



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**Valley National Bank
Charter Number: 15790**

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Wayne, New Jersey 07470**

**Office of the Comptroller of the Currency
Northeastern District
Mid-size Banks
Metro New York Field Office
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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		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- Good lending activity, given the bank’s size, resources, and competition, especially in the bank’s major markets.
- Good borrower distribution in home mortgage loans and small business loans, particularly in the full-scope AAs in New Jersey.
- Adequate geographic distribution of home mortgage and small loans to businesses.
- A good level of community development lending had a positive impact on the overall lending test.
- Investments reflect an adequate responsiveness to the needs of the AAs.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AAs.
- The bank performs an adequate level of community development services that are responsive to the identified needs in the AAs.

Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

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

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan 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).

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

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

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

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of

individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any primary metropolitan statistical area (PMSA), metropolitan statistical area (MSA), or consolidated metropolitan area (CMSA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

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

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

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

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

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

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

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) is chartered in Passaic, New Jersey although the headquarters are located in Wayne, New Jersey. VNB had total assets of \$8.4 billion and Tier 1 capital of \$669 million as of March 31, 2002. VNB is an interstate bank operating in New Jersey and New York and is the principal subsidiary of Valley National Bancorp, a one-bank holding company. The bank has eleven wholly owned operating subsidiaries. We reviewed qualifying CRA investments held by VN Investment, Inc. The remaining operating subsidiaries have no impact on the bank's capacity for community reinvestment.

The bank continues to expand both through internal growth and acquisitions. In June 1999, Ramapo Financial Corporation, a \$327 million local retail banking institution with eight branches was acquired. In January 2001, VNB expanded into New York City (NYC) by acquiring The Merchants Bank of New York (MBNY), a \$1.4 billion wholesale oriented bank with seven branches. Although MBNY was merged into VNB, it operates as the Merchants Division. These acquisitions, combined with the opening of ten branches and the closing of three branches, increased VNB's branch network from 106 to 128. A substantial majority of the branches are located in the northern part of New Jersey. The MBNY acquisition resulted in the expansion of the bank's service area to New York and created a new CRA assessment area (AA) for the bank. Within New Jersey, VNB re-delineated its one AA, creating four smaller AAs to permit better analysis of bank efforts to serve all parts of its communities.

As of March 31, 2002, total bank assets included loans of \$5.3 billion and investments of \$2.5 billion. Total deposits amounted to \$6.4 billion. The loan portfolio is broken down as follows: residential real estate loans \$1.7 billion (32%), commercial real estate loans \$1.6 billion (30%), installment loans and credit cards \$913 million (17%), and \$1 billion (19%) in commercial 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. VNB competes with large banking institutions and mortgage companies for mortgage lending opportunities to low- and moderate-income (LMI) individuals and geographies throughout the AAs.

VNB's last CRA evaluation was dated April 19, 1999. The bank received a "Satisfactory" rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

VNB's HMDA mortgage lending and reportable CRA loans were evaluated for the period January 1, 1999 through December 31, 2001 in the AAs located in New Jersey. In the New York AA, HMDA and small loans to businesses originated by the Merchants Division in 2001 were evaluated, as the MBNY merger with VNB was consummated January 19, 2001. VNB has not originated any small farm loans in any of its AAs and therefore these loans were not analyzed. Small farm lending is not a primary business line of the bank.

Community development loans and qualified investments originated by VNB during the period of April 19, 1999 to July 29, 2002 were considered. All qualified investments originated in prior periods by the former MBNY and still outstanding at July 29, 2002 were considered. Our conclusions related to community development loans and qualified investments were based on the number and dollar amounts made during the evaluation period. In addition, we considered the level of innovation, complexity, responsiveness to community credit needs and the degree to which these instruments are not routinely provided by private investors.

Data Integrity

We conducted a data integrity review in February 2002. During this review we sampled small business and community development loans to ensure that the information we would be evaluating during this examination was accurate. Additionally, mortgage data was sampled as part of the fair lending examination.

Small business lending as reported by the bank was found to be inaccurate, particularly for the loans reported by the Merchants Division. Multiple renewals of single loans to several businesses were reported as new loans. Additionally, the bank did not take advantage of the revised interagency policy, which allows for the once-a-year reporting of line of credit renewals. The bank was able to revise the business data for this evaluation and the evaluation was based on accurate data. Aggregate 2000 CRA market share data for NY is materially inaccurate and was not used in this evaluation.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, a sample of assessment areas (AAs) within that state was selected for full-scope reviews. Refer to the "Scope" section under each state rating for details regarding how the areas were selected and why they are representative.

Ratings

The bank's overall rating is a blend of the state ratings. In arriving at the overall rating the greatest weighting was given to the State of New Jersey. The four AAs in this state

represent the greatest volume of loan and deposit activity. Additionally, the bank did not operate in the New York AA for the entire evaluation period. Only one year (2001) of the bank's lending activity in the state of New York was reviewed as part of this evaluation.

The state ratings are based primarily on those areas that received full-scope reviews. Refer to the "Scope" section under each state rating for details regarding how the areas were weighted in arriving at the overall state rating.

Fair Lending Review

A fair lending review was performed in June 2001 and included a comparative file review of home purchase mortgage loans. The prohibited basis used for the analysis included Asian applicants. No violations of the substantive provisions of the anti-discrimination laws and regulations were found. VNB has satisfactory policies, procedures, and practices in place for ensuring that all loan decisions are made in a non-discriminatory manner.

State Rating

State of New Jersey

CRA Rating for New Jersey: 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:

- Lending activity is good, given the bank's size, resources, and competition in the AAs.
- A good distribution of loans among borrowers of different income levels and an adequate distribution of loans among geographies throughout its AAs;
- Community development lending and flexible lending products had a positive impact on the bank's lending test rating.
- Investments reflect an adequate responsiveness to the needs of the AAs.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AAs.
- The bank performs an adequate level of community development services that are responsive to the identified needs in the AAs.

Description of Institution's Operations in New Jersey

VNB has four AAs within the State of New Jersey. They include all or parts of the Bergen-Passaic MSA, Newark MSA, Jersey City MSA, and the Middlesex-Somerset-Hunterdon MSA. VNB has 121 branches within the state, which represents 95% of the bank's total branch network. The bank ranked eighth in the state for deposit market share with 3.2% of deposits. The state of New Jersey represents 85% of VNB's total deposits. During the evaluation period, VNB originated 95% of its total HMDA and small business loan volume within New Jersey.

Refer to the Market Profiles 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.

Scope of Evaluation in New Jersey

We conducted full-scope reviews of the Bergen-Passaic and Newark AAs as these two areas combined represent 90% of the total lending in the state, total number of branches, and total deposits. The Bergen-Passaic AA was weighted more heavily as 47% of the statewide branches and 61% of the statewide deposits are located here. Small business lending was given more weight when arriving at the bank's overall performance in lending based on the historical business focus and strategy of the bank. Although the volume of total home mortgages increased during the evaluation period, the refinancing of existing mortgages accounted for a greater majority of the home mortgage loans later in the evaluation period. This is attributed to the declining interest rate environment. In 1999, the volume of loans for refinancing accounted for 45% of home mortgage loans. In 2001, this volume rose to 62%. However, during this period, small business lending continued at increasing levels. Community development was given positive consideration in all areas where it was significant.

We reviewed community contacts conducted by the various bank regulatory agencies during the prior year. Additionally we conducted a community contact during this evaluation. Refer to the Market Profile section in Appendix C for details.

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in New Jersey is rated "High Satisfactory". This conclusion is primarily based upon VNB's small business lending performance during the evaluation period and the positive impact of community development lending. The bank's performance in the Bergen-Passaic and Newark AAs is good.

Lending Activity

Refer to Table 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.

VNB's lending activity in the areas receiving full-scope reviews is good, given the bank's size, resources, and competition in the AAs.

VNB originated 90% of all home mortgage and small loans to businesses within the combined full-scope AAs. In the Bergen-Passaic AA, 60% of the volume of loans originated during the evaluation period was home mortgage loans, with small loans to businesses comprising the majority of the remainder. In the Newark AA, 69% of the volume of loans originated during the evaluation period was home mortgage loans with small loans to businesses comprising the majority of the remainder.

Among the volume of home mortgage loan originations in both the Bergen-Passaic and Newark AAs, approximately 37% were for home purchase, 14%% were for home improvement, and 48% were for home refinance. Multifamily lending accounted for 1% of home mortgage loans.

Bergen-Passaic AA

In the Bergen-Passaic AA, VNB ranked 2nd in deposit market share with 9.3% of the deposits. A significantly larger multi-state bank headquartered outside of New Jersey dominated the market with 26.5% of the deposits. VNB ranked 24th with a 1.1% market share in overall home mortgage lending based on 2000 HMDA aggregate data. There are 456 reporting lenders in this AA. The top five lenders have a combined market share of 18.49%, with no single lender exceeding a 5% market share.

In home purchase lending, VNB ranked 27th with a 1.1% market share based on this same aggregate data. Again, competition is high with 388 lenders. Four of the same five lenders noted above have a combined market share 17.9%.

In home improvement lending, VNB ranked 15th with a 1.9% market share. The bank with the largest market share (10.25%) also ranks 1st in deposit market share in the AA. Although there are fewer lenders, competition is still high with 120 lenders in the AA.

In home refinance lending, VNB ranked 29th with a 1% market share. The top five lenders had a combined market share of 21.89% and individually ranged from 3% to 6%. There are 306 lenders that originated home refinancing loans in this AA.

Based on 2000 CRA aggregate lending data, VNB ranked 13th of 132 small business reporting lenders. The top three lenders have a combined market share of 56.8% individually ranging from 10.4% to 32.9%. Two of these lenders are nationwide credit card issuers and one is a finance company.

Newark AA

In the Newark AA, VNB ranked 6th in deposit market share with 4.5% of the deposits. Two large multi-state banks headquartered outside of New Jersey have a combined deposit market share of 37%. Based on 2000 HMDA aggregate data, VNB ranked 28th (0.9%) in overall home mortgage lending. Like the Bergen-Passaic AA, this AA is a highly competitive market where 505 lenders originated home mortgage loans. The top five lenders have a combined market share of 18.51%, with no single lender exceeding a 5% market share.

In home purchase lending, VNB ranked 31st with a 0.8% market share based on this same aggregate data. Again, competition is high with 453 lenders. The top five lenders have a combined market share of 22.1%. Individual market share for these lenders ranged from 3.2% to 5.8%.

In home improvement lending, VNB ranked 15th with a 1.9% market share. The top five lenders have a combined market share of 40%. Four of these lenders are much larger multi-state banks. Although there are fewer lenders, competition is still high with 121 lenders in the AA.

In home refinance lending, VNB ranked 38th with a 0.7% market share. The top five lenders had a combined market share of 22.8% and individually ranged from 3% to 6%. There are 352 lenders that originated home refinancing loans in this AA.

Based on 2000 CRA aggregate lending data, VNB ranked 17th of 150 small business reporting lenders. Two nationwide credit card lenders and one finance company dominate the AA with a combined market share of 53.9%. Individually, their market shares ranged from 8.9% to 30%. Two of these lenders are nationwide credit card issuers and one is a finance company.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

Refer to Tables 2, 3, 4 and 5 in the state of New Jersey section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

VNB's geographic distribution of home mortgage loans is adequate in both the Bergen-Passaic and Newark AAs given the demographics of and competition in the AAs. Within the Bergen-Passaic AA, less than 1% (2,341 units) of the owner-occupied housing units are in low-income geographies. In the Newark AA, only 2% (8,086 units) are located in low-income geographies. As noted earlier, the bank competes with several hundred bank and non-bank lenders within each AA.

VNB's home purchase loan geographic distribution is adequate in both full-scope AAs. The percentage of lending in both low- and moderate-income geographies is below the percentage of owner occupied housing in these geographies for both full-scope AAs. The market share in low-income geographies in the Bergen-Passaic AA substantially meets the bank's overall market share. The market share in moderate-income geographies is below the bank's overall market share. In the Newark AA, the market share in both low- and moderate-income geographies is substantially below the bank's overall market share.

VNB's home improvement loan geographic distribution is adequate in the Bergen-Passaic AA and poor in the Newark AA. The percentage of lending in low-income geographies is near to the percentage of owner occupied housing In the Bergen-

Passaic AA and below the percentage in the Newark AA. In both AAs, the percentage of lending in moderate-income geographies is well below the percentage of owner occupied housing in those geographies. In low-income geographies, the bank did not have any market share in either AA. In moderate-income geographies, the bank's market share was significantly below its overall market share.

VNB's home refinance loan geographic distribution is adequate in both full-scope AAs. The percentage of lending in both low- and moderate-income geographies is below the percentage of owner occupied housing in these geographies for both full-scope AAs. In the Bergen-Passaic AA, the bank did not have market share in low-income geographies. In moderate-income geographies, the bank's market share was below its overall market share. In the Newark AA, the bank's market share in both low- and moderate-income geographies was significantly below its overall market share.

VNB's multifamily loan geographic distribution is good. Although multifamily housing only constitutes 1% of total home mortgage lending, both full-scope AAs have a high percentage of multifamily housing, especially in LMI geographies. In the Newark AA, the percentage of lending in low-income geographies is near to the percentage of multifamily housing within those geographies. In moderate-income geographies, the percentage of lending exceeds the percentage of multifamily housing. Although the bank did not make any multifamily housing loans in low-income geographies in the Bergen-Passaic AA, the percentage of lending in moderate-income geographies significantly exceeds the percentage of multifamily housing. In the Newark AA, the bank's market share in low-income geographies significantly exceeded its overall market share. In the Bergen-Passaic AA, the market share in moderate-income geographies exceeded the bank's overall market share.

Small Loans to Businesses

Refer to Table 6 in the state of New Jersey 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 Bergen-Passaic AA and adequate in the Newark AA. The percentage of loans in low-income geographies in the Bergen-Passaic AA slightly exceeds the percentage of businesses within those geographies. In moderate-income geographies, the percentage of loans is near to the percentage of businesses within those geographies. The bank's market share in the Bergen-Passaic AA in low-income geographies significantly exceeds the bank's overall market share. In moderate-income geographies, the market share well exceeds the overall market share. In the Newark AA, the percentage of loans in low-income geographies is near to the percentage of businesses within those geographies. In moderate-income geographies, the percentage of loans is below the percentage of businesses within those geographies. The market share in low-income geographies slightly exceeds the overall market share. In low-income geographies, the bank's market share substantially meets the 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 (75%) of its loans in the combined AAs. VNB originated 69% of its HMDA loans and 87% 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 loans by borrower income level is good in both full scope AAs. The high cost of housing makes it extremely difficult for low- and/or moderate-income families to afford housing in both AAs. More consideration was placed on the moderate-income performance due to the high cost of housing. Recently released economic data indicates the median home price in the Bergen-Passaic AA exceeds \$338 thousand. In the Newark AA, the median home price is nearly \$290 thousand.

The percentage of VNB's home purchase lending to low-income borrowers was below the percentage of low-income families in both full-scope AAs. However, the percentage of lending to moderate-income borrowers significantly exceeded the percentage of families in the Newark AA and slightly exceeded the percentage of families in the Bergen-Passaic AA. In the Newark AA, the bank's market share for low- and moderate-income borrowers substantially met its overall market share. In the Bergen-Passaic AA, the bank's market share for lending to low- and moderate-income borrowers slightly exceeded its overall market share.

The percentage of VNB's home improvement lending to low-income borrowers was below the percentage of low-income families in both full scope AAs. However, the bank's market share of loans to low-income families exceeded its overall market share in the Bergen-Passaic AA and met its overall market share in the Newark AA. The

percentage of lending to moderate-income borrowers was slightly below the percentage of such families in the Newark AA and exceeded the percentage in the Bergen-Passaic AA. The market share for moderate-income borrowers exceeded the overall market share in the Newark AA and is less than the overall market share in the Bergen-Passaic AA.

The percentage of VNB's home refinance lending to low-income borrowers was significantly below the percentage of low-income families in both full scope AAs. However, the percentage of lending to moderate-income families was near to the percentage of such families. In the Bergen-Passaic AA, the bank's market share of loans made to both low- and moderate-income borrowers substantially met the overall market share. In the Newark AA, the bank's market share to moderate-income borrowers substantially met the overall market share and was below the overall market share for low-income borrowers.

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 good in both the Bergen-Passaic and Newark AAs when considering the strong competition for these loans.

The percentage of VNB's small loans to small businesses (businesses with gross annual revenue's of \$1 million or less) is below the percentage of small businesses in both AAs. The percentage of loans of \$100 thousand or less in both AAs is also below the portion of businesses defined as small in AAs. However, nearly 60% of the bank's small loans to businesses regardless of revenue size were for \$100 thousand or less. In both full-scope AAs, the bank's market share of small loans to small businesses significantly 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 AAs, as discussed below.

VNB ranked 10th among lenders that made small loans to small businesses in the Bergen-Passaic AA. This is a highly competitive market where a small number of lenders dominate a significant portion of the market. Two of the three top lenders are nationwide credit card companies that combined have over 50% of the market.

In the Newark AA, VNB ranked 13th among lenders making small loans to small businesses. The top three lenders control approximately 57% of the market. Two of the three top lenders are credit card companies that make a significant number of small dollar loans. Other lenders ahead of VNB include other credit card banks and larger multi-state banks.

Community Development Lending

Refer to Table 1 Lending Volume in the state of New Jersey section of appendix D for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

CD loans had a positive impact on the Lending Test, especially in the Newark AA. During the evaluation period, VNB originated two CD loans totaling \$3.5 million in the Bergen-Passaic AA representing 1% of allocated Tier 1 capital. In the Newark AA, the bank originated five CD loans totaling \$38.7 million representing 21.4% of allocated Tier 1 capital. One loan outside of the AAs, but part of the statewide area that includes the bank's AA received positive consideration.

The following are the CD loans made during the evaluation period:

Bergen-Passaic AA

- VNB originated a \$2.4 million construction loan for an office building in a moderate-income geography that is part of an economic redevelopment plan that will help to revitalize and stabilize the geography.
- The bank originated a \$1.1 million construction/permanent mortgage loan to a county community action program, which will house a Head Start program. Head Start is a federally funded early childhood program for low-income families. Up to 10% of the children enrolled may be from families exceeding the low-income guideline.

Newark AA

- VNB originated two construction loans totaling \$32 million, which will create 396 affordable housing units for LMI individuals. The units are to be purchased by a city housing authority.
- The bank originated a \$4.1 million construction and permanent mortgage for a retail pharmacy to be located in a low-income geography. The store is expected to create permanent jobs benefiting LMI individuals as well as revitalize and stabilize the neighborhood.
- VNB renewed and increased a line of credit to a non-profit nursing home from \$500 thousand to \$2 million. A majority (75%) of the residents are LMI as indicated by their receipt of Medicaid.
- VNB originated a \$600 thousand line of credit to a non-profit organization that provides affordable housing for mentally and physically disabled individuals. All of the residents are LMI as evidenced by receipt of Medicaid and Social Security Disability Insurance.

Outside of AA/Broader Statewide Area

- The bank originated \$1.3 million mortgage loan to a for-profit company to purchase an apartment building located in Ocean County, New Jersey. The building is located in a moderate-income tract and all of the units are subsidized through the U.S. Housing and Urban Development's Section 8 program. The loan is allocated to the AAs in New Jersey based on deposits.

Product Innovation and Flexibility

The bank received positive consideration for product flexibility in both full-scope AAs. In response to the extensive damage resulting from Hurricane Floyd in 1999, VNB established an Emergency Relief Program to address the needs of both consumer and commercial customers located in Morris and Sussex Counties (part of the Newark AA). VNB granted 30-day extensions on consumer installment and home equity credit lines. The bank's commercial customers were eligible for a tailored program. Additionally, VNB made available a home equity loan product with discounted rates and quick approval process. Twelve loans totaling \$165 thousand were funded. A special fixed rate loan was offered to businesses with a term up to seven years in an amount up to \$250 thousand.

The bank continues to originate affordable home mortgage loans under its agreement with New Jersey Citizens Action. These loans are offered to low- and moderate-income applicants. During the evaluation period, the bank originated 272 loans totaling \$27.8 million. The loans are included in the total of home mortgage loans reported in Table 1.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the lending test in the Jersey City AA and the Middlesex-Somerset AA is not inconsistent with the bank's overall "High Satisfactory" performance under the lending test in New Jersey. Refer to the Tables 1 through 13 in the state of New Jersey 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 New Jersey is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Bergen-Passaic AA is adequate and Newark AA is good.

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.

During the evaluation period, VNB made 46 qualifying grants and donations totaling \$244 thousand in the Bergen-Passaic AA. Additionally, we allocated five of the six investments made on a broader regional level that includes the bank's AA. The allocation totaled \$1.8 million for this AA. Together, these investments and grants represent 0.6% of allocated Tier 1 capital. Other than the grants and donations, there were no qualified investments in the Bergen-Passaic AA that directly benefited this AA. In the Newark AA, VNB made one qualified investment totaling \$920 thousand that directly benefited the AA. Additionally, the bank made 42 qualifying grants and donations totaling \$139 thousand. We allocated \$2.8 million of all six investments made on a broader regional level to the Newark AA. These investments and grants represent 2.1% of allocated Tier 1 capital. Our community contacts disclosed that CD investment opportunities are available in the AAs, however the market for these investments is highly competitive. The larger regional and multinational financial institutions have a greater capability of obtaining CD investments as they become available. None of the investments made by the bank are considered complex or innovative.

The following are the major qualified investments, which were made in or were allocated to the Bergen-Passaic and Newark AAs:

- The bank purchased three mortgage-backed securities totaling \$3.5 million. We allocated the investment to the AAs based on the location of the properties of the individual mortgages. The Bergen-Passaic AA was allocated \$1.2 million and the Newark AA was allocated \$2.1 million. The remainder was allocated to the limited-scope AAs. All of the mortgages supporting these securities were made to LMI individuals.
- A \$500 thousand investment was made in a small business investment company (SBIC). The SBIC lends throughout the bank's market area and therefore was allocated based on the bank's deposit and loan distribution. We allocated \$265 thousand to the Bergen-Passaic AA and \$135 thousand to the Newark AA. The remainder was allocated to the limited-scope AAs and to the New York AA. Refer to the Investment Test discussion under the state of New York for details.
- VNB made a \$500 thousand investment in a statewide community loan fund that promotes affordable housing opportunities within the bank's AAs. We allocated \$310 thousand to the Bergen-Passaic AA and \$155 thousand to the Newark AA. The remainder was allocated to the limited-scope AAs.
- A \$1 million investment in low-income tax credits was allocated to the Newark AA and the limited scope AAs based on the location of the eligible properties. The Newark AA received consideration for \$430 thousand.
- The bank purchased a \$920 thousand bond issued by a local housing authority located in the Newark AA was purchased. The housing authority uses the funds to support affordable housing through the provision of low-cost financing, housing rehabilitation, and homebuyer education programs targeted to LMI individuals.

VNB has three prior period investments totaling \$615 thousand. These investments were in two statewide community loan funds and a low-income tax credit program, which benefit all of the bank's AAs. Of the total, \$381 thousand was allocated to the Bergen-Passaic AA and \$191 thousand was allocated to the Newark AA. The remainder was allocated to the limited scope AAs.

During the evaluation period, VNB made 46 qualifying grants and donations totaling \$244 thousand in the Bergen-Passaic AA and 42 qualifying grants and donations totaling \$139 thousand in the Newark AA. In each AA, the grants were spread among more than 20 organizations that target affordable housing, community development services, and financial literacy programs for LMI individuals.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the investment test in the Jersey City AA is not inconsistent with the bank's overall "Low Satisfactory" performance under the investment test in New Jersey. In the Middlesex-Somerset AA the bank's performance is stronger than the bank's overall performance in the state. Qualified investments in this AA represent 6.1% of allocated Tier 1 capital. This stronger performance had no impact on the bank's overall rating, given the size and scope of the bank's operations in this AA. Refer to the Table 14 in the state of New Jersey 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 New Jersey is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Bergen-Passaic and Newark AAs 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 delivery systems are reasonably accessible to geographies and individuals of different income levels in both full-scope AAs.

The distribution of VNB's branches in low- and moderate-income geographies in both full-scope AAs is below the percentage of the population residing in such geographies. However, in the Bergen-Passaic AA there are six branches and in the Newark AA there are eight branches located in middle- and upper-income geographies, which are in close proximity to several low-income geographies. In both full-scope AAs, there are no

branches in middle- or upper-income geographies in either AA in close proximity to moderate-income geographies.

In the Bergen-Passaic AA, VNB opened three branches in addition to the five branches the bank acquired when it purchased Ramapo Financial. One of the opened branches is located in a moderate-income geography. In the Newark AA, VNB opened five branches; all are located in middle or upper income geographies. One branch in the Bergen-Passaic AA and two branches in the Newark AA, all located in upper-income geographies, were closed as a result of branch consolidations. In both AAs, the consolidations did not adversely impact accessibility of services, particularly in LMI geographies or to LMI individuals.

VNB's hours and services do not materially differ throughout the full-scope AAs. All branch offices in the Bergen-Passaic AA offer extended hours and a substantial majority have Saturday hours. In the Newark AA, a substantial majority of the branches have extended and Saturday hours.

VNB offers alternative delivery systems in the form of ATMs, telephone, and PC/internet banking. The geographic distribution of the bank's ATMs is similar to the geographic distribution of the branches in the AAs. 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 LMI geographies and individuals.

Community Development Services

The bank provides an adequate level of community development services in both full-scope AAs based on documentation maintained by the bank. Major community development services provided in the AAs during the evaluation period include:

Bergen-Passaic AA

- Two senior officers of the bank serve on the board and finance committee of Paterson Habitat for Humanity. The bank also provides free property reports and servicing of mortgage loans closed by the organization. Habitat for Humanity is a nationwide non-profit organization that helps to create affordable housing for low- and moderate-income individuals.
- A branch manager serves as treasurer of the Passaic Enterprise Zone Development Corporation. This organization fosters economic growth, employment, and other activities that revitalize or stabilize low- and moderate-income geographies in the City of Passaic.
- An officer of the bank serves as president of the board of directors of the Mental Health Clinic of Passaic. This organization provides health care services primarily to low- and moderate-income individuals.

- A senior officer of the bank serves on the advisory boards of Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Both of these nationally chartered corporations help provide affordable housing assistance to low- and moderate-income individuals in targeted communities

Newark AA

- An officer of the bank serves on the lending committee of the New Community Development Loan Corporation (NCDLC). NCDLC is a non-profit economic development organization that helps promote community development by financing small businesses.
- A senior officer of the bank serves on the board of the Morris Habitat for Humanity. As noted earlier, Habitat for Humanity helps create affordable housing for low- and moderate-income individuals.
- A regional sales manager serves on the board and finance committee of the Greater Newark Business Development Consortium (GNBDC). GNBDC promotes economic development by financing small businesses.
- A senior officer of the bank serves on the board of the Housing Partnership for Morris County. The partnership helps to facilitate affordable housing opportunities that target low- and moderate-income individuals.
- The president of the bank serves as a trustee of the Daughters of Israel, a non-profit nursing home. The majority of residents are low- and moderate-income individuals as evidenced by their receipt of Medicaid.
- A senior officer of the bank serves on the advisory boards of Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Both of these nationally chartered corporations help provide affordable housing assistance to low- and moderate-income individuals in targeted communities

Additionally, the bank has sponsored and business development officers have participated in several seminars that promote the bank's SBA loan program in its both of the full-scope AAs.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the service test in the Jersey City AA is not inconsistent with the bank's overall "Low Satisfactory" performance under the service test in New Jersey. In the Middlesex-Somerset AA the bank's performance is stronger than the bank's overall performance in the state. Refer

to Table 13 in the state of New Jersey section of appendix D for the facts and data that support these conclusions.

The stronger performance in the Somerset-Middlesex AA is due to the accessibility of VNB's offices in this AA. Two, or 50% of the bank's branches in this AA are located in moderate-income geographies where 11% of the population resides. The percentage is skewed by the fact that there are only four branches in this AA. The stronger performance did not impact the overall service test rating.

State Rating

State of New York

CRA Rating for New York:	Needs to Improve
The lending test is rated:	Needs to Improve
The investment test is rated:	High Satisfactory
The service test is rated:	Low Satisfactory

The major factors that support this rating include:

- Poor lending activity in the AA.
- Adequate distribution of loans among geographies throughout the AA based on the location of the bank's branches.
- Poor distribution of loans among business customers of different sizes.
- Investments reflect good responsiveness to the needs of the AA.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AA.
- The bank performs an adequate level of community development services that are responsive to the identified needs in the AA.

Description of Institution's Operations in New York

VNB expanded into the New York marketplace in January 2001 with the merger and acquisition of The Merchants Bank of New York (MBNY). Historically, MBNY developed a niche in lending to the jewelry, apparel, fur, and rug import businesses located in NYC. VNB has one AA in New York and includes all of New York County (Manhattan) within the New York MSA #5600. The bank operates seven branches; five are located in midtown and two are located downtown. These branches are relatively distant from most of the LMI geographies in the AA.

Refer to the market profiles for the state of New York in appendix C for detailed demographics and other performance context information for the assessment area.

Scope of Evaluation in New York

VNB's single AA in New York received a full scope review. Small loans to businesses and CD loans were evaluated. Given the wholesale lending strategy by the Merchants Division, home mortgage lending is not a primary business focus and was not evaluated. The five home mortgage loans originated by VNB in the New York AA do not provide for a meaningful analysis. MBNY was acquired and merged into VNB in January 2001. As noted earlier under "Data Integrity" aggregate market share data for 2000 CRA reportable lending was deemed to be inaccurate and was not considered in this evaluation.

We reviewed community contacts conducted by the various bank regulatory agencies during the prior year. Additionally we conducted a community contact during this evaluation. Refer to the Market Profile section in Appendix C for details.

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in New York is rated "Needs to Improve". Based on the full-scope review, the bank's performance in the New York AA is poor.

Lending Activity

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

The bank's lending activity in the New York AA is poor. Based on information reported by the bank, VNB originated 201 small loans to businesses totaling \$84 million in the AA during the evaluation period. In the New York AA, VNB ranked 22nd in deposit market share with 0.42% of the deposits. Based on 2000 CRA aggregate reportable lending, there were 206 lenders that made small loans to businesses in the AA. We were unable to rank the bank's lending performance based on inaccurate data reported in 2000.

Distribution of Loans by Income Level of the Geography

Small Loans to Businesses

Refer to Table 6 in the state of New York 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 adequate in the New York AA, although the percentage of lending in low- and moderate-income is significantly below the percentage of businesses located within these geographies. As noted earlier, most of the bank's branches are distant from the significant majority of the LMI geographies in the AA. Additionally, of the types of businesses to which the bank specializes, few are located within LMI geographies.

Lending Gap Analysis

A map detailing VNB's lending activity during the evaluation period for small loans to businesses was 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 (75%) of its loans in the combined AAs. VNB originated 69% of its HMDA loans and 87% 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

Small Loans to Businesses

Refer to Table 11 in the state of New York 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 poor in the New York AA.

The percentage of VNB's small loans to small businesses (businesses with gross annual revenue's of \$1 million or less) is significantly below the percentage of small businesses in the AA. Additionally, 60% of the bank's small loans to businesses were in an amount greater than \$250 thousand but less than or equal to \$1 million. This can be attributed to the specialized businesses the bank has historically marketed to in the New York AA.

Community Development Lending

Refer to Table 1 Lending Volume in the state of New York section of appendix D for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

The bank's level of CD lending had a neutral impact on the lending test rating. During the evaluation period, VNB originated six CD loans totaling \$1.4 million, or 1.4% of allocated Tier 1 capital. The following are examples of the CD loans originated:

- VNB originated a \$500 thousand loan to a non-profit organization comprised of 10 community development corporations (CDCs) located throughout the U.S. All of the CDCs have assisted developing and funding affordable housing and economic development targeted to LMI individuals and geographies, including the bank's AA.
- The bank renewed a \$300 thousand line of credit to a non-profit economic development corporation. The corporation promotes economic development by financing small businesses.
- VNB originated a \$250 thousand line of credit to a community development financial institution (CDFI). The CDFI provides capital to small- and medium sized nonprofit organizations that are engaged in delivering CD services and promote economic development to LMI individuals and/or geographies.

Product Innovation and Flexibility

Aside from the traditional loan products offered, including SBA loans, which may have flexible terms, none of the products were considered innovative.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test in the State of New York is rated "High Satisfactory". Based on the full-scope review, the bank's performance in the New York AA is good.

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

During the evaluation period, VNB, and its predecessor MBNY made three qualified investments for \$5.2 million and 25 qualifying grants and donations totaling \$205 thousand in the New York AA. Additionally, we allocated one investment that covered a

broader regional area that included the bank's AA. The investments and grants benefiting the New York AA represent 5.5% of allocated Tier 1 capital. We determined through our internal resources, community contacts, and discussion with bank management that opportunities for qualified investments in the New York AA are limited due to highly competitive market conditions. When investment opportunities do become available the larger regional and multinational financial institutions have greater capability of obtaining community development investments.

The following qualified investments were originated in the New York AA. None are considered complex or innovative:

- VNB purchased three mortgage-backed securities totaling \$5.2 million. The funds will be used to finance the renovation of affordable, multi-family housing located in two low-income geographies in the Harlem section of NYC. After renovation, all of the apartments will be exclusively for LMI individuals.
- The NY AA was allocated \$75 thousand of a \$500 thousand investment in an SBIC, which lends throughout the bank's market area, including the state of New York. The investment was allocated based on the bank's deposit structure. The remaining \$425 thousand was allocated among the bank's New Jersey AAs. Refer to the Investment Test discussion under the state of New Jersey for additional details.

VNB has six prior period investments that remain outstanding totaling \$500 thousand. These investments consist of nonmember shares in five community development credit unions and a certificate of deposit in one community development bank. These prior period investments continue to play an important role by increasing the level of financing available to specifically support community development activities in the AA.

During the evaluation period, VNB made 25 qualifying grants and donations totaling \$205 thousand in the New York AA. The grants were spread among 12 organizations. These organizations promote economic development by financing small businesses, promote affordable housing for or provide 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 York is rated "Low Satisfactory". The bank's performance in the New York AA is adequate.

Retail Banking Services

Refer to Table 15 in the state of New York 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 has seven branch locations in the AA with two offices located in downtown Manhattan and five offices located in midtown Manhattan. These are former MBNY branches, which VNB acquired in January 2001. These branches have traditionally served commercial customers and are operated as the Merchants Division of VNB. VNB has not opened or closed any branches since the acquisition.

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

The distribution of VNB's branches in low- and moderate-income geographies is below the distribution of the population living in these geographies. VNB does not have a branch in any of the low-income geographies, where 20% of the population resides. However, a branch located in an upper-income geography is adjacent to a low-income geography. There is one branch located in a moderate-income geography, where 24% of the population resides. Also, a branch located in a middle-income geography is adjacent to a moderate-income geography. These two offices enhance VNB's accessibility to geographies and individuals of different income levels throughout the AA.

VNB's hours and services do not materially differ throughout the AA. Extended hours are offered at all seven branches. Saturday hours are offered at three of the seven branches. Prior to the acquisition by VNB, none of the branches offered extended or Saturday hours.

VNB offers alternative delivery systems in the form of ATMs, telephone, and PC/internet banking. The geographic distribution of the bank's ATMs is similar to the geographic distribution of the branches in the AA. 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 LMI geographies and individuals.

Community Development Services

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

- A senior officer of the bank serves on the board and loan committee of the Renaissance Economic Development Corporation. (REDC). REDC is a CDFI. The CDFI provides capital to small- and medium sized nonprofit organizations that are engaged in delivering CD services and promote economic development to LMI individuals and/or geographies
- A senior officer of the bank serves on the board of Asian Americans for Equality (AAFE). AAFE assists in promoting and creating affordable housing to low- and moderate-income individuals.

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): 01/01/1999 to 12/31/2001 (NJ) 01/01/2001 to 12/31/2001 (NY) Investment and Service Tests and CD Loans: 04/19/99 to 07/29/02 (NJ) 01/01/01 to 0729/02 (NY)	
Financial Institution		Products Reviewed
Valley National Bank (VNB)		Home mortgage loans, small loans to business, and CD loans.
Affiliate(s)	Affiliate Relationship	Products Reviewed
VN Investment Inc.	Bank Subsidiary	Investments
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
New Jersey Bergen-Passaic #0875 Newark #5640 Jersey City #3640 Middlesex-Somerset- Hunterdon #5015 New York New York (NY County) #5600	Full Scope Full Scope Limited Scope Limited Scope Full Scope	Bank began operations in New York on January 19, 2001.

Appendix B: Summary of State Ratings

RATINGS Valley National Bank				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State Rating
Valley National Bank	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
State:				
New Jersey	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
New York	Needs to Improve	High Satisfactory	Low Satisfactory	Needs to Improve

(*) 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

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Market Profiles for Areas Receiving Full-Scope Reviews

Bergen-Passaic.....	C-2
Newark	C-2
New York (NY County)	C-2

State of New Jersey Full-Scope Areas

Bergen-Passaic

Demographic Information for Full-Scope Area: Bergen-Passaic						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	303	6.60	15.18	42.57	22.11	13.53
Population by Geography	1,278,440	4.18	18.73	52.23	24.82	0.04
Owner-Occupied Housing by Geography	296,445	0.79	11.01	56.56	31.64	0.00
Businesses by Geography	71,255	3.27	15.08	53.25	28.31	0.10
Farms by Geography	1,235	0.73	6.15	56.68	36.36	0.08
Family Distribution by Income Level	343,174	18.58	18.93	23.58	38.91	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	128,725	7.73	28.31	50.93	13.03	0.00
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$52,659 = \$78,900 = 6.33%	Median Housing Value (2Q2002) Unemployment Rate (June 2002)		=\$338,800 = 5.6%		

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

Source: 1990 U.S. Census, and 2001 HUD updated MFI, Bureau of Labor Statistics, National Association of Realtors.

This AA matches the boundaries of the Bergen-Passaic MSA #0875. It includes Bergen and Passaic Counties located in northern New Jersey. Major communities include Clifton, Hackensack, Passaic, Paterson, and Wayne.

The bank operates 57 branches in the AA, which represents 47% of the total statewide branches. The AA accounts for 62% of the bank's total statewide deposits. Based on the June 30, 2001 FDIC Summary of Deposits, VNB had \$3.2 billion in deposits and ranked second with a 9.2% market share. Fleet National Bank, which has a more extensive branch network, ranked first with 26.5% market share.

Competition is strong. The bank's major competitors include nationwide mortgage and business lenders, large regional banks, and numerous community banks.

Following a small influx of employment in the aftermath of September 11th, job losses have resumed. A number of transportation-related employers have reduced their workforce as a result of both September 11th and the general weak economy. In June 2002, the unemployment rate was 5.6% compared to 4.4% at the same time last year. Major employers include Hoffman-La Roche and Hackensack Medical Center. Leading

industries by total employees include hospitals, personal supply services, and miscellaneous business services.

Recently released data on housing prices indicate that Bergen-Passaic is the least affordable area in the state. The median home price during 2Q2002 increased 24.7% from the same prior year period to nearly \$339 thousand. Affordability is expected to be a continuing problem going forward due to the area's close proximity to NYC, high incomes, and limited opportunities for development.

A review of recent community contacts, in addition to a community contact conducted with a local housing authority, confirmed the pressing need for affordable housing within the AA.

Newark

Demographic Information for Full-Scope Area: Newark						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	472	13.14	22.03	36.23	25.64	2.97
Population by Geography	1,882,042	8.86	20.89	39.08	31.12	0.04
Owner-Occupied Housing by Geography	400,345	2.02	10.92	44.43	42.62	0.00
Businesses by Geography	91,148	6.91	12.43	41.75	38.88	0.04
Farms by Geography	1,980	0.56	3.54	49.80	46.11	0.00
Family Distribution by Income Level	490,641	19.94	17.63	23.48	38.94	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	184,380	16.25	31.95	36.99	14.80	0.00
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$50,047 = \$78,700 = 8.87%	Median Housing Value (2Q2002) Unemployment Rate (June 2002)		= \$289,700 = 5.9%		

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

Source: 1990 U.S. Census, and 2001 HUD updated MFI, Bureau of Labor Statistics, National Association of Realtors

VNB's AA comprises most of the Newark MSA #5640 and consists of Essex, Morris, Sussex, and Union Counties in their entirety and a portion of Warren County in northern New Jersey. Major cities in the AA include Newark, Irvington, East Orange, and Elizabeth.

The bank operates 50 branches in the AA, which represents 41% of the total branches statewide. The AA accounts for 31% of the bank's total statewide deposits. Based on the June 30, 2001 FDIC Summary of Deposits, VNB had \$1.7 billion in deposits and ranked sixth with a 4.5% market share. First Union and Fleet National Bank ranked first and second, respectively, had a combined market share of 38%. Both of these institutions have a larger branch network throughout the AA.

Competition is strong. The bank's major competitors include nationwide mortgage and business lenders, large regional banks, and numerous community banks.

Employment has been falling in the Newark AA, particularly in the transportation and telecommunications industries. Major employers include Continental Airlines, Prudential Insurance, Merck, Schering-Plough, and AT&T. AT&T and Lucent Technologies, two of the areas larger employers continue to struggle. In April 2002, Lucent announced its third round of layoffs since 2001. The unemployment rate has been steadily increasing and in June 2002 was 5.9% compared 4.4% in June 2001.

Affordable housing remains an issue in the area as a result of strong sales. During 2Q2002, the median price rose 10% from the same prior year period to nearly \$290 thousand. This makes home buying difficult for many low- and moderate-income individuals. Also affecting housing affordability is the high level of households below the poverty level, especially in the urban areas of the AA. In Newark alone, nearly 27% of the households are below the poverty level compared to 9% overall in the AA.

We reviewed five recently completed community contacts with local community development organizations. These organizations are involved in affordable housing and economic and community development.

State of New York Full-Scope Area

New York AA (NY County-Manhattan)

Demographic Information for Full-Scope Area: New York (NY County)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	298	21.14	21.81	11.07	42.28	3.69
Population by Geography	1,487,536	20.23	24.11	8.42	46.77	0.46
Owner-Occupied Housing by Geography	127,973	2.01	7.68	7.11	83.18	0.03
Businesses by Geography	138,481	6.11	16.09	9.29	64.52	3.99
Farms by Geography	274	5.11	8.39	12.41	73.72	0.36
Family Distribution by Income Level	305,368	28.80	13.84	14.33	43.02	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	130,226	39.35	37.20	7.24	16.21	0.00
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$37,515 = \$59,100 =16.76%	Median Housing Value Unemployment Rate (June 2002)		= \$212,357 = 7.6%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

The bank's AA consists of New York County (also referred to as Manhattan), which is located within the New York MSA #5600. VNB operates seven branches, which represent 5% of the bank's total branches. The bank operates in a very competitive market with many multinational, regional, foreign, and smaller local banks. The major banks include Citibank, Chase, Fleet, HSBC, and Bank of New York. Based on the June 30, 2001 FDIC Summary of Deposits, VNB had \$921 million in deposits and ranked 22nd, with a 0.42% market share. Chase and Citibank, ranked first and second respectively, dominated with a combined market share of 62%. Both of these banks have substantially larger branch networks than VNB.

New York City (NYC) is home to a diversified mix of businesses. Many national and international corporations are headquartered here. Historically, the downtown area has been dominated by the financial services industry. Industries operating in the midtown area include advertising, publishing, and garment production. The retail sector is a major employer with several large department stores and many small businesses operating throughout the AA.

After experiencing several years of good economic growth, the NYC economy has weakened in line with the national economy. A major factor is the September 11, terrorist attack that destroyed the World Trade Center. Tourism, a major contributor to

the NYC economy has been negatively impacted and has had a ripple effect on other industries and services. The volatility on Wall Street has also impacted the local and national economy. The AA's unemployment rate of 7.6% in June 2002 has risen over 2% from period last year. The overall state unemployment rate in June 2002 was 5.9%.

Within the AA, there are 785 thousand housing units of which 91% are occupied. Owner-occupied units account for 16% and rental units accounts for 75%. Additionally, nearly 96% of all housing units are multifamily. The high level of households below the poverty level coupled with the high cost of housing makes homeownership for low- and moderate-income individuals difficult.

Recently conducted community contacts with community organizations serving the bank's assessment area reveal a continued need for affordable housing development and rehabilitation lending. These contacts also identified flexible lending products and homebuyer counseling as needs within the community. The contacts stated that more involvement by financial institutions, in partnership with non-profit organizations, is needed to assist consumers in obtaining credit. One contact also expressed the opinion that banks could do more to assist small and new business owners with obtaining the funding necessary to conduct business in this high-cost area.

Appendix D: Tables of Performance Data

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Content of Standardized Tables

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

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. 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 with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. 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 with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

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

State of New Jersey

Table 1. Lending Volume

LENDING VOLUME												
Geography: NEW JERSEY												
Evaluation Period: January 1, 1999 to December 31, 2001												
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:												
Bergen/Passaic	44.66	2,329	403,626	1,532	264,136	0	0	2	3,500	3,863	671,262	61.81
Newark	45.23	2,691	435,813	1,216	200,441	0	0	5	38,700	3,912	674,954	31.37
Limited Review:												
Jersey City	5.45	269	42,632	201	38,599	0	0	1	5,000	471	86,231	5.23
Middlesex/Somerset	4.65	292	70,725	110	19,233	0	0	0	0	402	89,958	1.59
Outside AA/Statewide	.01	0	0	0	0	0	0	1	1,300	1	1,300	0

* Loan Data as of 12/31/01. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is April 19, 1999 to July 29, 2002.

*** Deposit Data as of June 30, 2001. 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		Geography: NEW JERSEY					Evaluation Period: January 1, 1999 to December 31, 2001									
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:																
Bergen/Passaic	864	40.99	0.79	0.46	11.01	4.86	56.56	56.71	31.64	37.96	1.05	0.81	0.43	1.13	1.21	
Newark	973	46.16	2.02	0.72	10.92	2.06	44.43	48.00	42.62	49.23	0.79	0.07	0.06	0.87	1.02	
Limited Review:																
Jersey City	113	5.36	0.60	1.77	10.42	11.50	59.59	60.18	29.40	26.55	0.31	0.00	0.20	0.35	0.28	
Middlesex/Somerset	158	7.50	0.00	0.00	5.71	2.53	56.99	35.44	37.31	62.03	0.60	0.00	0.00	0.31	0.98	

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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: NEW JERSEY				Evaluation Period: January 1, 1999 to December 31, 2001					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
Bergen/Passaic	318	42.74	0.79	0.63	11.01	3.77	56.56	59.12	31.64	36.48	1.95	0.00	0.55	2.19	2.12	
Newark	375	50.40	2.02	0.80	10.92	2.40	44.43	55.20	42.62	41.60	1.95	0.00	0.53	2.36	2.06	
Limited Review:																
Jersey City	24	3.23	0.60	0.00	10.42	4.17	59.59	41.67	29.40	54.17	0.87	0.00	0.00	0.76	1.42	
Middlesex/Somerset	27	3.63	0.00	0.00	5.71	0.00	56.99	66.67	37.31	33.33	0.55	0.00	0.00	0.75	0.31	

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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: NEW JERSEY					Evaluation Period: January 1, 1999 to December 31, 2001				
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:																					
Bergen/Passaic	1,119	42.43	0.79	0.45	11.01	6.34	56.56	50.67	31.64	42.54	0.96	0.00	0.41	0.75	1.66						
Newark	1,321	50.09	2.02	0.68	10.92	3.26	44.43	45.27	42.62	50.79	0.71	0.20	0.17	0.70	0.98						
Limited Review:																					
Jersey City	91	3.45	0.60	0.00	10.42	3.30	59.59	53.85	29.40	42.86	0.21	0.00	0.00	0.17	0.48						
Middlesex/Somerset	106	4.02	0.00	0.00	5.71	3.77	56.99	45.28	37.31	50.94	0.30	0.00	0.74	0.13	0.49						

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: NEW JERSEY						Evaluation Period: January 1, 1999 to December 31, 2001							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full Review:															
Bergen/Passaic	28	30.43	8.65	0.00	24.09	53.57	57.19	35.71	10.07	10.71	4.86	0.00	5.17	4.08	15.38
Newark	22	23.91	23.09	22.73	31.57	36.36	33.10	22.73	12.21	18.18	0.69	2.50	0.00	1.10	0.00
Limited Review:															
Jersey City	41	44.57	3.74	2.44	20.74	21.95	56.29	75.61	19.24	0.00	2.48	14.29	0.00	3.55	0.00
Middlesex/Somerset	1	1.09	0.00	0.00	31.39	0.00	52.73	0.00	15.89	100.00	7.14	0.00	0.00	0.00	14.29

* Based on 2000 Peer Mortgage Data: Northeast Region.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily 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: NEW JERSEY								Evaluation Period: January 1, 1999 to December 31, 2001					
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:															
Bergen/Passaic	1,532	50.08	3.27	3.66	15.08	13.38	53.25	54.37	28.31	28.59	1.57	2.92	1.99	1.57	1.44
Newark	1,216	39.75	6.91	4.52	12.43	6.91	41.75	39.80	38.88	48.77	0.91	1.01	0.65	0.96	0.99
Limited Review:															
Jersey City	201	6.57	1.23	0.00	17.05	10.95	56.70	45.77	24.60	40.80	0.85	0.00	0.16	0.66	1.57
Middlesex/Somerset	110	3.60	0.00	0.00	8.15	8.18	55.84	67.27	36.02	24.55	0.29	0.31	0.51	0.31	0.20

* Based on 2000 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.

*** Source Data - Dun and Bradstreet 2001.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: NEW JERSEY						Evaluation Period: January 1, 1999 to December 31, 2001							
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:															
Bergen/Passaic	864	40.99	18.58	6.39	18.93	19.95	23.58	26.86	38.91	46.81	1.19	1.27	1.32	0.87	1.35
Newark	973	46.16	19.94	10.01	17.63	25.26	23.48	24.12	38.94	40.61	0.87	0.79	0.77	0.94	0.89
Limited Review:															
Jersey City	113	5.36	22.91	0.91	16.23	11.82	21.11	14.55	39.75	72.73	0.39	0.00	0.16	0.42	0.44
Middlesex/Somerset	158	7.50	12.83	9.85	18.37	19.70	26.48	30.30	42.32	40.15	0.58	0.64	0.22	0.83	0.60

* Based on 2000 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for 10.44% 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: NEW JERSEY						Evaluation Period: January 1, 1999 to December 31, 2001						
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:															
Bergen/Passaic	318	42.74	18.58	9.12	18.93	16.98	23.58	25.47	38.91	48.43	2.11	2.54	1.67	1.58	2.54
Newark	375	50.40	19.94	10.13	17.63	20.27	23.48	28.27	38.94	41.33	2.13	2.13	2.52	2.05	1.99
Limited Review:															
Jersey City	24	3.23	22.91	4.17	16.23	12.50	21.11	16.67	39.75	66.67	0.93	0.00	1.63	0.43	1.12
Middlesex/Somerset	27	3.63	12.83	11.11	18.37	22.22	26.48	25.93	42.32	40.74	0.61	0.00	1.13	0.00	0.95

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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 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: NEW JERSEY				Evaluation Period: January 1, 1999 to December 31, 2001								
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:															
Bergen/Passaic	1,119	42.43	18.58	3.33	18.93	16.27	23.58	24.82	38.91	55.58	0.88	0.81	0.80	0.63	1.09
Newark	1,321	50.09	19.94	2.87	17.63	16.36	23.48	28.90	38.94	51.87	0.78	0.27	0.57	0.78	1.02
Limited Review:															
Jersey City	91	3.45	22.91	0.00	16.23	10.53	21.11	35.53	39.75	53.95	0.23	0.00	0.00	0.36	0.27
Middlesex/Somerset	106	4.02	12.83	2.35	18.37	25.88	26.48	21.18	42.32	50.59	0.24	0.00	0.00	0.16	0.55

* Based on 2000 Peer Mortgage Data: Northeast Region.

** As a percentage of loans with borrower income information available. No information was available for 22.34% 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: NEW JERSEY Evaluation Period: January 1, 1999 to December 31, 2001				
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:									
Bergen/Passaic	1,532	50.08	83.08	53.39	55.74	22.58	21.67	1.57	2.15
Newark	1,216	39.75	83.85	61.68	59.54	19.08	21.38	0.91	1.46
Limited Review:									
Jersey City	201	6.57	83.28	57.71	45.77	28.36	25.87	0.85	1.17
Middlesex/Somerset	110	3.60	82.36	69.09	51.82	27.27	20.91	0.29	0.56

* Based on 2000 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 -2001).

**** 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 2.48% of small loans to businesses originated and purchased by the Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: NEW JERSEY				Evaluation Period: April 19, 1999 TO July 29, 2002			
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:									
Bergen/Passaic	0	0	46	244	46	244	3.31	0	0
Newark	0	0	43	1,059	43	1,059	14.35	0	0
Limited Review:									
Jersey City	0	0	1	2	1	2	.03	0	0
Middlesex/Somerset	0	0	2	7	2	7	.10	0	0
Statewide/Regional:	3	615	6	5,525	9	6,065	82.21	0	0

* '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: April 19, 1999 to July 29, 2002																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Lo w	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Bergen/Passaic	61.81	57	47.11	1.75	10.53	52.63	35.09	3	1	0	1	0	3	4.18	18.73	52.23	24.82
Newark	31.37	50	41.32	0.00	6.12	57.14	36.73	5	2	0	0	0	2	8.86	20.89	39.08	31.12
Limited Review:																	
Jersey City	5.23	10	8.26	0.00	10.00	50.00	40.00	2	0	0	1	0	0	2.38	17.09	60.77	19.74
Middlesex/Somerset	1.59	4	3.31	0.00	50.00	50.00	0.00	0	0	0	0	0	0	0.00	10.64	56.94	32.42

Tables of Performance Data

State of New York

Table 1. Lending Volume

LENDING VOLUME												Geography: NEW YORK		Evaluation Period: January 1, 2001 to December 31, 2001	
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:															
New York AA	100.00	5	1,655	201	83,944	0	0	0	0	206	85,599	100.00			

* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is 01/01/2001 to 7/29/02[.

*** Deposit Data as of June 30, 2001. 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		Geography: NEW YORK				Evaluation Period: January 1, 2001 to December 31, 2001									
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:															
New York AA	1	100.00	2.01	0.00	7.68	0.00	7.11	0.00	83.18	100.00	0.03	0.00	0.08	0.00	0.03

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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: NEW YORK				Evaluation Period: January 1, 2001 to December 31, 2001					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
New York AA	0	0.00	2.01	0.00	7.68	0.00	7.11	0.00	83.18	0.00	0.00	0.00	0.00	0.00	0.00	

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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: NEW YORK Evaluation Period: January 1, 2001 to December 31, 2001				
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:																
New York AA	2	100.00	2.01	0.00	7.68	0.00	7.11	0.00	83.18	100.00	0.03	0.00	0.00	0.00	0.04	

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: NEW YORK				Evaluation Period: January 1, 2001 to December 31, 2001									
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
Full Review:																
New York AA	2	100.00	13.93	0.00	19.61	0.00	8.89	50.00	57.50	50.00	0.00	0.00	0.00	0.00	0.00	

* Based on 2000 Peer Mortgage Data: Northeast Region.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily 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: NEW YORK				Evaluation Period: January 1, 2001 to December 31, 2001								
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:															
New York AA	201	100.00	6.11	1.49	16.09	7.46	9.29	34.33	64.52	55.22	0.00	0.00	0.00	0.00	0.01

* Based on 2000 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.

*** Source Data - Dun and Bradstreet 2001.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: NEW YORK				Evaluation Period: January 1, 2001 to December 31, 2001									
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:																
New York AA	1	100.0 0	28.80	0.00	13.84	0.00	14.33	0.00	43.02	100.00	0.05	0.00	0.00	0.00	0.05	

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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 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: NEW YORK				Evaluation Period: January 1, 2001 to December 31, 2001										
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	Upp
Full Review:																	
New York AA	0	0.00	28.80	0.00	13.84	0.00	14.33	0.00	43.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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 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: XNEW YORK			Evaluation Period: January 1, 2001 to December 31, 2001				
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:																			
New York AA	2	100.00	28.80	0.00	13.84	0.00	14.33	50.00	43.02	50.00	0.04	0.00	0.00	0.37	0.00				

* Based on 2000 Peer Mortgage Data: Northeast Region.

** 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 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: NEW YORK		Evaluation Period: January 1, 2001 to December 31, 2001		
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****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
New York AA	201	100.00	78.30	20.90	17.91	22.39	59.70	0.00	0.00

* Based on 2000 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 - 2001).

**** 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 4.48% of small loans to businesses originated and purchased by the Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: NEW YORK									
Evaluation Period: January 1, 2001 to July 29, 2002									
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:									
New York AA	6	500	28	5,405	34	5,905	98.75	0	0
Statewide/Regional	0	0	1	75	1	75	1.25	0	0

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
Geography: NEW YORK																	
Evaluation Period: January 1, 2001 to July 29, 2002																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
New York AA	100.00	7	100	0.00	14.29	14.29	71.43	0	0	0	0	0	0	20.23	24.11	8.42	46.77

* '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.

