PUBLIC DISCLOSURE

February 14, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NBRS Financial Bank

368429

6 Pearl Street

Rising Sun, Maryland 21911

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 loan-to-deposit ratio is considered more than reasonable in relation to the bank's size, location, and demand for credit in the assessment areas.
- A substantial majority of the institution's reported Home Mortgage Disclosure Act (HMDA) and small business loans were originated to borrowers within the bank's assessment areas.
- While the bank's distribution of lending varies by product and assessment area, overall, the level of lending to borrowers of different income levels and to businesses with revenues of $1 million or less is considered reasonable.
- Although the distribution of lending by income level of geography varies between assessment areas and products, the overall performance is considered reasonable give the bank's market presence, capacity, and demand for local credit.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation dated February 5, 2007.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council. NBRS Financial Bank (NBRS) is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, 2008 and 2009 HMDA loan originations were considered in the evaluation. Additionally, based on the institution's recent historical loan volume, small business loans were identified as a primary credit product and were also considered in the evaluation. The analysis included all (121) small business loans extended in 2009 and 2010.

A rating for each state in which the institution operates is assigned, and an overall rating is assigned to the institution. These ratings are based on the full scope evaluation procedures being applied to each of the bank's three assessment areas.

DESCRIPTION OF INSTITUTION

NBRS Financial Bank is headquartered in Rising Sun, Maryland, and operates nine branch offices; four offices, including the institution's main office, are located in Cecil County, Maryland, four offices are located in Harford County, Maryland, and one office is located in Lancaster County, Pennsylvania. The bank is owned by a single bank holding company, Rising Sun BC, also headquartered in Rising Sun, Maryland.

As of December 31, 2010, NBRS had $262.7 million in assets of which 83.7% were loans and 6.2% were securities. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purpose. The composition of the loan portfolio as of December 31, 2010, is represented in the following chart:

Composition of Loan Portfolio

Loan Type	12/31/2010	
	$(000s)	%
Secured by 1-4 Family dwellings	65,293	29.7
Multifamily	396	0.2
Construction and Development	20,748	9.4
Commercial & Industrial/ NonFarm NonResidential	119,103	54.2
Consumer Loans and Credit Cards	2,989	1.4
Agricultural Loans/ Farmland	6,750	3.1
All Other	4,476	2.0
Total	***219,755***	***100.0***

As indicated in the preceding table, the bank's primary loan types are commercial and industrial/ nonfarm nonresidential and loans secured by one- to four-family dwellings. The bank also continues to offer other loans, such as construction and development, consumer, and farm loans; however, the volume of such lending is relatively small in comparison to its commercial and residential mortgage lending.

The bank serves three assessment areas located in Maryland and Pennsylvania, each located within a different metropolitan statistical area (MSA). The counties and cities, as well as census tracts, included within each of the bank's markets are depicted in the following chart.

Metropolitan Assessment Areas			
Name	State	County	Census Tracts
Wilmington, DE-MD-NJ, MSA	MD	Cecil	All
Baltimore-Towson, MD, MSA	MD	Harford	All
Lancaster, PA, MSA	PA	Lancaster	0145.02 – 0146.02
	PA	Chester	3068.00, 3078 – 3082

Though it is located within the Philadelphia, Pennsylvania Metropolitan Division, Chester County was included within the Lancaster assessment area because the portion included in the bank's market does not contain a branch office and does not represent a significant portion of Chester County. Since the previous evaluation, the bank has opened one branch office in Cecil County. This opening of the branch did not have an impact on the composition of the bank's assessment areas. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

When evaluating the bank's performance, consideration is generally given to its level of lending in conjunction with relevant demographic data from the 2000 census, aggregate HMDA data from calendar years 2008 and 2009, aggregate small business data from 2009, and Dun & Bradstreet (D&B) business demographic data from 2009. Analyses of lending during the review period are discussed in greater detail in subsequent sections of this evaluation. While HMDA lending from calendar years 2008 and 2009 and small business loan data from 2009 and 2010 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2009 are presented in the assessment area analyses.

Aggregate small business data from 2010 could not be considered in the evaluation as it is not yet available. In instances where the bank's performance during 2009 varies significantly from its performance during 2008 for HMDA or 2010 for small business, such variances and the corresponding impact on the overall performance are discussed.

When evaluating the geographic and borrower distributions for a specific loan category within an assessment area, primary emphasis is placed on the number of loans originated. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then weighted by dollar volume of such loans made in the assessment area. The institution's overall and state ratings are based on the performance of each market area and primary consideration is given to the dollar volume each market contributes to the overall activity considered in the evaluation. Because the bank operates branches in two states, performance ratings are required for Maryland, Pennsylvania, and the overall institution.

Overall, the bank's performance is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment areas, and borrower and geographic distribution performances. Each of these components is discussed in the following sections.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. The bank's loan-to-deposit ratio as of December 31, 2010, equaled 88% and averaged 94.5% for the sixteen-quarter period ending December 31, 2010. 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 NBRS ranged from 78.5% to 89.7% during the same time period. Since December 31, 2006, the bank's assets, loans, and deposits have grown significantly by 48.9%, 49.6%, and 59.6%, respectively. Within the context of CRA, 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 Areas

To determine the institution's volume of lending within its assessment areas, the geographic location of the bank's 2008 and 2009 HMDA and small business originations during 2009 and 2010 was considered. The lending distribution is represented in the following table for the combined assessment areas.

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

Loan Type	Inside				Outside			
	#	%	$(000)	%	#	%	$(000)	%
Home Purchase	25	89.3	4,713	83.2	3	10.7	954	16.8
Home Improvement	26	83.9	1,195	59.4	5	16.1	818	40.6
Multi-Family Housing	2	100.0	905	100.0	0	0.0	0	0.0
Refinancing	44	81.5	12,070	74.4	10	18.5	4,152	25.6
Total HMDA related	***97***	***84.3***	***18,883***	***76.1***	***18***	***15.7***	***5,924***	***23.9***
Small Business*	112	92.6	15,191	88.0	9	7.4	2,066	12.0
TOTAL LOANS	***209***	***88.6***	***34,074***	***81.0***	***27***	***11.4***	***7,990***	***19.0***

**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 indicated in the preceding chart, a substantial majority of the number and dollar amount of HMDA and small business loans were extended within the bank's assessment areas. Overall, the institution's level of lending within its assessment areas is considered responsive to community credit needs.

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

Within the bank's market areas, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans and revenue data is often not reported for a majority of these loans. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of loans to businesses with annual revenues of $1 million or less. Consequently, the presence of these lenders was considered as an aspect of performance context when evaluating the level and distribution of bank lending. Therefore, to better gauge performance, NBRS's lending is also compared to a peer group of traditional small business lenders that excludes credit card/specialty lenders.

As previously mentioned, the bank's borrower distribution performance varies from excellent to poor by assessment area, product type, and year. Despite the variances in performance, the bank's borrower distribution performances are considered reasonable in all assessment areas, as well as the states of Maryland and Pennsylvania. Accordingly, the bank's borrower distribution performance is considered reasonable overall.

Geographic Distribution of Loans

The bank's performance of lending to borrowers and small businesses located in low- and moderate income census tracts varies from poor to excellent by assessment area, product type and year. Specifically, the geographic lending distribution of loans in the Lancaster, PA MSA is poor for all data evaluated; however, this assessment area represents a very small portion of the bank's volume, and therefore, less weight is given to this market's performance in the overall rating. In comparison, the geographic lending performance for the bank in the Wilmington, DE-MD-NJ and Baltimore-Towson MSAs, as well as for the State of Maryland, was considered reasonable. Accordingly, the bank's geographic distribution performance is considered reasonable overall.

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.

STATE OF MARYLAND

CRA RATING FOR MARYLAND: Satisfactory.

Major factors supporting the rating include:

- The bank's HMDA and small business borrower distributions range from excellent to reasonable, and overall is considered reasonable.
- The bank's geographic distribution performances range from reasonable to poor and is considered reasonable overall.

SCOPE OF EXAMINATION

NBRS serves two assessment areas within the State of Maryland. Both assessment areas were reviewed utilizing the FFIEC's full-scope evaluation procedures. Analyses were conducted of HMDA and small business lending activity. The lending data was reviewed to determine the geographic distribution of the bank's lending, as well as the volume of loans provided to borrowers of different revenue size and incomes. In arriving at an overall state rating, individual assessment area performance was generally weighted by dollar volume of lending. Therefore, the greatest weight was given to the performance of the Wilmington, DE-MD-NJ MSA assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND

The institution operates eight branches in two assessment areas in Cecil and Harford Counties, Maryland. Cecil County is located in the Wilmington, DE-MD-NJ, MSA, and Harford County is located within the Baltimore-Towson, MD, MSA. Within its combined Maryland markets, NBRS ranks seventh out of 26 institutions in local deposit market share holding 5.7% of the areas' available FDIC insured deposits (credit union deposits are not included).

Based on the 2000 census data, the Maryland assessment areas have a total population of approximately 304,541, including 84,072 families. A majority of the families are middle- and upper-income (66%), while low- and moderate-income families comprise 15% and 19% of the total, respectively. Additionally, the combined poverty rate for the markets is 5.7% which is lower than the overall poverty rate for the State of Maryland (8.3%).

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MARYLAND

During 2009, small business dollar volume was larger than HMDA dollar volume within both assessment areas, and consequently received greater weight in measuring the geographic and borrower distribution performance levels within each market. Additionally, when determining an overall rating for the state, significantly more weight was given to the bank's performance within the Wilmington, DE-MD-NJ MSA as during the evaluation period the total dollar volume of loans originated equaled approximately $24.5 million, while the dollar volume of lending within the Baltimore-Towson MSA equaled approximately $9.1 million.

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

For both assessment areas, the bank's distribution by borrower income and size of business is considered reasonable, and its overall distribution performance within the state is also considered reasonable.

Geographic Distribution of Loans

The bank's geographic distribution performance is considered reasonable in the Wilmington, DE-MD-NJ MSA but poor in the Baltimore-Towson, MD MSA. Overall the geographic distribution of lending is considered reasonable at the state level based on the higher volume of lending within the Wilmington assessment area.

METROPOLITAN AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE WILMINGTON, DE-MD-NJ MSA ASSESSMENT AREA:

The Wilmington, DE-MD-NJ MSA assessment area includes all of Cecil County, Maryland, and is included in the Wilmington-DE-MD-NJ MSA. The bank operates four full-service branches within this market area. As of June 2010, NBRS Financial Bank ranked third out of seven institutions in local deposit market share holding 13.9% of the assessment area's available FDIC insured deposits (credit union deposits are not included).

The assessment area consists of 16 census tracts, of which two are moderate-income and 14 are middle-income. There are no low- or upper-income census tracts in the assessment area. According to 2000 census data, the assessment area has a population of 85,951. Housing is generally considered affordable when comparing the 2000 assessment area median housing value ($130,220) to the 2010 median family incomes of the Wilmington, DE-MD-NJ MSA ($78,300). The overall family poverty rate of the assessment area (5.4%) is less than the Maryland statewide rate (6.1%).

The following table includes pertinent demographic data for the assessment area by the income levels of area families and revenue amount of businesses. The distribution of families and businesses among geographies of varying income levels is also included.

Assessment Area Demographics

Wilmington, DE-MD-NJ MSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	4,484	19.2
Moderate	2	12.5	2,388	10.2	385	16.1	4,924	21.1
Middle	14	87.5	20,962	89.8	868	4.1	6,252	26.8
Upper	0	0.0	0	0.0	0	0.0	7,690	32.9
NA	0	0.0	0	0.0	0	0.0		
Total	*16*	*100.0*	*23,350*	*100.0*	*1,253*	*5.4*	*23,350*	*100.0*
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,290	19.9
Moderate	1,707	7.3	1,703	14.8	239	14.0	1,886	16.4
Middle	21,688	92.7	9,271	80.6	695	7.5	2,570	22.3
Upper	0	0.0	533	4.6	26	4.9	4,761	41.4
NA	0	0.0	0	0.0	0	0.0		
Total	*23,395*	*100.0*	*11,507*	*100.0*	*960*	*8.3*	*11,507*	*100.0*
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = $1 Million		Over $1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	690	17.4	614	16.8	45	26.6	31	22.0
Middle	3,273	82.6	3,039	83.2	124	73.4	110	78.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	*3,963*	*100.0*	*3,653*	*100.0*	*169*	*100.0*	*141*	*100.0*
Percentage of Total Businesses:				92.2		4.3		3.6

**NA-Tracts without household or family income as applicable*

Cecil County is located in the northeastern corner of Maryland. The county is largely rural and is situated midway between Baltimore and Philadelphia. Major employers in Cecil County include W.L. Gore & Associates (fluoropolymer developer and manufacturer), Perry Point VA Medical Center (medical services), and Union Hospital of Cecil County (medical services). The table below shows unemployment rates at six month intervals beginning in February 2009:

Geographic Area	Unemployment Rate Trend				
	February 2009	August 2009	February 2010	August 2010	February 2011
Cecil County	9.2%	10%	11.6%	10.6%	10.2%
Wilmington, DE-MD-NJ-MD, MSA	8.3%	8.9%	9.7%	9.2%	9.2%
Maryland	7%	7.3%	8.3%	7.5%	7.3%

Rising and/or high area unemployment rates may adversely affect a bank's ability to extend credit as unemployed applicants often have diminished repayment capacity. As indicated in the preceding table, overall, unemployment rates have risen from 2009 to 2011 and continue to remain relatively high due to continued weakness in the overall economy following the economic recession.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

During 2009, the bank originated $6.9 million in HMDA loans and $8.6 million in small business loans within this assessment area. Accordingly, the bank's small business lending performance is given more weight than the HMDA lending performance when evaluating overall lending performance within the area.

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

Overall, the bank's borrower distribution performance is considered reasonable for both HMDA and small business lending within the assessment area, and consequently, is also considered reasonable overall.

Distribution of HMDA Loans by Income Level of Borrower

Wilmington, DE-MD-NJ MSA (2009)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
	(4)		Home Purchase		(1,185)			
Low	1	25.0	170	23.5	88	7.4	10,890	4.1
Moderate	0	0.0	0	0.0	355	30.0	66,444	24.9
	(10)		Refinance		(2,973)			
Low	4	40.0	950	34.1	239	8.0	34,361	5.7
Moderate	1	10.0	225	8.1	773	26.0	130,272	21.6
	(10)		Home Improvement		(249)			
Low	2	20.0	55	13.5	37	14.9	1,783	8.6
Moderate	2	20.0	132	32.5	55	22.1	4,324	20.9
	(0)		Multi-Family		(0)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
			HMDA Totals					
Low	7	29.2	1,175	30.1	364	8.3	47,034	5.3
Moderate	3	12.5	357	9.1	1,183	26.8	201,040	22.6
Middle	7	29.2	492	12.6	1,300	29.5	258,457	29.0
Upper	7	29.2	1,886	48.2	1,560	35.4	384,103	43.1
Total	***24***	***100.0***	***3,910***	***100.0***	***4,407***	***100.0***	***890,634***	***100.0***
Unknown	*7*		*3,011*		*1,271*		*302,731*	

( ) represents the total number of bank loans for the specific Loan Purpose where income is known
Percentage's (%) are calculated on all loans where incomes are known

Of the relatively limited HMDA volume reported during 2009, refinance and home improvement lending equally represented the largest category of mortgage loans originated by the bank. As such, they received greater weight in the overall performance level. Multi-family lending was not a factor in the analysis, as neither NBRS nor aggregate reporters reported loans for multi-family properties. When evaluating the bank's lending to low-income borrowers, the bank's distribution represents an excellent level of performance for home purchase, refinance, and home improvement lending. NBRS's lending to moderate-income borrowers, however, is considered poor for both home purchase and refinance loans, but is considered reasonable for home improvement lending.

When considering the bank's 2009 performance overall, NBRS's level of HMDA lending to low-income borrowers (29.2%) significantly exceeds the performance of the 2009 aggregate (8.3%) and the percentage of low-income families (19.2%) in the assessment area. This level of lending to low-income borrowers is considered excellent. Conversely, the 2009 lending performance to moderate- income borrowers (12.5%) falls below the aggregate peer's performance (26.8%) and the corresponding percentage of moderate income families (21.1%) within the assessment area and is considered poor. On a combined basis, the bank's lending performance is considered reasonable overall given the strength of its performance to low-income borrowers. NBRS's 2008 HMDA lending is substantially similar, with an excellent level of lending to low-income borrowers and a similarly poor level of lending to moderate-income borrowers. The overall HMDA borrower distribution within the Wilmington, DE-MD-NJ MSA assessment area is considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

Wilmington, DE-MD-NJ MSA (2009)								
	Bank				**Aggregate***			
by Revenue	**#**	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
$1 Million or Less	31	75.6	6,939	81.1	517	36.5	22,871	46.7
Over $1 Million	9	22.0	1,471	17.2	NA	NA	NA	NA
Unknown	*1*	*2.4*	*150*	*1.8*	NA	NA	NA	NA
by Loan Size								
$100,000 or less	20	48.8	793	9.3	1,329	93.9	18,415	37.6
$100,001-$250,000	8	19.5	1,442	16.9	48	3.4	8,855	18.1
$250,001-$1 Million	13	31.7	6,324	73.9	38	2.7	21,673	44.3
Total	***41***	***100.0***	***8,559***	***100.0***	***1,415***	***100.0***	***48,943***	***100.0***

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

In 2009, 75.6% of the bank's small business loans were to businesses with annual revenues of $1 million or less. According to D&B data, 92.2% of all local businesses have revenues that do not exceed $1 million per year. In addition, 2009 aggregate data for a peer group of traditional bank reporters was also considered. For the peer group, 75.4% of reported small business loans were to businesses having revenues of $1 million or less. Revenues were either unknown or in excess of $1 million for the remaining portion of loans. The bank's level of lending is on the higher end of reasonable performance. The bank's 2010 lending level declined when compared to the 2009 results with only 57.7% of small business loans being made to businesses with revenues of $1 million or less. The 2010 performance level is considered reasonable; however, it is on the lower range of reasonable performance. Overall, the bank's performance level is reasonable, particularly given the higher weight associated with its 2009 performance as the bank originated approximately $8.6 million of small business lending in 2009 compared with only $2.5 million in 2010.

Geographic Distribution of Loans

As previously indicated, there are no low-income census tracts within the assessment area and only two moderate-income tracts. When considering the somewhat limited opportunity for lending within moderate-income tracts, the bank's performance level is considered reasonable overall for both HMDA and small business lending. The performance levels, however, vary somewhat on the range of reasonable performance, as NBRS's small business lending is on the lower end of reasonable performance, while its HMDA lending performance is stronger overall.

Distribution of HMDA Loans by Income Level of Census Tract

Wilmington, DE-MD-NJ MSA (2009)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
	(5)		Home Purchase		(1,379)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	223	16.2	51,254	16.8
	(15)		Refinance		(4,032)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	6.7	313	6.2	225	5.6	43,744	5.1
	(10)		Home Improvement		(263)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	14	5.3	1,378	6.2
	(1)		Multi-Family		(4)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	2	50.0	6,000	36.9
			HMDA Totals					
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	3.2	313	4.5	464	8.2	102,376	8.6
Middle	30	96.8	6,608	95.5	5,214	91.8	1,090,989	91.4
Upper	NA	NA	NA	NA	NA	NA	NA	NA
*NA**	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Total	***31***	***100.0***	***6,921***	***100.0***	***5,678***	***100.0***	***1,193,365***	***100.0***

**NA-Tracts without household or family income as applicable*
( ) represents the total number of bank loans for the specific Loan Purpose
Loans where the geographic location is unknown are excluded from this table.

Though based on a relatively small number of HMDA transactions in 2009, the bank’s most frequently extended product was refinance loans. When considering NBRS’ performance by loan type, its refinance performance is considered excellent in moderate-income tracts in relation to aggregate lending. The bank did not extend any home purchase or home improvement loans in moderate-income tracts, and the level of lending is considered poor. NBRS’s 2008 HMDA lending represents a similar distribution by product with refinance and home improvement loans representing slightly larger volumes than home purchase lending. In 2008, each product’s lending performance was considered excellent when compared with aggregate and demographic demand proxies. The dollar volume of HMDA loans for each year represented comparable totals (approximately $6.5 million in 2008 and $6.9 million in 2009), and consequently, the performance levels received equal weight in the overall conclusion.

On a combined basis, the bank’s performance in HMDA lending to borrowers in moderate-income census tract varies from a poor performance in 2009 to an excellent performance level in 2008. In 2009, the volume of HMDA lending (3.2%) lags the aggregate reporter’s performance (8.2%) as well as the percentage of owner-occupied housing units (7.3%) located in moderate-income census tracts. In 2008, 17.6% of HMDA loans were originated in moderate-income census tracts. This performance level significantly exceeds the aggregate lending level of 8%. Overall, based on an equal weight being applied to the performance level for each year, geographic distribution of HMDA lending is considered reasonable.

Distribution of Small Business Loans by Income Level of Census Tract

Wilmington, DE-MD-NJ MSA (2009)								
Income Categories	**Bank**				**Aggregate**			
	#	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	7.3	955	11.2	211	15.4	8,768	18.2
Middle	38	92.7	7,604	88.8	1,163	84.6	39,485	81.8
Upper	NA	NA	NA	NA	NA	NA	NA	NA
*NA**	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Total	***41***	***100.0***	***8,559***	***100.0***	***1,374***	***100.0***	***48,253***	***100.0***

**NA-Tracts without household or family income as applicable*

The bank's 2009 origination of small business loans (7.3%) in moderate-income census tracts significantly trails the aggregate's level of 15.4%. Additionally, the level of lending is below the D & B data which shows 17.4% of small businesses are located in moderate-income tracts. The 2009 performance is considered poor. While the volume of small business loans originated decreased in 2010, the number of loans extended in moderate-income tracts (15.4%) increased and when compared to proxies for demand is considered reasonable. Though more weight is associated with the bank's 2009 performance level as there was $8.6 million in dollar volume compared with only $2.5 million in 2010, when considering the somewhat limited opportunities for lending in moderate-income areas, the overall geographic distribution of small business loans is on the lower range of reasonable performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BALTIMORE-TOWSON, MD MSA ASSESSMENT AREA:

The Baltimore-Towson, MD MSA assessment area includes all census tracts within Harford County, Maryland, and is included in the Baltimore-Towson, MD MSA. The bank operates four full-service branches within this market area. As of June 2010, NBRS Financial Bank ranked 10th out of 24 institutions in local deposit market share holding 2.9% of available deposits. (credit union deposits are not included).

The assessment area consists of 45 census tracts, of which one is low-income, nine are moderate-income, 25 are middle-income, and 10 are upper-income. According to 2000 census data, the assessment area has a population of 218,590. Housing is generally considered affordable when comparing the 2000 assessment area median housing value ($145,519) to the 2010 median family incomes of the Baltimore-Towson, MD MSA ($82,200). The overall family poverty rate of the assessment area (3.6%) is less than the Maryland statewide rate (6.1%).

The following table provides demographic data for the assessment area by the income levels of area families and revenue amount of businesses. The distribution of families and businesses among geographies of varying income levels is also included.

Assessment Area Demographics

Baltimore-Towson, MD MSA										
Income Categories*	**Tract Distribution**		**Families by Tract**		**Families < Poverty as a % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low	1	2.2	558	0.9	147	26.3	8,141	13.4
Moderate	9	20.0	9,406	15.5	968	10.3	10,961	18.1
Middle	25	55.6	33,366	54.9	749	2.2	15,758	26.0
Upper	10	22.2	17,392	28.6	308	1.8	25,862	42.6
NA	0	0.0	0	0.0	0	0.0		
Total	*45*	*100.0*	*60,722*	*100.0*	*2,172*	*3.6*	*60,722*	*100.0*
	Owner Occupied Units by Tract		**Households**					
			HHs by Tract		**HHs < Poverty by Tract**		**HHs by HH Income**	
	#	%	#	%	#	%	#	%
Low	389	0.6	904	1.1	211	23.3	12,522	15.7
Moderate	6,690	10.8	13,782	17.3	1,745	12.7	12,188	15.3
Middle	36,530	58.8	43,792	54.9	1,550	3.5	17,336	21.7
Upper	18,510	29.8	21,270	26.7	636	3.0	37,702	47.3
NA	0	0.0	0	0.0	0	0.0		
Total	*62,119*	*100.0*	*79,748*	*100.0*	*4,142*	*5.2*	*79,748*	*100.0*
	Total Businesses by Tract		**Businesses by Tract and Revenue Size**					
			Less than or = $1 Million		**Over $1 Million**		**Revenue not Reported**	
	#	%	#	%	#	%	#	%
Low	115	1.1	100	1.1	7	1.3	8	2.3
Moderate	1,452	14.1	1,291	13.7	96	18.1	65	18.5
Middle	5,845	56.6	5,362	56.7	283	53.4	200	57.0
Upper	2,922	28.3	2,700	28.6	144	27.2	78	22.2
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	*10,334*	*100.0*	*9,453*	*100.0*	*530*	*100.0*	*351*	*100.0*
Percentage of Total Businesses:				91.5		5.1		3.4

**NA-Tracts without household or family income as applicable*

Major employers in Harford County are the government and educational and health services. The Base Realignment and Closure Act (BRAC) has provided a boost to the area economy and strengthened employment opportunities. Major employers include Fort George G. Meade, John Hopkins University, Med Star Health, and Aberdeen Proving Ground (military facility).

The table below shows unemployment rates at six month intervals from February 2009:

Geographic Area	**Unemployment Rate Trend**				
	February 2009	**August 2009**	**February 2010**	**August 2010**	**February 2011**
Harford County	7.3%	7.5%	8.6%	7.4%	7.6%
Baltimore-Towson, MD MSA	7.3%	7.8%	8.6%	8%	7.7%
Maryland	7%	7.3%	8.3%	7.5%	7.3%

Rising and/or high area unemployment rates may adversely affect a bank's ability to extend credit as unemployed applicants often have diminished repayment capacity. For this market, rates have remained relatively steady from 2009 to 2011 with an increase in the rate noted in February 2010.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

During 2009, the bank originated approximately $1.5 million in HMDA loans and $2.2 million in small business loans within this assessment area. Accordingly, the bank's small business lending performance is given more weight than the HMDA lending performance when evaluating overall lending performance.

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

Overall, the bank's borrower distribution performance is considered excellent for both HMDA and small business lending within the assessment area.

Distribution of HMDA Loans by Income Level of Borrower

Baltimore-Towson, MD MS (2009)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
		(3)		Home Purchase		(4,228)		
Low	0	0.0	0	0.0	376	8.9	52,634	5.2
Moderate	1	33.3	105	40.4	1,285	30.4	247,737	24.5
		(2)		Refinance		(9,241)		
Low	1	50.0	234	51.5	715	7.7	102,260	4.9
Moderate	0	0.0	0	0.0	1,938	21.0	346,221	16.5
		(0)		Home Improvement		(495)		
Low	0	0.0	0	0.0	50	10.1	3,355	5.5
Moderate	0	0.0	0	0.0	92	18.6	9,225	15.0
		(0)		Multi-Family		(0)		
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
				HMDA Totals				
Low	1	20.0	234	32.8	1,141	8.2	158,249	5.0
Moderate	1	20.0	105	14.7	3,315	23.7	603,183	19.1
Middle	0	0.0	0	0.0	4,175	29.9	916,173	28.9
Upper	3	60.0	375	52.5	5,333	38.2	1,487,228	47.0
Total	***5***	***100.0***	***714***	***100.0***	***13,964***	***100.0***	***3,164,833***	***100.0***
Unknown	*3*		*779*		*3,888*		*962,489*	

( ) represents the total number of bank loans for the specific Loan Purpose where income is known
Percentage's (%) are calculated on all loans where incomes are known

Though based on a significantly limited volume overall, the bank's most frequently extended products were refinance and home purchase loans. Because loans for multi-family housing and home improvement were not reported by the bank, the performance levels of these loan types were not a factor in the 2009 analysis. When considering NBRS's performance by loan type, its refinance and home purchase performance, based on totals of two and three loans respectively, are both considered reasonable. For home purchase loans, the performance level for moderate-income borrowers is considered reasonable but the level for low-income borrowers is considered poor as there were no home purchase loans extended to low-income borrowers. For refinance loans, the bank's lending to low-income borrowers is considered excellent, while its lending to moderate-income borrowers is considered poor.

In 2008, the bank originated a significantly higher total dollar volume of HMDA lending ($3.6 million) than it did in 2009, and consequently, the performance level in 2008 receives significantly more weight. In 2008, NBRS originated an equal number of home purchase and refinance transactions (6) and only a limited number of home improvement loans (2). The performance levels for home purchase lending was considered excellent for both low- and moderate-income borrowers (16.7% and 66.7% respectively) when compared with the 2008 aggregate lending levels for home purchase loans (6% and 23.2% respectively). For refinance lending, the bank did not originate any loans to moderate-income borrowers, however, 66.7% of its refinance transactions were made to low-income borrowers, compared with only 8% for the 2008 aggregate level to low-income borrowers. Home improvement lending also reflected different performance levels for low- and moderate-income borrowers, as no bank loans were made to low-income borrowers and 50% were made to moderate-income borrowers. The 2008 aggregate data for home improvement lending reflects 6.7% and 21.3% of loans being made to low- and moderate-income borrowers respectively.

Overall, bank's 2009 level of HMDA lending to low-income borrowers (20%) exceeds the performance of the aggregate (8.2%) and the percentage of low-income families (13.4%) in the assessment area. This level of lending to low-income borrowers is considered excellent. The 2009 performance in lending to moderate- income borrowers (20%) is slightly below the aggregate's performance level (23.7%) but is above the corresponding percentage of moderate income families (18.1%) within the assessment area. This level of lending is considered reasonable. Performance for 2008 is considered excellent overall, as 35.7% of HMDA loans were originated to both low- and moderate income borrowers. Aggregate performance in 2008 shows originations to low- and moderate-income borrowers at 7.2% and 22.7%, respectively. The overall level of HMDA borrower distribution within the assessment area is considered excellent, driven by the significantly greater weight given to its 2008 performance level.

Distribution of Lending by Loan Amount and Size of Business

Baltimore-Towson, MD MSA (2009)								
	Bank				**Aggregate***			
by Revenue	**#**	**%**	**$(000s)**	**%$**	**#**	**%**	**$(000s)**	**%$**
$1 Million or Less	20	90.9	2,111	95.5	1,003	29.8	45,146	37.5
Over $1 Million	2	9.1	100	4.5	NA	NA	NA	NA
Unknown	*0*	*0.0*	*0*	*0.0*	NA	NA	NA	NA
by Loan Size								
$100,000 or less	17	77.3	686	31.0	3,137	93.3	38,661	32.1
$100,001-$250,000	3	13.6	560	25.3	106	3.2	18,821	15.6
$250,001-$1 Million	2	9.1	965	43.6	120	3.6	63,036	52.3
Total	***22***	***100.0***	***2,211***	***100.0***	***3,363***	***100.0***	***120,518***	***100.0***

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

In 2009, 90.9% of the bank's small business loans were to businesses with annual revenues of $1 million or less. According to D&B data, 91.5% of all local businesses have revenues that do not exceed $1 million per year. In addition, 2009 aggregate data for a peer group of traditional bank reporters was also considered. For the peer group, 58.5% of reported small business loans were to businesses having revenues of $1 million or less.

Revenues were either unknown or in excess of $1 million for the remaining portion of loans. Substantially similar performance is seen in the bank's 2010 data (93.8%). Overall, the bank's lending performance by size of business is considered excellent.

Geographic Distribution of Loans

The bank's geographic distribution performance is considered reasonable for HMDA lending and poor for small business lending within this assessment area. Overall, the geographic distribution of lending in this assessment area is poor when considering the heavier weighting for small business loans.

Distribution of HMDA Loans by Income Level of Census Tract

Baltimore-Towson, MD MSA (2009)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
		(3)		Home Purchase		(4,838)		
Low	0	0.0	0	0.0	23	0.5	3,248	0.3
Moderate	1	33.3	105	40.4	628	13.0	122,533	10.9
		(5)		Refinance		(12,500)		
Low	0	0.0	0	0.0	61	0.5	10,671	0.4
Moderate	0	0.0	0	0.0	996	8.0	181,220	6.2
		(0)		Home Improvement		(510)		
Low	0	0.0	0	0.0	1	0.2	120	0.2
Moderate	0	0.0	0	0.0	51	10.0	4,252	6.6
		(0)		Multi-Family		(4)		
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	2	50.0	3,150	13.8
				HMDA Totals				
Low	0	0.0	0	0.0	85	0.5	14,039	0.3
Moderate	1	12.5	105	7.0	1,677	9.4	311,155	7.5
Middle	6	75.0	1,148	76.9	10,704	60.0	2,439,880	59.1
Upper	1	12.5	240	16.1	5,386	30.2	1,362,248	33.0
*NA**	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Total	***8***	***100.0***	***1,493***	***100.0***	***17,852***	***100.0***	***4,127,322***	***100.0***

**NA-Tracts without household or family income as applicable*
( ) represents the total number of bank loans for the specific Loan Purpose
Loans where the geographic location is unknown are excluded from this table.

Of the significantly limited volume of lending reported in the assessment area in 2009, home purchase and refinance loans are the only categories of HMDA lending that the bank originated loans, as there were no home improvement or multi-family loans originated. When considering NBRS' performance by loan type, its refinance performance is considered poor as the bank did not originate any loans in low- or moderate-income tracts. For home purchase lending, the bank originated one loan within a moderate-income tract and none in the low-income tract in the assessment area. The bank's home purchase lending based on applicant geography is considered reasonable.

Though there are limited opportunities for HMDA lending in low-income census tracts as evidenced by both the 2009 aggregate lending level (.5%) and the percentage of owner-occupied housing units in the area (.6%), the bank's performance level (0%) is considered poor. Alternatively, there are more opportunities for lending in moderate-income tracts, and the bank's performance level (12.5%) is considered excellent when compared with both the aggregate lending level (9.4%) and the percentage of owner-occupied housing units located in moderate-income tracts (10.4%). The bank's 2008 HMDA performance is substantially similar, and overall is considered reasonable.

Distribution of Small Business Loans by Income Level of Census Tract

Baltimore-Towson, MD MSA (2009)								
Income Categories	**Bank**				**Aggregate**			
	#	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
Low	0	0.0	0	0.0	34	1.0	2,599	2.2
Moderate	1	4.5	14	0.6	270	8.2	10,069	8.4
Middle	14	63.6	1,497	67.7	1,816	55.4	67,085	56.3
Upper	7	31.8	700	31.7	1,160	35.4	39,464	33.1
*NA**	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Total	***22***	***100.0***	***2,211***	***100.0***	***3,280***	***100.0***	***119,217***	***100.0***

**NA-Tracts without household or family income as applicable*

In 2009, the level of small business loans extended within low- (0%) and moderate-income (4.5%) census tracts falls below aggregate performance of 1% and 8.2%, respectively, and is below demographic proxies (low-income 1.1% and moderate-income 14.1%). This level of lending is considered poor. During 2010, similar performance is seen in the low-income tracts (0%); however lending in moderate-income tracts (12.5%) approximates the proxies for credit demand. When reaching an overall conclusion, the performance level in 2009 receives slightly greater weight given the total dollar volume of loans originated ($2.2 million in 2009 and $1.8 million in 2010). Overall, despite the limited opportunities available in low-income tracts, the bank's performance level is considered poor.

STATE OF PENNSYLVANIA

CRA RATING FOR PENNSYLVANIA: Satisfactory.

Major factors supporting the rating include:

- The bank's lending to borrowers of different income levels and businesses of different sizes is considered reasonable for HMDA lending and excellent for lending to small businesses. Overall borrower distribution is considered reasonable.
- The bank's geographic distribution performance is poor for both products included in the evaluation. NBRS has one branch located in the assessment area and has very limited volume, none of which was to borrowers or small businesses located in low-to moderate-income census tracts.

SCOPE OF EXAMINATION

The bank's market presence in this state is limited to one assessment area; therefore, the state rating is solely predicated on performance in that market. The assessment area was reviewed utilizing the FFIEC's full-scope evaluation procedures. Analyses were conducted of HMDA and small business lending activity. The lending data was reviewed to determine the geographic distribution of the bank's lending, as well as the volume of loans provided to borrowers of different revenue size and incomes.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LANCASTER, PA MSA ASSESSMENT AREA:

The Lancaster, PA MSA assessment area includes various census tracts within Lancaster and Chester Counties, Pennsylvania and is included in the Lancaster, PA MSA. The bank operates one branch office in this market. The assessment area does not contain any low-income census tracts, and only one moderate-income tract. As of June 2010, NBRS Financial Bank ranked 45th out of 48 institutions in local deposit market share holding .06% of available deposits. (credit union deposits are not included). According to 2000 census data, the assessment area has a population of 35,743. Housing is generally considered affordable when comparing the 2000 assessment area median housing value ($138,830) to the 2010 median family income of the Lancaster, PA MSA ($66,700). The overall family poverty rate of the assessment area (6.7%) is less than the Maryland statewide rate (7.7%).
The following table provides demographic data for the assessment area by the income levels of area families and revenue amount of businesses. The distribution of families and businesses among geographies of varying income levels is also included.

Assessment Area Demographics

Lancaster, PA MSA									
Income Categories*	**Tract Distribution**		**Families by Tract**		**Families < Poverty as a % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,777	19.6
Moderate	1	11.1	1,060	11.7	106	10.0	1,760	19.4
Middle	7	77.8	7,603	83.7	495	6.5	2,417	26.6
Upper	1	11.1	422	4.6	12	2.8	3,131	34.5
NA	0	0.0	0	0.0	0	0.0		
Total	*9*	*100.0*	*9,085*	*100.0*	*613*	*6.7*	*9,085*	*100.0*
	Owner Occupied Units by Tract		**Households**					
			HHs by Tract		**HHs < Poverty by Tract**		**HHs by HH Income**	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,290	19.9
Moderate	770	8.7	1,703	14.8	239	14.0	1,886	16.4
Middle	7,633	86.2	9,271	80.6	695	7.5	2,570	22.3
Upper	453	5.1	533	4.6	26	4.9	4,761	41.4
NA	0	0.0	0	0.0	0	0.0		
Total	*8,856*	*100.0*	*11,507*	*100.0*	*960*	*8.3*	*11,507*	*100.0*
	Total Businesses by Tract		**Businesses by Tract and Revenue Size**					
			Less than or = $1 Million		**Over $1 Million**		**Revenue not Reported**	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	315	15.4	291	15.0	10	16.4	14	26.4
Middle	1,624	79.3	1,537	79.5	49	80.3	38	71.7
Upper	109	5.3	106	5.5	2	3.3	1	1.9
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	*2,048*	*100.0*	*1,934*	*100.0*	*61*	*100.0*	*53*	*100.0*
Percentage of Total Businesses:				94.4		3.0		2.6

**NA-Tracts without household or family income as applicable*

Lancaster County is primarily rural and benefits from the farming and tourism industry. Other major employers are QVC, Inc. (retail), the Vanguard Group, Inc. (finance and insurance), Lancaster General Hospital (medical) and R.R. Donnelley & Sons Company (publishing). The table below shows unemployment rates at six month intervals from February 2009:

Geographic Area	**Unemployment Rate Trend**				
	February 2009	**August 2009**	**February 2010**	**August 2010**	**February 2011**
Lancaster County	7.3%	7.5%	8.8%	7.4%	7.4%
Chester County	6%	6.8%	7.2%	7.1%	6.4%
Lancaster, PA MSA	7.3%	7.5%	8.8%	7.4%	7.4%
Pennsylvania	8.1%	8.4%	9.7%	8.5%	8.5%

Rising and/or high area unemployment rates may adversely affect a bank's ability to extend credit as unemployed applicants often have diminished repayment capacity. As indicated in the preceding table, unemployment rates have varied from 2009 to 2011; however rates as of February 2011 are similar to those in February 2009.

Contact was made with two individuals knowledgeable of local economic conditions and area credit needs to further assist in evaluating the bank's CRA performance. One contact stated that high levels of area unemployment persist and are a cause for concern, and that there is a need for more job creation in the area. The other contact identified the need for more programs and services offering foreclosure and credit counseling resources. Overall, both acknowledged that local financial institutions are adequately serving the needs of the local markets and are active in many programs within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

During 2009, the bank originated $136,000 in HMDA loans and $80,000 in small business loans within this assessment area. While a meaningful analysis is limited with such a small volume of lending, the distribution of loan data is provided in the following sections, and HMDA lending is weighted slightly more heavily.

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

The bank's borrower distribution performance is considered reasonable for HMDA and excellent for small business lending within the assessment area. Overall, the performance is considered reasonable.

Distribution of HMDA Loans by Income Level of Borrower

Lancaster, PA MSA (2009)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
		(0)		Home Purchase		(373)		
Low	0	0.0	0	0.0	15	4.0	1,605	2.1
Moderate	0	0.0	0	0.0	91	24.4	15,238	19.7
		(1)		Refinance		(991)		
Low	1	100.0	16	100.0	46	4.6	4,910	2.6
Moderate	0	0.0	0	0.0	202	20.4	29,592	15.6
		(1)		Home Improvement		(104)		
Low	0	0.0	0	0.0	10	9.6	298	4.0
Moderate	0	0.0	0	0.0	24	23.1	1,755	23.3
		(0)		Multi-Family		(0)		
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
				HMDA Totals				
Low	1	50.0	16	11.8	71	4.8	6,813	2.5
Moderate	0	0.0	0	0.0	317	21.6	46,585	17.0
Middle	0	0.0	0	0.0	478	32.6	89,688	32.7
Upper	1	50.0	120	88.2	602	41.0	130,799	47.8
Total	***2***	***100.0***	***136***	***100.0***	***1,468***	***100.0***	***273,885***	***100.0***
Unknown	*0*		*0*		*267*		*54,544*	

( ) represents the total number of bank loans for the specific Loan Purpose where income is known
Percentage's (%) are calculated on all loans where incomes are known

Though based on a significantly limited volume of loans within this assessment area (2), the bank's most frequently extended products were for refinance and home improvement purposes. Because loans for home purchase and multi-family housing were not reported by the bank in 2009, the performance of these loan types was not a factor in the 2009 analysis.

Overall, the bank's 2009 level of HMDA lending to low-income borrowers (50%) exceeds the performance of the aggregate (4.8%) and the percentage of low-income families (19.6%) in the assessment area. This level of lending to low-income borrowers is considered excellent. The 2009 performance in lending to moderate-income borrowers (0%) is below the aggregate peer's performance (21.6%) and the corresponding percentage of moderate-income families (19.4%) within the assessment area. This level of lending is considered poor. Performance for 2008 is considered excellent as 33.3% of HMDA loans were originated to low-income borrowers compared with an aggregate lending level of 6.3%. Additionally in 2008, 33.3% of the bank's loans were to moderate-income borrowers, while aggregate performance in 2008 shows originations to moderate-income borrowers of 17.3%. When weighting overall performance, each year receives equal weight as dollar volume of lending varied minimally between the two years. When considering the significantly limited volume and lending performance for both years, the overall level of HMDA borrower distribution within the assessment area is considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

Lancaster, PA MSA (2009)								
	Bank				**Aggregate***			
by Revenue	**#**	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
$1 Million or Less	3	100.0	80	100.0	221	37.6	10,197	47.8
Over $1 Million	0	0.0	0	0.0	NA	NA	NA	NA
Unknown	*0*	*0.0*	*0*	*0.0*	NA	NA	NA	NA
by Loan Size								
$100,000 or less	3	100.0	80	100.0	540	91.8	8,584	40.2
$100,001-$250,000	0	0.0	0	0.0	33	5.6	5,755	27.0
$250,001-$1 Million	0	0.0	0	0.0	15	2.6	6,991	32.8
Total	***3***	***100.0***	***80***	***100.0***	***588***	***100.0***	***21,330***	***100.0***

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

In 2009, 100% of the bank's small business loans were to businesses with annual revenues of $1 million or less. According to D&B data, 94.4% of all local businesses have revenues that do not exceed $1 million per year. In addition, 2009 aggregate data for a peer group of traditional bank reporters was also considered. For the peer group, 65.4% of reported small business loans were to businesses having revenues of $1 million or less. Revenues were either unknown or in excess of $1 million for the remaining portion of loans. Similarly, all small business loans originated by the bank in 2010 were also extended to businesses with annual revenues of $1 million or less. Overall, the bank's lending performance by size of business is considered excellent.

Geographic Distribution of Loans

The bank's geographic distribution performance is considered poor for both residential mortgage and small business lending within this assessment area, as there were no loans originated within moderate-income tracts.

Distribution of HMDA Loans by Income Level of Census Tract

Lancaster, PA MSA (2009)								
Income Categories	**Bank**				**Aggregate**			
	#	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
	(0)			**Home Purchase**		**(413)**		
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	46	11.1	7,924	9.4
	(1)			**Refinance**		**(1216)**		
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	95	7.8	15,967	6.8
	(1)			**Home Improvement**		**(105)**		
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	5	4.8	272	3.6
	(0)			**Multi-Family**		**(1)**		
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	1	100.0	632	100.0
				HMDA Totals				
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	147	8.5	24,795	7.5
Middle	2	100.0	136	100.0	1,479	85.2	279,468	85.1
Upper	0	0.0	0	0.0	109	6.3	24,166	7.4
*NA**	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Total	***2***	***100.0***	***136***	***100.0***	***1,735***	***100.0***	***328,429***	***100.0***

**NA-Tracts without household or family income as applicable*
( ) represents the total number of bank loans for the specific Loan Purpose
Loans where the geographic location is unknown are excluded from this table.

In 2009, the bank extended only one home improvement loan and one refinance loan within this assessment area, and no loans were originated in moderate-income tracts. This level of lending is considered poor when compared to peer aggregate (8.5%) as well as the percentage of owner-occupied housing units (8.7%) located within such tracts. Substantially similar performance occurred in 2008.

Distribution of Small Business Loans by Income Level of Census Tract

Lancaster, PA MSA (2009)								
Income Categories	**Bank**				**Aggregate**			
	#	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	62	10.5	2,543	11.9
Middle	3	100.0	80	100.0	495	84.2	18,199	85.3
Upper	0	0.0	0	0.0	31	5.3	588	2.8
*NA**	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*	*0*	*0.0*
Total	***3***	***100.0***	***80***	***100.0***	***588***	***100.0***	***21,330***	***100.0***

**NA-Tracts without household or family income as applicable*

In 2009, the level of small business loans extended within moderate-income (0%) census tracts falls below the aggregate (10.5%) and the demographic proxy (l5.4%) and is considered poor. During 2010, similar performance is seen in the moderate-income tracts (0%). Overall, the geographic distribution of small business is considered poor.

CRA APPENDIX A

SCOPE OF EXAMINATION

Assessment Areas	Type of Examination	BRANCHES VISITED[1]
Wilmington, DE-MD-NJ MSA	Full-Scope	6 Pearl Street Rising Sun, MD 21911
Baltimore-Towson, MD MSA	Full-Scope	None
Lancaster, PA MSA	Full-Scope	None

SUMMARY OF STATE RATINGS

State	Overall State Rating
Maryland	Satisfactory
Pennsylvania	Satisfactory

1 There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA APPENDIX B

LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA

The following table reflects the distribution of branch offices and deposit and loan volume by assessment area. Deposit data is current as of June 30, 2010, while the loan volume includes all HMDA and small business loans considered in the evaluation.

Assessment Area	Loan Volume				Branches		Deposit Volume	
	#	%	$(000s)	%	#	%	$(000s)	%
Wilmington, DE-MD-NJ, MSA	132	63.2%	$24,489	71.9%	4	44.4%	$141,398	58.2%
Baltimore-Towson, MD, MSA	65	31.1%	$9,114	26.7%	4	44.4%	$88,301	36.4%
Lancaster, PA, MSA	12	5.7%	$471	1.4%	1	11.1%	13210	5.4%
Total	209	100%	$34,074	100%	9	100%	$242,909	100%

CRA APPENDIX C

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;

(ii) Designated disaster areas; or

(iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

a. Rates of poverty, unemployment, and population loss; or
b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units**.**

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.