



## **Section 2 - Financial Information**

### **Item 2.02 Results of Operations and Financial Condition.**

On October 25, 2006, Bay National Corporation (the "Company") issued a press release announcing its earnings for the quarter ended September 30, 2006.

Among other figures, the press release presents a comparison of diluted net income per share before income taxes for the quarterly and nine month periods ended September 30, 2006 compared to net income per diluted share for the quarterly and nine month periods ended June 30, 2005. Because the Company had no income tax expense during the periods ended September 30, 2005, a comparison of the Company's net income per diluted share, which would include the impact of taxes for the periods ended September 30, 2006, could obscure the impact of changes in the Company's operations. Therefore, management believes that the comparison provides investors with a more accurate period-to-period comparison of the per-share impact of changes in the Company's operations.

The press release also reports that core deposits rose 26.2% year-over-year to \$171.2 million at September 30, 2006. Core deposits, which management categorizes as all deposits other than national market certificates of deposit, deposits purchased through the certificate of deposit account registry service (CDARS) program and all but \$3.0 million in deposits from select accounts with highly variable balances, are closely monitored by management because they consider them not only a relatively stable source of funding but also reflective of the growth of commercial and consumer depository relationships.

The press release is furnished as Exhibit 99.1 hereto.

## **Section 9 - Financial Statements and Exhibits**

### **Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

The following exhibit is filed herewith:

99.1 Press Release dated October 25, 2006.

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SIGNATURES

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

BAY NATIONAL CORPORATION

Date October 25, 2006

By: /s/ Hugh W. Mohler  
Hugh W. Mohler, President