



## **PUBLIC DISCLOSURE**

April 06, 2015

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

Bank of Napa, National Association  
Charter Number 24611

2007 Redwood Road, Suite 101  
Napa, CA 94558

Office of the Comptroller of the Currency

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 CRA RATING: This institution is rated Satisfactory**

Bank of Napa, National Association (BON or Bank of Napa) 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:

- BON's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its community.
- A substantial majority of the bank's lending is in its assessment area.
- The bank's distribution of loans to businesses of different sizes reflects reasonable penetration among businesses of different sizes, given the demographics of its assessment area.
- The bank's geographic distribution of loans reflects excellent dispersion throughout its assessment area.
- There have been no written complaints regarding the bank's performance in meeting community credit needs.

## **SCOPE OF EXAMINATION**

We evaluated the bank's performance based on loans originated from January 1, 2013 to April 6, 2015. We focused our evaluation on the bank's primary product line, which is commercial loans (commercial real estate and construction, together with commercial loans, were grouped together under the title "commercial loans" to evaluate the bank's performance). Our sample included 50 commercial loans originated as new loans during the review period. We reviewed the credit approval memorandums and loan files for all loans in this sample. We did not include residential credit products nor agricultural products as these are not primary products of the bank.

## **DESCRIPTION OF INSTITUTION**

Bank of Napa is a small community bank chartered in 2006. As of December 31, 2014, the bank had total assets of \$179 million and tier one capital of \$23 million. The institution has no holding company.

BON is headquartered in Napa, California, which is located in Napa County, in the northern part of the San Francisco Bay Area. The bank opened a new branch on January 26, 2015 and now has two branches in the city of Napa. Both branches are full service branches and ATM services are available at both locations. The branch located at the headquarters is located in a middle income census tract and the second branch is located in a moderate income census tract.

The bank offers a full range of deposit and loan products and services. Business loans are BON's primary product. The bank also offers Home Equity Lines of Credit and has a small number of consumer loans. Deposit products and services include business checking accounts, personal checking accounts, and Non-profit checking accounts. The bank's website describes their strategy as follows: "As Napa Valley's only locally owned community bank, Bank of Napa strives to be the most respected bank in the Napa Valley. Our commitment is to deliver responsive, personal and creative banking solutions for the benefit of our customers, and ultimately our employees and shareholders."

As of December 31, 2014, BON reported net loans of \$103 million, and had a net loans and leases to total assets ratio of 57 percent. The loan portfolio composition is as follows:

**Table 1**

<b>BANK OF NAPA, N.A. LOAN PORTFOLIO COMPOSITION</b>		
<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Business Loans	73,038	70.61
Home Loans	23,089	22.32
Farm Loans	6,609	6.39
Consumer Loans	244	0.24
Other	452	0.44
<b>Total Loans</b>	<b>103,432</b>	<b>100.00</b>

Source: Call Report as of 12/31/14

The bank was rated Satisfactory at its last CRA examination dated September 16, 2009. Please refer to the bank's CRA public file for more information about the institution.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

BON's assessment area (AA) is Napa County, which is located in the Napa, California Metropolitan Statistical Area (MSA). This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA consists of 40 census tracts.

The following table highlights the demographic composition of the Napa County AA.

**Table 2**

<b>Demographic Information for Napa MSA (2010)</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	40	0	25.0%	40.0%	32.5%	2.5%
Population by Geography	136,484	0	30.0%	41.0%	28.0%	0.3%
Owner-Occupied Housing by Geography	31,996	0	22.4%	45.5%	32.1%	0.0%
Business by Geography	12,292	0	29.3%	41.1%	28.8%	0.9%
Farms by Geography	856	0	15.8%	31.3%	52.8%	0.1%
Family Distribution by Income Level	32,917	21.9%	16.7%	20.4%	41.0%	0.0%
Distribution of Low and Moderate Income Families throughout AA Geographies	12,703	0	57%	37%	22%	0.0%
Median Family Income		\$82,213	Median Housing Value			\$594,366
HUD Adjusted Median Family Income for 2014		\$70,300	Unemployment Rate (2010 US Census)			4.69%
Households Below Poverty Level		8.1%				

Source: 2010 US Census, 2014 Business Geodemographic Data and 2014 HUD updated MFI

The current economy is characterized as good and expanding. The area experienced a strong earthquake in August 2014; however, the 2014 Moody's Analytics report for Napa MSA characterizes the economy as mostly recovered including tourism. The report states that winemakers are still recovering from the earthquake. Additionally, the California drought is reducing wine production as more time must be spent on pruning and less planting; however, the drought conditions are leading to higher quality wine evidenced in 2014. Also positive for the economy, lower gas prices have increased local tourism. The Napa economy has experienced strong hiring in leisure/hospitality. Agriculture, tourist destination, and retiree magnet are the main economic drivers for Napa. The Napa economy strengths are a very high per capita income that supports consumer-related spending and the prestigious wine and tourism industries that form the backbone of the economy. Conversely, the weaknesses are extremely low industrial diversity that hinders long-term development, and the high cost of living relative to density and weak homebuilding.

BON competition is comprised of larger banks with market share outside of Napa. BON is the only bank reported on the FDIC Napa market share report that does not also have deposits outside of market.

A recent community contact interview with a representative from an affordable housing organization stated that the primary need for Napa County is affordable housing. Local financial institutions are encouraged to provide funding to assist with various affordable housing projects throughout Napa County.

For more information regarding the bank’s assessment area, please see the bank’s Public File.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

BON’s net loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio showed a quarterly average of 75 percent over the 22 quarters since the last CRA examination, with a quarterly low of 65 percent and a quarterly high of 93 percent.

The bank’s net loan-to-deposit ratio compares favorably with other community banks of similar size, location, and product offerings. BON ranks second among a total of four similarly situated banks serving similar MSA assessment areas in California. The other three banks had average net loan-to-deposit ratios averaging 72 percent, and ranging from 66 percent to 78 percent over the 22 quarters since BON’s last CRA examination.

### Lending in Assessment Area

A substantial majority of the bank’s lending is inside the AA. All of the bank’s loans and other lending-related activities were made within the bank’s designated assessment area.

**Table 3**

BANK OF NAPA, N.A. LENDING IN AA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	35	100%	0	0%	\$6,356,885	100%	0	0%
<b>Totals</b>	<b>35</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>\$6,356,885</b>	<b>100%</b>	<b>0</b>	<b>0%</b>

Source: Sample of 35 business loans originated from January 1, 2013 to April 6, 2015

We sampled 35 loans originated from January 1, 2013 to April 6, 2015. Of the 35 sampled, the bank originated 100 percent of the loans by number and dollar volume within its AA.

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

The bank’s distribution of loans to businesses of different sizes reflects reasonable penetration among businesses of different sizes, given the demographics of its AA.

**Table 4**

<b>INCOME DISTRIBUTION OF LOANS TO BUSINESSES IN THE NAPA COUNTY AA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Businesses	75%	5%	20%	100%
% of Bank Loans in AA by #	62%	38%	0%	100%
% of Bank Loans in AA by \$	60%	40%	0%	100%

*Demographic Data Source: 2014 Business Geodemographic Data*

Based on our review, the bank’s number and dollar amount of loans to small businesses was lower than the area demographics. The bank made 62 percent by number and 60 percent by dollar volume of its loans to small businesses. The 2014 Business Geodemographic data reflects that 75 percent of reporting businesses have gross revenues of \$1 million or less.

Although the bank’s performance is lower than the area demographics in its AA, our analysis reflected that BON has strong competition from larger institutions that operate within this AA. According to the FDIC June 2014 Market Share report, BON ranks ninth in market share representing 4.25 percent of the market’s deposits. The four largest banks in this AA hold a total of 57 percent of the market share. The competing institutions include, in part, Wells Fargo, Bank of America, First Republic Bank and Umpqua Bank. These larger institutions are able to offer products to these businesses more cost effectively within this AA. This competition was taken into consideration in evaluating the bank’s community reinvestment performance.

**Geographic Distribution of Loans**

We reviewed the pattern for geographic distribution of lending in moderate-income tracts (there are no low-income census tracts) within the AA. Based on our sample, the bank's geographic distribution of loans reflects excellent dispersion throughout its AA. There were no conspicuous gaps in the bank's distribution of loans.

**Business Loans – Napa County AA**

As shown in the table below, the bank's distribution of business loans, by percentage of loans, originated in the moderate- income geographies was 40 percent, exceeding the area demographics of 29 percent.

**Table 5**

<b>GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE NAPA COUNTY AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>						
<b>Business Loans</b>	0%	0%	29%	40%	41%	32%	29%	28%

*Demographic Data Source: 2014 Business Geodemographic Data*

**Responses to Complaints**

No complaints concerning BON's CRA performance have been received since the bank's prior Community Reinvestment Act examination, dated September 16, 2009.

**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.