

LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

March 12, 2004

Community Reinvestment Act

Performance Evaluation

Union Center National Bank
Charter Number: 12425
2455 Morris Avenue
Union, NJ 07083

Office of the Comptroller of the Currency

NY Metro-Community/Midsize Banks
830 Morris Turnpike Second Floor
Short Hills, NJ 07078-2600

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, and should not 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.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-

relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male household and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home Mortgage Loans: such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with

a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

Union Center National Bank (“UCNB”) is an intrastate community bank headquartered in Union, New Jersey. UCNB is a wholly owned subsidiary of Center Bancorp, Inc., (“Bancorp”) a one-bank holding company also headquartered in Union, New Jersey. Bancorp has two other wholly owned subsidiaries, both of which are statutory trust business trusts. The purpose of each of the trusts was to issue trust securities. The proceeds were then used to issue junior subordinated debentures. The debenture proceeds were down used for general corporate purpose by UCNB, including capital to support growth. Except as noted, all financial data is as of December 31, 2003 for both Bancorp and UCNB data. Bancorp had total assets of \$922 million, virtually all of which is attributable to the bank. The bank has several wholly owned subsidiaries as described below.

- UCNB Capital Corporation (“UCNBCC”) is a real estate investment trust holding various mortgage related investments;
- Center Advertising, Inc. provides marketing and advertising services to the bank; and
- Center Insurance, Investment Advisors, LLC (“CIIA”). CIIA commenced operations in 2003 and provides through a referral process, a variety of insurance and investment services to the bank’s customers. Included are annuities, life insurance and key man insurance. UCNB receives a fee for the referrals.
- In addition, UCNB has two wholly owned investment holding companies; UCNB New Jersey Corp. and UCNB Delaware, each of which holds various bank investments. Both of these companies commenced operations in November 2002 and are designed to limit the bank’s tax liability within its investment account.

None of the activities of the first three subsidiaries were considered in this evaluation. Qualified investments that are domiciled within the latter entities were considered. None of the subsidiaries had any negative impact on the bank’s capacity for community reinvestment. No financial or legal obstacles were noted that would impede UCNB’s ability to help meet the credit needs of its assessment area. In addition, no merger or acquisition activity affected the scope of Union Center’s operations during the evaluation period.

As of December 31, 2003, the bank had total assets of \$922 million, which includes \$347 million in loans and \$513 million in investments. Net loans were 38% of total assets and 54% of total deposits. The loan portfolio is 88 % real estate loans, 10% commercial loans, and 2% consumer loans. Deposits totaled \$639 million, with demand deposits totaling \$41 million, total time deposits \$151 million and the remainder in NOW, MMDA and savings accounts. The bank has no foreign deposits. Net tier one capital totaled \$60 million. Competition within the bank’s AA is strong with numerous branches of national, regional and community banks, as well as local saving banks and credit unions vying for the same customer base. The bank had a 1.49% market share of total deposits in Essex, Morris, and Union counties, ranking it 16th out of 65 FDIC-insured financial institutions having a presence within the market area.

UCNB offers a full range of loan and deposit products and services, including an affordable loan product with an income ceiling, consumer loans, home equity loans, home equity lines, mortgage loans, commercial loans, and commercial real estate loans. UCNB's lending focus is primarily commercial and residential real estate related. No merger or acquisition activity affected the scope of UCNB's operations during the evaluation period.

The last CRA evaluation was dated July 9, 2001 with a "Satisfactory" rating assigned.

Evaluation Period

This evaluation covers the time period from January 1, 2001 through December 31, 2002 for home mortgage, small business, and consumer loans. Loan data analyzed at the prior evaluation was through December 31, 2000. The evaluation period for community development loans, the Service Test, and the Investment Test was July 10, 2001 through March 11, 2004.

Scope of the Evaluation

The lending test evaluates UCNB's originated and purchased home mortgage loans, loans to small businesses, home equity loans, and community development loans. Home equity loans were considered at the request of bank management. UCNB did not originate or purchase loans to small farms during this evaluation period.

The UCNB Assessment Area (AA) consists of 93 census tracts and contains no low-income, one moderate-income (1%), 39 middle-income (42%), and 53 upper-income census tracts (57%). This AA meets regulatory requirements and coincides with the areas served by the bank's branch network as well as what represents its primary lending area for the products reviewed.

Data Integrity

During October 2003, OCC examiners verified the accuracy of the lending registers that the bank is required to file annually with regulators. These registers contain loan data for home mortgage and small business. We sampled for accuracy for year to date 2003 by comparing loan files to the bank's HMDA-LAR file. In addition, we reviewed small business loan application registers and comparing them to actual loan files. Community development loans, investments, and services submitted by management were also verified to ensure they met the regulatory definition of community development.

The loan data relied upon for this analysis was sampled for accuracy using information from the bank's 2001 and 2002 HMDA and small business loan application registers and comparing them to actual loan files. Community development loans, investments, and services submitted by management were also verified to ensure they met the regulatory definition of community development.

We found a total of two minor errors in the HMDA data. The errors did not affect the reliability of the data. As part of this evaluation, all CD loans, services and qualified investments presented were reviewed for accuracy. The data used in this analysis is considered reliable.

Overall CRA Rating

Institution’s CRA Rating: This institution is rated “SATISFACTORY”.

The following table indicates the performance level of **UNION CENTER NATIONAL BANK** with respect to the lending, investment, and service tests:

Performance Levels	Union Center National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The bank’s primary lending products are home equity, small business, and HMDA reportable loans. Most of the HMDA reportable loans during the evaluation period were for home refinance. These product lines, along with the level of community development lending, weighed heavily in the assessment of UCNB’s performance under the Lending test. This assessment considered the primary credit needs of the bank’s AA and the opportunities to lend in low- and moderate-income geographies, along with the effect of competition and economic factors on the bank. Identified credit needs in the AA include affordable housing and small business lending. Needs were identified as a result of a discussion with one local non-profit affordable housing organization to help us determine the community credit and development needs in the AA. This was held just prior to the commencement of the examination. The contact identified affordable housing and availability of financing opportunities for LMI individuals, as primary CD needs.

The major factors that support this overall rating and conclusions with respect to performance tests are as follows:

Lending

Refer to Tables 1 through 10 in Appendix D for facts and data used to evaluate the bank’s lending.

- The bank’s performance under the Lending test within its AA is rated “Low Satisfactory” as the bank’s activities reflect adequate responsiveness to identified community credit

needs. This conclusion is based upon the bank's ability to address the AA's primary credit needs within the overall volume of HMDA reportable loans, small business loans, consumer loans, and community development lending activity originated during the review period. The bank was able to meet the identified needs of the AA in view of the strong competition and sluggish economy.

- UCNB's lending activity within its assessment area is adequate. Based upon 2002 HMDA aggregate data, the bank ranks 53rd out of 484 reporting lenders with a market share of 0.42%. Institutions ranked above UCNB include larger regional banks, thrift institutions and several national mortgage companies. For lending to small businesses, the bank ranked 29th out of 143 reporting lenders in the AA, with a market share of 0.16% based on number of originations and a 1.06% market share based on dollar volume. Excluding credit card lenders, which have very small average loan sizes, UCNB would rank 20th in the AA. UCNB's average loan size of \$208,000 ranks it among the largest average loan size for small business lenders in the AA.
- The degree of lending within the AA is considered adequate. Sixty four percent of HMDA reportable loans, 75 percent of small business, and 70 percent of consumer loans originations during the evaluation period were made inside the AA. Overall, 70 percent of these types of loans were made in the AA.
- The distribution of HMDA reported loans within the moderate-income area is adequate. An analysis of the geographic distribution of HMDA related loans in low-income geographies is not considered meaningful, as the AA does not contain any areas in this designation. The AA includes only one moderate-income census tract (1%) and zero low-income census tracts. Less than 1% of owner-occupied housing units are located within the moderate-income census tract. The bank had no home purchase or home improvement loans in the moderate-income geography, although the level of home refinance loans exceeds the level of owner-occupied homes in the AA.
- The distribution of HMDA reportable loans by income level is adequate overall. Our analysis indicated that the overall lending to low- and moderate-income borrowers is impacted by the affordability of home ownership in the AA. Large increases in housing prices during the last several years have limited the ability of low- and moderate-income individuals to purchase entry-level housing. Seventy-five percent of the HMDA reportable loans made by the bank during the evaluation period were for home refinance. During the evaluation period, the level of lending to low-income and moderate-income borrowers for home purchases of 0% and 7.7% respectively, ranked significantly below the level of low-income (10.0%) and moderate-income families (14.1%) within the AA. Loans to low-income and moderate-income borrowers for home refinancing were somewhat less than the level of those borrowers in the AA. However, home improvement loans originated during the evaluation to low-income and moderate-income borrowers of 13.2% and 15.8% respectively greatly exceeded the level of low- and moderate-income families within the AA.
- The geographic distribution of small business lending activity is adequate. Based upon the limited number of moderate-income census tracts, opportunities are limited and

competition from other financial institutions is strong. An analysis of the geographic distribution of small loans to businesses in the low-income tracts is not considered meaningful as the AA does not contain any tracts in that designation. There is only one moderate-income census tract (1%). Within the bank's AA, only 0.5% of all businesses are located within the moderate-income census tract.

- The distribution of small business loans was adequate. Loans to businesses with revenues of \$1 million or less represented 60% of the bank's reportable loans, ranking below the 66% of area businesses that had revenues \$1 million or less.
- The bank also requested that we consider the level of home equity lending loans, in our overall assessment. Home equity loans constitute a significant portion of the bank's loan portfolio. The distribution of these loans is adequate overall. Loans in moderate-income geographies represented 5.7% of lending in the AA compared to 0.8% of the AA population. However, the level of home equity lending to low-income and moderate-income borrowers of 4.0% and 6.5% respectively, ranked significantly below the level of low-income (14.1%) and moderate-income households (12.9%) within the AA. The lack of affordability of home ownership within the AA affects the level of lending to low- and moderate-income individuals and families.

Community Development Lending

UCNB's Community Development lending activity positively impacted the bank's rating as the bank displayed good responsiveness to the identified needs of its community. UCNB originated three community development loans during the rating period, totaling \$6.25 million, which served low- and moderate-income individuals and families residing within the AA. This included two loans for \$500 thousand each to a not-for-profit corporation to finance or refinance affordable housing projects primarily for low- and moderate-income individuals and families. There was also a loan for \$5.25 million to refinance an affordable housing project for senior citizens, the majority of which are low- or moderate-income tenants receiving subsidies under the Department of Housing and Urban Development (HUD) Section 8 and Section 236 programs. These multifamily loans are not reflected in Table 5 in Appendix C, as they were funded after the evaluation period for HMDA reportable loans.

Investments

Refer to Table 14 in Appendix C for facts and data used to evaluate the bank's level of qualified investments.

UCNB's performance for the investment test is rated "High Satisfactory." In evaluating the bank volume of investments, we considered community development opportunities in the AA as well as the capacity for the local infrastructure to create qualified investments.

As of the examination date, UCNB has a good level of qualified investments and grants. The current level of investment reflects responsiveness to the needs of its AA. Overall, opportunities are limited within the AA due primarily to the intense competition for such investments. The investments help in meeting the identified need for affordable home purchase and home

improvement loans for low- and moderate-income individuals. It was also indicated that opportunities are limited due the number of banks within the AA that are very active. This, along with presences by much larger local and multi-national banks within the AA, makes competition for such investments intense.

The types and dollar amounts of qualified investments made during the evaluation period are as follows:

New Equity Investments	\$ 500,000
Continuing Equity Investments	\$ 2,618,074
Grants and Donations	<u>\$ 7,050</u>
	\$ 3,125,124

New equity investments include:

- A \$500 thousand investment in a community investment fund that was allocated to acquiring New Jersey Housing and Mortgage Finance Authority Multi-Family Housing Revenue Bonds to provide financing for specific affordable housing programs located in the State of New Jersey. The programs are primarily directed toward low-income individuals.

Continuing equity investments include:

- A \$1 million investment in 1999 in a community investment fund that acquired mortgage-backed securities, primarily having loans to low-and moderate-income borrowers in the bank's assessment area.
- A \$1 million investment in 2000 in a community investment fund that was allocated to a Federal Housing Administration project that financed a non-profit geriatric nursing facility located in a low and moderate-income area in the assessment area. A significant majority of the residents receiving care are low- and moderate-income individuals.
- A remaining total balance of \$618,074 in two pools of mortgage-backed securities purchased in 1998 and 2000 having loans to low- and moderate-income borrowers in the assessment area.

Community grants and qualifying donations totaling \$7,050 were given to 10 organizations for the support of affordable housing, social services, education, employment and small business initiatives benefiting primarily low- and moderate families and/or individuals throughout the AA.

None of the investments are considered innovative or complex. Other private investors routinely provide these same kinds of investments.

Services

Refer to Table 15 in Appendix C for facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

This evaluation considered the asset size of UCNB and its branch delivery system in relation to the size of the AA and volume of low- and moderate-income geographies contained within this delineation.

UCNB's performance in their AA under the Services Test is rated "Low Satisfactory." UCNB's offices and retail services are reasonably accessible to geographies and individuals of different income levels in its assessment area. The bank's distribution of branch offices throughout the AA is adequate. A number of the branch locations are located within or adjacent to main business districts and reasonably accessible by public transportation.

UCNB has 13 branch offices, 11 full-service branches and two limited-service branches in the Newark, New Jersey MSA. There are no branches in low-income areas (as stated prior, there are no low-income geographies within the AA, nor are there any that are in close proximity to any current bank office) and one (8%) branch location is within a moderate-income geography. This exceeds the level of low- and moderate-income population that resides in these areas. Although there are no UCNB branch locations in low-income geographies, branch locations are situated adjacent to or within the main business districts and thoroughfares utilized by low- and moderate-income individuals. Six branch locations are in middle-income geographies, and six branch locations are in upper-income geographies. Eight full service branches are located in Union County, of which four are located in Union Township. Also in Union County, the bank has branches in Berkeley Heights, Springfield, Summit, and Vauxhall. In Morris County, the bank has two full service branches in Morristown and one in Madison. The bank's limited service branches are located in Union Township and are comprised of walk-up and drive-up windows. The bank also has stand-alone automatic teller machines in the Union Hospital and in the Union Train Station, both in Union Township. During the evaluation period, UCNB opened a branch office in Morristown, a middle-income location. The bank did not close any branches during this period.

UCNB offers Internet banking. According to bank records this alternative service is provided in all geographies within the AA. Bank records indicate that 70% of the accounts are located within the AA. The geographic distribution of the internet banking service includes 10% of the accounts in the AA being in moderate-income geographies. We did not place significant weight on these alternate delivery methods when determining our conclusions since management has no method to determine if these services benefit low- and moderate-income geographies or individuals.

The bank offers traditional banking products and services at all of its branches. The bank also offers a free checking account, which benefits low- and moderate-income depositors. However, the bank did not have a current geographic distribution of these accounts.

Community Development Services

UCNB participated in an adequate level of community development services in its AA. Bank officers provided their technical support to six community organizations that promote affordable housing to organizations that target low- and moderate-income individuals, assist low- or moderate-income individuals, or promote small businesses. These community development services include:

A bank officer provides financial advice to the board of an organization that provides training and occupational services for low- and moderate-income individuals.

Bank officers provide financial advice for several organizations providing assistance or promoting affordable housing for low- and moderate-income individuals and families in Morris and Union Counties.

A lending officer provides seminars to a community organization regarding affordable housing for low- and moderate-income individuals in Union County.

Bank officers provide technical advice to several business and economic development organizations providing assistance to small businesses in the AA. These organizations target primarily LMI individuals and/or areas.

Fair Lending or Other Illegal Credit Practices Review Community Development Services

We found no evidence of illegal discrimination or other illegal credit practices.

Appendix B Chart: Market Profile Demographic Information Tables

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UCNB AA

Demographic Information for Full Scope Area: UCNB AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	93	0.00	1.08	41.94	56.99	0.00
Population by Geography	438,107	0.00	0.77	43.63	55.60	0.00
Owner-Occupied Housing by Geography	120,089	0.00	0.28	40.36	59.36	0.00
Business by Geography	31,610	0.00	0.70	44.72	54.58	0.00
Farms by Geography	593	0.00	0.51	37.10	62.39	0.00
Family Distribution by Income Level	120,839	9.98	14.13	22.60	53.30	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	29,129	0.00	1.76	59.62	38.62	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		50,047 78,700 3.23%	Median Housing Value Unemployment Rate (1990 US Census)		232,361 2.04%	

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

Source: 1990 US Census and 2002 HUD updated MFI

Appendix C: Content of Standard Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the metropolitan area (MA) /assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. .
- Table 1a. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by

the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of Home Improvement Loans - See Table 7.

Table 9. Borrower Distribution of Refinance Loans - See Table 7.

Table 10. Borrower Distribution of Small Loans to Businesses - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

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Table 1. Lending Volume

MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
		Full Review:										
	100.00	259	40,446	134	20,205	0	0	3	6,250	396	66,901	100.00

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Table 1a. Other Products

LENDING VOLUME		Geography: UCNB				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002								
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:														
	100.00	0	0	0	0	669	74,190	0	0	0	0	0	0	100.00

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From July 10, 2001 to March 12, 2004.

*** Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

** The evaluation period for Optional Product Line(s) is From January 01, 2001 to December 31, 2002.

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Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: UCNB				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans					
Full Review:															
UCNB AA	27	100.00	0.00	0.00	0.28	0.00	40.36	40.74	59.36	59.26	0.13	0.00	0.00	0.15	0.12

* Based on 2002 Peer Mortgage Data: Northeast Region Combined.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

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Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: UCNB				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full Review:																
UCNB AA	38	100.00	0.00	0.00	0.28	0.00	40.36	81.58	59.36	18.42	0.90	0.00	0.00	1.68	0.33	

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Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: UCNB				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total	% Owner Occ Units	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full Review:																
UCNB AA	194	100.00	0.00	0.00	0.28	0.52	40.36	50.00	59.36	49.48	0.57	0.00	1.56	0.89	0.41	

* Based on 2002 Peer Mortgage Data: Northeast Region Combined.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

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Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES															
Geography: UCNB															
Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
UCNB AA	134	100.00	0.00	0.00	0.70	0.00	44.72	78.36	54.58	21.64	0.16	0.00	0.05	0.30	0.10

* Based on 2002 Peer Small Business Data: US and PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2003).

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Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: UCNB				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					Market Share [*]				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}					
Full Review:															
UCNB AA	27	100.00	9.98	0.00	14.13	7.69	22.60	26.92	53.30	65.38	0.17	0.00	0.00	0.24	0.18

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Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: UCNB				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					Market Share [*]				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp
	#	% of Total	% Families	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}					
Full Review:															
UCNB AA	38	100.00	9.98	13.16	14.13	15.79	22.60	36.84	53.30	34.21	0.99	1.96	1.44	1.30	0.60

^{*} Based on 2002 Peer Mortgage Data: Northeast Region Combined.

^{**} As a percentage of loans with borrower income information available. No information was available for 3.70% of loans originated and purchased by BANK.

^{***} Percentage of Families is based on the 1990 Census information.

^{****} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

^{*} Based on 2002 Peer Mortgage Data: Northeast Region Combined.

^{****} Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

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Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: UCNB				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					Market Share*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
UCNB AA	194	100.00	9.98	7.22	14.13	10.82	22.60	23.20	53.30	58.76	0.70	1.91	0.51	0.71	0.68	

* Based on 2002 Peer Mortgage Data: Northeast Region Combined.

** As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

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Table10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES									
Geography: UCNB					Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share [*]	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
UCNB AA	134	100.00	66.20	60.45	58.21	24.63	17.16	0.16	0.38

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Table 14. Geographic and Borrower Distribution of Consumer Loans (Optional)

Geographic and Borrower Distribution: CONSUMER LOANS																		
Geography: UCNB									Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002									
MSA/Assessment Area:	Geographic Distribution								Borrower Distribution									
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Total Consumer Loans	
	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	#	% of Total**
Full-Scope:																		
UCNB AA	0.00	0.00	0.77	5.7	43.63	37.2	55.60	57.1	14.1	4.0	12.9	6.5	18.0	21.8	55.0	67.7	669	100.0

(*) The percentage of the population in the MSA/assessment area that resides in these geographies.

(**) Consumer loans originated and purchased in the MSA/AA as a percentage of all consumer loans originated and purchased in the rated area.

* Based on 2002 Peer Small Business Data: US and PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.75% of small loans to businesses originated and purchased by the bank.

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Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: UCNB									
Evaluation Period: JANUARY 1, 2001 TO March 12, 2004									
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
UCNB AA	4	2,618	12	568	16	3,186	100.0	0	0

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
Geography: UCNB																	
Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
UCNB AA	100.00	13	100.0	0.00	7.6	46.2	46.2	1	0	0	0	1	0	0.00	0.78	43.24	55.98

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.