



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 14, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Grand Bank, National Association
Charter Number 24268**

**One Edinburg Road
Hamilton, NJ 08619**

**Comptroller of the Currency
New York Metro-New Jersey-West
830 Morris Turnpike Second Floor
Short Hills, NJ 07078**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable 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.

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

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan 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 applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States 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 Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Grand Bank, National Association, Hamilton, New Jersey ("GB")** as prepared by **The Office of the Comptroller of the Currency ("OCC")**, the institution's supervisory agency, as of **March 14, 2005**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

The primary factors supporting the overall rating are:

- Grand Bank's average loan-to-deposit (LTD) ratio for the evaluation period is adequate in light of the bank's size, competition, and market loan demand.
- A satisfactory portion of the bank's loans are made within the bank's assessment area.
- The distribution of lending among borrowers reflects a reasonable penetration of loans to small businesses and to individuals of different income levels.
- The geographic distribution of loans within the bank's assessment area is reasonable.

DESCRIPTION OF INSTITUTION

Grand Bank is a \$179 million intra-state community bank headquartered in Hamilton Township, Mercer County, New Jersey. The bank conducts the core of its lending operations at this location. The executive offices of the bank are housed in its Monmouth Junction Branch Office in Monmouth Junction, Middlesex County, New Jersey. Grand Bank began its operations in March of 2002 and operates as a private banking entity for local individuals and offers a range of services tailored to meet the needs of small businesses and professionals.

The areas served by the bank are commercially oriented, with a significant portion of its lending activities concentrated in real estate lending. As of December 31, 2004, the bank reported total assets of \$179 million that is primarily supported by \$141 million in loans and \$22 million in investments. Its loan portfolio mix is heavily concentrated in non-farm and non-residential lending (58% of total loan portfolio) followed by 1-4 family residential lending (16% of total loan portfolio), construction lending (9% of total loan portfolio), home equity loans (4%) and multi-family lending (3%). In all, real estate

lending accounts for 87% of the bank’s loan portfolio.

The market in which the bank operates is very competitive. Located within Grand Bank’s assessment areas are numerous community banks, thrift institutions and banking offices of several large regional and multinational financial institutions. Collectively, these banking entities compete for the same local customer base, offering similar products and services. According to the June 30, 2004 FDIC/OTS Summary of Deposit data, Merrill Lynch Bank and Trust holds 30% of the market share, followed by Wachovia at 13% and Fleet National Bank at 10%. Grand Bank owns 0.42% of the market share and ranks 28 out of 57 institutions with offices in the assessment areas.

Grand Bank is not subject to any financial, legal or regulatory restrictions that could impede its ability to meet the credit needs of its assessment area. This is the first CRA examination of the bank since its inception in March of 2002.

DESCRIPTION OF ASSESSMENT AREAS

Middlesex and Monmouth County Assessment Area

The combined Middlesex and Monmouth Counties assessment areas consist of 80 census tracts located in the Edison Metropolitan Division (MD) 20764. The entire area reflects the geographies contiguous to Grand Bank’s Monmouth Junction Office, which is located in the Middlesex County. Of the 80 census tracts, 10% are moderate-income tracts, 64% are middle-income tracts, and 26% are upper income tracts. No low-income tracts are identified within this AA.

The 2000 census median family income is \$69,978. The HUD updated 2004 median family income is \$82,800. An analysis of this AA reflects that 15% of the families are low-income families, 18% are moderate-income families, 24% are middle-income families and 43% are upper-income families. Table 1 and Table 1A provide the breakdowns of families by income level and tracts in the Middlesex/Monmouth County AA.

Table 1-Percentage of Families by Income Level of Tract								
Total Families	Low Income		Moderate Income		Middle Income		Upper Income	
	Count	%	Count	%	Count	%	Count	%
Low Income	0	0%	0	0%	0	0%	0	0%
Moderate Income	2,246	17%	2,259	14%	1,749	8%	1,636	4%
Middle Income	8,753	66%	11,013	68%	15,048	68%	22,136	56%
Upper Income	2,267	17%	2,896	18%	5,207	24%	15,626	40%
Total	13,266	100%	16,168	100%	22,004	100%	39,398	100%

Source: 2000 US Census

Table 1A- Percentage of Families Within Each Tract Category					
Population	Low Income	Moderate Income	Middle Income	Upper Income	Total
Low Income Tracts	0%	0%	0%	0%	100%
Moderate Income Tracts	28%	29%	22%	21%	100%
Middle Income Tracts	15%	19%	27%	39%	100%
Upper Income Tracts	9%	11%	20%	60%	100%
Total	15%	18%	24%	43%	100%

Source: 2000 US Census

According to the 2000 US Census Data, there are a total of 335,083 persons within the Middlesex/Monmouth County AA and, of this total, 26% are minority persons. Within the 80 census tracts, there are a total of 128,162 housing units and 124,767 households. Of the 128,162 housing units, 71% are owner occupied units and 79% are 1-4 family units. The vacancy rate within this AA is 3%. Of the total number of households, 4% live at or below the poverty level. The median housing value of owner occupied units is \$178,419 and the median age of the homes is 31 years.

Mercer County Assessment Area

The Mercer County assessment area consists of 72 census tracts located in the Trenton-Ewing Metropolitan Statistical Area (MSA) 45940. This county houses the headquarters of Grand Bank in Hamilton Township, NJ. Of the 72 census tracts within the AA, 18% are low-income tracts, 17% are moderate-income tracts, 35% are middle-income tracts, and 31% are upper income tracts.

The 2000 census median family income is \$68,261 and the HUD updated 2004 median family income is \$80,800. An analysis of this AA reflects that 21% of the families are low-income families, 17% are moderate-income families, 21% are middle-income families and 41% are upper-income families. Table 2 and Table 2A provide the breakdowns of families by income level and tracts in the Mercer County AA.

Table 2-Percentage of Families by Income Level of Tract								
Total Families	Low Income		Moderate Income		Middle Income		Upper Income	
	Count	%	Count	%	Count	%	Count	%
Low Income	5,361	30%	1,868	12%	1,263	7%	802	2%
Moderate Income	4,326	24%	3,083	21%	2,868	15%	2,375	7%
Middle Income	5,412	30%	6,237	42%	8,265	45%	10,857	31%
Upper Income	2,870	16%	3,823	25%	6,173	33%	21,174	60%
Total	17,969	100%	15,011	100%	18,569	100%	35,208	100%

Source: 2000 US Census

Table 2A- Percentage of Families Within Each Tract Category					
Population	Low Income	Moderate Income	Middle Income	Upper Income	Total
Low Income Tracts	58%	20%	14%	8%	100%
Moderate Income Tracts	34%	24%	23%	19%	100%
Middle Income Tracts	18%	20%	27%	35%	100%
Upper Income Tracts	8%	11%	18%	62%	100%
Total	21%	17%	21%	41%	100%

Source: 2000 US Census

According to the 2000 US Census Data, there are a total of 348,927 persons within the Mercer County AA and, of this total, 36% are minority persons. Within the 72 income tracts, there are a total of 133,279 housing units and 125,787 households. Of the 133,279 housing units, 63% are owner occupied units and 81% are 1-4 family units. The vacancy rate within this AA is 6%. Of the total number of households, 9% live at or below the poverty level. The median housing value of owner occupied units is \$164,051 and the median age of the homes is 45 years.

Burlington County Assessment Area

The Burlington County assessment area consists of 13 census tracts located in the Camden Metropolitan Division (MD) 15804. These geographies are contiguous to the Mercer County assessment area and is served by the Hamilton Township Branch Office of the bank. Of the 13 census tracts within the AA, 8% are moderate-income tracts, 61% are middle-income tracts, and 31% are upper income tracts. There are no low-income tracts within the designated AA.

The 2000 census median family income is \$62,032 and the HUD updated 2004 median family income is \$73,400. An analysis of this AA reflects that 16% of the families are low-income families, 17% are moderate-income families, 26% are middle-income families and 42% are upper-income families. Table 3 and Table 3A provide the breakdowns of families by income level and tracts in the Burlington County AA.

Table 3-Percentage of Families by Income Level of Tract								
Total Families	Low Income		Moderate Income		Middle Income		Upper Income	
	Count	%	Count	%	Count	%	Count	%
Low Income	0	0%	0	0%	0	0%	0	0%
Moderate Income	155	9%	156	9%	115	4%	180	4%
Middle Income	1,202	73%	1,271	72%	2,015	75%	2,659	61%
Upper Income	295	18%	350	20%	540	20%	1,509	35%
Total	1,652	100%	1,777	100%	2,670	100%	4,348	100%

Source: 2000 US Census

Table 3A- Percentage of Families Within Each Tract Category					
Population	Low Income	Moderate Income	Middle Income	Upper Income	Total
Low Income Tracts	0%	0%	0%	0%	100%
Moderate Income Tracts	26%	25%	19%	30%	100%
Middle Income Tracts	17%	18%	28%	37%	100%
Upper Income Tracts	11%	13%	20%	56%	100%
Total	16%	17%	26%	41%	100%

Source: 2000 US Census

According to the 2000 US Census Data, there are a total of 41,202 persons within the Burlington County AA and, of this total, 20% are minority persons. Within the 13 income tracts, there are a total of 15,714 housing units and 14,947 households. Of the 15,714 housing units, 73% are owner occupied units and 86% are 1-4 family units. The vacancy rate within this AA is 5%. Of the total number of households, 5% live at or below the poverty level. The median housing value of owner occupied units is \$135,688 and the median age of the homes is 42 years.

Combined Assessment Areas

Collectively, there are a total of 165 census tracts located with the bank's assessment areas with an overall population total of 725,212 persons. Nearly 31% of the population consists of minority individuals. Of the 165 tracts within the combined AA, 8% are low-income tracts, 13% are moderate-income tracts, 51% are middle-income tracts, and 28% are upper-income tracts.

The combined 2000 census median family income is \$68,603 and the HUD updated 2004 median family income is \$81,187. Approximately 17% of the families are low-income families, 18% are moderate-income families, 23% are middle-income families, and 42% are upper-income families. Table 4 and Table 4A provide the breakdowns of families by income level and tracts in the combined AA.

Table 4-Percentage of Families by Income Level of Tract, Combined								
Total Families	Low Income		Moderate Income		Middle Income		Upper Income	
	Count	%	Count	%	Count	%	Count	%
Low Income	5,361	16%	1,868	6%	1,263	3%	802	1%
Moderate Income	6,727	20%	5,498	17%	4,732	11%	4,191	5%
Middle Income	15,367	47%	18,521	56%	25,328	58%	35,652	45%
Upper Income	5,432	17%	7,069	21%	11,920	28%	38,309	49%
Total	32,887	100%	32,956	100%	43,243	100%	78,954	100%

Source: 2000 US Census

Table 4A- Percentage of Families Within Each Tract Category, Combined					
Population	Low Income	Moderate Income	Middle Income	Upper Income	Total
Low Income Tracts	58%	20%	13%	9%	100%
Moderate Income Tracts	32%	26%	22%	20%	100%
Middle Income Tracts	16%	19%	27%	38%	100%
Upper Income Tracts	9%	11%	19%	61%	100%
Total	17%	18%	23%	42%	100%

Source: 2000 US Census

There are a total of 277,155 housing units within the combined AA and a total of 265,501 households. About 68% of the housing units are owner occupied units and 80% are 1-4 family units. The vacancy rate within the combined AA is 4%. Six percent of total households live at or below the poverty level. The median housing value of owner occupied units is \$169,087 and the median age of the homes is 39 years.

The AA, individually and in the aggregate, complies with the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This CRA evaluation of Grand Bank, NA covers the period January 1, 2003 to December 31, 2004. Our review covered all loans originated during this period. We excluded 2002 information from our review since an analysis of 2002 HMDA and small business information would necessitate a separate analysis using the 1990 US Census Data. Information omitted from our review covered the 10-month period from March 1, 2002 to December 31, 2002. The primary lending products extended by the bank are centered in real estate loans with commercial mortgages accounting for 58% of all mortgage activities and residential mortgages representing 16% of the activities. The commercial loan data was derived from management reports.

Data Integrity

During January of 2005, OCC examiners verified the accuracy of the bank's data collection processes and applicability of its lending activities. The purpose of the data integrity review was to ensure that loan information collected was accurate for this CRA examination. A random statistical sample of originated real estate and small business loans were reviewed to test the accuracy of the bank's processes for collecting data.

Overall, the findings noted that the integrity of HMDA reported data is reliable. Other CRA reported data, however, was found to be unreliable as it was noted on several occasions that the residential addresses of the principals of the businesses were used for mapping rather than the corporate location or where the majority of the funds were used. Information collected on small business lending was thus distorted and did not accurately reflect borrower distribution to business of different sizes. This finding was mitigated by the fact that Grand Bank is not yet required to report other CRA related information. Management, nonetheless, corrected all identified errors prior to the start of this CRA examination.

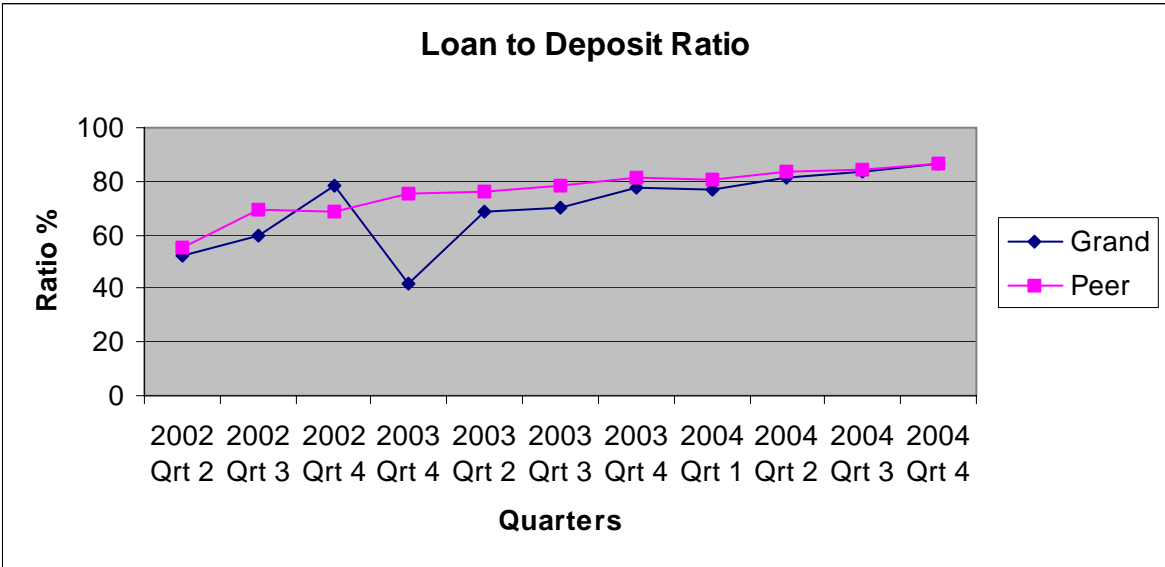
Community Contact

During this examination, we held discussions with a local housing agency to help us determine the community credit and development needs in the bank’s combined AA. This group is primarily dedicated to providing housing development programs to low- and moderate-income people and senior citizens within surrounding communities. Credit needs of the communities are determined by an annual evaluation hosted by local municipalities. Based on this evaluation, there is an identified need for low rent housing within the communities. In addition, there are opportunities for financial institutions to become involved in the agency’s first time homebuyer program.

Loan-to-Deposit Ratio

- Grand Bank’s loan to deposit ratio meets the standards for satisfactory performance given the banks size, financial condition and assessment area credit needs.

Grand Bank’s average loan to deposit (LTD) ratio is reasonable given the bank’s size, financial condition and the credit needs in its AA. The ratio was a calculated average of the average LTD ratio over the last 11-quarter periods since the bank’s inception. Over this period, Grand Bank has averaged an LTD ratio 71%, ranging from an high of 86% on December 31, 2004 to a low of 42% on March 31, 2003. When compared to peer group performance, Grand Bank performed below the peer group’s average of 76% and is attributed to its de novo status. Since the bank’s inception, loan growth has gradually outpaced deposit growth due to aggressive competition for deposits and a higher demand for loans within its AA. It should be noted that in spite of Grand Bank’s short tenure in the market area, their 2004 LTD ratio was on target with peer at 82% by year-end. The following chart displays the aggressive loan growth experienced by the bank since its inception.



Lending in the Assessment Area

- Grand Bank meets the standard for satisfactory performance for lending within the AA.

As depicted in Table 5, the majority of the bank’s residential mortgages were made outside of the bank’s assessment area. Grand Bank originated a total of 355 Home Mortgage Disclosure Act (HMDA) reportable loans with an aggregate dollar volume of \$71,903 thousand. Within this category of loans, 173 reportable loans were made within the AA and accounted for 43% of the total dollar volume of residential lending. This less than majority performance is due to the commercially oriented nature of its surrounding communities and the competition from larger and/or more established financial institutions within the AA.

Based on a statistical sample of Grand Bank’s small business originations, 65% of both the number and dollar volume of loans were made inside of the bank’s AA. The small business performance is more than reasonable given the bank’s performance context.

When these two ratios are aggregated, lending within the AA totaled 50% of the number of loans originated and 45% of the originated dollar volume. Lending in the bank’s AA is reasonable given the surrounding demographics. Table 5 shows the distribution within and outside the assessment area for HMDA loans and small business loans.

Table 5-Lending in the Assessment Area								
	Number of Loans				Dollars of Loans			
	Inside	Outside	Total	% in AA	Inside	Outside	Total	% in AA
HMDA Loans	173	182	355	49%	\$30,702	\$41,201	\$71,903	43%
Small Business Loans **	26	14	40	65%	\$6,005	\$3,247	\$9,252	65%
Total	199	196	395	50%	\$36,707	\$44,448	\$81,155	45%

*** Analysis of small business loans was based on a statistical sampling of 40 loans originated by the bank in 2003-2004.*

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

- Grand Bank’s record of lending to borrowers of different income levels and to businesses of different sizes meets the standards for satisfactory performance.

Mortgage Lending

As Table 6 shows, lending to borrowers of middle- and upper-income levels are generally in line with their percentage population. The bank’s lending performance to low- and moderate-income level borrowers was slightly below their respective percentage population. For home purchase loans, low-income borrowers earning less than \$39,350 per annum face significant barrier and/or hardships in qualifying for a mortgage that is based on a median housing value of \$169,087. Penetration is further complicated by the commercially oriented nature of the surrounding market area. In addition, the competitive market for these types of loans, given the low rate environment, further impeded the bank’s performance in mortgage lending.

Table 6-Borrower Distribution of HMDA Reported Loans					
Borrower Income Level	# Loans	%	\$ Amount (000)	%	% of Families at Income Level in AA
Low	15	9%	\$1,368	5%	17%
Moderate	28	16%	\$3,258	11%	18%
Middle	35	20%	\$5,669	19%	23%
Upper	86	50%	\$18,438	61%	42%
N/A	7	4%	\$1,553	5%	0%
Totals	171*	100%	\$30,286	100%	100%

**One loan was approved but not accepted and one was withdrawn during our evaluation period.*

Commercial Lending

Table 7 provides the breakdown of loans to businesses by revenue. It shows that Grand Bank has a good penetration of loans to businesses within its AA. Eighty three percent of their small business loans were made to businesses with revenues of \$1 million or less and accounts for 88% of the total dollar volume of small business lending. This distribution is more than reasonable when compared to 65% of the businesses in the bank's AA with reported revenues of \$1 million or less.

Table 7 - Borrower Distribution of Small Business Loans		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	65%	9%
% of Bank Loans in AA by #	83%	17%
% of Bank Loans in AA by \$	88%	12%

*Source: Dun and Bradstreet data and loan sample; * 26% of AA businesses did not report revenue data*

In determining borrower distribution to small businesses by loan size, a sample of 34 loans was used. Our analysis revealed that 83% of the loans were made to businesses with revenues of \$1 million or less and equate to a dollar volume of \$9.3 million, or 88%. Table 7A gives the breakdown of small business lending by loan size.

Table 7A - Borrower Distribution of Loans to Small Businesses by Loan Size in the AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollar Volume
\$0 - \$100,000	16	57%	\$6,293	68%
\$100,001 - \$250,000	6	21%	\$1,216	13%
\$250,001 - \$500,000	5	18%	\$1,710	18%
\$500,001 - \$1,000,000	1	4%	\$50	1%
Totals	28	100%	\$9,269	100%

Source: Loan sample.

Geographic Distribution of Loans

Grand Bank’s geographic distribution of real estate loans reflects a reasonable dispersion throughout the combined AA. Lending to the moderate-income tract levels were in line with the percentage population of owner occupied housing. However, lending to low-income tract levels fell short of the percentage population. The lower percentage penetration in low-income geographies was primarily attributed to the isolation of low-income tract levels within the Mercer County AA. There were no low-income tracts within the Middlesex/Monmouth and Burlington County areas.

Table 3 - Geographic Distribution of Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Mortgage Related	3%	1%	11%	8%	51%	40%	35%	51%

Source: Data reported under HMDA; U.S. Census data.

An independent geocoding analysis of the bank’s geographic distribution of loans to business was not performed from our loan sample.

Responses to Complaints

Grand Bank has not received any CRA-related complaints covering the review period with respect to its performance.

Fair Lending or Other Illegal Credit Practices Review

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