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SECURITIES AND
CORPORATE PRACTICES

August 15, 2008

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Securities and Corporate Practices Division
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20212

Re: Commerce National Bank
Form 10-Q for the Quarter Ended June 30, 2008

Gentlemen:

Enclosed for filing on behalf of Commerce National Bank, Newport Beach, California, are eight (8) complete copies, including any filed exhibits, of the Bank's Form 10-Q for the quarter ended June 30, 2008.

The financial statements in the Form 10-Q do not reflect any change in the preceding year in any accounting principles or practices or in the method of application of those principles or practices.

Please endorse your filing stamp on the enclosed conformed copy of the face page of the Form 10-Q and return that endorsed copy to the undersigned in the enclosed stamped envelope.

Your cooperation is appreciated.

Sincerely,

Reginald R. Prout
Senior Vice President and
Chief Financial Officer

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WASHINGTON, D.C. 20219

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the transition period from _________ to _________

Commerce National Bank
(Exact name of registrant as specified in its charter)

National Banking Association Organized Under the Laws of the United States	**No. 58-2671498**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

4040 MacArthur Boulevard, Suite 100, Newport Beach, California	**92660**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: **(949) 474-1020**

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 ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

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

As of August 4, 2008, there were 2,660,593 shares of registrant's common stock outstanding.

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PART II – OTHER INFORMATION

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

COMMERCE NATIONAL BANK
Statements of Financial Condition
June 30, 2008 and December 31, 2007
(Unaudited)

	June 30, 2008	December 31, 2007
ASSETS		
Cash and Due from Banks	$ 7,156,959	$ 3,302,110
Federal Funds Sold and Other Investments	37,130,904	43,023,128
Total Cash and Cash Equivalents	44,287,863	46,325,238
Interest-bearing Deposits in Other Banks	4,642,000	3,959,000
Investment Securities Available for Sale	46,511,478	9,004,929
Investment Securities Held to Maturity	3,996,779	22,510,890
Total Investment Securities	50,508,257	31,515,819
Commercial	28,363,985	28,981,732
Consumer	27,146,259	22,757,816
Construction and Land Development	12,469,551	20,838,843
Real Estate - Other	64,984,181	47,602,664
Total Loans	132,963,976	120,181,055
Deferred Loan Premiums, Costs and Fees, Net	529,075	417,547
Allowance for Loan Losses	(1,781,634)	(1,488,042)
Net Loans	131,711,417	119,110,560
Premises and Equipment, Net	1,351,384	1,276,976
Federal Reserve Bank and Other Stock - at Cost	2,226,750	1,328,450
Accrued Interest and Other Assets	2,675,522	2,276,117
TOTAL ASSETS	$ 237,403,193	$ 205,792,160

The accompanying notes are an integral part of these statements.

Item 1. Financial Statements – ***Continued***

COMMERCE NATIONAL BANK
Statements of Financial Condition
June 30, 2008 and December 31, 2007
(Unaudited)

	June 30, 2008	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest-bearing Demand Deposits	$ 44,845,716	$ 42,216,468
Savings Accounts	180,352	297,278
NOW and Money Market Accounts	115,524,763	111,127,866
Time Deposits Under $100,000	616,221	802,368
Time Deposits $100,000 and Over	23,655,156	22,398,838
Total Deposits	184,822,208	176,842,818
Other Borrowings	23,000,000	-
Accrued Interest and Other Liabilities	1,231,405	678,001
TOTAL LIABILITIES	209,053,613	177,520,819
Shareholders' Equity:		
Common Stock - 10,000,000 Shares Authorized, $5.00 Par Value; 2,660,593 Shares Issued and Outstanding at June 30, 2008 and December 31, 2007	13,302,965	13,302,965
Surplus	18,346,382	18,161,346
Accumulated Deficit	(2,641,873)	(3,047,558)
Accumulated Other Comprehensive Income- Unrecognized Loss on Available-for-Sale Securities	(657,894)	(145,412)
TOTAL SHAREHOLDERS' EQUITY	28,349,580	28,271,341
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 237,403,193	$ 205,792,160

The accompanying notes are an integral part of these statements.

Item 1. Financial Statements – ***Continued***

COMMERCE NATIONAL BANK
Statements of Operations
For the Six Months Ended June 30, 2008 and 2007
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
INTEREST INCOME				
Interest and Fees on Loans	$ 2,210,571	$ 2,181,125	$ 4,404,879	$ 4,171,619
Interest on Investment Securities	533,495	334,899	948,684	650,900
Other Interest Income	215,796	377,512	502,569	819,836
Total Interest Income	2,959,862	2,893,536	5,856,132	5,642,355
INTEREST EXPENSE				
Interest on Savings, NOW and Money Market Deposits	377,446	732,758	903,686	1,534,008
Interest on Time Deposits	113,031	79,100	275,218	158,777
Interest on Borrowings	166,169	-	202,611	-
Total Interest Expense	656,646	811,858	1,381,515	1,692,785
NET INTEREST INCOME	2,303,216	2,081,678	4,474,617	3,949,570
Provision for Loan Losses	128,000	109,500	327,000	164,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,175,216	1,972,178	4,147,617	3,785,070
NON-INTEREST INCOME				
Service Charges, Fees and Other Income	38,493	16,771	83,254	86,615
Gain on Sale of Securities	-	-	69,206	-
Gain on Sale of Loans and Referral Fees	229,690	76,739	256,572	144,106
Total Noninterest Income	268,183	93,510	409,032	230,721
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	921,705	1,064,364	2,050,301	2,144,321
Occupancy and Equipment Expenses	244,433	234,472	490,767	452,623
Other Expenses	775,644	692,908	1,519,160	1,250,202
Total Noninterest Expense	1,941,782	1,991,744	4,060,228	3,847,146
INCOME BEFORE INCOME TAXES	501,617	73,944	496,421	168,645
Income Taxes (Benefit)	119,718	(120,000)	90,736	(239,200)
NET INCOME	$ 381,899	$ 193,944	$ 405,685	$ 407,845
NET INCOME PER SHARE - BASIC	$ 0.14	$ 0.07	$ 0.15	$ 0.15
NET INCOME PER SHARE - DILUTED	$ 0.14	$ 0.07	$ 0.15	$ 0.15

The accompanying notes are an integral part of these statements.

COMMERCE NATIONAL BANK
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007AND 2006 AND THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited)

	Common Stock Number of Shares	Common Stock Amount	Surplus	Comprehensive Income	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2006	2,607,671	$13,038,355	$ 16,582,296	$ -	$ (4,780,535)	$ (173,051)	$ 24,667,065
Stock Options Exercised	46,387	231,935	263,339				495,274
Stock-based Compensation			678,530				678,530
Net Income				684,341	684,341		684,341
Unrealized Gain on Available-for-Sale Securities				33,890		33,890	33,890
Total Comprehensive Income				718,231			
Balance at December 31, 2006	2,654,058	13,270,290	17,524,165	$ -	(4,096,194)	(139,161)	26,559,100
Stock Options Exercised	6,535	32,675	33,695				66,370
Stock-based Compensation			603,486				603,486
Net Income				1,048,636	1,048,636		1,048,636
Unrealized Loss on Available-for-Sale Securities				(6,251)		(6,251)	(6,251)
Total Comprehensive Income				$ 1,042,385			
Balance at December 31, 2007	2,660,593	13,302,965	18,161,346	$ -	(3,047,558)	(145,412)	28,271,341
Stock Options Exercised							-
Tax Benefits related to Stock Options Exercised			59,900				59,900
Stock-based Compensation			125,136				125,136
Net Income				405,685	405,685		405,685
Unrealized Loss on Available-for-Sale Securities				(512,482)		(512,482)	(512,482)
Total Comprehensive Income				$(106,797)			
Balance at June 30, 2008	2,660,593	$13,302,965	$ 18,346,382		$ (2,641,873)	$ (657,894)	$ 28,349,580

'he accompanying notes are an integral part of these statements.

Item 1. Financial Statements – *Continued*

COMMERCE NATIONAL BANK
Statements of Cash Flows
For the Six Months Ended June 30, 2008 and 2007
(Unaudited)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
OPERATING ACTIVITIES		
Net Income	$ 405,685	$ 407,845
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation, Amortization and Accretion	(42,039)	194,204
Net Gains on Sale of Securities	(69,206)	-
Provision for Loan Losses	327,000	164,500
Stock-based Compensation	125,136	315,101
Other Items, Net	197,306	166,196
Net Cash Provided by Operating Activities	943,881	1,247,846
INVESTING ACTIVITIES		
Increase in Interest-bearing Deposits in Other Banks	(683,000)	(9,283,058)
Net Increase in Loans	(12,398,782)	(17,538,269)
Increase in Federal Reserve Bank and Other Bank Stock	(898,300)	(92,750)
Purchases of Available-for-Sale Securities	(43,138,412)	-
Proceeds From Maturities and Paydowns of Available-for-Sale Securities	4,644,839	28,251
Proceeds from Sales of Held-to-Maturity Securities	18,287,126	-
Proceeds From Maturities and Paydowns of Held-to-Maturity Securities	473,342	940,774
Purchases of Equipment and Leasehold Improvements	(247,459)	(924,823)
Net Cash Used in Investing Activities	(33,960,646)	(26,869,875)
FINANCING ACTIVITIES		
Net Increase in Non-interest Bearing Demand Deposits	2,629,248	10,624,872
Net Decrease in Savings	(116,926)	(177,795)
Increase (Decrease) in NOW and Money Market Accounts	4,396,897	(2,802,682)
Increase (Decrease) in Time Deposits	1,070,171	(788,495)
Proceeds from FHLB Advances	92,124,334	-
Repayment of FHLB Advances	(69,124,334)	-
Proceeds from Stock Options Exercised	-	66,370
Net Cash Provided by Financing Activities	30,979,390	6,922,270
CHANGE IN CASH AND CASH EQUIVALENTS	(2,037,375)	(18,699,759)
Cash and Cash Equivalents at Beginning of Year	46,325,238	50,822,917
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 44,287,863	$ 32,123,158
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	$ 1,307,855	$ 1,714,861
Taxes Paid	$ 30,000	$ 8,000

The accompanying notes are an integral part of these statements.

Commerce National Bank
Notes to Financial Statements

Note 1 - Basis of Presentation

Commerce National Bank (the "Bank") prepared the accompanying financial statements following the requirements of the Securities and Exchange Commission for interim reporting by a smaller reporting company under Regulation S-X. As permitted under that rule, certain footnotes or other financial information normally required by accounting principles generally accepted in the United States have been condensed or omitted. This information should be read in conjunction with the Bank's annual report on Form 10-K as of December 31, 2007, that was filed with the Office of the Comptroller of the Currency ("OCC") on March 31, 2008.

Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. In the opinion of management, the unaudited financial information for the six months ended June 30, 2008 and 2007 reflects all adjustments, consisting only of normal recurring accruals and provisions, necessary for a fair presentation thereof.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Earnings Per Share (EPS)

Basic EPS is computed by dividing income or loss available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008		2007		2008		2007	
	Income	Shares	Income	Shares	Income	Shares	Income	Shares
Net Income as Reported	$ 381,899		$ 193,944		$ 405,685		$ 407,845	
Shares Outstanding Beg. of Year		2,660,593		2,660,593		2,660,593		2,660,593
Impact of Weighting Shares								
Issued During Period		-		(1,617)		-		(1,617)
Used in Basic EPS	381,899	2,660,593	193,944	2,658,976	405,685	2,660,593	407,845	2,658,976
Dilutive Effect of Outstanding								
Stock Options		2,561		-		12,352		32,635
Used in Dilutive EPS	$ 381,899	2,663,154	$ 193,944	2,658,976	$ 405,685	2,672,945	$ 407,845	2,691,611
Basic EPS	$ 0.14		$ 0.07		$ 0.15		$ 0.15	
Dilutive EPS	$ 0.14		$ 0.07		$ 0.15		$ 0.15	

Commerce National Bank
Notes to Financial Statements

Note 3 - Stock-based Compensation

The Bank has a stock option plan that provides for the granting of stock options to eligible employees and directors. Effective January 1, 2006, the Bank adopted the provisions of SFAS No. 123(R), "Share Based Payments," a revision to the previously issued guidance on accounting for stock options and other forms of equity-based compensation. SFAS No. 123(R) requires companies to recognize the cost of employee services received in exchange for awards of stock options, or other equity instruments, based on the grant-date fair value of those awards. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period.

SFAS 123R requires companies to record compensation cost for stock options provided to employees in return for employment service. The cost is measured at the fair value of the options when granted, and this cost is expensed over the employment service period, which is normally the vesting period of the options. Compensation cost will also be recorded for prior option grants that vest after the date of adoption. For the six months ended June 30, 2008, stock based compensation expense of $125,000 was recorded, compared to $315,000 for the six months ended June 30, 2007. The expense in 2008 was reduced by $139,000 as a result of forfeitures. It is anticipated that current outstanding vested and unvested options will result in additional compensation expense of approximately $114,000 in 2008, $117,000 in 2009 and then $58,000 in 2010.

A summary of option activity under the Bank's stock option plan for the six months ended June 30, 2008 is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2008	480,022	$ 13.41		
Granted	10,000	$ 11.55		
Exercised	-	$ -		
Forfeited or Expired	(90,000)	$ 15.06		
Outstanding at June 30, 2008	400,022	$ 12.99	6.8	$ 148,008
Exercisable at June 30, 2008	299,677	$ 12.39	6.4	$ 290,687

During the six months ended June 30, 2008, the Bank granted 10,000 shares from the stock option plan. The total intrinsic value of options exercised during the six months ended June 30, 2008 and 2007 were $0 and $35,000, respectively.

Commerce National Bank
Notes to Financial Statements

Note 4 – Loans

Non-performing loans at period end were as follows (dollar amounts in thousands):

	June 30, 2008	December 31, 2007
Non-accrual loans	$ 337	$ -
Loans past due over 90 days still on accrual	-	-

Impaired loans at period end were as follows (dollar amounts in thousands):

	June 30, 2008	December 31, 2007
Period end loans with no allocated allowance for loan losses	$ 206	$ -
Period end loans with allocated allowance for loan losses	131	-
Total	$ 337	$ -
Amount of the allowance for loan losses allocated	$ -	$ -
Average of impaired loans during the period	$ 185	$ -
Cash-basis interest income recognized	-	-

Note 5 — Adoption of New Accounting Standards

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position (FSP) 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The impact of adoption was not material.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Bank did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008, the effective date of the standard.

Commerce National Bank
Notes to Financial Statements

Note 6 — Fair Value

FASB Statement No. 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by a matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at June 30, 2008 Using		
(in 000's)	June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	$ 46,511	$ —	$ 46,511	$ —

There were no assets and liabilities required to be measured at fair value on a non-recurring basis during the reporting period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statements Regarding Forward-Looking Statements

Certain matters discussed in this Quarterly Report on Form 10-Q including, but not limited to, matters described in this Item 2, are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, Section 27A of the Securities Act of 1933, as amended, and subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may contain words related to future projections including, but not limited to, "believe," "expect," "anticipate," "intend," "may," "will," "should," "could," "would," and variations of those words and similar words that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those projected. Factors that could cause or contribute to such differences include, but are not limited to, the following: (1) variances in the actual versus projected growth in assets; (2) return on assets; (3) loan losses; (4) expenses; (5) changes in the interest rate environment including interest rates charged on loans, earned on investment securities and paid on deposits; (6) competition effects; (7) fee and other non-interest income earned; (8) general economic conditions nationally, regionally, and in the operating market areas of the Bank; (9) changes in the regulatory environment; (10) changes in business conditions and inflation; (11) changes in securities markets; (12) data processing problems; (13) a decline in real estate values in the Bank's operating market areas; (14) the effects of terrorism, the threat of terrorism or the impact of the current military conflicts in Afghanistan and Iraq and the conduct of the war on terrorism by the United States and its allies, as well as other factors. Cautionary statements and information set forth in this report should be carefully considered and understood as being applicable to all related forward-looking statements contained in this report, when evaluating the business prospects of the Bank.

Forward-looking statements are not guarantees of performance. By their nature, they involve risks, uncertainties and assumptions. The future results and shareholder values may differ significantly from those expressed in these forward-looking statements. You are cautioned not to put undue reliance on any forward-looking statement. Any such statement speaks only as of the date of this report, and in the case of any documents that may be incorporated by reference, as of the date of those documents. We do not undertake any obligation to update or release any revisions to any forward-looking statements, to report any new information, future event or other circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by law.

Introduction

Commerce National Bank, or the Bank, opened for business on December 17, 2003. Also on that date, stock certificates for the shares of common stock subscribed for in the stock offering were issued and distributed to the shareholders. The initial capital raised through the stock offering totaled $12,000,000. On February 28, 2005, the Board of Directors authorized a rights offering and a secondary public offering of its common stock at $13.00 per share to raise an additional $15,000,000, up to a maximum of $18,000,000. The purpose of the offering was to raise additional capital to expand the services the Bank could provide to its customers. On July 29, 2005, the Bank successfully completed its rights offering and secondary public stock offering and sold 1,384,616 shares of its common stock at $13.00 per share, for an aggregate sales price of $18,000,008.

The Bank and its operations are subject to federal and state laws applicable to national banks and to the supervision of, and regular examination by, the Office of the Comptroller of the Currency ("OCC"). The Bank is also a member of the Federal Reserve System and its deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation (hereinafter referred to as the "FDIC"). The Bank has no holding company and no subsidiaries.

Results of Operations

Net income for the three months ended June 30, 2008 totaled $382,000 as compared with net income of $194,000 for the three months ended June 30, 2007. Net income for the six months ended June 30, 2008, totaled $406,000, as compared with net income of $408,000 for the six months ended June 30, 2007. While net interest income increased primarily as a result of the growth in earning assets, flat year-to-date earnings resulted from a combination of an increase in provisions for loan losses, higher operating expenses and lower tax benefits. For the three months ended June 30, 2008 and 2007 earnings per share on a basic and fully diluted basis were $0.14 and $0.07, respectively. Earnings per share on a basic and fully diluted basis were $0.15 for the six months ended June 30, 2008 and 2007.

Net Interest Income

Net interest income is the largest component of net earnings of a financial institution such as our Bank. Net interest income refers to the difference between the interest earned on loans and investments and the interest paid on deposits and borrowings. The Bank's net interest income is impacted by the amount and mix of interest earning assets and the amount and mix of interest bearing liabilities. Net interest income is also impacted by the relative yields of different classes of the Bank's assets and the relative costs of different classes of the Bank's liabilities. Taken together, the yields on assets and the costs of liabilities comprise the net interest spread and net interest margin of the Bank.

Table 1
Net Interest Income Comparison
For the Six Months Ended June 30, 2008 and 2007
(in thousands)

	For the Three Months Ended June 30,		Change	
	2008	2007	$	%
Total Interest Income	$ 2,960	$ 2,894	$ 66	2.3 %
Total Interest Expense	657	812	(155)	(19.1) %
Net Interest Income	$ 2,303	$ 2,082	$ 221	10.6 %

	For the Six Months Ended June 30,		Change	
	2008	2007	$	%
Total Interest Income	$ 5,856	$ 5,642	$ 214	3.8 %
Total Interest Expense	1,381	1,693	(312)	(18.4) %
Net Interest Income	$ 4,475	$ 3,949	$ 526	13.3 %

Interest income for the three months ended June 30, 2008, totaled $3.0 million, as compared with interest income of $2.9 million for the first three months of 2007, for an increase of $66,000, or 2.3%. Interest income for the six months ended June 30, 2008, totaled $5.9 million, as compared with interest income of $5.6 million for the first six months of 2007, for an increase of $214,000, or 3.8%. Interest expense for the three months ended June 30, 2008, totaled $657,000 as compared with interest expense of $812,000 for the first three months of 2007, for a decrease of $155,000, or 19.1%. Interest expense for the six months ended June 30, 2008, totaled $1.4 million as compared with interest expense of $1.7 million for the first six months of 2007, for a decrease of $312,000, or 18.4%. Net interest income before provision for loan losses for the three months ended June 30, 2008, totaled $2.3 million, as compared with net interest income of $2.1 million for the first three months of 2007, for an increase of $221,000, or 10.6%. Net interest income before provision for loan losses for the six months ended June 30, 2008, totaled $4.5 million, as compared with net interest income of $3.9 million for the first six months of 2007, for an increase of $526,000, or 13.3%.

Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential

The following Tables 2a and 2b reflect an analysis of net interest income, asset yields, liability costs, average balances of assets, liabilities and shareholders' equity, spread and margin for the three-month and six-month periods ended June 30, 2008 and 2007.

Table 2a
Net Interest Income, Average Balances, Spread and Margin
For the Three Months Ended June 30, 2008 and 2007
(in thousands)

	For the Three Months Ended June 30,					
	2008			2007		
	Average Balance	Interest Earned or Paid	Average Yield or Cost	Average Balance	Interest Earned or Paid	Average Yield or Cost
Assets						
Interest-Earning Assets:						
Loans	$ 30,933	$ 2,211	6.72%	$ 110,982	$ 2,181	7.80%
Investment Securities	53,303	533	3.98%	13,572	335	9.79%
Federal Funds Sold	18,002	88	1.94%	27,541	360	5.19%
Other Interest Earning Assets	12,584	128	4.05%	13,972	18	0.51%
Total Interest-Earning Assets	214,822	2,960	5.48%	166,067	2,894	6.91%
Cash and Due from Banks	5,331			3,686		
Premises and Equipment	1,350			1,435		
Accrued Interest and Other Assets	2,695			2,422		
Allowance for Loan Losses	(1,721)			(1,313)		
Total Assets	$ 222,477			$ 172,297		
Liabilities and Shareholders' Equity						
Interest-Bearing Liabilities:						
Money Market, Savings and NOW	$ 101,256	$ 378	1.49%	$ 96,363	$ 733	3.02%
Time Deposits under $100,000	804	5	2.47%	734	6	3.24%
Time Deposits of $100,000 or More	23,326	108	1.84%	6,906	73	4.19%
Other Borrowings	23,135		2.85%	2		0.00%
Total Interest-Bearing Liabilities	148,521	657	1.76%	104,005	812	3.10%
Demand Deposits	44,413			40,306		
Other Liabilities	874			725		
Shareholders' Equity	28,669			27,261		
Total Liabilities and Shareholders' Equity	$ 22,477			$ 172,297		
Net Interest Income		$ 2,303			$ 2,082	
Interest Spread[1]			3.72%			3.82%
Interest Margin[2]			4.26%			4.97%

[1] Yield on interest-earning assets less cost of interest-bearing liabilities

[2] Net interest income over average earning assets

The Bank's portfolio of average interest-earning assets increased by 29.4% from $166.1 million during the three months ended June 30, 2007, to $214.8 million during the three months ended June 30, 2008. While average interest-earning assets increased significantly, there was also a shift in the mix from federal funds sold to investment securities and loans when comparing the three months ended June 30, 2007 with the same period in 2008. During the three months ended June 30, 2007, investment securities averaged $13.6 million, or 8.8% of average interest-earning assets, while average investment securities increased to $53.3 million, or 24.8% of average interest-earning assets during the three months ended June 30, 2008. Conversely, during the three months ended June 30, 2007, federal funds sold averaged $27.5 million, or 16.6% of average interest-earning assets, while average federal funds sold decreased to $18.0 million, or 8.4% of average interest earning assets during the three months ended 2008. The shift in earning assets from shorter term federal funds sold to longer term investment securities was in response to a declining interest rate environment. Average total loans to total interest-earning assets were 66.8% and 60.9% during the three months ended June 30, 2007 and 2008, respectively.

The Bank's total average interest-bearing liabilities increased by 42.8% from $104.0 million during the three months ended June 30, 2007, to $148.5 million during the three months ended June 30, 2008. While average interest-bearing liabilities increased significantly, there was also a shift in the mix with a greater reliance upon time deposits and other borrowings during the three months ended June 30, 2008, when compared with the same period in 2007. During the three months ended June 30, 2008, average time deposits of $100,000 or more increased to $23.3 million from $6.9 million during the same period in 2007. The increase was primarily the result of deposits obtained from the state of California at rates that were advantageous when compared with alternative funding sources. Other borrowings, which were primarily from the Federal Home Loan Bank of San Francisco, also increased from an average outstanding balance of $2 thousand during the three months ended June 30, 2007 to an average of $23.1 million during the same period in 2008. The other funding source that showed an increase was demand deposits, which averaged $40.3 million during the three months ended June 30, 2007, and $44.4 million during the three months ended June 30, 2008, for an increase of $4.1 million, or 10.9%. Increases in the Bank's funding sources were used primarily to fund the increase in interest-earning assets.

Interest income increased from $2.9 million during the three months ended June 30, 2007 to $3.0 million during the three months ended June 30, 2008. The average yield on interest-earning assets declined from 6.91% to 5.48% during the same period, primarily as a result of declines in market interest rates. While the yield on the Bank's earning asset portfolio fell, interest income increased as a result of the growth in interest-earning assets.

The decline in interest expense resulted from a combination of an increase in interest-bearing liabilities and a decrease in the interest cost of those liabilities. Interest bearing liabilities increased from $104.0 million during the three months ended June 30, 2007, to $148.5 million during the three months ended June 30, 2008, or by $44.5 million, or 42.8%. The interest costs associated with the increase in interest-bearing liabilities was more than offset by the decrease in the rates paid on those liabilities. The average interest rates paid for interest-bearing liabilities declined by 43% or by 134 basis points, from 3.10% during the three months ended June 30, 2007, to 1.76% during the three months ended June 30, 2008.

Table 2b
Net Interest Income, Average Balances, Spread and Margin
For the Six Months Ended June 30, 2008 and 2007
(in thousands)

	For the Six Months Ended June 30,					
	2008			2007		
	Average Balance	Interest Earned or Paid	Average Yield or Cost	Average Balance	Interest Earned or Paid	Average Yield or Cost
Assets						
Interest-Earning Assets:						
Loans	$ 127,978	$ 4,405	6.88%	$ 106,996	$ 4,172	7.82%
Investment Securities	5,673	949	4.16%	13,693	651	9.53%
Federal Funds Sold	15,638	206	2.63%	30,172	785	5.22%
Other Interest Earning Assets	14,154	296	4.18%	12,208	35	0.57%
Total Interest-Earning Assets	203,443	5,856	5.76%	163,069	5,643	6.94%
Cash and Due from Banks	4,671			3,905		
Premises and Equipment	1,315			1,343		
Accrued Interest and Other Assets	2,474			3,354		
Allowance for Loan Losses	(1,620)			(1,276)		
Total Assets	$ 210,283			$ 170,395		
Liabilities and Shareholders' Equity						
Interest-Bearing Liabilities:						
Money Market, Savings and NOW	$ 100,989	$ 904	1.79%	$ 98,159	$ 1,534	3.13%
Time Deposits under $100,000	797	13	3.26%	546	11	4.04%
Time Deposits of $100,000 or More	22,770	262	2.30%	7,206	148	4.12%
Other Borrowings	14,104	202	2.86%	2		0.00%
Total Interest-Bearing Liabilities	138,660	1,381	1.99%	105,913	1,693	3.21%
Demand Deposits	42,865			36,795		
Other Liabilities	163			648		
Shareholders' Equity	28,595			27,039		
Total Liabilities and Shareholders' Equity	$ 210,283			$ 170,395		
Net Interest Income		$ 4,475			$ 3,950	
Interest Spread[1]			3.76%			3.73%
Interest Margin[2]			4.40%			4.86%

[1] Yield on interest-earning assets less cost of interest-bearing liabilities

[2] Net interest income over average earning assets

The Bank's portfolio of average interest-earning assets increased by 24.8% from $163.1 million during the first six months of 2007, to $203.4 million during the first six months of 2008. While average interest-earning assets increased significantly, there was also a shift in the mix from federal funds sold to investment securities when comparing the first six months of 2007 with the same period in 2008. During the six months ended June 30, 2007, investment securities averaged $13.7 million, or 8.4% of average interest-earning assets, while average investment securities increased to $45.7 million, or 22.5% of average interest-earning assets during the first six months of 2008. Conversely, during the six months ended June 30, 2007, federal funds sold averaged $30.2 million, or 18.5% of average interest-earning assets, while average federal funds sold decreased to $15.6 million, or 7.7% of average interest earning assets during the first six months of 2008. The shift in earning assets from shorter term federal funds sold to longer term investment securities was in response to a declining interest rate environment. Average total loans to total interest-earning assets were 65.6% and 62.9% during the first six months of 2007 and 2008, respectively.

The Bank's total average interest-bearing liabilities increased by 30.9% from $105.9 million during the first six months of 2007, to $138.7 million during the first six months of 2008. While average interest-bearing liabilities increased significantly, there was also a shift in the mix with a greater reliance upon time deposits and other borrowings during the first six months of 2008, when compared with the same period in 2007. During the six months ended June 30, 2008, average time deposits of $100,000 or more increased to $22.8 million from $7.2 million during the same period in 2007. The increase was primarily the result of deposits obtained from the state of California at rates that were advantageous when compared with alternative funding sources. Other borrowings, which were primarily from the Federal Home Loan Bank of San Francisco, also increased from an average outstanding balance of $2 thousand during the first six months of 2007 to an average of $14.1 million during the same period in 2008. The other funding source that showed an increase was demand deposits, which averaged $36.8 million during the six months ended June 30, 2007, and $42.8 million during the first six months of 2008, for an increase of $6.1 million, or 16.5%. Increases in the Bank's funding sources were used primarily to fund the increase in interest-earning assets.

Interest income increased from $5.6 million during the first six months of 2007 to $5.9 million during the first six months of 2008. The average yield on interest-earning assets declined from 6.94% to 5.81% during the same period, primarily as a result of declines in market interest rates. While the yield on the Bank's earning asset portfolio fell, interest income increased as a result of the growth in interest-earning assets.

The decline in interest expense resulted from a combination of an increase in interest-bearing liabilities and a decrease in the interest cost of those liabilities. Interest bearing liabilities increased from $105.9 million during the first six months of 2007, to $139.0 million during the first six months of 2008, or by $33.1 million, or 31.3%. The interest costs associated with the increase in interest-bearing liabilities was more than offset by the decrease in the rates paid on those liabilities. The average interest rates paid for interest-bearing liabilities declined by 38% or by 122 basis points, from 3.21% during the six-month period ended June 30, 2007, to 1.99% during the six-month period ended June 30, 2008.

Net interest spread is defined as the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities. During the six months ended June 30, 2008, the Bank's net interest spread was 3.82%, which equaled the difference between the average yield on the Bank's interest-earning assets of 5.81% and the average cost of the Bank's interest-bearing liabilities of 1.99%. The Bank's net interest spread during the first six months of 2008 of 3.82% increased 9 basis points from the net interest spread of 3.73% for the first six months of 2007.

In contrast with net interest spread, net interest margin includes the impact of differences between the volume of interest-earning assets and interest-bearing liabilities. During the six months ended June 30, 2008, the Bank's average interest-earning assets were $203.4 million, which exceeded its average interest -bearing liabilities of $138.7 million by $64.7 million. During the six months ended June 30, 2007, the Bank's average interest-earning assets were $163.1 million, which exceeded its interest-bearing liabilities of $105.9 million, by $57.2 million. The additional funding sources that accounted for the $38.6 million increase in average interest-earnings assets was attributable to an increase in the Bank's deposit base of $18.6 million and an increase of other borrowings of $14.1 million.

Net interest margin is defined as net interest income divided by average earning assets. In the six- month period ended June 30, 2008, the Bank's net interest margin was 4.40%, a decrease of 46 basis points from the Bank's net interest margin of 4.86% during the first six months of 2007. Interest-earning assets increased $38.6 million, or 23.7% from the first six months of 2007 to the first six months of 2008, during which interest-earning assets totaled $163.0 million and $201.6 million, respectively. Net interest income increased $526,000, or 13.3% from the first six months of 2007 to the first six months of 2008, during which net interest income totaled $3.9 million and $4.5 million, respectively.

Rate and Volume Analysis

Net interest income depends on the amounts of and yields on interest-earning assets as compared to the amounts of and rates on interest-bearing liabilities. Tables 3a and 3b below presents the change in net interest income resulting from changes in the volume of interest-earning assets or interest-bearing liabilities and changes in interest rates for the three months and six months ended June 30, 2008 compared to the same period of 2007. In Tables 3a and 3b, the dollar change in rate/volume is prorated to volume and rate proportionally.

Table 3a
Rate and Volume Impact on Interest Income and Interest Expense
For the Three Months Ended June 30, 2008 and 2007
(in thousands)

	Increase (decrease) due to change in			
Assets	Volume	Rate	Volume/ Rate	Total
Interest-Earning Assets:				
Loans	$391	($356)	($5)	$30
Investment Securities	978	(781)	1	198
Federal Funds Sold	(124)	(147)	(1)	(272)
Other Interest Bearing Deposits	(2)	112	0	110
Total Change in Interest Income	1,243	(1,172)	(5)	66
Liabilities				
Interest-Bearing Liabilities:				
Money Market, Savings and NOW	$37	($391)	($1)	($355)
Time Deposits under $100,000	1	(2)	-	(1)
Time Deposits of $100,000 or More	173	(138)	-	35
Other Borrowings	163	-	3	166
Total Change in Interest Expense	374	(531)	2	(155)
Total Change in Net Interest Income	$869	($641)	($7)	$221

Table 3b
Rate and Volume Impact on Interest Income and Interest Expense
For the Six Months Ended June 30, 2008 and 2007
(in thousands)

	Increase (decrease) due to change in			
Assets	Volume	Rate	Volume/ Rate	Total
Interest-Earning Assets:				
Loans	$820	($600)	$13	$233
Investment Securities	1,525	(1,232)	5	298
Federal Funds Sold	(379)	(203)	3	(579)
Other Interest Bearing Deposits	6	256	(1)	261
Total Change in Interest Income	1,972	(1,779)	20	213
Liabilities				
Interest-Bearing Liabilities:				
Money Market, Savings and NOW	$44	($680)	$6	($630)
Time Deposits under $100,000	5	(3)	-	2
Time Deposits of $100,000 or More	321	(208)	1	114
Other Borrowings	100	-	102	202
Total Change in Interest Expense	470	(891)	109	(312)
Total Change in Net Interest Income	$1,502	($888)	($89)	$525

Provision for loan losses during the three months ended June 30, 2008, totaled $128,000, which compares with the total provision for loan losses during the three months ended June 30, 2007, of $109,000. Also, there was a recovery of $33,000 in the three months ended June 30, 2008 while there were no recoveries during the same period in 2007. Provision for loan losses during the six months ended June 30, 2008, totaled $327,000, which compares with the total provision for loan losses during the six months ended June 30, 2007, of $165,000. The Bank's net interest income after loan loss provision for the three months ended June 30, 2008, totaled $2.3 million, as compared with net interest income after provision for the first three months of 2007 of $2.1 million, for an increase of $221,000, or 10.6%. The Bank's net interest income after loan loss provision for the six months ended June 30, 2008, totaled $4.1 million, as compared with net interest income after provision for the first six months of 2007 of $3.8 million, for an increase of $363,000, or 9.6%.

Non-interest income, which includes service charges, fee income, gains on sales of loans and investment securities and loan referral fees, totaled $409,000 during the first six months of 2008, as compared with $231,000 for the six months ended June 30, 2007. For the three months ended June 30, 2008, non-interest income totaled $268,000 which was an increase of $175,000 or 186.8% over the $94,000 non-interest income for the three months ended June 30, 2007. The increases in non-interest income were primarily due to growth in the fees generated by the Small Business Administration Lending Division.

Non-interest expense, which includes operating expenses such as salaries and benefits, occupancy and depreciation, and other costs, totaled $4.1 million during the six months ended June 30, 2008, which was $213,000, or 5.5% greater than the $3.8 million in non-interest expense recorded for the six months ended June 30, 2007. For the three months ended June 30, 2008, non-interest expense totaled $1.9 million which was a decrease of $50,000 or 2.5% from the $2.0 million non-interest expense for the three months ended June 30, 2007. As discussed in *Note 3 – Stock-Based Compensation*, of the Notes to Condensed Financial Statements, the Bank recorded $125,000 of stock-based compensation expense for the first six months of 2008, compared to $315,000 for the first six months of 2007. Of the $125,000 in stock option expense reported during the first six months of 2008, $13,000 is attributed to salary and employee benefits and $112,000 is attributed to directors' stock option expense. It is anticipated that current outstanding vested and unvested options will result in additional compensation expense of approximately $114,000 in the remainder of 2008, $117,000 in 2009, and $58,000 in 2010.

Income Taxes

The Bank has consistently recorded net income since July 2006. As a result, the Bank recorded tax benefits in 2006, 2007 and 2008. For the three months ended June 30, 2008, the Bank recognized a partial benefit of $70,000 reducing the valuation allowance, and recorded $190,000 of tax expense based upon taxable income for net income tax expense of $120,000. For the six months ended June 30, 2008, the Bank recognized a partial benefit of $140,000 reducing the valuation allowance, and recorded $231,000 of tax expense based upon taxable income for net income tax expense of $91,000. For the six months ended June 30, 2007, the Bank recognized a partial benefit of $239,000 reducing the valuation allowance, and recorded a deferred tax asset for the same amount but no tax expense for the period, for a net tax benefit of $239,000. The valuation allowance was established because the Bank had not reported earnings sufficient to support the complete recognition of the deferred tax assets. Management expects to utilize the total valuation allowance of $253,000 during 2008.

The decline in reported income tax benefits resulted from a combination of lower tax benefits available in 2008 than were reported in 2007, and the reporting of tax expenses in 2008 as a result of taxable income.

Investment Portfolio

Investment securities at June 30, 2008, had total book value of $50.5 million, an increase of $19.0 million over the $31.5 million in investment securities reported at December 31, 2007. The portfolio differences from year-end 2007 to June 30, 2008, resulted primarily from the sale of $18.0 million of U.S. Government Agency securities, the maturity of $5.0 million of U.S. Government Agency securities, the purchase of $10.0 million of U.S. Government Agency securities, and the additional purchase of $33.1 million of U.S. Government Agency mortgage-backed securities. The sale of $18.0 million of U.S. Government Agency securities classified as held-to-maturity, but that were within 90 days of their maturity dates, resulted in a gain on sale of $69,000 during the six months ended June 30, 2008. The held-to-maturity securities being within 90 days of their maturity dates eliminated the need to reclassify those securities as available-for-sale prior to their being sold. The weighted average yield on the investment securities portfolio at June 30, 2008, equaled 4.35%, 3 basis points less than the weighted average yield on the investment securities portfolio of 4.38% at December 31, 2007. Table 4(A) below, summarizes the investment securities portfolio for June 30, 2008 and December 31, 2007.

Table 4(A)
Investment Securities
As of June 30, 2008 and December 31, 2007
(in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2008:				
Available-for-Sale:				
U.S. Gov & Agency Securities	$ 501,971	$ -	$ 999	$ 502,970
Mortgage-backed Securities	38,667,401	-	75,052	38,742,453
AMF-ARM Mutual Fund	8,000,000	-	(733,945)	7,266,055
Total Available-for-Sale	$ 47,169,372	$ -	$ (657,894)	$ 46,511,478
Held-to-Maturity				
U.S. Gov & Agency Securities	$ -	$ -	$ -	$ -
Mortgage-backed Securities	3,996,779	-	6,468	4,003,247
Total Held-to-Maturity	$ 3,996,779	$ -	$ 6,468	$ 4,003,247

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2007:				
Available-for-Sale:				
U.S. Gov & Agency Securities	$ 502,731	$ -	$ -	$ 502,731
Mortgage-backed Securities	647,610	-	(14,934)	632,676
AMF-ARM Mutual Fund	8,000,000	-	(130,478)	7,869,522
Total Available-for-Sale	$ 9,150,341	$ -	$ (145,412)	$ 9,004,929
Held-to-Maturity				
U.S. Gov & Agency Securities	$ 18,042,039	$ 6,486	$ -	$ 18,048,525
Mortgage-backed Securities	4,468,851	-	(40,339)	4,428,512
Total Held-to-Maturity	$ 22,510,890	$ 6,486	$ (40,339)	$ 22,477,037

Table 4(B) below, summarizes the available-for-sale investment securities portfolio by type of security, maturity range, book value, fair market value and yields.

Table 4 (B)
Available-for-Sale Investment Securities by Type, Maturity and Weighted Average Yield
As of June 30, 2008 and December 31, 2007
(in thousands)

June 30, 2008	Due in One Year or Less	Due in One Year to Five	Due Over Five Years	Total Book Value	Fair Market Value
Investment Securities					
U.S. Government Agencies	$ 8,502	$ -	$ -	$ 8,502	$ 8,509
Mortgage Backed Securities	509	3,675	30,480	34,664	34,740
Other Securities	8,000	-	-	8,000	7,266
Total Carrying Value	$ 17,011	$ 3,675	$ 30,480	$ 51,166	$ 50,515
Weighted Average Yield					
U.S. Government Agencies	3.95%	-	-	3.95%	
Mortgage Backed Securities	4.17%	4.32%	4.25%	4.24%	
Other Securities	4.45%	-	-	4.45%	
Weighted Average	4.17%	4.32%	4.25%	4.35%	

December 31, 2007:	Due in One Year or Less	Due in One Year to Five	Due Over Five Years	Total Book Value	Fair Market Value
Investment Securities					
U.S. Government Agencies	$ 18,042	$ 503	$ -	$ 18,545	$ 18,551
Mortgage Backed Securities	-	4,645	471	5,116	5,061
Other Securities	8,000	-	-	8,000	7,870
Total Carrying Value	$ 26,042	$ 5,148	$ 471	$ 31,661	$ 31,482
Weighted Average Yield					
U.S. Government Agencies	4.14%	4.68%	-	4.15%	
Mortgage Backed Securities	-	4.30%	4.22%	4.30%	
Other Securities	5.06%	-	-	5.06%	
Weighted Average	4.40%	4.34%	4.22%	4.38%	

As a part of the Bank's investment portfolio, the Bank holds an $8 million investment in the Shay Asset Management Fund – AMF Ultra Short Mortgage Fund (the "Fund"). This bank-qualified mutual fund holds investments in mortgage backed securities. On May 6, 2008, the Board of Trustees of the Fund made the determination that it was in the best interest of the Fund to activate the Fund's Redemption-in-Kind (RIK) provision to protect shareholders against the possibility that their Fund might be forced to liquidate securities at distressed price levels to satisfy redemption requests. The Fund's Board of Trustees also elected to temporarily discontinue accepting new money in the Fund. The Fund's Board of Trustees will continue to monitor conditions in the mortgage market and will seek to discontinue the use of the Fund's RIK provision when market conditions improve. Due to current market conditions, and the recent credit rating downgrade of certain non-Agency mortgage backed securities held by the Fund, at June 30, 2008 the net asset value (NAV) has declined to $8.91 from the NAV of $9.82 when the Bank purchased the Fund in 2004. Since the fair value of the Fund has declined, the Bank has recorded an unrealized loss in its Capital account of $734 thousand as of June 30, 2008. Subsequently, the value of the Fund has declined further with the NAV at $8.37 as of August 13, 2008, and the unrealized loss in the Capital account increasing to $1.2 million as of that date. Management believes this unrealized loss is temporary in nature and the result of current market conditions. It has, however, initiated an in-depth independent analysis of the securities in the Fund to determine if any permanent loss exposure to the Fund and its shareholders exists. A review of the analysis and a determination of future action to be taken will be made in the 3rd quarter of 2008.

Loan Portfolio

Total loans equaled $133.0 million at June 30, 2008, as compared with $120.2 million at December 31, 2007, an increase of $12.8 million, or 10.6%. During the six months ended June 30, 2008, real estate loans showed the largest dollar increase at $17.4 million, while construction and land development loans showed the largest dollar decrease at $8.4 million. Tables 5 and 6 below summarize the Bank's loan portfolio by type, and provides a breakdown of the portfolio by maturities and interest rate sensitivities as of June 30, 2008 and December 31, 2007.

Table 5
Loan Portfolio by Loan Type
As of June 30, 2008 and December 31, 2007
(in thousands)

	June 30, 2008	December 31, 2007	$ Change	% Change
Commercial	$ 28,364	$ 28,982	$ (618)	-2.1%
Consumer	27,146	22,758	4,388	19.3%
Construction and Land Development	12,470	20,839	(8,369)	-40.2%
Real Estate - Other	64,984	47,602	17,382	36.5%
Total	$ 132,964	$ 120,181	$ 12,783	10.6%

Table 6
Maturities and Sensitivities of Loans to Changes in Interest Rates
As of June 30, 2008 and December 31, 2007
(in thousands)

June 30, 2008	Maturing Within One Year	Maturing After One But Within Five Years	Maturing After Five Years	Total
Commercial	$ 13,889	$ 10,068	$ 4,407	$ 28,364
Consumer	1,701	2,023	23,422	27,146
Construction and Land Development	11,765	705	-	12,470
Real Estate - Other	1,578	3,288	60,118	64,984
Total	$ 28,933	$ 16,084	$ 87,947	$ 132,964
With predetermined interest rate	$ 3,761	$ 8,467	$ 25,008	$ 37,236
With floating interest rate	25,172	7,617	62,939	95,728
Total	$ 28,933	$ 16,084	$ 87,947	$ 132,964

December 31, 2007	Maturing Within One Year	Maturing After One But Within Five Years	Maturing After Five Years	Total
Commercial	$ 12,230	$ 7,749	$ 9,003	$ 28,982
Consumer	1,297	890	20,571	22,758
Construction and Land Development	20,839	-	-	20,839
Real Estate - Other	-	1,760	45,842	47,602
Total	$ 34,366	$ 10,399	$ 75,416	$ 120,181
With predetermined interest rate	$ 3,556	$ 6,413	$ 26,103	$ 36,072
With floating interest rate	30,810	3,986	49,313	84,109
Total	$ 34,366	$ 10,399	$ 75,416	$ 120,181

Risk Elements (loan portfolio)

Nonaccrual, Past Due and Restructured Loans

As of June 30, 2008, the Bank reported $337,000 in loans that were 90 days or more past due and also on nonaccrual status, and no restructured loans. During the six months ended June 30, 2008 and 2007, the Bank reported $33,000 and $0 in charge-offs, respectively.

The Bank has written policies pertaining to loan grading and the classification of assets as non-accrual. Loans graded Substandard or worse and on non-accrual are reviewed individually and if found to be impaired, appropriate specific reserves are established. The remainder of the portfolio is segregated into pools of loans having similar characteristics. The pools are in turn reviewed using the following factors: actual loss experience, current delinquencies, non-accrual and identified loans, the current economic conditions of the Bank's market and local industries, recent examinations of credit quality, adherence to polices and procedures and any changes therein, depth and experience of lending personnel, categories of loans and concentrations therein and any other factors management determines may impact loan quality. Additions to reserves for the period ended June 30, 2008 primarily reflect economic concerns in the Residential Construction and Land pools with additional adjustments made to the Commercial Real Estate and Individual loan pools.

According to the Bank's policies, an asset is to be reported as being in non-accrual status if:

a) It is maintained on a cash basis because of deterioration in the financial condition of the borrower;
b) Payment in full of principal or interest is not expected; or,
c) Principal or interest has been in default for a period of 90 days or more, unless the asset is both well secured and in the process of collection.

Non-performing loans at June 30, 2008 and December 31, 2007, are presented below in Table 7 (dollar amounts in thousands):

Table 7
Non-Performing Loans
As of June 30, 2008 and December 31, 2007
(in thousands)

	June 30, 2008	December 31, 2007
Non-accrual loans	$ 337	$ -
Loans past due over 90 days still on accrual	-	-

Loan Concentrations

On December 6, 2006, the federal bank regulatory agencies issued final joint guidance on Concentrations in Commercial Real Estate Lending, Sound Management Practices ("CRE Concentration Risk Guidance"). Under the CRE Concentration Risk Guidance, institutions with specific types of commercial real estate loans exceeding 300 percent of total capital and experiencing growth rates exceeding 50 percent during the past 36 months will be subject to increased regulatory scrutiny. The CRE Concentration Risk Guidance focuses on commercial real estate loans for which the cash flows from the real estate is the primary source of repayment, effectively excluding properties that are largely owner occupied.

At June 30, 2008, approximately $41.0 million, or 144.0 percent of the Bank's total capital consisted of commercial real estate loans and construction and land loans covered by the CRE Concentration Risk

Guidance. Substantially all of the Bank's real property collateral is located in its operating markets in Southern California. A substantial decline in real estate values in the Bank's primary market areas could occur as a result of worsening economic conditions, a general contraction of available credit in the marketplace, or other events including natural disasters such as earthquakes, fires, and floods. Such a decline in values could have an adverse impact on the Bank by limiting repayment of defaulted loans through sale of the real estate collateral and by likely increasing the number of defaulted loans to the extent that the financial condition of its borrowers is adversely affected by such a decline in values.

In Table 8 below, is a breakdown of the allowance for loan losses by loan type for the periods ended June 30, 2008, and December 31, 2007.

Table 8
Allocation of the Allowance for Loan Losses by Loan Type
As of June 30, 2008 and December 31, 2007
(in thousands)

	As of June 30, 2008		As of December 31, 2007	
	Loan Loss Allowance Amount (thousands)	Percent of Loans In Each Category To Total Loans %	Loan Loss Allowance Amount (thousands)	Percent of Loans In Each Category To Total Loans %
Commercial	$ 289	21.3%	$ 372	24.1%
Consumer	673	20.4%	244	18.9%
Construction and Land Development	316	9.4%	308	17.3%
Real Estate - Other	296	48.9%	503	39.7%
Unallocated	208	N/A	61	N/A
Total	$ 1,782	100%	$ 1,488	100%

Deposits

Deposits are the Bank's primary funding source. Deposits totaled $184.8 million, or 77.9 percent of total assets at June 30, 2008. Average deposit balances and average deposit costs by product type for the six month periods ended June 30, 2008 and 2007 are presented below in Table 9.

Table 9
Deposit Portfolio Breakdown by Average Balance and Average Rate
For the Six Months Ended June 30, 2008 and 2007
(in thousands)

	For the Six Months Ended June 30, 2008			For the Six Months Ended June 30, 2007		
(in thousands)	Average Balance	Average % Cost	% of Total Deposits	Average Balance	Average % Cost	% of Total Deposits
Deposits:						
Interest Bearing Demand,						
Money Market and NOW	$ 100,729	1.79%	60.2%	$ 97,775	3.13%	68.5%
Savings	261	0.50%	0.2%	384	0.50%	0.3%
Time Deposits Under $100,000	797	3.26%	0.5%	546	4.04%	0.4%
Time Deposits $100,000 or more	22,770	2.30%	13.6%	7,206	4.12%	5.0%
Total Interest Bearing Deposits	124,557	1.89%	74.5%	105,911	3.19%	74.2%
Non-Interest Bearing Demand						
Deposits	42,864	0.00%	25.6%	36,795	0.00%	25.8%
Totals	$ 167,421	1.41%	100.1%	$ 142,706	2.37%	100.0%

Table 10 below summarizes the Bank's certificate of deposit accounts of $100,000 or more by remaining term to maturity. The Bank's portfolio of certificate of deposit accounts is relatively short-term, with no maturities extending beyond twelve months.

Table 10
Time Certificates of Deposit of $100,000 or More by Remaining Maturity
at June 30, 2008 and at December 31, 2007
(in thousands)

	June 30, 2008	December 31, 2007
Certificates of Deposit of $100,000 or More		
Maturing in:		
Three Months or Less	$ 4,000	$ 21,879
Over Three Months Through Six Months	18,920	100
Over Six Months Through Twelve Months	735	420
Over Twelve Months	-	-
Total	$ 23,655	$ 22,399

Return on Equity and Assets

The Bank's financial performance for the three and six months ended June 30, 2008 and 2007 is presented in Table 11 below.

Table 11a
Return on Average Assets and Average Equity
For the Three Months Ended June 30, 2008, and 2007

(ratios are computed on average balances)

	Three Months Ended June 30	
	2008	2007
Return on Average Assets	0.69%	0.45%
Return on Average Equity	5.33%	2.85%
Dividend Payout Ratio	N/A	N/A
Average Equity to Assets Ratio	12.9%	15.8%

Table 11b
Return on Average Assets and Average Equity
For the Six Months Ended June 30, 2008, and 2007

(ratios are computed on average balances)

	Six Months Ended June 30,	
	2008	2007
Return on Average Assets	0.39%	0.48%
Return on Average Equity	2.84%	3.02%
Dividend Payout Ratio	N/A	N/A
Average Equity to Assets Ratio	13.6%	15.9%

Short-Term Borrowings and Liquidity Resources

Liquidity is a measure of the Bank's ability to convert assets into cash with minimum loss. Liquidity consists of cash and accounts and time deposits due from other banks, Federal Funds sold, Available for Sale Securities, and Held to Maturity Securities within six months of maturity or the most likely call date. Securities that are pledged as collateral for outstanding borrowings are excluded from the Bank's liquidity. Liquidity at June 30, 2008, totaled $48.9 million, or 26.5 percent of total deposits. Liquidity at December 31, 2007, totaled $59.3 million, or 33.5 percent of total deposits. The Bank's policy is to maintain an overall liquidity ratio (primary, secondary and other liquidity reserves, including borrowing facilities with third parties) of 20 percent, or greater of total deposits and other short term liabilities. As of June 30, 2008, the Bank's overall liquidity ratio was 47.9 percent as compared to 61.0 percent at December 31, 2007. The objective of liquidity management is to ensure that the Bank has available funds to meet all present and future financial obligations and to take advantage of business opportunities as they arise. Financial obligations arise from withdrawals of deposits, repayment on maturity of purchased funds, extension of loans or other forms of credit, payment of operating expenses and payment of dividends.

Liquidity is also supported by the Bank's borrowings. The Bank may borrow up to $20 million overnight on an unsecured basis from six of its primary correspondent banks. As of June 30, 2008, there were no amounts outstanding under these arrangements. The Bank also has a borrowing facility with the Federal

Home Loan Bank of San Francisco ("FHLB") collateralized by certain of its investments and loans. The Bank's maximum financing availability assuming adequate qualifying collateral was pledged to the FHLB, totaled $53.5 million, or 25 percent of total assets as of the most recent reporting period, or March 31, 2008. At June 30, 2008, the Bank had $69.3 million in loans and $18.3 million in investment securities pledged to the FHLB. Based upon total pledged collateral, the Bank's borrowing capacity at the FHLB equaled $64.6 million at June 30, 2008. The Bank's actual borrowing capacity is limited by the maximum financing availability referenced above, which totaled $53.5 million. The Bank's FHLB borrowings at June 30, 2008, totaled $23.0 million, leaving $26.8 million in potential borrowings available for liquidity purposes.

Table 12 below summarizes the Bank's outstanding borrowings as of June 30, 2008, and December 31, 2007. At June 30, 2008, total outstanding borrowings were comprised of ten advances from the FHLB of SF totaling $23.0 million. There were no borrowings outstanding at December 31, 2007. The outstanding borrowings at June 30, 2008, were used during the six months to purchase investment securities and for general operating purposes.

Table 12
Summary of Other Borrowings
As of the Period Ended June 30, 2008, and December 31, 2007

(dollars in thousands)

	Outstanding as of June 30, 2008		
Borrowing Type	Maturity	Rate	Amount
FHLB of SF Fixed Rate Credit Advance	10/22/2008	2.29%	$ 1,000
FHLB of SF Fixed Rate Credit Advance	11/19/2008	2.28%	2,500
FHLB of SF Fixed Rate Credit Advance	4/22/2009	2.77%	1,000
FHLB of SF Fixed Rate Credit Advance	5/27/2009	2.70%	2,500
FHLB of SF Fixed Rate Credit Advance	10/22/2009	2.91%	1,000
FHLB of SF Fixed Rate Credit Advance	4/22/2010	3.01%	1,000
FHLB of SF Fixed Rate Credit Advance	10/22/2010	3.15%	1,000
FHLB of SF Fixed Rate Credit Advance	4/22/2011	3.27%	3,000
FHLB of SF Fixed Rate Credit Advance	4/22/2011	3.28%	4,000
FHLB of SF Fixed Rate Credit Advance	4/22/2011	3.27%	6,000
Weighted Average Rate/Total		3.01%	$ 23,000

	Outstanding as of December 31, 2007		
Borrowing Type	Maturity	Rate	Amount
N/A	N/A	0.00%	$ -
Weighted Average Rate/Total		0.00%	$ -

Off Balance Sheet Commitments

The Bank is a party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments typically include commitments to extend credit and standby letters of credit, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements. Outstanding commitments as of June 30, 2008 are as follows:

Loan Commitments	$	967,000
Unused Lines of Credit	$	21,937,000
Letters of Credit	$	556,000

Regulatory Capital

In 1989, the Federal Deposit Insurance Corporation (FDIC) established risk-based capital guidelines requiring banks to maintain certain ratios of "Qualifying capital" to "risk-weighted assets." Under the guidelines, qualifying capital is classified into two tiers, referred to as Tier 1 (core) and Tier 2 (supplementary) capital. Currently, the Bank's Tier 1 capital consists of common shareholders' equity, though other instruments, such as certain types of preferred stock can also be included in Tier 1 capital. Tier 2 capital consists of eligible reserves for possible loan losses and qualifying subordinated notes and debentures. Total capital is the sum of Tier 1 plus Tier 2 capital. Risk-weighted assets are calculated by applying risk percentages specified by the FDIC to categories of both balance sheet assets and off-balance sheet obligations.

At year-end 1990, the FDIC also adopted a leverage ratio requirement. This ratio supplements the risk-based capital ratios and is defined as Tier 1 capital divided by quarterly average assets during the reporting period. The requirement established a minimum leverage ratio of 3.0 percent for the highest rated bank and ratios 100 to 200 basis points higher for most banks. Furthermore, as mandated by the FDIC Improvement Act of 1991, in 1993 the FDIC began assessing risk-based deposit insurance assessments based upon financial institutions' capital resources and "management strength". To qualify for the lowest insurance premiums as indicated in the following table, "well-capitalized" financial institutions must maintain risk-based Tier 1 and total capital ratios of at least 6.0 percent and 10.0 percent respectively. "Well-capitalized" financial institutions must also maintain a leverage ratio equal to or exceeding 5.0 percent.

At June 30, 2008, shareholders' equity was $28.3 million, an increase of $78,000 over December 31, 2007. The increase in shareholders' equity was primarily attributable to the retention of net income and stock-based compensation, partially offset by the decline in the fair market value of investment securities. Table 13 shows the Bank's risk-based capital ratios and leverage ratios as of June 30, 2008, and December 31, 2007.

Table 13
Regulatory Capital and Regulatory Capital Ratios
As of June 30, 2008, and December 31, 2007

			Amount of Capital Required			
	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2008:						
Total Capital (to Risk-Weighted Assets)	$30,160	18.5%	$13,074	8.0%	$16,342	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	$28,273	17.3%	$6,537	4.0%	$9,805	6.0%
Tier 1 Capital (to Average Assets)	$28,273	12.7%	$8,899	4.0%	$11,124	5.0%
As of December 31, 2007:						
Total Capital (to Risk-Weighted Assets)	$29,874	21.0%	$11,378	8.0%	$14,223	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	$28,286	19.9%	$5,689	4.0%	$8,534	6.0%
Tier 1 Capital (to Average Assets)	$28,286	13.3%	$8,534	4.0%	$10,668	5.0%

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, registrant is not required to provide the information required by Item 3 of Part I.

Item 4. Controls and Procedures.

Evaluation of Controls and Procedures

With the participation of the Bank's principal executive officer and principal financial officer, the Bank's management has evaluated the effectiveness of the Bank's disclosure controls and procedures (as defined in Rule 15d-15 under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Bank's principal executive officer and principal financial officer have concluded that:

(a) Information required to be disclosed by the Bank in this Quarterly Report on Form 10-Q and the other reports which the Bank files or submits under the Exchange Act would be accumulated and communicated to the Bank's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions requiring required disclosure;

(b) Information required to be disclosed by the Bank in this Quarterly Report on Form 10-Q and the other reports which the Bank files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in rules and forms of the Office of the Comptroller of the Currency ("OCC"); and

(c) The Bank's disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in the Bank's internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities and Exchange Commission, that occurred during the Bank's fiscal quarter ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting which was effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Item 4T. Controls and Procedures

Management's Annual Report on Internal Control Over Financial Reporting

The following report was prepared for the year ended December 31, 2007 and was included in registrant's Annual Report on Form 10-K for the year ended December 31, 2007:

Management is responsible for the preparation and fair presentation of the financial statements included in this quarterly report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect management's judgments and estimates concerning effects of events and transactions that are accounted for or disclosed.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. The Bank's internal control over financial reporting includes those policies and procedures that pertain to the Bank's ability to record, process, summarize and report reliable financial data. Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

In order to ensure that the Bank's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2007. This assessment was based on criteria for effective internal control over financial reporting described in Release No. 34-55929 of the Securities and Exchange Commission. Based on this assessment, management has concluded that the internal control over financial reporting was effective as of December 31, 2007.

The Board of Directors, acting through its Audit Committee, is responsible for the oversight of the Bank's accounting policies, financial reporting and internal control. The Audit Committee of the Board of Directors is comprised entirely of outside directors who are independent of management. The Audit Committee is responsible for the appointment and compensation of the independent auditor and approves decisions regarding the appointment or removal of the Bank's Internal Auditor. It meets periodically with management, the independent auditors and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is also responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of the Bank in addition to reviewing the Bank's financial reports. The independent auditors and the internal auditor have full and unlimited access to the Audit Committee, with or without management, to discuss the adequacy of internal control over financial reporting, and any other matter which they believe should be brought to the attention of the Audit Committee.

Changes in Internal Control over Financial Reporting

There were no changes in the Bank's internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities and Exchange Commission, that occurred during the Bank's fiscal six months ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting which was effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

The Bank is not party to any legal proceedings. From time to time, the Bank is a party to ordinary routine litigation incidental to its business, including foreclosures.

On April 24, 2008, the OCC revised its securities disclosure regulations. This revision removed the requirement that the Bank file future annual, quarterly and current reports (Forms 10-K, 10-Q or 8-K), effective as of July 1, 2008. The filing of these reports had been required by section 16.20 of 12 C.F.R. However, section 16.20 has now been removed from the regulations. The Board of Directors decided that this Form 10-Q for the quarter ended June 30, 2008 will be the last periodic report which will be filed by the Bank until such time as the Bank meets other criteria that would require further reporting.

Item 1A. Risk Factors.

As a smaller reporting company, registrant is not required to provide the information required by Item 1A of Part II.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There are no matters reportable under Item 2 of Part II.

Item 3. Defaults Upon Senior Securities.

There are no matters reportable under Item 3 of Part II.

Item 4. Submission of Matters to a Vote of Security Holders.

At the Bank's Annual Meeting of Shareholders held on May 16, 2008, shareholders were asked to vote on two items. The total number of shares present at the meeting in person or by proxy, and therefore eligible for voting, was 1,857,277 or 69.81% of the shares outstanding on the record date.

The first item voted upon by the shareholders was the election of nine (9) persons to the Board of Directors to serve until the 2009 shareholders meeting. The result of this election was as follows:

Nominee	For	Against	Abstained
Allen L. Basso	1,844,877	12,400	0
Carolyn D. Beaver	1,844,877	12,400	0
Burnie H. Dunlap	1,842,877	14,400	0
Steven L. Hollstein	1,837,877	19,400	0
William H. McAulay	1,844,877	12,400	0
Bernard E. Schneider	1,843,627	13,650	0
Mark E. Simmons	1,838,377	18,900	0
Robert H. Smith	1,844,377	12,900	0
Donald P. Tormey	1,844,877	12,400	0

The second item voted upon by the shareholders was the ratification of the Board's selection of Vavrinek, Trine, Day & Co., LLP as the Bank's independent accountant for the fiscal year ending December 31, 2008. The result of the vote was 1,843,614 in favor, 9,900 opposed, and 3,763 abstained.

Item 5. Other Information.

There are no matters reportable under Item 5 of Part II.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certifications

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMERCE NATIONALBANK

By:

Date: August 15, 2008

/S/ MARK E. SIMMONS
Mark E. Simmons
President and
Chief Executive Officer
(Principal Executive Officer)

Date: August 15, 2008

/S/ REGINALD R. PROUT
Reginald R. Prout
Senior Vice President & Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certifications

Exhibit 31.1
CERTIFICATION
[Rule 13a-14(a)/15d-14(a)]

I, Mark E. Simmons, President and Chief Executive Officer of Commerce National Bank, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Commerce National Bank for the quarter ended June 30, 2008;

2. Based on my knowledge, this Quarterly 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 Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

(d) Disclosed in this Quarterly 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (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 15, 2008

/S/ MARK E. SIMMONS
Mark E. Simmons
President and Chief Executive Officer

Exhibit 31.2
CERTIFICATION
[Rule 13a-14(a)/15d-14(a)]

I, Reginald R. Prout, Principal Financial Officer of Commerce National Bank, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Commerce National Bank for the quarter ended June 30, 2008;

2. Based on my knowledge, this Quarterly 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 Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

(d) Disclosed in this Quarterly 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (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 15, 2008

/S/ REGINALD R. PROUT
Reginald R. Prout
Principal Financial Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of Commerce National Bank (the "Bank") on Form 10-Q for the fiscal quarter ended June 30, 2008, as filed with the Office of the Comptroller of the Currency (the "OCC") on the date hereof (the "Report"), the undersigned, Mark E. Simmons, President and Chief Executive Officer of the Bank, and Reginald R. Prout, Principal Financial Officer of the Bank, pursuant to 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Bank at the dates and for the periods indicated.

The foregoing certification is made solely for purposes of 18 USC, Section 1350 of the United States Code and is subject to the knowledge and willfulness qualifications contained in Title 18, Chapter 63, Section 1350(c).

Date: August 15, 2008

/S/ MARK E. SIMMONS
Mark E. Simmons
President and Chief Executive Officer

Date: August 15, 2008

/S/ REGINALD R. PROUT
Reginald R. Prout
Principal Financial Officer

*This certification is being furnished as required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Bank specifically incorporates this certification by reference.