

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

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended: September 30, 2007**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number \_\_\_\_\_

**BANK OF NAPA, NATIONAL ASSOCIATION**

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

United States of America

(State or other jurisdiction of employee incorporation or organization)

TIN 20-2314309

(I.R.S Employer Identification No.)

2007 Redwood Road, Suite 101, Napa, CA 94558

(Address of principal executive offices)

707-257-7777

(Issuer's telephone number and area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Not Applicable

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

2,288,884 as of November 8, 2007

Transitional Small Business Disclosure Format (Check one): Yes  No

# BANK OF NAPA, N.A.

## TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
Item 1	Financial Statements	
	Condensed Statement of Condition (Unaudited)	3
	Condensed Statement of Operations (Unaudited)	4
	Condensed Statement of Changes in Stockholders' Equity (Unaudited)	5
	Condensed Statement of Cash Flows (Unaudited)	6
	Notes to Financial Statements (Unaudited)	7
Item 2	Management's Discussion and Analysis or Plan of Operation	12
Item 3	Controls and Procedures	16
PART II	OTHER INFORMATION	
Item 1	Legal Proceedings	17
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	17
Item 3	Defaults Upon Senior Securities	17
Item 4	Submission of Matters to a Vote of Security Holders	17
Item 5	Other Information	17
Item 6	Exhibits	17
	Signatures	18
	Exhibit Index	19
	Certifications	20-21

# BANK OF NAPA, N.A.

<b>CONDENSED STATEMENT OF CONDITION</b>
---

(dollars in thousands, except share amounts - unaudited)

September 30, 2007    December 31, 2006

<b>Assets</b>		
Cash and due from banks	\$1,301	\$999
Federal funds sold	19,600	22,735
Cash and cash equivalents	20,901	23,734
Investment Securities		
Available for sale at fair market value (cost \$11,912)	11,931	---
Loans, net of allowance for loan losses of		
\$57 in 2007 and \$30 in 2006	5,585	1,091
Bank premises and equipment, net	1,023	1,075
Interest receivable and other assets	923	702
<b>Total Assets</b>	\$40,363	\$26,602
 <b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Non-interest bearing	5,384	\$1,176
Interest bearing		
Transaction accounts	2,294	606
Savings and money market	9,176	3,527
Time	4,707	1,298
Total deposits	21,561	6,607
Interest payable and other liabilities	238	136
<b>Total Liabilities</b>	21,799	6,743
 <b>Stockholders' Equity</b>		
Common stock,		
Authorized - 30,000,000 shares		
Issued and outstanding - 2,288,884 shares at September 30, 2007, and 2,288,634 at December 31, 2006	23,010	22,899
Accumulated other comprehensive income	19	---
Accumulated Deficit	(4,465)	(3,040)
<b>Total Stockholders' Equity</b>	18,564	19,859
<b>Total Liabilities and Stockholders' Equity</b>	\$40,363	\$26,602

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

**BANK OF NAPA, N.A.**

**CONDENSED STATEMENT OF OPERATIONS**  
**The Three Month Period Ended September 30, 2007,**  
**And From August 14, 2006 (date operations commenced) to September 30, 2006**  
**And the Nine Month Period Ended September 30, 2007**

	For the three months ended September 30, 2007	August 14, 2006 to September 30, 2006	For the nine Months ended September 30, 2007
(dollars in thousands, except share amounts - unaudited)			
<b>Interest income</b>			
Interest and fees on loans	\$66	\$0	\$200
Interest on investment securities	70	0	86
Interest on federal funds sold	<u>341</u>	<u>130</u>	<u>969</u>
Total interest income	<u>477</u>	<u>130</u>	<u>1,255</u>
<b>Interest expense</b>			
Interest on deposits	<u>145</u>	<u>3</u>	<u>309</u>
Total interest expense	<u>145</u>	<u>3</u>	<u>309</u>
Net interest income	332	127	946
Provision for loan losses	10	<u>10</u>	<u>30</u>
Net interest income after provision for loan losses	<u>322</u>	<u>117</u>	<u>916</u>
<b>Non-interest income</b>			
Service charges on deposit accounts and other income	<u>10</u>	<u>1</u>	<u>43</u>
Total non-interest income	<u>10</u>	<u>1</u>	<u>43</u>
<b>Non-interest expense</b>			
Salaries and related benefits	548	217	1,358
Occupancy and equipment	85	63	242
Depreciation and amortization	41	29	118
Data processing	43	30	131
Other expense	<u>231</u>	<u>113</u>	<u>533</u>
Total non-interest expense	<u>948</u>	<u>452</u>	<u>2,382</u>
Loss before provision for income taxes	(615)	(334)	(1,423)
Provision for income taxes	1	0	2
Net loss	<u>\$(616)</u>	<u>\$(334)</u>	<u>\$(1,425)</u>
Net loss per common share			
Basic	\$(0.27)	\$(0.15)	\$(0.62)

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

**BANK OF NAPA, N.A.**

**CONDENSED STATEMENT OF CHANGES IN  
STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS**  
From August 14, 2006 (date operations commenced) to December 31, 2006,  
and the Nine Month Period Ended September 30, 2007

(dollars in thousands, except share amounts - unaudited)	Common Stock		Accumulated Other Comprehensive Income	Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Initial capitalization						
August 14, 2006	2,288,634	\$22,881	\$-----	\$----	\$-----	\$22,881
Pre-opening expenses	-----	-----	-----	-----	(2,186)	(2,186)
Stock based compensation expense	-----	18	-----	-----	-----	18
Net loss	-----	-----	-----	-----	(854)	(854)
<b>Balance at December 31, 2006</b>	<b>2,288,634</b>	<b>\$22,899</b>	<b>\$-----</b>	<b>\$-----</b>	<b>\$(3,040)</b>	<b>\$19,859</b>
Exercise of purchase warrants	250	2	-----	-----	-----	2
Stock based compensation expense	-----	109	-----	-----	-----	109
Net change in unrealized gain on available for sale securities	-----	-----	19	19	-----	19
Net loss	-----	-----	-----	(1,425)	(1,425)	(1,425)
Comprehensive loss	-----	-----	-----	<u><b>\$(1,406)</b></u>	-----	-----
<b>Balance at September 30, 2007</b>	<b><u>2,288,884</u></b>	<b><u>\$23,010</u></b>	<b><u>19</u></b>	<b><u>\$(4,465)</u></b>	<b><u>\$18,564</u></b>	

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

**BANK OF NAPA, N.A.**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**From August 14, 2006 (date operations commenced) to September 30, 2006,**  
**And the Nine Month Period Ended September 30, 2007**

(dollars in thousands - unaudited)	Nine Months Ended September 30, 2007	August 14, 2006 to September 30, 2006
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$(1,425)	\$(334)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for loan losses	30	10
Depreciation and amortization	118	29
Stock based compensation expense	109	0
Net change in operating assets and liabilities:		
Interest receivable and other assets	(222)	(700)
Interest payable and other liabilities	101	46
Total adjustments	136	(615)
Net cash used in operating activities	(1,289)	(949)
<b>Cash Flows from Investing Activities:</b>		
Loans originated and principal collected, net	(4,521)	(33)
Purchase of securities available for sale	(11,912)	0
Additions to premises and equipment	(67)	(19)
Net cash used in investing activities	(16,500)	(52)
<b>Cash Flows from Financing Activities:</b>		
Net increase in deposits	14,954	2,555
Cash received from exercise of purchase warrants	2	0
Net cash provided by financing activities	14,956	2,555
Net (decrease) increase in cash and cash equivalents	(2,833)	1,554
Cash and cash equivalents at beginning of period	23,734	19,616
Cash and cash equivalents at end of period	20,901	21,170
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest on deposits	\$249	\$69
Cash paid for income taxes	\$2	\$0
<b>Cash Flows From Pre-opening Activities:</b>		
Advances from organizers		\$1,680
Proceeds from organizer line of credit		1,690
Proceeds from issuance of common stock		21,645
Repayment of organizer line of credit		(1,690)
Pre-opening expenses		(2,186)
Purchase of property, plant and equipment		(1,069)
Repayment to organizers for initial investment		(454)
Cash and cash equivalents at date operations commenced August 14, 2006		\$19,616

\$1,236,000 of common stock was paid to organizers in lieu of cash as repayment for their initial investment

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

# **BANK OF NAPA, N.A.**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

## BANK OF NAPA, N.A.

*Investment Securities* are classified as "held to maturity" or "available for sale." Investments classified as held to maturity are those that the Bank has the ability and intent to hold until maturity and are reported at cost, adjusted for the amortization or accretion of premiums or discounts. 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 stockholders' equity until realized. For the majority of the Bank's securities, fair values are determined based upon quoted prices for similar securities.

At September 30, 2007, the Bank's investment portfolio, comprised entirely of U.S. Government Agency Securities, had a book value of \$11,912,000. The maturity of these securities ranges from three months to five years, and the average life of the portfolio is 1.27 years.

(000 omitted)	Amortized Cost	Gross Unrealized Gain	Fair Value
Securities of U.S. Government Agencies and Corporations	\$11,912	\$19	\$11,931

*Organization and Stock Offering Costs*-Expenses incurred during the organizational stage prior to opening for business on August 14, 2006 totaled \$2,186,000. Organization costs were expensed as incurred in accordance with Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities."

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

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

*Cash and cash equivalents* – Cash and cash equivalents include cash on hand, amounts due from banks, money market funds, and federal funds sold. Generally, federal funds are sold for one-day periods. The Bank maintains the minimum required amount of funds on deposit with other federally insured financial institutions under correspondent banking agreements. Generally, banks are required to maintain non-interest bearing cash reserves equal to a percentage of certain deposits. For the period ended September 30, 2007, no reserve balance was required.

## BANK OF NAPA, N.A.

*Loans and allowance for loan losses* – Loans are reported at the principal amount outstanding, net of deferred loan fees and costs, and the allowance for loan losses. Interest on loans is calculated by using the simple interest method on the daily balance of the principal amount outstanding.

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

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans, based on evaluations of collectibility and prior loss experience of loans. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, and current economic conditions that may affect the borrower's ability to pay.

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

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

The estimated lives used in determining depreciation and amortization are:

Equipment	2 – 7 years
Furniture and fixtures	2 – 7 years
Leasehold improvements	10 years

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

## BANK OF NAPA, N.A.

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

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

*Pre-opening Activities*-During the organizational period, the Bank incurred pre-opening expenses of \$2,186,000 from 2003 through August 14, 2006, the date operations commenced. These expenses were charged to the accumulated deficit at the date the Bank commenced operations. Cash flows from pre-opening activities are as follows:

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

\$1,236,000 of common stock was paid to organizers in lieu of cash as repayment of their initial investment.

## **BANK OF NAPA, N.A.**

Recent Accounting Pronouncements- In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (FIN 48) which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. This interpretation is effective for fiscal years beginning after December 15, 2006. The Bank adopted this standard as of January 1, 2007 and has determined that this interpretation has no material impact on our results from operations or financial position.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 enhances existing guidance for measuring assets and liabilities using fair value. Prior to the issuance of FAS 157, guidance for applying fair value was incorporated in several accounting pronouncements. FAS 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. FAS 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 FAS 157, fair value measurements are disclosed by level within that hierarchy. While FAS 157 does not add any new fair value measurements, it does change current practice. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Bank does not expect the adoption of this statement to have a material impact on its financial condition, results of operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS 159"), "The Fair Value Options for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for the first fiscal period beginning after November 15, 2007. The Bank does not expect the adoption of this statement to have a material impact on its financial condition, results of operations or cash flows.

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB 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, 2006. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for presentation have been included.

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

## BANK OF NAPA, N.A.

### NOTE 2-- RELATED-PARTY TRANSACTIONS

The Bank, in the normal course of business, makes loans to and receives deposits from its directors, executive 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 September 30, 2007 is summarized as follows:

Through September 30, 2007 the Bank paid annual premiums of \$10,700 for a Worker's Compensation Policy to an insurance broker whose Chief Executive Officer is a director of the Bank. The agency received broker commissions totaling \$1,600.

<b>Loans to Directors, and Executive Officers are:</b>	(000 omitted)
Aggregate amount outstanding, December 31, 2006	\$49
New loans or advances during the period	1,035
Repayments during the period	<u>27</u>
Aggregate amount outstanding, September 30, 2007	<u>1,057</u>
Loan commitments	<u>1,552</u>
Related party deposits	<u>\$2,262</u>

### 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 issue date of this 10-QSB report.

## BANK OF NAPA, N.A.

### *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.

Through September 30, 2007, the Bank's net interest income before provision for loan losses was \$946,000. Total interest income of \$1,255,000 was largely generated from the sale of federal funds. Interest expense of \$309,000 resulted from interest paid to the Bank's depositors resulting in a year to date net interest margin of 4.17%.

### *Distribution of Average Statement of Condition and Analysis of Net Interest Income for the Three and Nine Months Ended September 30, 2007*

(dollars in thousands)

	Three months ended September 30, 2007			Nine months ended September 30, 2007		
	AVERAGE BALANCE	INTEREST EARNED/ PAID	YIELD/ RATE	AVERAGE BALANCE	INTEREST EARNED/ PAID	YIELD/ RATE
Fed funds sold	\$26,678	\$341	5.07%	\$25,076	\$969	5.16%
Agency securities	\$5,231	\$70	5.28%	\$2,175	\$86	5.27%
Gross loans	<u>\$3,050</u>	<u>\$66</u>	<u>8.54%</u>	<u>\$3,079</u>	<u>\$200</u>	<u>8.67%</u>
Average earning assets	\$34,959	\$477	5.40%	\$30,330	\$1,255	5.53%
Interest bearing transaction accounts	\$1,840	\$7	1.51%	\$1,509	\$13	1.15%
Savings accounts	\$9,344	\$88	3.72%	\$7,065	\$194	3.66%
Time deposits	\$4,052	\$50	4.89%	\$2,807	\$102	4.83%
Borrowings	<u>\$2</u>	<u>\$0</u>		<u>\$1</u>	<u>\$0</u>	
Total interest bearing funds	\$15,238	\$145	3.77%	\$11,382	\$309	3.62%
Net interest income		\$332			\$946	
Net interest margin			3.76%			4.17%
Net interest spread			1.64%			1.91%

## BANK OF NAPA, N.A.

Since the date operations commenced (August 14, 2006) through September 30, 2007, the total deposits of the Bank have increased to \$21.6 million while earning assets (the combination of federal funds sold, investment securities and loans) totaled \$37.2 million.

*Non-interest expenses*-The Bank's non interest expenses year to date and for third quarter of 2007 are shown below.

(000 omitted)	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
Salaries and related benefits	\$548	\$1,358
Occupancy and equipment	85	242
Depreciation and amortization	41	118
Data processing	43	131
Other expense	231	533

The significant components of third quarter other expense includes marketing and advertising costs; legal, accounting and audit fees; insurance; and regulatory fees which were \$31,374; \$61,731; \$25,500; 13,158; and \$10,200, respectively.

Additionally, in the third quarter of 2007, the Bank incurred \$121,000 in severance costs in connection with the resignation of its President and CEO which included compensation equal to six months' base salary, including associated payroll taxes.

*Provision for loan losses and allowance for loan losses* - At September 30, 2007, the Bank's allowance for loan losses equaled \$57,000. In the second quarter of 2007 the Bank's allowance for loan losses was \$47,000. An additional \$10,000 was added in the third quarter of 2007. Additionally, there are no loans which have been charged-off or loans that are on non accrual status as of September 30, 2007.

At the conclusion of the third quarter of 2007, the Bank's total assets equaled \$40.4 million. Federal funds sold were the largest component of the Bank's assets as they totaled \$19.6 million. The Bank's deposits reached \$21.6 million, and \$16.9 million of this total was centered in demand, savings and money market accounts.

*Capital Adequacy* - The Bank's capital adequacy ratios at September 30, 2007, June 30, 2007, March 31, 2007 and December 31, 2006 are presented in the following table. The ratios for the first, second and third quarters of 2007, typical of de novo institutions, have declined since December 31, 2006. This is primarily due to the expected net loss the Bank incurred in 2007.

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.

<b>Capital Adequacy</b>	Actual Ratio	Ratio For Capital Adequacy Purposes	Ratio To Be Well Capitalized Under Prompt Corrective Action Provisions
As of September 30, 2007			
Total Capital (to risk-weighted assets)	148.30%	≥8.0%	≥10.0%
Tier 1 Capital (to risk-weighted assets)	147.85%	≥4.0%	≥ 6.0%
Tier 1 Capital (to average assets)	48.90%	≥4.0%	≥ 5.0%
As of December 31, 2006			
Total Capital (to risk-weighted assets)	320.89%	≥8.0%	≥10.0%
Tier 1 Capital (to risk-weighted assets)	320.10%	≥4.0%	≥ 6.0%
Tier 1 Capital (to average assets)	80.46%	≥4.0%	≥ 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 September 30, 2007 the Bank had approximately \$20.9 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 nine million dollars with its correspondent banks.

*Quantitative and qualitative disclosure about market risk* - Proper management of the rate sensitivity and maturities of assets and liabilities is required to provide an optimum and stable net interest margin. Interest rate sensitivity spread management is an important tool for achieving this objective and for developing ways in which to improve profitability. Management has assessed its market risk at September 30, 2007, and believes that there have been no material changes since December 31, 2006.

*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 September 30, 2007 the Bank had undisbursed loan commitments of \$3,900,000. These commitments, to the extent used, are expected to be funded through repayment of existing loans and normal deposit growth.

## **BANK OF NAPA, N.A.**

### **ITEM 3 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.

## **BANK OF NAPA, N.A.**

### **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 September 20, 2007 The Bank conducted its annual meeting of shareholders. At that meeting John Konstantinos Meras, Ernest LeRoy Moore, Harold Irving Moskowitz, and Ernest Anthony Rota were elected to serve as directors of the Bank for three-year terms until the 2010 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, 2007.

#### **Item 5 Other Information**

None.

#### **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: November 14, 2007

/s/M. Thomas LeMasters

M. Thomas LeMasters, Interim President and  
Chief Executive Officer and Chief Financial  
Officer and Principal Financial Officer

**BANK OF NAPA, N.A.**

Exhibit Index

No.	Exhibit	Page
31.1	Certification of the Interim Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	20
32	Certification of the Interim 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.	21

## BANK OF NAPA, N.A.

Exhibit 31.1

### CERTIFICATION

I, M. Thomas LeMasters, certify that:

1. I have reviewed this 10-QSB 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) 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
  - (c) 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: November 14, 2007

/s/M. Thomas LeMasters  
M. Thomas LeMasters  
Interim President Chief Executive Officer  
And 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-QSB of the Bank of Napa, N.A. for the quarter ended September 30, 2007, 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-QSB 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-QSB fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/M. Thomas LeMasters

Date: November 14, 2007

Interim President and Chief Executive Officer  
and 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.