



PUBLIC DISCLOSURE

December 7, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

County National Bank
Charter# 23185
7405 Ritchie Highway, P.O. Box 1210
Glen Burnie, Maryland 21060-1210

Comptroller of the Currency
1025 Connecticut Avenue, NW #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 CRA performance of **County National Bank** prepared by **the Comptroller of Currency**, the institution's supervisory agency, as of **December 7, 1998**. 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:

- The bank's loan-to-deposit ratio averaged 68% during 1997 and 1998. This level is commensurate with the loan-to-deposit ratio of other recently opened institutions, which averaged 72% during the same period.
- The majority of the bank's loan originations are within the bank's assessment area.
- The bank has a good record of lending to borrowers of different income levels and to businesses of different revenue sizes.

The following table indicates the performance level of **County National Bank (CNB)** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	County National Bank 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	This analysis is not meaningful since there are no low income census tracts and one moderate income census tract in the assessment area.		
Response to Complaints	CNB has not received any complaints during the review period		

Description of Institution

County National Bank (CNB) is a \$50 million community bank, headquartered in Glen Burnie, Maryland. CNB is wholly owned by CN Bancorp, Inc. (a single bank holding company). The bank opened on December 18, 1996 and currently has two full service branches located in Glen Burnie and Pasadena. Both of these locations have evening and Saturday hours, drive through facilities and automatic teller machines (ATM's). Additionally there is a free-standing ATM located at the Crain Towers medical office building in Glen Burnie. CNB offers a variety of consumer and commercial accounts, services and loans. In addition to the products that the bank offers directly, CNB also participates in Small Business Administration (SBA) guaranteed loans and refers long-term or fixed rate residential mortgages to the Atlantic Central Banker's Bank. Management actively markets free checking accounts that are available with no minimum balance or transaction restrictions.

As of September 1998 gross loans totaled \$28 million and the loan portfolio was comprised of 50% commercial loans, 32% commercial real estate loans and 18% consumer loans. As a new institution, the bank's lending efforts have been focused on establishing market share and on meeting the credit needs of local small businesses. CNB operates in a competitive local bank environment with several community, regional and multinational bank branches located in the assessment area. This is particularly challenging for a new bank with two locations and limited resources. However, there are no legal or other impediments precluding the bank from helping to meet the credit needs of its assessment area.

Description of Assessment Area

The bank's assessment area includes 42 census tracts in northeastern Anne Arundel County, Maryland. The assessment area is bordered to the north by Brooklyn, to the west by Annapolis Junction and Jessup; to the east by Gibson Island and Chesapeake Bay waterfront communities; and to the south by Crofton. The assessment area complies with the requirements of CRA and does not arbitrarily exclude low- or moderate- income areas.

Major employers in the assessment area are the Fort George G. Meade Military Base, Northrop Grumman, and the National Security Agency. Based on the 1990 Census Data, the total population of the assessment area is 217 thousand people and the area's weighted average median family income is \$42,200 per year. Census tracts are characterized as follows:

CENSUS TRACT DISTRIBUTION					
Tract Characteristic	Low	Moderate	Middle	Upper	Total
Number	0	1	27	14	42
Percentage	0%	2%	64%	34%	100%

Despite there being no low income census tracts in the assessment area, 11% of the families in the area are low-income families (6,564 families.) There are also 9,356 moderate-income families in the assessment area (16% of the total families).

As part of our examination, we contacted a local business organization operating in the bank's assessment area during our review. The representative from the organization confirmed the need for small business lending in the assessment area.

Conclusions with Respect to Performance Criteria

We based our evaluation on lending activity in the assessment area, lending to borrowers of different income levels and lending to businesses of different sizes. Our analysis included the bank's entire loan portfolio and covered the period between January 1997 through December 1998. This is the bank's first regulatory review for compliance with CRA. We tested and relied on reports the bank provided regarding loan originations and we sampled portions of the portfolio to determine the level of lending to low-or-moderate income borrowers. There are currently 496 loans outstanding, which does not include renewals and refinancings. The original balance of these loans totaled \$41 million.

Loan to Deposit Ratio

CNB's loan-to-deposit ratio averaged 68% during the review period. This level is reasonable given the bank's size, age and available resources. Further, the bank's loan-to-deposit ratio is commensurate with recently opened institutions which averaged 72% during the same period.

Loans Inside the Assessment Area

Lending in the assessment area is satisfactory. A majority of the total loans originated in the 1997 and 1998 are inside of the assessment area. The following chart reflect loans originated during the review period:

LOANS ORIGINATED INSIDE THE ASSESSMENT AREA					
By Dollars, In Millions					
Loan Type	Inside		Outside		Total
Commercial	\$17.0	83%	\$ 3.6	17%	\$ 20.6
Mortgages (*)	\$10.8	73%	\$ 4.0	27%	\$ 14.8
Consumer	\$ 5.0	81%	\$ 1.2	19%	\$ 6.2
Total	\$ 32.8	79%	\$ 8.8	21%	\$ 41.6

(*) Includes residential and commercial mortgages

LOANS ORIGINATED INSIDE THE ASSESSMENT AREA					
By Number of Loans					
Loan Type	Inside		Outside		Total
Commercial	126	76%	40	24%	166
Mortgages(*)	57	78%	16	22%	73
Consumer	203	79%	54	21%	257
Total	386	78%	110	22%	496

(*) Includes residential and commercial mortgages

Other Lending Activity

In 1997 the bank originated a \$50 thousand line of credit to a non-profit county-sponsored organization that makes loans to small and start-up businesses for expansion and development purposes. Seventeen other local institutions contribute to this non-profit's \$3.3 million loan fund, which provides financing to small firms that create jobs in Anne Arundel county.

CNB also originated \$618 thousand in loans to a non-profit state-funded organization that provides housing and support to low-or-moderate income mentally challenged individuals in the assessment area.

Geographic Distribution

An analysis of the geographic distribution of credit is not meaningful because, there are no low income census tracts and only one moderate income census tract located in the assessment area.

Loans to Individuals of Different Income Levels and Businesses of Different Sizes

Lending to borrowers of different income sizes and to businesses of different revenue sizes is reasonable given the bank’s age, and strategic focus.

More than one in four families in the assessment area are low- (11%) or moderate- (16%) income families. This statistic is based on the 1998 HUD updated median family income for the metropolitan statistical area of \$55,600. We reviewed a random sample of consumer loans originated during the review period. We found that 11% percent of the loans sampled were made to low income borrowers and 43% were made to moderate income borrowers (by dollar amount). This performance is very good given the amount of low and moderate income families in the assessment area.

Lending to businesses of different sizes is reasonable. Management reports that \$7.1 million (35% of commercial loans in dollars) are to businesses with less than \$1 million in annual revenues. In terms of number of loans, 81 out of 166 commercial loans (49%) are to small businesses.

Additionally, the distribution of commercial loans by size is reasonable. The majority of the bank’s commercial loans are for less than \$100 thousand, which is indicative of the bank’s efforts to meet the credit needs of local small businesses. The chart below reflects the original balance of commercial and commercial real estate loans made during the review period including renewals, refinancings and loans that have paid off.

DISTRIBUTION OF COMMERCIAL LOANS BY LOAN SIZE					
Loan Size	≤\$100M	>\$100M≤\$250M	>\$250M≤\$500M	>\$500M	Total
Number of Loans	145	52	22	12	231
Percent	63%	22%	10%	5%	100%
Dollars (MM)	\$5.8	\$8.9	\$13.2	\$11.9	\$39.8
Percent	15%	22%	33%	30%	100%

The bank participates in the Small Business Administration’s (SBA) 504 program, which provides start-up and expansion financing for small businesses in the area. This particular program provides long-term, below market financing and requires minimum borrower investment. During the review period, the bank participated in three loans under this program, which provided \$3.2 million in loans to small businesses. CNB financed \$1.8 million of this committed amount.

Compliance with Anti-discrimination Laws

We conducted a concurrent assessment of the bank's record of complying with anti-discrimination laws. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

Response to Complaints

The bank has not received any complaints relative to their Community Reinvestment Act performance during the examination period.