



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

August 9, 1996

The Yardville National Bank
Charter Number 12606
3111 Quakerbridge Road
Mercerville, New Jersey 08619

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| <p>NOTE: 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.</p> |
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The Yardville National Bank prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of March 31, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low-and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating: Based on the findings presented below, this institution is rated:
Satisfactory Record of Meeting the Community Credit Needs.

Background Information

The Yardville National Bank is oriented towards consumer and commercial lending. The primary market is Mercer County. The bank is the ninth largest depository institution in the County based upon deposits and lending patterns in eight branch offices. Mercer County incorporates the municipalities of the City of Trenton, Townships of East Windsor, Ewing, Hamilton, Hopewell, Lawrence, Princeton, Washington and West Windsor, the Boroughs of Hightstown, Hopewell, Pennington and Princeton.

As of March 31, 1996, the bank experienced substantial asset growth of \$101 million from \$321 million to \$422 million or 31 percent as compared to the prior year. This growth was primarily centered in the loan portfolio which represented 62 percent of total assets. Total deposits aggregated \$311 million and the loan to deposit ratio was 85 percent for the same period.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- Management effectively addresses community credit needs.

Management is in regular contact with local government leaders, civic groups and charitable organizations. They ascertain credit needs by reaching out to all segments of the delineated community on a formal and informal basis. In addition, business development officers and retail sales managers call on local businesses. The calling program is at the discretion of each branch manager and is not governed by a minimum number of calls. The results of the program has been an increase in small business lending.

Consumer loan activities include involvement in some programs as the Neighborhood Housing Services of Trenton, Inc. (NHS), Hamilton Area Y.M.C.A. and Mercer County Banking Consortium. The objective of these programs is to provide low cost loans to residents of targeted areas for home purchase and home improvements.

During 1995 management sent out a CRA questionnaire to all employees and directors of the bank. The objective was to determine their affiliations with local organizations and related credit needs.

The questionnaire generated a list of organizations that were recorded in the 1995 CRA Statement. However, no specific credit needs were determined. Another questionnaire will be sent out in 1997. Also, a CRA survey was conducted for comments from all deposit customers. The responses initiated extended business hours and efforts to address the needs of the Hispanic market.

Assessment Factor C The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- The directors and senior management are actively involved in planning and monitoring CRA activities.

To fulfill its commitment to the community and CRA, the directors appointed a CRA officer in December 1994. The CRA officer is responsible for administering the CRA program and chairs the CRA committee consisting of members of senior management. The committee meets monthly. The officer keeps the directors fully informed of activities by submitting updates in the form of committee minutes. The committee is responsible for developing and implementing the CRA program performance and the training of bank's personnel. The directors annually review and approve the CRA statement and the marketing plan.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- The marketing efforts inform the community of credit services.

The traditional means of newspapers, radio and cable television are used to promote credit-related programs offered by the bank. Marketing efforts to reach first-time homebuyers include counseling seminars and statement enclosures. Banners provide information on banking services. Marketing efforts are reviewed by the directors on an annual basis.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- The bank addresses the credit needs of the community.

The bank offers a diversified line of loan products in the type and size of the business borrowers. The CRA Statement correctly lists the types of products and services offered.

As of March 31, 1996, total gross loans were \$263 million primarily centered in residential and commercial mortgage lending of \$210 million or 80% of the portfolio. The breakdown of loan portfolio shows a mix of commercial and consumer lending. Residential mortgages comprised the largest part of the portfolio at \$118 million or 46 percent, resulting in a 5 percent increase over the twelve month period.

Table I - 1
Total Loan Balances

| Loan Type | 3/31/96 (000's) | Percent of Total Loans | 3/31/95 (000's) | Percent of Total Loans |
|---------------------|--------------------|---------------------------|--------------------|---------------------------|
| Residential Mtgs | \$ 118,381 | 46 | \$ 113,066 | 54 |
| Comm'l Mtgs | 92,105 | 36 | 55,822 | 27 |
| Comm'l Loans | 34,962 | 14 | 29,941 | 14 |
| Consumer Loans | 11,621 | 4 | 11,105 | 5 |
| Total Loans | \$ 257,069 | 100 | \$ 209,943 | 100 |

Note: Total loans excludes Other Loans of \$6 million primarily comprised of loans to investment companies and mutual funds.

Other business related credits are construction and small business loans. Consumer products include: secured and unsecured personal loans, new and used automobile loans, home improvement loans, home equity credit lines, unsecured personal lines of credit, credit cards and overdraft lines of credit.

Small Business Loans

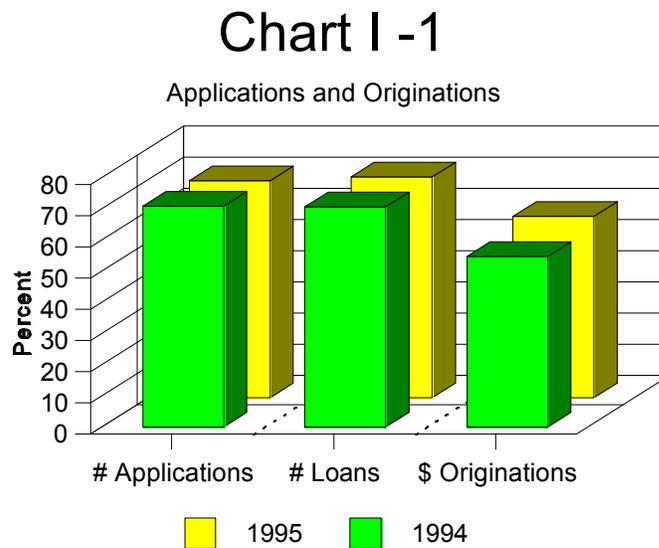
The bank offers non-farm, non-residential and commercial small business loans within the community. Small Business Loans aggregated 62 originations totaling \$12 million in 1996. This was a significant increase over 1995 and 1994's volume of 36 loans totaling \$9 million and 21 loans totaling \$7, respectively. Small business loans accounted for approximately 8% of the total loans originated during 1996.

Special Mortgage Products

Specific products include the CRA mortgage programs, ARMs and fixed rate mortgages. The bank closed 19 loans totaling \$1 million in 1996 and 1995. These products require a minimum down payment of 5 percent and income limitation are determined by a percentage of the MSA or the county income published by HUD. The bank has committed \$100 thousand to the Trenton Small Business Consortium that lends to small businesses located in the city of Trenton.

Mortgage Lending Patterns

Mercer County mortgage applications and originations for 1995 accounted for 70 percent.



Source: KPMG 1994 Comparative Mortgage Lending Analysis.

The distribution of Home Mortgage Disclosure Act (HMDA) loans for the first quarter of 1996 was 45 originated totaling \$4.2 million for all the census tracts, of which 27 originations for \$1.7 million were in Mercer County. For the years ended 1995 and 1994 originations were 146 totaling \$7.2 million and 187 totaling \$11 million, respectively. For 1996, lending in the LMI revealed that the bank generated 5 loans for \$174 thousand, or 10 percent.

Table I -2
HMDA Delineated Area

| Loan | Applications | | | Originations | | |
|-----------|----------------------------|-------------------------|-------------------------|----------------------------|-------------------------|-------------------------|
| | 1Q 1996 # \$ (000's) | 1995 # \$ (000's) | 1994 # \$ (000's) | 1Q 1996 # \$ (000's) | 1995 # \$ (000's) | 1994 # \$ (000's) |
| Home Pur | 10 725 | 46 4657 | 55 6439 | 4 349 | 36 3366 | 43 4089 |
| Refinance | 24 2357 | 17 1579 | 55 6131 | 15 1278 | 15 1346 | 37 4570 |
| Home Imp | 12 145 | 141 3576 | 134 2854 | 8 101 | 95 2490 | 107 2407 |
| Totals | 46 3227 | 204 9812 | 244 15422 | 27 1728 | 146 7202 | 187 11066 |

Source: 1Q 1996 from CRA Wiz, 1995 and 1994 from bank's HMDA LAR and KPMG 1994 Comparative Mortgage Lending Analysis.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- The level of participation in government loan programs is satisfactory.

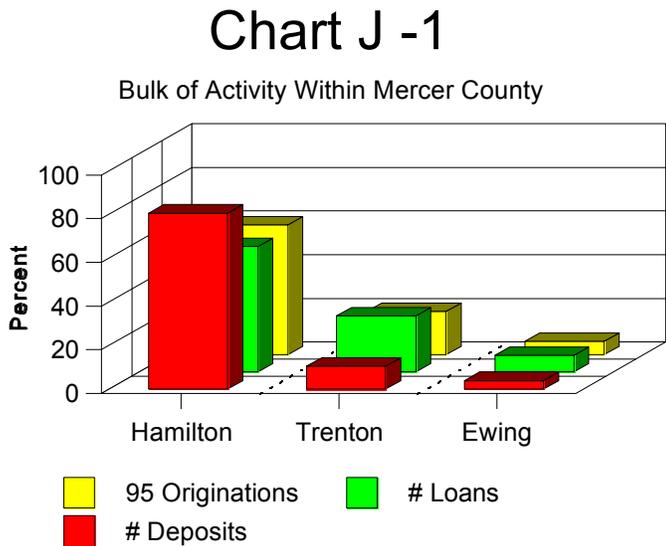
To date participation in government financed programs such as the New Jersey Economic Development Loan (NJEDA) consist of 5 loans totaling \$2 million and the Small Business Administration Loan Association (SBA) of \$187 thousand. The bank has two farm loans aggregating \$748 thousand.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The delineated community is reasonable and does not arbitrarily exclude low to moderate income segments of the community.

The bank uses the effective lending territory and the source of deposits methods as the basis for delineating its CRA community. The delineated area is defined as Mercer County where the bulk of the business is located. Within the County, Hamilton Township accounts for the majority of the activity. During 1995 there were 87 originations totaling \$4.4 million and 60 percent of the County total. Trenton is second the largest community, accounting for 20 percent.



Source: KPMG 1994 Comparative Mortgage Lending Analysis.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

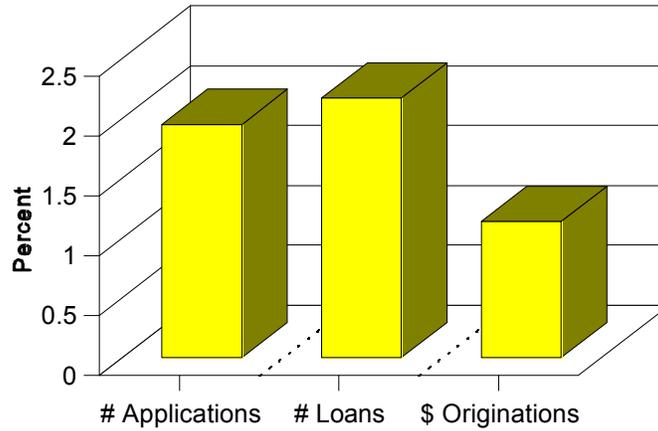
- The geographic distribution of credit extensions, applications, and denials demonstrate a reasonable penetration to all segments of the local community.

Within the delineated community, KPMG analyzed aggregate and competitor banks' information for mortgage activity based upon 1994 HMDA LAR data. A key measure of this performance was the bank's market share by income of the community and applicant.

Overall the bank accounted for 2.17 percent of the number of mortgage loans made in Mercer County and 1.14 percent in the dollar amount.

Chart E - 1

Market Share in Mercer County



Source: KPMG 994 ComparativeMortgage Lending Analysis.

Yet, the bank's market share of the number of loans made in low income communities was 4.60 percent and its market share of the number of loans made in moderate income communities was 3.52 percent. In contrast, its market share of the number of loans made in upper income communities was only 1.15 percent.

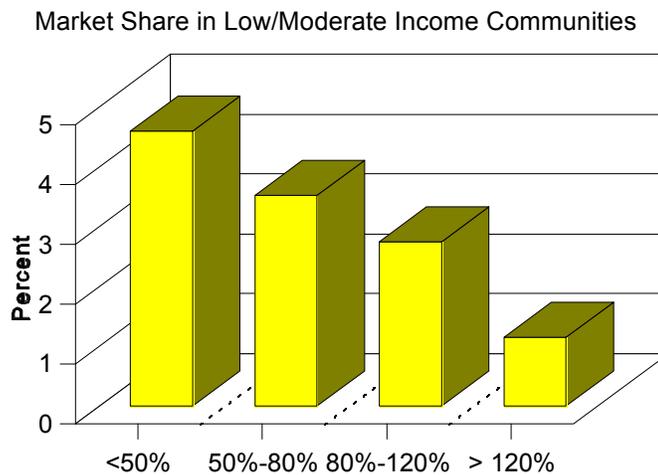
Source: KPMG 1994 Comparative Mortgage Lending Analysis.

Another measure of comparative lending performance is the ratio of funds located in low/moderate income communities versus the ratio loaned in upper/income communities. By these measures, the 1994 performance ranked high. The bank loaned 7.6 percent of its total dollars in low/moderate income communities. Conversely, the bank had the lowest ratio 42.3 percent of funds loaned in upper/income communities.

Assessment Factor G - Institution's record of opening and closing offices and providing services at offices.

- Branch offices are reasonably accessible to the community. Service hours meet the needs of the community. All banking services are available at each branch.

Chart E - 2



Lobby hours extend beyond the traditional 9:00 am to 3:00 pm Monday to Wednesday at all locations. Evening hours are on Thursday and Friday to 6:00 pm. The drive-up hours are 8:30 am to 5:00 pm Monday to Wednesday, while hours are extended to 6:00 pm on Thursday and Friday. The lobby and drive up are open on Saturday until 12 noon.

In addition, the bank offers after hour appointments for the purpose of opening an account, making deposits or loan applications. The bank does have an ATM System that is part of the MAC, CIRRUS and PLUS network which offers 24 hour banking services. Customers can bank by mail.

The Ewing branch was opened in 1994, the East Windsor and Trenton branches were opened in 1995 and the Hamilton Square branch was opened in 1996. There were no branch closings since the last examination.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- Participation in community development projects is adequate.

The bank has financed projects that create housing, day care and improve the quality of life in the neighborhoods of its community. As of March 31, 1996 the bank has booked 3 loans aggregating \$ 4 million that represent community development and redevelopment projects. Two

additional low to moderate income housing loans totaling \$860 thousand have been approved but not yet booked.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- Support of local community needs is consistent with the financial, size and local economic conditions.

The bank is in competition with twelve major depository institutions in Mercer County and ranks as the ninth largest depository institution based upon deposits in the branch offices. Eight (8) branch offices are located in the midwest part of the County in and around Hamilton Township. The population is approximately 323 thousand, the median income is \$37,000 and the largest employers of the community are the State of New Jersey, Princeton University and major hospitals.

MSA 8480 Mercer County

The pattern for lending in low to moderate income census tracts is reasonable. The delineated area contains 46 census tracts. Two percent of applications received were from low income tracts, 9 percent from moderate income, 78 percent from middle income and 11 percent from upper income census tracts. The pattern for HMDA reportable lending in LMI census tracts is low, however the loans originated by applicant income is higher. Fifteen percent of the loans made and 4 percent of the dollars lent are to low income individuals 30 percent of loans and 24 percent of dollars lent were to moderate income individuals. This data is based on the first quarter 1996 CRA WIZ.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- The bank participates in meaningful activities.

The bank conducted home purchase education seminars approximately every six weeks geared primarily to first-time homebuyers. The program is utilized which includes a workbook for all participants. The participants learn about budgeting, buying a home, the closing process and the responsibilities of home ownership. The bank also participates in two programs targeted to first-time homebuyers. These programs are the Mercer County Banking Consortium First-Time Home Buyer Program and the Trenton Homebuyer Plan.

In addition to home purchase education seminars, a free credit counseling seminar was conducted in 1995 with a special emphasis on what can be done about a poor credit rating. Speakers included Elmer Fawcett, VP, Consumer Credit, Paul Braum representing Trans Union Credit

Reporting Bureau and Remi Cruz, Executive Director, NHS. All participants received a free copy of their credit report.

In October 1995, the bank participated in two workshops to persons attending the Statewide Conference for Partners in Neighborhood preservation. Those attending the conference consisted of community leaders and prospective buyers/renters of rehab homes in predominately re-emerging neighborhoods.

In 1996, the bank sponsored a tax aid site in Mercer Street Friends in Trenton which provided free tax return preparation to local members of the community.

ADDITIONAL INFORMATION

None