

PUBLIC DISCLOSURE

June 22, 2015

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Community Bank of the Chesapeake
697978

3035 Leonardtown Road
Waldorf, MD 20601

**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.

TABLE OF CONTENTS

Institution Rating	
Institution’s CRA Rating	1
Table of Performance Test Ratings.....	1
Summary of Major Factors Supporting Rating.....	1
Institution	
Scope of Examination	2
Description of Institution	3
Conclusions With Respect to Performance Tests	4
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area	
Multistate Metropolitan Area Rating	8
Scope of Examination	8
Description of Operations	9
Conclusions With Respect to Performance Tests	10
Metropolitan Area (reviewed using full-scope review)	
Description of Operations in the Charles, MD MSA Assessment Area.....	11
Conclusions with Respect to Performance Tests	14
Metropolitan Area (reviewed without using full-scope review)	
Description of Operations in the Fredericksburg, VA MSA Assessment Area....	20
Conclusions with Respect to Performance Tests	20
Commonwealth of Virginia	
State Rating	21
Scope of Examination	21
Description of Operations in the King George, VA NonMSA Assessment Area	21
Conclusions With Respect to Performance Tests	23
Appendices	
CRA Appendix A: Scope of Examination	26
CRA Appendix B: Summary of State and Multistate Metropolitan Area Ratings	27
CRA Appendix C: Limited Review Tables	28
CRA Appendix D: Loan, Branch, and Deposit Volume by Assessment Area	30
CRA Appendix E: Glossary.....	31

INSTITUTION RATING

INSTITUTION'S CRA RATING: *Community Bank of the Chesapeake* is rated "**SATISFACTORY**"

The following table indicates the performance level of *Community Bank of the Chesapeake* with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Community Bank of the Chesapeake</u>		
	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 in determining the overall rating.

Major factors supporting the institution's rating include:

- The bank's overall lending activity reflects excellent responsiveness to the credit needs of its assessment areas.
- A substantial majority of the institution's reported residential mortgage, small business, and small farm loans were originated within the bank's assessment areas.
- The bank's geographic distribution performance (lending in low- and moderate-income census tracts) varies by product and year and is considered adequate overall.
- The bank's borrower distribution performance (lending to borrowers of different income and revenue levels) varies by product and assessment area and is considered good overall.
- During the evaluation period, the bank extended an adequate level of qualified community development loans within its assessment areas.
- The bank has made a significant level of qualified community development investments when considering available opportunities.
- Delivery systems and branch locations are considered accessible overall to people and census tracts of different income levels.
- During the evaluation period, the bank participated in a relatively high level of community development services given its capacity and available opportunities.

INSTITUTION

SCOPE OF EXAMINATION

While Community Bank of the Chesapeake (CBC) is eligible to be evaluated as an intermediate small bank, the institution optionally collects and reports CRA data and elected to be evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC) for large institutions. Consistent with these procedures, Home Mortgage Disclosure Act (HMDA), small business, and small farm lending activity reported by the bank from January 1, 2013, through December 31, 2014, was reviewed. In addition, the bank optionally collects data on its small business loans secured by real estate, and these loans were also included in the evaluation.

Qualified community development loans that were originated or renewed from June 11, 2012, the date of the most recent CRA evaluation, through the evaluation date are considered for this evaluation. All qualified community development services provided since the previous evaluation, and all qualified investments made during the same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered. This evaluation reflects only the activities of CBC. Data from bank affiliates are not included in the evaluation.

To help determine the availability of community development opportunities in specific assessment areas, the CRA public evaluations of other financial institutions operating in these areas were reviewed. Also in some markets, members of the community were contacted to discern information about local economic conditions, local credit needs, performance of banks in the assessment area, as well as potential community development opportunities.

Currently, CBC serves two assessment areas located within the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area (CSA), and one assessment area located in the Commonwealth of Virginia. Based upon both branch locations and relative market size as determined by loan activity, proportion of bank deposits, and market population, full-scope evaluation procedures were applied to the following assessment areas:

- Charles, MD Metropolitan Statistical Area (MSA)
- King George, VA nonmetropolitan area (NonMSA)

Because of the bank's branch locations, an overall rating and ratings for the Lending, Investment, and Service Tests are required for the institution, the multistate CSA and the Commonwealth of Virginia. State ratings are based only on the performance in the assessment area subject to full-scope review.

The remaining assessment area, Fredericksburg, VA MSA, was subject to the limited review procedures provided for by the FFIEC. For this assessment area, a determination was made as to whether performance was consistent with the assigned overall state rating. Appendix C includes information about the bank's performance in the limited scope assessment area.

The institution's overall rating is based on the ratings assigned to the multistate CSA and the Commonwealth of Virginia. These ratings are weighted primarily according to bank activity as measured by relative lending volume, amount of deposits, and the number of branches. When assigning the institution's overall rating, the bank's performance in the Charles, MD MSA assessment area is given the most weight as the majority of the bank's loans and deposit accounts are located in this assessment area (which is part of the larger multistate CSA). Appendix D includes information detailing the lending volume, branch locations, and deposit volume by assessment area. The composition of each assessment area is detailed in the next section of the performance evaluation.

According to FFIEC examination procedures, the Lending Test performance accounts for half of the overall rating, while the Investment and Service Tests are equally weighted and, combined, account for the remaining half of the overall rating. In all cases, conclusions also take into account relevant performance context factors.

DESCRIPTION OF INSTITUTION

CBC is headquartered in Waldorf, Maryland, and operates 12 branch offices in Maryland and Virginia. The bank is a wholly-owned subsidiary of The Community Financial Corporation, a single-bank holding company also headquartered in Waldorf, Maryland. The bank’s previous CRA evaluation, dated June 11, 2012, was rated Satisfactory. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of March 31, 2015, CBC has \$1.1 billion in assets, of which 81.1% are net loans and 11.1% are securities. As of the same time period, deposits totaled \$855.7 million. 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 (using gross loans) as of March 31, 2015, is represented in the following table:

Composition of Loan Portfolio

Loan Type	3/31/2015	
	\$(000s)	%
Secured by 1-4 Family dwellings	169,994	19.1
Multifamily	0	0.0
Construction and Development	61,229	6.9
Commercial & Industrial/ NonFarm NonResidential	658,655	74.0
Consumer Loans and Credit Cards	466	0.1
Agricultural Loans/ Farmland	0	0.0
All Other	0	0.0
Total	890,344	100.0

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

Based on its current branch locations, CBC has delineated three assessment areas located in southern Maryland and in eastern and central Virginia. One assessment area is located in a rural, nonmetropolitan area within Virginia, while the two other assessment areas are located in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the California-Lexington Park, MD MSA, respectively. Together these two MSAs are part of the larger Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA. The following table reflects the current composition of the bank’s assessment areas:

Assessment Area Names	City/County	State	Census Tracts Included
Charles, MD MSA	Calvert	MD	All
	Charles	MD	All
	St. Mary’s	MD	All
King George, VA NonMSA	King George	VA	All
Fredericksburg, VA MSA	Fredericksburg	VA	All
	Spotsylvania	VA	All

Since the previous evaluation, the bank has not closed any branch offices; however, in July 2014, CBC opened a new branch office in the City of Fredericksburg, Virginia. This branch opening prompted the bank's delineation of the Fredericksburg, VA MSA assessment area noted in the preceding table. Technically this assessment area is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA but is referred to in the evaluation as the Fredericksburg, VA MSA assessment area to avoid confusion.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

When evaluating the bank's performance, relevant area demographic data from the 2010 census are used as proxies for demand. Dun & Bradstreet (D&B) business demographic data from 2013 and 2014 are also considered when evaluating the bank's performance. Additionally, when such data is available, aggregate lending data is considered. For this review, aggregate HMDA and small business/farm loan data from calendar year 2013 was available. Analyses of lending during the review period are discussed in greater detail in subsequent sections of this evaluation.

Throughout the analysis of lending, loans without a reported income (in the case of borrower distribution) and loans where the reported geographic information is incomplete (in the case of geographic distribution) are excluded from both bank loan totals and comparative aggregate lending totals.

During 2013 and 2014, CBC reported originating 30 small farm loans totaling \$5.7 million within its assessment areas. During the same time period, the bank originated 1,306 HMDA and small business loans totaling \$308.1 million within its assessment areas. Because of its comparatively low volume, the bank's small farm lending performance was not evaluated, as it would not affect CBC's overall performance.

While HMDA and small business data from calendar years 2013 and 2014 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2013 are presented in the assessment area analysis tables. In instances where 2014 performance varies significantly from the performance noted during 2013, such variance and the corresponding impact on the overall performance are discussed. Aggregate data from 2014 is not yet available.

Overall, the bank's lending test performance is rated High Satisfactory. This rating considers the bank's lending activity, assessment area concentration, geographic and borrower distribution performance, and community development lending. These components are discussed in the following sections.

Lending Activity:

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. CBC's loan-to-deposit ratio, as of June 30, 2015, equaled 103%. The bank's quarterly loan-to-deposit ratio for the 12-quarter period ending March 31, 2015, averaged 96.2%, and ranged from 89% to 103%. The average of quarterly loan-to-deposit ratios of a similar peer groups ranged from 73.6% to 79.6% during the same time period. The peer group includes all insured commercial banks having assets between \$1 billion and \$3 billion.

Since March 31, 2012, assets, loans, and deposits have increased by 12.6%, 22%, and 6.2%, respectively. Within the context of the CRA and considering relevant performance context factors such as bank size, financial condition, and local area credit needs, the bank's lending activity reflects excellent responsiveness to the credit needs of its assessment areas. No barriers to the bank's ability to lend were noted.

Assessment Area Concentration:

The institution’s HMDA, small business, small business secured by real estate, and small farm lending volume from 2013 and 2014 is reflected in the following table. The data does not include large commercial loans (loan amounts in excess of \$1 million) or any other loan type not specified.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	91	80.5	28,239	71.9	22	19.5	11,050	28.1
Home Improvement	36	81.8	5,623	74.4	8	18.2	1,933	25.6
Refinancing	128	82.6	37,334	76.9	27	17.4	11,208	23.1
Multi-Family Housing	4	50.0	6,295	43.6	4	50.0	8,138	56.4
Total HMDA related	259	80.9	77,491	70.6	61	19.1	32,329	29.4
Small Business	693	89.2	136,716	87.0	84	10.8	20,396	13.0
Small Bus - Secured by Real Estate	354	89.8	93,908	86.8	40	10.2	14,224	13.2
Total Small Bus. Related	1,047	89.4	230,624	86.9	124	10.6	34,620	13.1
Small Farm	30	90.9	5,725	96.1	3	9.1	230	3.9
TOTAL LOANS	1,336	87.7	313,840	82.4	188	12.3	67,179	17.6

As indicated in the preceding table, a substantial majority of the total number (87.7%) and dollar amounts (82.4%) of loans have been provided to residents, businesses, and farms within the bank’s assessment areas. The institution’s level of lending within its assessment areas is considered highly responsive to community credit needs.

Geographic and Borrower Distribution:

When evaluating the geographic and borrower distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area conclusion regarding the distribution of lending, performance in each loan category is then weighted by the dollar volume of each category extended in the assessment area. The institution’s overall rating is based on the overall performance of each market area, and primary consideration is given to the dollar volume each market contributes to the overall activity considered in the evaluation.

While the bank is an active residential mortgage and small business lender, it extended a larger volume of small business loans than residential mortgage loans within its assessment areas during 2013 and 2014. Accordingly, the bank’s small business lending performance was generally given more weight when considering the bank’s combined product performance. For analytical purposes, the optional small business loan secured by real estate data has been combined with the small business data throughout the remainder of this evaluation. As previously noted, the bank’s small farm lending performance was not evaluated because of its comparatively low volume.

Within CBC’s assessment areas, a high level of small business lending activity has been reported by specialized lenders, who often originate or purchase 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 a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a small market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

CBC's geographic distribution performance (lending in low- and moderate-income census tracts) is adequate in the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA and not applicable in the Commonwealth of Virginia because the assessment area contains only upper-income census tracts. Overall, the bank's geographic distribution performance is considered adequate. The bank's borrower distribution performance (lending to low- and moderate-income borrowers and small businesses having annual revenues of \$1 million or less) is excellent in the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA and adequate in the Commonwealth of Virginia. Overall, the bank's borrower distribution performance is considered good.

Community Development Lending:

The availability of safe and sound community development loan opportunities varies by assessment area. As discussed in more detail later in this evaluation, community development lending opportunities within the bank's full-scope assessment areas are reasonably available in the bank's metropolitan assessment areas (Charles, MD MSA and Fredericksburg, VA MSA), while opportunities are limited in the bank's nonmetropolitan area (King George, VA NonMSA).

During the evaluation period, the bank originated four community development loans totaling \$3.8 million in its combined assessment areas. As of March 31, 2015, the bank reported having assets totaling \$1.1 billion and gross loans totaling \$890.3 million. Additional information regarding these loans is included in the pertinent assessment area discussions. To the extent that the bank extended any other community development loans, such loans were required to be reported as either small business or HMDA loans and could not also be reported as community development loans.

During the evaluation period, all of the bank's community development loans were originated in the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA. Consequently, the bank's community development lending performance within the multistate CSA is considered adequate. Overall, relative to available opportunities, the bank exhibited an adequate level of community development lending during the evaluation period.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated high satisfactory. As of March 31, 2015, the institution reported \$1.1 billion in total assets and a securities portfolio totaling \$121.1 million. As of the date of this evaluation, CBC held a \$4 million in qualified investments in the CRA Qualified Investment Fund. These funds have been allocated to support affordable housing for low- and moderate-income people and small business development in the multistate CSA, the State of Maryland, and the Commonwealth of Virginia and specifically include some of the bank's assessment areas.

The institution also actively supports numerous community development organizations by making charitable donations. During the evaluation period, the bank made charitable donations to community development organizations totaling approximately \$15,050 on a combined assessment area basis. Qualified investments, including donations, targeting specific assessment areas are discussed in conjunction with the evaluation of those areas.

SERVICE TEST

The bank's overall performance under the Service Test is rated high satisfactory. Delivery systems, branch locations, and hours of operation are considered accessible to all portions of the assessment areas. Of the 12 full-service branch offices, two (16.7%) are located within moderate-income areas, and none are located in low-income areas.

The bank and its employees provide a relatively high level of support to organizations that provide community development services throughout its various assessment areas. The bank participates in the following service activities that benefit multiple assessment areas:

- A bank employee serves on the board of directors of The Central Virginia Housing Coalition that provides affordable housing to low- and moderate-income people in the King George, VA NonMSA and Fredericksburg, VA MSA assessment areas.

Additional discussion of community development services is included within the assessment area sections of this evaluation.

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.

MULTISTATE METROPOLITAN AREA

CRA RATING FOR THE WASHINGTON-BALTIMORE-ARLINGTON, DC-MD-VA-WV-PA CSA¹: **SATISFACTORY**

The lending test is rated: HIGH SATISFACTORY

The investment test is rated: HIGH SATISFACTORY

The service test is rated: HIGH SATISFACTORY

Major factors supporting the rating include:

- The bank's lending activity level is considered excellent when considering the bank's capacity and community credit needs.
- While the bank's geographic distribution performance varies by product and by year, its overall performance is considered adequate.
- The bank's borrower distribution performance also varies by product and is considered excellent overall.
- The bank originated an adequate number of community development loans within the multistate CSA during the evaluation period.
- Relative to the available investment opportunities and bank capacity, and considering local market impact, the bank's level of qualified investments is considered significant.
- Delivery systems and branch locations are accessible to all segments of the bank's assessment areas.
- The bank and its employees participate in a relatively high level of community development service activities within the multistate metropolitan area during the evaluation period.

SCOPE OF EXAMINATION

HMDA and small business loans from calendar years 2013 and 2014 were analyzed to determine the bank's performance regarding the borrower and geographic distribution of lending. Given its limited volume, the bank's small farm loans were not evaluated. Qualified community development loans and services are also considered for activities since the previous evaluation (June 11, 2012). All qualified investments made during this same period, and those outstanding as of the evaluation, regardless of when made, were also considered.

The bank operates branches in the Virginia and Maryland portions of the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA, and the bank has delineated the following assessment areas within the multistate CSA:

- Charles, MD MSA
- Fredericksburg, VA MSA

¹ This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate metropolitan area.

The Charles, MD MSA assessment area includes all of Calvert, Charles, and St. Mary’s counties, Maryland. Calvert and Charles counties are part of the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA, while St. Mary’s County is part of the California-Lexington Park, MD MSA that was created in 2014. Similarly, the Fredericksburg, VA MSA assessment area includes all of the City of Fredericksburg and Spotsylvania County, Virginia, which are also part of the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA.

The Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the California-Lexington Park, MD MSA are part of the larger Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA. During 2013, St. Mary’s County, Maryland was a nonmetropolitan county that was also part of the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA.

On a combined basis, these two assessment areas account for 98.2% of the bank's lending (dollar volume), 91.7% of branches, and 98.8% of deposit volume. Information about loan volume, branches, and deposits are included in Appendix D of this report.

Based upon relative size and concentration of banking activities, the Charles, MD MSA assessment area was identified as the bank’s primary market within the multistate CSA and was evaluated using the FFIEC’s full-scope procedures. Consequently, the bank’s performance ratings within the multistate CSA are based on its performance in this one assessment area. The remaining assessment area was subject to the limited review procedures, and a determination was made as to whether its performance exceeded, was consistent with, or below the ratings for the multistate CSA.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WASHINGTON-BALTIMORE-ARLINGTON, DC-MD-VA-WV-PA CSA

The institution operates 11 branches within two assessment areas in the multistate CSA. The assessment areas, which are not contiguous, are located in southern Maryland and northern Virginia. These 11 branch offices account for \$806.5 million of the bank's total deposit base.

Within its multistate CSA assessment areas, CBC ranked 4th out of 20 institutions in local deposit market share by having 12.1% of the assessment area's available Federal Deposit Insurance Corporation’s (FDIC) insured deposits, as of June 2014. According to 2014 aggregate data, the institution ranked 42nd out of 407 reporters in reported residential mortgage lending with a .5% market share and 6th out of 64 reporters in reported small business and small farm loans with a 5.3% market share.

Based on 2010 census data, the CSA multistate assessment areas served by the bank have a total population of 487,122, including 124,418 families. A majority of the families are middle-and upper-income (59.6%), while low-and moderate-income families each comprise 20.5% and 19.9% of the total, respectively. Within these assessment areas, the owner-occupancy rate equals 70.8%, and 4.6% of families live below the poverty level. Area median family incomes during 2013 and 2014 are detailed in the following table.

Area	Median Family Incomes	
	2013	2014
Maryland Statewide Nonmetropolitan Area	\$78,800	\$67,300
California-Lexington Park, MD MSA *	NA	\$90,100
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	\$105,900	\$107,100

* The California-Lexington Park, MD MSA did not exist during 2013.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE WASHINGTON-BALTIMORE-ARLINGTON, DC-MD-VA-WV-PA CSA:

The bank's overall Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA rating and the rating for each test for the multistate metropolitan area is based upon performance in the Charles, 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)

The Charles, MD MSA assessment area includes all of Charles, Calvert, and St. Mary's counties, Maryland. The assessment area is a portion of the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and, during 2014, all of the California-Lexington Park, MD MSA. The California-Lexington Park, MD MSA, which consists entirely of St. Mary's County, Maryland, did not exist during 2013. During 2013, St. Mary's County, Maryland, was a nonmetropolitan county. During 2014, both MSAs are a portion of the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA. Similarly, during 2013, the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and St. Mary's County were also a portion of the larger CSA. The bank operates ten offices within the assessment area, including its banking headquarters. As of June 2014, CBC ranked 3rd out of 13 institutions in deposit market share, having 19% of the assessment area's available FDIC insured deposits.

Based on 2010 census data, the 2013 assessment area has a population of 340,439, and a median housing value of \$356,702. The owner-occupancy rate for the assessment area (72.7%) exceeds the rate for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (59.5%), the Maryland statewide nonmetropolitan area (51.3%), and the State of Maryland (62.2%). The overall family poverty rate of the assessment area equals 3.8%, which is less than the rate for the MSA (5.2%), nonmetropolitan areas in Maryland (6.2%), and the overall State of Maryland (5.7%). During 2013, the median family income of the Washington-Arlington-Alexandria, DC-VA-MD-WV equaled \$105,900, while the Maryland statewide nonmetropolitan area median family income equaled \$78,800. The following table provides pertinent demographic data about the 2013 assessment area:

Assessment Area Demographics

Charles, MD MSA (Based on 2010 Census Data and 2013 D&B Information)								
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	14,496	16.5
Moderate	10	14.7	10,324	11.8	835	8.1	15,471	17.6
Middle	38	55.9	47,404	54.0	1,713	3.6	21,162	24.1
Upper	17	25.0	30,044	34.2	763	2.5	36,643	41.8
NA	3	4.4	0	0.0	0	0.0		
Total	68	100.0	87,772	100.0	3,311	3.8	87,772	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	20,455	17.6
Moderate	8,910	9.6	15,034	12.9	1,341	8.9	17,699	15.2
Middle	51,736	55.9	63,323	54.4	3,133	4.9	23,696	20.3
Upper	31,980	34.5	38,107	32.7	1,555	4.1	54,614	46.9
NA	0	0.0	0	0.0	0	0.0		
Total	92,626	100.0	116,464	100.0	6,029	5.2	116,464	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	2,255	15.9	1,983	15.3	172	24.2	100	20.3
Middle	7,589	53.5	6,977	53.7	336	47.2	276	56.1
Upper	4,346	30.6	4,026	31.0	204	28.6	116	23.6
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	14,190	100.0	12,986	100.0	712	100.0	492	100.0
	Percentage of Total Businesses:			91.5		5.0		3.5

*NA-Tracts without household or family income as applicable

Following the 2010 census, MSA boundaries were updated that became effective in 2014. As a result of the boundary updates, St. Mary’s County, Maryland, transitioned from being a nonmetropolitan county to being included in the California-Lexington Park, MD MSA, which is part of the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA.

While the overall assessment area consists of the same three (Charles, Calvert, and St. Mary’s) counties during 2013 and 2014, St. Mary’s transition to a MSA during 2014 caused some changes to the demographic data for the assessment area. Specifically, the income level designation (i.e. low-, moderate-, middle- and upper-income) of several of the 18 census tracts in St. Mary’s County changed because the median family income of the California-Lexington Park, MD MSA (\$90,100) is higher than the median family income of the statewide Maryland nonmetropolitan areas (\$67,300) during 2014. As a result, the assessment area includes a low-income census tract that did not exist during 2013 and several upper-income census tracts were reclassified as middle-income, while one middle-income census tracts became a moderate-income census tract.

Based on 2010 census data, the 2014 assessment area has a population of 340,439 and a median housing value of \$356,702. The owner-occupancy rate for the assessment area (72.7%) exceeds the rate for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (59.6%), the California-Lexington Park, MD MSA (65.2%), and the State of Maryland (62.2%). The overall family poverty rate of the assessment area equals 3.8%, which is less than the rate for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (5.2%), the California-Lexington Park, MD MSA (4.7%), and the overall State of Maryland (5.7%). During 2014, the median family income of the Washington-Arlington-Alexandria, DC-VA-MD-WV equaled \$107,100, while the California-Lexington Park, MD MSA's median family income equaled \$90,100. The following table provides pertinent demographic data about the 2014 assessment area:

Assessment Area Demographics

Charles, MD MSA (Based on 2010 Census Data and 2014 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	1.5	1,176	1.3	164	13.9	15,885	18.1
Moderate	10	14.7	10,681	12.2	855	8.0	16,483	18.8
Middle	43	63.2	58,590	66.8	1,935	3.3	22,330	25.4
Upper	11	16.2	17,325	19.7	357	2.1	33,074	37.7
NA	3	4.4	0	0.0	0	0.0		
Total	68	100.0	87,772	100.0	3,311	3.8	87,772	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	809	0.9	2,024	1.7	283	14.0	22,268	19.1
Moderate	9,255	10.0	15,465	13.3	1,363	8.8	19,387	16.6
Middle	63,769	68.8	77,782	66.8	3,692	4.7	25,363	21.8
Upper	18,793	20.3	21,193	18.2	691	3.3	49,446	42.5
NA	0	0.0	0	0.0	0	0.0		
Total	92,626	100.0	116,464	100.0	6,029	5.2	116,464	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	161	1.2	142	1.2	15	2.1	4	0.9
Moderate	2,078	15.7	1,822	15.1	168	23.0	88	20.6
Middle	8,471	64.1	7,756	64.3	433	59.2	282	65.9
Upper	2,515	19.0	2,346	19.4	115	15.7	54	12.6
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	13,225	100.0	12,066	100.0	731	100.0	428	100.0
Percentage of Total Businesses:				91.2		5.5		3.3

*NA-Tracts without household or family income as applicable

The local economy has a diversified employment and industrial base. The area’s major employers include numerous hospitals and health care facilities, Facchina Construction Company, Wal-Mart stores, BAE Systems, Dynacorp International, Wyle Laboratories, and Calvert Cliffs Nuclear Power Plant. Current and recent periodic unemployment rates are included in the following table:

Geographic Area	Unemployment Rate Trend			
	April 2012	April 2013	April 2014	April 2015
Charles County	6.2%	6.1%	5.3%	4.6%
Calvert County	5.9%	5.7%	5%	4.2%
St. Mary’s County	5.8%	5.8%	5%	4.6%
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	5.5%	5.2%	4.8%	4.4%
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	5.9%	5.7%	5%	4.6%
State of Maryland	6.5%	6.4%	5.5%	4.9%

Area unemployment rates have trended down since 2012. Current unemployment rates within the assessment area are similar to the rates within the MSA, CSA, and statewide rate.

An official from an affordable housing organization was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact noted that while the local economy has been improving over the previous five years, a need for affordable housing, particularly rental housing, still exists. The contact suggested that incentives targeted to developers for affordable housing would likely increase the number of affordable housing units within the local market area. According to the contact, local financial institutions are adequately meeting local credit needs.

Overall discussions with the community contact and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are reasonably available within the bank’s assessment area when considering performance context factors. The institution faces no significant constraints relative to its size or business strategy in making community development loans or investments or supporting community service activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The institution’s overall lending performance within this assessment area is considered good. This conclusion is based on an evaluation of the bank’s lending activity, geographic and borrower distribution performances, and the level of community development lending, while taking into account the bank’s market strategy, area demographic data, and aggregate loan data.

Within this assessment area during 2013 and 2014, the bank reported originating \$75.7 million in residential mortgage loans and \$221.5 million in small business loans. Based on relative lending volumes, the bank’s small business lending performance was given more weight when considering its overall performance.

Lending Activity:

The bank’s lending activity within this assessment area during the evaluation period measured by number (96.7%) and dollar volume (96.5%) is proportional to the percentage of local deposits (98.8%) in the assessment area.

According to 2013 aggregate data, the institution ranked 26th of 361 lenders in reported mortgage lending with .8% of the market share and 5th of 46 lenders in reported CRA (small business and small farm) loans with 9.1% of the market share. The bank’s high market share rankings indicate that it is a large provider of credit within the assessment area. Overall, CBC’s level of lending activity is considered excellent.

Geographic Distribution:

During 2013, the assessment area contained no low-income census tracts. Following the creation of the California-Lexington Park, MD MSA in 2014, the income level designations of several census tracts in the assessment area changed, including the creation of one low-income census tract. When considering the bank’s performance by loan product, its geographic distribution is considered good for HMDA lending, and adequate for small business lending. Overall, the bank’s performance is considered adequate. This conclusion attributes greater weight to the bank’s small business lending performance because of the larger dollar volume of such loans within this assessment area during the evaluation period.

Distribution of HMDA Loans by Income Level of Census Tract

Charles, MD MSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(44)				Home Purchase (7,748)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	6.8	239	1.3	938	12.1	201,822	9.2
Middle	18	40.9	11,053	59.6	4,440	57.3	1,262,332	57.8
Upper	23	52.3	7,268	39.1	2,370	30.6	719,963	33.0
	(86)				Refinance (12,102)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	8	9.3	1,362	5.8	1,034	8.5	217,003	6.5
Middle	36	41.9	12,064	51.2	6,726	55.6	1,748,877	52.8
Upper	42	48.8	10,120	43.0	4,342	35.9	1,348,878	40.7
	(26)				Home Improvement (753)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	3.8	5	0.1	90	12.0	3,041	5.3
Middle	12	46.2	2,642	54.7	409	54.3	28,594	50.1
Upper	13	50.0	2,187	45.2	254	33.7	25,483	44.6
	(3)				Multi-Family (16)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	33.3	4,000	89.0	9	56.3	78,530	50.1
Middle	2	66.7	495	11.0	6	37.5	45,155	28.8
Upper	0	0.0	0	0.0	1	6.2	32,960	21.1
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	13	8.2	5,606	10.9	2,071	10.0	500,396	8.8
Middle	68	42.8	26,254	51.0	11,581	56.2	3,084,958	54.0
Upper	78	49.0	19,575	38.1	6,967	33.8	2,127,284	37.2
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	159	100.0	51,435	100.0	20,619	100.0	5,712,638	100.0

NA*-Tracts without household or family income as applicable

Refinance lending was the largest HMDA product by volume for both CBC as well as aggregate reporters. Given the limited volume of reported multi-family housing transactions within the assessment area, this loan type category was given the least weight when considering the bank's overall performance. When considering the bank's performance by loan type, the bank's refinance loan performance is considered good, while its performance with the remaining loan types is generally poor.

On a combined product basis during 2013, the bank's level of lending in moderate-income census tracts (8.2%) lagged the proportion of owner-occupied housing units located in such tracts (9.6%) and the aggregate lending level (10%). Overall, the bank's performance during 2013 is considered adequate.

During 2014, the bank's performance improved; however, its lending volume declined. CBC reported originating 94 HMDA loans totaling \$24.2 million within the assessment area during 2014. Of these loans, three loans (3.2%) totaling \$218,000 (.9%) were originated within low-income census tracts, and nine loans (9.6%) totaling \$1.6 million (6.8%) were originated within moderate-income census tracts. According to demographic data .9% of the assessment area's owner-occupied housing units are located in the low-income census tract and 10% of owner-occupied housing units are located in the moderate-income census tracts. Aggregate data from 2014 cannot be considered as it is not yet available. The bank's performance during 2014 is considered good.

Based primarily on the strength of the bank's performance in 2014, its overall performance during 2013 and 2014 is considered good overall.

Distribution of Small Business Loans by Income Level of Census Tract

(Bank lending includes both Small Business and Small Business secured by Real Estate)

Charles, MD MSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	78	15.2	14,057	12.4	622	16.8	31,698	17.3
Middle	280	54.5	61,411	54.0	1,928	52.0	86,428	47.3
Upper	156	30.3	38,209	33.6	1,155	31.2	64,688	35.4
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	514	100.0	113,677	100.0	3705	100.0	182,814	100.0

*NA-Tracts without household or family income as applicable

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

CBC's level of small business lending in moderate-income census tracts (15.2%) during 2013 approximated the percentage of area businesses located in such areas (15.9%) and slightly lagged the aggregate lending level (16.8%). The bank's performance during 2013 is considered good.

During 2014, the bank reported originating 496 small business loans totaling \$107.8 million within the assessment area. Of these, two loans (.4%) totaling \$200,000 (.2%) were originated within low-income census tracts, and 69 loans (13.9%) totaling \$12.8 million (11.9%) were originated within moderate-income census tracts. According to D&B data from 2014, 1.2% and 15.7% of area businesses are located in low- and moderate-income census tracts, respectfully. The bank's performance during 2014 is considered adequate in large part because of the strength of its moderate-income census tract performance.

Overall, the bank's small business lending performance during 2013 and 2014 is considered adequate based upon the relative performance for each year and similar dollar volume of lending during each year.

Distribution by Borrower Income and Revenue Size of the Business:

When considering the bank’s borrower distribution performance by loan product, HMDA lending is considered adequate, while small business lending is excellent. Given the relative dollar volume of lending and performance level of each product, CBC’s overall performance is considered excellent.

Distribution of HMDA Loans by Income Level of Borrower

Charles, MD MSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	10	7.2	1,326	3.7	1,733	10.7	264,378	6.6
Moderate	26	18.8	4,682	13.0	4,047	25.1	881,177	22.1
Middle	33	23.9	6,929	19.3	4,779	29.6	1,230,866	30.8
Upper	69	50.1	22,978	64.0	5,588	34.6	1,617,298	40.5
Total	138	100.0	35,915	100.0	16,147	100.0	3,993,719	100.0
Unknown	21		15,520		4,472		1,718,919	

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

CBC’s lending to low-income borrowers (7.2%) lagged the percentage of low-income families (16.5%) and the aggregate lending level (10.7%) within the assessment area during 2013. The bank’s level of lending to moderate-income borrowers (18.8%) approximated the percentage of such families (17.6%) but lagged the aggregate lending level (25.1%) within the assessment area. The bank’s performance during 2013 is adequate, and its performance during 2014 is similar.

Distribution of Lending by Loan Amount and Size of Business

(Bank lending includes both Small Business and Small Business secured by Real Estate)

Charles, MD MSA (2013)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	357	69.5	73,306	64.5	1,803	47.5	74,108	40.3
Over \$1 Million	157	30.5	40,371	35.5	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	260	50.6	14,307	12.6	3,451	90.9	51,545	28.0
\$100,001-\$250,000	118	23.0	21,982	19.3	161	4.2	29,335	16.0
\$250,001-\$1 Million	136	26.5	77,388	68.1	184	4.9	102,948	56.0
Total	514	100.0	113,677	100.0	3,796	100.0	183,828	100.0

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

D&B data from 2013 indicates that 91.5% of all local businesses have revenues that do not exceed \$1 million per year. Aggregate data from 2013 indicate that 47.5% of reported small business loans were to businesses with annual revenues of \$1 million or less. The remaining loans were made to businesses that either had revenues exceeding \$1 million or had revenues that were unknown. 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, 51% were made to businesses having annual revenues of \$1 million or less. The bank’s level of lending to businesses having annual revenues of \$1 million or less (69.5%) is considered excellent, and its performance during 2014 is similar.

Community Development Lending:

As previously indicated, community development lending opportunities are reasonably available within the Charles, MD MSA assessment area. When considering the bank's capacity, market position, and business strategy, it faces no constraints in extending community development loans within the assessment area.

During the evaluation period, the bank originated four community development loans totaling \$3.8 million within the Charles, MD MSA assessment area. Two of the loans were to organizations that provide affordable housing to low- and moderate-income people, while the remaining two loans were to an organization that provides community services targeted to area low- and moderate-income people.

The volume of community development lending extended by the bank within the assessment area is adequate when considering the bank's capacity and available opportunities.

INVESTMENT TEST

As previously mentioned, the bank has invested \$4 million in the CRA Qualified Investment Fund that benefits this assessment area and the broader regional area. Of this \$4 million investment, \$1.3 million provides affordable housing within the Charles, MD MSA assessment area and \$1.9 million supports affordable housing within the State of Maryland.

During the evaluation period, CBC made charitable donations totaling \$14,550 that specifically benefited the Charles, MD MSA assessment area.

CBC's level of investment activity exhibits good responsiveness to area community development needs when considering investment opportunities and its market presence.

SERVICE TEST

Within this assessment area, the bank's performance under the Service Test is considered good. Systems for delivering retail banking services are accessible to all portions of the assessment area. Additionally, the bank or its employees have participated in a relatively high level of services that provide community development.

Retail Services:

Delivery systems are accessible to all portions of the assessment area. Currently, CBC operates ten branch offices within this assessment area. Of these branches, none are located in low-income census tracts and two (20%) are located in moderate-income census tracts. According to recent demographic data, 1.7% and 13.3% of area households are located in low- and moderate-income census tracts, respectively. The bank has not opened or closed any branches within this assessment area since its previous evaluation (June 2012).

Automated teller machines (ATMs) are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail, online banking, and mobile banking services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system. Branch offices within the Charles, MD MSA assessment area are open from 9:00 a.m. until 4:00 p.m. Monday through Thursday and until 6:00 p.m. on Fridays and from 9:00 a.m. until noon on Saturdays. Bank services and branch hours do not vary in a way that inconveniences low- and moderate-income people or census tracts within the assessment area.

CBC also offers low-cost checking products to individuals and businesses within the community. These accounts can benefit all segments of the community, including low- and moderate-income individuals and small business.

Community Development Services:

As previously discussed, opportunities for providing community development services are reasonably available within the Charles, MD MSA assessment area. Within this context, CBC's employees provided a relatively high level of support to various local organizations whose operations directly benefit low- and moderate-income residents. Bank employees support these organizations by providing them with financial expertise and serving as directors. Examples of organizations that CBC supported during the evaluation period include the following:

Community Services

- Arc of Southern Maryland
- Farming 4 Hunger
- Health Partners
- Big Brothers Big Sisters of Southern Maryland
- Charles County Children's Aid Society
- Southern Maryland Tri County Community Action Committee

Affordable Housing

- Cedar Lane Senior Living Community
- Three Oaks Center
- Patuxent Habitat for Humanity

METROPOLITAN AREAS

(For each metropolitan area where no assessment areas were reviewed using full-scope review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN METROPOLITAN AREAS

The Fredericksburg, VA MSA assessment area was reviewed using the limited review examination procedures. Information detailing the composition of the market is included in **APPENDIX C** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for the assessment area, including performance and demographic information, can be found in **APPENDIX C** of this evaluation. Conclusions regarding performance, which did not impact the institution’s overall rating, are included in the following tables. For each test, the conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's multistate metropolitan area ratings. Although CBC’s performance is considered below its overall performance in the multistate metropolitan area, its performance was considered at least adequate within the assessment area.

Assessment Area	Lending Test	Investment Test	Service Test
Fredericksburg, VA MSA	Below	Below	Below

COMMONWEALTH OF VIRGINIA

CRA RATING FOR VIRGINIA²: SATISFACTORY

The lending test is rated: **LOW SATISFACTORY**

The investment test is rated: **LOW SATISFACTORY**

The service test is rated: **LOW SATISFACTORY**

Major factors supporting the rating include:

- Overall lending activity is adequate in relation to the bank's capacity and demand for credit.
- The bank's borrower distribution performance varies by product and is considered adequate overall.
- During the evaluation period, the bank did not originate any community development loans in the Virginia assessment area.
- The bank has made an adequate level of qualified community development investments when considering available opportunities.
- Delivery systems and branch locations are reasonably accessible to all segments of the bank's assessment areas.
- The bank and its employees provided an adequate level of community development service activities within the Virginia assessment area during the evaluation period.

SCOPE OF EXAMINATION

HMDA and small business loans from calendar years 2013 and 2014 were analyzed to determine the bank's performance regarding the borrower and geographic distribution of lending. Given its limited volume, the bank's small farm loans were not evaluated. Qualified community development loans and services are also considered for activities since the previous evaluation (June 11, 2012). All qualified investments made during this same period, and those outstanding as of the evaluation, regardless of when made, were also considered.

The bank has delineated one assessment area (King George, VA NonMSA) in the Commonwealth of Virginia. Statewide ratings for Virginia are based solely on the bank's performance in this assessment area. As previously noted, the bank's performance within the Virginia portion of the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA is included in the overall assessment of the bank's performance in the multistate metropolitan area and is not considered as a factor for the Commonwealth of Virginia's performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE KING GEORGE, VA NONMSA ASSESSMENT AREA

The King George, VA NonMSA assessment area includes all of King George County, Virginia. The bank operates one branch office in this assessment area and, as of June 2014, ranked last out of four institutions in local deposit market share by having 5.9% of the assessment area's available FDIC insured deposits.

² For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

According to 2010 census data, the assessment area delineation has a population of 23,584 and a median housing value of \$305,204. The owner-occupancy rate for the assessment area (67.9%) is higher than the rate for nonmetropolitan areas within the Commonwealth of Virginia (59.9%). The overall family poverty rate equals 5.1%, and is less than the rate for nonmetropolitan areas of Virginia (11.8%). The median family incomes for nonmetropolitan statewide areas of Virginia in 2013 and 2014 equal \$51,600 and \$52,000, respectively. The following table provides pertinent demographic data about the assessment area:

Assessment Area Demographics

King George, VA NonMSA								
<i>(Based on 2010 Census Data and 2013 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	536	8.9
Moderate	0	0.0	0	0.0	0	0.0	407	6.8
Middle	0	0.0	0	0.0	0	0.0	927	15.4
Upper	5	100.0	6,027	100.0	308	5.1	4,157	68.9
NA	0	0.0	0	0.0	0	0.0		
Total	5	100.0	6,027	100.0	308	5.1	6,027	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	709	8.7
Moderate	0	0.0	0	0.0	0	0.0	745	9.1
Middle	0	0.0	0	0.0	0	0.0	942	11.5
Upper	6,261	100.0	8,194	100.0	501	6.1	5,798	70.7
NA	0	0.0	0	0.0	0	0.0		
Total	6,261	100.0	8,194	100.0	501	6.1	8,194	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	0	0.0	0	0.0	0	0.0	0	0.0
Upper	991	100.0	926	100.0	27	100.0	38	100.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	991	100.0	926	100.0	27	100.0	38	100.0
Percentage of Total Businesses:				93.4		2.7		3.9

*NA-Tracts without household or family income as applicable

Major employers within this assessment area include the U.S. Department of Defense, King George County, the local school board, and Wal-Mart stores. As indicated in the following table, the level of unemployment within the assessment area has declined since the previous evaluation, and is currently consistent with the overall trend for the commonwealth.

Geographic Area	Unemployment Rate Trend			
	April 2012	April 2013	April 2014	April 2015
King George County	6.2%	5.4%	4.9%	4.7%
Commonwealth of Virginia	5.7%	5.3%	4.8%	4.6%

An official from an affordable housing organization was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact noted a need for additional affordable housing units within the local community. The contact suggested that local governments may need to provide subsidies in addition to those already available to encourage the development of affordable housing units within the local community. Further, the contact suggested that the presence of additional subsidies could encourage financial institutions to more actively participate in the financing of affordable housing projects. According to the contact, local financial institutions are adequately meeting local credit needs.

Overall discussions with the community contact and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are limited within this assessment area when considering performance context factors. The institution faces no significant constraints relative to its size or business strategy in making community development loans or investments or supporting community service activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The institution’s overall lending performance within this assessment area is considered to be adequate. This conclusion is based on an evaluation of the bank’s lending activity, geographic and borrower distribution performance, and the level of community development lending, while taking into account the bank’s market strategy, area demographic data, and aggregate loan data.

Within this assessment area during 2013 and 2014, the bank reported originating \$1.5 million in residential mortgage loans and \$4.1 million in small business loans (including small business loans secured by residential real estate). Based on relative lending volumes, the bank’s small business lending performance was given more weight when considering its overall performance.

Lending Activity:

The bank’s lending activity within this assessment area during the evaluation period measured by number (2.2%) and dollar volume (1.8%) is proportional to percentage of local deposits (1.2%) in the assessment area.

According to 2013 aggregate data, the institution ranked 32nd out of 149 lenders in reported mortgage lending with .1% of the market share, and ranked 6th out of 20 lenders in reported CRA (small business and small farm loans) with 4.7% of the market share. Overall, the bank’s level of lending activity is considered adequate.

Geographic Distribution:

As previously noted, the bank has delineated all of King George County, Virginia as its assessment area. Because all of the census tracts within the assessment area have the same income level designation (i.e. upper-income), an analysis of the bank’s geographic distribution performance within the assessment area has not been performed, as it would not provide meaningful information.

Distribution by Borrower Income and Revenue Size of the Business:

When considering the bank’s performance by loan product, its borrower distribution is considered very poor for HMDA lending, and good for small business lending. The bank’s overall borrower distribution performance is considered adequate.

Distribution of HMDA Loans by Income Level of Borrower

King George, VA NonMSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	0	0.0	0	0.0	13	1.2	1,622	0.6
Moderate	0	0.0	0	0.0	56	5.1	6,535	2.6
Middle	0	0.0	0	0.0	157	14.3	28,720	11.5
Upper	0	0.0	0	0.0	875	79.4	213,059	85.3
Total	0	0.0	0	0.0	1,101	100.0	249,936	100.0
Unknown	2		1,110		295		124,082	

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

During 2013, the bank originated two residential mortgage loans within the King George, VA NonMSA assessment area. Both loans were extended to business entities. Because borrower income is not reported for businesses under the HMDA, the borrowers’ incomes cannot be considered in this analysis. While the regulation does not require the bank to originate residential mortgage loans with consumers within the assessment area, both the aggregate and demographic data indicate that there is demand for such lending within the assessment area. The bank’s lending to low- and moderate-income borrowers within the assessment area during 2013 is considered very poor and its performance during 2014 is similar.

Distribution of Lending by Loan Amount and Size of Business

(Bank lending includes both Small Business and Small Business secured by Real Estate)

King George, VA NonMSA (2013)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
\$1 Million or Less	8	72.7	1,140	64.3	102	53.7	6,195	53.3
Over \$1 Million	3	27.3	634	35.7	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
\$100,000 or less	7	63.6	289	16.3	171	90.0	2,715	23.3
\$100,001-\$250,000	2	18.2	435	24.5	7	3.7	1,534	13.2
\$250,001-\$1 Million	2	18.2	1,050	59.2	12	6.3	7,379	63.5
Total	11	100.0	1,774	100.0	190	100.0	11,628	100.0

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

D&B data from 2013 indicates that 93.4% of all local businesses have revenues that do not exceed \$1 million per year. During 2013, 53.7% of aggregate reported small business loans were to businesses with annual revenues of \$1 million or less. The remaining loans were made to businesses that either had revenues exceeding \$1 million or had revenues that were unknown. 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, 66.7% were made to businesses having annual revenues of \$1 million or less. CBC’s level of lending to businesses having revenues of \$1 million or less (72.7%) is considered good during 2013, and its performance during 2014 is similar.

Community Development Lending:

As previously indicated, community development lending opportunities are limited within the Kings George, VA NonMSA assessment area. When considering the bank's capacity, market position, and business strategy, it faces no constraints in extending community development loans within the assessment area.

The bank did not report any community development loans in this assessment area. To the extent that CBC made loans that facilitate community development, such loans have already been reported as small business, small farm, or HMDA loans and cannot also be reported as community development loans.

INVESTMENT TEST

As previously mentioned, the bank has invested \$4 million in the CRA Qualified Investment Fund. The entire \$4 million investment is allocated to support community development activities in the State of Maryland and the Commonwealth of Virginia. Of this \$4 million investment, \$750,000 has been specifically invested in a community development entity that serves the Commonwealth of Virginia, which includes this assessment area.

CBC's level of investment activity exhibits an adequate level of responsiveness to area community development needs when considering investment opportunities and its market presence.

SERVICE TEST

Within this assessment area, the bank's performance under the Service Test is considered adequate. Systems for delivering retail banking services are reasonably accessible to all portions of the assessment area. Additionally, the bank or its employees having participated in an adequate level of services that provide community development.

Retail Services:

Delivery systems are reasonably accessible to all portions of the assessment area. Currently, CBC operates one branch office in this assessment area. The branch is located in an upper-income census tract in the northern portion of the county, and 100% of area households within the assessment area are located in upper-income census tracts. The bank has neither opened nor closed any offices within this assessment area since its previous evaluation (June 2012).

ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail, online banking, and mobile banking services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system. The bank's branch is open from 9:00 a.m. until 4:00 p.m. Monday through Thursday and until 6:00 p.m. on Fridays. Bank services and branch hours do not vary in a way that inconveniences low- and moderate-income people within the assessment area.

CBC also offers low-cost checking products to individuals and businesses within the community. These accounts can benefit all segments of the community, including low- and moderate-income individuals and small business.

Community Development Services:

As previously discussed, community development service opportunities are limited within the assessment area. During the evaluation period, a bank employee served on the board of directors of the Central Virginia Housing Coalition (CVHC). The CVHC supports affordable housing initiatives in King George County, Virginia and several surrounding counties. Given its limited market presence and limited opportunities, the bank and its employees participated in an adequate level of community development services within the assessment area during the evaluation period.

CRA APPENDIX A
SCOPE OF EXAMINATION

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED³	OTHER INFORMATION
Charles, MD MSA	Full-Scope	3035 Leonardtown Rd, Waldorf, MD 20601	Small farm lending not considered.
King George, VA NonMSA	Full-Scope	16384 Consumer Row, King George, VA 22485	Small farm lending not considered.
Fredericksburg, VA MSA	Limited-Scope	None	Small farm lending not considered. New assessment area as of 2014.

³ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA APPENDIX B

Summary of State and Multistate MSA Ratings

Multistate Metropolitan Area or State Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall Rating
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Virginia	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

CRA APPENDIX C

LIMITED REVIEW TABLES

Fredericksburg, VA MSA

This assessment area includes all of the City of Fredericksburg and Spotsylvania County, Virginia. The assessment area is new as of 2014 and consists of two low-, 12 moderate-, 20 middle-income, one upper-income, and one census tract that does not have an income level designation.

Performance Test Data for the Fredericksburg, VA MSA Assessment Area

LENDING TEST

Limited Review Lending Table

Fredericksburg, VA MSA (2014)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(0)				(0)			
Low	0	0.0	NA	2.9	0	0.0	NA	2.9
Moderate	0	0.0	NA	33.9	0	0.0	NA	33.9
Middle	0	0.0	NA	61.2	0	0.0	NA	61.2
Upper	0	0.0	NA	1.9	0	0.0	NA	1.9
	Refinance				Multi-Family			
<i>Geographic</i>	(2)				(0)			
Low	1	50.0	NA	2.9	0	0.0	NA	2.9
Moderate	0	0.0	NA	33.9	0	0.0	NA	33.9
Middle	1	50.0	NA	61.2	0	0.0	NA	61.2
Upper	0	0.0	NA	1.9	0	0.0	NA	1.9
	HMDA Totals				Consumer			
<i>Geographic</i>	(2)				(NA)			
Low	1	50.0	NA	2.9	NA	NA	NA	NA
Moderate	0	0.0	NA	33.9	NA	NA	NA	NA
Middle	1	50.0	NA	61.2	NA	NA	NA	NA
Upper	0	0.0	NA	1.9	NA	NA	NA	NA
<i>Borrower</i>	(0)				(NA)			
Low	0	0.0	NA	26.3	NA	NA	NA	NA
Moderate	0	0.0	NA	22.6	NA	NA	NA	NA
Middle	0	0.0	NA	23.3	NA	NA	NA	NA
Upper	0	0.0	NA	27.8	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(9)				(0)			
Low	3	33.3	NA	10.1	0	0.0	NA	0.0
Moderate	0	0.0	NA	29.2	0	0.0	NA	64.4
Middle	5	55.6	NA	59.2	0	0.0	NA	35.6
Upper	1	11.1	NA	1.5	0	0.0	NA	0.0
<i>Revenue</i>	(9)				(0)			
Busn/ Farms with revenues <=\$1 M	6	66.7	NA	91.6	0	0.0	NA	100.0

*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*

No community development loans were originated within this assessment area during the evaluation period.

INVESTMENT TEST

As previously noted, the bank has invested \$4 million in qualified securities. Of this amount, \$750,000 has been allocated to a community development financial institution that serves the statewide area. During the evaluation period, one charitable donation totaling \$500 was made to support an organization that provides qualified community development services within the assessment area.

SERVICE TEST

The bank operates one office located in a middle-income census tract within this assessment area. Banking services offered in this assessment area are substantially the same as the service available to other communities served by the bank. The bank participated in one community development service activity that benefited a regional area that includes this assessment area during the evaluation period.

CRA APPENDIX D

BRANCH, LOAN, AND DEPOSIT VOLUME BY ASSESSMENT AREA

The following table reflects the distribution of branch offices and deposit and loan volume by assessment area. The deposit volume includes all bank deposits and is current as of June 30, 2014, while the loan volume includes all the HMDA, small business, small business secured by real estate, and small farm loans considered in the evaluation.

Assessment Area	Combined HMDA/CRA Loan Volume				Full Service Branches		Deposit Volume	
	#	%	\$(000s)	%	#	%	\$(000s)	%
Charles, MD MSA	1,292	96.7%	\$302,732	96.5%	10	83.3%	\$806,505	98.8%
Fredericksburg, VA MSA *	15	1.1%	\$5,394	1.7%	1	8.3%	NA	NA
<i>Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA Subtotal</i>	<i>1,307</i>	<i>97.8%</i>	<i>\$308,126</i>	<i>98.2%</i>	<i>11</i>	<i>91.7%</i>	<i>\$806,505</i>	<i>98.8%</i>
King George, VA NonMSA	29	2.2%	\$5,714	1.8%	1	8.3%	\$9,530	1.2%
Total	1,336	100%	\$313,840	100%	12	100%	\$816,035	100%

* Because the Fredericksburg Branch opened on July 15, 2014, deposit information for the branch was not available.

CRA APPENDIX E

GLOSSARY

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

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

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

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

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

Loans, investments, and services that-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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