

**PUBLIC DISCLOSURE**

August 17, 2009

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

CommerceFirst Bank

2897736

1804 West Street

Annapolis, Maryland 21401

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

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.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable in relation to the demand for credit in the bank's assessment area.
- A substantial majority of the institution's small business loans were originated in the bank's assessment area.
- Lending to businesses with revenues of \$1 million or less is considered reasonable using various proxies for demand.
- The distribution of lending by income level of geography is considered poor given area demographics.
- There were no complaints regarding the institution's CRA performance since the previous evaluation.

**SCOPE OF EXAMINATION**

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council. A sample of small business loans was considered in the evaluation. The sample of 100 small business loans totaling \$22.2 million was selected from a universe of 178 such loans totaling \$34.2 million that were extended during calendar year 2008.

**DESCRIPTION OF INSTITUTION**

CommerceFirst Bank (CFB) is headquartered in Annapolis, Maryland, and operates five full-service branches located in Anne Arundel, Howard, and Prince George's Counties, Maryland. The bank is a subsidiary of CommerceFirst Bancorp, Inc., a single bank holding company headquartered in Annapolis, Maryland. The institution provides commercial deposit and loan products to its customers including business lines of credit and term loans for fixed assets. CFB does not offer consumer lending; however, consumer deposit products are available. CFB reported assets of \$192.1 million as of June 30, 2009, of which 86.9% were loans. The following chart details the composition of the bank's loan portfolio as of that date.

**Composition of Loan Portfolio**

Loan Type	6/30/2009	
	\$(000s)	%
Secured by 1-4 Family dwellings	0	0.0
Multifamily	0	0.0
Construction and Development	2,359	1.4
Commercial & Industrial/ NonFarm NonResidential	166,725	98.6
Consumer Loans and Credit Cards	0	0.0
Agricultural Loans/ Farmland	0	0.0
All Other	1	0.0
<b>Total</b>	<b>169,085</b>	<b>100.0</b>

**DESCRIPTION OF ASSESSMENT AREA**

CFB's assessment area includes all of Anne Arundel, Howard, and Prince George's Counties, Maryland. Prince George's County is a part of the Washington-Arlington-Alexandria DC-MD-VA-WV Metropolitan Statistical Area (MSA). Anne Arundel and Howard Counties are part of the Baltimore-Towson, Maryland MSA. The two MSAs are part of the Washington-Baltimore-Northern Virginia DC-MD-VA-WV Combined Statistical Area (CSA). The assessment area contains seven low-income, 80 moderate-income, 136 middle-income, 95 upper-income, and one unknown-income census tracts.

According to 2000 census data, the area has a population of 1,539,013 and a median housing value of \$153,187. The owner-occupancy rate for the assessment area of 65% exceeds the owner-occupancy rate for the state at 62.5% and that of both the Washington-Arlington-Alexandria DC-MD-VA-WV MSA at 58.8% and the Baltimore-Towson, Maryland MSA at 62.2%. The area's poverty rate (4.3%) is lower than that of the Baltimore-Towson, Maryland MSA (7.2%), the Washington-Arlington-Alexandria DC-MD-VA-WV MSA (5.6%), and the state (6.1%). The 2008 median family income for the Baltimore-Towson, Maryland MSA and Washington-Arlington-Alexandria DC-MD-VA-WV MSA equals \$78,200 and \$97,200, respectively.

The following table provides demographic data for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units by income level of census tract, as well as Dun & Bradstreet (D&B) business demographic information.

**Assessment Area Demographics**

Washington-Baltimore-Northern Virginia, DC-MD-VA-WV CSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	7	2.2	6,103	1.5	973	15.9	67,197	17.0
Moderate	80	25.1	84,466	21.3	7,475	8.8	70,619	17.8
Middle	136	42.6	160,211	40.5	5,820	3.6	92,188	23.3
Upper	95	29.8	145,063	36.6	2,687	1.9	165,839	41.9
NA	1	0.3	0	0.0	0	0.0		
<b>Total</b>	<b>319</b>	<b>100.0</b>	<b>395,843</b>	<b>100.0</b>	<b>16,955</b>	<b>4.3</b>	<b>395,843</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	2,040	0.5	8,338	1.5	1,312	15.7	97,848	17.6
Moderate	50,826	13.4	128,482	23.1	12,853	10.0	95,495	17.2
Middle	167,809	44.3	229,788	41.4	12,134	5.3	117,702	21.2
Upper	157,867	41.7	188,898	34.0	5,643	3.0	244,461	44.0
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>378,542</b>	<b>100.0</b>	<b>555,506</b>	<b>100.0</b>	<b>31,942</b>	<b>5.8</b>	<b>555,506</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	773	1.1	636	1.0	124	2.1	13	0.9
Moderate	10,618	14.8	9,707	15.1	632	10.9	279	19.2
Middle	32,394	45.2	28,857	44.8	2,876	49.8	661	45.5
Upper	27,886	38.9	25,242	39.2	2,145	37.1	499	34.4
NA	4	0.0	3	0.0	1	0.0	0	0.0
<b>Total</b>	<b>71,675</b>	<b>100.0</b>	<b>64,445</b>	<b>100.0</b>	<b>5,778</b>	<b>100.0</b>	<b>1,452</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			89.9		8.1		2.0

\*NA Tracts are tracts without household or family income as applicable.

As of July 2009, the unemployment rates in Anne Arundel, Howard, and Prince George's Counties, and the State of Maryland were 6.9% 5.7%, 7.5%, and 7.4%, respectively.

A local economic development corporation official was contacted during the examination to discuss area economic conditions and credit needs. The contact indicated that local financial institutions are responsive to the credit needs of the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Loan-To-Deposit Ratio**

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. CFB's loan-to-deposit ratio as of June 30, 2009, equaled 97.1% and averaged 95.1% for the 16-quarter period ending June 30, 2009. In comparison, the average of quarterly loan-to-deposit ratios for all banks headquartered in

metropolitan areas of Maryland and of similar asset size to CFB ranged from 78.5% to 89.8% during the 15-quarter period ending March 31, 2009. From September 30, 2005, through June 30, 2009, bank assets, loans, and deposits have increased by 95.2%, 131.9%, and 112%, respectively. Overall, the bank's loan-to-deposit ratio is considered more than reasonable given the institution's size, financial condition, and local credit needs.

**Lending In Assessment Area**

To determine the institution's volume of lending within its assessment area, a sample of 100 small business loans extended by the bank during calendar year 2008 was reviewed. The lending distribution is represented in the following table for the assessment area.

**Comparison of Credit Extended Inside and Outside of Assessment Area(s)**

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Small Business*	82	82.0	18,113	81.5	18	18.0	4,111	18.5
<b>TOTAL LOANS</b>	<b>82</b>	<b>82.0</b>	<b>18,113</b>	<b>81.5</b>	<b>18</b>	<b>18.0</b>	<b>4,111</b>	<b>18.5</b>

\*The number and dollar amount of loans reflects a sample of such loans originated during the evaluation period and does not reflect loan data collected or reported by the institution.

As illustrated in the preceding chart, a substantial majority of the number (82%) and dollar amount (81.5%) of loans were provided to borrowers located in the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered highly responsive to community credit needs.

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

The following table presents data about the bank's lending to businesses of different sizes. To evaluate the bank's level of lending to businesses of different sizes, 82 small business loans from 2008 extended within the bank's assessment area were analyzed. Area demographics, 2008 aggregate data, and D&B business data are used as proxies for demand.

**Distribution of Lending by Loan Amount and Size of Business**

Washington-Baltimore-Northern Virginia, DC-MD-VA-WV CSA								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
\$1 Million or Less	52	63.4	13,464	74.3	15,161	28.0	478,039	32.6
Over \$1 Million	30	36.6	4,650	25.7	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
\$100,000 or less	39	47.6	2,147	11.9	51,511	95.3	517,845	35.3
\$100,001-\$250,000	14	17.1	2,527	14.0	1,200	2.2	218,870	14.9
\$250,001-\$1 Million	29	35.4	13,439	74.2	1,352	2.5	730,459	49.8
<b>Total</b>	<b>82</b>	<b>100.0</b>	<b>18,113</b>	<b>100.0</b>	<b>54,063</b>	<b>100.0</b>	<b>1,467,174</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

Of the 82 small business loans included in the analysis, 63.4% were to entities with revenues of \$1 million or less. Based on 2008 D&B demographic data, 89.9% of businesses within the assessment area have annual revenues of \$1 million or less. According to the 2008 aggregate small business data, at least 28% of small business loans reported within the market area were to businesses with revenues of \$1 million or less. The remaining loans were extended to businesses having revenues in excess of \$1 million per annum or revenue data was not reported.

Overall, the institution's lending to businesses of different sizes is considered reasonable using aggregate business data and area demographics as proxies for loan demand.

**Geographic Distribution of Loans**

The geographic distribution of loans within the assessment area is reflected in the following table. Aggregate data and D&B business information are used as proxies for demand. Small business loans extended with the institution's market area were analyzed to determine the level of lending among geographies by income.

**Distribution of Small Business Loans by Income Level of Census Tract**

Washington-Baltimore-Northern Virginia, DC-MD-VA-WV CSA								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	1	1.2	420	2.3	466	0.9	25,844	1.8
Moderate	2	2.4	72	0.4	4,982	9.4	120,857	8.3
Middle	29	35.4	5,930	32.7	22,615	42.6	652,822	44.8
Upper	50	61.0	11,691	64.5	24,994	47.1	659,208	45.2
NA*	0	0.0	0	0.0	2	0.0	12	0.0
<b>Total</b>	<b>82</b>	<b>100.0</b>	<b>18,113</b>	<b>100.0</b>	<b>53,059</b>	<b>100.0</b>	<b>1,458,743</b>	<b>100.0</b>

\*NA Tracts are tracts without household or family income as applicable.

Loans where the geographic location is unknown are excluded from this table.

As indicated in the table above, the bank's lending in low-income areas (1.2%) is comparable to the 2008 aggregate data (0.9%). Area demographic data indicates that 1.1% of businesses are located in low-income tracts. The bank's lending in moderate-income tracts (2.4%) is less than both the aggregate data (9.4%) and the demographic data of the moderate-income tracts (14.8%).

Overall, the bank's distribution of lending by income level of geography is considered poor given area demographics and aggregate data. This rating is primarily reflective of the low penetration of loans in moderate income areas since there are significantly more lending opportunities in such tracts.

**Fair Lending or Other Illegal Credit Practices Review**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.