



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

February 1, 2010

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

City National Bank of New Jersey  
Charter Number 16142

900 Broad Street  
Newark, New Jersey 07102

Office of the Comptroller of the Currency

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340 Madison Avenue – Fourth Floor  
New York, New York 10173-0002

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

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**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- City National Bank of New Jersey's quarterly average net loan-to-deposit ratio is reasonable given the size and financial condition of the institution as well as the assessment areas' credit needs, and relevant competitive factors;
- The bank originated a majority of its loans to borrowers within its assessment areas;
- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes in all assessment areas (AAs), particularly in the NJ-PA AA;
- The geographic distribution of loans reflects reasonable dispersion among geographies of different incomes in all AAs, particularly in the NJ-PA AA; and
- The bank's level of community development activity reflects adequate responsiveness to the community development needs in the New York-Northern New Jersey-Long Island, NY-NJ-PA Multistate Metropolitan Statistical Area given the bank's capacity and CD opportunities within this MMSA.

## **Scope of Examination**

City National Bank of New Jersey (CNB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD loans, investments, and services.

The lending test for CNB covers its performance from January 1, 2007 through February 1, 2010, as this is representative of its lending strategy since the last CRA examination. The evaluation period for the CD test is from November 7, 2002 through February 1, 2010.

The bank's primary loan products are business, home purchase, and home refinance loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's mortgage lending performance. To evaluate the bank's business lending performance, we selected a sample of 54 business loans made from January 1, 2007 through February 1, 2010. CD loans, investments, and services submitted by bank management were also verified to ensure they met the regulatory definition of community development.

## Description of Institution

CNB is a \$473 million interstate community bank headquartered in Newark, New Jersey. It is a wholly owned subsidiary of City National Bancshares Corporation. The holding company also has an ownership interest in an equipment leasing company that provides loans to businesses. CNB was created in 1973 to serve the people of Newark and strengthen the local neighborhoods. The bank has since expanded to other urban areas of New Jersey as well as New York and Philadelphia.

At the last CRA examination (November 6, 2002), CNB had a total of eight branch offices. The bank maintained five branch offices in New Jersey and three branch offices in New York. As of the date of this evaluation, the bank maintains ten branch offices, with the main office still located in Newark, New Jersey (Essex County). The bank continues to maintain three branch offices in Newark, New Jersey; one branch office in Hackensack, New Jersey (Bergen County); and one branch office in Paterson, New Jersey (Passaic County). The bank also continues to maintain a branch office in Roosevelt and another in Hempstead, New York (Nassau County) as well as one branch office in Brooklyn, New York (Kings County). In May 2005 the bank opened a branch office in Harlem, New York (New York County). In June 2007 the bank purchased a branch office from Sun National Bank in Philadelphia, Pennsylvania (Philadelphia County).

As of December 31, 2009, CNB reports total assets of \$473 million. The balance sheet reflects \$279 million in loans and \$380 million in deposits. The loan portfolio is comprised of \$145 million in commercial real estate loans (52%); \$50 million in construction and development loans (18%); \$33.5 million in commercial and industrial loans (12%); \$30 million in residential mortgage and home equity loans (11%); \$15 million in lease financing (5%); and \$6 million in other loans (2%). As of December 31, 2009 tier one risk based capital was \$34 million and represented 10.62% of risk weighted assets.

The bank maintains status as a Community Development Financial Institution (CDFI), which was awarded to the bank in March 2000 and expires in March 2013. This status is awarded to specialized financial institutions that work in markets that have not been adequately served by traditional financial institutions. Financial institutions receive CRA investment credit by maintaining deposits in a CDFI.

The bank offers a full range of deposit products, loan products, and services. Commercial lending is CNB's primary business focus, more specifically real estate and business lending. Residential mortgage lending is a secondary business focus. There are no legal or financial impediments to CNB's ability to meet the credit and CD needs of its AAs. The last CRA examination of CNB was as of November 6, 2002, at which time the bank received a rating of "Outstanding."

## **Selection of Areas for Full-Scope Review**

In each state and multistate metropolitan area where the bank has an office, a sample of assessment areas (AAs) within that state/multistate metropolitan area was selected for full-scope reviews. Refer to the “Scope” section under each State and Multistate Metropolitan Area Rating section (as applicable) for details regarding how the areas were selected.

## **Ratings**

The bank’s overall rating is a blend of the multistate metropolitan area rating(s) and state ratings.

The institution’s CRA rating takes into account the ratings in different states/multistate metropolitan areas by considering:

- The significance of the bank’s activities in each state/multistate metropolitan area compared with the bank’s overall activities.
- The lending opportunities in each state/multistate metropolitan area.
- The importance of the bank in providing loans to each state/multistate metropolitan area, particularly in light of the number of other institutions and the extent of their activities in each state/multistate metropolitan area.
- Demographic and economic conditions in each state/multistate metropolitan area.

The multistate metropolitan area rating(s) and state rating(s) are based primarily on those areas that received full-scope reviews. Refer to the “Scope” section under each State and Multistate Metropolitan Area Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Conclusions with Respect to Performance Criteria**

### **Loan-to-Deposit Ratio**

The bank’s average net loan-to-deposit ratio (LTD) is considered reasonable given the bank’s size, financial condition, AAs’ credit needs, and in light of a large volume of municipal and federal deposits. The bank’s LTD averaged 60.31% over the 29 quarters since the last CRA examination. This ratio ranged from a quarter low of 45.59% in the second quarter of 2004 to a quarterly high of 71.76% in the fourth quarter of 2009.

The bank’s LTD ratio compares favorably with other financial institutions of similar size, location, and product offerings. The bank’s peer group consists of 28 institutions of

comparable asset size, market share, business strategy and with similar branch distribution networks. This peer group has an average LTD ratio of 76.81% over the same 29 quarters. The peer group's average LTD ratio ranged from 26.34% to 105.84%. The bank's LTD ratio, which is lower than the peer group by approximately 16.5%, is still reasonable given that approximately one third of the bank's deposit base is comprised of federal and municipal funds. These funds are procured through the towns/municipalities in which CNB operates branch offices. These towns/municipalities have often decided to support the bank by placing deposits in the bank. Additionally, the bank's CDFI standing brings in significant federal deposits and deposits from other banks. Note that banks receive positive CRA credit for deposits maintained at a CDFI. Also note that municipal funds typically require investments to be purchased and pledged against them, which may limit available funds for lending.

### Lending in Assessment Area

CNB meets the standard for satisfactory performance for lending in the assessment areas. During the evaluation period, the bank originated a majority of its primary loan products (business, home purchase, and home refinance loans) within the assessment areas. Based on HMDA-LAR data and a sample of 57 commercial loans, the bank originated 56% of home loans, and 81% of business loans within the assessment areas.

The following table details the bank's lending within the AAs by number and dollar amount during the evaluation period.

Table 1 - Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	28	56.00	22	44.00	50	7,103	61.55	4,437	38.45	11,540
Business	46	80.70	11	19.30	57	23,383	82.70	4,891	17.30	28,274
Totals	74	69.15	33	30.84	107	30,486	76.57	9,328	23.43	39,814

### Fair Lending or Other Illegal Credit Practices Review

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

## Multistate Metropolitan Area Rating

### New York-Northern New Jersey-Long Island, NY-NJ-PA

CRA Rating for the New York-Northern New Jersey-Long Island, NY-NJ-PA<sup>1</sup>:

**“Satisfactory”**

The Lending test is rated: **“Satisfactory”**

The Community development test is rated: **“Satisfactory”**

- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes in all AAs, particularly in the NJ-PA AA.
- The geographic distribution of loans reflects reasonable dispersion among geographies of different incomes in all AAs, particularly in the NJ-PA AA.
- The bank’s level of community development activity reflects adequate responsiveness to the community development needs the New York-Northern New Jersey-Long Island, NY-NJ-PA Multistate Metropolitan Statistical Area given the bank’s capacity and CD opportunities within this MMSA.

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-PA MULTISTATE METROPOLITAN STATISCAL AREA

City National Bank of New Jersey operates nine branches in the New York-Northern New Jersey-Long Island, NY-NJ-PA Multistate Metropolitan Statistical Area (MMSA), to include the head office. The bank has three AAs within this MMSA. Each AA falls within the boundaries of a metropolitan division (MD). The first AA, hereafter referred to as NJ-PA AA lies within the Newark-Union, NJ-PA MD. The second AA, hereafter referred to as NY-NJ AA, lies within the New York-White Plains-Wayne, NY-NJ MD. The third AA, hereafter referred to as NY AA, lies within the Nassau-Suffolk, NY MD.

#### NJ-PA ASSESSMENT AREA

The NJ-PA AA consists of 212 contiguous census tracts in Essex County in the State of New Jersey. The census tracts are distributed as 70 low-income (33%); 68 moderate-income (32%); 28 middle-income (13%); and 46 upper-income (22%). According to the 2000 census, the total population of this AA is 794 thousand people; median family income (MFI) is \$68.4 thousand; and the 2009 HUD adjusted MFI is \$88.4 thousand. The family distribution by income level within this AA is approximately 32% low-income; 18% moderate-income; 18% middle-income; and 32% upper-income. In this AA, 10 %

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<sup>1</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

and 23% of the total owner occupied housing is located in low- and moderate-income geographies respectively. Small businesses (i.e. revenue under one million dollars) account for 77% of the businesses in this AA. Businesses in low-income census tracts account for 22% while in moderate-income census tracts they account for 25%.

Demographic Information for Full-Scope Area: NJ-PA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	212	33.02	32.08	13.21	21.70	0.00
Population by Geography	793,633	25.48	32.74	15.33	26.45	0.00
Owner-Occupied Housing by Geography	129,489	9.60	22.54	19.91	47.95	0.00
Business by Geography	61,352	22.34	25.21	14.10	38.35	0.00
Farms by Geography	563	6.22	15.99	21.49	56.31	0.00
Family Distribution by Income Level	194,654	32.56	17.76	17.91	31.77	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	97,949	37.83	39.93	11.80	10.44	0.00
Median Family Income	68,424	Median Housing Value		178,002		
HUD Adjusted Median Family Income for 2009	88,400	Unemployment Rate (2000 US Census)		4.34%		
Households Below Poverty Level	15%					

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

Source: 2000 U.S. Census and 2009 HUD updated MFI

Economic conditions within this AA have been deteriorating more so than economic conditions of the U.S. as a whole. The unemployment rate as of December 31, 2009 was 11.2%; which is moderately above the nationwide 9.7% unemployment rate according to the U.S. Bureau of Labor and Statistics Data. Additionally, this is more than double the unemployment rate of 5.3% in 2007 for this AA. Affordable housing continues to be a problem for this AA due to limited opportunities for housing development. Additionally, the close proximity to New York City contributes a large volume of lessees with high incomes. Although housing values have declined by 20% or more from 2007 to 2009, median housing price in 2009 was approximately \$251 thousand. The majority of businesses in this AA are in the services industry (47%); followed by retail trade (16%); finance, insurance & real estate (8%); construction (7%); wholesale trade (5%); and transportation & communication (5%). Major employers include Newark International Airport, Verizon-Communications, Prudential Financial, Continental Airlines, and University of Medicine-Dentistry.

Competition between financial institutions within this AA is strong. City National Bank maintains three branches within this AA including its main office. The bank competes with nationwide mortgage and business lenders, large regional banks, and a number of community banks for both loans and deposits. According to June 30, 2009 FDIC/OTS Summary of Deposit data, CNB ranked 16 out of 32 institutions competing within this AA, with a deposit market share of 1.24%. In regards to loan market share, CNB ranked 188 out of 387 institutions with a mortgage loan market share of 0.03%. For small business loans the bank was not ranked as its market share was less than 0.01%.



Bank management indicates that the primary credit needs of the community continue to be small business lending; faith-based organization lending (e.g. lending to churches); and banking services in low- and moderate-income areas. In conducting the assessment of the bank's performance within this AA, we contacted a representative from regional governmental agency, a local governmental agency. The contacts confirmed the need for small business lending; increased lending for faith-based, community focused institutions; and increased banking services for the communities. The contacts also identified as credit needs, lines of credit for non-profit organizations; loan modification assistance; commercial lending to fund various revitalization projects; and financing for development of commercial; industrial; and residential units.

Community development needs identified by the community contacts include affordable housing, including first-time homebuyer assistance; affordable rentals for low- to moderate-income (LMI) individuals, seniors and homeowners removed from homes due to foreclosure; small business technical assistance and financial training; additional grants to non-profit organizations; access to financial services in low- to moderate-income (LMI) areas; financial literacy; subsidies for CD projects; and foreclosure prevention assistance.

### **NY-NJ ASSESSMENT AREA**

The NY-NJ AA consists of 2,000 census tracts in Kings, Queens, and New York Counties in the State of New York as well as Bergen and Passaic Counties in the State of New Jersey. The census tracts are distributed as 198 low-income (10%); 528 moderate-income (26%); 621 middle-income (31%); 610 upper-income (30%); and 43 with no income designation (2%). According to the 2000 census, the total population of this AA is 7.6 million people; median family income (MFI) is \$49.4 thousand; and the 2009 HUD adjusted MFI is \$64.8 thousand. The family distribution by income level within this AA is 26% low-income; 16% moderate-income; 17% middle-income; and 41% upper-income. In this AA, two percent and 14% of the total owner occupied housing is located in low- and moderate-income geographies respectively. Small businesses (i.e. revenue under one million dollars) account for 75% of the businesses in this AA. Businesses in low-income census tracts account for six percent while in moderate-income census tracts they account for 19%.

Demographic Information for Full-Scope Area: NY-NJ AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,000	9.90	26.40	31.05	30.50	2.15
Population by Geography	7,605,067	10.37	28.87	28.28	32.44	0.05
Owner-Occupied Housing by Geography	1,035,287	1.81	13.76	29.67	54.75	0.00
Business by Geography	703,577	5.89	18.59	21.80	52.58	1.14
Farms by Geography	3,789	2.53	9.40	18.84	69.07	0.16
Family Distribution by Income Level	1,794,573	26.10	15.79	17.02	41.09	0.00

Distribution of Low and Moderate Income Families throughout AA Geographies	751,748	18.41	40.07	27.10	14.43	0.00
Median Family Income	49,461	Median Housing Value	253,265			
HUD Adjusted Median Family Income for 2009	64,800	Unemployment Rate (2000 US Census)	3.92%			
Households Below Poverty Level	17%					

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

Source: 2000 U.S. Census and 2009 HUD updated MFI

This AA reflects a number of large and widely diversified economies. It incorporates three New York City counties and two New Jersey State counties. New York City is one of the nation's largest cities and is considered a global hub of international business and commerce. New Jersey has long been an industrial producer. Given the major role of New York City as the command center for world economy and New Jersey's industrial background the NY-NJ AA has suffered varying degrees of duress within the its counties due to the global economic downturn. The unemployment rate for this AA as of December 31, 2009 was 9.9%; which is marginally above the nationwide 9.7% unemployment rate according to the U.S. Bureau of Labor and Statistics Data. However, Kings County which supplies approximately a fourth of the labor force of this AA had an unemployment rate of 11.2%. The majority of businesses in this AA are in the services industry (44%); followed by retail trade (16%); finance, insurance & real estate (9%); wholesale trade (6%); and construction (5%). Major employers in Bergen and Passaic Counties include Hackensack Medical Center, Cytec Industries Inc, and NJ Sports & Exposition Authority. Major employers in Kings, Queens, and New York Counties include New York Presbyterian Healthcare System, Citigroup, and JP Morgan Chase.

Competition between financial institutions within this AA is strong. City National Bank maintains five branches within this AA; distributed amongst the counties with the exception of Queens County. The bank competes with nationwide mortgage and business lenders, large regional banks, and a number of community banks for both loans and deposits. According to June 30, 2009 FDIC/OTS Summary of Deposit data, CNB ranked 108 out of 151 institutions that compete within this AA, with a deposit market share of 0.02%. In regards to loan market share, CNB was not ranked as its market share was less than 0.01% for mortgage loans as well as small business loans.

Bank management indicates that the primary credit needs of the community continue to be small business lending; faith-based organization lending (e.g. lending to churches); and banking services in low- and moderate-income areas. In conducting the assessment of the bank's performance within this AA, we contacted a representative from regional governmental agency, a local governmental agency, and three representatives from local community organizations. The contacts confirmed the need for small business lending; increased lending for faith-based, community focused institutions; and increased banking services for the communities. The contacts also identified as credit needs, lines of credit for non-profit organizations; loan modification assistance; commercial lending to fund various revitalization projects; and financing for development of commercial; industrial; and residential units.

Community development needs identified by the community contacts include affordable housing, including first-time homebuyer assistance; affordable rentals for low- to

moderate-income (LMI) individuals, seniors and homeowners removed from homes due to foreclosure; small business technical assistance and financial training; additional grants to non-profit organizations; access to financial services in LMI areas; financial literacy; subsidies for CD projects; and foreclosure prevention assistance.

## NY ASSESSMENT AREA

The NY AA consists of 277 contiguous census tracts in Nassau County in the State of New York. The census tracts are distributed as two low-income (1%); 20 moderate-income (7%); 178 middle-income (64%); 69 upper-income (25%); and eight with no income designation (3%). According to the 2000 census, the total population of this AA is 1.3 million people; MFI is \$76.2 thousand; and the 2009 HUD adjusted MFI is \$101.8 thousand. The family distribution by income level within this AA is 17% low-income; 17% moderate-income; 23% middle-income; and 43% upper-income. In this AA, less than one percent and 5% of the total owner occupied housing is located in low- and moderate-income geographies respectively. Small businesses (i.e. revenue under one million dollars) account for 80% of the businesses in this AA. Businesses in low-income census tracts account for less than one percent while in moderate-income census tracts they account for six percent.

Demographic Information for Full-Scope Area: NY AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	277	0.72	7.22	64.26	24.91	2.89
Population by Geography	1,334,544	1.12	8.45	67.16	23.27	0.00
Owner-Occupied Housing by Geography	359,257	0.18	4.73	68.87	26.22	0.00
Business by Geography	146,318	0.93	5.98	64.67	28.42	0.01
Farms by Geography	2,037	0.64	9.82	70.00	19.54	0.00
Family Distribution by Income Level	349,694	16.70	17.06	23.01	43.22	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	118,082	2.01	12.41	70.98	14.60	0.00
Median Family Income		76,221	Median Housing Value	278,789		
HUD Adjusted Median Family Income for 2009		101,800	Unemployment Rate (2000	1.81%		
Households Below Poverty Level		5%	US Census)			

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

Source: 2000 U.S. Census and 2009 HUD updated MFI

This AA lies within Long Island, New York which and is one of the highest income areas in the state. However, it has also been impacted by the recent economic downturn. Foreclosures have spiked in several communities and high property taxes continue to strain the remaining homeowners. The financial strain on many families can now be seen in many ways such as the use of food pantries by people who previously donated to these pantries. The unemployment rate for this AA as of December 31, 2009 was seven percent; which is well below the nationwide 9.7% unemployment rate according to the U.S. Bureau of Labor and Statistics Data. However, this is nearly double the 3.8% unemployment rate for this AA in 2007. The majority of businesses in this AA are

in the services industry (48%); followed by retail trade (14%); finance, insurance & real estate (10%); construction (7%); and wholesale trade (5%). Major employers in this AA include North Shore Long Island Jewish Health System, Cablevision, Diocese of Rockville Centre, SUNY Stony Brook, and Waldbaums.

Competition between financial institutions within this AA is strong. City National Bank maintains two branches within this AA. The bank competes with nationwide mortgage and business lenders, large regional banks, and a number of community banks for both loans and deposits. According to June 30, 2009 FDIC/OTS Summary of Deposit data, CNB ranked 37 out of 41 institutions competing within this AA, with a deposit market share of 0.05%. In regards to loan market share, CNB was not ranked as its market share was less than 0.01% for mortgage loans as well as small business loans.

As with the NJ-PA, and the NY-NJ assessment areas, bank management indicates that the primary credit needs of the community continue to be small business lending; faith-based organization lending (e.g. lending to churches); and banking services in low- and moderate-income areas. In conducting the assessment of the bank's performance within this AA, we contacted a representative from a local governmental agency, and a local community organization. The contacts confirmed the need for small business lending. The contacts also identified as primary credit needs, affordable loan products for LMI seniors and loan modification assistance.

Community development needs identified by the community contacts include affordable housing; assistance for rental housing for those who lost homes due to foreclosure; small business lending and training; access to financial services in LMI areas; and additional grants to non-profit organizations.

## **SCOPE OF EVALUATION IN THE NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-PA MULTISTATE METROPOLITAN STATISCAL AREA**

A full-scope review was performed for the NJ-PA AA, NY-NJ AA, and NY AA. The NJ-PA AA, which falls within the Newark-Union, NJ-PA MD, is composed of Essex County, New Jersey. The NY-NJ AA, which falls within the New York-White Plains-Wayne, NY-NJ MD, is composed of Kings, New York, and Queens Counties, New York as well as Bergen and Passaic Counties, New Jersey. The NY AA, which falls within the Nassau-Suffolk, NY MD, is composed of Nassau County, New York.

Greater overall weight was placed on City National Bank of New Jersey's overall performance in the NJ-PA AA as this was identified as the AA of greatest credit and CD need. Additionally, CNB plays a significant role in meeting the credit and CD needs of many of the communities in the NJ-PA AA. Greater weight was placed on the bank's performance in the NY-NJ AA than the NY AA given the significantly diminished role as a credit provider and CD supporter in the NY AA versus the NY-NJ AA. Within the assessment of the bank's lending performance in the NY-NJ and NY AAs, greater weight was placed on the business lending activities as this is reflective the bank's

business strategy within these AAs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-PA MULTISTATE METROPOLITAN STATISCAL AREA**

### **LENDING TEST**

The bank's performance under the lending test in the New York-Northern New Jersey-Long Island, NY-NJ-PA Multistate Metropolitan Statistical Area is rated "Satisfactory". The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion among geographies of different incomes. Greater overall weight was placed on City National Bank of New Jersey's overall performance in the NJ-PA AA as this was identified as the AA of greatest credit need. Additionally, CNB plays a significant role in meeting the credit needs of many of the communities in the NJ-PA AA. Greater weight was placed on the bank's performance in the NY-NJ AA than the NY AA given the significantly diminished role as a credit provider in the NY AA versus the NY-NJ AA. Within the assessments of the bank's performance in the NY-NJ and NY AAs greater weight was placed on the business lending activities as this is reflective the bank's business strategy within these AAs. Additionally small business lending was identified as a need within the NY-NJ and NY AAs.

In the NJ-PA AA, general area revitalization had been identified as a need. The bank's geographic distribution of home loans as well as business loans reflects excellent dispersion throughout census tracts of different income levels within the NJ-PA AA. The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes within the NJ-PA AA.

In the NY-NJ AA and the NY AA, the bank's business strategy places greater emphasis on business lending with limited residential lending. Additionally, small business lending was identified as a credit need within these AAs. The bank's distribution of business loans by geography and business size reflects excellent dispersion and penetration in the NY-NJ AA. The number and dollar amount of business loans to small businesses and businesses within LMI geographies greatly exceed their demographic comparative.

In the NY-NJ AA the distribution of home loans among borrowers and geographies of different income is poor. However, this is reasonable given economic factors and the bank's business strategy within this AA.

In the NY AA, the bank's distribution of business loans by geography and business size reflects excellent dispersion and reasonable penetration. The number and dollar amount of business loans to businesses within moderate-income geographies greatly exceed the demographic comparative. Although no business loans were made within low-income geographies, this is deemed reasonable given the distribution of businesses within this AA. In the NY AA the distribution of home loans among borrowers and geographies of different income is poor. However, this is reasonable given economic factors and the bank's business strategy within this AA.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes within the NJ-PA Assessment Area

The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes given the demographics of the NJ-PA AA.

### Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. Residential lending was identified as a credit need within the NJ-PA AA. The bank originated five percent of the residential real estate loans for low-income borrowers, which account for approximately 33% of the families in the AA's population. However, this is reasonable. Average cost of housing in the NJ-PA AA from 2007 to 2009 was approximately \$250 thousand. The HUD updated median family income for 2009 is \$88 thousand. This means that a low income family earns no more than approximately \$44 thousand. Which means approximately half or more of a family's income would be used for housing. In addition, this AA has a poverty rate of 15%. Given these factors it would be difficult for a low-income individual to own housing in this AA.

The bank demonstrated excellent responsiveness to meeting the home loan needs of moderate-income borrowers. Thirty percent of home loans were made to moderate-income borrowers, which account for about 18% of the families in the AA's population.

Table 5 - Borrower Distribution of Residential Real Estate Loans in NJ-PA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Loans	32.56	5.00	17.76	30.00	17.91	50.00	31.77	15.00

Source: HMDA data for 2007-2009 and HUD updated, 2000 U.S. Census data

### Business Loans

Based on the representative loan sample, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Small business lending was identified as a credit need within this AA. Eighty-eight percent by number and 48% by dollar amount of the bank's loans within the NJ-PA AA during the assessment period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable as compared to demographic data that shows approximately 77% of businesses with this AA are small businesses.

Table 5A - Borrower Distribution of Loans to Businesses in NJ-PA AA				
Business Revenues (or Sales)	<\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total

% of AA Businesses	77.14	5.86	17.00	100
% of Bank Loans in AA by #	88.00	12.00	0.00	100
% of Bank Loans in AA by \$	48.17	51.83	0.00	100

Source: business loan data sampled from 2007-2009

## Geographic Distribution of Loans within the NJ-PA Assessment Area

The distribution of loans reflects excellent dispersion among census tracts of different income levels throughout the NJ-PA AA.

### Home Loans

The bank's geographic distribution of home loans in this AA reflect excellent dispersion among census tracts of different income levels; especially, in the low- and moderate-income census tracts. In particular, the percentage of home loans originated in the low- and moderate-income census tracts greatly exceeds the available owner occupied housing. Approximately 10% and 23% of owner occupied housing within this AA is available in low- and moderate income census tracts. However, the bank made 30% and 50% of its home loans in low- and moderate-income census tracts respectively.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loan	9.60	30.00	22.54	55.00	19.91	10.00	47.95	5.00

Source: HMDA data for 2007-2009 and HUD updated, 2000 U.S. Census data

### Business Loans

Based on the representative loan sample, the bank's geographic distribution of business loans reflects excellent dispersion through census tracts of different income levels. The percent of loans made in low- and moderate-income census tracts significantly exceed the percentage of businesses in each census tract. Businesses in the low-income census tracts account for 22% or total 13,706, while businesses in moderate-income census tracts account for 25% or total 15,466 of the total businesses within the NJ-PA AA. The bank originated 44% number and 75% by dollar amount of its business loans, within this AA, for businesses in low-income census tracts. The bank originated 40% of its loans by number and 16.41% by dollar amount of its business loans, within this AA, for businesses in moderate-income census tracts.

Table 6A - Geographic Distribution of Loans to Businesses in NJ-PA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	22.34	44.00	25.21	40.00	14.10	12.00	38.35	4.00

Source: business loan data sampled from 2007-2009; Dun & Bradstreet data

## Responses to Complaints

City National Bank of New Jersey has not received any CRA related consumer complaints covering the evaluation period with respect to the bank's lending performance in this assessment area.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes within the NY-NJ Assessment Area

The distribution of loans reflects reasonable penetration among borrower of different incomes and businesses of different sizes given the demographics of the NY-NJ AA. More weight was placed on business loans as the bank has placed a greater emphasis on commercial lending as part of its business strategy within the NY-NJ AA.

### Business Loans

Based on the representative loan sample, the distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Small business lending was identified as a credit need within this AA. A 100% by number and dollar amount of the bank's loans within the NY-NJ AA during the sampling period were made to small businesses. This is considered more than reasonable compared to the demographic data that shows approximately 75% of the businesses within the NY-NJ AA are small businesses. There were no loans made to large businesses; however, this is reasonable considering large businesses account for a small portion of the businesses within this AA (six percent). In addition, CNB competes in a market of over six hundred lenders for the lending needs of large businesses, which could easily exceed the bank's lending capacity.

Table 7 - Borrower Distribution of Loans to Businesses in NY-NJ AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74.70	6.12	19.18	100%
% of Bank Loans in AA by #	100	0.00	0	100%
% of Bank Loans in AA by \$	100	0.00	0	100%

Source: business loan data sampled from 2007-2009



Home Loans

The distribution of home loans reflects poor penetration among borrowers of different income levels. Residential lending was identified as a credit need with the NY-NJ AA. The bank did not originate any home loans for LMI individuals. However, the bank competes with over six hundred lenders in this AA; and median home values in NY-NJ AA reached as high \$543 thousand in 2007. Although home values in some areas of the NY-NJ AA declined by as much as 30% from 2007 through 2009, this still put home ownership out of the reach of many LMI individuals who earn no more than \$35 thousand or \$56 thousand respectively. Effectively, this means a moderate-income individual would be using more than half of their income for housing, while a low-income individual would be using almost their entire income for housing.

Table 7A - Borrower Distribution of Residential Real Estate Loans in NY-NJ AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Loans	26.10	0.00	15.79	0.00	17.02	0.00	41.09	100

Source: HMDA data for 2007-2009 and HUD updated, 2000 U.S. Census data

**Geographic Distribution of Loans within the NY-NJ Assessment Area**

The distribution of loans reflects reasonable dispersion among census tracts of different income levels throughout the NY-NJ AA.

Business Loans

Based on the representative loan sample, the bank’s geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. The percent of loans made in low- and moderate-income census tracts significantly exceed the percentage of businesses in each respective census tract. Businesses in the low-income census tracts account for approximately six percent or 41 thousand, while businesses in moderate-income census tracts account for approximately 19% or 131 thousand of the total businesses within the NY-NJ AA. The bank originated approximately 19% by number and 22% by dollar amount of its business loans within this AA for businesses in low-income census tracts. The bank originated approximately 44% by number and 41% by dollar amount of its business loans within this AA for businesses in moderate-income census tracts.

Table 8 - Geographic Distribution of Loans to Businesses in NY-NJ AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	5.89	18.75	18.59	43.75	21.80	12.50	52.58	25.00

Source: business loan data sampled from 2007-2009; Dun & Bradstreet data

Home Loans

The bank’s geographic distribution of home loans in the NY-NJ AA reflects poor dispersion throughout census tracts of different income levels. The bank did not originate any home loans in LMI geographies. Approximately two percent of owner occupied housing is available in low-income census tracts; which would make it difficult for the bank to originate loans within these census tracts. The bank did not originate any loans in moderate-income census tracts; which hold approximately 14% of the owner occupied housing in this AA. However, the bank competes with over six hundred lenders in this AA. In addition, median home values in this AA reached a high of \$543 thousand in 2007. From 2007 through 2009 home values declined by as much as 30% in some areas, which prompted homeowners, that could afford to do so, to hold on to their properties. This reduced the amount of actual available housing in many of the LMI geographies.

Table 8A - Geographic Distribution of Residential Real Estate Loans in NY-NJ AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	1.81	0.00	13.76	0.00	29.67	50.00	54.75	50.00

Source: HMDA data for 2007-2009 and HUD updated, 2000 U.S. Census data

**Responses to Complaints**

City National Bank of New Jersey has not received any CRA related consumer complaints covering the evaluation period with respect to the bank’s lending performance in this assessment area.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes within the NY Assessment Area**

The distribution of loans reflects reasonable penetration among borrower of different incomes and businesses of different sizes given the demographics of the NY-AA. More weight was placed on business loans as the bank has placed a greater emphasis on commercial lending as part of its business strategy within the NY-AA.

Business Loans

Based on the representative loan sample, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Small business lending was identified as a credit need within this AA. Approximately 67% by number and 27% by dollar amount of the bank’s loans within this AA during the sampling period were made to small businesses; which account for 80% of the businesses in this AA. However this considered reasonable as the bank competes in a market of over three hundred lenders for the commercial lending needs of this AA.

Table 9 - Borrower Distribution of Loans to Businesses in NY AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.38	5.05	14.56	100%
% of Bank Loans in AA by #	66.67	33.33	0	100%
% of Bank Loans in AA by \$	26.54	73.46	0	100%

Source: business loan data sampled from 2007-2009

### Home Loans

The distribution of home loans reflects poor penetration among borrowers of different income levels. Residential lending was identified as a credit need with the NY AA. The bank did not originate any home loans for LMI individuals. However, the bank competes with over three hundred lenders in this AA; and median home values in the NY AA reached as high \$490 thousand in 2007. In addition, home values in the NY AA as whole decreased by only 13% in most areas from 2007 through 2009; which maintained home ownership out of the reach of many LMI individuals. Low- to moderate-income individuals within this AA earn no more than \$38 thousand or \$59 thousand respectively. Effectively, this means a moderate-income individual would be using more than half of their income for housing, while a low-income individual would be using almost their entire income for housing.

Table 9A - Borrower Distribution of Residential Real Estate Loans in NY AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Loans	16.70	0.00	17.06	0.00	23.01	75.00	43.32	25.00

Source: HMDA data for 2007-2009 and HUD updated, 2000 U.S. Census data

### **Geographic Distribution of Loans within the NY Assessment Area**

The distribution of loans reflects reasonable dispersion among census tracts of different income levels throughout the NY AA.

### Business Loans

Based on the representative loan sample, the bank's geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. The percentage of loans made in moderate-income census tracts well exceeds the percentage of businesses. Businesses in the moderate-income census tracts account for approximately six percent or nine thousand. The bank originated approximately 33% by number and 73% by dollar amount of its business loans within this AA for businesses in moderate-income census tracts. Although no loans were made to businesses within low-income census tracts, this is deemed reasonable given that only two census tracts out of 277 are low-income within this AA. In addition less

than one percent of the businesses within this AA are located in these two low-income census tracts. Additionally, the bank is competing with over 300 lenders for the commercial lending needs of this AA.

Table 10 - Geographic Distribution of Loans to Businesses in NY AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	0.93	0	5.98	33.33	64.67	66.67	28.42	0

Source: business loan data sampled from 2007-2009; Dun & Bradstreet data

### Home Loans

The bank's geographic distribution of home loans in the NY AA reflects poor dispersion throughout census tracts of different income levels. The bank did not originate any home loans in LMI geographies. Less than one percent and five percent of owner occupied housing is available in low- and moderate-income census tracts respectfully. This would make it difficult for the bank to originate loans within these census tracts. Additionally, the bank competes with over three hundred lenders in this AA.

Table 10A - Geographic Distribution of Residential Real Estate Loans in NY AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	0.18	0.00	4.73	0.00	68.67	100.00	26.22	0.00

Source: HMDA data for 2007-2009 and HUD updated, 2000 U.S. Census data

### **Responses to Complaints**

City National Bank of New Jersey has not received any CRA related consumer complaints covering the evaluation period with respect to the bank's lending performance in this assessment area.

### **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in the New York-Northern New Jersey-Long Island, NY-NJ-PA Multistate Metropolitan Statistical Area is rated "Satisfactory." The bank's level of community development activity reflects adequate responsiveness to the community development needs of the New York-Northern New Jersey-Long Island, NY-NJ-PA Multistate Metropolitan Statistical Area given the bank's capacity and CD opportunities within this MMSA. Greater overall weight was placed on City National Bank of New Jersey's overall performance in the NJ-PA AA as this was identified as the AA of greatest community development need. Additionally, CNB plays a significant role in meeting the CD needs of many of the

communities in the NJ-PA AA. Greater weight was placed on the bank's performance in the NY-NJ AA than the NY AA given the significantly diminished role as a purveyor of CD loans, investments, and services.

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the NJ-PA AA. Community contacts identified Newark as an area in great need of CD efforts and bank services. Many of the bank's CD loans, investments, grants & donations, and services are concentrated in and/or targeted at Newark. Additionally, the bank maintains its main office and operates two additional full service branches in Newark.

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the NY-NJ AA given the bank's capacity and role within the communities of this AA. The bank maintains four full service branches in this AA, two of which are located in low-income census tracts. The bank has assisted in meeting many of the community needs identified by the community contacts. These include financial literacy for community residents; small business technical assistance and training; additional grants and lines of credit for non-profits; affordable housing; and increased access to financial services.

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the NY AA given the bank's capacity and role within the communities of this AA. The bank maintains two full service branches in low- and moderate-income geographies in this AA. The bank has not greatly assisted in meeting the community needs identified by the community contact. However, this is considered reasonable given the bank's capacity, limited branch distribution network, and its relative minor role within the communities in the NY AA.

## **NJ-PA ASSESSMENT AREA**

### **Number and Amount of Community Development Loans**

The number and amount of CD loans originated by CNB in the NJ-PA AA is satisfactory. During the evaluation period, the bank originated 19 loans that totaled \$15.3 million and qualified as CD loans under the CD definition in the CRA guiding regulation (12 C.F.R. §25). Community development loan funds were used to finance affordable housing; support economic development by creating jobs for LMI individuals; and support faith based organizations that provide community services targeted at LMI individuals in the NJ-PA AA. None of these loans were considered innovative or complex in nature.

### **Number and Amount of Qualified Investments**

The number and amount of CD investments is satisfactory. The bank maintained \$1.1 million in deposits, equally distributed in eleven community development financial institutions that either directly provide banking services within or have the possibility benefitting the NJ-PA AA. Additionally, the bank made 59 qualified grants totaling \$446 thousand. These grants were to local community organizations for various CD initiatives throughout the NJ-PA AA, particularly Newark.

## **Extent to Which the Bank Provides Community Development Services**

During the evaluation period, eight bank employees provided support and services to or through 19 organizations. Community development services provided included financial literacy, first time home buyer, and small business lending presentations and seminars.

Community development services are also provided by CNB employees in positions of leadership in organizations with CD focus. These organizations are Greater Newark Business Consortium, New Jersey Housing & Mortgage Finance, Newark Preschool Council, Mortgage Bankers Association, SCORE/SBA, NJEDC, U.S. Department of Commerce, Union County EDC, The Adult Day Care Center of Somerset County, CNB Urban Development Corp-Newark, Minority Alliance Capital, La Casa de Don Pedro, Junior Achievement of New Jersey and Regional Business Partnership Inc. In addition to these, a number of CNB officers and employees volunteer at local clubs and organizations as regular members.

## **Responsiveness to Community Development Needs**

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the NJ-PA AA. Community contacts identified Newark as an area in great need of CD efforts and bank services. Many of the bank's CD loans, investments, grants & donations, and services are concentrated in and/or targeted at Newark. Additionally, the bank maintains its main office and operates two additional full service branches in Newark.

The bank originated three qualifying CD loans that totaled \$916 thousand for faith based organizations that provide CD services within the NJ-PA AA, that include shelters and community services. The bank also originated 12 qualifying CD loans that totaled \$8.8 million for community organizations based in Newark; which used these loans for developing affordable housing, creating job opportunities, and providing additional CD services targeted at LMI individuals.

## **NY-NJ ASSESSMENT AREA**

### **Number and Amount of Community Development Loans**

The number and amount of CD loans originated by CNB in the NY-NJ AA is satisfactory. During the evaluation period, the bank originated 26 CD loans that totaled \$23.3 million. Community development loan funds were used to finance affordable housing; support economic development by creating jobs for LMI individuals; and support faith based organizations that provide community services targeted at LMI individuals in the NY-NJ AA. None of these loans were considered innovative or complex in nature.

## **Number and Amount of Qualified Investments**

The number and amount of CD investments is satisfactory. The bank maintained \$1.1 million in deposits, equally distributed in eleven community development financial institutions that either directly provide banking services within or have the possibility benefitting the NY-NJ AA. Additionally, the bank made 23 qualified grants totaling \$45 thousand. These grants were to local community organizations for various CD initiatives throughout the NY-NJ AA.

## **Extent to Which the Bank Provides Community Development Services**

During the evaluation period, four bank employees provided support and services to or through 11 organizations. Community development services provided included financial literacy, first time home buyer, and small business lending presentations and seminars. Community development services are also provided by CNB employees in positions of leadership in organizations with CD focus. These organizations are Barnert Hospital, New Jersey Housing & Mortgage Finance, Mortgage Bankers Association, SCORE/SBA, NJEDC, U.S. Department of Commerce, Union County EDC, The Adult Day Care Center of Somerset County, Junior Achievement of New Jersey and Regional Business Partnership Inc. In addition to these, a number of CNB officers and employees volunteer at local clubs and organizations as regular members.

## **Responsiveness to Community Development Needs**

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the NY-NJ AA given the bank's capacity and role within the communities of this AA. The bank maintains four full service branches in this AA, two of which are located in low-income census tracts. The bank has assisted in meeting many of the community needs identified by the community contacts. These include financial literacy for community residents; small business technical assistance and training; additional grants and lines of credit for non-profits; affordable housing; and increased access to financial services.

The bank originated \$22 million in loans in partnership with the Community Preservation Corporation. These loans were used to develop and provide affordable housing for LMI individuals. The bank also originated lines of credit for two community organizations that provide CD services in the NY-NJ AA. A bank employee conducts seminars through three regional organizations, specifically for small businesses in the NY-NJ AA. The bank provided \$45 thousand in grants and donations to various community organizations that used these funds for developing affordable housing, creating job opportunities, and providing additional CD services targeted at LMI individuals.

## **NY ASSESSMENT AREA**

## **Number and Amount of Community Development Loans**

The number and amount of CD loans originated by CNB in the NY AA is satisfactory. During the evaluation period, the bank originated four CD loans that totaled \$99 thousand. Community development loan funds were used to support economic development by creating jobs for LMI individuals; and support faith based organizations that provide community services targeted at LMI individuals in the NY-NJ AA. None of these loans were considered innovative or complex in nature.

## **Number and Amount of Qualified Investments**

The number and amount of CD investments is satisfactory. The bank maintained \$1.1 million in deposits, equally distributed in eleven community development financial institutions that either directly provide banking services within or have the possibility benefitting the NY AA. Additionally, the bank made 12 qualified grants totaling \$28 thousand. These grants were to local community organizations and regional organizations for various CD initiatives throughout the NY AA.

## **Extent to Which the Bank Provides Community Development Services**

Community development services provided by the bank within the NY AA are limited. The bank provides banking services serving LMI individuals through two full service branch offices, and attached ATMs, in low- and moderate-income geographies.

## **Responsiveness to Community Development Needs**

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the NY AA given the bank's capacity and role within the communities of this AA. The bank maintains two full service branches in low- and moderate-income geographies in this AA. The bank has not greatly assisted in meeting the community needs identified by the community contact. However, this is considered reasonable given the bank's capacity, limited branch distribution network, and its relative minor role within the communities in the NY AA.

The CD loans the bank originated within this AA assisted in promoting economic development by creating jobs for LMI individuals; and supported faith based organizations that provide community services targeted at LMI individuals in the NY AA. The CD investments, particularly the grants, were targeted at non-profit organizations that used those funds to conduct various CD initiatives throughout the NY AA.



## State Rating

### State of Pennsylvania

**CRA Rating for Pennsylvania: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

- The bank’s distribution of business loans by revenue and geography reflects excellent penetration and reasonable dispersion.
- The bank’s community development activities, as a whole, demonstrate adequate responsiveness to the community development needs and opportunities in the Philadelphia AA given the bank’s capacity and role within this AA’s communities.

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN PENNSYLVANNIA

The only AA for this state, designated the Philadelphia AA, lies within the boundaries of the Philadelphia, PA MD. City National Bank of New Jersey operates one branch out of the Philadelphia AA. The bank maintains a branch office in Philadelphia (Philadelphia County). The Philadelphia AA consists of 381 contiguous census tracts that form the whole of Philadelphia County. The census tracts are distributed as 109 low-income (29%); 140 moderate-income (37%); 88 middle-income (23%); 29 upper-income (8%); and 15 of unknown income (4%). The bank’s business strategy within this AA concentrates primarily on commercial lending with very limited residential lending.

According to the 2000 census, the total population of the Philadelphia AA is 1.5 million people; MFI is \$56 thousand; and the 2009 HUD adjusted MFI is \$75.5 thousand. The family distribution by income level within this AA is approximately 39% low-income, 21% moderate-income, 19% middle-income, and 21% upper-income. In the Philadelphia AA, approximately 23% and 44% of the total owner occupied housing is located in low- and moderate-income geographies respectively. Small businesses account for 74% of the businesses in this AA. Low-income census tracts hold 25% of the businesses in this AA, while moderate-income census tracts hold 38%.

Demographic Information for Limited-Scope Area: 2009 Philadelphia AA (Philadelphia County)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	381	28.61	36.75	23.10	7.61	3.94
Population by Geography	1,517,550	28.91	41.93	24.90	4.08	0.18
Owner-Occupied Housing by Geography	349,651	23.30	43.70	28.82	4.18	0.00
Business by Geography	100,526	24.78	37.41	23.80	11.90	2.11
Farms by Geography	430	16.28	36.28	32.09	15.35	0.00
Family Distribution by Income Level	355,253	38.71	21.29	18.78	21.23	0.00

Distribution of Low and Moderate Income Families throughout AA Geographies	213,129	37.15	44.06	17.59	1.21	0.00
Median Family Income	56,993	Median Housing Value			70,236	
HUD Adjusted Median Family Income for 2009	75,500	Unemployment Rate (2000			4.72%	
Households Below Poverty Level	22%	US Census)				

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

Philadelphia City which is comprised of Philadelphia County ranks fourth highest among U.S. cities for gross metropolitan product, totaling \$3.5 billion in 2009. A number of Fortune 500 companies are headquartered in this AA. The Philadelphia AA has seen the same relative economic impact due to the economic downturn as most metropolitan areas. The unemployment rate as of December 31, 2009 was 10.6% for this AA. This is moderately above the PA state unemployment rate of 8.5% and slightly above the nationwide 9.7% unemployment rate according to the 2009 U.S. Bureau of Labor and Statistics data. The majority of businesses in this AA are in the services industry (51%); followed by retail trade (17%); and finance, insurance, and real estate (7%). The remaining businesses are non-classifiable or their industries account for less than 5% of the total industries within the Philadelphia AA. The largest employers include Jefferson Health Systems, Inc; University of Pennsylvania; and Merck and Company.

Competition between financial institutions within this AA is strong. The bank competes with nationwide mortgage and business lenders, large regional banks, and a number of community banks for both loans and deposits. In addition, CNB maintains only one branch in this AA. According to June 30, 2009, FDIC/OTS Summary of Deposit data, CNB ranked 44 out of 50 institutions, with a deposit market share of 0.02%. In regards to loan market share, CNB was not ranked as it attained a market share of less than 0.01% in the Philadelphia AA.

Bank management indicates that the primary credit needs of the communities within the Philadelphia AA are small business lending and banking services in the low- and moderate-income areas. In conducting the assessment of the bank's performance, we contacted a representative from a local governmental agency. The contact confirmed the need for small business lending and increased banking services for this AA. The contact also identified as credit needs, credit programs for seniors including home repair; loans to start up businesses; loan modifications; and small dollar loans.

Community development needs identified by the community contact include housing counseling; financial literacy; grants for non-profits; small business development; funding to replace funding lost due to budget cuts; donated space for non-profits; job retraining; and low cost bank accounts

## **SCOPE OF EVALUATION IN PENNSYLVANIA**

A limited-scope review was performed for the Philadelphia AA given the maintenance of only one branch in this AA and the distance from the bank's other branches. The Philadelphia AA is comprised by Philadelphia County and its corresponding census tracts.

# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PENNSYLVANIA

## LENDING TEST

The bank’s performance under the lending test in the State of Pennsylvania is rated “Satisfactory.” The bank’s distribution of business loans by revenue and geography reflects excellent penetration and reasonable dispersion. The number and dollar amount of business loans to small businesses and businesses within moderate-income geographies greatly exceeded the comparative demographic data. Small business lending has been identified as a need within the Philadelphia AA by the community contact. Residential lending was not reviewed as part of the lending test as the bank’s business strategy within the Philadelphia AA outlined very limited residential lending.

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

The distribution of loans reflects excellent penetration among businesses of different sizes given the business demographics of the Philadelphia AA and the bank’s capacity.

#### Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Small business lending was identified as a credit need within this AA. The bank originated 100% of the business loans originated within this AA for small businesses. This is considered more than reasonable compared to demographic data that shows approximately 74% of the businesses within the Philadelphia AA are small businesses. There were no loans made to large businesses; however, this is reasonable considering large businesses account for a small portion of the businesses within this AA (five percent). In addition, CNB competes in a market of over five hundred lenders for the lending needs of large businesses, which could easily exceed the bank’s capacity.

Table 9 - Borrower Distribution of Loans to Businesses in Philadelphia AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74.08	4.45	21.47	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

Source: business loan data sampled from 2007-2009

### Geographic Distribution of Loans

The distribution of business loans reflects reasonable dispersion among census tracts of different income levels throughout the Philadelphia AA.

Business Loans

Based on the representative loan sample, the bank’s geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels. The percent of loans made in moderate-income census tracts significantly exceeds the percentage of businesses within these census tracts. Businesses in the moderate-income census tracts account for approximately 37%. The bank originated 100% of its business loans within this AA to businesses within these census tracts. No loans were originated for businesses within low-income census tracts; however, this is deemed reasonable given the low number of loans made within this AA coupled with the limited branch distribution network.

Table 9A - Geographic Distribution of Loans to Businesses in Philadelphia AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	24.78	0.00	37.41	100.00	23.80	0.00	11.90	0.00

Source: business loan data sampled from 2007-2009; Dun & Bradstreet data

**Responses to Complaints**

CNB has not received any CRA related consumer complaints covering the evaluation period with respect to the bank’s lending performance in this assessment area.

**COMMUNITY DEVELOPMENT TEST**

The bank’s performance under the community development test in the State of Philadelphia is rated “Satisfactory.” The bank’s community development activities, as a whole, demonstrate adequate responsiveness to the community development needs and opportunities in the Philadelphia AA given the bank’s capacity and role within this AA’s communities.

**Number and Amount of Community Development Loans**

The number and dollar amount of CD loans originated by CNB in the Philadelphia AA is satisfactory. During the evaluation period, the bank originated three CD loans that totaled \$415 thousand and qualified as CD loans under the CD definition in the CRA regulation (12 C.F.R. §25). CD loan proceeds were used to finance affordable housing; support economic development by creating jobs for LMI individuals; and support community organizations that provide services targeted LMI individuals in the Philadelphia AA. None of these loans were considered innovative or complex in nature.

**Number and Amount of Qualified Investments**

The number and dollar amount of CD investments is satisfactory. The bank maintained \$1.1 million in deposits equally distributed in eleven community development financial

institutions that either directly provide banking services within the Philadelphia AA or have the possibility of benefitting the Philadelphia AA. Additionally, the bank made three qualified grants and donations, totaling \$10 thousand. These grants were to non-profit organizations that help provide educational opportunities and job training for LMI individuals.

### **Extent to Which the Bank Provides Community Development Services**

Community Development services provided by the bank within the Philadelphia AA are limited to banking services provided to low-income individuals through a branch office in a low-income census tract.

### **Responsiveness to Community Development Needs**

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the Philadelphia AA given the bank's capacity and role within this AA's communities. Although the bank has not greatly assisted in meeting the community needs identified by the community contact, this is considered reasonable given the bank's capacity and limited branch distribution network. The bank provides banking services to LMI individuals through its full service branch located in a moderate-income census tract within this AA.

The CD loans the bank originated within this AA assisted in financing affordable housing; supporting economic development by creating jobs for low and moderate-income individuals; and supporting community organizations that provide services targeted at low- and moderate-income individuals. The CD investments, particularly the grants, were targeted at non-profit organizations that used those funds to help provide educational opportunities and job training for LMI individuals.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/2007 to 02/01/2010 Community Development Test: 11/07/2002 to 02/01/2010	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
City National Bank of New Jersey (CNB), Newark, New Jersey	Home Purchase Loans Home Refinance Loans Business Loans Community Development Loans Community Development Investments Community Development Services	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
New York-Northern New Jersey-Long Island, NY-NJ-PA Multistate Metropolitan Statistical Area NJ-PA AA NY-NJ AA NY AA  State of Pennsylvania Philadelphia AA	Full-Scope Full-Scope Full-Scope  Limited-Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
CITY NATIONAL BANK OF NEW JERSEY	Satisfactory	Satisfactory	Satisfactory
NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-PA MULTISTATE METROPOLITAN STATISTICAL AREA	Satisfactory	Satisfactory	Satisfactory
STATE OF PENNSYLVANIA	Satisfactory	Satisfactory	Satisfactory