



BANK OF NAPA, N.A.

July 23, 2009

Dear Fellow Bank of Napa Shareholder,

We are pleased to report that Bank of Napa continues to make steady progress towards the goal of attaining profitability. Our credit quality and capital level remain strong and we continue to meet our financial targets. As of June 30, 2009 the bank's total deposits equaled \$55.0 million, a \$17.2 million annual increase. Loan balances at the end of the second quarter of 2009 were \$54.3 million, an increase of \$26.5 million since June 30, 2008. Bank of Napa had total assets of \$71.9 million at June 30, 2009, representing a \$16.8 million or 30.5% annual increase.

Through the first half of 2009, the bank reported a net loss of \$332,000, an improvement of \$437,000 over the \$769,000 loss incurred through June of 2008. In the second quarter of 2009, the bank's net loss was \$136,000. This is a marked improvement over both the first quarter of 2009 and second quarter 2008 losses, which were \$196,000 and \$344,000, respectively. Attaining profitability remains our major focus, and we continue to make steady and consistent progress, despite the challenges presented by the troubled state of the economy.

At June 30, 2009, the bank had equity capital of \$16.6 million, and all capital ratios were in excess of the regulatory definition for a "well capitalized" designation

We continue to be satisfied with our balance sheet growth, the quality of our loan portfolio, and our financial position as measured by our equity capital, and liquidity. Our high level of capital and solid credit quality are second to none in our marketplace, and we have now earned a four star rating from Bankrate.com, all of which is testimony to the strength of Bank of Napa's senior management team.

The safety and service offered by Bank of Napa is being acknowledged by customers, and is serving our bank well in these historic and tumultuous times. Safe and sound banking practices, previously taken for granted by customers, is now of paramount importance. In fact, community banks like Bank of Napa are often viewed as a bank of choice for customers who place a premium on working with a conservatively managed institution. When considering credit quality and capital levels Bank of Napa is, arguably, the safest commercial banking alternative for clients in the Napa Valley.

If you have questions about our bank, please give us a call. We thank you for your continued support, and look forward to serving you as a customer of Bank of Napa.

Sincerely,

Malcolm A. Mackenzie

Chairman of the Board

M. Thomas LeMasters

President & Chief Executive Officer



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Second Quarter Report - June 30, 2009

**Balance Sheet
(Unaudited)**

	June 30,	
	2009	2008
Assets		
Cash and due from banks	\$ 4,375,000	\$ 5,172,000
Federal funds sold	5,215,000	5,280,000
Investment securities	6,780,000	15,270,000
Total loans	54,279,000	27,803,000
Less: allowance for loan losses	692,000	272,000
Net Loans	53,587,000	27,531,000
Premises and equipment, net	765,000	915,000
Other assets and interest receivable	1,206,000	953,000
Total Assets	\$ 71,928,000	\$ 55,121,000
Liabilities and Shareholders' Equity		
Demand deposits	\$ 11,567,000	\$ 9,433,000
Interest checking	6,283,000	2,389,000
Savings	1,440,000	859,000
Money market	17,266,000	19,730,000
Time deposits	18,427,000	5,329,000
Total deposits	54,983,000	37,740,000
Other liabilities and interest payable	331,000	235,000
Total liabilities	55,314,000	37,975,000
Common stock	11,442,000	11,442,000
Surplus	11,893,000	11,708,000
Accumulated other comprehensive income	96,000	(168,000)
Accumulated deficit	(6,485,000)	(5,067,000)
Net loss year-to-date	(332,000)	(769,000)
Total shareholders' equity	16,614,000	17,146,000
Total liabilities and equity	\$ 71,928,000	\$ 55,121,000

Selected Ratios

	June 30,	
	2009	2008
Book value per share	\$7.26	\$7.49
Earnings per share	(\$0.15)	(\$0.34)
Return on average assets	-1.98%	-3.55%
Return on average equity	-7.94%	-9.54%
Net interest margin	4.50%	3.31%
Efficiency ratio	125.82%	186.37%
Equity to assets	23.10%	31.11%
Nonperforming loans to assets	0.00%	0.00%
Loan to deposit ratio	98.72%	72.95%
Loan loss reserve to loans	1.27%	0.98%

**Statement of Operations
(Unaudited)**

	Six Months Ended June 30,	
	2009	2008
Interest and fees on loans	\$ 1,514,000	\$ 603,000
Interest on investments and fed funds	164,000	498,000
Total interest income	1,678,000	1,101,000
Deposit interest expense	338,000	279,000
Net interest income	1,340,000	822,000
Other operating income	179,000	103,000
Salaries and benefits	932,000	846,000
FF&E and occupancy expense	234,000	232,000
Other	520,000	454,000
Total operating expenses	1,686,000	1,532,000
Loss before provision and income taxes	(167,000)	(607,000)
Provision for loan losses	164,000	161,000
Provision for income taxes	1,000	1,000
Net loss	\$ (332,000)	\$ (769,000)
Net loss per share	\$ (0.15)	\$ (0.34)

