



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 26, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Newfield National Bank
Charter Number 14240**

**18-24 West Boulevard
Newfield, NJ 08344**

**Comptroller of the Currency
Eastern Pennsylvania Field Office
3325 Street Road Suite 120
Bensalem, PA 19020**

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

INSTITUTION'S CRA RATING:

This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors supporting the bank's rating include:

- The bank's loan-to-deposit ratio is good.
- The bank's record of lending in the assessment area is excellent.
- The bank's record of lending to borrowers of different income levels is good.
- The bank's record of lending to businesses of different sizes is good.
- The bank's geographic distribution of loans is adequate.
- The bank's level of community development through CD loans, investments, and services is excellent.

SCOPE OF EXAMINATION

Newfield National Bank's (NNB) Community Reinvestment Act (CRA) examination covers the period from the last CRA examination of October 27, 2003, to the start date of the current CRA examination of February 26, 2007. NNB was assigned an overall rating of "**Satisfactory**" at the last CRA examination. The evaluation period for the Lending Test is from January 1, 2003, through December 31, 2005. In order to determine if NNB is meeting the credit needs of its assessment area (AA) we reviewed home mortgage loans (home purchase, home improvement and mortgage refinance) and loans to small businesses. Since farm loans and multi-family mortgages are not primary loan products for the bank, we did not include them in our scope. Bank management requested that consumer loans be included in our review since management thinks they constitute the largest portion, in both number and dollars, of the bank's lending volume during the evaluation period.

Refer to **Table 1** below for a breakout of the volume of loan originations by type.

Table 1. NNB: Loan Originations by Number and Dollar Volume (January 1, 2003 to December 31, 2005)		
Loan Type	% by Number of Loans Originated/Purchased during evaluation period	% by Dollars of Loans Originated/Purchased during evaluation period
Home Mortgage Loans	24.85%	25.92%
Consumer Loans	59.26%	39.24%
Business Loans	15.89%	34.84%
Total	100%	100%

We also reviewed Community Development loans, investments, and service activities to determine if they address the AA's needs and to ensure they meet the community development definition. The evaluation period for the Community Development Test runs from the date of the last CRA examination of October 27, 2003, to the start date of the current CRA examination of February 26, 2007. In addition, NNB's performance was observed as to its ability to provide innovative and flexible-lending products to address the credit needs of low- or moderate-income individuals or geographies.

DESCRIPTION OF INSTITUTION

NNB is a locally owned \$439 million institution headquartered in the Borough of Newfield, Gloucester County, New Jersey. NNB is in the southern most portion of the State of New Jersey and is in a hub position surrounded by the counties of Atlantic, Gloucester, Salem, Cumberland, and Cape May. The bank was chartered in 1934 and remains a full service, intrastate community bank offering a standard array of traditional loan and deposit products. The bank's website www.newfieldbank.com provides a listing and description of all deposit and loan services. NNB is a wholly owned subsidiary of Newfield Bancorp, Inc., a one-bank holding company established in July 1990. The holding company has the same location as the bank in Newfield, New Jersey. NNB has one subsidiary, FNBN Investment Corporation (FNBN), a Delaware Corporation established in November 1988. FNBN holds all of NNB's investment securities, including any qualified CRA investments.

The bank operates a network of 12 branches, nine ATMs, one free-standing residential mortgage center located in Newfield, and one free-standing loan production office located in Cape May County. All of the sites are located within the bank's AA. Every branch offers all banking products, and hours of operation are driven by customer demand. In April 2005, NNB purchased two bank offices from another regulated financial institution. One office was converted into the residential mortgage center in Newfield, New Jersey, and the second office operates as a full service bank branch in Seaville, Cape May County, New Jersey. The bank has one branch located in a low-income census tract (CT) in Vineland, New Jersey.

The bank's philosophy is to continue to grow and compete with community banks and large-multi-regional banks by offering friendly and personal service that has been the bank's cornerstone for more than 72 years. The goal is to continue to build business by emphasizing commitment to deepen and strengthen customer relationships. NNB intends to accomplish this goal through expansion of branch locations and has upgraded technology to provide 24/7 safe and secure banking on-line services while affording customers the ability to interact directly with a personal service professional when needed. Expansion will be driven by forward-looking but prudent management based on traditional banking services.

Table 2 below reflects the bank's loan mix from the bank's December 31, 2005 Call Report.

Table 2. NNB: Loan Portfolio Mix at December 31, 2005		
Loan Category:	\$ Outstanding (000s)	% of Loan Portfolio
Commercial Real Estate	110,712	47.90%
Commercial & Industrial & Agricultural	31,617	13.68%
1st liens on 1-4 family residences*	49,323	21.34%
Junior liens on 1-4 family residences	20,182	8.73%
Home Equity Lines of Credit	9,684	4.19%
Consumer	5,846	2.53%
Other Categories	3,745	1.62%
Gross Loans	231,109	100.00%

Source: December 31, 2005 Bank Report of Condition

* Net of \$41,993M home mortgages sold to the secondary market from January 1, 2003 through December 31, 2005

As of December 31, 2005, the bank had \$231 million in loans which was 52.6% of total assets and reported Net Tier One Capital of \$36.6 million. The bank faces no legal or other impediments that hinder its ability to help meet the credit needs of the AA. There was no merger or acquisition activity pending as of our examination date. Competition is strong with offices of interstate regional banking companies, local community banks, and mortgage companies. Regional competitors include Commerce Bank, NA, The Bank, and Sun National Bank. National mortgage companies have a major market share of residential mortgage loans in the AA while credit card companies such as Capital One, Chase, and Bank of America have a majority of the market share of loans to small businesses.

DESCRIPTION OF NEWFIELD NATIONAL BANK ASSESSMENT AREA

The bank has defined a single AA to include portions of five MSAs, which are #12100-Atlantic City, NJ; #15804-Camden, NJ; #36140-Ocean City, NJ; #47220-Vineland, Millville, Bridgeton, NJ; and #48864-Wilmington, DE. This AA is comprised of portions of five contiguous counties and is located in the southern most section of the State of New Jersey. The eastern segment of the AA is the western portion of Atlantic County. The southern portion of Gloucester County is to the north. The eastern section of Salem County comprises the western portion of the AA while the entire County of Cumberland to the seacoast is the southern boarder of the AA. In 2005, the bank expanded its AA to the southeast to include the northern portion of Cape May County as part of its planned expansion. NNB opened a new branch and new loan production office in this MSA.

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The number of CTs in the bank's AA has increased from 90 at the last CRA evaluation in October 2003 to 104 in 2005. Changes were largely a result of planned growth by the addition of nine CTs in Cape May County which added one moderate-income CT, three middle-income CTs, and five upper-income CTs. In addition, the Borough of

Woodbury in Gloucester County was added to NNB's AA which included one moderate-income CT and two middle-income CTs. NNB added one middle-income CT in Gloucester County.

The number of low-income CTs within the AA has remained the same at two (1.92%), and the number of moderate-income CTs has increased from nine to 11 (10.58%). There are 70 (67.31%) middle-income CTs and 18 (17.31%) upper-income CTs. Three CTs are N/A.

NNB has seven branches in Gloucester County, four branches in Cumberland County, and one branch in Cape May County. The bank also draws depositors and borrowers from the western portion of Atlantic County and the eastern portion of Salem County where it does not have any branches. Six Gloucester County branches are in middle-income CTs, and one branch is in an upper-income CT. Five of the Gloucester County branches have ATMs. The bank also has a mortgage center in Gloucester County near its main office which is in a middle income CT. Three of its Cumberland County branches are in upper-income CTs, and one branch is in a low-income CT. Three of the Cumberland County branches have ATMs including the one branch in the low-income CT. The single branch in Cape May County is located in an upper-income CT and has an ATM. Its loan center in Cape May County is in the same CT as the branch. No branches were closed since the last examination.

The economy of Atlantic County is primarily centered in entertainment, vacation resorts, and the services that support them. The largest employers in the county are the six major casinos which in total employ approximately 44,000 full and part time employees. Other major employers are the AlantiCare Health System, Shore Memorial Hospital, Atlantic City Electric, Wawa, Wal-Mart, and Home Depot. The western portion of the county has vast areas of wooded open space, known as the Pinelands, and farmland. The Atlantic City International Airport, which is actually located in Pomona, is beginning to compete with Philadelphia International Airport and Newark Liberty International Airport. The Townships of Egg Harbor and Hamilton have been designated by the New Jersey Pineland's Commission as growth areas, thereby currently experiencing heavy development. Almost all community development and revitalization in this county is monopolized by the New Jersey Casino Redevelopment Authority, which was established by the State of New Jersey in 1984. All casinos are required under law to provide this organization 1.5% of gross revenues. The New Jersey Casino Redevelopment Authority provides capital investment funds for economic development and community projects that respond to the changing economic and social needs of Atlantic City, Atlantic County, and the State of New Jersey. The rate of unemployment in Atlantic County was 5.1% as of December 31, 2005.

Gloucester County is an agricultural, industrial, and residential area which is presently in a high growth and development stage, transforming this historically agricultural region. Farming is highly established with fruit and vegetables crops, poultry and dairy industries, breeding of cattle and hogs, and year-round canneries and quick freezing establishments. The Gloucester County Department of Economic Development fosters public/private partnerships in order to attract quality Business Development. It provides financial assistance programs for businesses willing to locate or expand in Gloucester County as well as Brownfield funding assistance. Due to its proximity to major transportation arteries there are 17 major industrial parks in Gloucester County. The three largest employers in Gloucester County are the Underwood Memorial Hospital System, Rowan University, and Kennedy Memorial Hospital. Other major employers

are food packing services, the federal government, municipal governments, and regional educational systems. The rate of unemployment in Gloucester County is 4.1% as of December 31, 2005.

Salem County is largely rural farmland inland with an industrial area along the river front. Manufacturing and warehousing of industrial products and food supplies are the top two industries. These are followed by the retail trade, health care industry, and finance industry. Other industries of interest include county government, individual municipal government, and boards of education. The major employers in Salem County are Public Service Electric & Gas, E.I. DuPont, Mannington Mills, and Salem County Memorial Hospital. The retail presence is also strong with leading employers including Wal-Mart and Wawa. The majority of the county has been designated by the State of New Jersey as Rural Planning Area. This is defined as open land which includes most of New Jersey's prime farmland and has the greatest potential of sustaining continued agricultural activities in the future. It also includes wooded tracts, lands with one or more environmentally sensitive features, and rural towns and villages. The rate of unemployment in Salem County was 4.7% as of December 31, 2005.

Cumberland County is largely agricultural with 70,000 acres devoted to farming. It is one of the primary growers of vegetables, melons, and potatoes in the State of New Jersey. It also is a leading producer of greenhouse, nursery, floriculture, and sod in the state. Other industries include light manufacturing, retail stores, and service industry. The four largest employers in the county are the South Jersey Hospital System, Vineland Board of Education, Durand Glass Manufacturing, and the Training School at Vineland. Other major employers are Wawa Stores, Wal-Mart, and Wheaton Scientific Products. Cumberland County is trying to attract new businesses. Its attractive points are lack of congestion, reasonable land, affordable housing, proximity to major interstate roadways and rail service, and a strong work-force. In 1999, portions of Vineland, Millville, Bridgeton, and Commercial Township were designated a Federal Empowerment Zone. The program allocates up to \$230 million in tax incentives and flexible funds over a ten-year period, providing targeted neighborhoods and business activities through the development of infrastructure, transportation, job training, childcare, and neighborhood revitalization initiatives. The rate of unemployment for Cumberland County as of December 31, 2005, was 6.0% which was the second highest in the State of New Jersey.

The Cape May County economy is primarily based upon its seashore resort activities and the industries and services that support it. Primary employment is in education, health and social services, entertainment, recreation, and food services. The retail trade, construction, and the health care industry are very strong. The largest employer in the county is The Developmental Center which trains handicapped people for useful employment. Burdette-Thomlin Memorial Hospital is the county's second largest employer. Many of its residents are employed by the casinos in Atlantic City. Other employers in the county are Cold Fish and Supply, Wawa, and Acme Markets. The rate of unemployment for Cape May County as of December 31, 2005 was 7.0% which was the highest in the State of New Jersey.

Refer to **Table 3** below for a breakout of the bank's geographies as well as other relevant demographic and economic characteristics of NNB's AA.

Table 3. Demographic/Economic Characteristics of NNB AA	
Population / Family Information	
Population	445,107
Households That are Families	114,569
Geographies	
Total Number of Census Tracts	104
Number / Percentage of Low-Income Census Tracts	2 / 1.92%
Number / Percentage of Moderate-Income Census Tracts	11 / 10.58%
Number / Percentage of Middle-Income Census Tracts	70 / 67.31
Number / Percentage of Upper-Income Census Tracts	18 / 17.31%
Number / Percentage of Families in AA by Income Level	
Number / Percentage of Low-Income Families	20,841 / 18.19%
Number / Percentage of Moderate-Income Families	20,277 / 17.70%
Number / Percentage of Middle-Income Families	27,642 / 24.13%
Number / Percentage of Upper-Income Families	45,809 / 39.98%
Economic Indicators 2005	
Weighted Avg. of HUD updated Median Family Income (MFI)*	\$69,690
Median Housing Value	\$126,223
Number of Housing Units	177,278
Number of Owner Occupied Housing Units	119,717
Occupied Rental Units / Vacant Rental Units	34,961 / 22,600
Percent of Households Below Poverty-level	8.76%
Unemployment Information at 12-31-2005**	
Counties: Atlantic, Gloucester, Salem, Cumberland, Cape May**	5.1%, 4.1%, 4.7%, 6.0%, 7.0%
State of New Jersey**	4.80%
National Average**	5.10%

* 2005 HUD Updated MFI ** Bureau of Labor Statistics

We made three community contacts during this examination. The mission of all three organizations is to improve economic development by increasing jobs and to improve community development by ensuring there is sufficient low- and moderate-income housing available to meet the needs of the community. The three organizations are individually headquartered in Salem, New Jersey, Cumberland County New Jersey, and Gloucester County New Jersey. One of the organizations used NNB as an example of banks that continue to support community development and revitalization through its donations, loans, and community services. The Salem and Cumberland County organizations indicate that there is an adequate supply of affordable housing for both low- and moderate-income home owners and renters. The primary needs of the AA seem to be financial support for small businesses and the availability to lend to small business owners who do not have home equity to support the loan. The Gloucester County organization indicates that there is a need for low- and moderate-income housing; however, the price of housing has escalated so high that the supply of low- and moderate-income housing is extremely low. Even though this organization is highly involved in federal block grant programs that provide a qualified buyer \$10,000 for down payment and closing costs, the amount of the grant becomes inconsequential due to the high price of housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's CRA performance is based on tests for lending and community development activities. The facts that support this performance are discussed below in each section of this report under Lending Test and Community Development Test. The conclusions in each section were considered in conjunction with US 2000 Census demographic data. We used this information to develop the context with which the bank's performance should be evaluated.

Loan performance was compared to demographic data from the bank's AA. The comparison allows an assessment of the bank's lending performance to low- and moderate-income borrowers, low- and moderate-income CTs, and businesses of different sizes.

LENDING TEST

The bank's lending performance is satisfactory. The conclusion is based on the performance criteria that are described in this section.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is good taking into account lending related activities given the bank's size, financial condition, and credit needs of its AA. NNB's average loan to deposit ratio over a thirteen-quarter period ending December 31, 2005, was 60.96%. This can be compared to the combined average loan-to-deposit ratio of 72.61% as of December 31, 2005, for four community banks within NNB's AA. The difference is due to several factors. In 2005, NNB purchased two branch offices from another regulated financial institution. The combined acquired deposits from this transaction were approximately \$23 million. The loans associated with the branches were not included in the acquisition. In addition, the bank originates home mortgages which it sells in the secondary mortgage market. The bank sold \$41.9 million in home mortgages in the secondary market during the evaluation period.

Lending in Assessment Area

NNB's lending within its AA is excellent. A substantial majority of loans and other lending related activities are in the bank's AA. Both the number and the dollar amount of reported loans originated within the AA for home mortgage loans, consumer loans, and loans to small businesses are excellent as demonstrated in **Table 4** (2003), **Table 4a** (2004), and **Table 4b** (2005) below.

Table 4. Lending in/out NNB AA										
(January 1, 2003 through December 31, 2003)										
Loan Type	Number of Loans					Dollar of Loans (\$000)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	787	86.20%	126	13.80%	913	\$53,888	77.31%	\$15,816	22.69%	\$69,704
Consumer Loans	1087	86.82%	165	13.18%	1252	\$45,927	77.17%	\$13,590	22.83%	\$59,517
Small Business Loans	289	80.73%	69	19.27%	358	\$35,936	74.70%	\$12,174	25.30%	\$48,110
Totals	2,163	85.73%	360	14.27%	2,523	\$135,751	76.55%	\$41,580	23.45%	\$177,331

Source: 2003 HMDA data and 2000 US Census Data.

Table 4 above indicates that during the period from January 1, 2003, through December 31, 2003, NNB originated 85.73% of its reported number of loans within its AA. Home mortgage loans originated within the AA were 86.20% of all reported home mortgage loans, consumer

loans originated within the AA were 86.82% of all reported consumer loans, and loans to small businesses originated within the AA were 80.73% of all reported loans to small businesses. During the same period, NNB originated 76.55% of its reported dollar of loans within its AA. Dollar of loans originated within the bank's AA were 77.31% for home mortgage loans, 77.17% for consumer loans, and 74.70% for loans to small businesses.

Table 4a. Lending in/out NNB AA										
(January 1, 2004 through December 31, 2004)										
Loan Type	Number of Loans					Dollar of Loans (000)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	317	88.06%	43	11.94%	360	\$19,036	75.12%	\$6,304	24.88%	\$25,340
Consumer Loans	837	89.14%	102	10.86%	939	\$35,208	81.45%	\$8,016	18.55%	\$43,224
Loans to Small Businesses	229	79.79%	58	20.21%	287	\$33,082	71.75%	\$13,024	28.25%	\$46,106
Totals	1,383	87.20%	203	12.80%	1,586	\$87,326	76.15%	\$27,344	23.85%	\$114,670

Source: 2004 HMDA data and 2000 US Census Data.

Table 4a above indicates that during the period from January 1, 2004, through December 31, 2004, NNB originated 87.20% of its reported number of loans within its AA. Home mortgage loans originated within the AA were 88.06% of all reported home mortgage loans, consumer loans originated within the AA were 89.14% of all reported consumer loans, and loans to small businesses originated within the AA were 79.79% of all reported loans to small businesses. During the same period NNB originated 76.15% of its reported dollar of loans within its AA. Dollar of loans originated within the bank's AA were 75.12% for home mortgage loans, 81.45% for consumer loans, and 71.75% for loans to small businesses.

Table 4b. Lending in/out NNB AA										
(January 1, 2005 through December 31, 2005)										
Loan Type	Number of Loans					Dollar of Loans (000)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	321	89.66%	37	10.34%	358	\$22,051	79.36%	\$5,735	20.64%	\$27,786
Consumer Loans	913	90.94%	91	9.06%	1004	\$36,053	87.72%	\$5,049	12.28%	\$41,102
Loans to Small Businesses	237	83.45%	47	16.55%	284	\$33,793	82.47%	\$7,184	17.53%	\$40,977
Totals	1,471	89.37%	175	10.63%	1,646	\$91,897	83.65%	\$17,968	16.35%	\$109,865

Source: 2005 HMDA Data and 2000 US Census Data.

The bank increased the size of its AA in 2005 with the addition of new CTs. This resulted in stronger numbers for loans made within its AA. **Table 4b** above indicates that during the period from January 1, 2005, through December 31, 2005, NNB originated 89.37% of its reported number of loans within its AA. Home mortgage loans originated within the AA were 89.66% of all reported home mortgage loans, consumer loans originated within the AA were 90.94% of all reported consumer loans, and loans to small businesses originated within the AA were 83.45% of

all reported loans to small businesses. During the same period NNB originated 83.65% of its reported dollar of loans within its AA. Dollar of loans originated within the bank's AA were 79.36% for home mortgage loans, 87.72% for consumer loans, and 82.47% for loans to small businesses.

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

Overall lending to borrowers of different income levels and businesses of different sizes is satisfactory. The distribution of borrowers, given the demographics of the AA, reflects good penetration among individuals of different income levels, including low- and moderate-income levels, and businesses of different sizes. The borrower income distribution of consumer loans, home mortgage loans, and business loans was weighted most heavily in determining conclusions for the lending test since these loans are primary bank products.

Home Mortgage Loans:

NNB's performance for 2003 is adequate for home mortgage lending to borrowers of different income levels as demonstrated in **Table 5** below. All loans to low-income families are lower than the percentage of low-income families in the AA; however, overall loans to moderate-income families exceed the percentage of moderate-income families in the AA. The percentage of home improvement loans and home mortgage refinance loans exceed the percentage of moderate-income families in the AA. The percentage of home purchase loans significantly exceeds the percentage of moderate-income families in the AA.

Table 5. Borrower Distribution of Home Mortgage Loans in NNB AA (January 1, 2003 through December 31, 2003)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	17.66	4.00	17.10	24.00	23.21	26.00	42.04	46.00
Home Improvement	17.66	12.24	17.10	17.69	23.21	30.61	42.04	39.46
Home Refinance	17.66	4.62	17.10	19.36	23.21	27.75	42.04	48.27
Total Home Mortgage Loans	17.66	6.55	17.10	19.09	23.21	28.00	42.04	45.09

Source: Based on 2003 Peer Mortgage Data. Percentage of Families based on US 2000 Census Data.

NNB's performance for 2004 is good for home mortgage lending to borrowers of different income levels as demonstrated in **Table 5a** below. The percentage of all types of home mortgage loans to low-income families is lower than the percentage of low-income families in the AA. The HUD Adjusted Median Family Income for 2004 is \$69,936, while the Median Housing Value is \$117,914. It is difficult for low-income families with an income of \$34,968 or less to afford home mortgages that are associated with an \$117,914 housing value, thus reducing the bank's opportunity to lend to this income group. Overall the percentage of all types of home mortgage loans to moderate-income families exceeds the percentage of moderate-income

families in the AA. The percentage of home improvement loans and home mortgage refinance loans exceed the percentage of moderate-income families in the AA. The percentage of home purchase loans is significantly lower than the percentage of moderate-income families in the AA. It is difficult for low- and moderate-income families to afford homes in this AA.

Table 5a. Borrower Distribution of Home Mortgage Loans in NNB AA (January 1, 2004 through December 31, 2004)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	18.5	12.5	18.01	7.5	23.94	27.5	39.55	52.5
Home Improvement	18.5	11.81	18.01	28.47	23.94	26.39	39.55	33.33
Home Refinance	18.5	8.06	18.01	20.16	23.94	33.06	39.55	38.71
Total Home Mortgage Loans	18.5	10.09	18.01	21.77	23.94	28.39	39.55	36.91

Source: Based on 2004 Peer Mortgage Data. Percentage of Families based on US 2000 Census Data.

NNB's performance for 2005 is good as illustrated in **Table 5b** below. The percentage of loans made to low-income borrowers is significantly lower than the percentage of low-income families in the bank's AA. This is due to the difficulty of low-income families being able to afford homes in the AA. The HUD Adjusted Median Family Income for 2005 decreased to \$69,690, while the Median Housing Value increased 7.7% to \$126,223. Overall loans to moderate-income families exceed the percentage of moderate-income families in the AA. Home improvement loans significantly exceed the percentage of moderate-income families in the AA, and home refinance loans exceed the percentage of moderate-income families in the AA. The percentage of home purchase loans is lower than the percentage of moderate-income families in the AA. The lower percentage of home purchase loans is reflective of higher housing values.

Table 5b. Borrower Distribution of Home Mortgage Loans in NNB AA (January 1, 2005 through December 31, 2005)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	18.19	5.26	17.7	13.16	24.13	26.32	39.98	55.26
Home Improvement	18.19	9.94	17.7	24.84	24.13	27.33	39.98	37.89
Home Refinance	18.19	3.74	17.7	19.63	24.13	37.78	39.98	39.25
Total Home Mortgage Loans	18.19	6.85	17.7	20.56	24.13	29.28	39.98	38.63

Source: Based on 2005 Peer Mortgage Data. Percentage of Families based on US 2000 Census Data.

Loans to Small Businesses:

Small businesses are defined as businesses with gross annual revenue of \$1 million or less.

NNB's loans to small businesses in 2003 reflect adequate penetration as illustrated in **Table 6** below. The number of small businesses within the AA is 67.02%. NNB originated 61.94% of its total loans to small businesses which is near to the percentage of small businesses within the AA. In addition 64.71% of all originated small loans to businesses were \$100,000 or less.

Table 6. Borrower Distribution of Loans to Small Businesses in NNB AA (January 1, 2003 through December 31, 2003)				
Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
% of Businesses	% of Bank Loans	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000
67.02	61.94	64.71	21.8	13.49

Source: Based on 2003 Peer Small Business Data. Businesses with revenues of \$1,000,000 or less as a percentage of all businesses (Dunn & Bradstreet 2003).

NNB's loans to small businesses in 2004 reflect good penetration as illustrated in **Table 6a** below. The number of small businesses within the AA is 67.97%. NNB originated 65.50% of its total loans to small businesses which almost meets the percentage of small businesses within the AA. In addition, 58.95% of all originated loans to businesses were \$100,000 or less.

Table 6a. Borrower Distribution of Loans to Small Businesses in NNB AA (January 1, 2004 through December 31, 2004)				
Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
% of Businesses	% of Bank Loans	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000
67.97	65.50	58.95	24.45	16.59

Source: Based on 2004 Peer Small Business Data. Businesses with revenues of \$1,000,000 or less as a percentage of all businesses (Dunn & Bradstreet 2004).

NNB's loans to small businesses in 2005 reflect good penetration as illustrated in **Table 6b** below. The number of small businesses within the AA is 68.16%. NNB originated 72.15% of its total loans to small businesses which exceeds the percentage of small businesses within the AA. In addition, 61.18% of all originated loans to businesses were \$100,000 or less.

Table 6b. Borrower Distribution of Loans to Small Businesses in NNB AA (January 1, 2005 through December 31, 2005)				
Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
% of Businesses	% of Bank Loans	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000
68.16	72.15	61.18	24.47	14.35

Source: Based on 2000 Peer Small Business Data. Businesses with revenues of \$1,000,000 or less as a percentage of all businesses (Dunn & Bradstreet 2005).

Consumer Loans:

Consumer loans were given the most weight since they accounted for 59.26% of the number of all loans originated during the evaluation period.

Table 7 below indicates that NNB's loan penetration to low- and moderate-income levels in 2003 is good. The percentage of consumer loans made to low-income households was 17.11% which is near to the 22.78% of low-income households within the bank's AA. The percentage of consumer loans made to moderate-income households was 21.9% which significantly exceeds the 14.92% of moderate-income households within the bank's AA.

Table 7. Borrower Distribution of Consumer Loans in NNB A A (January 1, 2003 through December 31, 2003)							
Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans
22.78	17.11	14.92	21.9	21.01	24.75	41.29	36.25

Percentage of households is based on 2000 Census information. Consumer loans originated & purchased in the AA as a percentage of all consumer loans originated and purchased in the rated AA.

Table 7a below indicates that NNB's loan penetration to low- and moderate-income levels in 2004 is excellent. The percentage of consumer loans made to low-income households was 22.46% which exceeds the 21.06% of low-income households within the bank's AA. The percentage of consumer loans made to moderate-income households was 22.22% which significantly exceeds the 15.97% of moderate-income households within the bank's AA.

Table 7a. Borrower Distribution of Consumer Loans in NNB AA (January 1, 2004 through December 31, 2004)							
Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans
21.06	22.46	15.97	22.22	20.13	25.57	42.84	29.63

Percentage of households is based on 2000 Census information. Consumer loans originated & purchased in the AA as a percentage of all consumer loans originated and purchased in the rated AA.

Table 7b below indicates that NNB's loan penetration to low- and moderate-income levels in 2005 is excellent. The percentage of consumer loans made to low-income households was 21.91% which exceeds the 20.88% of low-income households within the bank's AA. The percentage of consumer loans made to moderate-income households was 23.22% which significantly exceeds the 15.82% of moderate-income households within the bank's AA.

Table 7b. Borrower Distribution of Consumer Loans in NNB AA (January 1, 2005 through December 31, 2005)							
Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans	% of Househlds	% of Bank Loans
20.88	21.91	15.82	23.22	19.98	24.75	43.32	30.12

Percentage of households is based on 2000 Census information. Consumer loans originated & purchased in the AA as a percentage of all consumer loans originated and purchased in the rated AA.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Little weight was given to the bank's geographic distribution performance in this review because of NNB's limited opportunity to lend in low- and moderate-income geographies. NNB has only two low income CTs which account for 1.92% of all the CTs within its AA. These two CTs contain only 520 owner occupied units. There are only 11 moderate-income CTs within its AA which account for 10.58% of all the CTs within NNB's AA. These 11 CTs contain 5,909 owner occupied units. NNB's market share of home mortgage loans within its AA is 0.63% of 67,585 home mortgages originated in 2005 by 540 financial institutions. The top ten lending institutions in the AA are large national mortgage companies that have a combined 36% market share. The limited number of owner occupied units within these CTs, offset by the strong competition of the national mortgage companies, greatly curtails NNB's opportunities to originate home mortgage loans in these geographies.

Home Mortgage Loans:

Table 8. Geographic Distribution of Home Mortgage Loans in NNB AA (January 1, 2003 through December 31, 2003)								
Census Tract Income Level	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
Loan Type	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans
Home Purchase	0.51	2.00	3.86	10.00	68.17	58.00	27.45	30.00
Home Improvement	0.51	0.00	3.86	3.31	68.17	69.54	27.45	27.15
Home Refinance	0.51	0.29	3.86	2.01	68.17	71.35	27.45	26.36
Total Home Mortgage Loans	0.51	0.36	3.86	3.09	68.17	69.64	27.45	26.91

Based on 2003 Peer Mortgage Data (Eastern). Home Purchase, Home Improvement and Home Mortgage Refinance Loans originated and purchased in the AA as a percentage of all Home Purchase, Home Improvement and Home Refinance loans originated and purchased in the rated AA.

Table 8 above reflects the period from January 1, 2003, through December 31, 2003. NNB's geographic distribution of home mortgage loans to low- and moderate-income geographies within its AA is adequate. The overall percentage of home mortgage loans made in low-income geographies is 0.36% which is near to the 0.51% of owner occupied units within the low-income geographies in the AA. The overall percentage of home mortgage loans made in moderate-income geographies is 3.09% which almost meets the 3.86% of owner occupied units within the moderate-income geographies in the AA.

Table 8a. Geographic Distribution of Home Mortgage Loans in NNB AA (January 1, 2004 through December 31, 2004)								
Census Tract Income Level	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
Loan Type	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans
Home Purchase	0.43	0.00	4.94	4.71	74.29	63.53	20.34	31.76
Home Improvement	0.43	0.00	4.94	3.45	74.29	77.43	20.34	19.12
Home Refinance	0.43	0.00	4.94	1.65	74.29	76.86	20.34	21.49
Total Home Mortgage Loans	0.43	0.00	4.94	3.06	74.29	73.06	20.34	23.88

Based on 2004 Peer Mortgage Data (Eastern). Home Purchase, Home Improvement and Home Mortgage Refinance Loans originated and purchased in the AA as a percentage of all Home Purchase, Home Improvement and Home Refinance loans originated and purchased in the rated AA.

Table 8a above reflects the period from January 1, 2004, through December 31, 2004. NNB's geographic distribution of home mortgage loans to low- and moderate-income geographies

within its AA is adequate. Although the bank did not originate any home mortgage loans in low-income CTs, the performance is reasonable given the low percentage and low number of owner-occupied housing units in this geography. The percentage of bank home mortgage loans made in the moderate-income tracts is lower than the percentage of owner occupied units in those geographies. However, given the high level of competition from large national mortgage lenders for these loans, the bank's performance is reasonable.

Table 8b. Geographic Distribution of Home Mortgage Loans in NNB AA (January 1, 2005 through December 31, 2005)								
Census Tract Income Level	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans
Home Purchase	0.44	0.00	4.96	5.26	74.15	57.89	20.45	36.84
Home Improvement	0.44	0.00	4.96	3.53	74.15	77.06	20.45	19.41
Home Refinance	0.44	0.00	4.96	1.77	74.15	79.65	20.45	18.58
Total Home Mortgage Loans	0.44	0.00	4.96	3.12	74.15	75.7	20.45	21.18

Based on 2005 Peer Mortgage Data (Eastern). Home Purchase, Home Improvement and Home Mortgage Refinance Loans originated and purchased in the AA as a percentage of all Home Purchase, Home Improvement and Home Refinance loans originated and purchased in the rated AA.

Table 8b above reflects the period from January 1, 2005, through December 31, 2005. NNB's geographic distribution of home mortgage loans to low- and moderate-income geographies within its AA is adequate. Although the bank did not originate any home mortgage loans in low-income CTs, the performance is reasonable given the low percentage and low number of owner-occupied housing units in this geography. The size of the bank's AA increased in 2005 with the addition of two (2) moderate-income CTs. The percentage of bank home mortgage loans made in the moderate-income CTs is lower than the percentage of owner occupied units in those geographies. Again, given the high level of competition from large national mortgage lenders for these loans, the bank's performance is reasonable.

Loans to Small Businesses:

Table 9. Geographic Distribution of Loans to Small Businesses in NNB AA (January 1, 2003 through December 31, 2003)							
Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans
3.02	2.77	9.04	4.15	60.27	71.63	27.67	21.45

Based on 2003 Peer Small Business Data -- US and PR

Table 9 above indicates that NNB’s 2003 penetration of loans to small businesses in low- and moderate-income geographies is adequate. The percentage of bank loans made in the low-income CTs is near to the percentage of small businesses located in the low-income CTs. However, the percentage of bank loans to small businesses originated in the moderate-income tracts is significantly lower than the percentage of small businesses located in moderate income tracts. Given the significant amount of competition from the large national finance companies and large out-of-state banks, this performance is reasonable.

Table 9a. Geographic Distribution of Loans to Small Businesses in NNB AA (January 1, 2004 through December 31, 2004)							
Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans
2.98	3.06	9.87	3.06	70.53	67.69	16.62	26.2

Based on 2004 Peer Small Business Data -- US and PR

Table 9a above indicates that NNB’s 2004 penetration of loans to small businesses in low- and moderate-income geographies is good. The percentage of bank loans to small businesses made in the low-income tracts exceeds the percentage of small businesses located in the low-income CTs. However, the percentage of bank loans to small businesses originated in the moderate-income CTs is significantly lower than the percentage of small businesses located in moderate income CTs. Given the significant amount of competition from the large national finance companies and large out-of-state banks, this performance is reasonable.

Table 9b. Geographic Distribution of Loans to Small Businesses in NNB AA (January 1, 2005 through December 31, 2005)							
Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans
2.35	2.95	9.87	3.8	66.65	68.35	21.13	24.89

Based on 2005 Peer Small Business Data -- US and PR

Table 9b above indicates that NNB’s 2005 penetration of loans to small businesses in low- and moderate-income geographies is good. The percentage of bank loans to small businesses made in the low-income CTs exceeds the percentage of small businesses located in the low-income CTs. However, the percentage of bank loans to small businesses originated in the moderate-income CTs is significantly lower than the percentage of small businesses located in moderate income CTs. Given the significant amount of competition from the large national finance companies and large out-of-state banks, this performance is reasonable.

Consumer Loans:

NNB demonstrated poor performance in the penetration of consumer loans into low- and moderate-income geographies. The percentage of bank loans made was lower than the percentage of households in both the low- and the moderate-income geographies.

Responses to Complaints

NNB has not received any written complaints regarding its performance meeting the credit and deposit needs of its AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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

COMMUNITY DEVELOPMENT TEST

NNB's community development performance demonstrates outstanding responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA. The bank determines in which activities it will participate and in what area the needs are located through staff involvement serving on boards and on loan committees of area non-profit organizations.

Community Development Loans:

The bank demonstrates excellent performance in its participation in CD lending activities. The bank originated 22 CD loans totaling \$3.3 million which equaled 9.13% of Tier One Capital. There have been 18 loans to promote economic development by supporting or creating permanent job creation and improvements in low- or middle-income geographies. Three loans financed loans to organizations that provide community services that are targeted to low- and moderate-income individuals. One loan financed affordable housing for low- and moderate-income individuals.

Examples of CD loans originated are listed below.

- An \$828,400 loan to a local law firm was used to rehab and revitalize a commercial building to use for the law practice. The property is located in a low-income geography and a federally approved empowerment zone in Vineland, New Jersey. The loan has promoted economic development by the creation of permanent jobs in the empowerment zone.
- The renewal of a \$175,000 loan to a local cooperative home health care organization was used for working capital and to fund payroll. This non-profit organization targets low-income individuals and is located in a moderate-income geography.
- A \$600,000 line of credit was granted to a private school for children with learning

disabilities. The loan has supported economic development by job retention in a low-income geography that is also a federally approved empowerment zone.

- A \$50,000 line of credit was granted to a non-profit guidance center that provides outpatient based crisis programs, sexual assault programs, homeless mentally ill programs, and more. This loan supported community services that are targeted to low- and moderate-income individuals.
- An \$87,339 loan was used for the purchase of an investment property in a moderate-income geography to convert the property into an apartment for low- and moderate-income rentals.

Qualified Investments and Donations

The bank's performance making qualified investments is good. The bank did not originate any new investments during the evaluation period; however, it has maintained one investment from the prior period that has a balance of \$514,493. The investment is a targeted mortgage backed security that financed six loans in low- and moderate-income tracts, and five of the six loans are within the bank's AA.

The bank made a total of forty-one community development donations totaling \$35,175 during the evaluation period. Some examples of the donations are as follows:

- \$1,000 to a hospice care organization that provides hospice care to homeless and those without the ability to pay;
- \$250 to a soup kitchen that provides food, pantry, and shelter to homeless and low-income individuals;
- \$10,000 to a regional health care center which was constructed to expand health care and outreach services to low- and moderate-income CTs in the enterprise zone cities of Vineland, Millville, and Bridgeton;
- \$250 to a volunteer organization for the revitalization of the downtown area of the City of Vineland which is located in an empowerment zone;
- \$1,000 to a counseling center that provides mental health services, special care needs, sexual assault programs, and battered wife programs in Cumberland County and targets low- and moderate-income individuals; and
- \$500 to a city based housing organization located in an empowerment zone whose mission is to promote adequate and affordable housing and economic opportunity for low- and moderate-income individuals

Community Development Services:

Employees, lending staff, branch managers, senior management, and board members participate in many of the non-profit entities that received CD loans or donations. The bank's business development officer is the bank's representative to a third party loan assistance corporation that grants CD loans to small businesses. A board member is a director of a fund raising committee that provides community services to low- and moderate-income individuals. A senior officer is a member of the board for a national non-profit foundation that provides youth community services to low- and moderate-income individuals. Another officer is the chairperson of an

organization whose mission is the revitalization of the downtown area of a city in an empowerment zone.

NNB provides deposit and credit services that meet the needs of its community. The bank offers free 24/7 telephone and internet banking including bill pay; free debit card with no access charged if used at NNB locations; the ability to open an IRA account with a \$5.00 minimum; NJ Consumer checking that provides free checking and free checks with a minimum of \$1.00 daily balance; Helping Hand Loans for low- and moderate-income individuals that waive traditional credit requirements; NJ first time home buyer programs; and mobile home loans and manufactured home programs all of which were designed to meet the credit needs of low- and moderate-income individuals.

Fair Lending or Other Illegal Credit Practices Review

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