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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036

## **PUBLIC DISCLOSURE**

**March 11, 1998**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**National Bank of Cambridge  
Charter Number 2498  
304 High Street  
Cambridge, Maryland 21613**

**Office of the Comptroller of the Currency  
1025 Connecticut Avenue, NW - 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 **National Bank of Cambridge** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 31, 1997**. 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:

- o The loan-to-deposit ratio averaged 61% for the period under review compared to 68% for a similarly situated financial institution in the assessment area.
- o The assessment area contains 92% of the number and 89% of the dollar amount of loan originations, reflecting a strong record of lending in the assessment area.
- o The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, with 20% of the number of loans in moderate- income census tracts.
- o The bank has a strong record of lending to small businesses and small farms. The distribution of borrowers reflects a reasonable penetration among individuals of different income levels.

The following table indicates the performance level of *National Bank of Cambridge* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	NATIONAL BANK OF CAMBRIDGE PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints	were received since	the prior examination.

## DESCRIPTION OF INSTITUTION

National Bank of Cambridge (NBC) is headquartered in Cambridge, Maryland. The bank was established in 1880 and is the largest bank in Dorchester County. As of December 31, 1997, total assets were \$155 million, gross loans were \$77 million, and total deposits were \$126 million. NBC is well positioned to help meet the credit needs of its assessment area. As a percentage of gross loans, 52% were commercial and commercial real estate loans, 38% were residential mortgage loans, 8% were consumer loans, and 2% were small farm loans. The bank offers a full range of loan and deposit services.

NBC serves the community from its headquarters location in Cambridge and two branch locations in Cambridge and Hurlock. All of the branches are full service, offer 24 hour ATMs, and convenient hours to accommodate the needs of customers. There is strong competition from other community banks, regional banks, thrifts, and non financial institutions which have many offices in the locality. NBC has no impediments, legal or otherwise, which would hinder their efforts in helping to meet the credit needs of the bank's assessment area.

## DESCRIPTION OF ASSESSMENT AREA

NBC has defined its assessment area as the county of Dorchester on Maryland's Eastern Shore. The assessment area complies with CRA and does not arbitrarily exclude low- or moderate-income census tracts. Based on 1990 Census information, the area population is approximately 30,236 with an updated median family income of \$43,100. The demographics and characteristics of the bank's assessment area reflects:

<u>Census Tract Characteristics</u>			<u>Family Income Characteristics</u>	
<u>Tract Type</u>	<u>Number</u>	<u>Percent</u>	<u>Level of Income</u>	<u>Percent</u>
Low	0	0%	Low Income	25%
Moderate	2	22%	Moderate Income	20%
Middle	7	78%	Middle Income	24%
Upper	0	0%	Upper Income	31%
Total	9	100%	Total	100%

The assessment area is primarily comprised of manufacturing, agriculture, and seafood harvesting/processing. The area economy is seasonal and considered slow but stable. Major employers include Airpax, Nabisco Corp., Coldwater Seafood Co., Western Publishing Co., ConAgra Poultry Ltd., Delmarva Division, and Cambridge Inc. Management and the Board continue to identify the primary credit needs within the bank's assessment area as commercial lending, particularly to small businesses, and residential real estate loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-To-Deposit Ratio

NBC's loan-to-deposit ratio is reasonable, indicating a commitment in helping to meet the credit needs of the bank's assessment area. We reviewed the recent eight quarters since the last CRA examination. Our results reflect NBC's loan-to-deposit ratio averaged 61% during this period in comparison to the 68% average during the same interval for a similarly situated financial institution in the assessment area.

### Lending In Assessment Area

A substantial majority of all loan originations are within NBC's assessment area. Based on our review of management reports, the assessment area contains 92% of the number and 89% of the dollar amount of loans. We tested and relied on management reports, including the June 30th Call Report.

### Lending To Businesses of Different Sizes And To Borrowers of Different Incomes

NBC has a strong record of lending to small businesses and small farms. We tested and relied on management reports, including the June 30th Call Report. Based on our sample, 98% of the number of commercial, commercial real estate, and farm loans are less than \$1 million in size. Additionally, 85% of the number of commercial, commercial real estate, and farm loans have annual revenues of \$1 million or less. The following reflects the distribution of small business and small farm loans as of June 30, 1997:

#### *NBC's Commercial Loans To Small Businesses*

<u>Loan Size</u>	<u># of Loans</u>	<u>\$(000's)</u>
Less than \$100M	147	2,299
\$100M - \$250M	9	941
<u>\$250-\$1MM</u>	<u>3</u>	<u>1,285</u>
Total	159	4,525

#### *NBC's Commercial Real Estate Loans To Small Businesses*

<u>Loan Size</u>	<u># of Loans</u>	<u>\$(000's)</u>
Less than \$100M	103	3,338
\$100M - \$250M	44	5,609
<u>\$250M - \$1MM</u>	<u>18</u>	<u>5,981</u>
Total	165	14,928

#### *NBC's Farm Loans*

<u>Loan Size</u>	<u># of Loans</u>	<u>\$(000's)</u>
Less than \$100M	20	327
\$100M - \$250M	2	82
<u>\$250M - \$1MM</u>	<u>4</u>	<u>1,773</u>
Total	26	2,182

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

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels. We tested and relied on management reports. Based on our analysis, 21% and 22% of the number of loans were made to low- and moderate- income individuals, respectively. These percentages compare reasonably to the family income characteristics noted in the table under *Description of Assessment Area* above.

### **Geographic Distribution Of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. We tested and relied on management reports. Based on our analysis, 20% of the number of loans were made in moderate- income census tracts. This percentage reasonably compares to the census tract characteristics noted in the table under *Description of Assessment Area* above.

### **Response To Complaints**

No complaints were received since the prior examination.

### **Compliance With Antidiscrimination Laws**

No violations involving illegal discrimination or discouragement were noted during the concurrent Fair Lending examination.