

PUBLIC DISCLOSURE
July 9, 2001
COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Bank of Maryland
933425
P. O. Box 271
Annapolis, Maryland 21404

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.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The following table indicates the performance level of Farmers Bank of Maryland with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Farmers Bank of Maryland		
	PERFORMANCE TESTS		
	LENDING TEST *	INVESTMENT TEST	SERVICE TEST
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Summary of major factors supporting the institution's rating include:

- The overwhelming majority of the bank branches, deposits, and loans are in the two MSA assessment areas. The overall rating was based on performance in these assessment areas that were reviewed using the examination procedures. Conclusions regarding performance in the non-MSA assessment areas indicated performance was consistent with that of the MSA assessment areas.
- Overall lending activity was consistent with the bank's capacity.
- A substantial majority of the institution's Home Mortgage Disclosure Act (HMDA), small business, and consumer lending

were originated within the bank's assessment areas.

- The borrower and geographic distribution of loans within the assessment areas reviewed using the examination procedures is at least adequate and in most cases is considered good.
- An adequate level of community development lending was noted.
- The level of qualified community development investments is considered good relative to available opportunities.
- Delivery systems and branch locations are readily accessible to all segments of the assessment area reviewed. Branch closings have not adversely affected low- and moderate-income neighborhoods.
- A high level of community development services was identified.
- The bank has not received any complaints regarding its CRA performance since the previous CRA evaluation.

DESCRIPTION OF INSTITUTION:

Farmers Bank of Maryland (Farmers) is headquartered in Annapolis, Maryland, and operates 42 offices throughout the eastern portion of Maryland. The institution is a subsidiary of First Virginia Banks, Inc. (FVBI), a multi-bank holding company located in the City of Falls Church, Virginia. In addition to affiliate banks, Farmers shares an affiliate relationship with First Virginia Mortgage Company (FVMC) and First Virginia Credit Services, Inc. (FVCSI), both subsidiaries of the lead bank, First Virginia Bank, Falls Church, Virginia. The bank's previous CRA rating was satisfactory.

As of March 31, 2001, Farmers reported total assets of approximately \$1.2 billion, of which 64.9% were loans and 21.4% were securities. From the end of June 1999 (the approximate date of the previous evaluation) through March 2001, total assets increased by 2.5% while loans increased by 5.9%. Deposits for the period decreased by 1%.

SCOPE OF EXAMINATION:

This evaluation considered consumer, HMDA, and small business loans originated and purchased during 1999 and 2000. When evaluating the distribution of lending for a particular lending category, the number of loans was given primary consideration. When evaluating overall performance, the dollar amount of lending was given consideration in addition to the number of loans. Community

development lending was evaluated from the date of the previous public evaluation through the end of June 2001. Investments made during this same period, as well as prior investments still outstanding, were also taken into consideration.

The examination procedures were used to evaluate the two assessment areas that represent a substantial majority of the bank's lending and deposit activity. Conclusions and supporting data regarding performance in other assessment areas is also included in this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

For each assessment area reviewed using the examination procedures an analysis of lending is discussed in greater detail later in the report. The lending test is rated high satisfactory overall based on the lending activity, distribution of lending, and community development lending. Area demographics, Dun & Bradstreet (D&B) economic data, and market aggregate information are used as proxies for demand when evaluating the bank's performance. Aggregate loan data for 1999 is used since 2000 aggregated data is not yet available. Aggregated data includes Farmers and all reporting institutions that originated loans of the type considered within the assessment area. Small farm loans were not evaluated because of the relatively small volume.

Lending Activity

In addition to originations, loans are routinely purchased and sold among First Virginia affiliates and a significant volume of lending comes from FVCSI. Taking into account all lending activity Farmers Bank of Maryland is an active lender. During a eight-quarter period ending March 2001, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Maryland and of similar asset size to Farmers Bank of Maryland ranged from 84.0% to 88.6%. The bank's average loan-to-deposit ratio for the same eight-quarter period is 77.4% and ranged from 73.1% to 81.4%. No barriers to the institution's ability to lend were noted and lending activity is consistent with bank capacity and opportunity to lend. The following table shows the lending activity inside the bank's assessment area, including loans originated or purchased by affiliates that are a critical part of the bank's efforts to serve its communities.

Farmers Bank of Maryland Loan Originations/Purchases January 1, 1999 through December 31, 2000 (includes affiliate lending)				
	Total Loans	Percentage of Lending	Total Dollar Amount (000's)	Percentage of Lending
Small Business*	843	4.4%	\$74,738	20.4%
Small Farm*	51	.3%	\$1,444	.4%
Home Mortgage Disclosure Act (HMDA) *	923	4.9%	\$55,717	15.3%
<i>HMDA Subtotals*</i>				
<i>Home Purchase*</i>	<i>114</i>	<i>.6%</i>	<i>\$13,494</i>	<i>3.7%</i>
<i>Home Improvement*</i>	<i>346</i>	<i>1.8%</i>	<i>\$6,928</i>	<i>1.9%</i>
<i>Refinancings*</i>	<i>463</i>	<i>2.5%</i>	<i>\$35,295</i>	<i>9.7%</i>
Small Business-Real Estate Secured*	10	<.1%	\$1,495	.4%
Home Equity (nonHMDA)	528	2.8%	\$21,149	5.8%
Motor Vehicle	11,121	58.9%	\$191,120	52.3%
Other Consumer Secured	692	3.7%	\$7,721	2.1%
Other Consumer Unsecured	4,717	25.0%	\$12,028	3.3%
Totals	18,885	100%	\$365,412	100%

* The institution is required to collect information about these types of loans.

Motor vehicle lending, as well as other consumer loans accounted for most of the lending activity based on both number and dollar amount. Most of the motor vehicle lending represents indirect automobile financing purchased by FVCSI, a bank affiliate. HMDA and small business loans while representing a much smaller loan number accounted for nearly 36% of the dollar amount of loans.

Several changes have recently taken place regarding mortgage products available directly or indirectly through the bank. FVMC, a mortgage lending affiliate, now offers loans only through the Internet. Since this change in March of 2000, the volume of mortgage loans originated through FVMC has declined significantly and a drop in HMDA lending volume within Farmers assessment areas has been noted. On the other hand, the bank purchased a number of loans originated in moderate-income tracts that has balanced the slight decline in loan volume. Also, the bank has extended the maximum loan term for its home equity product from 15 years to 20 years. As a result, the product is more flexible as a vehicle to meet home improvement, refinancing, and other home-secured credit needs.

Among the loans evaluated for the review period are credits extended in conjunction with programs that promote affordable housing and small business development. During 1999 and 2000, affordable housing loans originated through FVMC totaled 34 for \$3.9 million. Such loans consist of various governmentally sponsored or insured products that offer low-down payment options and/or more lenient borrower qualification parameters. Also, the bank continues to offer FHA Title I home improvement loans and originated 33 such loans for \$505,936. FHA Title I home improvement loans provide flexible underwriting criteria, terms up to ten years, and reduced interest rates.

Also, included among the reported small business loans is \$680,000 of loans to organizations with a community development purpose. The bulk of the lending was to organizations that provide assistance, including housing assistance, to individuals with developmental disabilities. Also, funding was provided to a medical practice that treats patients on an ability to pay basis. Many patients receive free care.

Assessment Area Concentration

A substantial majority of loans originated or purchased by the bank were within the bank's assessment areas with most of the lending taking place in the MSA assessment areas.

Comparison of Credit Extended Inside and Outside of Assessment Areas
(Excludes Affiliate Lending)

Loan Category	In				Out			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Small Business	805	96.4%	\$65,618	94.6%	30	3.6%	\$3,747	5.4%
Consumer	6,665	93.3%	\$51,317	88.4%	477	6.7%	\$6,731	11.6%
HMDA	657	93.2%	\$27,136	93.5%	48	6.8%	\$1,881	6.5%
Total	8,127	93.6%	\$144,071	92.1%	555	6.4%	\$12,359	7.9%

Borrower and Geographic Distribution

Over 70% of bank lending is in the Anne Arundel-Prince George's assessment area and this assessment area was weighted more heavily in the overall evaluation. The distribution of loans by borrower income is considered good. Generally, bank lending is consistent with or exceeds proxies for credit demand among low- and moderate-income borrowers. Geographic distribution of loans in low- and moderate-income census tracts is considered good for mortgage and small business lending but marginally adequate in the case of consumer loans.

The performance regarding the geographic distribution of consumer lending can be attributed primarily to a low level of moderate-income tract lending in Prince George's County, Maryland. Most of the moderate-income geographies in the Anne Arundel-Prince George's assessment area are in Prince George's County and over 26% of bank lending in this assessment area is in the county. Most of the consumer lending is comprised of indirect automobile lending, hence bank offices are not the primary lending delivery mechanism, instead lending distribution is dependent to a large degree on the success of local dealers reaching low- and moderate-income communities. This reliance on alternative delivery mechanism has also resulted in high overall volume of lending in the county relative to the bank's branch network. Over 26% of the bank's motor vehicle loans were extended in Prince George's County while only 14% of branches and 15% of deposits are in the county. Nonetheless, compared to demographic proxies, and considering any significant constraints on demand, the bank has had limited success in lending in moderate-income tracts.

Community Development Lending

The bank's level of community development lending is considered responsive to area credit needs with a high level of community development lending noted primarily in the bank's Harford County assessment area. Total community development loans extended during the review period (July 1999 through June 2001) totaled \$1.2 million.

INVESTMENT TEST

Performance under the investment test is considered high satisfactory. The largest portion (\$3.1 million) of qualified investments consists of Maryland Community Development Administration (CDA) housing bonds. These bonds are used to fund affordable housing loans throughout the state. Other investments and contributions targeting specific assessment areas are discussed later in this evaluation.

SERVICE TEST

The bank's performance under the service test is considered high satisfactory. Bank offices throughout all assessment areas are considered accessible and the hours of operation are generally consistent among all offices and typically include Saturday hours and evening hours on Fridays. Alternative delivery mechanisms include automated teller machines (ATMs), telephone banking, and Internet banking.

Since the most recent compliance examination, the bank has not opened any new branches. In March 2001, the bank closed its Camp Springs branch in Prince George's County. The bank also closed one of its branches in Easton, Maryland in June 2000. In addition, the bank sold two of its Baltimore County offices in Towson and Lutherville to Susquehanna Bank in December 2000. Low- and moderate-income neighborhoods have not been significantly affected by these changes. A branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

The provision of community development services, which includes supplying financial expertise to individuals and various community development organizations, varies according to the needs and opportunities within each assessment area. To assist non-English speaking customers, brochures are readily available in all bank offices that communicate in Spanish, Vietnamese, Korean, and Arabic the First Virginia Bank products and services offered. Multilingual bank representatives are also available. The bank's level of community development services is considered adequate.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

METROPOLITAN AREAS

(for metropolitan areas with some or all assessment areas reviewed using the examination procedures)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ANNE ARUNDEL-PRINCE GEORGE'S ASSESSMENT AREA:

The institution's first assessment area includes Anne Arundel, Calvert, Charles, Prince George's, and Queen Anne's Counties, Maryland, and are part of the Baltimore/ Washington, D. C., Consolidated Metropolitan Statistical Area (CMSA). This area contains 298 census tracts. According to 1990 census data this market has a population of 1.3 million and a median housing value of \$124,224. The owner-occupancy rate for the market is 62.7%, which is higher than that for the state (60.1%) and the Baltimore (59.7%) and Washington, D. C. (57.3%) MSAs. The 2000 median family income for the Baltimore MSA is \$63,100 and for the Washington, D. C., MSA, \$82,800.

The following table provides demographics for the metropolitan assessment area by the income level of families and the percentage of population and owner-occupied housing units in census tracts of varying income levels. Poverty rates are also provided.

Assessment Area Demographics

	Low- Income	Moderate -Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	15.8%	19.9%	27%	37.3%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	0.5%	24.1%	55.9%	19.5%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract	0.1%	14.5%	60.4%	25%	100%
Number of Tracts by Income Level*	4	72	165	52	293*
Percentage of Tracts by Income Level	1.4%	24.6%	56.3%	17.7%	100%
Percentage of Families Below Poverty Rate by Income Level of Tract	17.8%	7.2%	2.7%	1.4%	NA

* Excludes five census tracts with no population and no income.

The economy of this assessment area is diverse with a mix of retail, service, manufacturing, government, and tourism industries. The unemployment rates for the cities and counties of the assessment area are depicted in the chart below. The current unemployment rate for the State of Maryland is 4%.

<u>City or County</u>	<u>Unemployment Rates for June 2001</u>
Anne Arundel County	3.5%
Calvert County	2.9%
Charles County	2.7%
Queen's Anne's County	3.6%
Prince George's County	3.8%

Farmers has 26 branch offices in this metropolitan market area. As of June 2000, Farmers ranked fifth in deposit market share at 5.9%. Farmers is not a significant mortgage lender in this assessment area. Based on 1999 aggregate lending data, Farmers is not among the top 30 lenders for reported home purchase or refinance mortgage loans but does rank 14th for home improvement lending with a 1.65% market share. Farmers ranked seventh in market share for small business lending in this market and accounted for 2.7% of loans reported in 1999.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ANNE ARUNDEL-PRINCE GEORGE'S ASSESSMENT AREA:

LENDING TEST

Lending Activity

Nearly two-thirds of bank offices are in this assessment area. Of the bank's deposits as of June 2000, 69.6% were within this assessment area representing a 5.9% market share. For the review period, 71.8% of loans considered in the evaluation (including affiliate loans) were in this assessment area. Bank lending volume is considered responsive to local credit needs and consistent with the institution's capacity based on the branch network and deposits.

Geographic Distribution of Loans

The distribution of bank lending is depicted in the tables below. A discussion of bank performance for the applicable loan category follows each table.

Distribution of Consumer Loans by Income Level of Census Tract
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	5	1,246	7,026	4,068	12,345
Percentage of Total Loans	>.1%	10.1%	56.9%	33%	100%
Total Amount of Loans (000's)	\$76	\$18,353	\$100,277	\$58,382	\$177,088
Percentage of Total Amount	>.1%	10.4%	56.6%	33%	100%

Lending in low- and moderate-income tracts is well below the percentage of population within such tracts. Given the minimal population percentage and high poverty rate in low-income tracts the effective demand for credit is likely very limited. In moderate-income tracts the poverty rate is lower and potential demand for credit greater.

Most of the moderate-income tracts, and corresponding population, are in the Prince George's County portion of the assessment area. Of the 72 moderate-income tracts in the assessment area, 60, containing 84% of the population in such tracts, are in Prince George's County. The distribution of lending in Prince George's County is somewhat better than the overall consumer loan distribution but is still low. Within the county, 19.8% of consumer loans extended were in moderate-income tracts compared to the 37% of the population in these tracts. No significant limitations on demand are evident as the distribution of households and families is similar to the population distribution and the poverty rate in moderate-income tracts is comparable to the county poverty rate. Consumer lending in low- and moderate tracts is considered low but adequate.

Distribution of HMDA Loans by Income Level of Census Tract
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1	62	290	245	598
Percentage of Total Loans	.1%	10.4%	48.5%	41.0%	100%
Total Amount of Loans (000's)	\$56	\$5,074	\$16,838	\$16,817	\$38,785
Percentage of Total Amount	.1%	13.1%	43.4%	43.4%	100%

Bank lending is slightly below demographic proxies for demand. Because of the small percentage of owner-occupied housing units in low-income tracts lending in moderate-income tracts will be considered. Bank lending of 10.4% compares to 14.5% of owner-occupied units in moderate-income tracts. However, 1999 aggregate data shows 12.6% of loans were extended in such tracts. The bank's HMDA lending in moderate-income tracts is considered good.

Distribution of Small Business* by Income Level of Census Tract
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	68	330	219	617
Percentage of Total Loans	0%	11.0%	53.5%	35.5%	100%
Total Amount of Loans (000's)	\$0	\$8,213	\$29,262	\$21,529	\$59,004
Percentage of Total Amount	0%	13.9%	49.6%	36.5%	100%

* includes reported business loans secured by real estate.

According to 1998 D & B data, .2% of businesses are in low-income tracts and about 17% are in moderate-income tracts. Aggregate 1999 lending data indicates that less than 1% of loans were made in low-income tracts and 14.4% in moderate-income tracts. Because of the concentration of moderate-income tracts, small business lending in the moderate-income portions of Prince George's County alone was reviewed and was slightly below (17.3% of loans in moderate-income tracts compared to 24.5% of aggregate) the overall performance for the assessment area. Somewhat better performance in other parts of the area helped to raise the level of overall performance. The bank's small business distribution is considered good.

Borrower Profile

The distribution of bank lending is depicted in the tables below. A discussion of bank performance for the applicable loan category follows each table.

Distribution of Consumer Loans by Income Level of Borrower
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2,723	3,212	2,639	2,802	11,376
Percentage of Total Loans	24%	28.2%	23.2%	24.6%	100%
Total Amount of Loans (000's)	\$27,792	\$47,112	\$42,082	\$57,099	\$174,085
Percentage of Total Amount	16%	27%	24.2%	32.8%	100%

The level of bank lending to low- and moderate-income borrowers greatly exceeds the percentage of both families in both income categories evidencing excellent performance.

Distribution of HMDA Loans by Income Level of Borrower
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	104	152	169	167	592
Percentage of Total Loans	17.6%	25.7%	28.5%	28.2%	100%
Total Amount of Loans (000's)	\$4,158	\$8,594	\$10,442	\$14,925	\$38,119
Percentage of Total Amount	10.9%	22.6%	27.4%	39.1%	100%

Bank HMDA lending compares favorably to both the percentage of low- and moderate-income families as well as the 1999 aggregate demonstrating good performance. Of reported aggregate loans, 14.7% were to low-income borrowers while 29.8% were to moderate-income borrowers.

Distribution of Lending
by Loan Amount and Size of Business
(Includes Affiliate Lending)

	\$0 - \$100,000		>\$100,000 to \$250,000		> \$250,000		Total	
Number Total Revenue ≤ \$1 Million	361	58.5%	41	6.7%	23	3.7%	425	68.9%
Number Total Revenues > \$1 Million	127	20.6%	33	5.3%	32	5.2%	192	31.1%
Totals	488	79.1%	74	12%	55	8.9%	617	100%

D & B data, for 2000 indicates that 90.1% of area businesses have revenues of less than \$1 million. Aggregate lending data for 1999 shows that 56.9% of aggregate lending was to businesses with revenues of \$1 million or less, while the remainder of loans were either to businesses with revenues over \$1 million or the revenue of the business was not known. Based on these proxies for demand the bank's distribution of loans to businesses of varying sizes is considered good.

Community Development Loans

Two community development loans totaling \$85,000 were extended during the review period to Anne Arundel Economic Opportunity Committee, Inc. This community action agency coordinates anti-poverty programs in Anne Arundel County. Some loans with a community development purpose were reported as small business loans and have been discussed previously. Also, a \$500,000 line of credit was extended to a non-profit organization that provides housing under the Department of Housing and Urban Development's Section 8 housing assistance program.

INVESTMENT TEST

Investments in this assessment area include a \$300,000 equity investment in the Anne Arundel Economic Development Corporation. The corporation provides financing for small businesses through direct lending and Small Business Administration guaranteed loans. Also, approximately \$7,200 in qualified charitable contributions was made during the review period. These activities supplement the investment in State of Maryland CDA housing bonds discussed previously.

SERVICE TEST

Accessibility of Delivery Systems

Twenty-one automated teller machines (ATMs) are available to local residents. The ATMs offer 24-hour access to customers and through a shared network depositors can access their accounts nationwide. Also, Internet banking is available for deposit customers and through First Virginia Mortgages OnLine consumers can apply for mortgage financing. Also for depositors, bank by mail and telephone banking are available. Twenty offices have a drive-through banking facility as well.

Branch Locations and Hours of Operation

One (3.8%) of the bank's 26 offices in the area is located in a moderate-income census tract, 14 (53.8%) are located in middle-

income census tracts, and the remaining 11 (42.3%) offices are located in upper-income tracts. Several branch offices are in middle-income tracts adjacent to moderate-income tracts. Most of the low- and moderate tracts are in Prince George's County where the bank has only six offices. Since the most recent examination, the bank has not opened any new branches. In March 2001, the bank closed its Camp Springs branch in Prince George's County that was located in a middle-income census tract. Other facilities nearby continue to serve the area.

Branch offices are generally open Monday through Friday from 9 a.m. to 2 p.m. with additional evening hours on Friday. Also, 22 of the 26 offices have Saturday morning hours.

Community Development Services

A bank officer provides technical assistance to the Prince George's County Revitalization Loan Fund's loan approval committee. The fund provides financing to small businesses in portions of Prince George's County that have been targeted by the county as in need of economic revitalization. Bank personnel also provide financial expertise to a number of non-profit and charitable organizations that serve low- and moderate-income individuals and families. Community development services provided are adequate relative to assessment area opportunities.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HARFORD ASSESSMENT AREA

The Harford assessment area includes a small portion of Baltimore County and all of Harford, County, Maryland. These two counties are included within the Baltimore Metropolitan Statistical Area (MSA). The metropolitan market area contains 89 census tracts and, according to 1990 census data, has a population of 210,129 and a median housing value of \$121,288. The owner-occupancy rate for the market is 76.1%, which is higher than that for the MSA (63.7%) and the state (65%). The 2000 median family income for the MSA is \$63,100.

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	12.4%	16.8%	25.5%	45.3%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	0%	17.4%	42.6%	40%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract	0%	9.2%	46.9%	43.9%	100%
Number of Tracts by Income Level	0	9	20	17	46
Percentage of Tracts by Income Level	0%	19.6%	43.4%	37.0%	100%
Percentage of Families Below Poverty Rate by Income Level of Tract	0%	10.8%	3.2%	1.5%	NA

Two of the moderate-income census tracts in Harford County contain the Aberdeen Proving Grounds (APG), a military research and development installation, in which there are only eight owner-occupied housing units. The economy of the assessment area is diverse with a mix of retail, service, manufacturing, government, and tourism industries. The largest employers in the area are the APG, the county school system, and a local hospital. Also, area residents commute to Baltimore, Maryland, for additional employment opportunities. The unemployment rate for Harford County as of June 2001 was 4.1% while for Baltimore County the unemployment rate was 4.4%. The current unemployment rate for the State of Maryland is 4%.

The bank operates 11 branches within the assessment area. One of the branches is a drive-through facility only while another, the only office in Baltimore County, is accessible only by residents of a retirement facility. Farmers ranked fourth in deposit market share with approximately 11% of area deposits as of June 2000.

Although not among the top 30 mortgage lenders overall in market share in 1999 (based on reported data), Farmers was tenth in market share for home improvement loans with 3.5% of reported loans. Farmers had a market share of 1.1% of reported small business loans in 1999 ranking 14th in this assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN HARFORD ASSESSEMNT AREA

LENDING TEST

Lending Activity

Of the bank's deposits as of June 2000, slightly over 18% were within this assessment area. Bank branches in this area accounted for 26% of branch offices. For the review period, 15.9% of loans considered in the evaluation (including affiliate loans) were in this assessment area. Bank lending volume is considered responsive to local credit needs and consistent with the institution's capacity.

Geographic Distribution of Loans

The distribution of bank lending is depicted in the tables below. A discussion of bank performance for the applicable loan category follows each table.

Distribution of Consumer Loans by Income Level of Census Tract
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	224	1,202	1,264	2,690
Percentage of Total Loans	0%	8.3%	44.7%	47%	100%
Total Amount of Loans (000's)	\$0	\$1,669	\$13,316	\$14,244	\$29,229
Percentage of Total Amount	0%	5.7%	45.6%	48.7%	100%

Bank lending in moderate-income census tracts is well below the 17.4% of population in such tracts. The poverty rate is elevated at 10.8% and hence demand is somewhat limited. The presence of a military facility and the competition afforded by the military credit union likely depresses demand as well; nonetheless the distribution of consumer lending is considered marginally adequate.

Distribution of HMDA Loans by Income Level of Census Tract
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	20	86	52	158
Percentage of Total Loans	0%	12.7%	54.4%	32.9%	100%
Total Amount of Loans (000's)	\$0	\$577	\$4,443	\$3,795	\$8,815
Percentage of Total Amount	0%	6.6%	50.4%	43%	100%

Bank HMDA lending in moderate-income geographies compares favorably to both the percentage of owner-occupied housing units in these tracts as well as the 1999 aggregate lending penetration of 7.5%. The bank's HMDA distribution is considered excellent.

Distribution of Small Business Loans by Income Level of Census Tract
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	12	65	76	153
Percentage of Total Loans	0%	7.8%	42.5%	46.7%	100%
Total Amount of Loans (000's)	\$0	\$1,045	\$5,894	\$6,306	\$13,245
Percentage of Total Amount	0%	7.9%	44.5%	47.6%	100%

According to June 1998 D & B data approximately 13% of area businesses are located in moderate-income tracts. While bank performance is below this figure, bank lending is considered good when compared to the 1999 aggregate lending penetration of 8.6%.

Borrower Profile

The distribution of bank lending is depicted in the tables below. A discussion of bank performance for the applicable loan category follows each table.

Distribution of Consumer Loans by Income Level of Borrower
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	598	598	603	618	2,417
Percentage of Total Loans	24.7%	24.7%	25%	25.6%	100%
Total Amount of Loans (000's)	\$3,363	\$6,296	\$7,357	\$11,385	\$28,401
Percentage of Total Amount	11.8%	22.2%	25.9%	40.1%	100%

The percentage of bank lending to both low- and moderate-income borrowers significantly exceeds the percentage of area families that are low-income (12.4%) and moderate-income (16.8%). The bank's performance is considered excellent.

Distribution of HMDA Loans by Income Level of Borrower
(Includes Affiliate Lending)

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	33	36	37	52	158
Percentage of Total Loans	20.9%	22.8%	23.4%	32.9%	100%
Total Amount of Loans (000's)	\$1,179	\$1,379	\$1,865	\$4,392	\$8,815
Percentage of Total Amount	13.4%	15.6%	21.2%	49.8%	100%

As with consumer lending, the bank's performance when compared to the percentage of low- and moderate-income families is excellent. This level of performance is also evident when comparing bank lending to the 1999 aggregate (where borrower income is reported). The aggregate data show that 8.4% of loans were to low-income and 20.6% to moderate-income borrowers.

Distribution of Lending by Loan Amount and Size of Business
(Includes Affiliate Lending)

	\$0 - \$100,000		>\$100,000 to \$250,000		> \$250,000		Total	
Number Total Revenue ≤ \$1 Million	107	69.9%	8	5.2%	10	6.6%	125	81.7%
Number Total Revenues > \$1 Million	17	11.1%	7	4.6%	4	2.6%	28	18.3%
Totals	124	81%	15	9.8%	14	9.2%	153	100%

The bank's lending to businesses with revenues of \$1 million or less is consistent with the 93.2% of area businesses with revenues in this revenue range. Aggregate data for 1999 show that 61.9% of reported loans were to businesses with revenues of \$1 million or less. While the remainder of loans were either to businesses with revenues over \$1 million or the revenue of the business was not known, the bank's performance is well above this percentage. Based on these proxies for demand the bank's distribution of loans to businesses of varying sizes is considered good.

Community Development Loans

During the review period the bank increased a line of credit to Home Partnership, Inc. by \$220,000. This non-profit organization purchases foreclosed properties, renovates the homes, and sells them to qualified low- and moderate-income borrowers. This line was renewed in 2001 for an additional six months. Another loan for \$110,000 was extended to a partnership for the renovation of two low-income properties acquired through foreclosure.

A \$500,000 line of credit was granted to a non-profit organization that provides housing for developmentally disabled persons.

Governmental assistance programs including Section 8 housing assistance payments provide almost all funding for the organization.

INVESTMENT TEST

Charitable contributions to organizations with a primary purpose of community development totaled \$3,900 in this assessment area. The primary investment serving all the bank's assessment areas are the CDA bonds discussed previously.

SERVICE TEST

Accessibility of Delivery Systems

Ten ATMs are available to local residents and provide 24-hour nationwide network access. The ATMs are located at all branch locations with the exception of the Glen Meadows branch. In addition, ten of the 11 branches have drive through tellers for added convenience.

Branch Locations and Hours of Operation

One (9.1%) of the bank's 11 offices in the area is located in a moderate-income census tract, six (54.5%) are located in middle-income census tracts, and the remaining four (36.4%) offices are located in upper-income tracts. The bank sold its Towson (middle-income) and Lutherville (upper-income) branches to Susquehanna Bank in December 2000. Branch offices are generally open Monday through Friday from 9 a.m. to 2 p.m. with additional evening hours on Friday. Also, nine of 11 offices have Saturday morning hours.

Community Development Services

A senior bank officer serves as President of Home Partnership, Inc. The activities of this developer of low- and moderate-income housing were discussed previously. This same officer also serves as a loan committee member for the Havre de Grace Revitalization and Development Revolving Loan Fund. The fund provides loans to businesses in low- and moderate-income geographies and must employ one low- to moderate-income individual for every \$5,000 borrowed.

NONMETROPOLITAN STATEWIDE AREAS

(if none of the assessment areas within the nonmetropolitan statewide area were reviewed using the examination procedures)

The following nonmetropolitan assessment areas were not reviewed using the examination procedures. The table indicates for each test whether performance in an assessment area was below, was consistent with, or exceeded performance for the institution overall. Performance under the lending and investment tests for each of the assessment areas was consistent with that for the institution. For the service test, performance in Caroline-Talbot and Kent was below that for the institution primarily due to the lack of qualified community development services. Nonetheless, in all cases performance was considered at least adequate. Facts and data reviewed, including performance and demographic information, can be found in the tables that follow. Due to relatively small volume, farm loans were not evaluated.

Assessment Area	Lending Test	Investment Test	Service Test
Caroline-Talbot	Consistent	Consistent	Below
St. Mary's	Consistent	Consistent	Consistent
Kent	Consistent	Consistent	Below

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CAROLINE-TALBOT ASSESSEMENT AREA

This assessment area consists of 15 block numbering areas (BNAs) that includes all of Talbot County and all but one BNA (9556.00) in Caroline County.

BNAs in Assessment Area/Low- and Moderate-Income BNAs	15/2	Median Family Income (2000)	\$50,500		
Population	53,141	Poverty Rate (Families)	7.2%		
Median Housing Value	\$103,247	Owner-Occupancy Rate	71.1%		
% of Businesses with Revenues \leq \$1 million			91.7		
% of Businesses in Low- Income BNAs	NA	% of Businesses in Moderate-Income BNAs	10%		
	Low- Income	Moderate -Income		Low- Income	Moderate- Income
Percentage of Area Families by Income Level	18%	16.9%	Percentage of Families Below the Poverty Rate by Income Level of BNA	NA	15.6%
Percentage of Population Residing in Census Tracts by Income Level of BNA	NA	10.8%	Percentage of Owner-Occupied Housing Units by Income Level of BNA	NA	8.7%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CAROLINE-TALBOT ASSESSMENT AREA

LENDING TEST

Loan Originations/Purchases								
	Loans in Moderate-Income BNAs		Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans to Businesses with Revenues ≤ \$1 million	
	#	\$	#	\$	#	\$	#	\$
Consumer	78	11.3%	130	20.9%	155	24.9%	NA	NA
HMDA	13	15.6%	14	16.7%	28	33.7%	NA	NA
Small Business	3	6.1%	NA	NA	NA	NA	42	93.3%
1999 Aggregate Originations/Purchases								
HMDA		7.1%		6.5%		20.1%		NA
Small Business		8.1%		NA		NA		73.1%

A \$110,000 community development loan for the renovation of low- and moderate-income housing was extended in this assessment area. Lending performance is consistent with the performance in assessment areas reviewed using the examination procedures.

INVESTMENT TEST

Except for a small contribution, no other investments targeted to this assessment area were noted. Limited investment opportunities are available and considering the investments that benefit the entire state, performance is consistent with that in areas reviewed using the examination procedures.

SERVICE TEST

One of the bank's branch offices in the area is located in a moderate-income census tract and the other branch office is located in a middle-income census tract. Both branch offices in the area have ATMs and drive through teller windows. In June 2000, the bank closed its Easton branch at 301 East Dover Street. The area served by this branch is now served by the office at 105 Marlboro Avenue, which is located in a moderate-income census tract. Branch hours are generally the same as in other assessment areas served by the bank. No community development services were noted in this area but such opportunities are limited in this predominately rural area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ST. MARYS ASSESSMENT AREA:

This assessment area consists of all of St. Mary’s County, Maryland. There are no low- and moderate-income geographies.

Area Demographics

BNAs in Assessment Area/Low- and Moderate-Income BNAs	13/0	Median Family Income (2000)	\$50,500
Population	75,974	Poverty Rate (Families)	5.4%
Median Housing Value	\$103,997	Owner-Occupancy Rate	69.6%
% of Businesses with Revenues ≤ \$1 million			93.0%

Of the families in the assessment area, 12.6% are considered low-income and 15.6% are considered moderate-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. MARY’S ASSESSMENT AREA

LENDING TEST

Loan Originations/Purchases						
	Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans to Businesses with Revenues ≤ \$1 million	
Consumer	73	8%	205	22.6%	NA	NA
HMDA	2	3.6%	10	18.2%	NA	NA
Small Business	NA	NA	NA	NA	8	80%
1999 Aggregate Loan Originations/Purchases						
HMDA		3.8%		13.9%		NA
Small Business		NA		NA		65.6%

Lending performance is consistent with the performance in assessment areas reviewed using the examination procedures.

INVESTMENT TEST

No investments targeted to this assessment area were noted. Limited investment opportunities are available and considering the investments that benefit the entire state performance is consistent with that in areas reviewed using the examination procedures.

SERVICE TEST

No offices have been opened or closed in this assessment area. The branch office in the area has an ATM and drive-through teller window. The bank's branch office in the area is located in a middle-income census tract. Branch hours are generally the same as in other assessment areas served by the bank. As a community development service an officer of the bank serves as the treasurer of the St. Mary's County Community Development Corporation. The corporation assists small businesses with financing if the business hires low-income or unemployed individuals. Also, the corporation rehabilitates low-income housing. Service test performance is consistent with that of the institution as a whole.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN KENT COUNTY ASSESSMENT AREA:

This assessment area consists entirely of Kent County, Maryland.

BNAs in Assessment Area/Low- and Moderate-Income Tracts	5/1	Median Family Income (2000)	\$50,500
Population	17,842	Poverty Rate (Families)	7.1%
Median Housing Value	\$95,163	Owner-Occupancy Rate	71.1%
% of Businesses with Revenues \leq \$1 million			92.6%
% of Business in Low- Income BNAs	NA	% of Businesses in Moderate- Income BNAs	12.0%

	Low- Income	Moderate- Income		Low- Income	Moderate -Income
Percentage of Area Families by Income Level	17.9%	17%	Percentage of Families Below the Poverty Rate by Income Level of BNA	NA	13.2%
Percentage of Population Residing in Census Tracts by Income Level of BNA	NA	15.1%	Percentage of Owner-Occupied Housing Units by Income Level of BNA	NA	18.1%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KENT COUNTY ASSESSMENT AREA:

LENDING TEST

Loan Originations/Purchases								
	Loans in Moderate-Income BNAs		Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans to Businesses with Revenues ≤ \$1 million	
	#	%	#	%	#	%	#	%
Consumer	34	9.4%	62	20.9%	70	23.6%	NA	NA
HMDA	0	0%	7	24.1%	3	10.3%	NA	NA
Small Business	1	3.7%	NA	NA	NA	NA	27	96.4%
1999 Aggregate Originations/Purchases								
HMDA		14.3%		10.8%		19.1%		NA
Small Business		11.1%		NA		NA		64.8%

Because of the relatively small loan volume, comparisons to the assessment areas reviewed using the examination procedures is difficult; nonetheless lending performance is generally consistent with the performance in these other assessment areas.

INVESTMENT TEST

No investments targeted to this assessment area were noted. Limited investment opportunities are available and considering the investments that benefit the entire state performance is consistent with that in areas reviewed using the examination procedures.

SERVICE TEST

No offices have been opened or closed in this assessment area. The branch office in the area has an ATM and drive-through teller window. The bank's branch office is located in a middle-income census tract. Branch hours are generally the same as in other assessment areas served by the bank. No community development services were noted in this area but such opportunities are limited in this predominately rural area.

APPENDIX A – Scope of Examination

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION	
ASSESSMENT AREA	TYPE OF EXAMINATION
Anne Arundel - Prince George's	Full Procedures
Harford	Full Procedures
Caroline-Talbot	Limited Procedures
St. Mary's	Limited Procedures
Kent	Limited Procedures

APPENDIX B - Glossary

The following terms are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Assessment Area - A delineated community including the geographies in which the bank has its main office, branches, and deposit-taking Automated Teller Machines (ATMs). As well as, the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans, including home mortgage loans, small-business and small-farm loans, and any other loans on which the bank chooses to have its performance assessed.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract - Small, locally defined areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A census tract has defined boundaries per ten year census and an

average population of 4,000.

Community Development - Initiatives in the form of loans, investments, or services which provide for the following:

Affordable 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.

Community development activities generally cannot be double counted, for example, loans required for reporting as small business, small farm, or home mortgage (except for multifamily housing) cannot also be reported as community development loans.

Community Reinvestment Act (CRA) - The statute requiring the federal financial supervisory agencies to assess an institution's record of helping to meet the credit needs of the local communities in which the institution is chartered, consistent with the safe and sound operation of the institution, and to take this record into account in the agency's evaluation of an application for a deposit facility by the institution.

Geography - A census tract or a block numbering area as delineated by the United States Census Bureau.

Home Mortgage Disclosure Act (HMDA) - The statute that requires most mortgage lenders who 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 applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Income Level includes:

Low-Income - Income levels that are less than 50% of the median family income.

Moderate-Income - Income levels that are at least 50% and less than 80% of the median family income.

Middle-Income - Income levels that are at least 80% and less than 120% of the median family income.

Upper-Income - Income levels that are 120% or more of the median family income.

Median Family Income - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction. Two or more MSAs having a population of one million or more residents may be recognized as a **consolidated metropolitan statistical area (CMSA)** if the individual MSAs demonstrate strong internal, social, and economic ties within the entire area. The individual MSAs included in a CMSA are then referred to as **primary metropolitan statistical areas (PMSA)**.

Small Business Loans - Loans with original amounts of \$1 million or less that are secured by nonfarm nonresidential properties or commercial and industrial loans to U. S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are secured by farmland or to finance agricultural production and other loans to farmers.