



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 01, 2004**

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

**County National Bank  
Charter Number 23185  
7401 Ritchie Highway  
Glen Burnie, MD 21060**

**Comptroller of the Currency  
Maryland/National Capital Area Field Office  
250 E Street, SW – Mail Stop 3-5  
Washington, DC 20019-0001**

**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.**

## 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 of 71% is reasonable, and slightly below national peer banks ratio of 75% during the same period.
- o A substantial majority of loans originated are in the bank’s assessment area.
- o The record of lending reflects reasonable penetration to small businesses.
- o The distribution of loans reflects good penetration among individuals of different income levels, especially low- and moderate-income borrowers.

## **DESCRIPTION OF INSTITUTION**

Established on December 18, 1996, County National Bank (CNB) is wholly owned by CN Bancorp, Inc. The bank serves the community from its headquarters and Main Office in Glen Burnie, Maryland. CNB's Main Office and two branches are located conveniently in northern portion of Anne Arundel County, Maryland. At December 31, 2003, total assets stood at \$115 million. Gross loans of \$71 million are 61% of total assets. The bank's lending activities are focused principally on business loans, residential mortgages, and consumer loans. The loan portfolio consists of 61% commercial and commercial real estate loans, 33% residential mortgages (of which 67% are first liens), and 6% consumer loans.

CNB offers a full range of loan and deposit services. Loan products include fixed and variable commercial and commercial real estate loans, fixed and ARM residential loans, home equity loans, and secured and unsecured consumer loans. Deposit services include accounts for both the consumer and business customer, along with a variety of investment options. Services and fees are consistent throughout the bank's locations. The Main Office and the Pasadena branch are open weekdays from 9:00AM to 3:00PM, and Fridays until 7:00PM. The drive-in at these locations are open weekdays from 8:00AM until 6:00PM, Fridays until 7:00PM, and Saturdays from 9:00AM until 12:00 Noon. Both the Main Office and the Pasadena branch offer Saturday lobby and drive-in hours from 9:00am until 12:00 Noon. During this evaluation period, CNB opened the Odenton branch in February 1999. The Odenton branch basically has the same hours as the bank's other locations, except on Monday through Thursday the drive-in is open until 7:00PM, and on Saturday the lobby and drive-in are until 1:00PM. No branch offices were closed during the evaluation period. Each of the bank's locations has one ATM providing full service. Additionally, there is a drive-up cash only ATM at the Crain Towers office building in Glen Burnie, Maryland.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment area. At the prior CRA examination dated December 7, 1998, CNB was rated "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA**

CNB's assessment area meets the requirements of the CRA regulation. The bank has one contiguous assessment area consisting of 56 census tracts located in the northern portion of Anne Arundel County, Maryland within Baltimore MSA 0720. All of these census tracts are located north of Maryland State Highway Route 50. This state highway generally runs east and west through Anne Arundel County, dividing the county approximately in half geographically. All of the bank locations are in the northern portion of the Anne Arundel County and north of Route 50. The bank's assessment area does not arbitrarily exclude low- and moderate-income census tracts.

The 2002 updated HUD median family income is \$66,400. Based on the 1990 US Census Data, CNB's assessment area demographics, including the characteristics for census tract income,

family income, and business size/annual revenue, are noted in the charts below.

**Census Tract Income Characteristics**

Tract Income Level	Number of Tracts	Percentage of Tracts
Low-Income	0	0 %
Moderate-Income	2	4 %
Middle-Income	33	59 %
Upper-Income	20	36 %
NA	1	2 %
Total	56	100 %

**Family Income Characteristics**

Level of Income	Percentage of Families
Low-Income	11 %
Moderate-Income	16 %
Middle-Income	26 %
Upper-Income	47 %
Total	100 %

**Business Size & Revenue Characteristics**

Business Size & Revenue	Number of Businesses	Percentage of Businesses
Small Businesses (Annual Revenues of \$1 Million or Less)	13,770	71 %
Other Businesses (Annual Revenues in Excess of \$1 Million)	1,063	6 %
Businesses Not Reporting Annual Revenues	4,543	23 %
Total	19,376	100 %

Currently, the economic condition in CNB's assessment area is considered generally stable and growing. Many national, regional, and local businesses are located throughout the bank's assessment area. The major employers are the National Security Agency, Ft. George G. Meade, Anne Arundel County Public Schools, the State of Maryland, Northrop Grumman, Southwest Airlines, North Arundel Health Systems, and Anne Arundel Community College. By industry type and number of employers, the largest are the services industry, followed by retail trade, construction, finance/insurance/real estate, wholesale trade, transportation and utilities, and manufacturing. By industry type and number of employees, the largest are the service industry, followed by retail trade, manufacturing, transportation and utilities, construction, wholesale trade, and finance/insurance/real estate. In terms of housing, 70% are owner occupied units and 26% are rental units. Of the housing units, 84% are 1-4 family units and 13% are multifamily units. Strong competition from other community, regional and national banks, thrifts, credit unions, non-financial institutions and mortgage brokers is evident in the community the bank serves. Management and the Board continue to identify the primary credit needs within the bank's assessment area as business loans, especially to small businesses, and residential real estate loans. Our community contact during the examination affirmed the primary credit needs of the community the bank serves as loans to small businesses and residential mortgage loans.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation period is from January 1, 1999 through December 31, 2003 inclusive. Our analysis of the bank's performance for the respective evaluation factors is described below.

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

CNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. We reviewed the quarterly average loan-to-deposit ratios for the twenty quarters from January 1, 1999 through December 31, 2003 inclusive. During this evaluation period, CNB's loan-to-deposit ratio averaged 71%, slightly below the national peer banks of 75% during the same period. Management has been growing the bank since opening over the last seven years.

### **LENDING IN THE ASSESSMENT AREA**

A substantial majority of CNB's loans and lending-related activities are in the bank's assessment area. We sampled and tested business loan origination data, and we tested and relied on Home Mortgage Disclosure Act (HMDA) loan origination data provided by the bank. For business loans during the evaluation period, our analysis reflects CNB originated 77% of the number of loans representing 81% of the dollars of loans in the bank's assessment area. For HMDA loans during the evaluation period, our analysis reflects CNB originated 80% of the number loans representing 73% of the dollars of loans in the bank's assessment area.

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

Overall, given the demographics of the bank's assessment area, CNB's distribution of loans reflects reasonable penetration to businesses of different sizes and good penetration to borrowers of different income.

### Lending to Businesses of Different Sizes

CNB's distribution of business loans reflects reasonable penetration among businesses of different sizes. We sampled and tested business loan origination data provided by the bank. Our analysis reflects 67% of the number of loans and 53% of the dollars of loans were extended to small businesses, compared to 71% that are small businesses in the bank's assessment area.

### Lending to Borrowers of Different Incomes

During the evaluation period, CNB's distribution of loans reflects good penetration among borrowers of different incomes, especially to low- and moderate-income families. We tested and relied on HMDA residential mortgage origination data provided by the bank. Our analysis reflects 11% of the number of loans and 5% of the dollars of loans were extended to low-income families, compared to the 11% that are low-income families in the bank's assessment area. Similarly, 19% of the number of loans and 5% of the dollars of loans were extended to moderate-income families, compared to the 16% that are moderate-income families in the bank's assessment area.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

We determined the geographic distribution of loans originated is not meaningful. This is due to the minimal level of low- and moderate-income census tracts in CNB's assessment area. Our review reflects that there are no low-income and two moderate-income census tracts in the bank's assessment area, representing 4% of the total census tracts. As a result, we did not perform an analysis of the geographic distribution of loans.

## **RESPONSES TO COMPLAINTS**

CNB did not receive any complaints about its performance in helping to meet assessment area needs during this evaluation period.

## **FAIR LENDING REVIEW**

We found no evidence of illegal discrimination or other illegal credit practices. We reviewed CNB's HMDA data and consumer complaint information and found no violations of the substantive provisions of the anti-discrimination laws and regulations. As a result, the OCC decided that a comprehensive Fair Lending examination would not need to be conducted in connection with this CRA evaluation.