

---

Comptroller of the Currency  
Administrator of National Banks

SMALL  
BANK

---

Northeastern District  
Maryland/National Capital Area Field Office  
1025 Connecticut Avenue, N.W., Suite 708  
Washington, D.C. 20036

## **Public Disclosure**

**March 22, 1999**

# **Community Reinvestment Act Performance Evaluation**

**The Centreville National Bank of Maryland  
Charter Number: 2341  
109 Commerce Street  
Centreville, Maryland 21617**

**Comptroller of the Currency  
Maryland/National Capital Area Field Office  
1025 Connecticut Avenue N.W., Suite 708  
Washington, D.C. 20036**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **GENERAL INFORMATION**

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Centreville National Bank of Maryland** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of March 22, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The primary factors supporting the bank's overall rating include:

- C A good record of lending to small businesses and individuals of different incomes;
- C A substantial majority of the loans were in the bank's assessment area; and
- C A reasonable loan-to-deposit ratio.

## **DESCRIPTION OF INSTITUTION**

The Centreville National Bank of Maryland (CNB) is a wholly owned subsidiary of Shore Bancshares, Inc., a one bank holding company headquartered in Centreville, Maryland on Maryland's Eastern Shore. CNB is well positioned to help meet the credit needs of its community. The bank offers a full range of loan and deposit services, with emphasis on real estate and small business lending. As of December 31, 1998, bank assets totaled \$181 million, gross loans totaled \$111 million, and deposits totaled \$153 million. Loan portfolio composition was:

- C 55% residential real estate loans;
- C 28% business loans (22% commercial real estate and 6% commercial loans);
- C 10% consumer loans; and
- C 7% agricultural loans.

There are no impediments, legal or otherwise, that hinder CNB's efforts to help meet the credit needs of its assessment area.

CNB serves the community from its main office and four full-service branches. All locations offer extended hours on Fridays until 6PM, and Saturday hours from 9AM until 12 noon. The three drive-thru locations, located at Rt. 213, Stevensville, and Hillsboro, offer early morning and extended hours on weekdays, and Saturday hours from 8:30AM until 12:00 noon. All locations offer proprietary ATM's available 24 hours daily. Twenty-four hour telephone banking is available to all loan and deposit customers. Since the last CRA examination, CNB acquired a local financial institution which added one branch to the bank's network. No offices were closed during the same period. There is strong area competition from four other local community banks. To a lesser degree, some of the larger regional banks also have offices in the area.

### **DESCRIPTION OF ASSESSMENT AREA**

CNB has defined one contiguous assessment area within Maryland. This includes all of Queen Anne's County, which is within Baltimore MSA 720, and all of Kent County and one block numbering area in each of Caroline and Talbot Counties, which are not part of an MSA. CNB's assessment area complies with CRA and does not arbitrarily exclude LMI areas. Based on 1990 US Census information, the assessment area population is approximately 60,110 persons with a median family income of \$38,896. Housing is principally owner occupied, with approximately 20% of the units denoted as rental.

The demographics and characteristics of CNB's assessment area show:

### **Census Tract / Block Numbering Area Characteristics**

| <b>Tract/BNA Type</b> | <b>Number</b> | <b>Percent</b> |
|-----------------------|---------------|----------------|
| Low-Income            | 0             | 0%             |
| Moderate-Income       | 2             | 11%            |
| Middle-Income         | 12            | 67%            |
| Upper-Income          | 3             | 17%            |
| NA                    | 1             | 5%             |
| <b>TOTAL</b>          | <b>18</b>     | <b>100%</b>    |

### **Family Income Characteristics**

| <b>Level of Income</b> | <b>Percent</b> |
|------------------------|----------------|
| Low Income             | 16%            |
| Moderate Income        | 18%            |
| Middle Income          | 25%            |
| Upper Income           | 41%            |
| <b>TOTAL</b>           | <b>100%</b>    |

Management continues to identify primary credit needs within the assessment area as residential mortgage, especially for affordable housing, and small business loans. Economic conditions are considered to be stable and slowly improving. State of Maryland employment data for CNB's assessment area show the major industries to be manufacturing, food processing, farming, and seasonal tourism. Some of the major employers are Armour Swift Eckrich, Black & Decker, Cadmus, Delmarva Sash & Door, Dixon Valve, Preston Trucking, United Shellfish, and Velsicol.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

The bank's loan-to-deposit ratio is reasonable and indicates a good commitment to

meeting the credit needs of the assessment area. For the most recent twelve quarters ending December 31, 1998, the bank's loan-to-deposit ratio averaged 72%, slightly exceeding similarly situated institutions.

**Lending In Assessment Area**

For the review period, a substantial majority of all loan originations were within the bank's assessment area. We tested and relied on management's analysis of loans originated. In the bank's assessment area, the bank originated 84% of its loans comprising 83% of dollars.

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

The bank's distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. After testing, we relied on the bank's 1997 and 1998 Home Mortgage Disclosure Act Loan Application Register ("HMDA-LAR") for residential mortgage origination analysis. We also used the Housing and Urban Development's 1998 estimate of family median income (\$51,127) in our analysis. Our analysis detailed below shows that CNB has a good record of lending to LMI persons for mortgages:

**Lending to Borrowers of Different Incomes  
1997 & 1998 HMDA Mortgage Loans**

| <b>Borrower Income</b> | <b>Loans Originated</b> | <b>Percentage of Loans Originated</b> | <b>Dollars of Loans (000s)</b> | <b>Percentage of Dollars Loaned</b> |
|------------------------|-------------------------|---------------------------------------|--------------------------------|-------------------------------------|
| Low                    | 73                      | 21%                                   | 2,517                          | 10%                                 |
| Moderate               | 76                      | 22%                                   | 4,475                          | 17%                                 |
| Middle                 | 96                      | 28%                                   | 6,598                          | 25%                                 |
| Upper                  | 101                     | 29%                                   | 12,725                         | 48%                                 |
| <b>TOTAL</b>           | <b>346</b>              | <b>100%</b>                           | <b>26,315</b>                  | <b>100%</b>                         |

Additionally, to assist first time home buyers, CNB participated with several other area institutions to develop a course called the H.O.M.E. Program (Home Ownership Made Easy). CNB annually sponsors a six session course taught by bank management for first time home buyers at Chesapeake College's Wye Mills Campus.

We tested and relied on management's analysis of loans originated to businesses of different sizes, and reviewed Call Report data by loan size as of June 30, 1998. As shown below, the bank has a good record of originating small business loans and lending to small businesses.

**CNB's Small Business Loans by Annual Revenues**

| <b>Annual Revenues</b>   | <b>Percentage of Number of Loans</b> | <b>Percentage of Dollars of Loans</b> |
|--------------------------|--------------------------------------|---------------------------------------|
| \$1 Million or less      | 90%                                  | 85%                                   |
| In excess of \$1 Million | 10%                                  | 15%                                   |
| TOTAL                    | 100%                                 | 100%                                  |

**CNB's Small Business Commercial Real Estate Loans  
Outstandings by Loan Size**

| <b>Loan Size (000s)</b> | <b>Number of Loans</b> | <b>Dollars of Loans(000s)</b> |
|-------------------------|------------------------|-------------------------------|
| \$100 or less           | 38                     | \$1,847                       |
| > \$100 through \$250   | 28                     | \$3,609                       |
| > \$250 through \$1,000 | 20                     | \$8,581                       |

**CNB's Small Business Commercial Loans  
Outstandings by Loan Size**

| <b>Loan Size (000's)</b> | <b>Number of Loans</b> | <b>Dollars of Loans(000's)</b> |
|--------------------------|------------------------|--------------------------------|
| \$100 or less            | 213                    | \$3,957                        |
| > \$100 through \$250    | 13                     | \$1,227                        |
| > \$250 through \$1,000  | 4                      | \$1,134                        |

**Geographic Distribution of Loans**

The number and income distribution of census tracts or BNAs in the assessment area are not sufficient for a meaningful analysis of the geographic distribution of the bank's loans.

**Response to Complaints**

The bank has received no complaints about its CRA performance since the last examination.

**Compliance with Anti-discrimination Laws**

The bank's program to ensure compliance with anti-discrimination laws and regulations is effective. A concurrent fair lending review revealed no violations of the Act's substantive provisions.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**  
**MSA 0720 - QUEEN ANNE'S COUNTY**

The bank's performance in MSA 720 is consistent with the bank's overall performance. CNB has its main office and two branches in this MSA. We tested and relied on management's analysis of the 1997 and 1998 HMDA-LAR and loans to businesses. No significant differences in performance were noted.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**  
**BLOCK NUMBERING AREAS IN KENT, CAROLINE & TALBOT COUNTIES**

The bank's performance in all of the block numbering areas (BNA) in Kent County, BNA 9552 in Caroline County, and BNA 9601 in Talbot County is consistent with the bank's overall performance. CNB has one branch in Kent County, one branch in Caroline County, and no branches in Talbot County. We tested and relied on management's analysis of the 1997 and 1998 HMDA-LAR and loans to businesses. No significant differences in performance were noted.