



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

March 12, 2012

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BNB Bank, National Association  
Charter Number: 20622

2024 Center Avenue  
Fort Lee, NJ 07024-0000

Office of the Comptroller of the Currency

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

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

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

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

The primary factors supporting this rating include:

- BNB Bank, N.A. (BNB) has a loan- to-deposit ratio that is more than reasonable.
- BNB's borrower distribution reflects reasonable penetration among businesses of different sizes.
- BNB's geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.
- BNB demonstrates adequate responsiveness to community development needs.

## **Scope of Examination**

This Performance Evaluation assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated BNB under the Intermediate Small Bank (ISB) performance criteria, which included a Lending Test and a Community Development Test.

The Lending Test evaluates a bank's record of helping meet the credit needs of its assessment area through its lending activities. The evaluation period under the lending test covers the bank's performance from January 1, 2010 through March 12, 2012. Conclusions regarding BNB's lending performance are based on loans to businesses as business loans are considered the bank's primary loan product based on our review of the number and dollar amount of loans originated during the evaluation period.

The evaluation period for the Community Development Test, which includes community development loans, investments and services, covers the bank's performance from April 6, 2009 through March 12, 2012. All community development activities were reviewed to ensure they met the regulatory definition for community development.

## **Description of Institution**

BNB Bank, N.A. (formerly Broadway National Bank) opened for business on September 16, 1986. The bank is wholly owned by BNB Financial Service Corporation, a one bank holding company, and has two affiliated subsidiaries, BNB NJ Investment Corp. and BNB Funding Corp. BNB relocated its main office from New York City to Fort Lee, New Jersey in September 2003. The bank currently operates two full service branches in New Jersey, one full service branch in New York, and two loan centers located in New York and Pennsylvania. The bank closed a loan center in Cherry Hill, New Jersey in June 2011 due

to decreased business activity.

BNB had total assets of \$357.2 million as of December 31, 2011. The bank primarily originates commercial mortgage loans and, since 1993, has specialized in U.S. Government Small Business Administration (SBA) lending. BNB is recognized as one of the top SBA lenders in the states of New York and New Jersey. In addition to these commercial lending activities, the bank offers personal, business and online banking services to its million customers. At the end of 2011, the bank reported net loans of \$252.6 million, total deposits of \$304.7 million, and Tier 1 Capital of \$43.2 million.

BNB faces substantial competition in its assessment area. The New York metropolitan area includes some of the largest money center financial institutions in the global market. New York City and northern New Jersey are home to super-regional giants as well as local mortgage bankers and brokers.

There are no financial or legal impediments to hinder BNB's ability to help meet the credit needs of the communities it services. The bank received a "Satisfactory" rating on its prior performance evaluation dated April 6, 2009.

## Description of Assessment Area

Demographic Information for BNB's Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,792	12.07	25.32	28.76	31.59	2.26
Population by Geography	10,756,904	12.94	27.03	26.57	33.30	0.16
Owner-Occupied Housing by Geography	4,231,823	2.14	12.54	27.51	57.82	0.00
Businesses by Geography	1,043,781	6.91	18.96	22.31	50.77	1.05
Farms by Geography	6,883	2.73	8.91	18.77	69.29	0.31
Family Distribution by Income Level	2,565,466	12.50	26.41	26.81	34.29	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,078,509	22.81	37.45	25.25	14.49	0.00
Census Median Family Income		49,461	Median Housing Value		464,900	
HUD Adjusted Median Family Income for 2011		67,400	Unemployment Rate (BLS- November 2011)		8.7%	
Households Below Poverty Level		17.05%				

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

Source: 2000 US Census and 2011 HUD updated MFI, Bureau of Labor Statistics, National Association of Realtors-3<sup>rd</sup> Quarter 2011

BNB's assessment area consists of nine contiguous counties located in New York and New Jersey. All nine of the counties are in the New York-White Plains-Wayne NY-NJ Metropolitan Division (35644). In New York, BNB designated the whole counties of Bronx, Queens, Kings (Brooklyn), New York (Manhattan), Westchester and Rockland. In New Jersey, BNB designated the whole counties of Bergen, Hudson and Passaic. BNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude

any low- or moderate-income areas.

The 2011 HUD adjusted median family income for this assessment area was \$67,400. Within this assessment area, 12.5% of the families were low-income, earning a median income of \$33,700 or less; 26.41% were moderate-income, earning a median income of no more than \$53,920; 17% percent of all households had incomes below the poverty level.

There are a total of 1,043,781 businesses in the assessment area. More than half of the businesses (66%) reported revenues of \$1 million or less, and only 4% of the businesses generated revenues greater than \$1 million. The revenue for the remaining 30% of businesses was unavailable. A majority of the businesses, 51%, are located in upper-income geographies followed by 22% in middle-income, 19% in moderate-income and 7% in low-income geographies.

BNB has three branches: the main office in Fort Lee, New Jersey, a branch in Palisades Park, New Jersey, and a branch in New York City. These branches offer a full line of traditional banking products and services; and all have automated teller machines (ATMs).

New York City is the assessment area's principal city. The New York City economy is the largest regional economy in the United States. The city continues to be a financial leader of the world and a premier location for leading global financial services companies. Other important sectors include media, entertainment, telecommunications, tourism, publishing and garment production. Some of the city's largest employers are New York Presbyterian Healthcare System, Citigroup, JP Morgan Chase, Verizon, and Federated Department Stores.

The New York City economy has struggled following the recession that began in late 2008. Wall Street, a significant contributor to employment in the area, suffered significant layoffs following the financial crisis and has yet to rebound. As of November 2011, the Bureau of Labor Statistics reported the unemployment rate in New York City as 9.1%, compared to the national rate of 8.2%. New York City's unemployment rate has fluctuated between 8.0% and 10.0% for the past three years. The unemployment rate for the New York-White Plains-Wayne NY-NJ Metropolitan Division was 8.7% as of November 2011.

During the evaluation period, OCC representatives met with community development organizations operating in the assessment area. The contacts identified the following needs within the community: affordable housing for purchase or rent, commercial lending to fund various revitalization projects, lines of credit for non-profits, and small business financing.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

BNB's performance under the Lending Test is rated "Satisfactory". The bank's loan-to-deposit ratio is more than reasonable and, by dollar amount, a majority of loans were

originated inside the bank’s assessment area. The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank’s geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

**Loan-to-Deposit Ratio**

BNB’s average quarterly loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition and the credit needs of the assessment area. The bank’s average quarterly loan-to-deposit ratio over the eleven quarters since the last CRA examination was 85.69%. During this period, BNB’s performance ranged from a low of 77.65% on September 30, 2011 to a high of 94.33% on June 30, 2009.

BNB's average quarterly loan-to-deposit ratio compares favorably to the average for six similarly situated banks over the same time period. The loan-to-deposit ratios for the six other banks averaged 70.03%.

**Lending in Assessment Area**

BNB, by dollar amount, originated a majority of its loans inside its assessment area. By number of loans, a majority of the loans were originated outside the assessment area. The following table details the bank’s lending in the assessment area by number and dollar amount of loans. Based on our sample, 39.52% of the loans by number and 52.88% by dollar volume were within the bank’s assessment area. Based on the dollar amount of loans originated in the assessment area, the bank met the standard for satisfactory performance under this criterion.

<b>Table 1 - Lending in BNB’s Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	49	39.52	75	60.48	124	\$51,500	52.88	\$45,883	47.11	\$97,383

Source: Business Loan Sample Jan. 1, 2010 – March 12, 2012

**Lending to Businesses of Different Sizes**

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank made 69.23% of its business loans to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that shows 65.83% of the area’s businesses are considered to be small businesses. By dollar amount, 51.96% of the business loans were made to small businesses.

<b>Table 2 - Borrower Distribution of Loans to Businesses in the New York-White Plains-Wayne NY-NJ MD 35644</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	65.83	3.81	30.36	100%
% of Bank Loans in AA by #	69.23	30.77	0.00	100%
% of Bank Loans in AA by \$	51.96	48.04	0.00	100%

Source: Business Loan Sample 2010-2012; 2011 Business Geodemographic Data

### Geographic Distribution of Loans

The bank’s geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels. The bank made 3.85% of its business loans to businesses located in low-income census tracts and 19.23% of its business loans to businesses located in moderate-income tracts. This is considered reasonable because the percentage of BNB business loans made in low- and moderate-income census tracts is near the percentage of businesses that are located in these geographies.

<b>Table 3 - Geographic Distribution of Loans to Businesses in the New York-White Plains-Wayne NY-NJ MD 35644</b>								
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	6.91	3.85	18.96	19.23	22.31	19.23	50.77	57.69

Source: Business Loan Sample 2010-2012; 2011 Business Geodemographic Data

### Responses to Complaints

BNB has not received any CRA complaints during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

BNB’s performance under the Community Development Test is rated “Satisfactory”. The bank demonstrated adequate responsiveness to community development needs through community development loans, qualified investments, and community development services.

### Number and Amount of Community Development Loans

BNB originated nine community development loans totaling \$8.0 million. These loans promoted economic development and provided affordable housing in low- and moderate-income geographies in the assessment area.

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

The bank made four donations totaling \$4,800 in its assessment area. More than half of its donations were to an organization which provides affordable housing to low- and moderate-income individuals in the New York area. The remaining donations were to nonprofit organizations that provide community services to low- and moderate-income individuals and promote economic development in New York and New Jersey.

In addition, the bank purchased participations, totaling \$765 thousand, in two SBA loans, one USDA loan, and one FSA loan; thus providing liquidity to originators and servicers of these loan types.

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

During the evaluation period, the bank provided five educational seminars for small businesses and potential small businesses that provided information on the business loan programs and technical assistance programs offered by the Small Business Administration.

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

Given the bank's capacity and the availability of community development opportunities in the assessment area, BNB demonstrates reasonable responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

### **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.