



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Public Disclosure

August 9, 1999

Community Reinvestment Act Performance Evaluation

**Amboy National Bank
Charter Number: 3878
3590 US Highway 9
Old Bridge, New Jersey 08857**

**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.

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Definitions

Community development - affordable housing or community services targeted to low or moderate income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low or moderate income geographies.

Community development loan - a loan that has its primary purpose in community development, benefits the AA, and has not been reported or collected by the bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling.

Community development service - a service that has its primary purpose in community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services.

Geography - a census tract or block numbering area.

HMDA loan - a home improvement loan, a refinance loan or a home purchase loan that is reported on the Home Mortgage Disclosure Act Report.

Home improvement loan - any loan that is for the purpose in whole or in part of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.

Home purchase loan - any loan secured by and made for the purpose of purchasing a dwelling.

Low Income - an individual income that is less than 50% of the area median income, or a median family income (MFI) that is less than 50%, in the case of a geography.

Middle Income - an individual income that is at least 80% and less than 120% of the area median income, or a MFI that is at least 80% and less than 120%, in the case of a geography.

Moderate Income - an individual income that is at least 50% and less than 80% of the area median income, or a MFI that is at least 50% and less than 80%, in the case of a geography.

Multifamily loan - any loan secured by and made for the purpose of purchasing a dwelling for five or more families. The Home Mortgage Disclosure Act does not require banks to report income data on these loans.

Upper Income - an individual income that is 120% or more of the area median income, or a MFI that is 120% or more, in the case of a geography.

Qualified investment - a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Refinance loan - any loan in which the existing obligation, involving either a home purchase or a home improvement loan, is satisfied and replaced by a new obligation.

Small Business Loan - a business loan (Bank Call Report definition) for \$1 million or less.

Small Farm Loan - A farm loan (Bank Call Report definition) for \$500 thousand or less.

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

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 **Amboy National Bank (ANB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 9, 1999**. 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 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.

Institution's CRA Rating: This institution is rated "**Satisfactory**".

The primary factors supporting the overall rating are:

- \$ A majority (68%) of loans were made in the bank's assessment area;
- \$ An overall good distribution of home loans to borrowers with low and moderate-income;
- An excellent distribution of loans to small size businesses. Also, a good distribution of small size business loans (loans for less than \$100,000);
- C An overall good geographic distribution of home loans and an excellent geographic distribution of small business loans;
- An excellent level of community development loans;
- C A good level of qualified community development investments;
- \$ Service delivery systems that are accessible to geographies and individuals of different income levels in the bank's assessment areas; and
- \$ A good level of community development services.

The following chart indicates the performance level of ANB with respect to the lending, investment, and service tests:

ANB Performance Tests			
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial noncompliance			

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

Description of Institution

ANB is a large intrastate community bank headquartered in Old Bridge New Jersey, with \$1.30 billion in assets as of June 30, 1999. ANB is the principal subsidiary of Amboy Bancorporation. Amboy Bancorporation, which converted from a "C" Corporation to a Subchapter "S" Corporation effective January 1, 1998 had assets of \$1.25 billion as of December 31, 1998. ANB has four wholly owned subsidiaries, Amboy Realty, Inc., Amboy Investment Company, GS Realty Inc. and MES Realty Inc. Amboy Realty is a real estate investment trust that is 99.9% owned by ANB and .1% owned by bank employees. It was formed in 1997 as a New Jersey company to hold residential mortgages and home equity loans. Its objective is to minimize state income taxes. AMB Investment Co., which is 100% owned by ANB, is an investment company formed to hold municipal securities and to minimize state income taxes. GS Realty, Inc. and MES Realty Inc. are real estate holding companies, which are 100% owned by ANB. They were established to hold the bank's other real estate owned. Neither GS Realty or MES Realty currently have assets. None of the operating subsidiaries had a negative impact on the bank's ability to meet the credit and investment needs of its assessment area.

The bank is a full service bank with 14 branch offices spanning four counties in the State of New Jersey. As of June 30, 1999, ANB's gross loans were \$946 million, representing 73% of total assets. The bank's loan mix consists of 95% real estate loans, 5% commercial loans and less than 0.5% are consumer loans. Since June 30, 1997, gross loans have increased by 18%. The growth was attributable mainly to an 18% increase in real estate loans, while commercial loans increased by 17%.

The bank's real estate loans include home equity loans and lines of credit.

ANB operates in a very competitive financial services market with intense competition from mortgage companies, large regional banks, savings banks, community banks, credit unions and finance companies. ANB is not subject to any known financial, legal, or regulatory restrictions that impede its ability to help meet the credit needs of its assessment area.

Description of Assessment Areas (AA)

ANB has three AAs, which are all located entirely in the State of New Jersey. The AAs consist of portions of three Metropolitan Statistical Areas (MSA), which are part of the New York-Northern New Jersey-Long Island New York-Connecticut Consolidated Metropolitan Statistical Area (CMSA).

The MSAs are Middlesex-Somerset-Hunterdon #5015, Monmouth-Ocean #5190, and Trenton #8480.

Combined AA

ANB's combined AA, consists of parts of the counties of Middlesex, Mercer, Somerset, and Monmouth. The geographies comprising each AA are contiguous, and meet the regulatory requirements for an AA.

The population of the combined AA is 641,000. The income designations for the AA geographies are 1% low-income, 9% moderate-income, 50% middle-income, 39% upper-income, and 1% which are not income classified. The low-income geography is situated on a government military installation, the U.S. Naval Weapons Station at Earle. There is no owner occupied housing or commercial enterprises on the base, resulting in no home or small business loans being made in this geography. The two geographies which are not classified are also part of the naval base. Eighty-five percent of the housing units in the AA are one-to-four family units, 13% are multifamily units, and 2% are mobile homes. Of the total housing units, 75% are owner-occupied, 21% are renter-occupied, and 4% are vacant. The median housing price in the AA is \$183,015.

According to 1998 business demographics, there are 23,668 businesses in the AA. Farm businesses represent a very small portion of the above population. Small businesses represent 74% of the 19,661 businesses reporting revenues in the AA.

Middlesex-Monmouth AA

The Middlesex-Monmouth AA encompasses 143 contiguous geographies located within the counties of Middlesex and Monmouth, representing 89% of the geographies of the combined AA. The AA reaches into two MSAs, Middlesex-Somerset-Hunterdon and Monmouth-Ocean. The population of the AA is 573,237, or 89% of the combined AA's population. The income designations for this AA's geographies are 1% low, 9% moderate, 50% middle-income, 39% upper-income and 1% not categorized. Eighty-five percent of the housing units in this AA are one-to-four family units, 13% are

multifamily units, and 2% are mobile homes. Of the total housing units in this AA, 75% are owner-occupied, 20% are renter-occupied and 5% are vacant. The median housing price is \$181,483.

The 1990 U.S. Census Median Family Income for the Middlesex-Somerset-Hunterdon MSA is \$55,147, and \$46,615 for Monmouth-Ocean. This figure is used to determine the income designation of the MSA's geographies. The 1998 Housing and Urban Development (HUD) Updated Median Family Income for the AA is \$72,900 for Middlesex and \$57,700 for Monmouth. This figure is used to determine the income designation of individuals in this MSA.

In this AA, there are 20,584 businesses, of which less than 2% are farms. Small businesses represent 90% of the 17,213 businesses reporting revenues. The primary industries in this AA are services, retail trade, government and manufacturing. The primary employers in the area are Johnson and Johnson, Edwards/Giants Food, Lucent Technologies, Prudential Insurance, and Rutgers University.

The unemployment rate for Middlesex County was 4.0% as of June 1999, below the State average of 4.9%. The rate for Monmouth County was nearly the same as Middlesex at 4.1%. The rates for the two counties were close to the average rates for 1998 for each area, i.e., 3.7% for Middlesex and 4.3% for Monmouth County.

Mercer-Somerset AA

The Mercer-Somerset AA, consists of the Hopewell Borough and Township in Mercer County, and the boroughs of Raritan, Somerville, Millstone, and Rocky Hill in Somerset County. It also includes the towns of Branchburg, Hillsborough, and Montgomery in Somerset County. These contiguous geographies are part of two MSAs, Trenton and Middlesex-Somerset-Hunterdon.

The AA includes 17, or 11%, of the 161 geographies in the combined AA. This geography's population is 66,563, or 10% of the combined AA's population. This AA contains no low-income geographies. The income designations for this AA's geographies are 6% moderate-income, 41% middle-income and 53% upper-income. Ninety percent of the housing units in this AA are one-to-four family units, 8% are multifamily units, 2% are mobile homes. Of the total housing units in this AA, 78% are owner-occupied, 18% are renter-occupied and 4% are vacant. The median housing price is \$208,789.

The 1990 U.S. Census Median Family Income for the Trenton MSA is \$48,490. The 1998 Updated Median Family Income for the MSA is \$63,000. Please refer to the first AA for the income data for the Middlesex MSA.

In this AA there are 2,750 businesses, of which 119 are farms. Small businesses represent 85% of the 2,245 businesses reporting revenues. The primary industries in this AA are wholesale trade, services, government, and manufacturing. The main employers in the area are AT&T and Merck and Company.

The unemployment rate in Somerset County was 2.5% in June 1999, far below the State average of 4.9%. The rate for Mercer County was closer to the State average at 4.2%. The rates were both consistent with the 2.6% average unemployment rate for Somerset and the 4.1% average for Mercer in 1998.

Woodbridge-Iselin AA

The Woodbridge-Iselin AA consists of one geography in the town of Woodbridge, in the County of Middlesex. It is part of the Middlesex-Somerset-Hunterdon MSA. This geography's population is 9,401, or 1% of the combined AA's population. It is a middle-income geography. Fifty-three percent of the housing units in this AA are one-to-four family units, 47% are multifamily units. Of the total housing units in this AA, 55% are owner-occupied, 40% are renter-occupied and 5% are vacant. The median housing price is \$160,600.

ANB's only office in this AA is in the David T. Wilentz office building. The branch is a limited service branch which provides deposit services mainly for tenants of the office building.

Please refer to the first AA for income data for the Middlesex MSA.

In this AA there are 662 businesses, of which 6 are farms. Small businesses represent 81% of the 486 businesses reporting revenues. The primary industries in this AA are retail and wholesale. The two largest employers in this area are the Woodbridge Center Mall and Amerada Hess.

Please refer to the Middlesex-Monmouth AA above for information on the unemployment rate for Middlesex County.

Community Contacts

We made two community contacts with groups involved with affordable housing. One contact noted that there is a need for affordable single family housing. They felt that zoning restrictions in some parts of the AA have impeded the availability of affordable housing construction. However, the other contact stated that zoning does not play a role in affordable housing development. She noted that New Jersey has some of the most aggressive mandates for affordable housing through the Fair Housing Act of New Jersey and the Council for Affordable Housing. This contact thought that the credit need in the area was for interest rate subsidies on construction loans for low and moderate-income borrowers. Both contacts indicated there is an overall shortage of rental housing units in the area. There was also a belief that more flexible underwriting standards would enable more low and moderate-income people to qualify for home mortgages. ANB was complimented by our contacts for their willingness to employ flexible underwriting standards and payment terms, thereby enabling more low and moderate-income people to qualify for home mortgages.

Conclusions with Respect to Performance Tests

Scope of Review

This review generally covers the calendar years 1997 and 1998. The market share and peer lender comparisons contained in the Lending Test are based on information contained in the aggregate Home Mortgage Disclosure Act (HMDA) and Small Business Reports for 1997. This information will not be available for 1998 activities until later in 1999. The aggregate HMDA and Small Business Reports are available for public review. The 1998 information is based on the bank's HMDA Loan Application Register (LAR) and Small Business Register. At the bank's request we reviewed its home equity loan and lines of credit. The home equity loan/line of credit information is for 1998 only, as the bank did not provide this information for loans made in 1997.

The peer comparisons in this report include only lenders who were required to file HMDA and Small Business Reports for 1997. Essentially all lenders operating in ANB's AA would have been required to file HMDA information. Small business reporting is required of bank and thrift institutions with assets of \$250 million or more as of December 31 of the prior two calendar years preceding the reporting year, or an affiliate of a holding company with \$1 billion or more in assets during the same time periods.

ANB's last examination report is dated October 9, 1997. The bank received a Satisfactory rating at that examination.

From this point forward, all information presented represents activities, which occurred in ANB's combined AA, unless otherwise noted.

Lending Test

ANB's overall lending performance was good. This is based on an adequate percentage of loans in the AA; an overall good distribution of home loans to borrowers with low or moderate-income; an excellent distribution of loans to small size businesses; a good distribution of business loans for less than \$100,000; an excellent geographic distribution of small business loans; a good geographic distribution of home loans; and an excellent level of community development loans.

AA Concentration of Lending Activity

ANB originated a total of 887 HMDA loans, 699 small business loans, and 1,479 home equity loans between January 1, 1997 and December 31, 1998. The Table below shows the number and dollar

amount of HMDA, small business and home equity loans that were originated during this time period. The bank made the majority or 68% of these loans inside its AA. No additional weight was given to any one of these loan products.

Ratio of Loans Originated Inside the AA - January 1, 1997 through December 31, 1998				
	HMDA	Small Business	Home Equity Loans	Total
Number				
Number of loans inside the AA	571	464	1,044	2,079
Total number of Loans	887	699	1,479	3,065
% of Loans Inside/Total # of Loans	64	66	71	68
Dollars (in 000's)				
\$ of Loans Inside the AA	76,295	56,023	37,500	169,818
Total \$ of Loans	122,202	94,147	54,189	270,538
% of Loans Inside/Total \$ of Loans	62	60	69	63

Level of Lending Activity

ANB is a reasonably active HMDA lender. The 571 HMDA loans originated during 1997 and 1998 represented a 28% increase over the 446 HMDA loans originated during the previous examination period that spanned 1995, 1996 and first quarter 1997. The bank ranked 43rd for market share out of 358 lenders present in the home purchase loan market in 1997, with a 0.6% market share. It ranked 27th for market share in the refinance loan market out of 269 lenders in 1997, with a 0.9% market share. In both cases, the bank was mainly outranked by mortgage companies and larger banking institutions.

The bank is an active small business lender, ranking 14th out of the 142 small business lenders in the market in 1997 with a 1.35% market share. The institutions that outranked the bank were very large banks and credit card companies.

Borrower Distribution

Home Purchase Loans

ANB had a good distribution of home purchase loans to borrowers of low and moderate-income. The bank realized a 0.9% share of the low-income borrower market, and a 1.00% share of the moderate-income borrower market compared to 0.6% overall market share. The bank's market share of the middle-income

borrower market was 0.5%. Its share of the upper-income market was 0.8%.

It also had an excellent distribution of home purchase loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 23% of its loans to moderate-income borrowers compared to a 17% distribution of moderate-income families. Its distribution of loans to low-income borrowers was good at 9% compared to a 13% distribution of low-income families.

Home Improvement Loans

ANB does not offer a separate home improvement loan product. The bank actively promotes its home equity line and loan products. Management feels its home equity line and loan products satisfy customer needs for home improvement loans.

Home Equity Loans and Lines of Credit

ANB had an excellent distribution of home equity loans to moderate-income borrowers compared to the household income distribution. The bank made 19% of its loans to moderate-income borrowers compared to a 14% distribution of moderate-income households. The bank's loan distribution to low-income households was adequate with a 9% distribution of loans to low-income households compared to a 17% distribution of low-income households.

Refinance Loans

ANB had an excellent distribution of refinance loans to borrowers of moderate-income and a good distribution of loans to borrowers with low-income. The bank realized a 1.3% share of the moderate-income borrower market, and a 2.7% share of the low-income borrower market compared to 0.9% overall market share. The bank's market share of the middle-income borrower market was 1.4%. Its share of the upper-income market was 1.0%.

ANB also had an excellent distribution of refinance loans to moderate-income borrowers compared to the distribution of moderate-income families. The bank made 21% of its loans to moderate-income borrowers compared to a 17% distribution of moderate-income families. Its distribution to low-income borrowers was good, with 8% of its loans to low-income borrowers compared to a 13% distribution of low-income families.

Small Business Lending

ANB had an excellent distribution of loans to small size businesses, and a good distribution of small size loans, i.e., loans for less than \$100,000. ANB made 79% of its loans to small size businesses. Small businesses represent 76% of all businesses operating in the area. The average lender in the market made 46% of its loans to small sized businesses. In 1997, the bank realized a 2.7% market share of loans to businesses with annual revenues of \$1million or less compared to a 1.3% market share of all small business loans.

A substantial majority or 78% of the loans were for amounts less than \$100,000. Loans for less than \$100,000 are generally the size of loans sought by small businesses.

Geographic Distribution

Lending Gap Analysis

There were no conspicuous or inappropriate gaps found in ANB's geographic loan distribution. As mentioned earlier in this report under the Description of the Assessment Areas, there is no owner occupied housing or businesses located in the bank's only low-income geography. Consequently, there was no home or small business loans made by the bank in this area.

Home Purchase Loans

ANB has a good distribution of home purchase loans to moderate-income geographies. The bank realized a 1.0% share of the moderate-income geography market compared to an overall market share of 0.6%. The bank's market share of the middle-income borrower market was 0.8%. Its share of the upper-income market was only 0.5%. ANB's distribution of loans in moderate-income geographies was also good compared to the distribution of owner occupied housing in the area. The bank distributed 4.5% of its loans in moderate-income geographies, compared to the 4.9% of owner occupied housing located in these areas.

Home Equity Loans and Lines of Credit

ANB had an adequate distribution of home equity loans to moderate-income geographies. The bank made 4.4% of its home equity loans in moderate-income geographies compared to 6.8% of the AA's population living in these geographies.

Refinance Loans

ANB has an excellent distribution of refinance loans to moderate-income geographies. The bank realized a 2.0% share of the moderate-income geography market, compared to an overall market share of 0.9%. The bank's market share of the middle-income borrower market was 1.2%. Its share of the upper-income market was only 0.7%. ANB distributed 5.7% of its loans to moderate-income geographies, compared to the 5% of owner occupied housing located in these geographies.

Small Business Loans

ANB has an excellent distribution of small business loans to moderate-income geographies. The bank realized a 1.2% market share of the moderate-income geography market compared to a 1.3% overall market share. It realized a 1.3% share of the middle-income and a 1.6% share of the upper-income geography market. ANB distributed 9.2% of its loans to moderate-income geographies, where 5.2%

of the AA's businesses are located.

Community Development Lending

ANB has an excellent level of community development loans with \$10 million in community development loans. Several of the loans were made outside of the bank's AA due to limitations on the availability of qualified community development projects in the bank's AA.

The bank made a \$1.5 million loan to a housing alliance for the purpose of providing short term financing for the construction of 28 units of housing for low and moderate-income families. The bank also will provide the permanent financing for the project. The housing units are located in Monmouth County within the bank's AA.

ANB also made five other qualified community development loans totaling \$8.5 million. These loans were made for projects located outside the bank's AA, but were made in conjunction with organizations that are involved with community development activities on a statewide basis that includes the bank's AA. Management elected to participate in these projects because of their desire to do community development lending, and many of the available projects were outside but reasonably near the bank's AA. Management believed that low and moderate-income residents of the bank's AA could benefit from these affordable housing projects, since they would be eligible candidates to live in these properties.

The most significant project involved a \$3.9 million loan commitment to finance the construction of 29 housing units. Twenty of the units are affordable units priced for people or families with low or moderate-income. The project is a 50/50 participation with the New Jersey Home Mortgage Finance Agency (NJHMFA) under the State's Urban Homeownership Recovery Program. NJHMFA provides 50% of the construction financing and a below market interest rate

ANB was involved with two projects with the Federal Home Loan Bank (FHLB) of New York's Affordable Housing Program. One project involved a 50/50 participation, with the bank providing one half or \$2.6 million of the total financing. The financing was used to construct two apartment complexes in Elizabeth, NJ. The vast majority of the tenants have low or moderate-income. ANB also committed to provide \$1.1 million in financing for 14 units of affordable housing in Newark, NJ. In addition to the loan, ANB will be the FHLB member institution sponsor for a \$220,000 direct subsidy from the FHLB.

The bank did two other 50/50 participation projects with the NJHMFA, one in Plainfield, NJ and the other in Long Branch, NJ. The Plainfield project involved a \$409,000 loan to construct a 10 unit condo of affordable housing. The Long Branch project involved \$500,000 of financing for 10 condo units and 14 duplex units. These are affordable housing units for families with low or moderate-income.

Innovative or Flexible Lending Practices

ANB offers several flexible loan products to address community credit needs.

The Helping Hand Mortgage Loan Program is a community lending mortgage product designed for low and moderate-income people. The Program features underwriting standards that are easier to qualify for than a conventional mortgage. The allowed debt to income ratio is higher than allowed for conventional mortgages, i.e., a housing debt ratio of 33% versus the conventional 28%, and an overall debt ratio of 40% versus the 36% conventional ratio. The Program allows for a down payment as little as 5%, a 1% reduction in the interest rate for the first 10 years of the loan term, no points, a \$275 reduction in the application fee, and requires PMI for loan to value ratios greater than 85% as opposed to 80%. The bank pays the PMI premiums for the first two years. All borrowers are required to receive homebuyer education. The bank originated 43 of these loans for \$3.3 million.

The Helping Hand Home Equity Loan is a fixed rate loan that also has flexible features for borrowers with low or moderate-income. The Program allows for a maximum loan to value ratio that is 5% higher than the conventional loan ratio, a 1% rate reduction for the first 10 years of the loan, a minimum loan amount of \$500 versus a conventional loan minimum of \$15,000, and a waiver of the \$100 application fee. ANB originated 14 of these loans for \$230,000.

The Helping Hand Automobile Loan provides several features that make the loan more favorable than a conventional auto loan. Specifically the loan features a 5% lower down payment requirement, a 1.5% rate reduction, and loan terms which are up to 12 months longer. The bank originated five of these loans for \$37,000.

ANB participates in a special loan program through the Old Bridge NJ Housing Authority. The loans are used to assist people with low or moderate-income in the purchase of homes in certain designated areas of Old Bridge. In addition to having the benefits offered under the Helping Hand Mortgage Program, borrowers under this Program pay no PMI insurance, regardless of the loan to value ratio involved. A loan down payment of \$5,000-\$7,500 is normally provided by the Township. The borrower needs to only invest \$1,000 of their funds in the transaction. ANB originated two of these loans for \$200,000.

Investment Test

The bank had a good level of qualified investments considering the resources of the bank and the available opportunities in the area. The available investment opportunities are mainly in the form of grants and targeted mortgage backed securities. The opportunities are somewhat limited due to the lack of low-income geographies in the AA and competition from the two largest banks in the State for available opportunities.

ANB made \$4.4 million in new investments during the examination period. The bank's largest investment was \$4 million for a mortgage backed security. The security is backed by mortgage loans made to low or moderate-income borrowers, all of which were originated after 1993. A substantial

majority of the loans are located in the bank's assessment area.

A second investment for \$250,000 was made in a nonprofit community loan fund. The purpose of the organization is to lend funds and to provide technical assistance to other community organizations that are concerned with affordable housing and economic opportunities for people with low or moderate-income.

A third investment of \$100,000 was made in a community reinvestment fund. The purpose of this regional organization is to provide capital and technical expertise to build wealth and economic opportunities for low and moderate-income areas and low and moderate-income people. ANB showed leadership by being the first New Jersey bank to invest in this fund. The Fund accomplishes its mission through its financial support of affordable housing development, community facilities, small businesses and work force development programs.

ANB also made \$29,000 in donations to community development related nonprofit organizations. The organizations' activities cover community services and affordable housing targeted to low and moderate-income people.

Service Test

Retail Banking Services

Service delivery systems are accessible to geographies and individuals of different income levels in the assessment area. The bank operates 14 full service offices and nine Automatic Teller Machines (ATM). Eight of the ATMs are accessible 24 hours everyday. The ATM at the Woodbridge branch, located in a middle-income geography, is accessible only when the branch lobby is open. There are no offices or ATMs located in the low-income geography, which is part of the military base. Two or 14% of the offices are located in moderate-income geographies. This is excellent in relation to the population distribution; 7% of the population resides in the moderate-income geographies. The distribution of ATM's to moderate-income geographies is good, with two or 22% of the ATMs located in moderate-income geographies.

ANB opened one new branch in Red Bank, NJ in April 1998. The branch is located in a middle - income geography. No branches have been closed since the last examination.

The business hours offered at the branch offices do not vary in a way that inconveniences any portion of the AA. The office hours vary somewhat between offices. All offer extended evening hours at least one night per week. Typical lobby hours range from 9AM to 2PM or 3PM on Monday through Wednesday and 9AM to 6PM or 7PM on Thursdays and Fridays. Several of the branches offer Saturday hours, including the Ticetown branch, which is located in a moderate-income geography. All of the branches have drive-up facilities except the Woodbridge branch.

ANB offers alternative delivery systems in the form of a bank-by-mail program, a bank-by-phone program, and Internet banking. By mail, customers may make payments, deposits, transfers, and can apply for a loan. Customers can call the bank's Call Center and speak to a bank representative to apply for a home equity or consumer loan, get answers to loan questions, and transfer funds between accounts. The Call Center is open six days a week, and is open until 7PM Monday through Thursday. The bank also maintains a 24-hour automated telephone banking service, where a customer can check account balances, transfer funds between accounts and place stop payments. Customers can access the bank's website to obtain information on bank products and apply for a home equity loan. In evaluating the bank's services, no significant weight was given to these systems since the bank does not track how well these services reach low- and moderate-income people and geographies.

ANB offers two lower cost checking accounts. Although these accounts are not limited to low and moderate-income people, the accounts would normally be used by people with low or moderate-incomes. ANB's most affordable checking account is its "Basic Checking". The account requires a \$25 minimum deposit to open the account, no minimum balance and has a monthly service charge of \$2.50 and a per check fee of \$.40 for each check or debit beyond the fifth check or debit each month. The Senior Checking is an affordable account for people 55 years or older. The account requires a \$100 deposit for opening, but allows unlimited check writing and has no monthly charges. ANB does not charge ATM fees for any ATM transaction, whether at the bank's ATM or at another bank's ATM.

Community Development Services

ANB offers a good level of community development services. Management continues to support various organizations throughout the communities that are served by the bank by offering financial and technical expertise to those groups.

ANB hosted five homebuyer seminars in conjunction with a statewide homebuyer counseling coalition. The seminars are given in targeted areas, and are attended primarily by low and moderate-income people. ANB personnel conducted each of the seminars. Bank employees also attend monthly meetings of the organization to discuss the results of past seminars and to discuss recommendations for future seminars. ANB employees also handle seminar promotions and perform various clerical duties associated with the seminars.

The bank also participated in three other first time homebuyer seminars, two in conjunction with a Somerset County housing group, and one with a Central New Jersey housing organization and the Old Bridge Township Housing Authority. All three were targeted to prospective homeowners with low or moderate-income. Bank employees were speakers at each of the seminars.

ANB hosted two tax preparation assistance sites at its offices during February and March of 1998 and 1999. Four of the bank's officers participated in providing the free tax return preparation for low and moderate-income residents of New Jersey. The bank provides the facilities, equipment, and supplies. It also allows participating employees time to prepare for the tax preparation sessions, and to follow-up

on issues that arise from preparing tax returns. One of the bank's officers is also a board member of the Accountants' for Public Interest, the group that oversees the free tax preparation program.

Several members of bank senior management provided technical assistance to several nonprofit groups in preparing applications for FHLB Affordable Housing Loan Program applications. With the bank's assistance, three of these groups were able to secure reduced rate loans and grants for affordable housing projects.

The bank's President serves as a member of a housing collaboration in Monmouth County. The collaboration deals with low-income housing issues in the County. One of the bank's vice-presidents serves as a member of two affordable housing groups, one in Somerset County, and the other a statewide housing coalition. The officer is the co-chairperson of the housing coalition. Both of these organizations are involved in affordable housing for low and moderate-income people.

Bank employees have participated in several fraud prevention seminars for senior citizens as part of the New Jersey Seniors Fraud Prevention Program. The seminars are targeted to senior citizens with low or moderate-income. The purpose of the seminars is to educate seniors on the many financial scams they could be exposed to.

The bank provides pre-purchase home counseling in conjunction with a Central New Jersey Housing Coalition. Some of the individuals who are counseled will go on to apply for the bank's affordable housing mortgage. The bank absorbs the \$55 cost for the credit bureau report it obtains in conjunction with the counseling. ANB purchased approximately 100 credit reports during the last two years.

ANB employees' instructed low and moderate-income individuals on the basics of banking in a seminar titled "Basic Adult Money Management".

The bank hosted a breakfast meeting for small businesses in 1998. The workshop was hosted and coordinated by the bank to provide financial and technical information for small businesses.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

Our fair lending review consisted of a test for gender discrimination in the loan terms given to 60 approved home equity loan and line of credit customers. The applications were all approved in calendar year 1998. The loan terms given to the female prohibited basis group were compared to a male control group.

Appendix

Scope of Examination

The table below lists the scope of the examination. Specifically, it lists the lending products reviewed, the branches visited, and the time period covered in the review.

Scope of Examination			
Time Period Reviewed	The time period beginning 1/1/97 through 12/31/98		
Financial institution Amboy National Bank Old Bridge, NJ 08857	Products Reviewed Home purchase, home improvement and refinance loans reported on the HMDA LAR, small business loans reported on the Small Business Register, and home equity lines and loans.		
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
The assessment area consists of portions of three MSAs -Middlesex-Somerset-Hunterdon NJ (5015), Trenton NJ (8480) and Monmouth - Ocean NJ (5190).	On-site	Main Office	See A>Description of Assessment Areas@

Appendix B

Standard Tables

ANB does not consider farm lending as a primary product line. Accordingly, Tables 6 and 11 which detail small farm activity are not included in this Appendix. Additionally, all Home Improvement Loans are originated as Home Equity Loans and are not recorded on HMDA. Therefore, Tables 3 and 8 are not included in this Appendix.

Table 1. Lending Volume

Charter Number: 3878

LENDING VOLUME State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998												
MSA /Assessment Area	% of Total ANB Deposits in Rated Area	Home Mortgage		Small Business		Small Farms		Community Development		Total Reported Loans		% of Total reported ANB Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Scope:												
Middlesex-Monmouth	95	517	\$68,414	366	\$47,390	0	0	1	\$1,500	884	\$117,,304	85.3%
Mercer-Somerset	1	51	7,577	94	8,517	0	0	0	0	145	\$16,094	14.0%
Woodbridge-Iselin	4	3	304	4	116	0	0	0	0	7	420	.7%

Charter Number: 3878

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Over all Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% ANB Loans	% Owner Occ Units	% ANB Loans	% Owner Occ Units	% ANB Loans	% Owner Occ Units	% ANB Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Middlesex-Monmouth	0	0	5.2	4.5	49.5	53.5	45.3	42.0	40	.7	0	1.0	.9	.5	202	91.0
Mercer-Somerset	0	0	3.1	5.2	41.8	47.4	55.1	47.4	64	.4	0	0	.4	.4	19	8.6
Woodbridge-Iselin	0	0	0	0	100	100	0	0	0	0	0	0	0	0	1	.4

(*) Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Charter Number: 3878

Geographic Distribution: HOME MORTGAGE REFINANCE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% ANB Loans	% Owner Occ Units	% ANB Loans	% Owner Occ Units	% ANB Loans	% Owner Occ Units	% ANB Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Middlesex-Monmouth	0	0	5.2	6.3	49.5	52.1	45.3	41.6	26	1.0	0	2.1	1.3	.6	315	90.3
Mercer-Somerset	0	0	3.1	0	41.8	18.8	55.1	81.2	40	.7	0	0	.3	.9	32	9.2
Woodbridge-Iselin	0	0	0	0	100	100	0	0	0	0	0	0	1.2	0	2	.5

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Charter Number: 3878

Geographic Distribution: SMALL BUSINESS State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Over all Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% ANB Loans	% of Businesses	% ANB Loans	% of Businesses	% ANB Loans	% of Businesses	% ANB Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Middlesex-Monmouth	0	0	5.1	10.1	46.4	53.8	48.5	36.1	14	1.4	0	1.3	1.3	1.6	373	80.4
Mercer-Somerset	0	0	6.4	8.6	32.6	21.4	61.0	70.0	13	1.7	0	2.3	1.8	1.6	85	18.3
Woodbridge-Iselin	0	0	0	0	100	100	0	0	13	1.4	0	0	1.3	0	6	1.3

(*) Based on 1997 Aggregate Small Business Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Charter Number: 3878

Borrower Distribution: HOME PURCHASE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Over all Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% ANB Loans*	% of Families	% ANB Loans*	% of Families	% ANB Loans*	% of Families	% ANB Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Middlesex-Monmouth	12.8	8.9	16.6	25.2	25.0	24.8	45.6	40.1 (****)	40	.7	1.0	1.1	.5	.9	202	91.0
Mercer-Somerset	7.9	10.5	15.0	0	25.9	52.6	51.2	36.8 (****)	64	.4	0	.4	.8	.3	19	8.6
Woodbridge-Iselin	17.0	0	21.5	0	28.7	0	32.8	0	0	0	0	0	0	0	1(***)	.4

(*) As a percentage of loans with borrower income information available.

(**) Based on 1997 Aggregate HMDA Data only.

(***) Borrower Income Data Not Available

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Charter Number: 3878

Borrower Distribution: HOME MORTGAGE REFINANCE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Over all Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% ANB Loans*	% of Families	% ANB Loans*	% of Families	% ANB Loans*	% of Families	% ANB Loans*		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Middlesex-Monmouth	12.8	7.9	16.6	20.6	25.0	23.8	45.6	41.3 (***)	26	1.0	2.9	1.5	1.6	1.0	315	90.3
Mercer-Somerset	7.9	6.3	15.0	25.0	25.9	34.4	51.2	28.1 (***)	40	0.7	0	0	.5	1.2	32	9.2
Woodbridge-Iselin	17.0	0	21.5	0	28.7	100	32.8	0	0	0	0	0	0	0	2	.5

(*) As a percentage of loans with borrower income information available.

(**) Based on 1997 Aggregate HMDA Data only.

(***) Middlesex-Monmouth and Mercer-Somerset do not add up to 100% due to borrowers with income data not available

Table 10. Borrower Distribution of Small Business Loan Originations

Charter Number: 3878

Borrower Distribution: SMALL BUSINESS State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998											
MSA /Assessment Area	Business with Revenues of \$1 million or less			Loans by Original Amount regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% ANB Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg. Loan Size (000)
Full Scope:											
Middlesex-Monmouth	77.6	78.8	45.4	73.8%	17.1%	9.1%	1.4	2.7	373	80.4	\$126
Mercer-Somerset	72.4	76.5	44.8	85.9	12.9	1.2	1.7	3.6	85	18.3	\$87
Woodbridge-Iselin	59.9	100	43.6	100	0	0	1.7	3.5	6	1.3	\$38

(*) As a percentage of all businesses.

(**) As a percentage of total small business loans.

(***) The market consists of all other Small Business reporters in ANB's assessment area and is based on 1997 Aggregate Small Business Data only.

(****) Based on 1997 Aggregate Small Business Data only.

Table 12. Qualified Investments

Charter Number: 3878

QUALIFIED INVESTMENTS State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998									
MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full Scope:									
Middlesex-Monmouth	0	0	0	9	4,131	93.5	9	4,131	93.5
Mercer-Somerset	0	0	0	9	193	4.4	9	193	4.4
Woodbridge-Iselin	0	0	0	8	93	2.1	8	93	2.1

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/AA that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

Charter Number: 3878

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																	
MSA/ Assessment Area	Deposits % of Total ANB Deposits	# of ANB Branches	Branches					# of ANB ATMs	% of Total ANB ATMs	ATMs				Population			
			% of Total ANB Branches	Location of Branches by Income of Geographies						Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low %	Mod %	Mid %	Upp %			Low %	Mod %	Mid %	Upp %	Low %	Mod %	Mid %	Upp %
Full Scope:																	
Middlesex-Monmouth	86	10	72%	0	20%	80%	0%	6	67%	0	33%	67%	0	0.2%	7.1%	48.9%	43.8%
Mercer-Somerset	12	3	21%	0	0	33%	67%	2	22%	0	0	50%	50%	0	4.2%	41.9%	53.9%
Woodbridge-Iselin	2	1	7%	0	0	100%	0	1	11%	0	0	100%	0	0	0	100%	0

Table 14. Geographic and Borrower Distribution of Consumer Loan Originations Charter Number: 3878

Geographic and Borrower Distribution: CONSUMER LOANS State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																		
MSA/ Assessment Area	Geographic Distribution*								Borrower Distribution									
	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Total Consumer Loans	
	% of Population	% ANB Loans	% of Population	% ANB Loans	% of Population	% ANB Loans	% of Businesses	% ANB Loans	% of Hshlds	% ANB Loans	% of Hshlds	% ANB Loans	% of Hshlds	% ANB Loans	% of Hshlds	% ANB Loans	#	% of Total
Full Scope:																		
Middlesex-Monmouth	.2	0	7.2	4.7	48.9	58.7	43.5	36.6	17.0	8.4	14.3	19.6	21.3	25.2	47.4	43.5	971	93.0
Mercer-Somerset	0	0	4.4	0	41.7	33.0	53.9	67.0	11.0	10.1	13.6	18.8	21.6	20.3	53.8	50.7	69	6.6
Woodbridge-Iselin	0	0	0	0	100	100	0	0	19.5	25.0	17.8	0	27.4	50.0	35.3	0	4	.4

(*) The percentage of the population in the MSA/Assessment Area that resides in these geographies.