

PUBLIC DISCLOSURE

February 27, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Shore United Bank

933023

18 East Dover Street

Easton, MD 21601

**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 Lending Test is rated SATISFACTORY.
The Community Development Test is rated SATISFACTORY.**

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the demand for credit in the assessment areas.
- A majority of the institution's Home Mortgage Disclosures Act (HMDA) and small business loans were originated within the bank's assessment areas.
- The bank's lending to borrowers of different income levels is considered excellent overall.
- The bank's geographic distribution performance is considered reasonable overall for its HMDA and small business lending.
- The bank's responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and services is considered reasonable.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.

SCOPE OF EXAMINATION

Shore United Bank (SUB) was evaluated using the interagency examination procedures for an intermediate-small bank developed by the Federal Financial Institutions Examinations Council (FFIEC). SUB is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, SUB's 2014 and 2015 HMDA loans were considered in the evaluation. In addition, small business lending was identified as a primary product line and was also considered in the evaluation. The analysis included all small business loans that were originated by the bank during calendar years of 2014 and 2015.

Qualified community development loans and services are considered for activities since the previous evaluation (December 3, 2012). All qualified investments made during this same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

Based on the FFIEC's evaluation procedures, an overall rating and ratings for the Lending and Community Development Tests are assigned to the institution, the state of Maryland, and the state of Delaware.

The institution delineated four assessment areas, three in the state of Maryland and one in the state of Delaware. In order to assign the required statewide ratings, two assessment areas were reviewed utilizing the FFIEC's full-scope evaluation procedures and two were reviewed using the limited-scope procedures. Appendix D includes information detailing the lending volume, branch locations, and deposit volume by assessment area. Because a majority of the bank's operations (lending activity, branch locations, and deposit accounts) are located in the state of Maryland, performance within this state was given more weight when considering the institution's overall rating.

DESCRIPTION OF INSTITUTION

Headquartered in Easton, Maryland, SUB is the consolidated entity resulting from the 2016 merger of two affiliated institutions, CNB and Talbot Bank. The bank currently operates 18 branches in Kent, Queen Anne’s, Caroline, Dorchester, and Talbot counties in Maryland and Kent and Sussex counties in Delaware. The merger expanded the bank’s assessment area by adding the entirety of Talbot County. The bank is a subsidiary of Shore Bancshares, a single bank holding company, also located in Easton, Maryland. SUB received a Satisfactory rating at its prior CRA evaluation dated December 3, 2012. No known barriers exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of December 31, 2016, the bank held assets totaling \$1.1billion, of which 76.2% were net loans and 14% were securities. As of the same time period, deposits totaled \$1 billion. Various deposit and loan products are available through the institution including loans for residential mortgage, commercial, and consumer purposes. The composition of the loan portfolio (using gross loans) as of December 31, 2016, is represented in the following table.

Composition of Loan Portfolio

Loan Type	12/31/2016	
	\$(000s)	%
Secured by 1-4 Family dwellings	314,104	36.0
Multifamily	11,664	1.3
Construction and Development	84,002	9.6
Commercial & Industrial/ NonFarm NonResidential	411,082	47.1
Consumer Loans and Credit Cards	6,639	0.8
Agricultural Loans/ Farmland	39,628	4.5
All Other	5,229	0.6
Total	872,348	100.0

SUB’s lending activities are concentrated in commercial/small business and residential mortgage lending. The bank offers other loans, such as consumer and farm loans; however, the volume of such lending is comparatively small.

As stated earlier, the bank's operations are concentrated in four assessment areas located in eastern Maryland and central Delaware. Within the State of Maryland, one market includes a portion of the Baltimore-Towson, MD MSA, while the other assessment areas are comprised of adjacent nonmetropolitan counties. The assessment area in Delaware consists of all of Kent County and four adjacent tracts in Sussex County. The following table reflects the composition of the bank's assessment areas.

Assessment Area	County	Census Tracts
Baltimore-Columbia-Towson, MD	Queen Anne’s County	All
Caroline County, MD NonMSA	Caroline County	All
	Dorchester	All
	Talbot County	All
Kent County, MD NonMSA	Kent County	All
Dover, DE	Kent County	All
	Sussex County	501.01, 501.03-501.05

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

When evaluating the bank's performance, relevant area demographic data from the 2010 American Community Survey (ACS) is used as a proxy for demand. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. Dun & Bradstreet (D&B) business data from 2014 and 2015 is also considered when evaluating the bank's performance. Additionally, aggregate HMDA and small business lending data are also used as proxies for credit demand. Aggregate data includes all activity reported by lenders that originated or purchased such loans within the bank's assessment areas. Because SUB does not report small business loan data, its lending is not included in the aggregate data.

While HMDA and small business data from calendar years 2014 and 2015 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2015 are presented in the assessment area analysis tables. In instances where the 2014 performance varies significantly from the performance noted during 2015, such variance and the corresponding impact on the overall performance are discussed. When evaluating the borrower and the geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number of loans originated or purchased. To arrive at an overall assessment area conclusion regarding the distribution of lending, performance in each loan category is then weighted by the dollar volume of such loans in the assessment area. The institution's overall rating is based on the overall performance of each assessment 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 (Maryland and Delaware), performance ratings are required for the state of Maryland, the state of Delaware, and the overall institution.

Overall, the bank's lending test is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment areas, borrower distribution performance, and geographic distribution performance. The overall rating also factors in the outstanding lending test rating for the State of Maryland and the satisfactory lending test rating for the State of Delaware.

The review of the bank's community development activities is rated Satisfactory. This conclusion is based on the number and amount of community development loans, the amount of qualified investments, the extent to which the bank provides community development services, and the bank's responsiveness to identified community development lending, investment, and service needs. It also reflects the greater weight given to the bank's performance in the Baltimore-Columbia-Towson, MD assessment area because of the larger presence the bank has in that assessment area, as well as the opportunity for such activities.

The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

Loan-To-Deposit Ratio

The bank's current loan-to-deposit ratio equals 86.4% and averaged 78.2% for the 17-quarter period ending December 31, 2016. In comparison, the quarterly average loan-to-deposit ratios for eight banks that operate in SUB's assessment areas that have a similar asset size, ranged from 34.8% to 106.9% during the same 17-quarter period. Since September 30, 2012, bank assets, loans, and deposits increased by 150.8%, 185%, and 150%, respectively. This increase was a direct result of the merger of Talbot Bank and CNB and had minimal effect on the bank's overall ratio. SUB's loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, market conditions, 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 HMDA and small business loans originated during 2014 and 2015 were considered. The lending distribution inside and outside of the bank’s assessment areas is represented in the following table.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	100	74.1	18,246	63.4	35	25.9	10,551	36.6
Home Improvement	24	82.8	1,579	54.8	5	17.2	1,302	45.2
Refinancing	38	76.0	9,237	56.9	12	24.0	7,010	43.1
Multi-Family Housing	0	0.0	0	0.0	2	100.0	1,648	100.0
Total HMDA related	162	75.0	29,062	58.6	54	25.0	20,511	41.4
Small Business	260	80.7	42,598	71.6	62	19.3	16,923	28.4
TOTAL LOANS	422	78.4	71,660	65.7	116	21.6	37,434	34.3

As indicated in the preceding table, a majority of the number and dollar amount of residential mortgage (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 loans, and revenue data is often not reported for a majority of these loans. The presence of these lenders is reflected in a small market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

The bank’s borrower distribution performance is considered excellent in both the states of Maryland and Delaware. Therefore, the overall level of performance is considered excellent.

Geographic Distribution of Loans

When considering the bank’s geographic distribution performance, it is to be noted that the Baltimore-Columbia-Towson, MD assessment area contains no low- and moderate-income census tracts. To come to a conclusion, the bank’s lending performance in middle-income census tracts was evaluated. Additionally, the Dover, DE assessment area contains no low-income census tracts, and the bank’s performance was based solely on its lending performance in moderate-income census tracts. Overall, the bank’s geographic distribution performance is considered reasonable with consistent performance ratings for both the states of Maryland and Delaware.

Community Development Loans, Investments, and Services

SUB supports community development initiatives and organizations that benefit its local markets by originating community development loans, offering financial expertise and other support to local organizations that provide community development services, and holding qualified investments. Given the structure of its balance sheet and funding strategies, the bank does not face constraints regarding its lending and investment activities, including community development lending and qualified investments. Also, the bank faces no constraints in providing community development services. During the evaluation period, the bank originated community development loans within its assessment areas. In general, these loans supported organizations that provide community development services or affordable housing targeted to low- and moderate-income residents or supported small business development or revitalization that aided in the creation and/or retention of permanent jobs for low- and moderate-income residents. In addition to its community development lending activity, SUB and its employees also support organizations that provide community development services throughout its various assessment areas. Further, SUB owns two qualified investments that support community development activities statewide.

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

The Lending Test is rated: **OUTSTANDING**

The Community Development Test is rated: **SATISFACTORY**

Major factors supporting the rating include:

- The bank's borrower distribution performance is considered reasonable for residential mortgage (HMDA) and excellent for small business lending. Overall, the distribution by borrower income and business revenue is considered excellent.
- The bank's overall geographic distribution performance is considered reasonable for HMDA and small business lending. However, this distribution is not as heavily weighted due to the lack of low- and moderate-income tracts in the full-scope assessment area.
- The bank's community development service and lending activities demonstrate a reasonable level of responsiveness to community development needs.

SCOPE OF EXAMINATION

Reported HMDA, as well as the entire universe of small business loans originated by the bank were analyzed to determine the geographic and borrower distribution of the bank's lending. The loan data for both HMDA and small business are from calendar years 2014 and 2015. The institution's efforts to serve its markets through qualified community development loans, investments, and services were also reviewed.

The bank delineated three assessment areas within the state of Maryland. The statewide rating for Maryland was based on the full-scope interagency examination procedures to the Baltimore-Columbia-Towson, MD assessment area. For the remaining assessment areas, a limited review was performed to determine if the performance was consistent with the assigned state rating.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND

The institution has 14 branch offices located throughout the state of Maryland. These branch offices account for approximately \$893.5 million of the bank's \$982.8 million total deposit base. According to 2010 census data, the bank's combined assessment areas within the state of Maryland have a population of 105,556, including 27,905 families. A majority of the families are middle- and upper-income (66.1% combined), with 17% and 16.4% of area families being low- or moderate-income, respectively. Within the market, the owner-occupancy rate is 67% and 5.4% of families live below the poverty level. Area median family incomes during 2014 and 2015 are detailed in the following table.

Assessment Area	Median Family Income	
	2014	2015
Baltimore-Columbia-Towson, MSA	\$83,500	\$89,600
Maryland NonMSA Assessment Area	\$67,300	\$67,700

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MARYLAND

When assessing the bank's performance in the state of Maryland, consideration was given to the volume of lending during the evaluation period. The bank originated a larger dollar volume of small business loans within the assessment area. Consequently, small business lending performance received greater consideration in the overall state performance rating.

Geographic and Borrower Distribution:

Overall, the lending test in Maryland is rated Outstanding. This conclusion considers the bank's excellent borrower lending distribution performance and its reasonable geographic distribution performance.

Community Development Loans, Investments, and Services

SUB maintains a \$646,000 investment in a CRA Fund that benefits multiple areas of the state, including the bank's Maryland assessment areas. Additionally, the bank made qualified community development donations totaling \$18,300 in Maryland during the evaluation period.

The bank's employees provided their financial expertise to support the following organizations benefiting multiple counties that include the bank's Maryland assessment areas.

- Court Appointed Special Advocates (CASA) of Queen Anne's and Kent Counties – A bank employee served on the board of directors. This organization provides advocacy services to low- and moderate-income children and their families.
- Maryland Capital Enterprise – A bank employee served on the loan committee. This organization provides businesses on Maryland's Eastern Shore access to resources needed to start and grow.
- Mid-Shore Regional Council – An employee served on the advisory board for this economic development organization that fosters physical, economic, and social development within Caroline, Dorchester, and Talbot counties in Maryland.

Additional details of the bank's community development activities specific to one assessment area are included in the respective assessment area discussions. On a combined basis, the bank's overall performance in Maryland is considered reasonable.

METROPOLITAN AREAS

*(For metropolitan areas with some or all assessment areas
reviewed using full-scope review)*

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BALTIMORE-COLUMBIA-TOWSON, MD ASSESSMENT AREA

The bank's assessment area is located on the Eastern Shore of Maryland and includes all of Queen Anne's County. The bank operates five full-service branches within this market area and as of June 30, 2016, ranked 2nd out of 9 financial institutions in deposit market share having 25.4% of the assessment area's available Federal Deposit Insurance Corporation (FDIC) insured deposits (credit unions are not included).

Based on data from the 2010 census, the assessment area population totals 47,798, and the area median housing value equals \$375,687. The assessment area owner-occupancy rate (73.6%) exceeds the rate within the Baltimore-Columbia-Towson, MD MSA (61.7%) as well as the state (62.2%). Within the assessment area, 3.8% of families are considered below the poverty level, which is lower than the rates for the MSA (6.6%) and the state of Maryland (5.7%).

The HUD estimated median family income for the Baltimore-Columbia-Towson, MD MSA equals \$83,500 and \$89,600 for 2014 and 2015, respectively. The following table provides pertinent demographic data for the assessment area based on the census data from 2010 and D&B data from 2015.

Assessment Area Demographics

Baltimore-Columbia-Towson, MD								
<i>(Based on 2010 ACS Data and 2015 D&B Information)</i>								
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	1,933	15.0
Moderate	0	0.0	0	0.0	0	0.0	2,270	17.6
Middle	9	64.3	9,871	76.4	379	3.8	3,080	23.8
Upper	2	14.3	3,051	23.6	111	3.6	5,639	43.6
NA	3	21.4	0	0.0	0	0.0		
Total	14	100.0	12,922	100.0	490	3.8	12,922	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	2,820	16.4
Moderate	0	0.0	0	0.0	0	0.0	2,400	14.0
Middle	11,264	77.3	13,508	78.6	731	5.4	3,212	18.7
Upper	3,316	22.7	3,680	21.4	211	5.7	8,756	50.9
NA	0	0.0	0	0.0	0	0.0		
Total	14,580	100.0	17,188	100.0	942	5.5	17,188	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	2,423	76.1	2,278	76.1	124	76.1	21	84.0
Upper	760	23.9	717	23.9	39	23.9	4	16.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	3,183	100.0	2,995	100.0	163	100.0	25	100.0
Percentage of Total Businesses:				94.1		5.1		0.8

*NA-Tracts without household or family income as applicable

The assessment area is located in a rural portion of the state of Maryland. Although a majority of residents commute to other areas for employment, diverse employment opportunities exist within the area. The economy of the Eastern Shore is primarily comprised of education, health care, retail, natural resources, and agricultural industries. Major area employers include Freil Lumber, Delmarva Oil, and Cracker Barrel Old Country Store. Recent area unemployment rates are included in the following table.

Geographic Area	December 2013	December 2014	December 2015	December 2016
Queen Anne’s County	5%	4.6%	4%	3.3%
Baltimore-Columbia-Towson, MD MSA	6%	5.4%	4.8%	4%
State of Maryland	5.8%	5.2%	4.4%	3.9%

Overall, unemployment rates in the assessment area, MSA, and the state have been trending downward over the recent four-year period. The assessment area unemployment rates remain lower than both the MSA and the state of Maryland.

A local economic development official was contacted during the examination to discuss area economic conditions and community credit needs. The contact noted that the economy is experiencing increased activity due to both residential and commercial developments in the county. Various retail businesses have shown interest in the area due to increased tourism and forecasted improvements to the infrastructure. The county is currently making efforts to bolster its educational base to build a qualified workforce in an effort to attract larger manufacturing companies to the area. The contact indicated that area financial institutions are reasonably serving the banking needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2014 and 2015, the bank originated \$13.2 million in HMDA loans and \$22.7 million in small business loans within the assessment area. Accordingly, the bank’s small business lending performance is weighted more heavily when considering the bank’s combined product lending performance.

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

Within the assessment area, the bank’s borrower distribution performance is considered reasonable for HMDA lending and excellent for small business lending for each year. Overall, the distribution is considered excellent due to the larger volume of small business lending.

Distribution of HMDA Loans by Income Level of Borrower

Baltimore-Columbia-Towson, MD (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	0	0.0	0	0.0	141	8.2	19,974	4.1
Moderate	4	17.4	248	6.0	381	22.0	75,431	15.4
Middle	4	17.4	574	14.0	445	25.7	113,794	23.2
Upper	15	65.2	3,279	80.0	762	44.1	280,278	57.3
Total	23	100.0	4,101	100.0	1,729	100.0	489,477	100.0
Unknown	4		700		578		171,049	

Percentages (%) are calculated on all loans where incomes are known

During 2015, the bank did not originate any loans to low-income borrowers. However, 15% of area families are considered low-income, and aggregate lenders extended 8.2% of HMDA loans to low-income borrowers. While SUB’s lending to moderate-income borrowers (17.4%) was less than the aggregate lending level (22%), it was similar to the percentage of such area families (17.6%). This level of lending is considered reasonable overall, and its 2014 lending was similar.

Distribution of Lending by Loan Amount and Size of Business

Baltimore-Columbia-Towson, MD (2015)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	60	100.0	7,898	100.0	539	49.5	8,729	24.5
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	32	53.3	1,216	15.4	1,031	94.8	13,207	37.0
\$100,001-\$250,000	19	31.7	3,088	39.1	29	2.7	4,904	13.8
\$250,001-\$1 Million	9	15.0	3,594	45.5	28	2.5	17,545	49.2
Total	60	100.0	7,898	100.0	1,088	100.0	35,656	100.0

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

D&B data from 2015 indicate that 94.1% of all local businesses have revenues that do not exceed \$1 million per year. According to the 2014 aggregate small business data, 100% of reported loans were to businesses with annual revenues of \$1 million or less. As a part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 55.9% of reported small business loans were to businesses having revenues of \$1 million or less. Based on these factors, SUB's performance during 2015 is considered excellent. During 2014, the proportion of bank loans originated to businesses having annual revenue of \$1 million or less was similar to that of 2014 and also considered excellent.

Geographic Distribution of Loans

There are no low- or moderate-income census tracts within the assessment area. Both SUB's small business and HMDA geographic distribution performances are considered reasonable in the remaining tracts.

Distribution of HMDA Loans by Income Level of Census Tract

Baltimore-Columbia-Towson, MD (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(18)				Home Purchase (1,164)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	15	83.3	2,161	68.9	890	76.5	241,928	71.6
Upper	3	16.7	976	31.1	274	23.5	95,988	28.4
	(5)				Refinance (1,005)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	5	100.0	824	100.0	768	76.4	215,539	72.1
Upper	0	0.0	0	0.0	237	23.6	83,470	27.9
	(4)				Home Improvement (137)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	2	50.0	817	97.3	109	79.6	12,026	59.8
Upper	2	50.0	23	2.7	28	20.4	8,079	40.2
	(0)				Multi-Family (1)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	0	0.0	0	0.0	1	100.0	3,496	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	22	81.5	3,802	79.2	1,768	76.6	472,989	71.6
Upper	5	18.5	999	20.8	539	23.4	187,537	28.4
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	27	100.0	4,801	100.0	2,307	100.0	660,526	100.0

NA*-Tracts without household or family income as applicable

During 2015, home purchase loans were extended most frequently by the both bank and the aggregate lenders of all of the HMDA loan categories. Within the area, 77.3% of owner-occupied is located in middle-income tracts. Additionally, 76.6% of aggregate HMDA lending was made within such tracts. When considering its lending in middle-income tracts (81.5%), SUB's performance is considered reasonable.

Distribution of Small Business Loans by Income Level of Census Tract

Baltimore-Columbia-Towson, MD (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	47	78.3	6,494	82.2	823	76.8	30,398	85.9
Upper	13	21.7	1,404	17.8	248	23.2	5,007	14.1
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	60	100.0	7,898	100.0	1,071	100.0	35,405	100.0

*NA-Tracts without household or family income as applicable
Loans where the geographic location is unknown are excluded from this table.

Bank lending to businesses located in middle-income census tracts (78.3%) during 2015 is similar to both the percentage of businesses located in such areas (76.1%) and the 2015 aggregate lending level (76.8%). As a result, SUB’s performance is considered reasonable. The bank’s performance in 2014 was similar to 2015 and is also considered reasonable.

Community Development Loans, Investments, and Services

SUB supports community development organizations and initiatives that benefit the assessment area by funding community development loans and by providing community development services. Discussions with an individual knowledgeable of the local community and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are readily available. As previously noted, the bank faces no constraints in funding community development loans and investing in qualified securities. Also, the bank faces no constraints in providing or supporting community development service activities.

Community development activities benefiting this and other bank assessment areas have been previously described. In addition, the bank donated \$3,300 to qualified community development organizations servicing the needs of low- and moderate-income individuals. The following community development loan and service activities specifically benefit the Baltimore-Columbia-Towson, MD assessment area.

- A \$3.2 million loan was extended to build affordable housing units by developing an unused lumber yard in Queen Anne’s County.
- A \$200,000 line of credit was provided to an organization that provides operating costs for Crossroads Community, LLC. This organization serves low-and moderate-income individuals with mental and physical challenges.
- Queen Anne's County Housing Authority – A bank officer serves as a board member for the organization whose primary purpose is to provide affordable housing.
- Queen Anne's County Economic Development Committee – A bank officer serves on the board of directors of this organization whose primary purpose is to attract and retain businesses and promote economic growth within the county.

- Queen Anne’s County Community Mentoring Program – Two employees serve on the board of directors for this organization that provides mentors for at-risk youth.
- United Way of Queen Anne’s County – Two employees served on the board of directors. The United Way provides services to low- and moderate-income individuals within the county.
- Haven Ministries – An employee serves on the board of directors. Haven Ministries serves the community by providing social services to low- and moderate-income individuals in the bank’s assessment area.

Overall, the bank has demonstrated a reasonable level of responsiveness to local community development needs through its lending, investments, and services of area organizations that facilitate community development.

NONMETROPOLITAN STATEWIDE AREA

(If none of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NONMETROPLITAN STATEWIDE AREA

Certain assessment areas, which are noted in the table below, were reviewed using the limited review examination procedures. Information detailing the composition of the markets, including selected demographic data, is included in **APPENDIX C** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for each assessment area, including performance and demographic information, can be found in **APPENDIX C** of this evaluation. A conclusion regarding performance, which did not impact the institution’s overall rating, is included in the following table. The conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's statewide ratings. In the case where the performance was considered below, the performance was at least adequate for the assessment area.

Assessment Area	Lending Test	Community Development Test
Kent County, MD NonMSA	Consistent	Consistent
Caroline County, MD NonMSA	Consistent	Consistent

STATE OF DELAWARE

CRA RATING FOR DELAWARE: SATISFACTORY

The Lending Test is rated: SATISFACTORY

The Community Development Test is rated: SATISFACTORY

Major factors supporting the rating include:

- The bank's borrower distribution performance varied by product from excellent to reasonable and is considered excellent overall.
- The bank's geographic distribution performance is considered reasonable overall and for each underlying loan product.
- The bank's community development service and lending activities demonstrate a satisfactory level of responsiveness to community development needs.

SCOPE OF EXAMINATION

Reported HMDA, as well as the entire universe of small business loans originated by the bank were analyzed to determine the geographic and borrower distribution of the bank's lending. The loan data for both HMDA and small business are from calendar years 2014 and 2015. The institution's efforts to serve its markets through qualified community development loans, investments, and services were also reviewed.

The bank delineated one metropolitan assessment area (Dover, DE MSA) in the state of Delaware. This assessment area is comprised of the entirety of Kent County and four tracts in Sussex County, which is a part of the Salisbury, MD-DE MSA. Statewide ratings for Delaware are based solely on the bank's performance in this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN DOVER, DE ASSESSMENT AREA

The bank's assessment area is located in central Delaware, and the bank operates four full-service branches within the assessment area. As of June 30, 2016, ranked 13th out of 20 financial institutions in deposit market share having .2% of the assessment area's available FDIC insured deposits (credit unions are not included).

Based on data from the 2010 census, the assessment area population totals 180,332, and the area median housing value equals \$208,297. The assessment area owner-occupancy rate (66.5%) exceeds the rates within the Dover, DE MSA (65.8%), the Salisbury, MD-DE MSA (47.4%), and the state (61.2%). Within the assessment area, 8.9% of families are considered below the poverty level, which is lower than the rate for the Dover, DE MSA (9.3%), but higher than the rates for the Salisbury, MD-DE MSA (7.9%) and the state of Delaware (7.4%).

The HUD estimated median family income for the Salisbury, MD-DE MSA equaled \$64,200 and \$64,800 for 2014 and 2015, respectively. The HUD estimated median family income for the Dover, DE MSA equaled \$62,400 and \$66,100 for 2014 and 2015, respectively. The following table provides pertinent demographic data for the assessment area based on the census data from 2010 and D&B data from 2015.

Assessment Area Demographics

Dover, DE								
<i>(Based on 2010 ACS Data and 2015 D&B Information)</i>								
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	8,289	18.3
Moderate	5	13.5	4,644	10.2	843	18.2	8,383	18.5
Middle	25	67.6	33,632	74.2	2,690	8.0	10,623	23.4
Upper	6	16.2	7,065	15.6	499	7.1	18,046	39.8
NA	1	2.7	0	0.0	0	0.0		
Total	37	100.0	45,341	100.0	4,032	8.9	45,341	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	14,177	22.3
Moderate	3,842	8.2	6,952	10.9	1,305	18.8	10,869	17.1
Middle	35,468	75.3	47,187	74.2	4,867	10.3	12,749	20.0
Upper	7,765	16.5	9,496	14.9	978	10.3	25,840	40.6
NA	0	0.0	0	0.0	0	0.0		
Total	47,075	100.0	63,635	100.0	7,150	11.2	63,635	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	1,355	16.0	1,208	15.2	111	25.6	36	40.9
Middle	5,765	68.1	5,446	68.5	273	63.0	46	52.3
Upper	1,348	15.9	1,293	16.3	49	11.4	6	6.8
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	8,468	100.0	7,947	100.0	433	100.0	88	100.0
	Percentage of Total Businesses:			93.8		5.2		1.0

*NA-Tracts without household or family income as applicable

The local economy has a diverse employment base. Federal, state, and local government entities, education, healthcare, hospitality/tourism, and manufacturing sectors are the main drivers of the economy in the area. Some of the major employers include the state government of Delaware, Dover Air Force Base, Bayhealth-Kent General and Milford Memorial Hospitals, Dover Downs Raceway, Delaware State University, Perdue Farms, Kraft-Heinz, Wal-Mart Distribution Center, and PPG, Inc. Current and recent unemployment rates are included in the following table.

Geographic Area	December 2013	December 2014	December 2015	December 2016
Kent County, DE	6.1%	4.9%	4.6%	4%
Sussex County, DE	6.5%	5.3%	4.9%	4.4%
Dover, DE MSA	6.1%	4.9%	4.6%	4%
State of Delaware	5.7%	4.6%	4.1%	3.9%

Unemployment rates are generally consistent throughout the assessment area, MSA, and state. All rates are trending downward over the recent four-year period.

An official from a local economic development organization was contacted during the examination to discuss the local economic conditions and area credit needs. The contact stated that the area has seen increased capital investment by existing manufacturers in the market. These investments have created jobs and aided in lowering the unemployment rate in the county. Additionally, other projects have been completed that will increase the level of tourism and lead to increased revenues for local businesses. Overall, the market is seeing an increase in economic growth and development with further progress expected in the future.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2014 and 2015, the bank originated \$6.2 million in HMDA loans and \$11.3 million in small business loans within the assessment area. When considering overall performance, more weight is placed on the bank’s small business lending performance than its HMDA performance given the larger dollar volume of such lending within the assessment area.

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

Within the assessment area, the bank’s borrower distribution performance is considered reasonable for HMDA lending and excellent for small business during the evaluation period. Overall, SUB’s borrower distribution performance is considered excellent due to the larger dollar volume of lending small business lending.

Distribution of HMDA Loans by Income Level of Borrower

Dover, DE (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	2	9.5	65	2.7	376	8.8	38,954	5.1
Moderate	6	28.6	595	24.5	1,080	25.4	160,280	20.8
Middle	9	42.9	1,370	56.5	1,331	31.3	253,678	33.0
Upper	4	19.0	395	16.3	1,464	34.5	316,851	41.1
Total	21	100.0	2,425	100.0	4,251	100.0	769,763	100.0
Unknown	7		898		1,702		365,623	

Percentages (%) are calculated on all loans where incomes are known

During 2015, the bank’s lending to low-income borrowers (9.5%) lagged the percentage of area low-income families (18.3%), but was comparable to the aggregate lending level (8.8%) to such borrowers. SUB’s lending to moderate-income borrowers (28.6%) exceeded the percentage of such families (18.5%) and was slightly greater than the aggregate level of lending (25.4%). Overall, the bank’s performance during 2015 is considered reasonable. The bank’s performance in 2014 was similar and also considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

Dover, DE (2015)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	32	100.0	4,647	100.0	1,173	45.4	38,331	37.5
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	19	59.4	1,016	21.9	2,397	92.9	39,580	38.7
\$100,001-\$250,000	10	31.3	2,001	43.1	89	3.4	15,528	15.2
\$250,001-\$1 Million	3	9.3	1,630	35.0	95	3.7	47,222	46.1
Total	32	100.0	4,647	100.0	2,581	100.0	102,330	100.0

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

D&B data indicate that 93.8% of all local businesses have revenues that do not exceed \$1 million per year. According to 2015 aggregate small business data, 45.4% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were to businesses that either had revenues exceeding \$1 million or had unknown revenues. As part of performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 55% were made to businesses having annual revenues of \$1 million or less. Of the bank's small business loans considered in the evaluation, 100% were to businesses with annual revenues of \$1 million or less. SUB’s small business lending during 2015 is considered excellent, and its performance during 2014 is similar.

Geographic Distribution of Loans

Based on recent census data, the assessment area includes no low-income, five moderate-income, 25 middle-income, and six upper-income census tracts. One tract does not have an income designation. SUB’s HMDA lending performance is considered excellent overall, while its small business lending is considered reasonable overall. On a combined basis, the geographic distribution is considered reasonable, and in reaching this conclusion, greater weight was given to its small business lending performance.

Distribution of HMDA Loans by Income Level of Census Tract

Dover, DE (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(17)				(3,296)			
	Home Purchase							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	193	5.9	31,135	4.9
Middle	13	76.5	2,008	79.1	2,536	76.9	488,142	76.5
Upper	4	23.5	531	20.9	567	17.2	118,726	18.6
	(6)				(2,332)			
	Refinance							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	33.3	140	21.4	155	6.6	22,763	5.1
Middle	4	66.7	513	78.6	1,728	74.1	334,092	75.0
Upper	0	0.0	0	0.0	449	19.3	88,581	19.9
	(5)				(318)			
	Home Improvement							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	17	5.3	957	5.1
Middle	4	80.0	111	84.7	249	78.3	14,234	76.1
Upper	1	20.0	20	15.3	52	16.4	3,503	18.8
	(0)				(7)			
	Multi-Family							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	2	28.6	13,162	39.6
Middle	0	0.0	0	0.0	5	71.4	20,091	60.4
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	7.1	140	4.2	367	6.2	68,017	6.0
Middle	21	75.0	2,632	79.2	4,518	75.9	856,559	75.4
Upper	5	17.9	551	16.6	1,068	17.9	210,810	18.6
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	28	100.0	3,323	100.0	5,953	100.0	1,135,386	100.0

NA*-Tracts without household or family income as applicable

As reflected in the preceding table, home purchase loans followed by refinance loans represent a significant majority of both SUB and the aggregate reporter's HMDA lending. Multi-family lending is not considered a major factor in the overall analysis of HMDA lending. While SUB's lack of home purchase and home improvement lending in moderate-income tracts is considered poor, its refinance lending in those tracts is excellent.

On a combined basis, SUB's lending in moderate-income census tracts (7.1%) is slightly lower than the percentage of owner-occupied housing units located in moderate-income census tracts (8.2%), but higher than the aggregate lending level in such areas (6.2%). Overall, SUB's performance during 2015 is reasonable.

During 2014, SUB originated 25 HMDA loans totaling \$2.8 million. Of these loans, four (16%) totaling \$649,000 (22.9%) were originated within moderate-income census tracts. Given that 2014 demographic data indicates that 8.2% of owner-occupied housing units are located in moderate-income census tracts and 6.5% of aggregate lenders reported HMDA loans in such tracts, the bank's performance is considered excellent.

Overall, when considering the respective dollar volumes of lending and the relative performance levels each year, SUB’s HMDA lending performance is considered excellent.

Distribution of Small Business Loans by Income Level of Census Tract

Dover, DE (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	12.5	404	8.7	363	14.2	16,500	16.2
Middle	27	84.4	4,043	87.0	1,743	68.4	69,035	67.7
Upper	1	3.1	200	4.3	443	17.4	16,411	16.1
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	32	100.0	4,647	100.0	2,549	100.0	101,946	100.0

*NA-Tracts without household or family income as applicable
Loans where the geographic location is unknown are excluded from this table.

In 2015, SUB’s lending to businesses located in moderate-income census tracts (12.5%) was slightly lower than the percentage of businesses located in such areas (16%) and the aggregate lending level (14.2%). This level of lending is considered reasonable.

During 2014, SUB originated 30 small business loans totaling \$6.7 million. Of these loans, six (20%) totaling \$895,000 (13.4%) were originated within moderate-income census tracts. Given that 2014 D&B data indicates that 16.4% of small businesses are located in moderate-income census tracts and 15.1% of aggregate lenders reported small business loans in such tracts, SUB’s performance is considered excellent in 2014.

When considering the relative performance levels by year and the respective dollar volumes of lending, the bank’s small business lending is considered reasonable overall.

Community Development Loans, Investments, and Services

SUB supports community development initiatives and organizations that benefit the assessment area by funding community development loans, by providing community development services, and by donating to qualified community organizations. Discussions with an individual knowledgeable of the local community and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are available. The bank faces no constraints in funding community development loans and investing in qualified securities or supporting community development service activities. The community development test within this assessment area is considered reasonable when considering the opportunities available to the bank.

Community development activities specific to this assessment area include the following:

- Two loans totaling \$2.5 million to organizations providing affordable housing in the area.
- \$925,000 in a Fannie Mae targeted mortgage backed security, which specifically benefits low- and moderate-income individuals in the assessment area.
- Donations totaling \$20,930 to local organizations that provides social service activities or affordable housing to local low- and moderate-income individuals.

- An officer serves on the board of directors of the Children & Families First of Delaware. The organization provides social services to local low- and moderate-income residents.

Overall, the bank's community development activities demonstrate a satisfactory level of responsiveness to the local community's needs when considering the institution's capacity and available opportunities within the assessment area.

CRA APPENDIX A
SCOPE OF EXAMINATION

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED¹	OTHER INFORMATION
Baltimore-Columbia-Towson, MD	Full-Scope	202 Pulliam Crossing Grasonville, MD 21683	NA
Caroline County, MD NonMSA	Limited-Scope	None	NA
Kent County, MD NonMSA	Limited-Scope	None	NA
Dover, DE	Full-Scope	120 W. Main St Felton, DE 19943	NA

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

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

State or Multistate Metropolitan Area Name	Lending Test Rating	Community Development Test Rating	Overall Rating
Maryland	Outstanding	Satisfactory	Satisfactory
Delaware	Satisfactory	Satisfactory	Satisfactory

CRA APPENDIX C
LIMITED REVIEW TABLES

Kent County, MD NonMSA

The bank operates one branch in this assessment area. The assessment area is comprised of Kent County, MD, a nonmetropolitan county containing five census tracts. There are no low- or moderate-income tracts in the assessment area. Kent County is located north of the bank's Baltimore-Columbia-Towson, MD assessment area.

Performance Test Data for Kent County, MD NonMSA

The bank's lending performance in this assessment area is consistent with its performance in the State of Maryland.

Limited Review Lending Table

Kent County, MD NonMSA (2015)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(5)				(2)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	4	80.0	80.8	78.9	2	100.0	91.1	78.9
Upper	1	20.0	19.2	21.1	0	0.0	8.9	21.1
	Refinance				Multi-Family			
<i>Geographic</i>	(0)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	0	0.0	83.8	78.9	0	0.0	0.0	78.9
Upper	0	0.0	16.2	21.1	0	0.0	0.0	21.1
	HMDA Totals				Consumer			
<i>Geographic</i>	(7)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	6	85.7	82.8	78.9	NA	NA	NA	NA
Upper	1	14.3	17.2	21.1	NA	NA	NA	NA
<i>Borrower</i>	(6)				(NA)			
Low	0	0.0	8.5	21.2	NA	NA	NA	NA
Moderate	1	16.7	19.5	16.8	NA	NA	NA	NA
Middle	1	16.7	22.9	22.8	NA	NA	NA	NA
Upper	4	66.6	49.1	39.2	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(8)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	8	100.0	87.5	86.9	NA	NA	NA	NA
Upper	0	0.0	12.5	13.1	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	8	100.0	40.8	92.8	NA	NA	NA	NA

Geographic () represents the total number of bank loans for the specific Loan Purpose where geography is known

Borrower () represents the total number of bank loans for the specific Loan Purpose where income is known

NA represents no activity in the income category

SUB's HMDA and small business borrower and geographic distribution performances are considered reasonable.

Community Development Loans, Investments, and Services

In addition to the community development activities benefitting multiple assessment areas in Maryland including this one, the bank donated \$3,000 to organizations providing qualified community development activities in the assessment area.

Caroline County, MD NonMSA

The bank’s assessment area is comprised of Caroline, Talbot, and Dorchester Counties, Maryland, and SUB operates eight branches within the assessment area.

Performance Test Data for Caroline County, MD NonMSA

The bank’s lending performance in this assessment area is consistent with its performance in the State of Maryland.

Limited Review Lending Table

Caroline County, MD NonMSA (2015)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(13)				(3)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	23.1	9.1	10.9	0	0.0	3.2	10.9
Middle	4	30.8	57.6	50.8	1	33.3	50.0	50.8
Upper	6	46.2	33.3	38.3	2	66.7	46.8	38.3
	Refinance				Multi-Family			
<i>Geographic</i>	(4)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	5.3	10.9	0	0.0	0.0	10.9
Middle	2	50.0	50.7	50.8	0	0.0	0.0	50.8
Upper	2	50.0	44.0	38.3	0	0.0	0.0	38.3
	HMDA Totals				Consumer			
<i>Geographic</i>	(20)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	15.0	7.3	10.9	NA	NA	NA	NA
Middle	7	35.0	54.5	50.8	NA	NA	NA	NA
Upper	10	50.0	38.2	38.3	NA	NA	NA	NA
<i>Borrower</i>	(18)				(NA)			
Low	2	11.1	9.7	17.5	NA	NA	NA	NA
Moderate	6	33.3	25.8	14.7	NA	NA	NA	NA
Middle	5	27.8	29.6	25.4	NA	NA	NA	NA
Upper	5	27.8	34.9	42.4	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(15)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	13.3	12.7	10.4	NA	NA	NA	NA
Middle	10	66.7	43.5	50.7	NA	NA	NA	NA
Upper	3	20.0	43.8	38.9	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	15	100.0	45.2	93.4	NA	NA	NA	NA

Geographic () represents the total number of bank loans for the specific Loan Purpose where geography is known
Borrower () represents the total number of bank loans for the specific Loan Purpose where income is known
NA represents no activity in the income category

SUB's HMDA and small business borrower and geographic distribution performances are considered reasonable.

Community Development Loans, Investments, and Services

In addition to the community development activities benefitting multiple assessment areas in Maryland including this one, the bank had the following community development activities within the assessment area.

- The bank donated \$5,650 to various organizations with community development purposes.
- Habitat for Humanity of Caroline County – The Denton branch provides quarterly financial literacy training for first-time homebuyers.
- Mid Shore Pro Bono, Inc. – A bank officer serves as treasurer for this nonprofit entity that provides legal services to low- and moderate-income individuals.
- United Way of Caroline County – An employee served as president of the board of directors. The United Way provides services to low- and moderate-income individuals within the county.
- Denton Child Development Center – An employee served on the board of directors. The nonprofit center provides daycare services to low- and moderate-income individuals within the county.

CRA APPENDIX D

ASSESSMENT AREA BRANCH, DEPOSIT, AND LOAN VOLUME

The following table includes the distribution of branch offices, along with deposit and loan volume. The deposit volume includes all bank deposits and is current as of June 30, 2016, while the loan volume includes all reported HMDA, small business, and small farm loans considered in the evaluation.

Assessment Area	Combined 2014 and 2015 HMDA/CRA Loan Volume				Full-Service Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Baltimore-Columbia-Towson, MD	190	45%	\$35,942	50.2%	5	27.8%	\$236,969	24.1%
Kent County, MD NonMSA	48	11.4%	\$8,265	11.5%	1	5.6%	\$49,190	5%
Caroline County, MD NonMSA	69	16.3%	\$9,988	13.9%	8	44.4%	\$607,302	61.8%
Dover, DE	115	27.3%	\$17,466	24.4%	4	22.2%	\$89,291	9.1%
TOTAL	422	100%	\$71,661	100%	18	100%	\$982,752	100%

CRA APPENDIX E

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.

Loans, investments, and services that-

- (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
- (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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 and Community Development Tests 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 and Community Development Tests 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.