



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 10, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Central Jersey Bank, National Association
Charter Number: 24240

1903 US Highway 35
Oakhurst, NJ 07755

Office of the Comptroller of the Currency

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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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

- Central Jersey Bank's quarterly average net loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance; and
- A majority of the loans originated were within Central Jersey Bank's assessment area. The bank meets the standard for satisfactory performance; and
- Central Jersey Bank's borrower and geographic distribution reflects reasonable dispersion and penetration across borrower income-levels, business sizes and geographies; and
- Central Jersey Bank's responsiveness to community development needs and opportunities in its assessment area is adequate in consideration of its capacity and available opportunities.

Scope of Examination

Central Jersey Bank, N.A. (CJB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA). Conclusions regarding CJB's lending performance are based on home mortgage lending and small loans to businesses because these are considered the bank's primary lending products. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, investments, and services.

The evaluation period for the lending test covers the bank's performance from January 1, 2007 through June 30, 2009, as this is representative of its lending strategy since the last CRA examination. The evaluation period for the community development test is from November 10, 2003 through August 07, 2009.

Description of Institution

Central Jersey Bank, N.A. is an intrastate community bank headquartered in Oakhurst, NJ. CJB is wholly owned by Central Jersey Bancorp, a single bank holding company which is headquartered in Ocean Township, NJ. The previous CRA examination for Monmouth Community Bank N.A., dated November 10, 2003, concluded that the bank was overall satisfactory. Monmouth Community Bank was the predecessor of CJB.

CJB is a full service community bank offering a standard range of retail and commercial banking services. Retail services include checking accounts, savings accounts, money-

market accounts, consumer loan programs, residential mortgages, and home equity loans. The bank's commercial services include business checking, sweep accounts, SBA loans, commercial loans, and commercial mortgages.

In addition, CJB offers specialized deposit products including: The Young Savers' Program and Interest on Lawyers Trust Accounts (IOLTA). The Young Savers' Program teaches students financial literacy and the importance of understanding financial concepts. The IOLTA program obtains deposits from law firm clients which would otherwise not earn interest and pools them into special interest bearing accounts maintained by law firms. The interest proceeds are paid to the IOLTA Fund of the BAR of New Jersey to support law-related charitable purposes.

As of June 30, 2009, CJB had total assets of \$604 million and total risk based capital of \$63 million. Commercial and retail loans totaled \$369 million or 61% of total assets.

There are no financial or legal impediments to hinder CJB's ability to help meet the credit needs of the communities it services.

Data Integrity

The conclusions of this report are based on CJB's HMDA data which is independently tested and verified by a third party. We relied on the third party's assessment of the data's integrity which identified no issues.

Description of Assessment Area

CJB's single assessment area (AA) is located within the Edison Metropolitan Division (MD) of the New York-Northern New Jersey-Long Island Metropolitan Statistical Area (MSA). The bank designated AA consists of 109 census tracts within Monmouth and Ocean counties. This AA meets the requirements of the regulation and does not arbitrarily exclude low-or moderate-income areas.

Of the 109 census tracts, 7 (6.42%) are designated as low income geographies. An additional 21 (19.27%) are designated as moderate income geographies. The overall population of the AA is 452,004 as of the 2000 census. Of 194,868 housing units in total, 64% are owner occupied, 25% are rentals and 10% are vacant. Approximately 1.19% of all owner-occupied housing within the AA was located within low geographies, while 14.42% of owner-occupied housing was within moderate income geographies. The median housing value was \$202,095 compared to a state median value of \$170,800 and a national average of \$119,600. Home affordability was further affected by the AA's role as a bedroom community for New York City commuters and restrictive building policies.

The 2000 census median family income was \$69,978, and the 2009 adjusted HUD median family income was \$92,700. Within the AA, 19.95% of families are low-income, 17.89% are moderate income, 22.33% are middle-income, and 39.74% are high-income. Of the 19.95% low-income families, 7% are below the poverty level.

The bank operates 14 full-service branches within the AA. Branches offer a traditional array of banking services and products. Selected branches have extended Friday hours and are open Saturday and Sunday. During the evaluation period, the bank closed two branches and opened three branches. One of the closed branches was in a moderate income tract, and one of the branches opened was in a moderate income tract.

The economy experienced significant growth during the evaluation period; however contraction has occurred as a result of recent regional and national economic conditions. The assessment area’s largest employers have been, and continue to be, related to healthcare and telecommunications. Major employers include AT&T, Avaya, Meridian Health Systems, Centra State Health Care, and St. Barnabas Health Care System. There are also a significant number of commuters who live in the AA, but work in New York City and the immediate surrounding areas.

Based on the FDIC’s June 2008 deposit market share report, CJB ranks 12th of 33 deposit taking institutions within the AA with a 1.53% market share. Its primary competitors include Wachovia Bank N.A. (18.74% market share, 61 offices), TD Bank N.A. (12.65%, 39 offices), Sovereign Bank (12.48%, 54 offices), and Hudson City Savings Bank (11.76%, 20 offices).

The unemployment rate in Monmouth County was 7.8%, according to Bureau of Labor Statistics Data. The unemployment rate for Ocean County was higher at 8.9%, while the unemployment rate for the whole of New Jersey was 8.8%.

As part of our examination, we contacted two Community Service Organizations to discuss economic conditions, credit needs within local communities, CD opportunities, and financial institutions’ participation in the local community. One of the organizations is a non-profit corporation that provides housing for displaced individuals. The other organization provides services that support economic development and revitalization of economically depressed areas. Both contacts noted that local economies have declined over the last year but in many cases not to the extent seen in other parts of the country. Banking and credit needs are centered in homeownership and small business lending. Both contacts noted that financial institutions are involved in their organizations and have been willing to provide financing for projects that promote economic development and provide services for low and moderate-income individuals. Overall, our contacts felt that banks meet the needs of the local communities.

The following table outlines basic demographic data for CJB’s AA:

Demographic Information for Full Scope Area: Central Jersey Bank Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	109	6.42	19.27	48.62	25.69	0.00
Population by Geography	452,004	4.95	17.68	51.04	26.33	0.00

Owner-Occupied Housing by Geography	125,456	1.19	14.42	53.97	30.42	0.00
Businesses by Geography	37,988	4.72	14.45	50.30	30.52	0.00
Farms by Geography	777	2.45	12.23	53.93	31.40	0.00
Family Distribution by Income Level	118,133	19.95	17.98	22.33	39.74	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	44,812	9.10	26.24	49.85	14.80	0.00
Median Family Income	69,978		Median Housing Value	202,095		
HUD Adjusted Median Family Income for 2009	92,700		Unemployment Rate (2000 US Census)	2.43%		
Households Below Poverty Level	7%					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2009 HUD updated MFI

Conclusions with Respect to Performance Tests

LENDING TEST

CJB's performance under the Lending Test is considered "Satisfactory." The Loan-to-Deposit ratio is reasonable, and a majority of the loans originated were within the AA. The geographic distribution of CJB's loans reflects reasonable penetration among individuals of different income levels, and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout census geographies of different income levels, and CJB's performance meets the standard for satisfactory performance.

Loan-to-Deposit Ratio

CJB's loan-to-deposit ratio (LTD) is reasonable given the bank's size, capacity to lend, and the credit needs in the assessment area. The quarterly average loan-to-deposit ratio for the 21 quarters reviewed (March 31, 2004 - March 31, 2009) was 72.66%. The LTD reached a high of 84.48% on September 30, 2008 and a low of 55.97% on March 31, 2004. CJB's LTD was below its peer group's average of 80.93%. The peer group consists of established national and state chartered institutions similarly sized and located. LTD ratios within the peer group ranged from 53.59% to 88.44%.

Lending in Assessment Area

CJB originated a majority of loans within its AA. Of purchased and originated residential, business and community development loans during the evaluation period, 81% of loans by number and 74% of loans by dollar amount were made within the AA.

Table 1 - Lending in CJB's Assessment Areas (AA)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home mortgages	366	85.71%	61	14.29%	427	46,832	88.71%	5,962	11.29%	52,794
Small Business	200	72.99%	74	27.01%	274	35,671	60.69%	23,107	39.31%	58,778
Community Development	3	100.00%	0	0.00%	3	1,950	100.00%	0	0.00%	1,950
Totals	569	80.82%	135	19.18%	704	84,453	74.39%	29,069	25.61%	113,522

Source: CJB HMDA data 2007-2009, CJB CRA data 2004-2009

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

The distribution of loans reflects reasonable penetration among individuals of different income levels, and CJB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

The percentage of home purchase loans made to low-income borrowers is near to the percentage of low-income families within the AA. The percentage of loans made to moderate-income borrowers is lower than the percentage of moderate-income families within the AA. As mentioned by a community contact and evidenced by census data, the affordability of housing in the local area is an obstacle to lending to low- and moderate-income families. The median housing value was high at \$202,095 and recent economic conditions and local building restrictions have limited new construction activity.

The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families within the AA. The percentage of home improvement loans made to moderate-families is near to the percentage of moderate-income families within the AA.

The percentage of home refinance loans made to low-income borrowers is significantly lower than the percentage of families within the AA who fall within the low-income demographic. The percentage of home refinance loans made to moderate income borrowers is near to the percentage of moderate-income borrowers within the AA.

Additionally, CJB's lending performance to businesses of different sizes meets the standard for reasonable penetration. Compared to the percentage of AA businesses with gross annual revenues less than or equal to \$1 million, the bank is near to this ratio in number of loans and dollar volume.

Table 2 - Borrower Distribution of Residential Real Estate Loans									
	Total Loans	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	Number	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans
Home Purchase	9	19.95%	16.67%	17.98%	0.00%	22.33%	66.67%	39.74%	16.67%
Home Improvement	119	19.95%	5.08%	17.98%	21.19%	22.33%	21.19%	39.74%	52.54%
Home Refinance	236	19.95%	3.54%	17.98%	17.26%	22.33%	30.97%	39.74%	48.23%

Source: CJB's HMDA Data 01-01-2007 - 06/30/2009; 2000 US Census Data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout census geographies of different income levels, and CJB's performance meets the standard for satisfactory performance.

The percentage of home purchase loans made in low-income geographies was lower than the percentage of owner occupied units within these geographies. The percentage of home purchase loans originated within moderate-income geographies exceeds the percentage of owner-occupied housing units within moderate-income geographies. However, CJB originated or sold only 9 home purchase loans during the evaluation period and was therefore given less weight when arriving at an overall rating for this test.

The percentage of home improvement loans made within low-income geographies was lower than the percentage of owner occupied housing units within these geographies. The percentage of home improvement loans made in moderate-income geographies is near to the percentage of owner-occupied housing units in these geographies.

The percentage of home mortgage refinance loans made within low-income geographies exceeds the percentage of owner occupied housing units within these geographies. The percentage of home mortgage refinance loans made within moderate-income geographies is near to the percentage of owner occupied housing units within these geographies.

CJB has not historically originated a significant number of home purchase mortgages, and its opportunities to originate home improvement or home refinance loans are constrained as only 1.19% of total owner-occupied housing in the AA is within low-income geographies.

CJB demonstrates reasonable dispersion of small loans to businesses within low- and moderate-income geographies. The percentage of loans made to businesses within low-income geographies is near to the percentage of businesses located within low-income geographies in the AA. The percentage of loans made to businesses within moderate-income geographies exceeds the number of businesses located within moderate-income

Table 3 - Geographic Distribution of Residential Real Estate Loans									
	Total Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	Number	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans
Home Purchase	9	1.19%	0.00%	14.42%	33.33%	53.97%	55.56%	30.42%	11.11%
Home Improvement	119	1.19%	0.00%	14.42%	14.29%	53.97%	58.82%	30.42%	26.89%
Home Refinance	236	1.19%	2.54%	14.42%	13.56%	53.97%	62.29%	30.42%	21.61%

Source: CJB's HMDA Data 01-01-2007 - 06/30/2009; 2000 US Census Data

Responses to Complaints

There were no complaints received regarding CRA during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The community development test is rated Satisfactory. CJB's community development activities demonstrate adequate responsiveness to the Community Development needs within the AA when considering the bank's capacity to lend, its performance context, and the availability of community development opportunities in the AA.

Number and Amount of Community Development Loans

CJB originated three community development loans totaling approximately \$1 million. These community development loans were originated inside of the assessment area and during the evaluation period.

CJB originated the following community development loans during the evaluation period:

- Origination of a \$325,000 loan for improvements to living facility for individuals with disabilities. The individuals will be primarily low to moderate income and rent will be subsidized by the state of New Jersey.
- Origination of a \$750,000 loan for improvements to a healthcare facility located in Newark, NJ. The facility is located in a moderate income tract and provides healthcare services for low- and moderate-income individuals.
- Origination of a \$20,000 loan to a non-profit organization that provides services primarily to low- and moderate-income individuals.

Number and Amount of Qualified Investments

The combined total of the bank's qualified investments and donations equals \$1.9 million; reflecting satisfactory responsiveness to community development needs. During the evaluation period, CJB invested \$240,000 in four minority owned institutions. The investments were in the form of 6-month certificate of deposits. CJB also invested \$904,000 in the Senior Housing Crime Prevention Foundation which helps to reduce crime in the senior housing facilities.

CJB also made donations totaling approximately \$32,000 to community service

organizations within the assessment area. Donations supported organizations that promote economic development, provide scholarships for low- and moderate- income individuals, and provide food to individuals in need.

Extent to Which the Bank Provides Community Development Services

CJB operates thirteen full service branches. All branches are located within the assessment area, and four of the branches are located in moderate income tracts. CJB offers numerous alternative delivery systems including ATMs, telephone banking, online banking, bank by mail, and remote deposit capture.

The level of qualified services provided by CJB is satisfactory. During the evaluation period 12 employees and board members provided qualified technical assistance to 26 local organizations that promote community development activities, provide health services to low-or moderate-income individuals, affordable housing, and financial education. CJB is also a participant in the American Bankers Association “Teach Your Kids to Save” program.

Responsiveness to Community Development Needs

Given the bank’s capacity and availability of community development opportunities in the AA the bank demonstrates adequate responsiveness to community development needs in its AA through community development loans, qualified investments and community development services.

Fair Lending or Other Illegal Credit Practices Review

No violations involving illegal discrimination or discouragement were discovered during this evaluation. The bank’s performance is considered satisfactory.