



SMALL BANK

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

PUBLIC DISCLOSURE

April 19, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

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

**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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Bridge Bank, National Association, prepared by The Office of the Comptroller of the Currency, as of **December 31, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Bridge Bank, N.A. satisfactorily meets the credit needs of its assessment area, including low- and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- The bank has a reasonable loan-to-deposit ratio.
- The bank's lending in the assessment area meets the standard for satisfactory performance. A majority of its loans by dollar and volume are within its assessment area.
- The bank's distribution of loans reflects reasonable penetration among businesses of different sizes, given the demographics of the assessment area.
- The bank's geographic distribution of loans reflects limited dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Bridge Bank, NA was chartered as Bridge Bank of Silicon Valley, NA on May 14, 2001. The name was changed to Bridge Bank, NA (Bridge Bank) on May 23, 2002. The bank has no parent corporation. As of December 31, 2003, Bridge Bank had total assets of \$277 million, including \$194 million in gross loans. The bank's net loans represent 69% of total assets.

Bridge Bank's legal headquarters is in Santa Clara, CA, located in Santa Clara County. The full-

service branch at this location was the bank’s main office until March 15, 2004, when it, along with the bank’s administrative offices, was moved to San Jose. The bank’s Palo Alto branch opened on January 28, 2002.

The bank has two SBA lending offices. One office was opened in Sacramento on February 11, 2002, and was relocated to Rancho Cordova on December 11, 2002. The second SBA office was opened in San Diego on November 10, 2003. In April 2004, the bank announced plans to open a third SBA office in Fresno.

Bridge Bank provides lending and other services to the small and middle-market business communities of Santa Clara County, Sacramento, and San Diego.

There are no legal or financial impediments to the bank’s ability to help meet the credit needs of the community. This is the first CRA examination for the bank, so it has no previous performance rating.

Types of Loans Outstanding

| Loan Type | \$000's | Percent |
|-------------------------|----------------|----------------|
| Commercial & Industrial | 60,987 | 31% |
| Construction & Land | 55,796 | 29% |
| Commercial Real Estate | 55,406 | 29% |
| Residential Real Estate | 17,724 | 9% |
| Consumer | 4,536 | 2% |
| Gross Loans | 194,449 | 100% |

Source: Call Report 12/31/2003

DESCRIPTION OF BRIDGE BANK’S ASSESSMENT AREA

Management and the Board have designated an assessment area consisting of 341 contiguous census tracts. The assessment area consists of the San Jose Metropolitan Statistical Area (MSA), which consists solely of Santa Clara County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

San Jose MSA Assessment Area

The assessment area of Santa Clara County is located south of San Francisco Bay and is part of California’s busiest urban areas. Santa Clara County contains 341 census tracts, which were determined by the 2000 U.S. Census.

The cities of Gilroy, Los Altos Hills, and Milpitas recorded the highest percentage of growth from 2001 to 2002. The city of San Jose is the county’s largest, with a population of 925,000 at December 2002. Overall, the county ranks as the fifth-highest populated county in California, and its population is projected to reach almost 2.2 million by 2020.

Northwestern Santa Clara County is part of an area known as the Silicon Valley, an industrial region centered around the southern shores of San Francisco Bay. The name was a result of a dense concentration of electronics and computer companies located there. After booming for several years, these industries experienced a decline in 2001 that continued in 2002 and 2003.

The following table shows the demographics of the assessment area according to the 2000 U.S. census data:

| Demographic Information for Bridge Bank's Assessment Area: San Jose Metropolitan Statistical Area (MSA) | | | | | | |
|--|------------------|-----------------------|----------------------------|-----------------------------|-------------------------|-----------------------|
| Demographic Characteristics by Number | # | Low | Moderate | Middle | Upper | NA * |
| Geographies (Census Tract #) | 341 | 14 | 78 | 161 | 88 | 0 |
| | | | | | | |
| Demographic Characteristics by % | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tract %) | 341 | 4.11% | 22.87% | 47.21% | 25.81% | 0% |
| Population by Geography | 1,682,585 | 4.03% | 24.27% | 47.93% | 23.77% | 0.00% |
| Owner-Occupied Housing by Geography | 338,636 | 1.17% | 15.89% | 49.94% | 33% | 0.00% |
| Business by Geography | 118,184 | 1.08% | 22.30% | 56.60% | 19.87% | 0.00% |
| Farms by Geography | 1,779 | 2.64% | 25.30% | 47.50% | 24.56% | 0.00% |
| Family Distribution by Income Level | 399,765 | 3.15% | 20.84% | 49.06% | 26.95% | 0.00% |
| Median Family Income | | \$86,914 | | Median Housing Value | | \$447,835 |
| <i>Updated HUD Adjusted Median Family Income</i> | | \$105,500 | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 U.S. Census and 2003 HUD updated MFI.

The total population of the assessment area is 1,682,585. The majority of businesses are located in middle-income census tracts. Owner-occupied housing represents 58% of all housing units in the assessment area. Only 17% of the owner occupied units are located in low- and moderate-income census tracts reflecting a low rate of home ownership in these tracts.

According to 2003 Economy.com, the San Jose economy is still struggling to rebound from its deep recession. Industrial production has been rising over the past year and has caused unemployment to continue to decline through the fall of 2003. A rebound in semiconductor capital equipment is underway. San Jose remains the center of technology research. The unemployment rate in San Jose is currently at 8.2%. Major employers of the area include Cisco Systems, Applied Materials, Stanford University, and Hewlett-Packard Company.

The three largest employment sectors in the San Jose MSA employ 56% of the civilian workforce: manufacturing (22%), professional and business services (19%), and trade, transportation and utilities according to the 2002 Labor Market Information Division. Business lending opportunities are good. The 2003 Business Geodemographic data show that 118,184 businesses operate within the bank's current assessment area. Of those with reported revenues, 60% have reported annual revenues of \$1 million or less. Approximately 64% employ fewer than ten employees.

Bridge Bank faces strong competition from 53 banks operating within the assessment area. Bridge Bank ranks 19th in deposit market share with 0.48%. The four largest banks hold a total

of 55% of the deposit market share. The major competing institutions include Bank of America, NA; Wells Fargo Bank, NA; Washington Mutual Bank, FA; Comerica Bank; and Silicon Valley Bank.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

We evaluated the bank's performance based on loans originated from the bank's opening date, May 14, 2001, through December 31, 2003. We focused our evaluation on the bank's primary product lines, determined from our review of dollar volumes reported on the December 31, 2003 Call Report. We selected commercial and construction lending as the bank's primary loan products, with commercial real estate a third major loan segment. We focused our review on the first two areas, relying on commercial real estate as needed to complete our sample. This is a de novo bank, thus the evaluation for the initial CRA review encompasses originations since inception. Loans made in 2001 and 2002 were compared to 1990-based Census demographics, while loans made in 2003 were compared to 2000-based Census demographic comparators.

We randomly selected a total of 98 loans for analysis, with 80 falling within the bank's chosen assessment area. We used the sampled loans to review the bank's lending in its assessment area, its geographic and income distribution of loans, and its overall CRA performance.

Loan-to-Deposit Ratio

Bridge Bank's quarterly average loan-to-deposit ratio is reasonable compared to local peer bank averages.

Since the bank's inception, the bank's quarterly loan-to-deposit ratio averaged 64.71% for the 11 quarters ending December 31, 2003. The quarterly average ratio of similarly situated peer banks in its assessment area was 74% over the same time period. The bank's loan to deposit ratio steadily improved in the last two years of the evaluation period. The bank's quarterly loan to deposit ratio averaged 76.52% for the eight quarters ending December 31, 2003. The quarterly average of similarly situated peer banks in the assessment area was 76.05% during the same time period. For purposes of this examination, we considered the bank's loan to deposit ratio for the eight quarterly averages ending December 31, 2003.

Lending in Assessment Area

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

Lending Within Assessment Area (AA)

| | # of Loans | % By Number | Dollars | % By \$ |
|-----------------|-------------------|--------------------|----------------|----------------|
| Loans In AA | 23 | 56% | \$23,928,000 | 58% |
| Loans Out of AA | 18 | 44% | \$17,363,809 | 42% |
| Totals | 41 | 100% | \$41,291,809 | 100% |

Source: Sample of 41 loans originated from May 1, 2001 to December 31, 2003

A majority of the bank’s loans originated within their designated assessment area. We sampled 41 loans in this portion of the CRA examination, focusing on the bank’s primary loan products. The bank originated 23 loans, or 56% of the total number sampled, to borrowers within the assessment area. The total dollar volume of loans granted within the assessment area was 58%.

Lending to Businesses of Different Sizes

The bank’s distribution of loans reflects reasonable penetration among businesses of different sizes, given the demographics of the assessment area. Our sample showed a decline in the numerical proportion of loans to small businesses since inception, but census data also indicates a decline in the proportion of small businesses.

1990 Revenue Distribution – Commercial & Construction Loans (Santa Clara County)

| Gross Revenues | Businesses in AA | | Number of Loans Originated within AA | | Dollar Volume of Loans Originated within AA | |
|-----------------------|-------------------------|------------------------|---|--------------------|--|-----------------------|
| | # of Businesses | % of Businesses | # of Loans | % of Number | Dollar Volume | % of \$ Volume |
| ≤\$1,000,000 | 72,903 | 65.97% | 23 | 56.1% | \$ 21,958,000 | 61.59% |
| >\$1,000,000 | 8,749 | 7.92% | 18 | 43.9% | \$ 13,695,000 | 38.41% |
| Not reported | 28,860 | 26.11% | 0 | 0% | 0 | 0% |
| Totals | 110,512 | 100% | 41 | 100% | \$ 35,653,000 | 100% |

Sources: 1) 2002 Business Geodemographic Data
 2) Sample of 40 loans originated within AA from May 1, 2001 to December 31, 2002

2000 Revenue Distribution – Commercial/CRE & Construction Loans(Santa Clara County)

| Gross Revenues | Businesses in AA | | Number of Loans Originated within AA | | Dollar Volume of Loans Originated within AA | |
|----------------|------------------|-----------------|--------------------------------------|-------------|---|----------------|
| | # of Businesses | % of Businesses | # of Loans | % of Number | Dollar Volume | % of \$ Volume |
| ≤\$1,000,000 | 71,152 | 60.20% | 17 | 43% | \$ 19,179,500 | 56% |
| >\$1,000,000 | 8,414 | 7.12% | 23 | 57% | \$ 14,893,000 | 44% |
| Not reported | 38,618 | 32.68% | 0 | 0% | 0 | 0% |
| Totals | 118,184 | 100% | 40 | 100% | \$ 34,072,500 | 100% |

Sources: 1) 2003 Business Geodemographic Data
2) Sample of 20 loans originated within AA from January 1, 2003 to December 31, 2003

Businesses with annual revenues of \$1 million dollars or less are deemed to be small businesses. The percentage of small businesses within the San Jose MSA was 66% in 2001 – 2002 and 60% in 2003, based on underlying 1990 and 2000 census data.

Our analysis of business loans in this assessment area indicates the bank’s effort to lend to small businesses lags the area business mix. The proportion of loans to small business fell 13.1% over a period in which data indicates a 5% proportionate decline in number of reported small businesses. However, the dollar-decline in small business lending was less severe at -5.59%, and the dollar distribution more closely mirrors that of the area demographics.

Based on our sample, the bank originated a majority of loans by number and dollar volume to small businesses during 2001 - 2002. However the number of loans to large business exceeds that to small in 2003. The resulting percentage of loans to small businesses by number and dollar volume was 56.1% and 61.59% respectively in 2001 – 2002, and 43% and 56% respectively in 2003. These results are reasonable and lend sufficient support to the bank’s claim of meeting the community credit needs of small businesses (≤\$1 million revenues), as well as those summarized by the community contacts under the description of the assessment area. Refer to the tables above for details.

Geographic Distribution of Loans

Based on our sample, the bank's geographic distribution of loans reflects limited dispersion throughout the assessment area. This observation is based on sample data, not the entire loan portfolio. We are unable to rely on bank analysis based on geocoding errors discovered during our verification process.

Business Loans – Santa Clara County

Dollar distribution of loans to low-income tracts has fallen. As shown in the tables below, the bank's distribution of business loans by the percentage of number of loans and dollar volume of loans originated in the low- income geographies was 4.88% and 2.95% respectively in 2001 – 2002, and 2.5% and 0% respectively in 2003.

While the number and dollar volume of loans in low-income tracts was below area demographics of 6.12% in 1990 and 3.12% in 2000, the bank has made some effort to meet the credit needs of these businesses. According to management, the bank lacks low-income tract presence due to their branches being miles from such designated tracts. As discussed above, the bank competes with several financial institutions that are located closer to these geographies. The bank's partnering with a local community development financial institution (CDFI), and efforts to place management members on local CDFI boards indicates a commitment to increasing bank penetration in its assessment area. The bank estimates its current total market share for its assessment area at 1%.

Distribution of business loans by number and dollar volume originated to moderate-income geographies has improved and exceeded area demographics, at 26.83% and 16.98% respectively in 2001 – 2002 (vs. 22.52%), and 27.5% and 25% respectively in 2003 (vs. 24.48%). Moderate-income tract lending has thus improved.

1990 Geographic Distribution of Business Loans (SC County)

| Tract Income Type | Businesses in Assessment Area | | Number of Loans Originated within AA | | Dollar Volume of Loans Originated within AA | |
|-------------------|-------------------------------|-----------------|--------------------------------------|-------------|---|--------------------|
| | # of Businesses | % of Businesses | # of Loans | % of Number | Dollar Volume | % of Dollar Volume |
| Low | 6,742 | 6.12% | 2 | 4.88% | \$1,050,000 | 2.95% |
| Moderate | 24,823 | 22.52% | 11 | 26.83% | \$6,055,000 | 16.98% |
| Middle | 55,282 | 50.14% | 11 | 26.83% | \$7,528,000 | 21.11% |
| Upper | 23,399 | 21.22% | 17 | 41.46% | \$21,020,000 | 58.96% |
| Totals | 110,246 | 100% | 41 | 100% | \$35,653,000 | 100% |

Source: 1990 Business Geodemographic Data and Sample of 40 loans originated within AA from May 1, 2001 to December 31, 2002

2000 Geographic Distribution of Business Loans (SC County)

| Tract Income Type | Businesses in Assessment Area | | Number of Loans Originated within AA | | Dollar Volume of Loans Originated within AA | |
|-------------------|-------------------------------|-----------------|--------------------------------------|-------------|---|--------------------|
| | # of Businesses | % of Businesses | # of Loans | % of Number | Dollar Volume | % of Dollar Volume |
| Low | 3,687 | 3.12% | 1 | 2.5% | \$50,000 | 0% |
| Moderate | 28,934 | 24.48% | 11 | 27.5% | \$8,506,500 | 25% |
| Middle | 49,959 | 42.27% | 14 | 35.0% | \$9,524,000 | 28% |
| Upper | 35,604 | 30.13% | 14 | 35.0% | \$15,992,000 | 47% |
| Totals | 118,184 | 100% | 40 | 100% | \$34,072,500 | 100% |

Source: 2002 Business Geodemographic Data and Sample of 40 loans originated within AA from January 1, 2003 to December 31, 2003

Responses to Complaints

No consumer complaints associated with the bank's performance under the provisions of the CRA have been made since inception.

Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information for the period the bank has been open was performed based on our risk-based assessment of Fair Lending. Based on our analysis of this information, we found no evidence of illegal discrimination or other illegal credit practices.