



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

July 5, 2005

Community Reinvestment Act

Performance Evaluation

**Valley National Bank
Charter Number: 15790**

**1455 Valley Road
Wayne, NJ 07410**

Office of the Comptroller of the Currency

**Midsize Bank Supervision
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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, 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.

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Overall CRA Rating

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

The following table indicates the performance level of **Valley National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Valley National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			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 major factors that support this rating include:

- VNB’s lending activity is good, given the bank’s size, resources, and competition in the bank’s major markets.
- Overall geographic distribution of loans is adequate.
- Overall borrower distribution of loans is good.
- Community development lending and flexible products had a positive effect on the lending test.
- Community development investments reflect good responsiveness to the needs of the various assessment areas.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels.
- The bank performs a good level of community development services.

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.

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 householder 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 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 statistical 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). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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 metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division (MD): As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least

2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

Valley National Bank (VNB), chartered in Passaic, New Jersey has its headquarters in Wayne, New Jersey. As of December 31, 2004, VNB had total assets of \$10.7 billion and Tier 1 capital of \$808 million. VNB is an interstate bank operating primarily in northern New Jersey and New York City (Manhattan) and is the principal subsidiary of Valley National Bancorp, a one-bank holding company. The bank has 15 wholly owned operating subsidiaries. We reviewed qualifying CRA investments held by VN Investments, Inc. The operating subsidiaries have no impact on the bank's capacity for community reinvestment.

During the period from the prior CRA evaluation through year-end 2004, the bank expanded primarily through internal growth. At June 30, 2005, VNB's branch network increased from 128 branches to 134 branches, excluding the acquisitions noted below. There were eight branch openings and two branch closings. The branch closings were in middle- and upper-income geographies. A substantial majority of the branches are located in the northern part of New Jersey.

Subsequent to year-end 2004, VNB made two acquisitions, increasing the bank's assets to \$12 billion and 161 branches. In March 2005, VNB acquired Shrewsbury State Bank (SSB), a \$425 million retail bank and 12 branches in Monmouth County. This acquisition resulted in the expansion of the existing Edison, NJ Metropolitan Division (MD) assessment area (AA) to include Monmouth County. Additionally, in June 2005, VNB completed the acquisition of NorCrown Bank (NorCrown), a \$622 million retail bank with 15 branches in northern New Jersey. NorCrown's AA overlaps the bank's existing Newark-Union MD. Due to the timing of these acquisitions, none of the activities of these former banks or the activity in the expanded AA was considered in this evaluation.

As of December 31, 2004, total bank assets included loans of \$6.9 billion and investments of \$3.1 billion. Total deposits amounted to \$7.6 billion. The loan portfolio is broken down as follows: residential real estate loans \$2.3 billion (34 percent), commercial real estate loans \$1.6 billion (23 percent), installment loans and credit cards \$1.2 billion (17 percent), \$1.3 billion (19 percent) in commercial loans, and \$480 million (7 percent) in all other loans.

There are no impediments, legal or otherwise, which would hinder the bank's ability to help meet the credit needs of its AAs.

Competition is intense within the major markets that the bank operates. VNB competes with several local, large regional, and multinational banking institutions, mortgage companies, and non-financial intermediaries for both mortgage and small business lending opportunities to low- and moderate-income individuals and geographies throughout the AAs.

VNB's last CRA evaluation was dated July 29, 2002. The bank received a "Satisfactory" rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This evaluation is based on three distinct time periods: January 1, 2002 thru December 31, 2002 (2002 Evaluation Period), January 1, 2003 thru December 31, 2003 (2003 Evaluation Period), and January 1, 2004 thru December 31, 2004 (2004 Evaluation Period). The 2002 Evaluation Period is evaluated using 1990 census demographic information. The 2003 and 2004 Evaluation Periods use Census 2000 demographic information, however, the 2004 Evaluation Period is also evaluated using the revised Metropolitan Statistical Areas (MSA) boundaries defined by the U.S. Office of Management and Budget (OMB). Differences in demographic information are evident between the two censuses and boundaries. Refer to appendix B for the facts and data. The standard FFIEC tables for the 2004 Evaluation Period can be found in appendix B. Market data was not available for this period.

Conclusions regarding the Lending Test are based on small business and HMDA reportable loans from the 2002 thru 2004 Evaluation Periods. Peer data for the 2002 and 2003 Evaluation Periods were reviewed. Peer data for HMDA and small business loans for the 2004 Evaluation Period is not available as of this evaluation date. The community development lending performance analysis considered loans made since the previous CRA examination and includes loans made from July 29, 2002 to July 5, 2005. VNB did not make any small loans to farms, thus Tables 7 and 12 have been eliminated from the PE. Additionally, the volume of multifamily loans was not considered significant for this evaluation.

The Investment Test included investments, grants, and donations made within the AAs that meet the definition of community development. The Service Test included a review of retail and community development services provided in the bank's AAs. The evaluation period for community development investments and services is July 29, 2002 to July 5, 2005. The bank's retail services were evaluated using Census 2000 demographic data and revised MSA boundaries.

Additionally, as noted earlier, no consideration was given to any lending, investment or services made in the expanded AA and/or by the former SSB or NorCrown, given the recentness of the acquisitions.

Data Integrity

Prior to conducting this CRA evaluation, we tested the accuracy of the bank's data, including data made available to the public in accordance with HMDA and the CRA regulation. Public data includes home mortgage lending, small loans to businesses, and CD loans. We also reviewed the accuracy of non-public data for qualified investments and CD services. Our review disclosed minor errors with respect to the HMDA data, which management corrected prior to this CRA evaluation. Additionally, only those investments, loans, services meeting the definition of community development were included in the CD tests. Our evaluation is based on data that is accurate.

Selection of Areas for Full-Scope Review

VNB has one AA within the state of New Jersey, which received a full-scope review. Every multistate metropolitan area in which the bank has branches in more than one state received at least one full-scope review.

Ratings

The bank's overall rating is a blend of the multistate metropolitan area ratings and state rating. The New York-Newark-Edison MSA, consisting primarily of the New York-Wayne-White Plains NY-NJ (referred to as the NY-NJ Multistate MD throughout this evaluation) and Newark-Union, NJ Metropolitan Divisions (MDs) received the most weight in arriving at the overall rating. Performance in each of the MDs was analyzed separately in arriving at the multistate MSA rating. The multistate rated area accounts for the significant majority of the bank's lending and deposit activity.

The multistate metropolitan area ratings and state rating are based primarily on those areas that received full-scope reviews.

Prior to OMB redefining the metropolitan area boundaries in 2004, VNB would have received state ratings for New Jersey and New York, as the PMSAs that the bank operated in were not in a multistate MSA. The New Jersey rating would have been based primarily on the activity in the former Bergen-Passaic PMSA 0875 and Newark PMSA 5640. These two PMSAs are now incorporated within MDs in the New York-Newark-Edison MSA. The New York rating would have been based on activity in the Manhattan (New York County) portion of the former New York PMSA 5600. This PMSA is now combined with the New Jersey counties that make up the NY-NJ Multistate MD within the New York-Newark-Edison MSA. The former Jersey City PMSA 3640 was also incorporated into the NY-NJ Multistate MD, while Middlesex and Somerset counties are now incorporated into the Edison, NJ MD.

Fair Lending Review

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

Multistate Metropolitan Area Rating

CRA rating for the New York-Newark-Edison Metropolitan Statistical Area¹: Satisfactory

The lending test is rated: High Satisfactory

The investment test is rated: High Satisfactory

The service test is rated: Low Satisfactory

The major factors that support this rating include:

- VNB's lending activity is good, given the bank's size, resources, and competition in the bank's major markets.
- Overall geographic distribution of loans is adequate.
- Overall borrower distribution of loans is good.
- Community development lending and flexible products had a positive effect on the lending test.
- Community development investments reflect good responsiveness to the needs of the various assessment areas.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels.
- The bank performs a good level of community development services.

Description of Institution's Operations in New York-Newark-Edison Metropolitan Statistical Area

Refer to the market profiles for the NY-NJ Multistate MD and the Newark-Union MD within the New York-Newark-Edison Metropolitan Statistical Area in appendix C for detailed demographics and other performance context information.

As discussed earlier in this evaluation, OMB's redefining of the boundaries of the MSAs results in VNB operating within three MDs within the New York-Newark-Edison MSA. Two of these MDs (NY-NJ Multistate and Newark-Union) received full scope reviews while the Edison MD received a limited review.

¹ This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Within the New York-Newark-Edison MSA, VNB operates 131 branches representing 98 percent of the bank's total branch network. The NY-NJ Multistate MD accounts for 79 (60 percent) of the branches in the MSA, while the Newark-Union MD has 47 (36 percent) branches. The Edison, NJ MD with five branches, accounts for 4 percent.

Within the overall MSA, competition is very strong for both deposits and loans. Based on the June 30, 2004 FDIC Summary of Deposits, VNB ranks 10th out of 135 institutions in the NY-NJ Multistate MD with a 1.28 percent market share. In the Newark-Union MD, VNB ranks 6th out of 64 institutions with a 4.45 percent market share. Based on 2003 mortgage peer data and former PMSA boundaries, the bank ranked 14th out of 551 lenders in home mortgage loan originations in the Bergen-Passaic PMSA and 16th out of 638 lenders in the Newark PMSA.

Housing prices within the MSA have appreciated substantially in northern NJ (primarily Bergen, Passaic, and Essex counties) and also in Manhattan (NYC). Based on a survey by the National Association of Realtors, the median sales price of existing single-family homes within the MSA during the first quarter of 2005 rose 18 percent over the same prior year period and was \$435,000, substantially higher than the census 2000 median of \$238,567 in the NY-NJ Multistate MD and \$205,824 in the Newark-Union MD, making homeownership difficult for most low- and moderate-income individuals in the area. In Manhattan, the current median price of housing is \$775,000, making it extremely difficult for low- and even moderate-income individuals to purchase a residence. These factors were considered in our lending analysis.

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in the New York-Newark-Edison MSA is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the NY-NJ Multistate MD and the Newark-Union MD is good.

Lending Activity

Refer to Tables 1 Lending Volume in the "Multistate Metropolitan Areas" section of appendix D for the facts and data used to evaluate the bank's lending activity.

VNB's lending activity in the areas receiving full-scope reviews is good, given the bank's size, resources, and competition in the AAs. Home mortgage lending volume in NYC is very low, given the historical emphasis on commercial lending in this area.

Within the MSA, approximately 96 percent of all home mortgage and small loans to businesses originated in the two full-scope MDs. The NY-NJ Multistate MD accounted for 54 percent while the Newark-Union MD accounted for 42 percent. Over the evaluation periods in the NY-NJ Multistate MD, 57 percent of the lending volume was home mortgage loans with small business accounting for the remainder. In the Newark-Union MD, 73 percent of the lending volume was home mortgage loans with small business accounting for the remainder. Between 2003 and 2004, the volume of home mortgage lending decreased significantly in both MDs as interest rates began to rise and the level of refinancing declined.

In each evaluation period, the distribution by home mortgage loans was consistent among the two full scope MDs. In the 2002 evaluation period, 15 percent were for home purchase, 16 percent were for home improvement and 69 percent were for home refinance.

The historical low and declining interest rate environment during 2003 had a significant impact on home mortgage distribution. Approximately 89 percent were for home refinance, 9 percent were for home purchase, and 2 percent were for home improvement. It can be presumed that a large number of refinancing lending included cash-out, which borrowers could use for other purposes including home improvement.

As interest rates began to rise during 2004, overall mortgage lending slowed, with 60 percent of the mortgage loans for home refinance, 30 percent for home purchase, and 10 percent for home improvement.

Small business lending is highly competitive in the MDs. The latest available peer data (2003) is available on the pre-2004 MSA boundaries. In the Bergen-Passaic PMSA (now part of the NY-NJ Multistate MD), the bank ranked 16th out of 135 lenders with a 1.57 percent market share. The bank ranked 4th out of 50 depository institutions with a 9.7 percent deposit market share. In the Manhattan portion of the New York PMSA (also now part of the NY-NJ Multistate MD), VNB ranked 19th of 228 lenders with a 0.38 percent market share. The bank ranked 22nd in deposit market share with 0.34 percent. In Manhattan, the top five lenders have a combined market share of 67 percent and are nationwide credit card lenders. In the Newark PMSA (now part of the Newark-Union, NJ MD), the bank ranked 16th out of 160 lenders with a 0.62 percent market share. The bank ranked 6th in deposit market share with 4.6 percent of the area's deposits. In the Newark PMSA, the top four lenders are nationwide credit card lenders and have a combined market share of 51 percent.

During the periods 2002 through 2004, the volume of small loans to businesses has increased by 50 percent in both MDs, including NYC. The increase is attributed to the bank's introduction of its EZ small business loan and line of credit products.

Distribution of Loans by Income Level of the Geography

The overall distribution of loans by income level of the geography is adequate.

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in the "Multistate Metropolitan Areas" section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

VNB's geographic distribution of home mortgage loans is adequate in both MDs given the demographics and competition. As noted earlier, the bank competes with several hundred bank and non-bank lenders within each MD.

Based on 1990 census demographics and MSA boundaries, less than 1 percent (2,341 units) of owner-occupied housing units in the former Bergen-Passaic PMSA are in low-income

geographies. In the former Newark PMSA only 2 percent % (8,086 units) are located in low-income geographies. Based on 2000 census demographics and MSA boundaries, slightly less than 2 percent of the owner-occupied housing units in the Bergen-Passaic PMSA are in low-income geographies and 3 percent are in the Newark PMSA. In 2004, the NY-NJ Multistate MD has less than 1 percent of owner-occupied housing in the low-income geographies as a result of the high level of rental housing in Manhattan. The Newark-Union MD has nearly 3.5 percent (14,240 units) of owner-occupied housing units in low-income geographies.

VNB's home purchase loan geographic distribution is adequate in both MDs. In 2002 and 2004, the percentage of lending in low-income geographies was below the percentage of owner-occupied housing in these geographies in the former Bergen-Passaic PMSA and NY-NJ Multistate MD. In 2003, the percentage of lending exceeded the percentage of owner-occupied housing in the Bergen-Passaic PMSA. The percentage of lending in moderate-income geographies for all evaluation periods was below the percentage of owner-occupied housing in these geographies.

In the Newark PMSA/Newark-Union MD, the percentage of lending in both low- and moderate-income geographies was below the percentage of owner-occupied housing in all evaluation periods. In 2002 and 2003, the bank's market share in both low- and moderate-income geographies in the respective PMSAs was below or significantly below the bank's overall market share.

VNB's home improvement loan geographic distribution is adequate in both MDs, although it has varied widely in the Newark-Union MD. In 2002 and 2003, the percentage of lending in low-income geographies was below and exceeded, respectively, the percentage of owner occupied housing in these geographies in the former Bergen-Passaic PMSA. In 2004, the bank did not originate any home improvement loans in low-income geographies in the NY-NJ Multistate MD. In moderate-income geographies, the percentage of lending was below the percentage of owner-occupied housing in each evaluation period.

In the Newark PMSA, the percentage of lending in both low- and moderate-income geographies was significantly below the percentage of owner-occupied housing in those geographies as was the bank's market share during the 2002 and 2003 Evaluation Period. In 2004, the bank's percentage of lending improved in both low- and moderate-income geographies, but still remains below the demographic comparator of owner occupied housing. In both the 2002 and 2003 Evaluation Period, the bank's market share in low- and moderate-income geographies was below or significantly below its overall market share in both AAs.

VNB's home refinance loan geographic distribution is adequate in both AAs. The percentage of lending in both low- and moderate-income geographies is below the percentage of owner occupied housing throughout each evaluation period in each AA. In both the 2002 and 2003 Evaluation Period, the bank's market share in the former Newark PMSA was significantly below its overall market share in both low- and moderate-income geographies while it was below in the former Bergen-Passaic PMSA.

Small Loans to Businesses

Refer to Table 6 in the "Multistate Metropolitan Areas" section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is good in the NY-NJ Multistate MD and adequate in the Newark-Union MD. In the 2002 Evaluation Period, the percentage of loans in both low- and moderate-income geographies in the former Bergen-Passaic and Newark PMSAs is below the percentage of businesses within those geographies. In 2003, lending performance is below in low-income geographies and near to in moderate-income geographies. The bank's market share in low-income geographies slightly exceeded the overall market share in 2002 and 2003. The bank's market share in moderate-income geographies substantially meets the overall market share. In the 2004 Evaluation Period, the bank's percentage in low-income geographies is significantly below the percentage of businesses within those geographies and in moderate-income geographies is below the demographics. This lower performance in 2004 is a result of the greater number of businesses in the revised 2004 MSA boundaries, which distorts the percentage of businesses in the AA (nearly 85,000 businesses in the former Bergen-Passaic PMSA versus 339,000 businesses in the NY-NJ Multistate MD).

Over the three-year evaluation period in the Newark-Union MD, the percentage of lending in both low- and moderate-income geographies was below the percentage of businesses within those geographies. In 2002 and 2003, the bank's market share in low-income geographies substantially meets the bank's overall market share. In moderate-income geographies, the bank's market share is below its overall market share.

Lending Gap Analysis

Maps detailing VNB's lending activity during the evaluation period for home mortgage loans and small loans to businesses were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

Inside/Outside Ratio

This portion of the evaluation was performed at the bank level. During the evaluation period, VNB originated a significant majority (78 percent) of its loans and dollar amount in the combined AAs. VNB originated 73 percent of its HMDA loans and 89 percent of its small loans to businesses in the AAs. The high volume of small loans to businesses in the AAs partially reflects VNB's historical marketing efforts towards small business lending.

Distribution of Loans by Income Level of the Borrower

The overall distribution of loans by income level of the borrower is good.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in the “Multistate Metropolitan Areas” section of appendix D for the facts and data used to evaluate the borrower distribution of the bank’s home mortgage loan originations and purchases.

VNB’s distribution of loans by borrower income level is good in both full scope MDs. The high cost of housing, coupled with a high percentage of households below the poverty level, makes it extremely difficult for low- and/or moderate-income families to afford housing in both MDs. More consideration was placed on the moderate-income performance due to the high costs of housing. The competition among lending institutions in the areas was also considered in our evaluation.

Over the evaluation periods, particularly in 2002 and 2003, the percentage of home purchase lending to moderate-income borrowers was near to or exceeded the percentage of such families in both MDs. During 2004, home purchase lending to moderate-income borrowers in the NY-NJ Multistate MD weakened and was below the percentage of such families. In 2004, performance in lending to moderate-income borrowers exceeded the demographics in the Newark-Union MD. Home purchase lending to low-income borrowers was below the percentage of such families in both full scope MDs.

The percentage of home improvement lending to low-income borrowers was below the percentage of low-income families in both full scope MDs. The percentage of lending to moderate-income borrowers exceeded the percentage of such families in the Newark-Union MD in both the 2003 and 2004 Evaluation Periods and somewhat below in the 2002 Evaluation Period. Performance in the NY-NJ Multistate, taking into account the former MSA boundaries, and loan volume, varied over the three-year period.

Over the evaluation periods, particularly in 2003 when home refinance lending was the significant majority of mortgage lending volume, the percentage of home refinance lending to moderate-income borrowers exceeded the percentage of such families in both MDs. In 2002 and 2004 Evaluation Periods, lending performance to moderate-income borrowers was good. In 2002, the percentage of lending to moderate-income borrowers exceeded in the Newark PMDA and was somewhat below the percentage of families in the Bergen-Passaic PMSA. In 2004, lending was near to the demographics in the Newark NJ MD and somewhat below in the NY-NJ MD. Home refinance lending to low-income borrowers was significantly below the percentage of such families in both full scope MDs.

Small Loans to Businesses

Refer to Table 11 in the “Multistate Metropolitan Areas” section of appendix D for the facts and data used to evaluate the borrower distribution of the bank’s origination/purchase of small loans to businesses.

VNB's distribution of small loans to businesses based on business size is good in both MDs when considering the strong competition for these loans. Also, slightly more weight was placed on the 2004 Evaluation Period since it was the strategy of the bank to increase its small loans to businesses. The bank developed a suite of business loan products to address this strategy.

The percentage of VNB's small loans to small businesses (businesses with gross annual revenue's of \$1 million or less) has trended upward over the evaluation periods and is now closer to the percentage of businesses defined as small, particularly in the Newark-Union MD. Nearly two-thirds of the bank's small loans to businesses regardless of revenue size were for \$100,000 or less in the Newark-Union MD and over 55 percent were for this amount in the NY-NJ Multistate MD.

Based on pre-2004 MSA boundaries and using 2003 peer data, the bank's market share of small loans to small businesses exceeded the bank's overall market share of small loans to businesses. This performance is good when considering the strong competition for these type loans in the MDs as noted earlier.

Community Development Lending

Refer to Table 1 Lending Volume in the "Multistate Metropolitan Areas" section of appendix D for the facts and data used to evaluate the bank's level of community development lending. This table includes all community development loans, including multifamily loans that also qualify as community development loans.

Community development loans had a positive impact on the lending test. During the evaluation periods, VNB originated 16 loans totaling \$5.8 million in the NY-NJ Multistate MD and 16 loans totaling \$38.5 million in the Newark-Union MD. Additionally, the bank originated 2 CD loans totaling an additional \$5.9 million, which benefit a statewide/broader regional area that includes the bank's assessment areas. The bank also received credit for the pro rata share of 104 loans originated by the New Jersey Community Loan Fund based on the bank's equity investment in the fund. The following highlight some of the more significant community development loans originated:

NY-NJ Multistate MD

- \$2 million commercial mortgage to a non-profit organization providing community development services to low- and moderate-income individuals residing in Manhattan. The loan will allow the organization to expand its services to reach additional residents within the community.

Newark-Union MD

- \$18.3 million (two loans of \$10.2 million and \$8.1 million) for financing the second and third phases of a townhouse development project in Newark, New Jersey. The project is within the City of Newark's approved redevelopment plan of the South

Ward. The loans will provide for the creation of 93 market-rate housing units, which will help to revitalize and stabilize this low-income neighborhood.

- \$2.5 million construction/permanent loan to a non-profit organization for a senior adult day care facility serving low- and moderate-income individuals in Essex County, New Jersey. The facility will allow the organization to increase the number of clients served daily from 81 to 150.
- \$2.2 million construction loan for a mixed-use complex in East Orange, New Jersey. The loan represents the bank's 16 percent participation through the Thrift Institutions Community Investment Corporation of New Jersey (TICIC) loan. The complex will consist of 104 residential units and 38,000 square feet of commercial space. One third of the residential units are targeted for low-income families. The project is part of a city-approved economic redevelopment plan.
- \$2 million construction/permanent financing of a retail center in Newark, New Jersey. The loan will assist in stabilizing and revitalizing this low-income neighborhood. The area is within the boundaries of the U.S. Housing and Urban Development's Newark, NJ Renewal Community designation.
- \$1 million financing to a community development corporation (CDC) for the construction/permanent financing of a health care training facility in Newark, New Jersey. The loan represents approximately a 50 percent participation in the TICIC loan. The facility will help address the concern of high unemployment in the City of Newark by training an estimated 500 low- and moderate-income individuals per year in the home health care, nurse aide, and practical nursing fields. Additionally, it is estimated that the facility will help create 125 jobs within the CDC's health care affiliated entities.

Statewide/Broader Regional Area

- \$5.75 million facility representing 2.5 percent of a \$231 million multibank revolving line to a non-profit community housing organization based in New York City used to develop or rehabilitate low- and moderate-income housing in New York City and northern New Jersey, including the MDs in which the bank operates.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the lending test.

In October 2003, VNB began offering the Community 100 percent LTV mortgage program. This is a 30 year fixed rate program and requires no downpayment and only \$500 of the borrower's own funds towards closing costs. The program has income limits that vary by

county and requires the prospective borrower to complete a homebuyer education seminar. The bank originated four loans totaling \$574,000 under this program.

The bank also introduced an Affordable Home Improvement Loan product. The loan provides both secured and unsecured loans to qualified low- and moderate-income homeowners at discounted rates. The bank funded 57 loans for a total of \$810,000.

The bank also participates in the New Jersey Housing Community Homebuyer program. Applicants must be first time homebuyers and income and housing price limits apply. This is a below market fixed rate product and in some instances, the borrower may can receive up to 4 percent of the loan amount for closing cost assistance. The bank originated eight loans totaling \$1 million under this program.

The loans originated under the three mortgage products above are included in the total of mortgage loans reported in Table 1.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on the limited-scope review, the bank's performance under the lending test in the Edison NJ MD is not inconsistent with the bank's overall "High Satisfactory" performance under the lending test in the New York-Newark-Union MSA. Refer to the Tables 1 through 11 in the multistate section of appendix D for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test in the New York-Newark-Edison Metropolitan Statistical Area is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the NY-NJ Multistate MD is adequate and the bank's performance in the Newark-Union MD is excellent.

Refer to Table 14 in the "Multistate Metropolitan Areas" section of appendix D for the facts and data used to evaluate the bank's level of qualified investments.

NY-NJ Multistate MD

VNB has an adequate level of qualified investments and grants and exhibited an adequate level of responsiveness to meeting the identified needs of the area. Opportunities for investments are available, however, competition for several of the larger investments is strong from larger regional and multinational institutions operating in the same AA.

During the evaluation period, VNB made one qualifying investment totaling \$5 million consisting of a mortgage- backed security. The funds will be used to finance sixty-one low-income housing units in NYC.

There is also one prior period investment with a current book value of \$500,000. The investment was made to a non-profit organization that makes loans to community development

financial institutions (CDFIs). VNB's investment was targeted to two CDFIs that support economic development in Manhattan.

During the evaluation period, VNB made 235 qualifying grants and donations totaling \$834 thousand to more than 80 various organizations that help provide economic development, affordable housing, and community services to low-and moderate-income individuals.

Newark-Union MD

VNB has an excellent level of qualified investments and grants and exhibited an excellent level of responsiveness to meeting the identified needs of the area. VNB made two commitments totaling \$20 million, of which \$13.5 million has been funded. These investments were made in low-income housing tax credits (LIHTC) supporting a total 208 affordable rental housing units for low- and moderate-income families in Newark and Kearny, New Jersey.

During the evaluation period, VNB made 102 qualifying grants and donations totaling \$211,000 to 37 various organizations that help provide economic development, affordable housing, and community services to low- and moderate-income individuals.

Statewide/Broader Regional Area

The statewide/regional investments, grants, and donations were considered, in their entirety, in the MD they had the potential to benefit. In cases where the investment, grant, or donation benefited more than one MD, the investment was considered, in its entirety, to benefit the MD designated by management. The prior period investments that were previously allocated are also included in the statewide/regional discussion and management determined the MD for which these investments benefited.

During the evaluation period, VNB made four qualifying investments totaling \$2.6 million that benefited a statewide or broader regional area that includes the bank's AAs. There is also approximately \$5.5 million in unfunded commitments. Additionally, there are a total of five prior period investments with a combined book value of \$1.5 million.

The bank committed \$5.75 million to purchase collateral trust notes from a non-profit mortgage lender specializing in the financing of affordable housing and community development projects in New York and New Jersey. There was \$375,000 funded under this commitment.

The bank purchased two mortgage-backed securities totaling \$2 million. All of the mortgages supporting these securities were made to low- and moderate-income individuals. The mortgages were made in Sussex and Passaic counties and in New York City.

Four of the five prior period investments are in community loan funds or LIHTC programs supporting affordable housing for low- and moderate-income individuals. An investment was also made in a small business investment company that provides equity and venture capital to small businesses throughout the state. These investments have a continuing impact on meeting the community needs of the assessment areas.

During the evaluation period, VNB made 12 qualifying grants and donations totaling \$64 thousand to six organizations that help provide economic development, affordable housing, and community services to low- and moderate-income individuals throughout the state.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on the limited-scope review, the bank's performance under the investment test in the Edison NJ MD is not inconsistent with the bank's overall "High Satisfactory" performance under the investment test in the New York-Newark-Edison NY-NJ MSA. Refer to Table 14 in the multistate section of appendix D for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the service test in the New York-Newark-Edison Metropolitan Statistical Area is rated "Low Satisfactory." Based on full-scope reviews, the bank's performance in the New York-NJ Multistate MD and the Newark-Union MD is adequate.

Retail Banking Services

Refer to Table 15 in the "Multistate Metropolitan Area(s)" section of appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

VNB's delivery systems are reasonably accessible to geographies and individuals of different income levels in both full-scope AA's.

The distribution of VNB's branches in low- and moderate-income geographies in the full-scope AAs is below the percentage of the population residing in such geographies. In low-income geographies, there are two branches in the NY-NJ Multistate MD and one branch in the Newark-Union MD. In moderate-income geographies, there are four branches in the NY-NJ Multistate MD and seven within the Newark-Union MD.

During the evaluation period, VNB opened six branches and closed one branch in the NY-NJ Multistate MD. In the Newark-Union MD, the bank opened one branch and closed one branch. None of the branches opened or closed were located in low- or moderate-income geographies. In each MD there was one branch consolidation. The branch closings and consolidations did not adversely impact the accessibility of services to low- and moderate-income individuals or geographies.

Throughout the full-scope areas, VNB branches have extended hours of operation with a majority of the branches having Saturday hours and nearly one-third of the branches in each area having Sunday hours.

The bank offers alternative delivery systems in the form of ATMs, telephone and Internet banking. The geographic distribution of the bank's ATMs is similar to the geographic distribution of the branches. We did not place significant weight on these alternative delivery

systems because no data was available to determine the impact of these banking services to low- and moderate-income individuals and geographies.

Community Development Services

The bank's provides a good level of CD services in both full-scope areas. Several officers and employees of VNB serve on the boards of directors or as officers of various community development service organizations. While the CD services provided are non-complex, they are responsive to the needs of the community. The following are a sample of some of the services provided:

- An officer of the bank serves as an advisory Board member, and an employee facilitated a financial planning workshop to participants of the New Jersey Community Development Corporation/Paterson Housing Authority Individual Development Accounts Program (NJCDC IDA). The NJCDC IDA program partners with other financial institutions and municipal agencies to administer IDAs to low-income individuals and families in Passaic and Bergen counties.
- A branch manager serves as treasurer of the Passaic UEZ Development Corporation. This organization fosters economic growth, employment, and revitalization and stabilization activities in the low- and moderate-income geographies in the City of Passaic.
- An officer serves on the Resource Development Committee of the Jersey City Episcopal Community Development Corporation (JCECDC) in Jersey City, NJ. The JCECDC provides affordable housing, economic development, and workforce development services to low- and moderate-income individuals.
- A bank officer serves on the board of FOCUS - Hispanic Center for Community Development, Inc. Focus' mission is to provide community services including employment and training, literacy and computer courses, health care, emergency services, youth development courses and at-risk youth counseling. These services are provided to low- and moderate-income residents of Essex County.
- An officer is on the loan review committee of the Renaissance Economic Development Corporation (Renaissance), an affiliate of the Asian Americans for Equality. Renaissance provides direct financing and technical assistance to support and enhance small business opportunities in low-income, immigrant neighborhoods in New York City.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on the limited-scope review, the bank's performance under the service test in the Edison MD is stronger than the bank's overall performance in the New York-Newark-Edison MSA. The stronger performance is attributed to the percentage of branches located in moderate-income geographies when compared to the population within those geographies. Additionally, one branch opened during the evaluation period was located in a moderate-income geography. The stronger performance had minimal impact on the service test

conclusions and rating. Refer to Tables 15 in the multistate section of appendix D for the facts and data that support this conclusion.

State Rating

State of New Jersey

CRA Rating for New Jersey²:	Satisfactory
The lending test is rated:	High Satisfactory
The investment test is rated:	Low Satisfactory
The service test is rated:	Low Satisfactory

The major factors that support this rating include:

- VNB's lending activity is adequate, given the bank's size, resources, and competition in the bank's major markets.
- Overall borrower distribution of loans is good.
- Community development investments reflect an adequate responsiveness to the needs of the various assessment areas.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels.
- The bank performs an adequate level of community development services.

Description of Institution's Operations in New Jersey

Refer to the market profile for the state of New Jersey in appendix C for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

Based on the revised MSA boundaries for 2004, VNB's operations outside of the multistate MSA is very limited. VNB's AA consists of 13 (11 middle- and 2 upper-income) census tracts within Warren County and accounts for 2 percent of the bank's total branches and approximately 2 percent of the volume of lending in 2004. During 2004, VNB originated 54 home mortgage loans and 29 small loans to businesses in this AA.

Scope of Evaluation in New Jersey

In 2004, outside of the multistate MSA, VNB has one AA consisting of a portion of Warren County, New Jersey, which is now part of the Allentown-Bethlehem-Easton, NJ-PA MSA. In 2002 and 2003, Warren County was part of the former Newark PMSA 5640. Therefore,

² For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

lending performance in Warren County for years 2002 and 2003 are evaluated based on the boundaries and demographics in effect during those periods. Refer to performance in the Newark PMSA for these periods

This AA received a full scope review and is the basis for the overall state rating. In arriving at the overall bank rating, the activity outside of the multistate MSA was given minimal weight based on the limited lending and deposit activity. Refer to the table in appendix A and the market profiles in appendix C for more information.

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in New Jersey is rated "High Satisfactory." Based on a full-scope review, the bank's performance in the Warren County AA is good.

Lending Activity

Refer to Tables 1 Lending Volume in the state of New Jersey section of appendix D for the facts and data used to evaluate the bank's lending activity.

The bank's lending activity in the AA is adequate, given the very limited presence in the AA. During the 2004 Evaluation Period, the bank originated 83 loans. Sixty-five percent of the volume of loans was home mortgage loans with small loans to businesses comprising the remaining thirty-five percent.

Among the volume of home mortgage loan originations approximately 30 percent were for home purchase, 20 percent were for home improvement, and 50 percent were for home refinance.

Distribution of Loans by Income Level of the Geography

Based on the 2004 boundaries, there are no low- or moderate-income geographies in the AA. A geographic distribution of loans is not meaningful. As noted earlier, in 2002 and 2003, Warren County was part of the former Newark PMSA 5640. The portion of Warren County included in the former PMSA also did not contain any low- or moderate-income geographies. Therefore, Tables 2 through 6 in the state of New Jersey section of appendix D have been eliminated.

Inside/Outside Ratio

This portion of the evaluation was performed at the bank level. During the evaluation period, VNB originated a significant majority (78 percent) of its loans and dollar amount in the combined AAs. VNB originated 73 percent of its HMDA loans and 89 percent of its small loans to businesses in the AAs. The high volume of small loans to businesses in the AAs partially reflects VNB's historical marketing efforts towards small business lending.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 8, 9 and 10 in the state of New Jersey section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

VNB's distribution of home mortgage loans is good, although there were no home mortgage loans (purchase, home improvement, or refinance) to low-income borrowers. Given the volume of lending, percentages to the various borrower income levels are skewed.

During 2004, the percentage of home purchase loans significantly exceeded, the percentage of home improvement was below, and the percentage of home refinance loans was near to the percentage of moderate-income borrowers in the AA. Market share for 2004 is not available. In 2002 and 2003, performance in Warren County is evaluated as part of the former Newark PMSA.

Small Loans to Businesses

Refer to Table 11 in the state of New Jersey section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

VNB's distribution of small loans to businesses based on business size is excellent.

The percentage of VNB's small loans to small businesses (businesses with gross annual revenue's of \$1 million or less) exceeds the percentage of small businesses in the AA. The 79 percent of loans in the amount \$100,000 or less in the AA also exceeds the portion of businesses defined as small businesses in AA.

Community Development Lending

Community development lending had a neutral impact on the lending test. There were no CD loans originated in the AA.

Product Innovation and Flexibility

All of the products described earlier under the multistate section of this PE are available in this AA.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test in New Jersey is rated "Low Satisfactory." Based on full-scope reviews, the bank's performance in the Warren County AA is adequate.

Refer to Table 14 in the state of New Jersey section of appendix D for the facts and data used to evaluate the bank's level of qualified investments.

Although there are no major investments specifically designated to this AA, the institution has an adequate level of qualified grants and donations. This conclusion is supported by the fact that prior to the 2004 MSA boundary changes, there was a good level of qualified investments that benefited the former Newark PMSA, which included this AA. The qualified investments that would have benefited this AA as part of the former Newark PMSA were evaluated as part of the Newark-Union MD. Additionally, the portion of the bank's assessment is primarily rural and consists of middle- and upper-income geographies. Opportunities are limited in this area.

During the 2004 evaluation period, VNB made seven qualifying grants and donations, totaling \$12,000, to two organizations that help provide economic development, affordable housing, and community services to low- and moderate-income individuals.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the service test in New Jersey is rated "Low Satisfactory." Based on the full-scope review, the bank's performance in the Warren County AA is adequate.

Retail Banking Services

Refer to Table 15 in the state of New Jersey section of appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

VNB's distribution of delivery systems is reasonably accessible to geographies and individuals of different income levels in the Warren County AA.

The bank operates three branches in this AA. There are no low- or moderate-income geographies. VNB branches have extended hours of operation with all branches having Saturday hours and two of the branches having Sunday hours.

The bank offers alternative delivery systems in the form of ATMs, telephone and Internet banking. The geographic distribution of the bank's ATMs is similar to the geographic distribution of the branches. We did not place significant weight on these alternative delivery systems because no data was available to determine the impact of these banking services to low- and moderate-income individuals and geographies.

Community Development Services

The bank provides an adequate level of community developments services in the AA. There were two services provided during the evaluation period:

- A branch manager is a trustee of Northwest New Jersey Community Action Program Inc. (NORWESCAP) and assists with fundraising efforts for this organization. NORWESCAP provides social, financial and food bank services to low-income persons in Warren County.
- A branch manager is a board member of the Warren County Division of Senior Services. This agency provides community services that benefit low- and moderate-income senior citizens within the county.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 01/01/2002 to 12/31/04 Investment and Service Tests and CD Loans: 07/29/02 to 07/05/05, excluding SSB and NorCrown acquisitions	
Financial Institution	Products Reviewed	
Valley National Bank (VNB) Wayne, NJ	Home Mortgages, Small loans to businesses	
Affiliate(s)	Affiliate Relationship	Products Reviewed
VN Investments, Inc (VNI)	Bank Subsidiary	Qualified CD investments
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
NY-Newark-Edison NJ-NY-PA MSA NY-Wayne-White Plains NY-NJ MD Newark-Union NJ-PA MD Edison NJ MD	Full Scope Full Scope Limited Scope	2002: 1990 demographics 2003: 2000 demographics 2004: 2000 demographics, revised MSA boundaries
New Jersey Allentown-Bethlehem-Easton PA-NJ MSA (Portion of Warren County NJ)	Full Scope	No geographic analysis performed. AA consists of only 13 census tracts (11 middle- and 2 upper-income). Prior to 2004, these tracts were part of the former Newark PMSA 5640.

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

RATINGS Valley National Bank				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Valley National Bank	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Multistate Metropolitan Area or State:				
New York-Newark-Edison, NY-NJ Multistate MSA	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
New Jersey	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

(*) The lending test is weighted more heavily than the investment and service tests in the overall rating.

Appendix C: Market Profiles for Full-Scope Areas

NY-NJ Multistate MD

Demographic Information for Full-Scope Area: NY-NJ Multistate MD						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	702	9.69	20.09	20.66	47.86	1.71
Population by Geography	3,519,337	8.98	20.16	19.80	51.00	.06
Owner-Occupied Housing by Geography	532,761	0.85	6.91	16.61	75.63	0
Businesses by Geography	339,166	4.22	8.47	13.50	72.12	1.69
Farms by Geography	2,127	1.32	3.15	12.18	82.84	0.52
Family Distribution by Income Level	807,793	21.21	13.80	15.63	49.36	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	282,773	18.87	34.73	22.10	24.30	0
Median Family Income	\$49,461	Median Housing Value (1Q2005) Unemployment Rate (May 2005)		=\$435,000 =5.0%		
HUD Adjusted Median Family Income for 2004	\$57,000					
Households Below the Poverty Level	= 16.69%					

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

Source: 2000 U.S. Census, and 2004 HUD updated MFI, National Association of Realtors, Economy.com, and Bureau of Labor Statistics.

In 2004, the OMB redefined the boundaries of several MSAs and also established newly defined areas called Metropolitan Divisions (MDs) based on the 2000 census. The bank's AA in this multistate MD consists of Bergen, Passaic, and Hudson counties in New Jersey and New York County (Manhattan) in New York. Under the pre-2004 boundaries, Bergen and Passaic counties comprised the entire Bergen-Passaic PMSA 0875, Hudson County comprised the entire Jersey City PMSA 3640 in New Jersey, and New York County was part of the New York PMSA 5600. The MD is a subset of the larger New York-Northern New Jersey-Long Island NY-NJ-PA MSA 35620

The bank operates 79 branches in the AA, which represents 60 percent of the total multistate MSA branches. The AA accounts for 72 percent of the bank's total multistate MSA deposits. Based on the June 30, 2004 FDIC Summary of Deposits, VNB had \$5.3 billion in deposits and ranked 10th with a 1.28 percent market share. Major multinational and regional banking institutions including Citibank, JPMorgan Chase, Bank of New York, Fleet/Bank of America, and HSBC Bank are the major deposit competitors to VNB. Citibank and JPMorgan Chase combined have 58 percent of the \$413 billion in total deposits in the AA. The five banks together have a combined market share of 75 percent. Opportunities for community development loans, investments, and services are available.

Housing price appreciation in this area increased considerably faster than the nation between 1999 and 2004. Housing price appreciation has also exceeded personal income growth by almost three times at year-end 2004. Job growth, coupled with open space preservation, has led to an increase demand for housing, limited availability, and has fueled price appreciation. As prices have appreciated, home affordability has declined making it difficult for most first-time homebuyers and low- and moderate-income individuals to purchase a home. In the first quarter of 2005, the median sales price of an existing single-family home in Bergen/Passaic counties was \$448,000, an increase of 18 percent over the same prior year period. In Manhattan (NYC), a review of recent condominium sales data indicates market prices of \$1,000 a square foot in many neighborhoods, with the median price at \$775,000. Additionally, in NYC, only one in five housing units are owner occupied, with a large majority of residents living in traditional apartment buildings. As noted in the table above, the high poverty level impacts the ability of many low- income families to purchase homes in the area.

Both Northern NJ and NYC are experiencing economic recoveries following the September 11th, 2001, terrorist attack on the World Trade Center. Increased hiring on Wall Street and in the hospitality and tourism industries has led the job growth. Offsetting the growth is the manufacturing sector, particularly printing, food, and apparel, which continues to see job contraction. Major employers in Northern NJ and NYC include NY Presbyterian Healthcare Network, Citigroup, JP Morgan Chase, and Hackensack Medical Center.

A community contact was conducted with a community-based organization and recent community contacts were reviewed as part of this evaluation. While bank accessibility is considered adequate, needs include development and preservation of affordable housing, financial literacy programs, and select neighborhood revitalization and economic development.

Newark-Union Metropolitan Division

Demographic Information for Full-Scope Area: Newark-Union Metropolitan Division						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	457	17.07	24.07	29.10	29.76	0.00
Population by Geography	1,930,552	11.89	23.40	31.13	33.57	0.00
Owner-Occupied Housing by Geography	415,186	3.43	13.22	36.34	47.00	0.00
Businesses by Geography	114,139	9.51	16.31	33.20	40.98	0.00
Farms by Geography	2,165	1.11	6.70	39.17	53.03	0.00
Family Distribution by Income Level	493,432	22.88	16.85	20.20	40.07	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	196,061	21.44	34.43	27.90	16.23	0.00
Median Family Income HUD Adjusted Median Family Income for 2004 Households Below the Poverty Level	= \$68,424 = \$81,000 = 10.00%	Median Housing Value (1Q2005) Unemployment Rate (May 2005)		= \$379,700 = 3.9%		

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

Source: 2000 U.S. Census, and 2004 HUD updated MFI, National Association of Realtors, Economy.com, and Bureau of Labor Statistics.

In 2004, the bank's AA in this multistate MD includes all of the counties on the New Jersey side (Essex, Union, Morris, and Sussex) in their entirety, with the exception of Hunterdon. Under the pre-2004 boundaries, these four New Jersey counties and Warren County made up the former Newark PMSA 5640. The bank does not operate in Pennsylvania, so it does not include Pike County in the delineation. This MD is a subset of the larger New York-Northern New Jersey-Long Island NY-NJ-PA MSA 35620. Warren County is now part of the Allentown-Bethlehem-Easton, PA-NJ MSA described later in this appendix.

The bank operates 47 branches in the AA, which represents 36 percent of the total multistate MSA branches. The AA accounts for 27 percent of the bank's total multistate MSA deposits. Based on the June 30, 2004 FDIC Summary of Deposits, VNB had \$2 billion in deposits and ranked sixth with a 4.45 percent market share. Major multinational and regional banking institutions including Citibank, JPMorgan Chase, Wachovia, and Fleet/Bank of America are competitors to VNB for loans and deposits.

While the unemployment rate in the Newark-Union MD remains low, the airline, telecommunications, and pharmaceutical industries remain vulnerable. Major employers include Continental Airlines, Prudential Insurance, Schering-Plough, Novartis, and Verizon. Although the demand for air travel has recovered from post 9/11, high fuel prices and intense competition continue to impact Continental's revenue. Recent merger and acquisition activity in the telecommunications industry may lead to layoffs.

Like the NY-NJ Multistate MD, this area has seen strong housing price appreciation. In the first quarter of 2005, the median sales price of an existing single-family home in the AA was \$380,000, an increase of nearly 14 percent over the same prior year period. The high cost of housing is a barrier to home ownership for many low- and moderate-income individuals. Additionally, the percentage of households below the poverty level also is a barrier. While 17 percent of the MD's households are below the poverty level, in the predominately minority cities of Newark, Irvington, Orange, and East Orange the poverty level ranges from 17 percent to 29 percent.

We conducted a community contact with a community-based organization and reviewed recent community contacts with other organizations. Identified needs were the creation and preservation of affordable housing, financial literacy programs, and neighborhood revitalization and economic development in selected cities.

State of New Jersey

Warren County, NJ AA

Demographic Information for Full-Scope Area: Warren County, NJ AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	0	0	30.77	69.23	0
Population by Geography	65,746	0	0	27.73	72.27	0
Owner-Occupied Housing by Geography	26,060	0	0	21.52	78.48	0
Businesses by Geography	3,784	0	0	31.98	68.02	0
Farms by Geography	209	0	0	10.53	89.47	0
Family Distribution by Income Level	17,680	9.32	12.42	21.92	56.34	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,844	0	0	32.86	67.14	0
Median Family Income = \$53,852 HUD Adjusted Median Family Income for 2004 = \$62,800 Households Below the Poverty Level = 4.00%				Median Housing Value (Census 2000) = \$155,500 Unemployment Rate (May 2005) = 3.1%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 U.S. Census, 2004 HUD updated MFI, National Association of Realtors, Economy.com, Bureau of Labor Statistics.

In 2004, the bank’s AA in this MSA consists of 13 middle- and upper-income census tracts within Warren County, New Jersey and does not include the entire county. Prior to 2004, Warren County was part of the former Newark MSA 5640.

Warren County, located in northwestern New Jersey, is primarily rural. With an estimated 280 persons per square mile, it is one of the least densely populated counties in New Jersey. One fourth of the county’s population resides in its two largest towns. Over the past several years, more people have been migrating from northeastern New Jersey and New York City looking for affordable housing.

The bank operates three branches in the AA, which represents 3 percent of the total bank branches and accounts for 2 percent of the bank’s total deposits. Based on the June 30, 2004 FDIC Summary of Deposits, VNB had \$87 million in deposits in Warren County and ranked seventh with a 4.88 percent market share. Major competitors in this AA include PNC Bank, First Hope, Hudson City Savings Bank, Bank of Americas/Fleet. Opportunities for community development loans, investments, and services in the bank’s assessment area are limited.

According to the US Department of Commerce’s 1997 Census of Agriculture (the latest available), 36 percent of the county’s land was in farms. The county is a leader in the state in

milk, cattle, corn, and egg production. Non-farm employment is centered in wholesale/retail trade sector.

A community contact was conducted with an organization representing businesses throughout Warren County. The identified credit need was loans for business expansion to support economic development throughout the county.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of 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: (1) 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 MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables included in each set:

- 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. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, 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. This is a two-page table that lists specific categories.
- 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 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- 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. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (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 farm 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 8. 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 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. 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 12. Borrower Distribution of Small Loans to Farms - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms 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 farm. 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.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

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.

Tables of Performance Data

Multistate Metropolitan Areas.....D-5

State of New Jersey.....D-16

Table 1. Lending Volume

LENDING VOLUME		Geography: NY-Newark-Edison NY-NJ MULTISTATE MSA						Evaluation Period: January 1, 2004 to December 31, 2004				
MA/Assessment Area:	% 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:												
Newark-Union MD	58.02	854	195,437	1,625	364,225	0	0	6	16,655	2,485	576,317	26.53
NY-NJ Multi State MD	38.75	818	181,838	835	141,041	0	0	5	2,090	1,658	324,969	71.50
Limited Review:												
Edison NJ MD	3.23	72	17,755	66	10,499	0	0	0	0	138	28,254	1.97
Statewide/Broader Regional Area	-----	-----	-----	-----	-----	-----	-----	104**	895**	104	895	

* Loan Data as of December 31, 2004 Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is January 1, 2004 to July 5, 2005. Statewide/broader regional CD loans represents bank's pro rata share of loans made by the NJ Community Loan Fund.

*** Deposit Data as of June 30, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE December 31, 2004		Geography: NY-Newark-Edison MULTISTATE MSA								Evaluation Period: January 1, 2004 to					
MA/Assessment Area:	Total Home Purchase 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	Over all	Low	Mod	Mid	Upp
Full Review:															
Newark-Union MD	257	47.50	3.43	0.00	13.22	5.45	36.34	35.41	47.00	59.14	0.00	0.00	0.00	0.00	0.00
NY-NJ Multi State MD	258	47.69	0.85	0.39	6.91	1.55	16.61	13.95	75.64	84.11	0.00	0.00	0.00	0.00	0.00
Limited Review:															
Edison NJ MD	26	4.81	0.00	0.00	2.85	0.00	43.22	26.92	53.93	73.08	0.00	0.00	0.00	0.00	0.00

** 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.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: NY-Newark-Edison MULTISTATE MSA						Evaluation Period: January 1, 2004 to December 31, 2004							
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	Over all	Low	Mod	Mid	Upp
Full Review:															
Newark-Union MD	85	48.02	3.43	2.35	13.22	9.41	36.34	42.35	47.00	45.88	0.00	0.00	0.00	0.00	0.00
NY-NJ Multi State MD	87	49.15	0.85	0.00	6.91	5.75	16.61	13.79	75.64	80.46	0.00	0.00	0.00	0.00	0.00
Limited Review:															
Edison NJ MD	5	2.82	0.00	0.00	2.85	0.00	43.22	40.00	53.93	60.00	0.00	0.00	0.00	0.00	0.00

** 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.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE Geography: NY-Newark-Edison MULTISTATE MSA Evaluation Period: January 1, 2004 TO December 31, 2004															
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	Over all	Low	Mod	Mid	Upp
Full Review:															
Newark-Union MD	476	46.44	3.43	1.26	13.22	5.25	36.34	36.97	47.00	56.51	0.00	0.00	0.00	0.00	0.00
NY-NJ Multi State MD	508	49.56	0.85	0.00	6.91	2.56	16.61	16.34	75.64	81.10	0.00	0.00	0.00	0.00	0.00
Limited Review:															
Edison NJ MD	41	4.00	0.00	0.00	2.85	7.32	43.22	36.59	53.93	56.10	0.00	0.00	0.00	0.00	0.00

** 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.

*** 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.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES Geography: NY-Newark-Edison MULTISTATE MSA Evaluation Period: January 1, 2004 to December 31, 2004															
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:															
Newark-Union MD	834	33.33	9.51	3.84	16.31	9.95	33.20	34.29	40.98	51.92	0.00	0.00	0.00	0.00	0.00
NY-NJ Multi State MD	1,602	64.03	4.22	1.44	8.47	5.31	13.50	18.23	72.12	75.03	0.00	0.00	0.00	0.00	0.00
Limited Review:															
Edison NJ MD	66	2.64	0.00	0.00	4.31	4.55	47.08	46.97	48.62	48.48	0.00	0.00	0.00	0.00	0.00

** 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 2004.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE Geography: NY-Newark-Edison MULTISTATE MSA Evaluation Period: January 1, 2004 to December 31, 2004																
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*					
	#	% of Total*	% Families**	% BANK Loans**	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid
Full Review:																
Newark-Union MD	257	47.42	22.88	4.42	16.85	17.67	20.20	25.70	40.07	52.21	0.00	0.00	0.00	0.00	0.00	
NY-NJ Multi State MD	259	47.79	21.21	0.00	13.80	6.20	15.63	13.95	49.36	79.84	0.00	0.00	0.00	0.00	0.00	
Limited Review:																
Edison NJ MD	26	4.80	13.06	0.00	15.92	3.85	22.04	23.08	48.98	73.08	0.00	0.00	0.00	0.00	0.00	

** As a percentage of loans with borrower income information available. No information was available for 1.7% 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.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT Geography: NY-Newark-Edison MULTISTATE MSA Evaluation Period: January 1, 2004 to December 31, 2004																
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*					
	#	% of Total**	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid
Full Review:																
Newark-Union MD	85	48.02	22.88	7.23	16.85	18.07	20.20	28.92	40.07	45.78	0.00	0.00	0.00	0.00	0.00	
NY-NJ Multi State MD	87	49.15	21.21	1.16	13.80	6.98	15.63	19.77	49.36	72.09	0.00	0.00	0.00	0.00	0.00	
Limited Review:																
Edison NJ MD	5	2.82	13.06	20.00	15.92	0.00	22.04	40.00	48.98	40.00	0.00	0.00	0.00	0.00	0.00	

** As a percentage of loans with borrower income information available. No information was available for 1.7% of loans originated and purchased by Bank.

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

**** 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.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE Geography: NY-Newark-Edison MULTISTATE MSA Evaluation Period: January 1, 2004 to December 31, 2004															
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
Full Review:															
Newark-Union MD	476	46.44	22.88	4.29	16.85	15.67	20.20	28.11	40.07	51.93	0.00	0.00	0.00	0.00	0.00
NY-NJ Multi State MD-	508	49.56	21.21	1.21	13.80	9.31	15.63	18.22	49.36	71.26	0.00	0.00	0.00	0.00	0.00
Limited Review:															
Edison MD	41	4.00	13.06	7.32	15.92	19.51	22.04	29.27	48.98	43.90	0.00	0.00	0.00	0.00	0.00

** As a percentage of loans with borrower income information available. No information was available for 2.3% 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.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES Geography: NY-Newark-Edison MULTISTATE MSA Evaluation Period: January 1, 2004 to December 31, 2004									
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:									
Newark-Union MD	834	33.07	68.08	64.99	65.59	14.51	19.90	0.00	0.00
NY-NJ Multi State MD	1,622	64.31	62.60	54.50	55.30	17.51	27.19	0.00	0.00
Limited Review:									
Edison MD - 2004	66	2.62	64.66	71.21	71.21	12.12	16.67	0.00	0.00

* Based on [Year] Peer Small Business Data: US.

** 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 -2004).

**** 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 0.63% of small loans to businesses originated and purchased by the Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: NY-Newark-Edison MULTISTATE MSA				Evaluation Period: July 29, 2002 to July 5, 2005			
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:									
Newark-Union MD	0	0	104	13,666	104	13,666	56.52	2	6,545
NY-NJ Multi State MD	1	500	236	5,834	237	6,334	26.20	0	0
Limited Review:									
Edison MD - 2004	0	0	24	22	24	22	.09	0	0
Statewide/Broader Regional Area with Potential Impact	5	1,501	16	2,655	21	4,156	17.19	2	5,475

⁽¹⁾ Qualified investments made in Warren County prior to January 1, 2004 are included in the state of New Jersey table. As of January 1, 2004, Warren County, NJ is part of the Allentown-Bethlehem-Easton PA-NJ MSA. Prior to January 1, 2004, Warren County, NJ was part of the former Newark NJ MSA 5640.

* '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.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: NY-Newark-Edison MULTISTATE MSA Evaluation Period: July 29, 2002 to July 25, 2005 ⁽¹⁾																	
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 (2)	# 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:																	
Newark-Union MD	26.53	47	35.88	2.13	14.89	46.81	36.17	6	1	0	0	+2	+2	11.89	23.40	31.13	33.57
NY-NJ Multi State MD-AA 2004	71.50	79	60.31	2.53	5.06	17.72	73.42	1	1	0	0	0	0	8.98	20.16	19.80	51.00
Limited Review:																	
Edison MD - 2004	1.97	5	3.05	0.00	40.00	20.00	40.00	0	0	0	0	0	0	0.00	5.73	48.60	45.66

⁽¹⁾ Branches located in Warren County, NJ are included in the state of New Jersey table 15. As of January 1, 2004, Warren County NJ is part of the Allentown-Bethlehem-Easton PA-NJ MSA. Prior to January 1, 2004, Warren County, NJ was part of the former Newark NJ MSA 5640.

⁽²⁾ Does not foot to 100% in the NY-NJ Multistate MD. One branch opened during the evaluation period is in an unknown (N/A) income geography.

Table 1. Lending Volume

LENDING VOLUME		Geography: NEW JERSEY						Evaluation Period: January 1, 2004 to December 31, 2004				
MA/Assessment Area:	% 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:												
Warren County AA	100.00	54	7,445	29	2,129	0	0	0	0	83	9,574	100.00

* Loan Data as of December 31, 2004. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is July 29, 2002 to July 5, 2005. Represents pro rata share of CD loans based on equity investment in NJ Community Loan Fund.

*** Deposit Data as of June 30, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: NEW JERSEY						Evaluation Period: January 1, 2004 to December 31, 2004						
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families**	% BANK Loans***	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp
Full Review:															
Warren County AA	16	100.00	9.32	0.00	12.42	18.75	21.92	18.75	56.34	62.50	0.00	0.00	0.00	0.00	0.00

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: NEW JERSEY						Evaluation Period: January 1, 2004 to December 31, 2004						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp
Full Review:															
Warren County AA	11	100.00	9.32	0.00	12.42	9.09	21.92	45.45	56.34	45.45	0.00	0.00	0.00	0.00	0.00

* N/A=Not Available.

** As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 2000 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.

* . N/A=Not Available.

** As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 2000 Census information.

**** 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.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: NEW JERSEY				Evaluation Period: January 1, 2004 to December 31, 2004							
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
Full Review:															
Warren County AA	27	100.00	9.32	0.00	12.42	11.54	21.92	30.77	56.34	57.69	0.00	0.00	0.00	0.00	0.00

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: NEW JERSEY			Evaluation Period: January 1, 2004 to December 31, 2004			
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:										
Warren County AA	29	100.00	72.57	75.86	79.31	13.79	6.90			

* N/A=Not Available.

** As a percentage of loans with borrower income information available. No information was available for 3.7% of loans originated and purchased by Bank.

*** Percentage of Families is based on the 2000 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.

* N/A=Not Available.

** 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 -2004).

**** 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 [Percentage] of small loans to businesses originated and purchased by the Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: NEW JERSEY				Evaluation Period: July 29, 2002 to July 5, 2005 ⁽¹⁾			
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:									
Warren County AA	0	0	7	12	7	12	100	0	0

⁽¹⁾ Qualified investments made in Warren County prior to January 1, 2004 are included in this table. Prior to January 1, 2004, Warren County, NJ was part of the former Newark MSA 5640. The former Newark MSA 5640 is now part of the Newark-Union metropolitan division, which is included in the multistate tables that precede the state of New Jersey tables in this appendix.

* '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.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: NEW JERSEY Evaluation Period: July 29, 2002 to July 5, 2005 ⁽¹⁾																	
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:																	
Warren County AA	100.00	3	100.00	0	0	1	2	0	0	0	0	0	0	0	0	84.60	15.40

⁽¹⁾ Prior to January 1, 2004, these branches were part of the former Newark MSA 5640, which is now part of the Newark-Union metropolitan division located within the NY-Newark-Edison NJ, NY multistate MSA.