



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 02, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bridge Bank, National Association  
Charter Number 24129

55 Almaden Boulevard, Suite 100  
San Jose, CA 95113-1609

Office of the Comptroller of the Currency

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. (Bridge Bank) 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 85% during the evaluation period.
- The bank's lending in its assessment area (AA) meets the standard for satisfactory performance. A majority of the bank's loans originated within its defined AA.
- The bank's geographic distribution of business loans in low- and moderate-income census tracts meets the standards for satisfactory performance.
- The bank's distribution of loans to businesses of different sizes is considered poor.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its AA.
- There were no public complaints about the bank's CRA performance.

## **Scope of Examination**

This Performance Evaluation period covered May 21, 2007 through August 2, 2010, and was evaluated using 2000 Census demographic information. A data integrity review was conducted during our evaluation. We analyzed the bank's business loans for the lending test. 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 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 June 30, 2010, Bridge Bank had total assets of \$916 million, including

\$596 million in gross loans. The bank’s net loans represent 63% 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 AA. 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 AA.

The bank has five loan production offices, of which three are located in California. These three offices are in Pleasanton, Irvine, and San Francisco. The other two offices are located in Dallas, Texas and Reston, Virginia. 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 May 21, 2007, 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.

Table 1

<b>BRIDGE BANK, N.A. LOAN PORTFOLIO COMPOSITION</b>		
<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Commercial	539,710	90.60
Residential Real Estate	45,152	7.60
Agricultural	7,156	1.20
Consumer	3,654	0.60
<b>Total Loans</b>	<b>\$595,672</b>	<b>100.00</b>

*Call Report as of 6/30/10*

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

## DESCRIPTION OF BRIDGE BANK'S AA

Bridge Bank is an intrastate bank with only one AA. The AA primarily covers Santa Clara County in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA). However, the CRA regulation allows the bank's AA to extend beyond the MSA because the bank is located in the San Jose-San Francisco-Oakland Combined Statistical Area (CSA), even though the bank does not have any branches outside of the San Jose-Sunnyvale-Santa Clara MSA. Because of this, the bank has chosen to expand its AA to include the cities of Fremont and Newark in Alameda County, which is the adjacent county to the northeast and is part of the Oakland-Fremont-Hayward Metropolitan Division (MD). The AA also includes the cities of Atherton, East Palo Alto, Menlo Park, Redwood City, and Woodside in San Mateo County, which is the adjacent county to the northwest and is part of the San Francisco-San Mateo-Redwood City MD.

Based on the 2000 U.S. Census data, of the 436 census tracts in this AA, there were 4% low-income census tracts, 20% moderate-income census tracts, 46% middle-income census tracts, and 31% upper-income census tracts. Population was 2,178,576. The median housing value in the area was \$445,255, with 58% of total housing units owner-occupied. The 2000 U.S. Census data reported median family income of \$87,141, and the HUD adjusted median family income for 2009 was \$100,329.

Bridge Bank faces competition from 55 banks operating within the San Jose-Sunnyvale-Santa Clara MSA. Bridge Bank ranks 13<sup>th</sup> in market share with 1.25%. The three largest banks hold a market share of over 54%. The competing institutions include, in part, Wells Fargo Bank, Bank of America, and Silicon Valley Bank.

Bridge Bank faces competition from 22 banks operating within the cities of Newark and Fremont. Since Bridge Bank does not have a branch or deposit-taking ATM within these cities, we were not able to accurately determine their share of the local deposits. The competing institutions include, in part, Wells Fargo Bank, Bank of America, and Fremont Bank.

Bridge Bank faces competition from 15 banks operating within the cities of Atherton, East Palo Alto, Menlo Park, Redwood City, and Woodside. Since Bridge Bank does not operate a branch or have a deposit-taking ATM within these cities, we were not able to accurately determine their share of the local deposits. The competing institutions include, in part, Wells Fargo Bank, Bank of America, and Silicon Valley Bank.

The local economy is showing signs of recovery, with housing prices and new home construction both on the rise. Santa Clara County is the heart of the Silicon Valley and technology continues to be a driving force in the economy. Computer and internet firms are currently experiencing growth with greater demand for their products, and the local work force is highly skilled. However, outsourcing hampers employment opportunities and this issue is likely to continue into the future. Also, commercial construction and financial industries remain weak, and unemployment remains high at 12%.

Table 2

BRIDGE BANK, N.A. ASSESSMENT AREA COMPOSITION INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
Income of Census Tract	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	16	3.67	7,032	3.41	14,636	2.81
Moderate Income	86	19.72	41,467	20.13	91,233	17.50
Middle Income	200	45.87	86,733	42.10	248,740	47.71
Upper Income	134	30.73	70,792	34.36	166,700	31.98
<b>Total:</b>	<b>436</b>	<b>100.00</b>	<b>206,024</b>	<b>100.00</b>	<b>521,309</b>	<b>100.00</b>

Source: 2009 Dun & Bradstreet

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.***

## LENDING TEST

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

### 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, 2007 through June 2010. During this period, the LTD ranged from a low of 73%, to a high of 96%, with a quarterly average of 85%. We compared the bank's average ratio to that of two peer banks that operated in the same AA. The peer group's quarterly LTD ratio, over the same time period, averaged 86%.

### Lending in Assessment Area

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

Table 3

BRIDGE BANK, N.A. LENDING IN ASSESSMENT AREA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	709	57	539	43	892,532,403	55	726,588,403	45
<b>Totals</b>	<b>709</b>	<b>57</b>	<b>539</b>	<b>43</b>	<b>892,532,403</b>	<b>55</b>	<b>726,588,403</b>	<b>45</b>

Source: CRA reported loans originated from January 1, 2008 to June 30, 2010

A majority of the loans originated by the bank was made within its defined AA. For this performance criterion, we included all business loans originated during the evaluation period. Table 3 indicates the bank originated 57% by number and 55% by dollar volume of loans within the defined AA.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans reflects poor penetration among businesses of different sizes given the bank's product offerings and local economic conditions.

Table 4

BRIDGE BANK, N.A. INCOME DISTRIBUTION OF SMALL LOANS TO BUSINESSES IN ASSESSMENT AREA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.20%	5.55%	19.25%	100%
% of Bank Loans in AA by #	15.25%	73.73%	11.02%	100%
% of Bank Loans in AA by \$	8.37%	82.97%	8.66%	100%

Demographic Data Source: 2009 Business Geodemographic Data.

Based on our review, the bank's number and dollar amount of loans to small businesses was significantly lower than area demographics. The resulting percentages were 15.25% and 8.37%, respectively. The 2009 Geodemographic data reflects that 75.20% of reporting businesses have gross revenues of \$1 million or less.

Although the bank's performance is significantly lower than area demographics in each area, our analysis reflected that many needs of small businesses are being met by various credit card companies and larger institutions in the bank's AA. The bank provided documentation to indicate that the area demographic number of businesses does not effectively reflect the effects of market share and competition among various financial institutions within the AA. Although the numbers reflect very poor performance, taking into consideration the competitive factors and based on positive feedback from community contacts, we consider the bank's performance poor.

### Geographic Distribution of Loans

Our analysis of the bank’s combined AA found that the bank’s geographic distribution of business loans in low-income census tracts meets the standards for satisfactory performance and in moderate-income census tracts exceeds the standards for satisfactory performance.

The bank was not able to penetrate all census tracts within their AAs. However, there were no conspicuous gaps in the bank's distribution of loans.

The following tables display the bank’s geographic distribution of business loans.

Table 5

BRIDGE BANK, N.A. GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	3.41	3.67	20.13	35.03	42.10	27.97	34.36	33.33

*Demographic Data Source: 2009 Business Geodemographic Data*

Tables 5 reflects that the bank’s geographic distribution of business loans in low-income census tracts meets the standards for satisfactory performance and in moderate-income census tracts exceeds the standards for satisfactory performance.

### 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 community development (CD) performance demonstrates adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s AAs.

### Number and Amount of Community Development Loans

The number and amount of qualified loans is satisfactory. 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 three community development loans totaling \$170M. Examples of loans for qualifying

community development organizations are described below.

- Crest Avenue Associates, L.P.  
The Crest Avenue Apartments project consists of 40 existing units in six fourplexes and one 16 unit apartment building located in Morgan Hill, CA, in Santa Clara County. The project will serve households earning 35-40% of the Area Median Income. Bridge Bank's participation of 4.09%, or \$66M, was used to acquire the 16 unit apartment building.
- National Hispanic University (NHU)  
NHU is located in San Jose, CA, in Santa Clara County. Sixty-six percent of the students attending this charter school are first generation low-income students. This loan is a secured operating Line of Credit to the university. Bridge Bank's participation is 4.17%, or \$56M.

### **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 \$2 million, and two qualified financial intermediary investments totaling \$2.5 million. Bridge Bank also had \$212M in qualifying donations during the period. The investment and donations are described below.

- California Affordable Housing Fund-2005 II  
In 2007, the bank made a \$2 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 286 units that were primarily for low-income families.
- FNMA Pool FNAD7563 and FNAD7879  
In 2010, the bank made \$2.5 million in total investment to two FNMA Pools. These FNMA Pools are specially searched and designed for low- and moderate-income borrowers in CRA-qualified AAs.
- Donations  
Donations of \$212M were made to various organizations during this evaluation period, of which the majority was made to the Opportunity Fund for their affordable housing loan pool and community facilities loans. The bank also made donations to Sacred Heart Nativity School. The donations were contributions for ongoing needs for a school dedicated to the education for students of low-income families.

### **Extent to Which the Bank Provides Community Development Services**

Bridge Bank's record of providing community development services is satisfactory. Bank employees have donated a good amount of service time through their involvement in providing loan accounting services to Opportunity Fund (formerly Lenders for Community Development), a community development lender. The total amount of



hours donated during this evaluation period was 1,945.

Bridge Bank has two full service branches in their AA. Of the two branches, one is located in a moderate-income census tract, making it readily accessible to customers in and near this geography. No branches have opened or closed since the last examination.

### **Responsiveness to Community Development Needs**

The bank's overall responsiveness through CD activities, CD lending, investment, and services, is adequate. This is supported by the CD 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 AA.

### **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.