



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 13, 2010

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Enterprise National Bank
Charter Number 24620**

**490 Boulevard
Kenilworth, NJ 07033**

**Comptroller of the Currency
Northeastern District
NEW YORK METRO Field Office
343 Thornall Street Suite 610
Edison, NJ 08837**

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

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

This rating is based on the following factors:

- The quarterly average loan-to-deposit ratio is more than reasonable at 85.17%, and meets the standard for satisfactory performance.
- A majority of loans, 55% by number and 66% by dollar amount, were originated inside the assessment area (AA). This meets the standard for satisfactory performance.
- The distribution of loans to businesses of different sizes reflects reasonable penetration and is satisfactory.
- The geographic distribution of loans to businesses reflects a reasonable dispersion throughout geographies of different income levels and is rated satisfactory.
- No consumer complaints were filed during the review period.

SCOPE OF EXAMINATION

We conducted an examination of Enterprise National Bank (ENB) for the purpose of evaluating its performance relative to the Community Reinvestment Act (CRA). The scope of the CRA examination included a review of ENB's record of originating its primary loan products.

Conclusions regarding ENB's lending performance are based on loans to businesses. ENB is not required to collect or report HMDA information or any small business information. In order to evaluate ENB's record of originating business loans, we collected data from a random sample of business loans originated by ENB during the evaluation period. We randomly selected 20 business loans from each AA to assess borrower and geographic distribution. We randomly selected 20 loans to assess lending in the AA. Business loans are considered the bank's primary loan product based on our review of the number and dollar amount of loans originated during the evaluation period. ENB's record of originating business loans was evaluated over the period from January 1, 2007 through December 1, 2009. The evaluation period relative to ENB's lending performance represents the most recent three years. Business lending includes lines of credit, installment and term loans, construction financing, and real estate loans.

DESCRIPTION OF INSTITUTION

Enterprise National Bank (ENB) is a \$107 million intrastate community bank headquartered in Kenilworth, NJ. The bank commenced operations on August 19, 2002. ENB operates one other branch (with an ATM) in Edison, Middlesex County, NJ. The Edison branch was opened during the evaluation period. There are no financial or legal impediments to hinder ENB's ability to meet the credit needs of the communities it services. The bank received a "satisfactory" rating on its prior performance evaluation dated July 26, 2004.

As of September 30, 2009, ENB reported net loans of \$77 million and total deposits of \$94 million. Tier one capital totaled \$11 million. Net loans represented 72% of average assets.

The bank's products consist of multifamily loans (7%), non-farm non-residential loans (63%), residential real estate loans (10%), commercial and industrial loans (11%), construction and development loans (7%), and consumer loans (2%). The bank's primary lending products are business loans.

DESCRIPTION OF ASSESSMENT AREAS

ENB has two AA consisting of the Newark-Union, New Jersey-Pennsylvania MD (35084) and the Edison, NJ MD (20764), which are part of the New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area #35620. Both AA meets regulatory requirements and do not arbitrarily exclude any low or moderate-income geographies. ENB operates one full-service branch within each AA. For description and analysis purposes, the assessment area is defined using 2000 census data. A full-scope review was performed for each AA.

Newark-Union-NJ-PA MD - AA

ENB designated all 212 census tracts in Essex County, all 106 census tracts in Union County, and 77 of the 99 census tracts in Morris County as an AA. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income areas. Of the 395 census tracts, 78 (19.75%) are designated as low-income geographies, 105 (26.58%) are designated as moderate-income geographies, 94 (23.80%) are designated as middle-income geographies, and 118 (29.87%) are designated as upper-income geographies.

ENB operates one full-service branch within the AA and is headquartered in Kenilworth, Union County, NJ. The branch is located in a middle-income geography. The branch offers a traditional array of banking services and products. The branch has extended Friday hours and is open on Saturday.

The overall population of the AA is 1,678,203 as of the 2000 census. Of this population, 229,635 (13.68%) reside in low-income geographies, 437,146 (26.05%) reside in moderate-income geographies, 441,109 (26.28%) reside in middle-income geographies, and 570,313 (33.98%) reside in upper-income geographies. The 2000 census median family income was \$73,059, and the 2009 adjusted HUD median family income was \$83,200.

The total number of housing units within the AA is 628,371, of which 55% are owner-occupied, 41% are rentals, and 4% are vacant. Approximately 4% of all owner-occupied housing within the AA is located within low-income geographies, while 15% of owner-occupied housing is within moderate-income geographies. The median housing value was \$205,805 compared to a state median value of \$170,800 and a national average of \$119,600.

ENB faces substantial competition in this assessment area. The New York/New Jersey metropolitan areas include some of the largest money center financial institutions in the global market. New York City and northern New Jersey are home to super-regional giants as well as local mortgage bankers and brokers. Based on the FDIC's June 2009 deposit market share report, ENB's primary competitors in this AA include Wachovia Bank N.A. (27% market share, 29 offices), Bank of America (11% market share, 26 offices), TD Bank N.A. (7%, 13 offices), and Investors Savings (7%, 13 offices). ENB deposit market share was less than 1%.

Countrywide Bank (8.84%, now Bank of America), Wells Fargo Bank (8.10%), and JPMorgan Chase Bank (7.62%) have the highest mortgage market share.

The economy has grown during the evaluation period; however contraction has occurred as a result of recent regional and national economic conditions. The unemployment rate in the AA as of November 2009 was 9.0% according to Bureau of Labor Statistics Data. This is lower than the state unemployment rate 9.7% and the national unemployment rate of 10%. The assessment area’s largest employers are related to healthcare and pharmaceuticals, based on county websites. Major employers include Merck & Co., Schering Plough, Overlook Hospital, Atlantic Healthcare, and Novartis.

In conducting the assessment of the bank’s performance within this AA, we contacted a representative from a local government agency. The contact identified small and mid-size business lending as a need within the community. The contact expressed some concerns about the inability of borrowers to meet credit requirements of banks. However, the contact also noted that the local economy has deteriorated, and as a result, local development has slowed and there has been an increase in economic hardship. Local businesses have experienced a significant slowdown and have struggled to secure credit.

The following table outlines basic demographic data for ENB’s AA:

Demographic Information for the Newark-Union NJ-PA MD Assessment Area						
Demographic Characteristics	#	% Low Income Tract	% Moderate Income Tract	% Middle Income Tract	% Upper Income Tract	Unknown Income Tract*
Geographies (Census Tracts/BNAs)	395	19.75	26.58	23.80	29.87	0.00
Population by Geography	1,678,203	13.68	26.05	26.28	33.98	0.00
Owner-Occupied Housing by Geography	628,371	4.15	15.04	30.69	50.11	0.00
Median Family Income		73,059	Median Housing Value		205,805	
HUD Adjusted Median Family Income for 2009		83,200	Unemployment Rate (2000 US Census)		3.33%	
Households Below Poverty Level		10.70%				

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

Source: 2000 US Census and 2009 HUD updated MFI

Edison, NJ MD – AA

ENB designated 154 of the 177 census tracts within Middlesex County as an AA. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income areas. Of the 154 census tracts, 5 (3.25%) are designated as low-income geographies, 24 (15.58%) are designated as moderate-income geographies, 96 (62.34%) are designated as middle-income geographies, and 28 (18.18%) are designated as upper-income geographies. One census tract was listed as not applicable.

ENB operates one full-service branch within the AA. The branch was opened during the

assessment period in November 2005 in an upper-income geography. The branch offers a traditional array of banking services and products. The branch has extended Friday hours and is open on Saturday.

The overall population of the AA is 646,910 as of the 2000 census. Of this population, 16,836 (2.6%) reside in low-income census geographies, 109,976 (17%) reside in moderate-income geographies, 408,967 (63.22%) reside in middle-income geographies, and 107,886 (16.68%) reside in upper-income geographies. The 2000 census median family income was \$69,978, and the 2009 adjusted HUD median family income was \$85,600.

The total number of housing units within the AA is 230,891, of which 64% are owner-occupied, 34% are rentals, and 3% are vacant. Approximately 0.75% of all owner-occupied housing within the AA was located within low-income geographies, while 8.73% of owner-occupied housing was within moderate-income geographies. The median housing value was \$163,656 compared to a state median value of \$170,800 and a national average of \$119,600.

ENB faces substantial competition in this assessment area. The New York/New Jersey metropolitan areas include some of the largest money center financial institutions in the global market. New York City and New Jersey are home to super-regional giants as well as local mortgage bankers and brokers. Based on the FDIC's June 2009 deposit market share report, ENB's major competitors in this AA include Wachovia Bank N.A. (15.22% market share, 26 offices), PNC Bank (15.17% market share, 31 offices), Bank of America (11.56%, 34 offices), and Amboy Bank (8.86%, 13 offices). ENB deposit market share information was not included in this AA due to it inadvertently being reported under the Newark-Union-NJ-PA MD-AA. Countrywide Bank (9.81%, now Bank of America), Wells Fargo Bank (8.48%), and JPMorgan Chase Bank (6.45%) have the highest mortgage market share.

The economy has grown during the evaluation period; however contraction has occurred as a result of recent regional and national economic conditions. The unemployment rate in the AA as of November 2009 was 8.6% according to Bureau of Labor Statistics Data. This is lower than the state unemployment rate 9.7% and the national unemployment rate of 10%. The assessment area's largest employers are related to healthcare and telecommunications. Major employers, based on 2008 data from the Middlesex County Department of Economic Development, include the Robert Wood Johnson Hospital, Bristol-Myers-Squibb, St. Peters Hospital, Telcordia Technology, and J.F.K. Medical Center.

In conducting the assessment of the bank's performance within the AA, we contacted a representative from a Federal government agency. The contact identified small business lending as a need within the community. The contact indicated that due to the economic downturn, credit was less available from banks especially for businesses that are struggling. Despite the economic downturn, the contact indicated that local organizations and governments in the area had done well in meeting the credit needs of low and moderate income individuals and should focus on the needs of small businesses.

The following table outlines basic demographic data for ENB’s AA:

Demographic Information for the Edison, NJ MD Assessment Area						
Demographic Characteristics	#	% Low Income Tract	% Moderate Income Tract	% Middle Income Tract	% Upper Income Tract	Unknown Income Tract*
Geographies (Census Tracts/BNAs)	154	3.25	15.58	62.34	18.18	0.65
Population by Geography	646,910	2.60	17.00	63.22	16.68	0.50
Owner-Occupied Housing by Geography	146,726	0.75	8.73	69.12	21.4	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		69,978 85,600 7%	Median Housing Value Unemployment Rate (2000 US Census)	163,656 2.84%		

(*) This category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2009 HUD updated MFI

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

ENB’s performance under the Lending Test is considered “Satisfactory.” The Loan-to-Deposit ratio is reasonable, and a majority of the loans originated were within the AA. The borrower distribution of ENB’s loans reflects reasonable penetration among businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout geographies of different income levels. Conclusions were based on ENB’s record of originating business loans, as ENB is not required to collect or report HMDA information or any small business information.

Loan-to-Deposit Ratio

ENB’s quarterly average loan-to-deposit ratio is more than reasonable and is considered outstanding, given the bank’s size, capacity to lend, and the credit needs of the AA. In the nineteen quarters since the prior CRA examination, the bank’s average loan-to-deposit ratio was 85.17%. During this period, the bank’s net loan-to-deposit ratio fluctuated from a low of 51.97% (September 30, 2004) to a high of 110.83% (June 30, 2008).

ENB’s quarterly average loan-to-deposit ratio compares favorably with other local financial institutions of similar size, location, and product offerings. The bank ranks third among seven peer banks. The average loan-to-deposit ratio for the other six banks was 79.96%, ranging from 58.45% to 97.07%.

Lending in Assessment Area

The analysis of ENB’s record of lending in its AA was performed at the bank level. In order to evaluate this record, we measured and analyzed ENB’s record of originating business loans inside versus outside of its AA during 2007, 2008, and 2009. The analysis focused on business

loans since business loans are ENB’s primary loan product. ENB’s business loan originations include lines of credit, installment and term loans, construction financing, and real estate loans.

ENB originated the majority of its business loans inside its AA and is rated satisfactory. The table below details the bank’s lending within the AA by number and dollar amount of loans. Based on our sample, 55% of the loans in number and 66% in dollar volume were made within the bank’s AA.

Table 1 – Lending in ENB’s Assessment Area (dollar amounts in thousands)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$	%	\$	%	
Business	11	55%	9	45%	20	\$8,832	66%	\$4,512	34%	\$13,344
Total	11	55%	9	45%	20	\$9,770	66%	\$3,715	34%	\$13,344

Source: Business Loan Sample 2007-2009.

Lending to Businesses of Different Sizes

The distribution of loans reflects a reasonable penetration among businesses of different sizes, and meets the standard for satisfactory performance. The borrower distribution of business loans in the Newark-Union and Edison, NJ MD AAs are reasonable. The reasonable penetration in both AAs is based on the bank’s performance in making loans to businesses with gross annual revenues of less than one million dollars, which was identified as a credit need in both AAs.

Performance in the Newark-Union-NJ-PA MD (35084)

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Sixty percent of the bank’s loans to business that were originated during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to the demographic data that show 71% of the area’s businesses are considered small businesses. Also, the bank’s performance is reasonable given the significant competition for small business loans in the AA. During the assessment period, ENB originated 79 business loans within the AA. The dollar amount for loans to businesses with annual revenues of less than one million dollars is 55%, which is also considered reasonable.

Table 2 - Borrower Distribution of Loans to Businesses in the Newark-Union-NJ-PA MD 35084				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.92	6.96	22.13	100%
% of Bank Loans in AA by #	60.00	40.00	0.00	100%
% of Bank Loans in AA by \$	55.38	44.62	0.00	100%

Source: Business Loan Sample 2007-2009 and 2008 CRA data

Performance in the Edison, NJ MD (20764)

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. During the sampling period, sixty-five percent of the bank’s business loans originated in the AA were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. ENB’s performance is considered reasonable compared to demographic data that shows 68% of the area’s businesses are considered small businesses. During the assessment period, ENB originated 37 loans within the AA, which is lower than the Newark area due to differences in population size and increased competition. The dollar amount for loans to businesses with annual revenues of less than one million dollars is 64%, which is considered reasonable.

Table 2 – Borrower Distribution of Loans to Businesses in the Edison- NJ MD 20764				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.56	7.49	24.96	100%
% of Bank Loans in AA by #	65.00	35.00	0.00	100%
% of Bank Loans in AA by \$	63.72	36.28	0.00	100%

Source: Business Loan Sample 2007-2009 and 2008 CRA data

Geographic Distribution of Loans

The geographic distribution of business loans reflects a reasonable dispersion throughout geographies of different income levels and meets the standard for satisfactory performance. More weight was placed on the geographic distribution of loans in the Newark-Union-NJ-PA MD due to the bank’s limited opportunities in the Edison, NJ MD. Only 3% of businesses in the Edison, NJ MD are located in low-income tracts and only 3% are located in moderate-income tracts.

Newark-Union-NJ-PA MD – AA

The geographic distribution of loans reflects reasonable dispersion throughout geographies of different income levels, and ENB’s performance meets the standard for satisfactory performance.

The percentage of loans made to businesses within low-income geographies is near to the percentage of businesses located within low-income geographies in the AA. The percentage of loans made to businesses within moderate-income geographies exceeds the percentage of businesses located within moderate-income geographies.

Table 3 – Geographic Distribution of Loans to Businesses in the Newark-Union-NJ-PA MD 35084								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	11.76	5.0	18.58	35.00	28.62	40.00	41.04	20.00

Source: Business Loan Sample 2007-2009 and 2008 CRA Data

Edison, NJ MD

The geographic distribution of loans reflects poor dispersion throughout census geographies of different income levels, and ENB’s performance does not meet the standard for satisfactory performance.

ENB did not originate any loans to businesses located within low or moderate-income geographies during the evaluation period. As a result, the percentage of loans made to businesses within low-income and moderate-income geographies is significantly lower than the percentage of businesses located within low-income and moderate-income geographies in the AA. However, ENB’s opportunities are limited as only 3% of businesses are in low-income tracts and 13% are located in moderate-income tracts.

Table 3 – Geographic Distribution of Loans to Businesses in the Edison, NJ MD 20764								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	3.33	0.00	12.89	0.00	64.44	60.00	18.91	40.00

Source: Business Loan Sample 2007-2009 and 2008 CRA Business Geodemographic data

Responses to Complaints

There have been no complaints relating to CRA issues.

Fair Lending Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.