S. Government Agency Securities and taxable municipal bonds, had an amortized cost of approximately \$15,438,000. The maturity of these securities ranges from one month to ten years, and the average life of the portfolio is 3.65 years.

Following is a comparison of the amortized cost and approximate fair value of securities available for sale as of June 30, 2008 and December 31, 2007:

	June 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government agency securities	\$ 12,830,413	\$ 4,360	\$ (144,623)	\$ 12,690,150
Taxable Munis	2,607,480	-	(27,581)	2,579,899
	\$ 15,437,893	\$ 4,360	\$ (172,204)	\$ 15,270,049
	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

As of June 30, 2008 all unrealized losses are less than 12 months. During the six months ended June 30, 2008, the Bank received proceeds in the amount of \$5,440,778 for three mortgage-back securities sold and realized gains of the sales in the amount of \$62,299.

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, 2008 and December 31, 2007 are as follows:

	June 30, 2008		December 31, 2007	
	Amount	Percent of Total	Amount	Percent of Total
Loan category:				
Agricultural and Land Loans	\$ 858,085	3.1%	\$ 11,500	0.1%
Commercial	7,958,045	28.7%	4,346,699	35.6%
Commercial Real Estate	9,541,893	34.4%	7,778,250	63.8%
Installment and other	9,363,217	33.7%	62,607	0.5%
Total Gross Loans	<u>\$ 27,721,240</u>	<u>100.0%</u>	<u>\$ 12,199,056</u>	<u>100.0%</u>
Deferred loan fees and costs, net	82,022		(1,843)	
Allowance for loan losses	(272,000)		(111,000)	
Net Loans	<u>\$ 27,531,262</u>		<u>\$ 12,086,213</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.

An analysis of changes in the allowance for credit losses is as follows:

	For the Six Months Ended	
	June 30, 2008	June 30, 2007
Allowance for loan losses:		
Balance at the beginning of the period	\$ 111,000	\$ 30,000
Loans charged off	-	-
Recoveries	-	-
Provisions	161,000	20,000
Balance at the end of the period	<u>\$ 272,000</u>	<u>\$ 50,000</u>

Impaired loans 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, 2008, December 31, 2007 and June 30, 2007, the Bank did not have 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

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, 2008	December 31, 2007
Leasehold improvements	\$ 727,049	\$ 727,049
Furniture, fixtures, and equipment	339,159	335,199
Data Processing & Computers	163,087	154,701
	<u>1,229,295</u>	<u>1,216,949</u>
Less: Accumulated depreciation and amortization	(314,621)	(227,118)
	<u>\$ 914,674</u>	<u>\$ 989,831</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, 2008 and December 31, 2007, 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	
	2008	2007	2008	2007
Net (loss)	\$ (344,441)	\$ (403,175)	\$ (768,663)	\$ (809,225)
Weighted average shares used in computing:				
Basic earnings per share	2,288,884	2,288,884	2,288,884	2,288,884
Total average shares and equivalents	2,288,884	2,288,884	2,288,884	2,288,884
Basic loss per share	\$ (0.15)	\$ (0.18)	\$ (0.34)	\$ (0.35)

NOTE 8 – 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 June 30, 2008 is summarized below:

Aggregate amount outstanding, December 31, 2007	\$ 1,156,342
New loans or advances during the period	989,283
Repayments during the period	445,278
Aggregate amount outstanding, June 30, 2008	\$ 1,700,347
Loan commitments	\$ 2,108,688
Related party deposits	\$ 1,714,465

BANK OF NAPA, N.A.

Note 9 – Fair Value Measurement

SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurement. Upon adoption of SFAS No. 157, there was no cumulative effect adjustment to beginning retained earnings and no impact on the financial statements.

The following table presents information about the Bank’s assets measured at fair value on a recurring basis as of June 30, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by the Bank to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Bank’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Description	Fair Value Measurements at June 30, 2008, Using			
	Fair Value June 30, 2008	Quoted Prices in Active Markets Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities, available-for-sale	\$ 15,270,049	\$ -	\$ 15,270,049	\$ -
Total assets measured at fair value	\$ 15,270,049	\$ -	\$ 15,270,049	\$ -

The following method was used to estimate the fair value of the financial instrument above:

Securities - Fair values for investment securities are based on quoted market prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available.

BANK OF NAPA, N.A.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN 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

For the three and six months ended June 30, 2008, the Bank reported net losses of \$344,000 and \$769,000, compared to net losses of \$403,000 and \$809,000 for three and six months ended June 30, 2007, respectively. Losses per share were \$.15 and \$.34 for the three and six months ended June 30, 2008, compared to losses of \$.18 and \$.35 for the three and six months ended June 30, 2007, respectively.

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. 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.

Interest income increased 28.7% to \$565,000 for the three months ended June 30, 2008, compared to \$439,000 for the three months ended June 30, 2007. Interest expense of \$128,000 increased from \$99,000 as a result of increases in the volume of deposits for the three months ended June 30, 2008 and 2007, respectively.

Through June 30, 2008, the Bank's net interest income was \$822,000 compared to \$634,000 or an increase of 29.7% from the same period in 2007. The increase in total interest income from \$798,000 to \$1,101,000 was largely generated from an increase in loans and investment securities. Interest expense of \$279,000 increased from \$163,000

BANK OF NAPA, N.A.

as a result of increases in the volume of deposits for the six months ended June 30, 2008 and 2007, respectively.

The Bank's net interest margin as shown in Table 1, decreased to 3.57% for the three months ended June 30, 2008 from 4.49% for the same period in 2007, a decrease of 92 basis points(100 basis points = 1%) between the two periods. The prime rate averaged 5% for the three months ended June 30, 2008 compared to 8.25% for the comparative three months of 2007.

For the six months ended June 30, 2008 the net interest margin decreased 95 basis points from 4.46% to 3.51%. The prime rate averaged 5.69% for the six months ended June 30, 2008 compared to 8.25% for the comparative six months of 2007.

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>					
	<u>June 30, 2008</u>			<u>June 30, 2007</u>		
	<u>Average</u>	<u>Yield /</u>	<u>Income /</u>	<u>Average</u>	<u>Yield /</u>	<u>Income /</u>
	<u>Balance</u>	<u>Cost</u>	<u>Expense</u>	<u>Balance</u>	<u>Cost</u>	<u>Expense</u>
Assets						
Interest Earning Assets:						
Loans, gross	\$ 22,529,569	6.49%	\$ 363,693	\$ 3,768,174	8.92%	\$ 83,775
Federal Funds Sold	8,845,989	2.01%	44,239	24,631,044	5.21%	320,210
Debt Securities	17,259,705	3.48%	149,168	1,235,191	5.23%	16,096
Other Securities	599,759	5.51%	8,221	713,256	10.65%	18,946
Total Interest Earning Assets	<u>49,235,022</u>	<u>4.62%</u>	<u>565,321</u>	<u>30,347,665</u>	<u>5.80%</u>	<u>439,027</u>
Non-Interest Earning Assets:						
Cash and Due From Banks	3,119,665			884,099		
All Other Assets	1,019,158			1,115,250		
Total Assets	<u>\$ 53,373,845</u>			<u>\$ 32,347,014</u>		
Liabilities and Equity						
Interest Bearing Liabilities:						
Interest-bearing demand	2,422,675	0.82%	4,911	1,553,016	1.09%	4,211
Money Market	18,286,894	1.59%	72,230	6,251,920	3.90%	60,721
Savings	883,750	0.67%	1,477	554,062	1.34%	1,853
CDs > \$100K	2,833,065	3.86%	27,207	1,724,310	4.93%	21,201
CDs < \$100K	2,459,041	3.69%	22,574	984,001	4.62%	11,326
Total Interest Bearing Deposits	<u>26,885,425</u>	<u>1.92%</u>	<u>128,399</u>	<u>11,067,309</u>	<u>3.60%</u>	<u>99,312</u>
Total Interest Bearing Liabilities	<u>26,885,425</u>	<u>1.92%</u>	<u>128,399</u>	<u>11,067,309</u>	<u>3.60%</u>	<u>99,312</u>
Non-Interest Bearing Liabilities:						
Non-Interest Bearing Demand	8,877,412			1,766,788		
Other Liabilities	214,867			179,585		
Stockholders' Equity	17,396,141			19,333,332		
Total Liabilities and Equity	<u>\$ 53,373,845</u>			<u>\$ 32,347,014</u>		
Net Interest Margin / Net Interest Income		3.57%	436,922		4.49%	339,715

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	<u>Six Months Ended</u> June 30, 2008			<u>Six Months Ended</u> June 30, 2007		
	<u>Average</u> <u>Balance</u>	<u>Yield /</u> <u>Cost</u>	<u>Income /</u> <u>Expense</u>	<u>Average</u> <u>Balance</u>	<u>Yield /</u> <u>Cost</u>	<u>Income /</u> <u>Expense</u>
Assets						
Interest Earning Assets:						
Loans, gross	\$ 18,318,803	6.62%	\$ 602,905	\$ 3,095,110	8.72%	\$ 133,909
Federal Funds Sold	10,186,648	2.78%	143,120	24,262,376	5.15%	627,799
Debt Securities	17,974,411	3.70%	335,907	621,007	5.16%	16,096
Other Securities	643,887	5.74%	18,700	682,800	5.77%	19,803
Total Interest Earning Assets	<u>47,123,749</u>	<u>4.70%</u>	<u>1,100,632</u>	<u>28,661,293</u>	<u>5.61%</u>	<u>797,607</u>
Non-Interest Earning Assets:						
Cash and Due From Banks	2,534,998			830,037		
All Other Assets	1,096,527			1,126,936		
Total Assets	<u>\$ 50,755,274</u>			<u>\$ 30,618,266</u>		
Liabilities and Equity						
Interest Bearing Liabilities:						
Interest-bearing demand	2,471,619	0.90%	11,122	1,341,567	0.90%	5,999
Money Market	15,992,828	1.95%	154,910	5,403,898	3.83%	102,768
Savings	887,716	0.87%	3,859	502,171	1.27%	3,163
CDs > \$100K	2,817,667	4.29%	60,107	1,307,106	4.91%	31,815
CDs < \$100K	2,390,910	4.08%	48,550	867,642	4.58%	19,719
Total Interest Bearing Deposits	<u>24,560,740</u>	<u>2.28%</u>	<u>278,548</u>	<u>9,422,384</u>	<u>3.50%</u>	<u>163,464</u>
Total Interest Bearing Liabilities	<u>24,560,740</u>	<u>2.28%</u>	<u>278,548</u>	<u>9,422,384</u>	<u>3.50%</u>	<u>163,464</u>
Non-Interest Bearing Liabilities:						
Non-Interest Bearing Demand	8,283,062			1,503,077		
Other Liabilities	246,247			159,489		
Stockholders' Equity	17,665,225			19,533,316		
Total Liabilities and Equity	<u>\$ 50,755,274</u>			<u>\$ 30,618,266</u>		
Net Interest Margin / Net Interest Income		3.51%	822,084		4.46%	634,143

Since December 31, 2007 through June 30, 2008, the total deposits of the Bank have increased to \$37.7 million while earning assets (the combination of federal funds sold, securities and loans) totaled \$53.5 million.

BANK OF NAPA, N.A.

Table 2. Rate and Volume Analysis for the Three and Six Months Ended:

Three Months Ended			
June 30, 2008 compared to June 30, 2007			
Increase (decrease) due to change in			
	Average Volume	Average Rate	Total Change
Interest income			
Loans	\$ 302,635	\$ (22,717)	\$ 279,918
Federal funds sold	(82,171)	(193,800)	(275,971)
Investment securities	138,404	(5,332)	133,072
Other interest earning assets	(1,706)	(9,019)	(10,725)
Total interest income	<u>357,161</u>	<u>(230,867)</u>	<u>126,294</u>
Interest expense			
Interest-bearing demand	\$ 1,751	\$ (1,051)	\$ 700
Savings and money market	47,368	(36,235)	11,133
Time deposits \$100,000 or more	10,590	(4,584)	6,006
Time under \$100,000	13,510	(2,262)	11,248
Total interest expense	<u>73,219</u>	<u>(44,132)</u>	<u>29,087</u>
Change in net interest income	<u>\$ 283,942</u>	<u>\$ (186,735)</u>	<u>\$ 97,207</u>
Six Months Ended			
June 30, 2008 compared to June 30, 2007			
Increase (decrease) due to change in			
	Average Volume	Average Rate	Total Change
Interest income			
Loans	\$ 501,411	\$ (32,415)	\$ 468,996
Federal funds sold	(196,017)	(288,662)	(484,679)
Investment securities	324,346	(4,535)	319,811
Other interest earning assets	(1,075)	(28)	(1,103)
Total interest income	<u>628,666</u>	<u>(325,641)</u>	<u>303,025</u>
Interest expense			
Interest-bearing demand	\$ 5,102	\$ 21	\$ 5,123
Savings and money market	103,514	(50,676)	52,838
Time deposits \$100,000 or more	32,312	(4,020)	28,292
Time under \$100,000	30,986	(2,155)	28,831
Total interest expense	<u>171,914</u>	<u>(56,830)</u>	<u>115,084</u>
Change in net interest income	<u>\$ 456,752</u>	<u>\$ (268,811)</u>	<u>\$ 187,941</u>

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Provision 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 six months ended June 30, 2008, the provision to the allowance for loan losses amounted to \$161,000 compared to \$17,000 for the six months ended June 30, 2007. The amount provided to the allowance for loan losses during the first six months brought the allowance to .98% of outstanding balances at June 30, 2008, compared to .91% of net loans outstanding at December 31, 2007. The increase in provision was due to the increase in total loans outstanding. 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, 2008 and 2007.

Noninterest Expense

Increases in noninterest expense between the three months and six months ended June 30, 2008 and 2007 are associated primarily with normal continued growth of the Bank.

The Bank recognized stock-based compensation expense of \$53,000 and \$106,000 for the three months and six months ended June 30, 2008, respectively; compared to \$18,000 and \$80,000 for the same periods in 2007, respectively. This expense is included in noninterest expense under salaries and employee benefits.

The significant components of other expense includes supplies, stockholder expenses, regulatory fees, insurance, and loan expenses which were approximately \$16,000, 16,000, \$26,000, \$28,000 and \$31,000 respectively, for the six months ended in 2008 and \$32,000, \$7,000, \$25,000, \$25,000 and \$2,000 respectively, for the same period in 2007.

Capital Adequacy

The Bank's capital adequacy ratios at June 30, 2008 and December 31, 2007 are presented in the following table. The ratios at June 30, 2008 as compared to December 31, 2007, declined, typical of de novo institutions. This is primarily due to the expected net loss the Bank incurred in the first six months of 2008.

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".

BANK OF NAPA, N.A.

	Amount of Capital Required					
	Actual		To Be Adequately Capitalized		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2008						
Total capital to risk-weighted assets	\$ 17,586	53.4%	\$ 2,635	8.0%	\$ 3,294	10.0%
Tier 1 capital to risk-weighted assets	\$ 17,314	52.6%	\$ 1,318	4.0%	\$ 1,977	6.0%
Tier 1 capital to average assets	\$ 17,314	32.4%	\$ 2,135	4.0%	\$ 2,669	5.0%
As of December 31, 2007						
Total capital to risk-weighted assets	\$ 18,088	100.2%	\$ 1,444	8.0%	\$ 1,805	10.0%
Tier 1 capital to risk-weighted assets	\$ 17,977	99.6%	\$ 739	4.0%	\$ 1,083	6.0%
Tier 1 capital to average assets	\$ 17,977	42.3%	\$ 1,699	4.0%	\$ 2,124	5.0%

Liquidity

The goal of liquidity management is to provide adequate funds to meet both loan demands and unexpected deposit withdrawals. This goal is accomplished by maintaining an appropriate level of liquid assets, consistent with deposit growth, and formal lines of credit to borrow funds from correspondent banks.

At June 30, 2008 the Bank had approximately \$10.5 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 \$8.0 million with its correspondent banks.

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, 2008 the Bank had undisbursed loan commitments of \$10.0 million compared to \$1.6 million as of June 30, 2007. These commitments, to the extent used, are expected to be funded through repayment of existing loans and normal deposit growth. As of June 30, 2008 the Bank has allocated \$20,000 in reserve for the undisbursed loan commitments.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits and securities. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Bank. As of June 30, 2008, the Bank is not subject to foreign exchange or commodity price risk and has no market risk sensitive instruments held for trading purposes; nor does the bank use interest rate derivatives to hedge its interest rate risk.

BANK OF NAPA, N.A.

ITEM 4T. 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 15, 2008 the Bank conducted its annual meeting of shareholders. At that meeting Greg Alan Bennett, Malcolm Alison Mackenzie, Joseph F. Malato and Lisa Renee Paul were elected to serve as directors of the Bank for three-year terms until the 2011 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, 2008.

Item 5 Other Information

Mr. Michael Livingston resigned from the Board of Directors of Bank of Napa, N.A., effective April, 16, 2008. Mr. Livingston's term as Director was to expire at the registrant's annual meeting on May 15, 2008.

Mr. Douglas Kent Payne resigned from the Board of Directors of Bank of Napa, N.A., effective May 13, 2008. Mr. Payne's term as Director was to expire at the registrant's 2009 annual meeting.

BANK OF NAPA, N.A.

Item 6 Exhibits

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

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 6, 2008

/s/ M. Thomas LeMasters

M. Thomas LeMasters, President and CEO

Date: August 6, 2008

/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.	24
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	25
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.	26

BANK OF NAPA, N.A.

Exhibit 31.1

CERTIFICATIONS

I, M. Thomas LeMasters, certify that:

1. I have reviewed this 10-Q report of the Bank of Napa, N.A.
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(s) 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 Rules 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, including its consolidated subsidiaries, 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 controls over the financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the 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 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (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 control over financial reporting.

Date: August 6, 2008

/s/ M. Thomas LeMasters

M. Thomas LeMasters

President & Chief Executive Officer

BANK OF NAPA, N.A.

Exhibit 31.2

CERTIFICATIONS

I, Carmela D. Johnson, certify that:

1. I have reviewed this 10-Q report of the Bank of Napa, N.A.
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(s) 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 Rules 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, including its consolidated subsidiaries, 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 controls over the financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the 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 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (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 control over financial reporting.

Date: August 6, 2008

/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, 2008, 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 6, 2008

/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.