

PUBLIC DISCLOSURE

February 25, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Shore Bank

310875

25020 Shore Parkway

Onley, VA 23418

**Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable given the bank's size, financial condition, and demand for credit within the assessment areas.
- A substantial majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans considered in the evaluation were originated within the bank's assessment areas.
- The bank's borrower distribution performance is considered reasonable overall in both Virginia and Maryland.
- The bank's overall geographic distribution performance is considered poor in both Virginia and Maryland.
- There have been no complaints regarding the bank's CRA performance since the previous CRA evaluation.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, residential mortgage loans reported by the institution in accordance with the HMDA during calendar years 2010 and 2011 were reviewed. The 2012 HMDA data is not yet available. Additionally, small business lending is a primary product line and was considered in the evaluation. All small business loans extended by the institution during 2011 were included in the analysis.

Based on the FFIEC's evaluation procedures, ratings are assigned to the institution, the Commonwealth of Virginia, and the State of Maryland. The state ratings are based only on performance in the assessment areas subject to full-scope review. Because of location and relative size as determined by loan activity, proportion of bank deposits, and market population, full-scope evaluation procedures were applied to the Accomack, VA nonmetropolitan (NonMSA) and Salisbury, MD Metropolitan Statistical Area (MSA) assessment areas. The Worcester, MD NonMSA assessment area was subject to the limited review procedures provided for by the FFIEC. For the limited review assessment area, a determination was made as to whether the performance was consistent with the assigned overall state rating. Appendix B includes information detailing the lending volume, branch locations, and deposit volume by assessment area.

DESCRIPTION OF INSTITUTION

Shore Bank (SB) is headquartered in Onley, Virginia, and operates seven branch offices located in Virginia and Maryland in an area commonly referred to as the Eastern Shore. The bank is a subsidiary of Hampton Roads Bankshares, a multibank holding company, headquartered in Norfolk, Virginia. In addition to the holding company, the bank is affiliated with the Bank of Hampton Roads (Virginia Beach, VA) and Gateway Bank Mortgage (Raleigh, NC). Although SB is affiliated with other financial entities, this evaluation reflects only the performance of SB and does not consider or include the activities of any related entities. SB received a Satisfactory rating at its prior CRA evaluation dated January 31, 2011. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of December 31, 2012, the bank held total assets of \$312.8 million, of which 74.5% were net loans. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio (reflecting gross loans) is represented in the following table:

Composition of Loan Portfolio

| Loan Type | 12/31/2012 | |
|--|----------------|--------------|
| | \$(000s) | % |
| Secured by 1-4 Family dwellings | 100,812 | 42.8 |
| Multifamily | 13,829 | 5.9 |
| Construction and Development | 21,213 | 9.0 |
| Commercial & Industrial/ NonFarm NonResidential | 92,668 | 39.3 |
| Consumer Loans and Credit Cards | 2,807 | 1.2 |
| Agricultural Loans/ Farmland | 2,811 | 1.2 |
| All Other | 1,367 | 0.6 |
| Total | 235,507 | 100.0 |

As indicated in the preceding table, the bank is an active commercial/small business and residential mortgage lender. The bank offers other loans, such as consumer and farm loans; however, the volume of such lending is relatively small in comparison to the commercial/small business and residential mortgage lending.

SB serves three assessment areas located on the Eastern Shore area of Virginia and Maryland. One of the assessment areas is located in a MSA, while the other two assessment areas are located in more rural areas of Virginia and Maryland. The following table reflects the composition of the bank's three assessment areas.

| Assessment Area | County | State | Census Tracts Included |
|----------------------|--------------------|-------|------------------------|
| Accomack, VA NonMSA | Accomack County | VA | All |
| | Northampton County | VA | All |
| Salisbury, MD MSA | Wicomico County | MD | All |
| Worcester, MD NonMSA | Worcester County | MD | All |

While the bank has not opened any new branches since the previous evaluation, it closed one branch office located in a middle-income census tract in Accomack County, VA during August 2011. The branch closing did not necessitate any changes to the bank's existing assessment areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

An analysis of lending during the review period is discussed in greater detail in subsequent sections of this evaluation. Area demographic and available market aggregate data are used as proxies for demand when evaluating the bank's performance. Demographic data are from the 2000 census, the HMDA aggregate data are from 2010 and 2011, and small business aggregate data are from 2011.

While SB's HMDA loan data from calendar years 2010 and 2011 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2011 are presented in the assessment area analysis tables. If the bank's 2010 HMDA performance varies significantly from its performance during 2011, such variance and the corresponding impact on the overall performance are discussed. As previously indicated, the analysis also considers the bank's small business lending from calendar year 2011. The bank's small business lending activity during 2010 is not considered in this evaluation.

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 level conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by the dollar volume of such loans in the assessment area. The institution's state ratings are 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. Similarly, the institution rating is based upon a relative weighting of the performance in each state. When considering the institution's overall rating, the bank's performance in the Commonwealth of Virginia is given more weight because more than half of the bank's loans, branches, and deposit accounts are located within the commonwealth.

Loan-To-Deposit Ratio

SB's loan-to-deposit ratio averaged 92.4% for the eight-quarter period ending December 31, 2012. In comparison, the average of quarterly loan-to-deposit ratios for all banks headquartered in nonmetropolitan areas of Virginia and of similar asset size to SB ranged from 69.9% to 78.4% during the same eight-quarter period. The bank's current (December 31, 2012) loan-to-deposit ratio equals 93.9%. Since December 31, 2010, bank assets and deposits have decreased by 5.3% and 7%, respectively, while loans have increased by 14.8%. The bank's loan-to-deposit ratio is considered more than reasonable given its size, financial condition, and assessment area credit needs.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment areas, the geographic location of the bank's HMDA lending during 2010 and 2011 and the bank's small business lending during 2011 were considered. The lending distribution is represented in the following table for the combined assessment areas.

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

| Loan Type | Inside | | | | Outside | | | |
|---------------------------|------------|-------------|---------------|-------------|-----------|-------------|--------------|-------------|
| | # | % | \$(000) | % | # | % | \$(000) | % |
| Home Improvement | 11 | 100.0 | 407 | 100.0 | 0 | 0.0 | 0 | 0.0 |
| Home Purchase | 39 | 95.1 | 5,741 | 94.0 | 2 | 4.9 | 368 | 6.0 |
| Multi-Family Housing | 2 | 100.0 | 3,069 | 100.0 | 0 | 0.0 | 0 | 0.0 |
| Refinancing | 9 | 90.0 | 1,772 | 94.4 | 1 | 10.0 | 105 | 5.6 |
| Total HMDA related | 61 | 95.3 | 10,989 | 95.9 | 3 | 4.7 | 473 | 4.1 |
| Small Business | 56 | 81.2 | 10,722 | 73.4 | 13 | 18.8 | 3,878 | 26.6 |
| TOTAL LOANS | 117 | 88.0 | 21,711 | 83.3 | 16 | 12.0 | 4,351 | 16.7 |

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

As indicated in the preceding table, a substantial majority of SB's residential mortgage (HMDA) and small business loans were extended to residents and businesses within the bank's three assessment areas. Although not reflected in the preceding table, the bank originated several community development loans during the evaluation period that meet specific credit needs within the bank's assessment areas. Specifically, SB originated one loan in the Accomack, VA NonMSA assessment area totaling \$22,750 that increased the access of affordable health care services to area low- and moderate-income residents. In the bank's Maryland assessment areas it originated four community development loans totaling \$4.6 million that created several new jobs and provided additional affordable housing and other community development services, including affordable health care, all benefiting area low- and moderate-income residents. Overall, the institution's level of lending within its assessment areas is considered highly responsive to community credit needs.

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

Within the bank's market areas, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and revenue data is often not reported for a majority of these loans. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of 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 reasonable in both Virginia and Maryland. Within each full-scope assessment area, the bank's borrower distribution performance is consistently reasonable for small business lending, while its HMDA lending varies from very poor to excellent. Because the bank originated a larger volume of small business loans within each assessment area, the small business loan performance is weighted more heavily when determining the bank's overall performance.

Geographic Distribution of Loans

Within the Commonwealth of Virginia, the bank's geographic distribution performance varies from reasonable (HMDA) to poor (small business) and is considered poor overall. Within the State of Maryland, SB's geographic distribution performance ranges from marginally reasonable (small business) to very poor (HMDA) and is also considered poor overall.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

COMMONWEALTH OF VIRGINIA

CRA RATING FOR VIRGINIA: Satisfactory

The Lending Test is rated: Satisfactory

Major factors supporting the rating include:

- The bank's borrower distribution performance is considered reasonable for HMDA and small business lending.
- The bank's geographic distribution performance is considered reasonable for HMDA lending and poor for small business lending. Given the larger dollar volume of small business lending within the commonwealth, the overall geographic distribution performance is considered poor.

SCOPE OF EXAMINATION

HMDA and small business loans were analyzed to determine the bank's borrower and geographic distribution performance. The HMDA loan data are from calendar years 2010 and 2011, while the small business loan data are from calendar year 2011.

The bank has delineated one assessment area in the Commonwealth of Virginia. The assessment area is located in a nonmetropolitan portion of the Commonwealth and includes the bank's headquarters. Ratings for the commonwealth are based solely on the bank's performance in this single assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ACCOMACK, VA NONMSA ASSESSMENT AREA

The assessment area is located on Virginia's Eastern Shore and includes all of Accomack and Northampton counties, Virginia. The bank operates four branches in this assessment area. According to 2000 census data, the assessment area has a population of 51,398 and a median housing value of \$70,131. The owner-occupancy rate for the assessment area equals 58%, which is lower than the Commonwealth of Virginia's rate (63.3%) and the rate in statewide nonmetropolitan areas (65.4%). Within the assessment area, 13.7% of families are considered below the poverty level, which is significantly higher than the proportion of families living in poverty in both the commonwealth (7%) and the nonmetropolitan areas of Virginia (10.7%). The 2010 and 2011 HUD estimated median family incomes for nonmetropolitan areas of Virginia equal \$53,300 and \$51,900, respectively. The following table includes pertinent demographic data for the assessment area.

Assessment Area Demographics

| Accomack, VA NonMSA | | | | | | | | |
|---|--|--------------|---|---------------|--|--------------|----------------------------------|--------------|
| <i>(Based on 2000 Census Boundaries and 2010 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 | 3,354 | 24.1 |
| Moderate | 1 | 9.1 | 1,429 | 10.3 | 296 | 20.7 | 2,679 | 19.2 |
| Middle | 10 | 90.9 | 12,511 | 89.7 | 1,618 | 12.9 | 3,080 | 22.1 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 4,827 | 34.6 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | | |
| Total | 11 | 100.0 | 13,940 | 100.0 | 1,914 | 13.7 | 13,940 | 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 | 5,418 | 26.3 |
| Moderate | 1,388 | 9.2 | 2,048 | 9.9 | 479 | 23.4 | 3,581 | 17.4 |
| Middle | 13,739 | 90.8 | 18,541 | 90.1 | 3,093 | 16.7 | 4,046 | 19.7 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 7,544 | 36.6 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | | |
| Total | 15,127 | 100.0 | 20,589 | 100.00 | 3,572 | 17.3 | 20,589 | 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 | 227 | 9.6 | 202 | 9.4 | 10 | 11.5 | 15 | 10.8 |
| Middle | 2,139 | 90.4 | 1,938 | 90.6 | 77 | 88.5 | 124 | 89.2 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 2,366 | 100.0 | 2,140 | 100.0 | 87 | 100.0 | 139 | 100.0 |
| | Percentage of Total Businesses: | | | 90.4 | | 3.7 | | 5.9 |

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, all ten of the assessment area middle-income census tracts have been classified as being distressed and/or underserved during 2011. Specifically, all three of the middle-income tracts located in Northampton County are designated as distressed (because of high poverty rates) and underserved. Underserved census tracts are typically located in rural communities that may lack certain community services/infrastructure and are also distant from more urban population centers. Each of the seven middle-income census tracts within Accomack County are also designated as distressed because of comparatively high area poverty rates.

The local economy is based on a variety of agricultural, health care, tourism, and other commercial industries. Major area employers include Perdue Farms, Tyson Farms, Lfc Agricultural Services, Riverside Regional Medical Center, NASA, Pacific Tomato Growers Ltd., Walmart stores, local government, and area school systems. Current and recent unemployment rates are included in the following table.

| Unemployment Rate Trend | | | | | | | | |
|--------------------------|------------|-----------|-----------|----------|------------|-----------|-----------|----------|
| Geographic Area | March 2011 | June 2011 | Sept 2011 | Dec 2011 | March 2012 | June 2012 | Sept 2012 | Dec 2012 |
| Accomack County | 7.6% | 6.9% | 6.5% | 7.6% | 7.4% | 6.4% | 6.1% | 6.9% |
| Northampton County | 9% | 6.6% | 8% | 9.2% | 8.9% | 8.1% | 7.7% | 8.8% |
| Commonwealth of Virginia | 6.4% | 6.7% | 6.5% | 6.1% | 6% | 6.2% | 5.7% | 5.5% |

As indicated by the table, area unemployment rates are cyclical and tend to rise during winter months. Nonetheless, current area unemployment rates have declined since March 2011, although the rates remain high in comparison to Virginia's overall unemployment rate.

A local community development official was contacted during the evaluation to gather information that would assist in evaluating the bank's CRA performance. The contact stated that affordable housing remains a significant need within the community as the local economy continues to struggle from the economic downturn. The contact also suggested that it has been difficult for the local community to attract new businesses because of weak local economic conditions. The contact stated that local financial institutions are reasonably serving the needs of their communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2011, the bank originated \$2 million in HMDA loans and \$5 million in small business loans within this assessment area. As such, the bank's small business lending performance is given more weight than the HMDA performance when evaluating SB's overall lending performance.

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

Within this assessment area, the bank's HMDA and its small business lending borrower distribution performance are each considered reasonable.

Distribution of HMDA Loans by Income Level of Borrower

| Accomack, VA NonMSA (2011) | | | | | | | | |
|----------------------------|-----------|--------------|--------------|--------------|------------|--------------|----------------|--------------|
| Income Categories | Bank | | | | Aggregate | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| HMDA Totals | | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 33 | 3.5 | 2,185 | 1.3 |
| Moderate | 1 | 7.1 | 170 | 9.2 | 118 | 12.4 | 11,795 | 6.9 |
| Middle | 5 | 35.7 | 388 | 21.0 | 194 | 20.3 | 25,154 | 14.7 |
| Upper | 8 | 57.2 | 1,290 | 69.8 | 610 | 63.8 | 132,319 | 77.2 |
| Total | 14 | 100.0 | 1,848 | 100.0 | 955 | 100.0 | 171,453 | 100.0 |
| Unknown | 1 | | 160 | | 178 | | 30,200 | |

Percentage's (%) are calculated on all loans where incomes are known

During 2011, SB originated no residential mortgage loans to area low-income residents. While 24.1% of area families are considered low-income, in the aggregate, lenders reported originating only 3.5% of all residential mortgage loans to low-income borrowers, which suggests the effective demand for such lending is relatively limited. SB's lending to moderate-income borrowers (7.1%) also lagged the percentage of area moderate-income families (19.2%) and the aggregate level of lending (12.4%). Overall, the bank's performance during 2011 is considered poor.

During 2010, the bank's performance was stronger. Specifically, the bank reported originating 34 HMDA loans totaling \$3.9 million where the borrowers' incomes were known. Of these loans, three (8.8%) totaling \$115,000 (3%) were originated to low-income borrowers, and seven loans (20.6%) totaling \$560,000 were (14.4%) extended to moderate-income borrowers. While the bank's level of lending to low-income borrowers lagged the percentage of low-income families, it exceeded the 2010 aggregate lending level (5.8%). The bank's lending to moderate-income borrowers approximated the percentage of such area families and exceeded the 2010 aggregate lending level (15.9%). The bank's performance during 2010 is considered excellent.

Given the variance in the bank's performance between 2010 and 2011 and the relative volume of lending during each year, the bank's overall HMDA borrower distribution performance is considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

| Accomack, VA NonMSA (2011) | | | | | | | | |
|----------------------------|-----------|--------------|--------------|--------------|------------|--------------|---------------|--------------|
| by Revenue | Bank | | | | Aggregate* | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| \$1 Million or Less | 21 | 72.4 | 3,833 | 76.1 | 267 | 53.2 | 9,079 | 43.7 |
| Over \$1 Million | 8 | 27.6 | 1,205 | 23.9 | NA | NA | NA | NA |
| Unknown | 0 | 0.0 | 0 | 0.0 | NA | NA | NA | NA |
| by Loan Size | Bank | | | | Aggregate* | | | |
| \$100,000 or less | 15 | 51.7 | 854 | 16.9 | 460 | 91.6 | 6,419 | 30.9 |
| \$100,001-\$250,000 | 9 | 31.1 | 1,751 | 34.8 | 19 | 3.8 | 3,209 | 15.4 |
| \$250,001-\$1 Million | 5 | 17.2 | 2,434 | 48.3 | 23 | 4.6 | 11,156 | 53.7 |
| Total | 29 | 100.0 | 5,038 | 100.0 | 502 | 100.0 | 20,784 | 100.0 |

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

D&B data indicate that 90.4% of all local businesses have revenues that do not exceed \$1 million per year. According to 2011 aggregate small business data, 53.2% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or had unknown revenues. As 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, 63.8% were made to businesses with annual revenues of \$1 million or less. The bank's performance during 2011 is reasonable.

Geographic Distribution of Loans

As indicated in the demographic table, there are no low- or upper-income census tracts in the assessment area; however, the assessment area includes one moderate-income census tract and ten middle-income census tracts. While the bank's HMDA geographic distribution performance is considered reasonable, its small business lending performance is considered poor. Given the larger dollar volume of small business lending and relative performance for each loan product, the bank's overall geographic distribution performance is poor.

Distribution of HMDA Loans by Income Level of Census Tract

| Accomack, VA NonMSA (2011) | | | | | | | | |
|----------------------------|-------------|--------------|--------------|--------------|-----------------------|--------------|----------------|--------------|
| Income Categories | Bank | | | | Aggregate | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| | (9) | | | | Home Purchase (361) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 1 | 11.1 | 100 | 8.2 | 20 | 5.5 | 2,768 | 4.6 |
| Middle | 8 | 88.9 | 1,118 | 91.8 | 341 | 94.5 | 57,696 | 95.4 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| | (3) | | | | Refinance (718) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 2 | 66.7 | 495 | 82.5 | 62 | 8.6 | 10,483 | 7.6 |
| Middle | 1 | 33.3 | 105 | 17.5 | 656 | 91.4 | 127,236 | 92.4 |
| Upper | NA | NA | NA | NA | NA | NA | NA | 0.0 |
| | (3) | | | | Home Improvement (54) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 3 | 100.0 | 190 | 100.0 | 54 | 100.0 | 3,470 | 100.0 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| | (0) | | | | Multi-Family (0) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| | HMDA Totals | | | | | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 3 | 20.0 | 595 | 29.6 | 82 | 7.2 | 13,251 | 6.6 |
| Middle | 12 | 80.0 | 1,413 | 70.4 | 1,051 | 92.8 | 188,402 | 93.4 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| NA* | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 15 | 100.0 | 2,008 | 100.0 | 1,133 | 100.0 | 201,653 | 100.0 |

NA*-Tracts without household or family income as applicable

During 2011, the bank’s overall level of lending in moderate-income census tracts (20%) substantially exceeded the proportion of owner-occupied housing units located in moderate-income census tract (9.2%) and the aggregate lending level (7.2%). The bank’s performance during 2011 is considered excellent.

During 2010, the bank’s performance was not as strong as its performance during 2011. Specifically, the bank reported originating 37 loans totaling \$4.3 million within the assessment area. Of these loans, two loans (5.4%) totaling \$275,000 (6.4%) were extended to borrowers residing in the moderate-income census tract. The bank’s level of lending in the moderate-income census tract lagged the proportion of owner-occupied housing units located in such areas (9.2%) and the aggregate lending level (7.7%). The bank’s performance during 2010 is considered reasonable.

Given the larger dollar volume of SB’s HMDA lending during 2010, it’s performance from 2010 is given greater weight than it’s performance during 2011. On a combined basis, the bank’s HMDA geographic distribution performance is considered reasonable.

Distribution of Small Business Loans by Income Level of Census Tract

| Accomack, VA NonMSA (2011) | | | | | | | | |
|----------------------------|-----------|--------------|--------------|--------------|------------|--------------|---------------|--------------|
| Income Categories | Bank | | | | Aggregate | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 1 | 3.4 | 60 | 1.2 | 48 | 10.2 | 2,127 | 10.3 |
| Middle | 28 | 96.6 | 4,978 | 98.8 | 422 | 89.8 | 18,490 | 89.7 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| NA* | NA | NA | NA | NA | NA | NA | NA | NA |
| Total | 29 | 100.0 | 5,038 | 100.0 | 470 | 100.0 | 20,617 | 100.0 |

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

The bank's level of small business lending in moderate-income census tracts (3.4%) lagged the percentage of area businesses located in moderate-income areas (9.6%) and the aggregate lending level in moderate-income census tracts (10.2%). The bank's performance is considered poor.

STATE OF MARYLAND

CRA RATING FOR MARYLAND: Satisfactory

The Lending Test is rated: Satisfactory

Major factors supporting the rating include:

- The bank's borrower distribution performance ranges from very poor for HMDA lending to reasonable for small business lending and is considered reasonable overall.
- The bank's geographic distribution performance ranges from very poor for HMDA lending to marginally reasonable for small business lending. Overall, the bank's lending reflects a poor geographic distribution performance level.

SCOPE OF EXAMINATION

HMDA and small business loans were analyzed to determine the bank's performance regarding the borrower and geographic distributions of lending. The HMDA loan data are from calendar years 2010 and 2011, while the small business loan data are from calendar year 2011.

The Maryland assessment areas account for 47.8% of the bank's lending (dollar volume), 32.9% of branches, and 30.2% of deposit volume. Because the Salisbury, MD MSA assessment area accounts for a majority of the activity within Maryland, it is evaluated using the full-scope interagency examination procedures. The state's ratings are based on the performance in this assessment area. The remaining assessment area (Worcester, MD NonMSA) was subject to limited review procedures, and a determination was made as to whether its performance was consistent with the assigned state rating.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND

SB operates three branches throughout the state of Maryland. The assessment areas are contiguous and located in the southern portion of Maryland's Eastern Shore. The three branch offices account for \$73.5 million of the bank's total deposit base.

Based on the 2000 census data, the institution's Maryland assessment areas have a total population of 131,187, including 35,297 families. A majority of the families are middle-and upper-income (62.3%), while low-and moderate-income families comprise 19.7% and 18.1% of the total, respectively. Within the two assessment areas, the owner-occupancy rate equals 44.3%, and 8.1% of families live below the poverty level. Area median family incomes during 2010 and 2011 are detailed in the following table.

| Area | Median Family Incomes | |
|---|-----------------------|----------|
| | 2010 | 2011 |
| Salisbury, MD MSA | \$61,700 | \$63,500 |
| Maryland Nonmetropolitan Statewide Area | \$69,400 | \$71,600 |

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

As discussed previously, the bank's overall Maryland state rating is based upon performance in the Salisbury, MD MSA assessment area, which is discussed in detail in the next section of this evaluation.

METROPOLITAN AREAS

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

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SALISBURY, MD MSA ASSESSMENT AREA

The bank's assessment area is located on the Eastern Shore of Maryland and includes all of Wicomico County, Maryland, which is a portion of the Salisbury, MD MSA. The bank operates two full-service branches within this market area. According to the 2000 census data, the market area has a population of 84,644 and a median housing value of \$91,637. The owner-occupancy rate for the assessment area equals 62.3%, which is similar to both the rate for the entire Salisbury, MD MSA (61.2%) and the statewide rate (62.5%). Within the assessment area, 8.7% of families are considered below the poverty level, which is less than the rate for the whole MSA (10%) and higher than the statewide rate (6.1%). The 2010 and 2011 HUD estimated median family incomes for the Salisbury, MD MSA equaled \$61,700 and \$63,500, respectively. The following table includes pertinent demographic data for the market area.

Assessment Area Demographics

| Salisbury, MD MSA (Based on 2000 Census Boundaries and 2010 D&B information) | | | | | | | | |
|---|--------------------------------------|--------------|---|---------------|--|--------------|-----------------------------|--------------|
| Income Categories* | Tract Distribution | | Families by Tract | | Families < Poverty as a % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 1 | 5.9 | 393 | 1.8 | 126 | 32.1 | 4,236 | 19.3 |
| Moderate | 3 | 17.6 | 3,234 | 14.8 | 584 | 18.1 | 3,779 | 17.3 |
| Middle | 10 | 58.8 | 13,748 | 62.8 | 951 | 6.9 | 4,786 | 21.9 |
| Upper | 3 | 17.6 | 4,518 | 20.6 | 244 | 5.4 | 9,092 | 41.5 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | | |
| Total | 17 | 100.0 | 21,893 | 100.0 | 1,905 | 8.7 | 21,893 | 100.0 |
| | Owner Occupied Units by Tract | | Households | | | | | |
| | | | HHs by Tract | | HHs < Poverty by Tract | | HHs by HH Income | |
| | # | % | # | % | # | % | # | % |
| Low | 63 | 0.3 | 567 | 1.8 | 198 | 34.9 | 6,914 | 21.5 |
| Moderate | 2,091 | 9.8 | 5,016 | 15.6 | 986 | 19.7 | 5,110 | 15.9 |
| Middle | 14,501 | 67.7 | 20,695 | 64.2 | 2,219 | 10.7 | 6,063 | 18.8 |
| Upper | 4,758 | 22.2 | 5,953 | 18.5 | 461 | 7.7 | 14,144 | 43.9 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | | |
| Total | 21,413 | 100.0 | 32,231 | 100.00 | 3,864 | 12.0 | 32,231 | 100.1 |
| | Total Businesses by Tract | | Businesses by Tract and Revenue Size | | | | | |
| | | | Less than or = \$1 Million | | Over \$1 Million | | Revenue not Reported | |
| | # | % | # | % | # | % | # | % |
| Low | 56 | 1.3 | 49 | 1.2 | 5 | 1.8 | 2 | 1.0 |
| Moderate | 541 | 12.1 | 474 | 11.9 | 42 | 14.9 | 25 | 12.1 |
| Middle | 2,799 | 62.8 | 2,482 | 62.5 | 180 | 64.1 | 137 | 66.5 |
| Upper | 1,064 | 23.9 | 968 | 24.4 | 54 | 19.2 | 42 | 20.4 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 4,460 | 100.0 | 3,973 | 100.0 | 281 | 100.0 | 206 | 100.0 |
| Percentage of Total Businesses: | | | | 89.1 | | 6.3 | | 4.6 |

*NA-Tracts without household or family income as applicable

The local economy is based on a variety of agricultural, health care, retail and light manufacturing industries. Major area employers include Perdue Farms, Peninsula Regional Medical Center, Labinal Salisbury (electronics manufacturing), Walmart stores, Delmarva Light and Power, and the county school system. Current and recent unemployment rates are included in the following table.

| Unemployment Rate Trend | | | | | | | | |
|-------------------------|------------|-----------|-----------|----------|------------|-----------|-----------|----------|
| Geographic Area | March 2011 | June 2011 | Sept 2011 | Dec 2011 | March 2012 | June 2012 | Sept 2012 | Dec 2012 |
| Wicomico County | 8.9% | 9.1% | 8.6% | 8.6% | 8.9% | 8.6% | 7.8% | 8.8% |
| Salisbury, MD MSA | 9.3% | 9.5% | 8.8% | 8.7% | 9.2% | 9% | 8.1% | 9% |
| State of Maryland | 7.2% | 7.7% | 7.3% | 6.7% | 6.8% | 7.2% | 6.6% | 6.6% |

Although the assessment area’s unemployment rate has fluctuated a bit over time, the current (December 2012) rate is essentially equal to the rate from March 2011. Unemployment rates within the assessment area (Wicomico County) and within the MSA remain persistently high in relation to the statewide rate.

An individual knowledgeable of the local market area was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact was cautiously optimistic that local economic conditions were beginning to improve although at a pace that trails the state. The contact expressed some concern about area businesses relying on temporary employees and hiring other employees without benefits and suggested that this reliance may hinder the economic recovery and contribute to a lower level of consumer confidence. The contact stated that local financial institutions are reasonably serving the needs of their communities despite challenging local economic conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2011, the bank originated \$2.9 million in HMDA loans and \$3 million in small business loans within this assessment area. While the HMDA and small business loan dollar volume is approximately equal, the dollar volume of HMDA lending is skewed by a single multi-family housing loan totaling \$2.8 million that was originated during 2011. From a lending strategy and numerical volume perspective, the bank primarily originates small business loan within this assessment. According, the bank’s small business lending performance is given more weight when determining the bank’s overall level of borrower and geographic distribution performance.

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

The bank's borrower distribution performance is considered very poor for HMDA and reasonable for small business lending. The bank’s overall performance is considered reasonable given that greater weight is placed on its small business loan performance.

Distribution of HMDA Loans by Income Level of Borrower

| Salisbury, MD MSA (2011) | | | | | | | | |
|--------------------------|----------|--------------|------------|--------------|--------------|--------------|----------------|--------------|
| Income Categories | Bank | | | | Aggregate | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| HMDA Totals | | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 163 | 8.0 | 13,484 | 4.5 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 477 | 23.5 | 55,454 | 18.5 |
| Middle | 0 | 0.0 | 0 | 0.0 | 595 | 29.4 | 84,900 | 28.3 |
| Upper | 2 | 100.0 | 104 | 100.0 | 793 | 39.1 | 146,086 | 48.7 |
| Total | 2 | 100.0 | 104 | 100.0 | 2,028 | 100.0 | 299,924 | 100.0 |
| Unknown | 1 | | 2,800 | | 443 | | 83,069 | |

Percentage's (%) are calculated on all loans where incomes are known

Within the assessment area, 19.3% of area families are low-income and 17.3% are moderate-income. In 2011, aggregate lenders extended 8% and 23.5% of HMDA loans to low- and moderate-income borrowers, respectively. As indicated by the data in the preceding table, SB did not originate any loans to low- and moderate-income borrowers during 2011. The bank's performance is considered very poor and its performance during 2010 is similar.

Distribution of Lending by Loan Amount and Size of Business

| Salisbury, MD MSA (2011) | | | | | | | | |
|--------------------------|-----------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| by Revenue | Bank | | | | Aggregate* | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| \$1 Million or Less | 10 | 76.9 | 1,464 | 49.4 | 759 | 54.6 | 41,751 | 53.1 |
| Over \$1 Million | 3 | 23.1 | 1,500 | 50.6 | NA | NA | NA | NA |
| Unknown | 0 | 0.0 | 0 | 0.0 | NA | NA | NA | NA |
| by Loan Size | | | | | | | | |
| \$100,000 or less | 4 | 30.8 | 150 | 5.1 | 1,231 | 88.6 | 25,130 | 31.9 |
| \$100,001-\$250,000 | 4 | 30.8 | 596 | 20.1 | 77 | 5.6 | 14,093 | 18.0 |
| \$250,001-\$1 Million | 5 | 38.5 | 2,218 | 74.8 | 81 | 5.8 | 39,448 | 50.1 |
| Total | 13 | 100.0 | 2,964 | 100.0 | 1,389 | 100.0 | 78,671 | 100.0 |

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

D&B data indicate that 89.1% of all local businesses have revenues that do not exceed \$1 million per year. According to 2011 aggregate small business data, 54.6% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or had unknown revenues. As 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, 71.1% were made to businesses with annual revenues of \$1 million or less. With 76.9% of the bank's small business loans extended to businesses having revenues of \$1 million or less, its performance is considered reasonable.

Geographic Distribution of Loans

The bank's geographic distribution performance for HMDA lending is considered very poor, while its small business lending performance is considered marginally reasonable. SB's overall geographic distribution performance is considered poor overall.

Distribution of HMDA Loans by Income Level of Census Tract

| Salisbury, MD MSA (2011) | | | | | | | | |
|--------------------------|------------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| Income Categories | Bank | | | | Aggregate | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| | (0) | | | | (950) | | | |
| | Home Purchase | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 3 | 0.3 | 246 | 0.2 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 62 | 6.5 | 5,229 | 3.8 |
| Middle | 0 | 0.0 | 0 | 0.0 | 664 | 69.9 | 98,399 | 70.9 |
| Upper | 0 | 0.0 | 0 | 0.0 | 221 | 23.3 | 34,925 | 25.2 |
| | (1) | | | | (1,431) | | | |
| | Refinance | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 2 | 0.1 | 322 | 0.1 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 81 | 5.7 | 10,233 | 4.5 |
| Middle | 1 | 100.0 | 72 | 100.0 | 882 | 61.6 | 133,212 | 58.4 |
| Upper | 0 | 0.0 | 0 | 0.0 | 466 | 32.6 | 84,253 | 36.9 |
| | (1) | | | | (86) | | | |
| | Home Improvement | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 1 | 1.2 | 29 | 0.4 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 5 | 5.8 | 121 | 1.7 |
| Middle | 1 | 100.0 | 32 | 100.0 | 65 | 75.6 | 5,633 | 80.4 |
| Upper | 0 | 0.0 | 0 | 0.0 | 15 | 17.4 | 1,221 | 17.4 |
| | (0) | | | | (4) | | | |
| | Multi-Family | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 2 | 50.0 | 1,510 | 16.5 |
| Middle | 1 | 100.0 | 2,800 | 100.0 | 1 | 25.0 | 2,800 | 327.5 |
| Upper | 0 | 0.0 | 0 | 0.0 | 1 | 25.0 | 4,860 | 188.7 |
| | HMDA Totals | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 6 | 0.2 | 597 | 0.2 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 150 | 6.1 | 17,093 | 4.5 |
| Middle | 3 | 100.0 | 2,904 | 100.0 | 1,612 | 65.2 | 240,044 | 62.6 |
| Upper | 0 | 0.0 | 0 | 0.0 | 703 | 28.5 | 125,259 | 32.7 |
| NA* | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 3 | 100.0 | 2,904 | 100.0 | 2,471 | 100.0 | 382,993 | 100.0 |

NA*-Tracts without household or family income as applicable

During 2011, SB reported originating three HMDA loans within the assessment, and each loan was originated in a middle-income census tract. According to demographic data, .3% and 9.8% of all owner-occupied housings units are located in low- and moderate-income census tracts, respectively. Similarly, .2% and 6.1% of the aggregate reported loans were located in low- and moderate-income census tracts, respectively. While both the demographic and aggregate data indicate that effective loan demand from residents of low- and moderate-income census tracts is limited, SB's absence of lending in such areas reflects a very poor performance, and its performance during 2010 is similar.

Distribution of Small Business Loans by Income Level of Census Tract

| Salisbury, MD MSA (2011) | | | | | | | | |
|--------------------------|-----------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Income Categories | Bank | | | | Aggregate | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| Low | 0 | 0.0 | 0 | 0.0 | 30 | 2.2 | 1,882 | 2.4 |
| Moderate | 1 | 7.7 | 300 | 10.1 | 144 | 10.5 | 7,967 | 10.2 |
| Middle | 6 | 46.2 | 1,601 | 54.0 | 834 | 61.1 | 45,076 | 57.5 |
| Upper | 6 | 46.1 | 1,063 | 35.9 | 358 | 26.2 | 23,414 | 29.9 |
| NA* | NA | NA | NA | NA | NA | NA | NA | NA |
| Total | 13 | 100.0 | 2,964 | 100.0 | 1,366 | 100.0 | 78,339 | 100.0 |

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

Although the bank did not originate any loans to small businesses in low-income census tracts within this assessment area, the demographic data indicate that only 1.2% of area businesses are located in such areas and the aggregate lending level (2.2%) reflects a similarly small volume of lending. Both the demographic and aggregate data indicate the demand for loans from small businesses located in low-income census tracts is limited. In moderate-income tracts, the bank's lending (7.7%) lagged the aggregate lending level (10.5%) and the percentage of area businesses in such tracts (12.1%). Overall, SB's small business loan geographic distribution performance is considered marginally reasonable.

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 NONMETROPOLITAN STATEWIDE AREA

An assessment area, which is noted in the table below, was reviewed using the limited review examination procedures. Information detailing the composition of the market, including selected demographic data, is included in **APPENDIX C** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Facts and data reviewed for the 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 rating, which is Satisfactory.

| Assessment Area | Lending Test |
|----------------------|--------------|
| Worcester, MD NonMSA | Consistent |

CRA APPENDIX A
SCOPE OF EXAMINATION

| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION | | | |
|---|----------------------------|--|--------------------------|
| ASSESSMENT AREA | TYPE OF EXAMINATION | BRANCHES VISITED | OTHER INFORMATION |
| Accomack, VA NonMSA | Full-Scope | 25253 Lankford Hwy Exmore, VA 23418 | None |
| Salisbury, MD MSA | Full-Scope | 1503 South Salisbury Blvd Salisbury, MD 21801 | None |
| Worcester, MD NonMSA | Limited-Scope | None | None |

SUMMARY OF STATE RATINGS

| STATE | OVERALL STATE RATING |
|--------------|-----------------------------|
| Virginia | Satisfactory |
| Maryland | Satisfactory |

CRA APPENDIX B

LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA

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, 2012, while the loan volume includes all reported HMDA and small business loans considered in the evaluation.

| Assessment Area | Loan Volume | | | | Full-Service Branches | | Deposit Volume | |
|----------------------|-------------|-------------|-----------------|-------------|-----------------------|-------------|------------------|-------------|
| | # | % | \$ (000s) | % | # | % | \$ (000s) | % |
| Accomack, VA NonMSA | 81 | 69.2% | \$11,352 | 52.3% | 4 | 57.1% | \$170,003 | 69.8% |
| Salisbury, MD MSA | 17 | 14.5% | \$6,071 | 28.0% | 2 | 28.6% | \$55,398 | 22.7% |
| Worcester, MD NonMSA | 19 | 16.2% | \$4,288 | 19.8% | 1 | 14.3% | \$18,130 | 7.4% |
| TOTAL | 117 | 100% | \$21,711 | 100% | 7 | 100% | \$243,531 | 100% |

CRA APPENDIX C

LIMITED REVIEW TABLES

Worcester, MD NonMSA Assessment Area

The bank operates one branch in this assessment area, which includes all of Worcester County, Maryland. There are no low- or upper-income census tracts in the assessment area.

Performance Test Data for Worcester, MD NonMSA

Limited Review Lending Table

| Worcester, MD NonMSA (2011) | | | | | | | | |
|-----------------------------------|-----------------------|-------|-----------|-------------|-------------------------|-----|-----------|-------------|
| Income Categories | Bank | | Aggregate | Demographic | Bank | | Aggregate | Demographic |
| | # | % | % | % | # | % | % | % |
| | Home Purchase | | | | Home Improvement | | | |
| <i>Geographic</i> | (2) | | | | (0) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 0 | 0.0 | 4.5 | 13.4 | 0 | 0.0 | 14.5 | 13.4 |
| Middle | 2 | 100.0 | 95.5 | 86.6 | 0 | 0.0 | 85.5 | 86.6 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| | Refinance | | | | Multi-Family | | | |
| <i>Geographic</i> | (1) | | | | (0) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 0 | 0.0 | 5.9 | 13.4 | 0 | 0.0 | 0.0 | 13.4 |
| Middle | 1 | 100.0 | 94.1 | 86.6 | 0 | 0.0 | 100.0 | 86.6 |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| | HMDA Totals | | | | Consumer | | | |
| <i>Geographic</i> | (3) | | | | (NA) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 0 | 0.0 | 5.5 | 13.4 | NA | NA | NA | NA |
| Middle | 3 | 100.0 | 94.5 | 86.6 | NA | NA | NA | NA |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| <i>Borrower</i> | (3) | | | | (NA) | | | |
| Low | 0 | 0.0 | 4.1 | 20.2 | NA | NA | NA | NA |
| Moderate | 0 | 0.0 | 11.9 | 19.4 | NA | NA | NA | NA |
| Middle | 1 | 33.3 | 16.8 | 25.5 | NA | NA | NA | NA |
| Upper | 2 | 66.7 | 67.1 | 34.9 | NA | NA | NA | NA |
| Total | 3 | 100.0 | 100.0 | 100.0 | NA | NA | NA | NA |
| | Small Business | | | | Small Farm | | | |
| <i>Geographic</i> | (14) | | | | (NA) | | | |
| Low | NA | NA | NA | NA | NA | NA | NA | NA |
| Moderate | 2 | 14.3 | 14.1 | 17.1 | NA | NA | NA | NA |
| Middle | 12 | 85.7 | 85.9 | 82.9 | NA | NA | NA | NA |
| Upper | NA | NA | NA | NA | NA | NA | NA | NA |
| <i>Revenue</i> | | | | | | | | |
| Busn/ Farms with revenues <=\$1 M | 12 | 85.7 | 49.0 | 89.5 | 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

CRA APPENDIX D

GLOSSARY

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

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

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

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

Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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