



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 16, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Wawel Bank
Charter Number 708063

104 Main Avenue
Wallington, NJ 07057-1103

Office of the Comptroller of the Currency

343 Thornall Street, Suite 610
Edison, NJ 08837

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

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

The major factors supporting the institution's rating are:

- The bank's level of lending, as reflected by the loan-to-deposit ratio, is reasonable.
- The majority of originated and purchased loans are within the bank's assessment area.
- The borrower distribution of loans reflects a reasonable penetration among individuals of different income levels.
- The geographic distribution of loans reflects reasonable distribution in the moderate-income census tracts.

SCOPE OF EXAMINATION

Wawel Bank (Wawel) was evaluated using Small Bank Community Reinvestment (CRA) examination procedures, which primarily includes a lending test. Our review covered the bank's lending performance from January 1, 2011 through December 31, 2012, as this was representative of the bank's lending strategy since its last CRA examination.

Wawel is primarily a mortgage lender and the primary loan products, based on originations during the evaluation period, are residential mortgages. This review analyzed the institution's residential loans. For purposes of this evaluation, residential loans are home purchase, home refinance, and home improvement loans reported pursuant to the Home Mortgage Disclosure Act (HMDA). As indicated by the June 30, 2013 Uniform Bank Performance Report (UBPR), 1-4 family residential loans, represents approximately 57% of the overall loan portfolio at the bank.

The bank reports data under the requirements of HMDA. As part of our evaluation, we tested the bank's HMDA data for residential real estate loans originated and purchased and found that the data was reliable. All residential real estate loans originated and purchased during the assessment period were included in our evaluation of the bank's lending.

DESCRIPTION OF INSTITUTION

Wawel Bank is a \$91 million thrift headquartered in Wallington, New Jersey. The bank does not have any operating subsidiaries and affiliate activities were not considered in this evaluation. In addition to the bank's main office located in Wallington, New Jersey, the institution has one full service branch, located in Garfield, New Jersey. The main office and the Garfield office are both located in a middle-income geography. Branch hours are typically 8:00AM to 6.30PM from

Monday through Friday for the Garfield branch. The Wallington branch is open 8:15 AM to 5.00PM Tuesday through Thursday, with extended hours on Monday and Friday. The bank's offices are also open on Saturdays from 8:30AM to 12:30PM. No branches were closed during the evaluation period. There have not been any significant changes to Wawel's corporate structure, since the last CRA examination.

Wawel is a full service, intrastate institution, offering a standard array of traditional loan and deposit products for both personal and business customers. The bank's website, www.wawelbank.com, provides a listing and description of its deposit and loan services. The bank offers a variety of different account access alternatives including online banking with bill pay options. The bank operates an automated teller machine (ATM) at its Garfield branch.

As of June 30, 2013, deposits totaled \$75.3 million, and net Tier One Capital was \$12.34 million. The loan portfolio totaled \$50.3 million, or 55% of total assets, as of the same date. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product June 30, 2013	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	57%
Home Equity	3%
Commercial & Industrial	2%
Commercial Real Estate	37%
Construction and Development	<1%
Consumer Loans	<1%

Source: FDIC Call Report

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Satisfactory" using small bank procedures, at the last CRA examination dated September 8, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

The CRA requires a bank to define an Assessment Area (AA) in which it will be evaluated. Wawel has one AA that meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

Wawel Bank has designated the entire Bergen County as its AA. The AA is part of New York-White Plains-Wayne, NY-NJ Metropolitan Division. Bergen and Passaic Counties are made up of 40 cities/towns. According to the 2000 U.S. Census, the AA is comprised of 164 census tracts, which included 0 low-income tracts (0%), 2 moderate-income tracts (1%), 32 middle-income tracts (19%), and 131 upper-income tracts (80%). The 2000 U.S. Census Data indicates that 20% of families in AA are considered low- or moderate-income and approximately 5% of the households are below the poverty line.

Demographic information for AA based on 2000 U.S. Census is broken down below:

Demographic Information for Wavel Bank NJ AA 1 (2011)					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts/BNAs)	164	0.00	1.00	19.00	80.00
Population by Geography	891,522	0.00	1.00	19.00	79.00
Owner-Occupied Housing by Geography	222,698	0.00	>1.00	11.00	88.00
Family Distribution by Income Level	237,925	9.00	11.00	16.00	64.00
2000 Census Median Family Income (MFI)		\$49,641	2011 Median Housing Value		\$496,624
HUD Updated MFI: 2011		\$67,400	Households Below Poverty Level		5%
			Unemployment Rate *		8.00%

Source: 2000 U.S. Census data

*Data from US Bureau of Labor Statistics as of 12/31/2012.

Based on the 2010 U.S. Census Data, the AA is now comprised of 181 census tracts. There are 1 low-income census tracts (1%), 5 moderate-income census tracts (3%), 42 middle-income tracts (23%), 133 upper-income tracts (73%). The percent of families considered low- or moderate-income increased to 22% and approximately 7% of the household are below the poverty line.

Demographic information for AA based on 2010 U.S. Census is broken down below:

Demographic Information for Wavel Bank NJ AA 1 (2012)					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts/BNAs)	181	1.00	3.00	23.00	73.00
Population by Geography	912,683	0.00	3.00	23.00	74.00
Owner-Occupied Housing by Geography	225,591	0.00	1.00	17.00	82.00
Family Distribution by Income Level	238,644	11.00	11.00	15.00	63.00
2010 Census Median Family Income (MFI)		\$64,171	2012 Median Housing Value*		\$496,624
HUD Updated MFI: 2012		\$68,300	Households Below Poverty Level		7%
			Unemployment Rate **		8.00%

Source: 2010 U.S. Census data.

*Data from Zillow.com

**Data from US Bureau of Labor Statistics as of 12/31/2012.

The Federal Deposit Insurance Corporation's Deposit Market Share Report as of June 30, 2012 indicates Wawel bank is ranked 211st among 244 FDIC-insured institutions in the deposit market (New York-Newark-Jersey City, NY-NJ-PA MSA). The bank has 0.01 percent of the total market share. Clifton Savings Bank, although not comparable in asset size, is the institution's most direct competitor and currently holds 0.07 percent of the market share in the above-mentioned MSA. Nationwide banks which provide competition include: JP Morgan Chase, The Bank of New York Mellon, Bank of America, Citibank and HSBC. JP Morgan Chase dominates the deposit market with a market share of 34.34 percent, followed by The Bank of New York Mellon with 7.84 percent. The following three competitors included Bank of America with 7.81 percent, Citibank with 6.07 percent and HSBC Bank with 5.29 percent.

Per Moody's Analytics, the pace of growth of New Jersey's economy is keeping up with that of the broader Northeast and the U.S. The state's labor market is improving; the unemployment rate has fallen rapidly since the beginning of the year, from 9.5% to 8.7% as of April. It remains above average but is declining faster than those of the region or nation. Part of this labor market tightening is because of the surge in construction that followed Hurricane Sandy in October. Construction peaked recently as much of the shore area prepared for Memorial Day, the beginning of the summer season. Manufacturing is also improving, in contrast with a slowdown nationwide. Manufacturing employment has risen steadily since late last year, and exports of goods and commodities have rebounded from a fourth quarter slump. Major employers within the AA include Prudential Financial, New Jersey Transit, Verizon Communications, and Wal-Mart Stores Inc. As per Moody's Analytics, some of the other major employers in the state include: United Parcel Services Inc., Johnson and Johnson Services Inc., Great Atlantic and Pacific Tea Co., and Caesars Entertainment.

In assessing the bank's performance, we contacted a local organization which works with companies primarily to attract jobs and retain them within the county. The contact indicated that some of the pressing concerns in the community for low-to-moderate income households included the cost of living, affordable housings, and the ability to secure financing. The contact raised a concern regarding small businesses having an issues securing financing in the county. Many financial institutions continue to be risk averse following the financial crises and have refrained from providing funding to companies who cannot provide two solid years of financials. This has adversely impacted small businesses in the startup phase. Currently, there are several opportunities for participation in assisting the community by the local financial institutions. Particularly, opportunities are present in the small business area, which is not adequately being served by local Bergen county banks. The contact indicated banks are more focused on participating in larger business loans over small business loans.

Furthermore, the contact indicated they are satisfied with the support they receive from local community banks. Local support includes donating time and

money to events such as hosting job fairs. The contact indicated that community banks are often more willing to donate their time and show support to servicing the community than larger banks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Wawel Bank's performance under the lending test is satisfactory. Wawel Bank's loan-to-deposit ratio is reasonable and the majority of the loans are originated inside the bank's AA. Overall, the distribution of loans reflects a reasonable penetration among individuals of different income levels. The geographic distribution of loans reflects reasonable dispersion in the low- and moderate-income census tracts.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the bank's size, AA credit needs, and the loans sold in the secondary market. The bank's net loan-to-deposit ratio averaged 84% over the last 20 quarters, since the previous CRA examination. During this period the loan-to-deposit ratio ranged from a quarterly low of 65% to a high of 100%. Wawel's loan-to-deposit ratio is higher than the national peer bank quarterly average of 82% over the same period.

Lending in Assessment Area

A majority of Wawel Bank's primary loan products were made within the assessment area and the bank meets the standard for satisfactory performance. Wawel Bank originated 64% by number and 73% by dollar amount of loans in the AAs. The following table details the bank's lending within the AA by number and dollar amount of loans.

Lending in Wawel Bank's AA (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	11	79%	3	21%	14	3,269	88%	462	12%	3,731
Home Refinance	9	50%	9	50%	18	2,899	61%	1,850	39%	4,749
Home Improvement	3	75%	1	25%	4	550	71%	230	29%	780
Totals	23	64%	13	36%	36	6,718	73%	2,542	27%	9,230

Source: HMDA – reported data from 1/1/2011-12/31/2012

Lending to Borrowers of Different Incomes

The distribution of home loans within AA reflects reasonable penetration among individuals of different income levels. The percent of home mortgage loans to

low-income families is significantly lower than the percent of low-income families in the AA. The percent of home mortgage loans made to moderate-income borrowers is lower the percent of moderate-income families.

The bank's performance is considered satisfactory given the high competition within the AA as well as the high cost of housing, which limits lending opportunities. The downturn in the national economy affected the real estate prices in the area; however, median housing prices remain high relative to median incomes. The 2000 U.S Census Data indicated that the average median home price in the AA was \$496 thousand. The 2011 HUD updated median family income (MFI) is \$67,400. Based on the HUD updated MFI, the maximum income that is considered low-income is \$49,641, which would make it difficult for low-income borrowers to qualify for home loans.

Market competition for home mortgages is high. According to 2011 peer mortgage market share data, home purchase and home refinance lending in the AA is dominated by larger institutions with the top six institutions holding approximately 50% of the market share. Wavel does rank 55th within the AA for home improvement lending with a market share of approximately 0.20%, which is low; however, the bank ranks higher in peer group with a rank of 55 when compared to the rank of 174th and 134th for refinancing and home-purchase loans.

The distribution of home loans to low-income borrowers is lower in relation to the comparative standards; however, is considered satisfactory given the limited lending opportunities to low-income borrowers. The distribution of loans to moderate-income borrowers is also considered satisfactory given the significant market competition.

The following table shows the distribution of home mortgage loans among borrowers of different income levels compared to the percent of families in each income category as well as the aggregate lending data for HMDA reporters within the bank's AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans*	9	0	11	7	16	7	63	73

Source: HMDA – reported data from 1/1/2011-12/31/2011; 2000 U.S. Census data.

* Includes Home Purchase, Refinance, and Home Improvement Loans

** For 13% of loans income was not available

The borrower distribution of home loans originated and/or purchased during 2012 reflects reasonable penetration among borrowers of different income levels. The percent of home mortgage loans made to low-income borrowers is significantly lower than the percent of low-income families in the AA. The percent of home mortgage loans made to moderate-income borrowers is lower than the percent of moderate-income families in AA.

The bank's performance is considered satisfactory given the high competition within the AA as well as the high cost of housing, which limits lending opportunities. The downturn in the national economy affected the real estate prices in the area; however, median housing prices remain high relative to median incomes. The 2010 U.S Census Data indicated that the average median home price in the AA was \$496 thousand. The 2012 HUD updated median family income (MFI) is \$68,300. Based on the HUD updated MFI, the maximum income that is considered low-income is \$67,171, which would make it difficult for low-income borrowers to qualify for home loans.

The following table shows the distribution of home mortgage loans among borrowers of different income levels compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans*	11	0	11	0	15	25	63	63

Source: HMDA – reported data from 1/1/2012-12/31/2012; 2010 U.S. Census data

* Includes Home Purchase, Refinance, and Home Improvement Loans

** For 13% of loans income was not available

Geographic Distribution of Loans

The bank's geographic distribution of home loans originated and/or purchased during 2010 and 2011 reflects reasonable dispersion in the low- and moderate-income census tracts. The percent of home mortgage loans is lower than the percent of owner-occupied housing in moderate-income geographies and there are no low-income geographies. There were no low-income tracts, and only 2 (1%) moderate income tracts located within the bank's AA. Given that there are no low-income tracts and minimal moderate tracts within the bank's AA, the overall distribution is considered satisfactory.

The bank's geographic distribution of loans is considered satisfactory given the lack of affordable housing within AA and significant market competition for home

loans in low- and moderate-income geographies. The 2011 peer mortgage data for home refinance loans made in low- and moderate-income geographies indicates that the top five financial institutions, which include large nationwide financial institutions and mortgage companies, make up for approximately 45% of the total market share in the AA.

The following table compares the dispersion of home loan products to the percentage of owner-occupied housing units in each census tract income level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA (2011)								
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
Home Mortgage Loans*	0	0	1	0	20	47	79	53

Source: HMDA – reported data from 1/1/2011-12/31/2011; 2000 U.S. Census data.

* Includes Home Purchase, Refinance, and Home Improvement Loans

The bank's geographic distribution of home loans originated and/or purchased during 2012 also reflects reasonable dispersion in the low- and moderate-income census tracts. The percent of home mortgage loans is lower than the percent of owner-occupied housing in moderate-income geographies and there are no low-income geographies. The bank's performance is considered satisfactory given the lack of affordable housing units in AA as well the significant market competition from large nationwide financial institutions and mortgage companies.

The following table compares the dispersion of home loan products to the percentage of owner-occupied housing units in each census tract income level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA (2012)								
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
Home Mortgage Loans*	0	0	3	0	23	75	74	25

Source: HMDA – reported data from 1/1/2012-12/31/2012; 2010 U.S. Census data.

* Includes Home Purchase, Refinance, and Home Improvement Loans

Responses to Complaints

The bank did not receive any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.