



# 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 31, 2008

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Centreville National Bank of Maryland  
Charter Number: 2341

109 North Commerce Street  
Centreville, MD 21617-0000

Office of the Comptroller of the Currency

NORTHERN PENNSYLVANIA (WILKES)  
60 Public Square Suite 602  
Wilkes-Barre, PA 18701

**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 major factors supporting this rating include:

- The bank's average loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance;
- A majority of the bank's loans were originated in the bank's combined assessment areas;
- The bank's distribution of loans represents an excellent penetration among individuals of different income levels and businesses of different sizes;
- The bank's distribution of loans represents a reasonable dispersion throughout census tracts of different income levels;
- CNB's responsiveness to community development needs and opportunities in its assessment areas is satisfactory in light of its capacity and area opportunities.

## **Scope of Examination**

The Centreville National Bank of Maryland (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 assessment areas (AAs) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The lending test for CNB covers its performance from January 1, 2005 through December 31, 2007, as this is representative of its lending strategy since the last CRA examination. The evaluation period for the CD test is from March 31, 2005 through March 31, 2008.

CNB's primary loan products are home mortgage and business 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 home mortgage loan performance. To evaluate the bank's business lending performance, we selected a sample of business loans made from 1/1/05 through 12/31/07.

## Description of Institution

The Centreville National Bank of Maryland (CNB) is an intrastate community bank headquartered in Centreville, Maryland. As of December 31, 2007, CNB had total assets of \$309 million and tier one capital of \$29.5 million. CNB is wholly owned by Shore Bancshares, Inc., a three-bank holding company headquartered in Easton, Maryland with consolidated assets of \$957 million. In addition to CNB, Shore Bancshares, Inc. wholly owns two state chartered institutions, The Talbot Bank and Felton Bank, and three insurance companies, Avon-Dixon Agency, LLC, Elliott Wilson Insurance, LLC, and Tri-State General Insurance Agency, Inc. In addition, Shore Bancshares, Inc. wholly owns Wye Mortgage Group, LLC, which is a broker for mortgage loans in the secondary market, and Mubell Finance, LLC, which finances commercial insurance premiums. CNB owns 20% of Delmarva Bank Data Processing Center. Subsidiary and affiliate activities were not considered in this evaluation and had no impact on the bank's capacity to lend or invest in its community.

As of March 31, 2008, CNB operates nine full-service branches in Caroline, Kent, and Queen Anne's Counties. All nine branches have Automated Teller Machines (ATMs), and seven offer drive-through services. In addition to the ATMs attached to the aforementioned branches, CNB has one stand alone ATM. All branches offer extended Friday and Saturday hours. Since their last evaluation, CNB opened one branch in a middle-income geography in Chestertown, Maryland. There were no branches closed, and there were no mergers or acquisitions during the evaluation period.

CNB is a full service community bank offering a broad range of retail banking, commercial banking, and trust and investment services. Its retail services include checking accounts, savings programs, money-market accounts, certificates of deposit, consumer loan programs, and residential mortgages. The bank's commercial services include business deposit accounts, merchant services, revolving lines of credit, commercial loans, and commercial mortgages. The bank also offers telephone banking, internet banking, and Shore BancLink. Shore BancLink allows the customers of CNB, Felton Bank and The Talbot Bank to make deposits, cash checks or make loan payments at any of the seventeen branches and twenty-one ATMs within the Shore Bancshares family.

As of December 31, 2007, CNB reported net loans of \$236 million or 74% of total assets. The loan portfolio is comprised as follows:

<b>Loan Portfolio Summary by Loan Product December 31, 2007</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Residential Real Estate Loans	33%
Construction and Development Loans	29%
Commercial Real Estate Loans	20%
Commercial & Industrial Loans	7%
Agricultural Loans	6%
Consumer Loans	3%
Other Loans	2%

Competition in the bank's combined AA's is average and includes local community banks and branches of larger regional and national institutions. CNB's primary competitors in Queen Anne's county are Queenstown Bank of Maryland, Bank of America, NA, and Mercantile Eastern Shore Bank. CNB's primary competitors in Kent and Caroline counties are Mercantile Eastern Shore Bank, Peoples Bank, Provident State Bank, Inc., and Branch Banking and Trust Company.

There are no financial or legal impediments to hinder CNB's ability to help meet the credit needs of the communities it services.

CNB's last Public Evaluation (PE) was dated March 31, 2005, and CNB was assigned an overall "Satisfactory" rating.

## **Description of Assessment Areas**

CNB has three assessment areas (AAs). One of the AAs is located in the Baltimore-Towson, MD MSA 12580, and the other two AAs are located in non-MSAs. The two AAs located in non-MSAs are not contiguous, but they are homogeneous and have been combined for analysis purposes. All AAs meet the legal requirements, and do not arbitrarily exclude low- or moderate-income geographies. The two AAs are described below.

**AA #1: Queen Anne's AA – MSA 12580**

<b>Demographic Information for the Queen Anne's AA – MSA 12580</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
Geographies (Census Tracts)	10	0.00	10.00	80.00	10.00
Population by Geography	40,563	0.00	6.80	81.38	11.82
Owner-Occupied Housing by Geography	12,746	0.00	7.12	80.44	12.44
Businesses by Geography	3,873	0.00	3.82	83.24	12.94
Farms by Geography	265	0.00	10.19	76.23	13.58
Family Distribution by Income Level	11,609	16.29	16.00	24.29	43.42
Household Distribution by Income Level	3,748	0.00	12.03	77.37	10.59
Census Median Family Income (MFI)		59,301	Median Housing Value		159,761
HUD-Adjusted MFI: 2007		75,800	Unemployment Rate		3.8%
Families Below the Poverty Level		7%			

Source: 2000 U.S. Census Data; 2007 HUD updated MFI; unemployment rate as of February 2008

Queen Anne's County is located on the Eastern Shore of the Chesapeake Bay and falls within the Washington-Baltimore metropolitan area. The Queen Anne's County AA – MSA 12580 consists of a portion of the Baltimore-Towson, MD MSA 12580 that includes Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne's counties as well as Baltimore City. CNB's AA includes all ten census tracts in Queen Anne's County and excludes the remaining counties because there are no banking facilities in those counties.

The Queen Anne's County AA – MSA 12580 contains 10 census tracts. There are no low-income geographies, 1 (10%) is a moderate-income geography, 8 (80%) are middle-income geographies, and 1 (10%) is an upper-income geography.

The 2000 U.S. Census reported the total population of the AA at 40,563. Within the AA, there are 11,609 families and 15,346 households. There are 16,674 housing units, of which, 76% are owner-occupied, 15% are rental-occupied, and 8% are vacant housing units. The median housing cost is \$159,761.

The 2000 median income was \$59,301, and the 2007 HUD updated MSA median family income was \$75,800. Approximately, 16% of the families are low-income, 16% are moderate-income, 24% are middle-income, and 43% are upper-income. Approximately 7% of households are below the poverty level.

According to the 2007 business demographics, there are a total of 3,873 businesses in the AA. Approximately 69% of the businesses reporting have revenues less than \$1 million, approximately 4% have revenues greater than \$1 million, and the revenue was not reported for approximately 27% of the businesses. Approximately 4% of businesses are located in the moderate-income geography, 83% are located in middle-income geographies, and 13% are located in upper-income geographies.

Competition from other financial institutions is average. The bank's competitors include several local community banks and branches of larger regional and national institutions.

As of June 30, 2007, CNB had a 27.17% deposit market share, ranking it 2nd among 9 institutions in the market. The bank's major competitors are Queenstown Bank of Maryland (ranked 1st with a 40.78% market share and 6 branches), Bank of America, NA (ranked 3rd with an 8.46% market share and 1 branch), and Mercantile Eastern Shore Bank (ranked 4th with an 8.26% market share and 4 branches).

The current local economy for the AA is characterized as stable. Economic activity is relatively diverse with manufacturing, agriculture and aquaculture, retail trade, and hospitality services being the primary economic activities. The recreational boating industry and the travelers to Queen Anne's county contribute to the local economy. Telecommunications network infrastructure enhancements and the development of technology-based businesses are a high priority for future economic development initiatives. The major employers in the area are S.E.W. Friel, Paul Reed Smith Guitars, Chesapeake College, Fisherman's Inn, and Reeb Millwork.

According to the Bureau of Labor Statistics, the February 2008 unemployment rate for Queen Anne's County was 3.8%, the state unemployment rate was 3.4%, and the national unemployment rate was 4.6%.

In conducting the assessment of the bank's performance, we contacted a local government organization whose primary purpose is affordable housing. The contact indicated there was a need for more small business lending and affordable housing for low- and moderate-income individuals and families. The major need in the area is affordable housing due to the influx of commuters from larger metropolitans moving to the area and causing the cost of housing to increase. Despite the need for affordable housing, investment and loan opportunities for banks are extremely limited because there are very few, if any, affordable housing projects being approved and/or developed in the county. However, there are ample opportunities for community development services, grants, and donations. Identified community development services include: credit education and credit counseling for low- and moderate-income families as well as small business seminars. Also, local organizations that assist low- and moderate-income families with affordable housing and community services and local organizations that assist start-up businesses and small businesses are in need of grants and donations. Lastly, a revolving loan fund(s) that would assist low- and moderate-income people with affordable housing has been identified as a need.

**AA #2: Kent, Caroline, and Talbot AA – Non-MSA**

<b>Demographic Information for the Kent, Caroline, and Talbot AA – Non-MSA</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	13	0.00	23.08	76.92	0.00
Population by Geography	53,107	0.00	19.77	80.23	0.00
Owner-Occupied Housing by Geography	14,837	0.00	19.44	80.56	0.00
Businesses by Geography	3,902	0.00	17.48	82.52	0.00
Farms by Geography	439	0.00	11.39	88.61	0.00
Family Distribution by Income Level	14,501	21.88	19.43	25.34	33.35
Household Distribution by Income Level	5,990	0.00	26.03	73.97	0.00
Census Median Family Income (MFI)		50,103	Median Housing Value		114,171
HUD-Adjusted MFI: 2007		64,100	Unemployment Rate- Kent County Caroline County Talbot County		4.5% 5.2% 4.3%
Families Below the Poverty Level		11%			

Source: 2000 U.S. Census Data; 2007 HUD updated MFI; unemployment rate as of February 2008

The Kent, Caroline, and Talbot AA – Non-MSA contains all five census tracts in Kent County, all seven census tracts in Caroline County, and one of the nine census tracts in Talbot County. CNB designated only one of the nine census tracts in Talbot County because this census tract is contiguous to both Queen Anne’s County and Caroline County, and it is the only census tract the bank can reasonably service.

The AA contains a total of 13 census tracts. Of the 13 census tracts, 3 (23%) are moderate-income geographies and 10 (77%) are middle-income geographies. There are no low-income geographies, and there are no upper-income geographies.

The 2000 U.S. Census reported the total population of the AA at 53,107. Within the AA, there are 20,268 households and 14,501 families. There are 23,032 housing units, of which, 64% are owner-occupied, 24% are rental-occupied, and 12% are vacant housing units. The median housing cost is \$114,171.

The 2000 median income was \$50,103, and the 2007 HUD updated median family income is \$64,100. Approximately 22% of the families are low-income, 19% are moderate-income, 25% are middle-income, and 33% are upper-income. Approximately 11% of households are below the poverty level.

According to the 2007 business demographics, there are a total of 3,902 businesses in the AA. Approximately 67% of the businesses reporting have revenues less than \$1 million, approximately 4% of businesses reporting have revenues greater than \$1 million, and the revenue was not reported for approximately 29% of the businesses. Approximately 17% of businesses are located in moderate-income geographies and approximately 83% of businesses are located in middle-income geographies.

This is a relatively competitive banking market. Banking competition in this AA is primarily from local financial institutions and branches of larger regional institutions. As of June 30, 2007, CNB had a 9.47% deposit market share, ranking it 5th out of 10 institutions in the market. Major competitors are: Mercantile Eastern Shore Bank (ranked 1st with a 29.88% market share and 10 offices), Peoples Bank (ranked 2nd with an 18.14% market share and 5 offices), Provident State Bank, Inc. (ranked 3rd with a 16.00% market share and 5 offices), and Branch Banking and Trust Co. (ranked 4th with a 9.75% market share and 4 offices).

Caroline County, on Maryland's Eastern Shore, is located midway between Maryland's northern and southern borders and it shares its eastern border with Delaware. The current local economy is stable. The county is rural in character, and farming is the major economic activity. Farming is primarily poultry, grain and vegetable crops. Major employers include: Solo Cup, Benedictine School for Exceptional Children, Maryland Plastics, Tri-Gas & Oil, and Burriss Retail Logistics.

Kent County is located on the Eastern Shore of the Chesapeake Bay, directly across from Baltimore. The county's boundaries are formed by the Sassafras River to the north, the Chester River to the south, the Delaware/Maryland state border to the east, and the Chesapeake Bay to the west. The current local economy for Kent County is characterized as stable. The county has over 100,000 acres of prime farmland, and this county provides the second highest crop output in Maryland. Major employers include: Chester River Health System, Washington College, Dixon Valve & Coupling, David A. Bramble, and Angelica Nurseries.

According to the Bureau of Labor Statistics, the February 2008 unemployment rate for Caroline County was 5.2%, Kent County was 4.5% and Talbot County was 4.3%. The state unemployment rate was 3.4%, and the national unemployment rate was 4.6%.

In conducting the assessment of the bank's performance, we contacted one economic development organization. The contact indicated there are limited opportunities for community development lending and investments. However, there are ample opportunities for community development services, grants and donation. Identified community development services, grants and donations are: credit education and credit counseling for low- and moderate-income individuals and families, small business seminars, donations to local organizations who assist low- and moderate-income families with affordable housing and community services and donations to local organizations that assist start-up and small businesses. In addition, a revolving loan fund(s) that would assist small business owners obtain loans with affordable loan terms has been identified as a need.

## Conclusions with Respect to Performance Tests

### LENDING TEST

CNB's performance under the lending test is satisfactory. CNB's loan-to-deposit ratio is reasonable. A majority of CNB's primary loan products are within the bank's assessment areas. CNB was found to have excellent penetration among borrowers of different income levels and businesses of different sizes. CNB was found to have reasonable dispersion throughout census tracts of different income levels, but the geographic distribution did not receive a lot of weight because neither of the bank's AAs had low-income census tracts, there was only one moderate-income geography in the Queen Anne's AA – MSA 12580, and there were only three moderate-income geographies in the Kent, Caroline and Talbot AA – Non-MSA.

All criteria of the lending test are documented below.

#### Loan-to-Deposit Ratio

CNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition and credit needs, and it meets the standard for satisfactory performance. The bank's net loan-to-deposit ratio average 78.17% over the twelve quarters since the last CRA examination. During this twelve quarter period, the ratio ranged from a quarterly low of 70.08% to a quarterly high of 85.44%.

The bank's net loan-to-deposit ratio compares favorably with other financial institutions of similar size and product offerings in the state of Maryland. The average net loan-to-deposit ratio for similarly sized institutions in the state of Maryland was 71.63% over the same 12 quarters, and the ratio ranged from a quarterly low of 57.93% to a quarterly high of 80.49% during that time period.

The bank's net loan-to-deposit ratio compares favorably with other national financial institutions of similar size. The average net loan-to-deposit ratio for national institutions of similar size was 84.81% over the same 12 quarters, and the ratio ranged from a quarterly low of 80.73% to a quarterly high of 89.46% during that time period.

#### Lending in Assessment Area

A majority of CNB's primary loan products were made within the bank's combined assessment areas, and this meets the standard for satisfactory performance. During the evaluation period, 87% of the number and 80% of the dollar amount of total home mortgage loans and sampled small loans to businesses were within the bank's combined AAs. The following table details the bank's lending within the AAs by number and dollar amount of loans.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	74	77.89	21	22.11	95	20,849	73.16	7,649	28.84	28,498
Home Improvement	121	93.80	8	6.20	129	6,635	96.05	273	3.95	6,908
Home Refinance	84	89.36	10	10.64	94	16,283	88.89	2,036	11.11	18,319
Businesses	33	82.50	7	17.50	40	2,145,958	79.82	542,500	20.18	2,688,458
Totals	312	87.15	46	12.85	358	2,189,725	79.85	552,458	20.15	2,742,183

Source: All HMDA data 1/1/05-12/31/07 and sampled business loan data from 1/1/05-12/31/07

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

The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes, and CNB's record of lending to borrowers of different incomes and to businesses of different sizes exceeds the standard for satisfactory performance. The borrower distribution for loans in the Queen Anne's AA – MSA 12580 is excellent and the borrower distribution for loans in the Kent, Caroline, and Talbot AA – Non-MSA is reasonable.

### **AA #1: Queen Anne's AA – MSA 12580**

The distribution of loans in the Queen Anne's AA – MSA 12580 reflects excellent penetration among individuals of different income levels and businesses of different sizes.

#### ***Home Mortgage Loans***

The distribution of home mortgage loans to borrowers of different income levels reflects excellent penetration among borrowers of different income levels.

The percentage of home purchase loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home purchase loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA.

The percentage of home improvement loans made to low-income borrowers exceeds the percentage of low-income families in the AA. The percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The percentage of home refinance loans made to low-income borrowers exceeds the

percentage of low-income families in the AA. The percentage of home refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2005 through December 31, 2007 as compared to the percent of families in each income category.

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 Purchase	16.29	11.11	16.00	14.81	24.29	11.11	43.42	62.96
Home Improvement	16.29	34.62	16.00	23.08	24.29	25.64	43.42	16.67
Home Refinance	16.29	16.67	16.00	16.67	24.29	33.33	43.42	33.33

Source: HMDA data for 1/1/2005 - 12/31/2007 and HUD-updated 2000 U.S. Census data

### **Business Loans**

The distribution of loans to businesses of different sizes reflects excellent penetration among businesses of different sizes. The percentage of small loans to small businesses (businesses with gross annual revenues of \$1 million or less) exceeds the percentage of businesses in the AA.

The following table details the bank's performance in lending to businesses of different sizes.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.65	4.49	26.85	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	79.28	20.72	0.00	100%

Source: small business loans sampled from 1/1/2005 -12/31/2007

### **AA #2: Kent, Caroline, and Talbot AA – Non-MSA**

The distribution of loans in the Kent, Caroline, and Talbot AA – Non-MSA reflects reasonable penetration among individuals of different income levels and excellent penetration among businesses of different sizes.

**Home Mortgage Loans**

The distribution of home mortgage loans to borrowers of different income levels reflects reasonable penetration among borrowers of different income levels. In our analysis, we took into consideration the AA’s poverty rate of 11%.

The percentage of home purchase loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of home purchase loans made to moderate-income borrowers is significantly lower than the percentage of moderate-income families in the AA.

The percentage of home improvement loans made to low-income borrowers is near to the percentage of low-income families in the AA. The percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The percentage of home refinance loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home refinance loans made to moderate-income borrowers is lower than the percentage of moderate-income families in the AA.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2005 through December 31, 2007 as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Kent, Caroline, and Talbot AA – Non-MSA</b>								
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 Purchase	21.88	9.38	19.43	9.38	25.34	37.50	33.35	43.75
Home Improvement	21.88	19.44	19.43	25.00	25.34	38.89	33.35	16.67
Home Refinance	21.88	14.29	19.43	14.29	25.34	28.57	33.35	42.86

*Source: HMDA data for 1/1/2005 - 12/31/2007 and HUD-updated 2000 U.S. Census data*

**Business Loans**

The distribution of loans to businesses of different sizes reflects excellent penetration among businesses of different sizes. The percentage of small loans to small businesses (businesses with gross annual revenues of \$1 million or less) exceeds the percentage of businesses in the AA.

The following table details the bank’s performance in lending to businesses of different sizes.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Kent, Caroline, and Talbot AA – Non-MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67.45	3.87	28.68	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	67.66	32.34	0.00	100%

*Source: small business loans sampled from 1/1/2005 – 12/31/2007*

## **Geographic Distribution of Loans**

The distribution of loans reflects reasonable dispersion throughout the bank's Kent, Caroline, and Talbot AA – Non-MSA. The distribution of loans for Queen Anne's AA – MSA 12580 would not be meaningful and was not performed. There were no conspicuous gaps identified within CNB's AAs.

### **AA #1: Queen Anne's AA – MSA 12580**

A geographic distribution of loans for the Queen Anne's AA – MSA 12580 would not be meaningful and was not performed. There are no low-income geographies in the AA, and there is only one moderate-income geography in the AA. In that sole moderate-income geography, there are only 908 owner-occupied housing units, and there are only 148 businesses. Based on the limited number of housing units and businesses located in the moderate-income geography, an analysis would not be meaningful and was not performed for this AA.

### **AA #2: Kent, Caroline, and Talbot AA – Non-MSA**

The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

There were no low-income geographies in the AA; therefore, an analysis of lending in low-income geographies would not be meaningful and was not performed.

### ***Home Mortgage Loans***

The geographic distribution of home loans in the AA reflects reasonable dispersion throughout the moderate-income census tracts. The percentage of home purchase loans made in moderate-income geographies exceeds the percentage of owner-occupied housing units in these geographies. The percentage of home improvement loans made in moderate-income geographies is lower than the percentage of owner-occupied housing units in these geographies. The percentage of home refinance loans

made in moderate-income geographies is lower than the percentage of owner-occupied housing units in these geographies.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

<b>Table 3 – Geographic Distribution of Residential Real Estate Loans in Kent, Caroline, and Talbot AA – Non-MSA</b>								
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 Purchase	0.00	0.00	19.44	21.95	80.56	78.05	0.00	0.00
Home Refinance	0.00	0.00	19.44	13.16	80.56	86.84	0.00	0.00
Home Improvement	0.00	0.00	19.44	8.33	80.56	91.67	0.00	0.00

Source: HMDA data for 1/1/2005 - 12/31/2007 and 2000 U.S. Census data

**Business Loans**

The bank’s geographic distribution of business loans reflects poor dispersion throughout the moderate-income geographies. Based on our loan sample, CNB made no small loans to businesses in moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Table 3A – Geographic Distribution of Loans to Businesses in Kent, Caroline, and Talbot AA – Non-MSA</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	N/A	N/A	17.48%	0.00%	82.52%	100%	0.00%	0.00%

Source: small business loans sampled from 1/1/2005 - 12/31/2007

**Responses to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test is rated Satisfactory. CNB's community development activities demonstrate adequate responsiveness to the community development needs of its AA, when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AAs. During the evaluation period, CNB provided approximately \$1.8 million in community development loans and qualified investments, grants, and donations to help meet the community development needs of its AAs. In addition, bank personnel provided financial expertise to fourteen community development organizations serving the AAs.

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

There were limited opportunities to originate CD loans in the bank's Queen Anne's AA – MSA 12580 and the Kent, Caroline, and Talbot AA – non-MSA.

#### **AA #1: Queen Anne's AA – MSA 12580**

No community development loans were originated or purchased in this AA during the evaluation period.

#### **AA #2: Kent, Caroline, and Talbot AA – Non-MSA**

CNB originated one community development loan for a total of \$1.2 million in this AA. The \$1.2 million loan was made to a local small business for the purpose of constructing a new business location. As a result of this loan, the small business was able to expand and create 23 new jobs for low- and moderate-income individuals.

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

#### **AA #1: Queen Anne's AA – MSA 12580**

There were no investments made during the evaluation period. CNB made eight donations for a total of \$28 thousand to four different qualified community development organizations that provided affordable housing and community services to low- and moderate-income individuals in the AA.

#### **AA #2: Kent, Caroline, and Talbot AA – Non-MSA**

There were no investments made during the evaluation period. CNB made fifteen grants and donations for a total of \$9 thousand to seven different qualified community development organizations that provided affordable housing and community services to low- and moderate-income individuals in the AA.

**Statewide/Regional Investment:**

CNB made a \$597 thousand investment in the Maryland Community Development Administration (CDA). The CDA was created to meet the state’s shortage of adequate and safe housing, particularly for low- and moderate-income residents. CDA is responsible for administering state and federally funded housing programs, including those programs that would assist low- and moderate-income individuals and families obtain housing. This investment benefits the entire state of Maryland, including the bank’s assessment areas.

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

**AA #1: Queen Anne’s AA – MSA 12580**

During the evaluation period, four officers and employees provided financial and technical expertise to five qualified community development organizations. The following details the community development services that were provided during the evaluation period:

A bank employee provides financial and technical expertise by developing and conducting a six week program on financing and home ownership for low- and moderate-income individuals and families.

A bank employee provides financial and technical expertise by serving as a Board Member for an economic development organization whose primary purpose is to attract and retain businesses and promote economic growth.

A bank employee provides financial and technical expertise by serving on the Board of Directors for a local organization whose primary purpose is to provide housing opportunities to low- and moderate-income individuals and families.

A bank employee provides financial and technical expertise by serving as the Chairman of the Board for a local organization that enhances businesses and promotes economic development.

A bank employee provides financial and technical expertise by serving on the Board of Directors for a local organization whose primary purpose is to promote economic growth.

**AA #2: Kent, Caroline, and Talbot AA – Non-MSA**

During the evaluation period, seven bank officers and employees provided financial and technical expertise to nine qualified community development organizations. The following details the community development services that were provided during the evaluation period:

A bank employee provides financial expertise by serving on the Board of Directors and the Finance Committee for an organization that provides day care services to low- and moderate-income children.

One employee provides financial expertise by serving on the Board of Directors for a non-profit organization that provides community services targeted to low- and moderate-income individuals and families.

One employee provides financial and technical expertise by serving on the Finance Committee of a non-profit organization that provides community services targeted to low- and moderate-income individuals and families.

A bank employee serves as a financial advisor for an organization that provides housing repairs and community services to low- and moderate-income individuals and families.

A CNB employee provides financial expertise by serving as an instructor for a local organization that provides training to low- and moderate-income women who are enrolled in the Welfare to Work program.

An employee provides financial and technical expertise by developing and presenting financial workshops on budgeting and sound spending for an organization that provides affordable housing to low- and moderate-income families.

A bank employee provides financial and technical expertise by serving on the Board of Directors for an organization that operates as a cooperative regional planning and development agency and promotes economic development in the community.

A bank employee provided financial and technical expertise by teaching classes on how to start a small business and how to manage a small business. These classes were done in conjunction with the Maryland Small Business Development Center.

A bank employee provides financial and technical expertise by serving on the Loan Committee for an organization whose primary purpose is economic development and providing loans to start-up businesses and small businesses.

## **Responsiveness to Community Development Needs**

### **AA #1: Queen Anne's AA – MSA 12580**

CNB's community development activities, as a whole, demonstrate adequate responsiveness to the community development needs of this AA, especially when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AA.

### **AA #2: Kent, Caroline, and Talbot AA – Non-MSA**

CNB's community development activities, as a whole, demonstrate adequate responsiveness to the community development needs of this AA, especially when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AA.

## **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.