



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

## **PUBLIC DISCLOSURE**

**March 31, 2005**

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

**Centreville National Bank of Maryland  
Charter Number 2341**

**109 Commerce Street  
Centreville, Maryland 21617**

**Comptroller of the Currency  
Maryland/National Capital Area Field Office  
250 E Street, SW  
Washington, DC 20219-0001**

**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.

## **TABLE OF CONTENTS**

<b>INSTITUTION'S CRA RATING.....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION.....</b>	<b>3</b>
<b>DESCRIPTION OF ASSESSMENT AREA.....</b>	<b>4</b>
<b>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</b>	<b>5</b>

## **INSTITUTION'S CRA RATING**

**This institution is rated “SATISFACTORY”.**

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

A satisfactory loan-to-deposit ratio of 72%, averaged over the last twenty-four (24) quarters;

A substantial majority of loans, representing 70% of the dollar amount and 87% of the number, originated within the assessment area; and

A satisfactory record of lending to businesses of different sizes as well as a satisfactory record of lending to borrowers of different incomes, particularly low- and moderate-income families.

## **DESCRIPTION OF INSTITUTION**

The Centreville National Bank of Maryland (CNB) is a wholly owned subsidiary of Shore Bancshares, Inc., a three-bank holding company headquartered in Centreville, Maryland on Maryland's Eastern Shore. As of December 31, 2004, total assets were \$273,322 million; gross loans were \$192,508 million; total deposits were \$237,445 million; and the loan to deposit ratio was 80%. The bank's lending activities are comprised of commercial/commercial real estate (56%), residential (38%), consumer (4%) and agricultural (2%) loans.

The bank offers a full range of loan and deposit products and services. Loan products include fixed and variable rate commercial and commercial real estate loans including SBA and FHA products, fixed and adjustable rate residential loans, home equity loans, and secured and unsecured consumer loans. Deposit services include accounts for individual and business customers as well as a variety of investment options.

CNB serves the community from its main banking office at 109 North Commerce Street in Centreville, Maryland and six branches located throughout the bank's assessment area. The main office and each of the branches offer full services, including extended hours and proprietary ATMs available 24 hours a day. Five of the branches also offer drive-up facilities. One branch located in Chester, Maryland was opened in 2003. No branches were closed during our evaluation period. Management continues to identify small business and residential mortgage as the primary credit needs within the bank's assessment area. These needs were affirmed by a local community contact during our examination.

There are no impediments, legal or otherwise, which would hinder efforts to meet the credit needs of the assessment area. However, strong competition from other financial institutions is evident in the community, particularly as the Washington, D.C. and Baltimore, Maryland cities continue to expand their reach into the area.

At the prior CRA examination dated March 22, 1999, CNB's performance was rated "Satisfactory".

## **DESCRIPTION OF ASSESSMENT AREA**

Centreville NB has defined its assessment area as all of Queen Anne's county, all of Caroline and Kent counties, and one block numbering area (BNA) in Talbot County. Queen Anne's county is within the Baltimore MSA 720 and the other three counties are not part of an MSA. The bank's assessment area complies with the legal requirements of CRA and does not arbitrarily exclude low- and moderate- income areas. According to 2000 Census Bureau data, the population of the assessment area is 93,670 individuals of which 9% are below the poverty level and 2% are on public assistance. Housing is principally owner-occupied. The 2000 Census median family income in the MSA used to assess geographic distribution was \$53,225 with an updated HUD median family income of \$60,178.

A large portion of the area economy is seasonal in nature and depends heavily on summer tourism. As such, the majority of the businesses are service and retail oriented with the remaining workforce employed in manufacturing, food processing, and farming. Major employers include Maryland Plastics, Solo Cup, Dixon Valve & Coupling, Washington College, and Allen Family Foods. Unemployment has remained low at 2%. There are approximately 6,990 businesses in the assessment area, 69% of which have annual revenues less than \$1 million.

The following table details the breakdown of census tract characteristics within the MSA based on 2000 Census Bureau information.

**ASSESSMENT AREA DEMOGRAPHICS**

Designation	# Census Tracts	% of Total Tracts
Low Income	0	0%
Moderate Income	4	18%
Middle Income	18	78%
Upper Income	1	4%
Totals	23	100%

# **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

## **LOAN-TO-DEPOSIT RATIO**

CNB's loan-to-deposit ratio is reasonable and commensurate with its size, financial condition, and the credit needs of the assessment area. It averaged 72% over the last 24 quarters from December 31, 1999 through December 31, 2004. This ratio is slightly lower than both similarly situated and national peer bank averages of 76% and 77%, respectively, during the same time period. However, the bank provides secondary market mortgage services to its customers through Wye Mortgage, which is not reflected in the aforementioned loan to deposit data.

## **LENDING IN ASSESSMENT AREA**

A substantial majority of the bank's lending activity is within its assessment area. We tested and relied on total loan origination data through December 31, 2004 provided by bank reports. Based on our analysis, \$115 million of \$164 million in total dollar volume of loan originations, or 70%, were originated in the assessment area. This represents 1750 of 2005 in the total number of loans, or 87%.

## **LENDING TO BUSINESSES OF DIFFERENT SIZES & BORROWERS OF DIFFERENT INCOMES**

The bank's record of lending to businesses of different sizes is satisfactory. We tested and relied on business loan data provided by bank reports. As the table below illustrates, 70% of the number of business loans and 45% of the dollar volume of business loans were to small businesses. These percentages reasonably compare to the 69% of businesses in the assessment area with annual revenues less than \$1 million based on 2000 Census Bureau information.

### **LENDING TO BUSINESSES OF DIFFERENT SIZES**

Business Revenue Size	# of Loans	% of Total	\$(000s)	% of Total
<= \$1 Million	603	70.28	49,774	44.78
>= \$1 Million	255	29.72	61,382	55.22
Totals	858	100.00	111,156	100.00

The bank's record of lending to borrowers of different incomes, particularly low- and moderate-income families, is satisfactory. We tested and relied on the bank's 2004 Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) for residential mortgage origination analysis, which is a representative sample of the bank's residential mortgage history. As the following table illustrates, 20% of the number and 6% of the dollar volume of loans originated were extended to low-income borrowers and 20% of the number and 14% of the dollar volume of loans originated were extended to moderate-income borrowers. These percentages reasonably compare to the 19% and 18% of low- and moderate- income families, respectively, residing in the bank's assessment area based on 2000 Census Bureau information.

### **LENDING TO BORROWERS OF DIFFERENT INCOMES**

Income Designation	# of Loans	% of Total	\$ (000s)	% of Total	2000 CB Family Income Characteristics
Low	36	20.45	1,394	6.08	18.83%
Moderate	35	19.89	3,260	14.22	17.56%
Middle	38	21.60	3,435	14.98	24.55%
Upper	67	38.06	14,838	64.72	39.06%
Totals	176	100.00	22,927	100.00	100.00%

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

We determined that an analysis of the geographic distribution of loans is not meaningful. There are no low- income census tracts and the four moderate- income census tracts are widely dispersed throughout the counties within the assessment area, which consists of vast stretches of farmland. Based on our review of lending, the bank's distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's lending patterns also do not exhibit any conspicuous, unexplainable gaps.

### **RESPONSE TO COMPLAINTS**

The bank received no complaints applicable to its performance under the regulation during this evaluation period.

### **FAIR LENDING REVIEW**

We found no evidence of illegal discrimination or other illegal credit practices.