



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 16, 2009

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

Bank of Napa, N.A.  
Charter Number 24611

2007 Redwood Road, Suite 101  
Napa, CA 94558

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 CRA RATING: This institution is rated Satisfactory.**

Bank of Napa, N.A. (BON) 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 the community.
- The bank's lending in the assessment area (AA) meets the standard for satisfactory performance, with the majority of the primary loan products made to consumers within the AA.
- The bank's distribution of loans to businesses of different sizes and individuals of different income levels reflects reasonable penetration, given the bank's product offerings and local economic conditions.
- The bank's geographic distribution of loans reflects reasonable dispersion throughout the AA.
- There have been no written complaints regarding the bank's performance in meeting its community's credit needs.

**DESCRIPTION OF INSTITUTION**

Bank of Napa, N.A. is a \$72 million community bank, which was chartered in 2006. The institution has no holding company. As of June 30, 2009, BON had total assets of \$72 million with \$54 million in loans. The bank's net loans represent 75% of total assets.

BON is headquartered in Napa, California, which is located in Napa County, in the northern part of the San Francisco Bay Area. The bank operates one full service branch at its headquarters, and ATM services are available at this location. The bank's primary strategic goals are growth and profitability.

BON is heavily involved in community service with more than thirty different nonprofit organizations. The bank was founded by local investors, is managed by a local board, and is operated by local banking executives with significant banking experience.

There are no legal or financial circumstances impeding the bank's ability to help meet the credit needs of its community. This is the bank's first CRA performance evaluation.

Table 1

<b>BANK OF NAPA LOAN PORTFOLIO COMPOSITION</b>		
<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Commercial Real Estate	25,118	45.84%
Residential Real Estate	17,828	32.54%
Commercial	8,571	15.64%
Construction	2,500	4.56%
Agriculture	522	0.95%
Other	251	0.46%
<b>Total Loans</b>	<b>54,790</b>	<b>100.00%</b>

*Trial Balance as of 7/31/09*

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

## **DESCRIPTION OF ASSESSMENT AREA**

BON's AA is Napa County, which is located in the Napa, California Metropolitan Statistical Area (MSA). The bank's AA is in compliance with the requirements of the Community Reinvestment Act. The AA consists of 27 census tracts, of which none are designated as low-income and six are designated as moderate-income tracts. There are also 14 middle-income and seven upper-income census tracts within the AA. According to the Department of Housing and Urban Development (HUD), the median family income for the assessment area is \$79,600.

Local economics conditions in Napa appear to be stabilizing after declining throughout the past year. The three biggest industries are government, hospitality, and health care. Tourism also plays a big part in the Napa economy and the recession has reduced the number of visitors. Although agriculture remains at the economic core of the region, tourism has had a direct impact on the economy's growth and attracted many white-collar opportunities. Housing costs in Napa are relatively high and a demand exists for more affordable housing. There are numerous banking options in Napa County, including 18 banking institutions, both large and small, competing for business.

As of August 2009, the unemployment rate was 9.1%, the highest it has been in over a decade. According to the Bureau of Labor and Statistics, total non-farm wage and salary employment declined 6% from a year ago.

As part of this examination, we considered information from two community contacts associated with a local economic development organization. These contacts indicated that the region has a need for loans to low- and moderate-income borrowers and small businesses. Local community banks have been making efforts to meet these needs, as well as serve the community, through volunteering and participating with nonprofit organizations.

Table 2

<b>BANK OF NAPA ASSESSMENT AREA COMPOSITION INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES</b>						
<b>Income of Census Tract</b>	<b># and % of Census Tracts</b>		<b># and % of Businesses</b>		<b># and % of Families</b>	
Low Income	0	0.00%	0	0.00%	0	0
Moderate Income	6	22.22%	2,980	26.13%	1,530	26.72%
Middle Income	14	51.85%	6,315	55.37%	3,429	59.87%
Upper Income	7	25.93%	2,110	18.50%	768	13.41%
<b>Total:</b>	<b>27</b>	<b>100.00%</b>	<b>11,405</b>	<b>100.00%</b>	<b>5,727</b>	<b>100.00%</b>

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Scope of Examination

We evaluated the bank's performance based on loans originated from August 14, 2006 (the bank's charter date), through June 30, 2009. We focused our evaluation on the bank's primary product lines: commercial real estate, construction, and commercial loans (grouped under the title "business loans"); and home equity lines of credit (HELOC) originated during the review period. We randomly selected 20 business loans and 20 HELOCs for our sample, to review the bank's lending in its AA. Agricultural loan products were not selected in our sample since the bank is not a major agricultural lender in this market. HELOCs are the bank's primary mortgage product.

### LENDING TEST

#### Loan-to-Deposit Ratio

BON's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the community. There are no other institutions similar in both size and location to BON. BON's average quarterly LTD ratio is 55.99%, computed over the last 12 quarters (September 2006 to June 2009). However, this bank was chartered in August 2006, so the average LTD ratio is lower due to the low level of lending during the bank's first two years. The bank's LTD during the last four quarters of the reporting period (June 2008 to June 2009) was consistently above 85%, and averaged 97.61%.

#### Lending in Assessment Area

The bank's lending in the AA meets the standard for satisfactory performance. The following table details the bank's lending within the AA by number and dollar amount of loans originated during the evaluation period.

Table 3

BANK OF NAPA LENDING IN ASSESSMENT AREA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	16	80%	4	20%	7,040,253	83%	1,481,452	17%
HELOCs	20	100%	0	0%	5,534,000	100%	0	0%
<b>Totals</b>	<b>36</b>	<b>90%</b>	<b>4</b>	<b>10%</b>	<b>12,574,253</b>	<b>89%</b>	<b>1,481,452</b>	<b>11%</b>

Source: Sample of 20 business loans and 20 HELOCs originated between August 14, 2006 to June 30, 2009

A majority of the bank's loans and other lending-related activities are made inside the bank's designated AA. We sampled a total of 40 loans originated since the bank opened, focusing on the bank's primary loan products. Of the 20 business loans sampled, the bank originated 16 loans, or 80% of the number of loans, to borrowers within their AA. Based on the dollar volume of loans, the inside ratio was 83%. Of the 20 HELOCs sampled, 20 loans were originated to borrowers within the bank's AA. Overall, the bank originated 90% of loans by number and 89% of loans by dollar amount to borrowers in their AA.

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

The bank's distribution of loans to businesses reflects reasonable penetration among businesses of different sizes and individuals of different income levels given the bank's product offerings and local economic conditions.

#### Business Loans

The bank's distribution of loans to businesses of different sizes, given the demographics of the AA, reflects reasonable penetration among businesses of different sizes. The following table shows the distribution of commercial loans among different sized businesses in the AA.

Table 4

BANK OF NAPA ASSESSMENT AREA INCOME DISTRIBUTION OF LOANS TO BUSINESSES				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	69.02%	5.83%	25.15%	100%
% of Bank Loans in AA by #	65.00%	35.00%	0.00%	100%
% of Bank Loans in AA by \$	68.13%	31.87%	0.00%	100%

Demographic Data Source: 2008 Business Geodemographic Data.

Small businesses are businesses with gross annual revenues of \$1 million or less. The percentage of small businesses within the Napa MSA is 69.02%. Based on our 20 loan sample, the bank originated 65% of their loans by number to small businesses, which is

near to area demographics. Based on dollar volume, the bank originated 68% of their loans to businesses with revenues less than \$1 million.

Home Equity Lines of Credit

The bank’s distribution of residential real estate loans to low- and moderate-income borrowers in the Napa County AA reflects reasonable penetration.

Table 5

BANK OF NAPA ASESMENT AREA BORROWER DISTRIBUTION OF HOME EQUITY LINES OF CREDIT								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Equity Line of Credit	18.55	0.00	19.66	5.00	22.34	10.00	39.45	85.00

*Demographic Data Source: 2000 US Census*

The table shows that home equity lines of credit made to moderate-income borrowers in the AA were lower than the ratio of moderate-income families in the AA, and that no HELOCs were made to low-income borrowers. There are not a lot of opportunities for low- and moderate-income families to obtain home equity loans in the Napa County AA. Most low- and moderate-income housing within the AA are rental units, with no ability to gain equity. Low- and moderate-income families generally have a more difficult time qualifying for home loan mortgages, and those that can afford to purchase a home generally fully maximize their loan amount, so very limited equity remains. This explains the discrepancies in the ratios.

**Geographic Distribution of Loans**

Based on our sample, the bank's geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank was not able to penetrate all census tracts within their AA. The census tracts the bank was not able to penetrate are rural areas in the northern part of the AA. A large lake prohibits dense populations from settling the area. There were no conspicuous gaps in the bank's distribution of loans, however.

Business Loans

As shown in the table below, the bank’s distribution of business loans by the percentage of number of loans originated in the moderate-income geographies was 35%, which exceeds the ratio for the area demographics of 26.14%. There are no low-income census tracts in the AA.

Table 6

BANK OF NAPA ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES								
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	0.00	0.00	26.13	35.00	55.37	55.00	18.50	10.00

Demographic Data Source: 2008 Business Geodemographic Data

Home Equity Lines of Credit

As shown in the table below, the geographic distribution of the bank’s HELOCs in moderate-income geographies reflects reasonable dispersion in the bank’s AA. The bank prepared a report detailing the census tract information for 100% of the HELOC portfolio. This report showed that our sample of 20 HELOCs was not representative of the portfolio as a whole. Because of this, the results in the table below are based on a 100% review of the HELOC portfolio.

Table 7

BANK OF NAPA ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION OF HOME EQUITY LINES OF CREDIT								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
HELOC	0.00	0.00	13.85	7.92	60.87	46.53	25.28	45.54

Demographic Data Source: 2000 US Census

The bank’s HELOC lending in moderate-income census tracts is lower than the ratio of owner occupied units. However, the demographic make-up of the moderate-income census tracts can account for this difference. A prison, several large schools (with school grounds and sports fields), a hospital, a college, multiple shopping centers, and various parks and other recreational areas are all found within the six moderate income census tracts. In addition, there are several large apartment complexes and two mobile home parks where the residents would not be eligible for home equity loans. These six census tracts are mainly located in downtown Napa and Calistoga, areas which are not primarily residential. There are no low-income census tracts in the AA.

**Responses to Complaints**

No written complaints concerning BON’s CRA performance have been received since the bank opened in August 2006.

**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.