



Comptroller of the Currency
Administrator of National Banks

Large Bank

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

Public Disclosure

Community Reinvestment Act Performance Evaluation

August 24, 1998

Yardville National Bank
Charter Number 12606
3111 Quakerbridge Road
Mercerville, New Jersey 08619

Office of the Comptroller of the Currency
New York Metro Field Office
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

General Information	3
Definitions and Common Abbreviations	4
CRA Rating	5
Description of Institution	6
Description of Assessment Area	7
Conclusions with Respect to Performance Tests	
Scope of Review	9
Lending Test	9
Investment Test	15
Service Test	16
Community Development Services	17
Fair Lending Examination	17
Appendix A: Scope of Examination	18

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Yardville National Bank** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **August 24, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Assessment Area (AA) - An area including the geographies in which the bank has its main office, its branches, and its deposit-taking ATMs, as well as the surrounding geographies where the bank has originated or purchased a substantial portion of its loans.

Metropolitan Statistical Area (MSA) - Area defined by the United States Office of Management and Budget containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration.

Census Tract (CT) - A small geographic area. Census tracts average approximately 4,000 people. They are designed to be homogeneous with respect to population characteristics, economic status, and living conditions.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that have a home or branch office in an MSA to file annual summary reports of their mortgage lending activity. These reports include such data as the race, gender, and income of the applicant(s), the amount of the loan requested, and its disposition.

Household - Defined by the United States Census Bureau as all persons occupying a housing unit.

Family - Defined by the United States Census Bureau as only of householders related by birth, marriage, or adoption. Therefore, a single person living alone or two or more unrelated individuals living together are not considered to be a family.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually 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 and below it.

Low, Moderate, Middle, and Upper Income - Low income levels that are less than 50% of the MFI, moderate is 50% to 79% of the MFI, middle is 80% to 119% and upper income is 120% or more of the MFI.

Small Business Loan - A commercial loan with an original loan amount of \$1 million or less.

Small Business - A business with gross annual revenues of \$1 million or less.

CRA RATING

Institution's CRA Rating: This institution is rated Satisfactory. The factors supporting the bank's overall rating include:

- ▶ adequate responsiveness to credit needs within the assessment area;
- ▶ a majority of home mortgage (71%) and small business loans (66%) made within the assessment area;
- ▶ an adequate geographic distribution of all loans within the assessment area;
- ▶ a good distribution of loans among borrowers of different income levels and good distribution of loans to businesses of different sizes;
- ▶ a good level of community development lending activity;
- ▶ an adequate level of investments throughout its assessment area;
- ▶ reasonable access to delivery systems for all segments of the assessment area; and
- ▶ a reasonable level of community development services provided.

The following table indicates the performance level of Yardville National Bank with respect to the lending, investment, and service tests.

Performance Levels	Yardville National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	X	X
Needs to improve			
Substantial noncompliance			

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

Description of Institution

Yardville National Bank (Yardville), headquartered in Mercerville (Hamilton Township), New Jersey, is the major subsidiary of Yardville National Bancorp. The bancorp is a publicly traded bank holding company with assets of \$698 million. Yardville Capital Trust, a holding company subsidiary, was formed in 1997 as a vehicle for raising capital

Other subsidiaries of the bank include Yardville National Investment Corporation, which holds investment securities, Brendan Inc. and Nancy Beth Inc., which holds other real estate owned, and Yardville Real Estate Corporation, which holds the bank branches' real estate. Yardville opened one branch since the prior evaluation and now operates nine branches within Mercer County. A tenth branch, in Pennington, New Jersey, opened after this evaluation commenced. The bank operates at least one ATM and drive-up banking at each branch location.

Yardville continues to exhibit rapid growth. As of June 30, 1998, total bank assets increased 32% from the same prior year period to \$697 million. Yardville ranks fifth in deposit market share (7%) in Mercer County based on June 30, 1997 FDIC data. Within Hamilton Township, where five of the bank's branches are, Yardville ranks first in market share (25%). The bank's loan-to-deposit ratio of 91% is significantly higher than national peer banks. Other than this ratio, which can impact the bank's liquidity, there are no other financial or legal obstacles impacting Yardville's ability to help meet its community's credit needs. The bank's strategic focus is on community banking and low- and middle-market business lending.

The following table portrays the principal loan mix of the bank:

**Types of Domestic Loans Outstanding
June 30, 1998, \$ (millions)**

Type of Loans	Amount	Percentage
Residential Real Estate	97	22
Commercial Real Estate	198	45
Commercial	111	26
Installment	23	5
Other	9	2
Total	438	100

Competition continues to be provided from several larger regional institutions as well as local institutions and non-bank financial intermediaries. Primary competitors are CoreStates Bank (recently acquired by First Union), First Union National Bank, Summit Bank, and PNC Bank.

Description of Assessment Area (AA)

Yardville has defined one assessment consisting of the entire Trenton, New Jersey MSA 8480, which includes Mercer County. The county incorporates the following municipalities: East Windsor, Ewing, Hamilton, Hightstown, Hopewell, Lawrence, Pennington, Princeton, Trenton, Washington, and West Windsor.

The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas (LMI). LMI is referred throughout this document to describe low- and moderate-income individuals and/or census tracts. The following table reflects the demographics of the AA:

ASSESSMENT AREA DEMOGRAPHICS				
Designation	# of Tracts	% of Total Tracts	% of Households Residing in the Census Tracts	% of Families Residing in the Census Tracts
Low	7	11%	6%	19%
Moderate	12	19%	16%	18%
Middle	27	43%	48%	24%
Upper	15	24%	30%	39%
N/A*	2	3%	0%	0%
TOTAL	63	100%	100%	100%

* No income reported for these tracts.

The AA is populated by 326,000 individuals. The AA 1990 census median family income is \$48,490; the 1998 updated median family income is \$63,000. The median housing value in the AA is \$150,801. The median age of housing stock is 41 years. Total occupied housing units is 95%, with owner-occupied housing at 63% and rental occupied housing at 32%. Vacant housing units in the AA are 5%.

Within the AA, there are nearly 12,000 businesses of which 72% are defined as small businesses. Public sector employment represented 27% of all jobs in the county. Major employers in the county include the State of New Jersey, Princeton University, Bristol Myers Squibb, and Princeton Medical Center. The Local PMSA non seasonally adjusted unemployment rate of 4.4% as of June 1998 is down slightly from a year ago and below the statewide rate of 4.9%.

Credit needs of the AA based on two community contacts with affordable housing organizations include affordable housing, (especially first-time home ownership), small business lending, and the need for financial education programs.

City of Trenton

The City of Trenton represents 27% of the population and 38% of the geographies of the entire AA. The demographics of the city are dramatically different in terms of the make up of the population, income levels, and the nature of the housing stock. All of the low-income tracts and eleven (92%) of the twelve moderate income tracts of the entire AA are within Trenton.

Seventeen percent (17%) of the households residing in the City of Trenton are below the poverty level as compared with 7% for the overall AA. The Department of Housing and Urban Development Consolidated Plan for the city indicates that 41% of Trenton's population is considered very low income. Overall, within the City of Trenton, 39% of the families are low-income, 24% are moderate-income, 22% are middle-income, and 15% are upper-income.

The median housing value in the city is \$67 thousand and the median age of the housing stock is 57 years. Owner-occupied and rental-occupied housing is evenly split with each at 46%. Vacant units are 8%. Within the low-income tracts, the percentage of vacant units rises to 15%. According to the Consolidated Plan, the most serious housing problems include severe housing cost burden and overcrowding among low income renters, a proliferation of substandard housing conditions and a corresponding decrease in available housing opportunities for low income renter households. Among low income homeowners, there is an ongoing need for financial assistance for property improvement repairs in order to satisfy code violations. Twenty-five to thirty percent of privately owned rental housing stock is considered physically substandard. With owner-occupied housing, 10-20% is also substandard.

The city's unemployment rate of 9.7% at the end of 1997 was more than double that of Mercer County, the State of New Jersey, and the national unemployment rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Scope of Review

This review covered the time period from January 1, 1996 to June 30, 1998 for all Home Mortgage Disclosure Act (HMDA), small business, and community development loans. Also, investments purchased and matured and services initiated over the time period were reviewed.

LENDING TEST

Lending Activity

Loans originated during the evaluation period reflect an adequate responsiveness to the credit needs of the assessment area. The distribution of assessment area originations since the previous examination is as follows:

LOAN DISTRIBUTION OF ORIGINATIONS IN THE ASSESSMENT AREA DURING THE EVALUATION PERIOD (*)					
LOAN TYPE	# LOANS	% of TOTAL	\$ (000's)	% of TOTAL	% Inside AA # / \$
Residential Mortgages (HMDA)	430	46	28,211	26	71 % / 58%
Small Business	502	53	75,202	70	66% / 58%
Community Development	12	1	4,748	4	80% / 86%
TOTAL	944	100	108,161	100	68% / 59%

(*) This table reflects loans originated in the assessment area from January 1996 to June 1998.

Assessment Area Concentration

The bank originates a majority of its loans within the assessment area. From the table above, the 430 HMDA loans and \$28.2 million represent 71% of the bank's total HMDA originations and 58% of the dollars. The 502 small business loans and \$75.2 million represent 66% of total small business loans and 58% of the dollars originated during the evaluation period. There were no small farm loans originated in the assessment area.

Geographic Distribution of Loans

Loans originated during the evaluation period are distributed adequately throughout the assessment area. The tables below show the distribution of loans by product type and among the different census tracts:

HMDA Loans

We used 1997 peer HMDA data because market information is available for this period. The market consisted of all HMDA reporters in the bank's assessment area. For HMDA loans, Yardville's performance in 1997 slightly outperformed the market in both low- and moderate-income census tracts. Overall, the bank's market share was 1.6%. Market share data also shows adequate penetration throughout the assessment area with a market share of 3.21% in low-income, 1.89% in moderate-income, 2.02% in middle-income, and 0.90% in upper-income census tracts. Market performance in 1996 was identical to 1997.

TOTAL HMDA LOAN ORIGINATIONS - Geodistribution								
CENSUS TRACTS		June 1998 YTD		1997		1996		
Type	# %	# Loans %Total	\$ %Total	# Loans %Total	\$ %Total	# Loans %Total	\$ %Total	1997 Market Perf. (b)
Low	7 11%	2 2%	85 1%	6 5%	231 3%	3 2%	82 1%	3%
Moderate	12 19%	19 15%	668 8%	15 12%	654 7%	23 13%	815 7%	11%
Middle	27 43%	70 56%	4,760 58%	76 61%	5,045 57%	124 68%	7,633 69%	48%
Upper	15 24%	34 27%	2,759 33%	27 22%	2,921 33%	31 17%	2,558 23%	38%
Total	61(a) 97%(a)	125 100%	8,272 100%	124 100%	8,851 100%	181 100%	11,088 100%	100%

(a) There is a total of 63 census tracts in assessment area; 2 tracts have no income information.

(b) The market consists of all HMDA reporters in the bank's assessment area. Market performance is based on the number of loans as a percent of the total.

Small Business Lending

Small business loans originated during the evaluation period are reasonably distributed throughout the assessment area. The following table shows the distribution of loans to businesses with gross annual revenues of \$1 million or less. Sixty-five percent of these businesses are in the middle- and upper-income census tracts where Yardville originated 88% of the number of small business loans during the evaluation period. During the entire evaluation period, Yardville originated 2% of the loans in the low-income tracts and 10% in the moderate-income tracts. Five percent of small businesses are in the low-income tracts, while 10% are in the moderate-income tracts.

TOTAL SMALL BUSINESS LOAN ORIGINATIONS to SMALL BUSINESSES (a)								
Geodistribution								
CENSUS TRACTS		% of Small Businesses (b)	June 98 YTD		1997		1996	
Type	# % (a)		# LOANS %TOTAL	\$ %TOTAL	# LOANS %TOTAL	\$ %TOTAL	# LOANS %TOTAL	\$ %TOTAL
Low	7 11%	7%	2 2%	520 3%	3 2%	545 3%	5 3%	382 2%
Mod.	12 19%	12%	4 4%	475 3%	21 14%	2,618 15%	15 9%	2,241 9%
Middle	27 43%	45%	71 69%	11,153 72%	97 64%	10,766 63%	95 58%	13,074 52%
Upper	15 24%	36%	26 25%	3,469 22%	31 20%	3,212 19%	49 30%	9,363 37%
Total	61 97%	100%	103 100.0%	15,617 100.0%	152 100%	17,141 100%	164 100.0%	25,060 100.0%

(a) There is a total of 63 census tracts in the assessment area; 2 tracts have no income information.

(b) Small business establishments with revenues of \$1 million or less.

Borrowers' Profile

Loans originated during the evaluation period are reflect good penetration among retail customers of different income levels and business customers of different sizes. The tables below show the distribution of HMDA loans among the different income levels, and of small business loans.

HMDA Loans

Yardville outperformed the market in lending to low-, moderate-, and middle-income persons and paralleled the market in lending to upper-income persons. We used 1997 peer HMDA data because market information is available for this period. The market consisted of all HMDA reporters in the bank's assessment area. Market performance in 1996 was slightly below the performance in 1997 in all income levels.

Additional market share data also shows adequate penetration among retail customers of different income levels with a 2.03% market share of loan originations to low-income persons, 1.26% of loans to moderate-income, 1.94% to middle-income, and 1.56% to upper-income persons.

While the bank's performance to low-income borrower's is lower than the distribution of families within the same tract income level, it should be noted that a significantly higher portion of these families reside within the City of Trenton, where the MFI is much lower and a high percentage of the families are below the poverty level.

TOTAL HMDA LOAN ORIGINATIONS - Borrowers' Profile								
FAMILY INCOME		June 1998 YTD		1997		1996		1997 Market Perf. (a)
Distribution of Families	%	# Loans %Total	\$ %Total	#Loans %Total	\$ %Total	# Loans %Total	\$ %Total	
Low	19%	17 14%	712 9%	17 14%	512 6%	23 13%	514 5%	9%
Moderate	18%	24 19%	1,254 15%	18 15%	897 10%	51 28%	2,382 21%	17%
Middle	24%	38 30%	2,112 26%	39 31%	2,789 32%	57 32%	3,834 35%	22%
Upper	39%	46 37%	4,194 50%	50 40%	4,653 52%	48 26%	4,057 36%	35%
NA	0%	0 0%	0 0%	0 0%	0 0%	2 1%	301 3%	17%
Total	100%	125 100%	8,272 100%	124 100%	8,851 100%	181 100%	11,088 100%	100.0%

(a) The market consists of all HMDA reporters in the bank's assessment area. Market performance is based on the number of loans as a percent of the total.

Small Business Lending

The distribution of small business loans to all businesses is good. The table below of small

business loans by revenue size shows good penetration of business customers of different sizes.

SMALL BUSINESS LOAN ORIGINATIONS TO ALL BUSINESSES				
REVENUE SIZE	# OF LOANS	% of TOTAL	\$ LOANED (000s)	% of TOTAL
less than or equal to \$1 million	419	83	57,818	77
greater than \$1 million	76	15	15,710	21
unknown revenue	7	2	1,674	2
Total	502	100	75,202	100

The origination of loans less than \$100 thousand represents a majority of loans to businesses with gross annual revenues of \$1million or less. This represents adequate responsiveness to an identified need for small loans to small businesses. The table below shows that 62% of the number and 18% of the dollar amount of such loans were for less than \$100 thousand in loan size.

SMALL BUSINESS LOAN ORIGINATIONS TO SMALL BUSINESSES				
LOAN SIZE (000s)	# OF LOANS	% of TOTAL	\$ LOANED (000s)	% of TOTAL
Less than \$100	260	62	10,521	18
\$100-\$250	91	22	15,427	27
\$250-\$1,000	68	16	31,870	55
Total	419	100	57,818	100

Community Development Lending Activities

Yardville has made good level of community development loans. Community development loans are loans that (1) have a primary purpose of community development, as defined at 12 C.F.R. § 25.12(h); (2) have not been reported or collected by the bank or an affiliate for consideration as home mortgage, small business, small farm or consumer loans, unless they are multifamily dwelling loans; and (3) benefit the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area. From January 1, 1996 to June 30, 1998, the Bank originated over \$1million in community development loans as follows:

- In 1996, the bank refinanced a \$458 thousand mortgage loan on a property consisting of sixteen low- and moderate-income apartment units in Trenton, New Jersey. Eleven of the units are under HUD Section 8 or welfare subsidized rental payment programs.
- In 1996, the bank provided a \$300 thousand loan secured by residential mortgages to a food company for acquiring and refurbishing an abandoned building in Trenton, New Jersey to be used as the company's operations center. The loan will help to revitalize and stabilize this moderate-income area.
- In 1997, the bank provided \$373 thousand in funding to a local, not-for-profit housing developer for the construction of thirteen units targeted to low- and moderate-income first-time home buyers in Hamilton Township, New Jersey.

The community development loans are responsive to the needs in the assessment area. As noted in the **Description of the Assessment Area** section of this evaluation, affordable housing is a primary need of the Trenton area, especially multifamily rental housing.

Innovative or Flexible Lending Practices

Yardville makes adequate use of flexible loan programs that benefit low- and moderate-income borrowers or census tracts. These programs have been instrumental in providing affordable lending for consumer purposes and small business development.

- The bank has participated with the New Jersey Housing and Mortgage Finance Agency in the construction financing of twenty-nine low- and moderate-income units in Hamilton Township and Trenton, New Jersey.
- The bank has a CRA mortgage product exclusive to Mercer County. Income limitation is determined by the MSA income. The product provides for a lower interest rate, zero points, and a higher debt/income ratio than the standard mortgage product. During the evaluation period, the bank originated 15 loans totaling over \$1million.
- The bank participates in the U.S. Small Business Administration and New Jersey Economic Development Agency loan programs.

INVESTMENT TEST

The bank has an adequate level of qualified investments. Total qualified investments made through the close of the evaluation were \$1,492,844. The investments and grants include:

- The bank purchased two privately developed pools of mortgage back securities totaling \$1,450,744. The pools contain a total of sixteen loans made to low- or moderate-income individuals in the bank's AA. The pools were purchased in 1998.
- Between January 1997 and June 1998, the bank made a total investment of \$20 thousand in The Community Loan Fund of New Jersey, a nonprofit Community Development Financial Institution (CDFI). This CDFI provides loans for affordable housing and economic development projects benefitting low-and moderate income people and geographies throughout the State of New Jersey, including the bank's assessment area. The bank provided an additional \$5 thousand operating grant in 1998 for the fund's lending and technical assistance program.
- A \$5 thousand grant to the Catholic Charities of the Diocese of Trenton to fund a feasibility study related to forming a CDFI to serve low- and moderate-income individuals.

The bank also made several small donations during the review period that totaled \$12,100. The donations were made to organizations that help provide economic development and/or affordable housing, as well as to organizations that provide community services to people of low- or moderate-income.

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

SERVICE TEST

Yardville's delivery systems are reasonably accessible to all portions of their assessment area. Branch hours are reasonable and convenient to Yardville's customers. One branch was opened in a middle-income tract and no branches were closed during the evaluation period. These actions did not adversely affect the low- and moderate-income areas within the bank's assessment area.

All branches offer extended and Saturday hours. The bank has at least one ATM at each branch location. As reflected in the following table, one Yardville office is in a moderate-income tract:

Distribution of Branches		
Census Tract Income Level	Branches	Census Tracts in the Assessment Area
	<i># / %</i>	<i># / %</i>
Low	0 / 0 %	7 / 11%
Moderate	1 / 11%	12 / 19%
Middle	7 / 78%	27 / 43%
Upper	1 / 11%	15 / 24%
NA	0 / 0%	2 / 3%
Total	9 / 100%	63 / 100%

The bank offers the traditional line of banking products and services at all of its branches.

The bank offers Telebank Service, a 24 hour automated service that allows access to loan and deposit accounts. Additionally, access to a telephone help center is provided through a toll-free number. The center has extended weekday and Saturday hours and provides information about all bank products and services to potential and existing customers. Yardville also offers information to the general public and customers through Internet computer banking.

Community Development Services

Yardville provides an adequate level of community development services, however, they are not, for the most part, innovative. Primary services include providing financial expertise to a variety of community service and development organizations through board membership; participation in credit counseling and small business loan fairs, and providing technical financial assistance in the administration of grant disbursements for community development organizations.

The following is a listing and description of some of the community development services provided in the assessment area:

- An officer of Yardville serves on the loan committee of Neighborhood Housing Services of Trenton, Inc. (NHS). NHS provides low cost loans to residents of targeted areas for home improvements and renovations. A senior officer of the bank headed a fund raising campaign for the organization.
- The bank periodically conducts first time home buyer seminars during the year. The seminars are targeted to low- and moderate-income individuals who learn about budgeting, the loan process, and the responsibilities of home ownership.
- Representatives of the bank's consumer credit department and a credit reporting agency conduct credit counseling seminars periodically during the year, targeted to low- and moderate-income individuals. Participants receive a free copy of their credit bureau report.
- The disbursements of the New Jersey Housing and Mortgage Finance Agency provided with the construction loan to the local, not-for-profit housing developer are monitored by Yardville.

FAIR LENDING EXAMINATION

A concurrent fair lending review did not identify any violations of the various anti-discrimination laws and regulations. Yardville has an effective system in place to comply with fair lending regulations.

Appendix A

SCOPE OF EXAMINATION

Time Period Reviewed	January 1, 1996 to June 30, 1998		
Financial Institution Yardville National Bank Mercerville, New Jersey			Products Reviewed Mortgage, small business, and community development loans, qualified investments and services.
Affiliate(s)	Affiliate Relationship		Products Reviewed
Yardville Investment Corporation	Bank Subsidiary		Qualified investments
Nancy Beth Inc. and Brendan Inc.	Bank Subsidiary	Other Real Estate Owned	None
Yardville Real Estate Inc.	Bank Subsidiary	Holds branch real estate.	None
Yardville Capital Trust, Inc.	Holding Company	Vehicle for raising capital through issuance of debt securities.	None
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Trenton MSA 8480 (Mercer County)	On-Site	Main Office, Quakerbridge Office	