



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**May 21, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bridge Bank, National Association  
Charter Number 24129**

**55 Almaden Boulevard, Suite 100  
San Jose, CA 95113**

**Office of the Comptroller of the Currency  
Western District  
San Francisco Field Office  
One Front Street, Suite 1000  
San Francisco, CA 94111**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Bridge Bank, N.A. has an overall satisfactory record of meeting community credit needs. This is based on the following:

- The bank has a reasonable loan-to-deposit (LTD) ratio and averaged 80% during the evaluation period.
- The bank's lending in its assessment area meets the standard for satisfactory performance. A majority of the bank's loans originated within its defined assessment area.
- The bank's distribution of loans to businesses of different sizes is considered adequate.
- The bank's geographic distribution of business loans in low- and moderate-income census tracts exceeds the standards for satisfactory performance.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area.
- There were no public complaints about the bank's CRA performance.

## **SCOPE OF EXAMINATION**

This Performance Evaluation period covered January 1, 2004 through December 31, 2006, and was evaluated using 2000 Census demographic information. There has been no data integrity review conducted prior to this evaluation. Bridge Bank, N.A. originated approximately 692 business loans out of 748 loans during this evaluation period. As such, we analyzed a random selection of business loans for the lending test. These loans included both commercial and commercial real estate. We reviewed all of the bank's community development investments, loans, and services to ensure they met the definition for community development.

## **DESCRIPTION OF INSTITUTION**

Bridge Bank, N.A. (Bridge Bank) is an intrastate bank, and was chartered as Bridge Bank of Silicon Valley, N.A. on May 14, 2001. The name was changed to Bridge Bank, N.A. on May 23, 2002. It is headquartered in San Jose, California. The bank's holding company is Bridge Capital Holdings.

As of December 31, 2006, Bridge Bank had total assets of \$721 million, including \$539 million

in gross loans. The bank's net loans represent 74% of total assets. Bridge Bank provides a full range of products and services through its headquarters and Palo Alto branch offices. There are no ATM services. The bank's ability to serve the very small businesses within its community is hindered by the highly competitive nature of banking within its assessment area. Due to economies of scale and the resources of the larger banks in the area, the bank can not provide, at competitive rates, the credit card services and lines of credit that meet the needs of the very small businesses within the bank's assessment area.

The bank has six loan production offices, of which four are located in California. These four offices are in Pleasanton, Irvine, Redwood City and Sacramento. The other two offices are located in Dallas, Texas and Reston, Virginia. Bridge Bank also has two California Small Business Administration (SBA) representative offices in San Diego and Huntington Beach. While the bank's primary loan product is business, consumer and home mortgage products are made as an accommodation to the existing commercial customers.

The bank's last CRA examination was dated April 19, 2004, with a satisfactory rating. There are no legal or financial impediments to the bank's ability to help meet the credit needs of the community.

*Please refer to the bank's CRA public file for more information about the institution.*

## **DESCRIPTION OF BRIDGE BANK'S ASSESSMENT AREA**

Bridge Bank is an intrastate bank with only one assessment area. Because the CRA regulation defines an assessment area as including the geography where the bank's branch or headquarters is located, and not extending significantly beyond the boundaries of a metropolitan division, the bank's legally defined assessment area is the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA). However, because of the bank's use of courier services and remote deposit capture, as well as their reliance on loan officer outreach to generate business, the bank's effective trade area covers a larger area that includes the San Jose-Sunnyvale-Santa Clara MSA, and extends to the southern half of Alameda County, which is the adjacent county to the east, and part of the Oakland-Fremont-Hayward MSA. As required by the regulation, we evaluated the bank's performance in its legally defined assessment area. However, we also took into consideration the bank's loans to small businesses, and community development activities that were part of this larger assessment area, once we determined that the bank had adequately addressed the needs of the legally defined assessment area.

### **San Jose-Sunnyvale-Santa Clara MSA**

Based on the 2000 U.S. Census data, of the 341 census tracts in this MSA, there were 4% low income census tracts, 22% moderate-income census tracts, 47% middle-income census tracts, and 27% upper income census tracts. Population was approximately 1,682,585. Median housing value in the area was \$447,835, with 58% of total housing units owner-occupied. The 2000 Census data reported median family income of \$86,914. The HUD adjusted median family income for 2006 was \$97,100.

Bridge Bank faces competition from 52 banks operating within the San Jose-Sunnyvale-Santa Clara MSA. Bridge Bank ranks 13<sup>th</sup> in market share with 1.14%. The four largest banks hold a market share of 56%. The competing institutions include, in part, Bank of America, Washington Mutual Bank, Comerica and Wells Fargo.

In conjunction with this CRA examination, we conducted a community contact interview with a representative from an economic development organization to learn about credit opportunities within the community. The representative identified that there is a need for banks to participate in various loan pools and grants geared toward affordable housing and small businesses.

*Please refer to the public file for additional information.*

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

Based on a full scope review, the bank's small business performance in the assessment area is overall satisfactory. Conclusions to support this rating are based on the following:

### **LENDING TEST**

#### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio demonstrates a willingness to lend. The level of lending is reasonable given the bank's size, area credit needs, and the competitive banking market. We analyzed the bank's quarterly LTD ratio from January 1, 2004 through December 2006. During this period, the LTD ranged from a low of 64% to a high of 92%, with a quarterly average of 80%. We compared the bank's average ratio to that of two peer banks that operated in the same assessment area. The peer group's quarterly LTD ratio, over the same time period, averaged 92%. While the bank's average ratio was lower than the peer group average, it met the standard for satisfactory performance.

## Lending in the Assessment Area

The bank's record of lending in the assessment area meets the standard for satisfactory performance.

Table 1

<b>Bridge Bank, N.A. Lending in the Assessment Area</b>								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business	12	60%	8	40%	\$16,032,306	79%	\$4,280,332	21%
<b>Totals</b>	<b>12</b>	<b>60%</b>	<b>8</b>	<b>40%</b>	<b>\$16,032,306</b>	<b>79%</b>	<b>\$4,280,332</b>	<b>21%</b>

Source: Sample of 20 business loans originated from January 1, 2004 to December 31, 2006.

A majority of the bank's loans originated within its defined assessment area. For this performance criterion, we randomly sampled 20 business loans originated during the evaluation period. Table 1 indicates the bank originated 60% of the number and 79% of the dollar volume of loans within the defined assessment area.

## Lending to Businesses of Different Sizes

The following table displays the bank's lending practices based on our sample of business borrowers.

Table 2

<b>Borrower Distribution of Loans to Businesses in San Jose-Sunnyvale-Santa Clara MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	6%	29%	100%
% of Bank Loans in AA by #	35%	65%	0%	100%
% of Bank Loans in AA by \$	15%	85%	0%	100%

Demographic Source: 2006 Business Geodemographic data.

Based on our review, the bank's number of loans to small businesses was well below the area demographics by number and by dollar amount. The resulting percentages were 35% and 15%, respectively. The 2006 Geodemographic data reflects that 65% of reporting businesses have gross revenues of \$1 million or less. Our analysis reflected that the needs of small businesses are being met by various credit card companies and larger institutions in the assessment area. Given the competitive factors, and based on positive feedback from community contacts, we consider the bank's performance adequate.

## Geographic Distribution of Loans

The following table displays the bank’s geographic distribution of loans based on our sample of business borrowers.

Table 3

<b>Geographic Distribution of Loans to Business San Jose-Sunnyvale-Santa Clara MSA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA</b>	<b>% of Number of Loans</b>	<b>% of AA</b>	<b>% of Number of Loans</b>	<b>% of AA</b>	<b>% of Number of Loans</b>	<b>% of AA</b>	<b>% of Number of Loans</b>
<b>Business</b>	4%	19%	21%	19%	47%	38%	27%	24%

*Demographic Data Source: 2006 Business Geodemographic Data and loan sample.*

Table 3 reflects that the bank’s geographic distribution of business loans in low- and moderate-income census tracts exceeds the standards for satisfactory performance. Our loan sample reflected that 19% of the bank’s business loans were located in low income census tracts, which exceeded the area demographics of 4%. Our loan sample reflected that 19% of the bank’s business loans were located in moderate income census tracts, which mirrored the area demographics.

**Responses to Complaints**

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

The bank’s overall performance under the Community Development Test is rated “Satisfactory.” Bridge Bank has demonstrated responsiveness to the community development needs of its assessment area considering the limited opportunities.

**Number and amount of community development loans**

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, Bridge Bank originated two community development loans, through the Lenders for Community Development, totaling \$31M. The loans for qualifying community development organizations are described below.

- **Lenders for Community Development (LCD)**

The bank participated in various loan funds through LCD. LCD is a multi-bank community development corporation operating in Santa Clara and San Mateo Counties. LCD was organized to make community development loans for affordable housing, community facilities and emerging small businesses. LCD receives support from various financial institutions to fund various projects. Bridge Bank's \$31M was used towards the revitalization of a low-income census tract that constructed 25 for-sale homes, targeting low- and moderate-income persons in downtown Gilroy. Bridge Bank increased its commitment with LCD to \$919M in 2007 for various projects targeting small businesses and affordable housing.

### **Number and amount of qualified investments**

The number and amount of qualified investments is satisfactory. During the evaluation period, Bridge Bank had one qualified bond investment totaling \$1 million. Bridge Bank also had \$46M in qualifying donations during the period. The investment and donations are described below.

- **California Affordable Housing Fund-2005 III**

In 2006, the bank made a \$1 million equity investment in the California Affordable Housing Fund, which was invested in an affordable housing property in the bank's San Jose-Sunnyvale-Santa Clara MSA. This property consisted of 148-units that were primarily for low-income families.

- **Donations**

Cash donations of \$46M were made to various organizations during this evaluation period, of which \$10M was to EHC Life Builders and Inn Vision. These organizations provided shelter and housing to the homeless community in the San Jose area. Donations totaling \$31M were made to LCD to help with operating costs and \$5M was made to the Bioscience Incubator which benefited start up businesses.

### **Extent to which the bank provides community development services**

Bridge Bank's record of providing community development services is satisfactory. Bridge Bank's performance in providing CD services in the assessment area is good. Bank employees have donated a good amount of service time, through their involvement in providing technical assistance in financial matters to various community organizations and programs within the assessment area. For example, one of the bank's officers provided technical assistance in financial matters related to six business incubator organizations, which supports the entrepreneurial process for innovative startup companies. The bank's Chief Operating Officer sits on the loan committee of the San Jose Economic Redevelopment Agency, which supports start-ups and small businesses. The bank's Senior Loan Officer sits on the loan committee for Lenders of Community Development, which addresses affordable housing needs and promotes economic development by financing small businesses. The total amount of hours donated during this evaluation period was 300.

Bridge Bank has two full service branches in their assessment area. Of the two branches, one is

located in a moderate-income census tract, making it readily accessible to customers in and near this geography.

**Bank's responsiveness, through community development activities, including community development lending, investment, and service needs**

The bank's overall responsiveness, through community development activities, to community development lending, investment, and services needs is reasonable. This is supported by the community development services and investments originated during the period. These services and investments help stabilize and support local economies; and, help provide affordable housing to low- and moderate-income families within Bridge Bank's assessment area.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory, or other illegal credit practices, inconsistent with helping to meet community credit needs.