

# **PUBLIC DISCLOSURE**

**November 27, 2006**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Calvin B. Taylor Banking Company of Berlin, Maryland  
05874**

**24 North Main Street  
Berlin, Maryland 21811**

**Federal Deposit Insurance Corporation  
20 Exchange Place  
New York, New York 10005**

**NOTE:** 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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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Calvin B. Taylor Banking Company of Berlin, Maryland** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **November 27, 2006**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Calvin B. Taylor's (CBT) CRA rating is based on its performance under the Act's lending, investment, and services tests. A brief summary of the bank's performance under each of the CRA tests follows. Please refer to the body of the Performance Evaluation for details.

### Lending Test:

- CBT's lending levels reflect good responsiveness to assessment area credit needs.
- CBT originates a high percentage of loans in its assessment areas.
- Overall, the geographic distribution of home mortgage, small business, home equity, and consumer loan originations reflects excellent penetration throughout the assessment areas.
- Overall, penetration among businesses of different sizes and retail customers of different incomes is excellent.
- CBT has made an adequate level of community development loans that respond to assessment area credit needs.
- CBT makes limited use of innovative and/or flexible lending practices to serve assessment area credit needs.

### Investment Test:

- CBT's level of qualified investments is considered adequate as is its responsiveness to community development needs.

### Service Test:

- Delivery systems are accessible to essentially all portions of the bank's assessment areas.
- Services and hours of operation do not vary in any way that inconveniences portions of the assessment areas.
- CBT provides an adequate level of community development services.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE:**

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

<b>PERFORMANCE LEVELS</b>	<b>Calvin B. Taylor Banking Company of Berlin, Maryland</b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

## DESCRIPTION OF INSTITUTION:

Calvin B. Taylor Banking Company of Berlin, Maryland (CBT) is a \$384 million full-service commercial bank wholly-owned by Calvin B. Taylor Bankshares, Inc., a one bank holding company based in Berlin, Maryland.

CBT operates ten full service banking offices. Nine of the banking offices are located in Worcester County, Maryland and one banking office is located in Sussex County, Delaware. The bank has not opened or closed any banking offices since the previous examination. Based on 2006 demographic data, two of the banking offices are located in moderate-income census tracts and the remaining eight are located in middle-income census tracts. There are no banking offices in low-income or upper-income census tracts.

The bank received a CRA rating of “Satisfactory” at its most recent CRA evaluation dated June 14, 2004.

As of September 30, 2006, the assets for CBT were \$384 million. The bank reported net loans and leases of \$229 million and \$87 million in securities. Total deposits as of this date approximate \$311 million. As shown in Table A that follows, the loan portfolio primarily consists of loans secured by real estate, with the highest percentage of loans secured by 1-4 residential properties.

<b>Table A – Loan Distribution as of 9/30/2006</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	\$33,670	14.57%
Farmland	\$1,536	0.66%
1-4 Family Residential (Closed-End)	\$91,560	39.63%
Multifamily Residential	\$7,810	3.38%
Non-farm /Non-Residential	\$71,472	30.94%
<b>Total Real Estate Loans</b>	<b>\$206,048</b>	<b>89.18%</b>
Agricultural Production and other Farm	\$41	0.02%
Commercial and Commercial	\$18,626	8.06%
Consumer	\$2,640	1.14%
Obligations of States and Political Subdivisions of the U.S.	\$3,669	1.59%
Other Loans (non-consumer)	\$13	0.01%
<b>Total Loans</b>	<b>\$231,037</b>	<b>100%</b>

Source: Report of Condition (9/30/2006)

Also as of September 30, 2006, CBT reported net income of \$5.5 million, which equates to a return on assets (ROA) of 1.98 percent on a net interest margin of 4.54 percent. The bank's ROA of 1.98 percent is above peer institutions ROA of 1.29 percent for the same time period. While subject to competition from local, regional, and national financial institutions, CBT is profitable and has the ability to meet CRA performance criteria. There are no legal, economic, or other factors that would inhibit the bank's ability to satisfy identified community credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act requires financial institutions to define an assessment area(s) within which the bank will focus its lending efforts. The FDIC evaluates the institution’s CRA performance based on its activity within the defined assessment area(s). CBT has delineated two assessment areas.

1. Worcester County: The first assessment area includes all Worcester County, Maryland.
2. Sussex County – The second assessment area includes a portion of Sussex County, Delaware.

### Worcester County Assessment Area

Worcester County is famous for its Ocean City beach resort on the Atlantic Ocean and its economy is primarily driven by tourism. Based on 2000 U.S. census data, the population is 46,543. There are 11 census tracts within Worcester County (18 percent moderate-income and 82 percent middle-income census tracts). There are 14,775 owner-occupied housing units, 4,648 businesses, and 191 farms. The unemployment rate is 6.78 percent. The families are distributed by income level as follows: 20.17 percent low-income, 19.45 percent moderate-income, 25.53 percent middle-income and 34.85 percent upper-income.

### Sussex County Assessment Area

Sussex County is one of three counties in the State of Delaware. The bank has delineated seven census tracts in Sussex County. Six are middle-income census tracts and one is in an upper-income census tract. Based on 2000 U.S. census data, the population of the bank’s assessment area is 24,246. There are 9,022 owner occupied housing units, 1,798 businesses and 75 farms. Of the nation’s counties, Sussex ranks number one in production of poultry. The unemployment rate is 5.34 percent. The families are distributed by income level as follows: 16.23 low-income, 18.61 moderate-income, 22.84 middle-income, and 42.31 low-income.

### Combined Assessment Area:

Based on 2000 Census data, the bank had 18 census tracts in its assessment areas combined. Table B that follows shows the census tracts by income level:

<b>Table B: Assessment Area</b>		
	<b>2000 Census</b>	<b>Percentage</b>
<b>Low</b>	0	0
<b>Moderate</b>	2	11.11
<b>Middle</b>	15	83.33
<b>Upper</b>	1	5.56
<b>N/A</b>	0	0
<b>Total</b>	<b>18</b>	<b>100%</b>

Based on 2000 U.S. census data, the population of the combined assessment areas is 70,789. There are 23,797 owner-occupied housing units, 27,431 businesses, and 205 farms. The unemployment

rate is 6.31 percent. The families are distributed by income level as follows: 18.76 percent low-income, 19.15 percent moderate-income, 24.56 percent middle-income, and 37.53 percent upper-income.

The lending portion of this performance evaluation is written to reflect the bank's combined assessment area. All tables within the report relating to lending reflect the combined assessment areas. For information related to a specific assessment area, please refer to the summarized data within the description of each assessment area toward the end of this public evaluation.

### **Economic Overview**

The following information was obtained from the FDIC's Division of Insurance and Research:

Maryland is generally posting stable growth. The slowdown in housing is clearly weighing on construction employment and has started to weigh on retail trade, but is being countered by strong and accelerating growth in education and healthcare industries, and a recent rebound in hiring in business services. The median house price for the State actually fell in July for the first time in months, from a June peak. Active inventory of homes for sale has also more than doubled since August of last year. This high building inventory will be the chief driver of lower house prices for the next year.

Maryland's growth will moderate in the near term, although the metro area will continue to expand. Defense and civil procurements will overcome the negative effects of the state's declining manufacturing industry, and slowing housing activity.

Delaware's economy will have difficulty maintaining the recent pace of growth through the end of this year. The housing market correction will weigh heavily on the metro area, leading to a slowing of payroll growth in key industries and a downward wealth effect. Therefore, Delaware will experience a stronger slowdown than the nation, and will slightly under-perform for the foreseeable future.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

#### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Home mortgage loans originated in 2004, 2005, and 2006 (through the third quarter) were reviewed. In addition, 2004, 2005 and 2006 small business loans reported pursuant to the CRA data collection requirements were also reviewed. Lastly, the bank collected information on its consumer loans for the years 2004, 2005, and 2006 and this was reviewed. For the years 2004, 2005, and 2006 combined, the percentage of loans, by number, originated within various lending categories was as follows: home mortgage (17 percent), small business (30 percent), small farm (1 percent), Other RE secured (8 percent), Home Equity (19 percent), and Consumer (motor vehicle, secured, unsecured consumer loans) (25 percent). Since the number of small farm and other real estate secured loans is minimal, the evaluation of these will be limited to the table describing the assessment area concentration.

Please note, that although CBT is not a HMDA reporter, aggregate HMDA data is utilized within the report as a comparison, as there are numerous banks within the assessment area that are HMDA reporters. In addition, while the analysis includes aggregate information on lenders reporting small business loans for 2004, only financial institutions with more than \$250 million in total assets were required to report their small business loan originations at that time. Lastly, although dollar volume percentages are generally not presented in this report, overall, they are generally comparable to the number volume percentages.

#### **Lending Activity**

The bank's lending levels reflect a good responsiveness to assessment area credit needs.

Although CBT is not a HMDA reporter, in 2004, there were 426 reporting institutions in the bank's assessment area. Using this information, CBT would be ranked the twelfth largest originator of home mortgage loans among the reporters in its assessment area by number volume and seventeenth by dollar volume. The bank's market share would be 1.49 percent by number volume and 1.01 percent by dollar volume. Also in 2004, the bank's average home mortgage loan amount was \$147,906, while for all lenders, the average loan amount was \$219,000.

Comparing the bank's 2005 data to all HMDA reporters shows that the bank would rank as the sixteenth largest originator by number and dollar volume of home mortgage loans in its assessment area. The bank's market share would be 1.38 percent by number and 0.97 percent by dollar volume. In 2005, there were 425 HMDA reporters and the average loan amount was \$253,000. For the same year, the bank's average loan amount was \$178,175.

The bank continues to experience strong competition from large multi-state, multi-billion dollar mortgage lenders that dominate as the principal residential lenders in the bank's assessment area.

CBT met the reporting requirements for small business loans in 2004 and is therefore included in the aggregate data. In 2004, the bank was ranked the eighth largest originator of small business loans among the 67 reporters in its assessment area by number volume and the fourth by dollar amount. The bank's market share was 3.20 percent by number volume and 8.40 percent by dollar amount. The bank's average small business loan amount was \$89,000. Market share and ranking information for 2005 was not available as of this writing.

As of September 30, 2006, the bank's loan-to-deposit ratio was 73.61 percent. The bank's average loan-to-deposit ratio, based on the 10 quarters since the previous CRA evaluation, is 60.62 percent. This is a slight increase since the average loan to deposit ratio noted at the previous examination.

Based on the bank's rankings and average loan to deposit ratio, lending levels reflect good responsiveness to overall assessment area credit needs.

### Assessment Area Concentration

The bank originates a high percentage of loans in its assessment area. Table C illustrates the number and dollar volume of loans originated by the bank both inside and outside of its overall assessment area.

<b>Table C - Distribution of Loans Inside and Outside of the Assessment Areas</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2004	139	86	23	14	162	\$20,559	90	\$2,233	10	\$22,792
2005	131	85	24	15	155	\$23,341	89	\$2,973	11	\$26,314
YTD 2006	103	89	16	11	119	\$15,168	79	\$4,100	21	\$19,268
<b>Subtotal</b>	<b>373</b>	<b>86</b>	<b>63</b>	<b>14</b>	<b>436</b>	<b>\$59,068</b>	<b>86</b>	<b>\$9,306</b>	<b>14</b>	<b>\$68,374</b>
Small Business										
2004	250	90	29	10	279	\$22,311	83	\$4,570	17	\$26,881
2005	240	89	30	11	270	\$28,042	80	\$7,072	20	\$35,114
YTD 2006	160	86	27	14	187	\$17,310	72	\$6,674	28	\$23,984
<b>Subtotal</b>	<b>650</b>	<b>88</b>	<b>86</b>	<b>12</b>	<b>736</b>	<b>\$67,663</b>	<b>79</b>	<b>\$18,316</b>	<b>21</b>	<b>\$85,979</b>
Small Farm										
2004	7	70	3	30	10	\$203	93	\$16	7	\$219
2005	6	60	4	40	10	\$464	94	\$29	6	\$493
YTD 2006	3	75	1	25	4	\$18	95	\$1	5	\$19
<b>Subtotal</b>	<b>16</b>	<b>67</b>	<b>8</b>	<b>33</b>	<b>24</b>	<b>\$685</b>	<b>94</b>	<b>\$46</b>	<b>6</b>	<b>\$731</b>
Other RE Secured										
2004	67	84	13	16	80	\$5,814	73	\$2,171	27	\$7,985
2005	75	91	7	9	82	\$8,069	94	\$555	6	\$8,624
YTD 2006	41	95	2	5	43	\$3,853	100	\$14	<1	\$3,867
<b>Subtotal</b>	<b>183</b>	<b>89</b>	<b>22</b>	<b>11</b>	<b>205</b>	<b>\$17,736</b>	<b>87</b>	<b>\$2,740</b>	<b>13</b>	<b>\$20,476</b>
Home Equity										
2004	151	92	14	8	165	\$2,699	89	\$335	11	\$3,034
2005	170	89	22	11	192	\$4,890	91	\$457	9	\$5,347
YTD 2006	105	92	9	8	114	\$1,577	94	\$102	6	\$1,679
	<b>426</b>	<b>90</b>	<b>45</b>	<b>10</b>	<b>471</b>	<b>\$9,166</b>	<b>91</b>	<b>\$894</b>	<b>9</b>	<b>\$10,060</b>
Consumer *										
2004	201	81	47	19	248	\$1,503	89	\$179	11	\$1,682
2005	207	85	37	15	244	\$1,641	89	\$195	11	\$1,836
YTD 2006	132	76	41	24	173	\$1,410	83	\$296	17	\$1,706
<b>Subtotal</b>	<b>540</b>	<b>81</b>	<b>125</b>	<b>19</b>	<b>665</b>	<b>\$4,554</b>	<b>87</b>	<b>\$670</b>	<b>13</b>	<b>\$5,224</b>
<b>Total</b>	<b>2,188</b>	<b>86</b>	<b>349</b>	<b>14</b>	<b>2,537</b>	<b>\$158,872</b>	<b>83</b>	<b>\$31,972</b>	<b>17</b>	<b>\$190,844</b>

Source: Internal Bank Documents and 2004, 2005, and ytd 2006 CRA Small Business Loan Registers. \* Consumer loans include motor vehicle, secured, and unsecured loans.

Collectively in 2004, 2005, and year to date 2006, 86 and 83 percent of the bank's loan originations by number volume and dollar volume, respectively are in the bank's overall assessment area. Since the previous evaluation, the percentage of the number of loans within the bank's assessment area has decreased slightly in all loan categories; however, a high percentage of loans continue to be originated within the bank's overall assessment area.

## Geographic Distribution of Lending

Home mortgage, small business, home equity loans and consumer loans (motor vehicle, secured, and unsecured loans) in the overall assessment area were reviewed to determine the distribution of loans among various census tracts. Overall, the geographic distribution of these loan originations reflects excellent penetration throughout the overall assessment area.

### **Home Mortgage Originations**

Table D depicts the bank's home mortgage loan originations within its overall assessment area for 2004, 2005, and year to date 2006. The distribution of loans to borrowers in the census tract categories is detailed by number volume percentage as is aggregate loan originations in the bank's overall assessment area. Overall, the geographic distribution of these loans reflects excellent penetration throughout the overall assessment area, particularly in moderate-income geographies.

<b>Table D - Geographic Distribution of HMDA Loans by Income Category of the Census Tract</b>									
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units</b>	<b>Aggregate Lending Data (% of #)</b>		<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>	
		<b>2004</b>	<b>2005</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Moderate</b>	8.29	3.58	2.59	16	11.51	17	12.98	12	11.65
<b>Middle</b>	83.83	84.01	79.96	122	87.77	114	87.02	90	87.38
<b>Upper</b>	7.87	12.41	17.45	1	0.72	0	0	1	0.97
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>139</b>	<b>100</b>	<b>131</b>	<b>100</b>	<b>103</b>	<b>100</b>

Source: 2000 U.S. Census data, 2004 and 2005 HMDA Aggregate Data, Internal Bank Documents.

### Low Income Census Tracts

There are no low-income census tracts in the bank's assessment area.

### Moderate-Income Census Tracts

There are two moderate-income census tracts within the overall assessment area and there are two banking offices physically located in moderate-income census tracts. The bank's home mortgage loan originations for 2004 and 2005 are significantly higher than the aggregate lending percentage of 3.58 and 2.59, respectively. The bank's home mortgage loan originations in moderate-income census tracts during 2004 and 2005 of 11.51 percent and 12.98 percent, respectively are significantly above U.S. Census data which shows that assessment area owner-occupied housing units in moderate-income census tracts represent 8.29 percent.

The bank's market share of loan originations in moderate-income census tracts during 2004 of 4.49 percent is above its overall market share of 1.49 percent. If the bank was a HMDA reporter, it would have been one of three reporters with a third place ranking. The bank's market share of loan

originations in moderate-income census tracts during 2005 of 3.71 is above its overall market share of 1.38 percent. If the bank was a HMDA reporter it would have ranked fifth among all reporters.

Summary

The bank’s percentage volume of home mortgage loans in moderate-income census tracts has increased since the prior evaluation. The bank’s percentages in moderate-income census tracts are significantly greater than aggregate percentages, U.S. Census data and the bank’s overall market share. Moderate-income census tracts represent only 11 percent of all census tracts within the bank’s assessment area. The bank’s geographic distribution of home mortgage loans is considered excellent.

**Small Business Loan Originations**

Table E that follows depicts CBT’s small business loan originations within its overall assessment area for 2004, 2005, and year to date 2006. The distribution of lending to businesses in the different census tract categories is detailed by number volume percentages and aggregate small business loan originations in the bank’s assessment area. Overall, CBT’s distribution of moderate-income census tracts is considered excellent.

<b>Table E - Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>Aggregate Lending Data (% of #)</b>		<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>	
	<b>2004</b>	<b>2005</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	NA	NA	NA	NA	NA	NA	NA	NA
<b>Moderate</b>	6.10	NA	34	13.60	31	12.92	20	12.50
<b>Middle</b>	89.00	NA	209	83.60	205	85.42	132	82.50
<b>Upper</b>	4.90	NA	7	2.80	4	1.66	8	5.00
<b>Total*</b>	<b>100</b>	<b>NA</b>	<b>250</b>	<b>100</b>	<b>240</b>	<b>100</b>	<b>160</b>	<b>100</b>

Source: 2004 CRA Aggregate Data, 2004, 2005, and 2006 CRA Small Business Registers

Low-Income Census Tracts

As previously stated, there are no census tracts designated as low-income within the bank’s overall assessment area.

Moderate-Income Census Tracts

CBT’s 2004 small business loan originations in moderate-income census tracts of 13.60 percent is more than twice that of the 2004 aggregate data of 6.10 percent. The bank’s market share of originations in moderate-income census tracts during 2004 of 10.15 percent is significantly above its overall market share of 3.20 percent. The bank’s ranking goes from eighth overall to fourth when focusing solely on loans in moderate-income census tracts.

The bank's originations in moderate-income census tracts are also above Dun and Bradstreet data. In 2004, Dun and Bradstreet data reports that 11.65 percent of the overall assessment area businesses are located in moderate-income census tracts. In 2005, Dun and Bradstreet reports that 11.32 percent of the overall assessment area businesses are located in moderate-income geographies.

Summary

The bank's penetration of moderate-income census tracts when compared to aggregate lending percentages, market share in moderate-income census tracts, and the percentage of businesses located in these tracts reflects excellent penetration throughout the overall assessment area.

**Home Equity Loan Originations**

Table F below sets forth CBT's home equity loan originations within its overall assessment area. The distribution of lending to consumers in the different census tract categories is detailed by number volume percentages and is compared to the percentage of assessment area households in each census tract income level. In general, penetration of moderate-income census tracts is considered excellent.

<b>Table F – Distribution of Home Equity Loans by Income Category of the Census Tract</b>							
<b>Census Tract Income Level</b>	<b>% of Total Owner Occupied Housing Units</b>	<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	NA	NA	NA	NA	NA	NA	NA
<b>Moderate</b>	8.29	14	9.27	19	11.18	14	13.33
<b>Middle</b>	83.83	135	89.41	149	87.65	91	86.67
<b>Upper</b>	7.87	2	1.32	2	1.17	0	0
<b>Total</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>170</b>	<b>100</b>	<b>105</b>	<b>100</b>

Source: 2000 U.S. Census Data, 2004, 2005, and ytd 2006 CRA Small Business Registers

Low-Income Census Tracts

As previously stated, there are no census tracts designated as low-income within the bank's overall assessment area.

Moderate-Income Census Tracts

In 2004 through 2006, the bank's home equity loan originations in moderate-income census tracts are above the percentage of total households in moderate-income geographies and this percentage of loans between each year has increased. Aggregate data to be used as a comparison is not available for this lending product.

### Summary

The bank's penetration of moderate-income census tracts when compared to U.S. Census data and when taking into consideration the upward trend reflects excellent penetration throughout the overall assessment area.

### **Consumer Loan Originations**

Table G below sets forth CBT's Consumer loan originations within its overall assessment area. The distribution of lending to consumers in the different census tract categories is detailed by number volume percentages and is compared to the percentage of assessment area households in each census tract income level. In general, penetration of moderate-income census tracts is considered excellent.

<b>Table G - Distribution of Consumer Loans by Income Category of the Census Tract</b>							
<b>Census Tract Income Level</b>	<b>% of Households</b>	<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	NA	NA	NA	NA	NA	NA	NA
<b>Moderate</b>	11.74	64	31.84	52	25.12	31	23.48
<b>Middle</b>	81.29	137	68.16	155	74.88	110	75.76
<b>Upper</b>	6.97	0	0	0	0	1	0.76
<b>Total</b>	<b>100</b>	<b>201</b>	<b>100</b>	<b>207</b>	<b>100</b>	<b>132</b>	<b>100</b>

Source: 2000 U.S. Census Data, 2004, 2005, and ytd 2006 CRA Small Business Registers

### Low-Income Census Tracts

As previously stated, there are no census tracts designated as low-income within the bank's overall assessment area.

### Moderate-Income Census Tracts

In 2004 through 2006, the bank's Consumer loan originations in moderate-income census tracts are significantly above the percentage of total households in moderate-income geographies. Aggregate data to be used as a comparison is not available for this lending product.

### Summary

The bank's penetration of moderate-income census tracts when compared to U.S. Census data reflects excellent penetration throughout the overall assessment area.

Overall, the geographic distribution of the bank's home mortgage, small business, home equity, and consumer loans when compared to aggregate data, market share, demographics, and the percentages of businesses located in these census tracts, reflects excellent penetration throughout the overall assessment area.

### **Borrower Characteristics**

Home mortgage, small business, home equity, and consumer loans were reviewed to evaluate CBT's record of lending to low-, moderate-, middle-, and upper-income borrowers and to businesses of different sizes. Overall, penetration among business customers of different sizes and among retail customers of different incomes is considered excellent.

### **Home Mortgage Loan Originations**

Home mortgage loans were reviewed to evaluate the bank's record of lending to low-, moderate-, middle-, and upper-income borrowers. Overall, penetration among retail customers of different income levels is excellent.

Table H that follows lists the 2004, 2005, and 2006 adjusted Median Family Income (MFI) figures for the bank's overall assessment area as determined by the Department of Housing and Urban Development (HUD). These MFIs were used as applicable to determine a borrower's income category.

<b>Table H - HUD-Adjusted Median Family Incomes</b>			
<b>Name</b>	<b>2004</b>	<b>2004</b>	<b>2006</b>
<b>Non-Metro Portion of MD</b>	\$57,900	\$60,900	\$61,500
<b>Non-Metro Portion of DE</b>	\$51,700	\$54,900	\$54,300

Table I that follows depicts the bank’s home mortgage loan originations within the overall assessment area. The distribution of lending to borrowers within the income categories is detailed by number volume percentage, as is aggregate loan originations in the bank’s overall assessment area for 2004 and 2005.

<b>Table I - Distribution of Home Mortgage Loans by Borrower Income (By Number)</b>									
<b>Borrower Income Level</b>	<b>% of Total Families</b>	<b>Aggregate Lending Data (% of #)</b>		<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>	
		<b>2004</b>	<b>2005</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	18.76 *	2.70	2.43	26	18.70	28	21.37	28	27.19
<b>Moderate</b>	19.15	8.34	7.39	24	17.27	17	12.98	17	16.50
<b>Middle</b>	24.56	13.65	13.17	30	21.58	35	26.72	20	19.42
<b>Upper</b>	37.53	68.52	69.54	59	42.45	51	38.93	38	36.89
<b>NA/0 **</b>		6.79	7.47	0	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>139</b>	<b>100</b>	<b>131</b>	<b>100</b>	<b>103</b>	<b>100</b>

Source: 2000 U.S. Census, 2004 and 2005 HMDA Aggregate Data, Internal bank documents. \* Of the total family households, 6.68 percent are living below the poverty level. \*\* This category is used when borrower income is not available. It is used for loans where a specific income was not relied upon in making the credit decision, or where the information, if reported, could be traced to and divulge confidential information about a specific borrower.

### Low Income Borrowers

CBT’s home mortgage loan originations to low-income borrowers during 2004 and 2005 is significantly above the aggregate lending percentages of 2.70 and 2.43. In 2004, the bank’s home mortgage loan originations to low-income borrowers is comparable to U.S. Census data which shows that 18.76 percent of the total family households are low-income. In 2005, the bank’s loan originations to low-income borrowers of 21.37 percent is greater than the U.S. Census data. The percentage of loans to low-income borrowers is on an upward trend since 2004.

### Moderate-Income Borrowers

The bank’s home mortgage loan originations to moderate-income borrowers during 2004 and 2005 is significantly above the aggregate lending percentages of 8.34 and 7.39, respectively. CBT’s home mortgage loan originations to moderate-income borrowers during 2004 through 2006 of 17.27, 12.98 and 16.50, respectively is slightly below U.S. Census data which shows that 19.15 percent of the assessment area families are moderate income.

### Summary

Based on the bank’s lending distribution to low and moderate-income borrowers when compared to aggregate data, and assessment area demographics, the distribution of home mortgage loans among borrowers of different income levels is considered excellent.

### Small Business Loan Originations

Table J that follows depicts the distribution of the bank's small business loan originations within its overall assessment area by loan size by number volume. The table also presents aggregate small business loan originations in the bank's overall assessment area.

Table J - Distribution of Number of Small Business Loans by Loan Size								
Loan Size (000s)	Aggregate Lending Data (% of #)		2004		2005		YTD 2006	
	2004	2005						
≤ \$100	92.46	NA	201	80.40	172	71.67	113	70.63
> \$100 ≤ \$250	4.06	NA	25	10.00	38	15.83	28	17.50
> \$250 ≤ \$1,000	3.48	NA	24	9.60	30	12.50	19	11.87
<b>Total</b>	<b>100</b>	<b>NA</b>	<b>250</b>	<b>100</b>	<b>240</b>	<b>100</b>	<b>160</b>	<b>100</b>

Source: 2004 CRA Aggregate Data, 2004, 2005, and ytd 2006 CRA small business registers

Based on number volume, the bank's percentages when compared to the aggregate data show that the bank is making fewer loans in the less than \$100,000 loan size category; however at 80 percent, the majority of the bank's small business loans are still less than \$100,000. Aggregate data for the year 2005 is not yet available.

Table K that follows presents the bank's small business loans by gross annual revenues. The table also sets forth aggregate small business originations in the bank's assessment area.

Table K - Distribution of Number of Small Business Loans by Revenues								
Gross Annual Revenues (000s)	Aggregate Lending Data (% of #)		2004		2005		YTD 2006	
	2004	2005	#	%	#	%	#	%
≤ \$1,000	40.52	NA	205	82.00	185	77.08	124	77.50
> \$1,000 Or NA	59.48	NA	45	18.00	55	22.92	36	22.50
<b>Total</b>	<b>100</b>	<b>NA</b>	<b>250</b>	<b>100</b>	<b>240</b>	<b>100</b>	<b>160</b>	<b>100</b>

Source: 2004 CRA Aggregate Data, 2004, 2005, and ytd 2006 CRA small business registers

When analyzing the bank's activity based on those small businesses with annual gross revenues less than or equal to \$1 million, the bank's percentage of 82 is significantly higher than aggregate data of 40.52 percent. The bank's lending percentage to businesses with gross annual revenues less than or

equal to \$1 million are higher than Dun and Bradstreet data. According to Dun and Bradstreet data, in 2004, 65.55 percent of businesses had gross annual revenues of less than \$1 million. In 2005, Dun and Bradstreet reports that 65.14 percent of businesses had gross annual revenues less than or equal to \$1 million.

Summary

Based on the aforementioned, the bank’s penetration among business customers of different sizes is considered excellent.

**Home Equity Loans**

Table L illustrates the bank’s home equity lending by number volume throughout its overall assessment area. The distribution of lending to consumers within the income categories is detailed by number volume percentages and is compared to the percentage of assessment area households within those categories.

Overall, the penetration of home equity loans to low- and moderate-income borrowers is excellent.

<b>Table L - Distribution of Home Equity Loans by Income Level of Borrowers</b>							
<b>Borrower Income Level</b>	<b>% of Total Families</b>	<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	18.76 *	38	25.17	37	21.76	22	20.95
<b>Moderate</b>	19.15	16	10.60	32	18.82	20	19.05
<b>Middle</b>	24.56	19	12.58	34	20.00	24	22.86
<b>Upper</b>	37.53	58	38.41	49	28.82	30	28.57
<b>NA/0</b>		20	13.25	18	10.59	9	8.57
<b>Total*</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>170</b>	<b>100</b>	<b>105</b>	<b>100</b>

Source: 2000 U.S. Census data, 2004, 2005 and ytd 2006 CRA small business registers. \*Of the total family households, 6.68 percent are living below the poverty level.

Low-Income Borrowers

CBT’s 2004 through 2006 home equity loan originations to low-income borrowers are above 2000 U.S. Census data which shows that 20.71 percent of households are considered to be low-income.

Moderate-Income Borrowers

The bank’s 2004 home equity loan originations of 10.60 percent is less than the 2000 U.S. census data which reports that 17.71 percent of assessment area households are considered moderate-income. However, the bank’s percentages are on an upward trend and both years 2005 and 2006 are above the demographic data.

### Summary

CBT's percentage of home equity loan originations to low- and moderate-income borrowers when compared to total households is considered excellent.

### **Consumer Loans**

Table M illustrates the bank's consumer lending by number volume throughout its overall assessment area. The distribution of lending to consumers within the income categories is detailed by number volume percentages and is compared to the percentage of assessment area households in each census tract income level.

Overall, the penetration of consumer loans to low- and moderate-income borrowers is excellent.

<b>Table M - Distribution of Consumer Loans by Income Level of Borrowers</b>							
<b>Borrower Income Level</b>	<b>% of Total Households</b>	<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	20.71	96	47.76	92	44.45	60	45.45
<b>Moderate</b>	17.71	57	28.36	55	26.57	29	21.97
<b>Middle</b>	20.67	24	11.94	30	14.49	16	12.12
<b>Upper</b>	40.91	17	8.46	22	10.63	21	15.91
<b>NA/0</b>	NA	7	3.48	8	3.86	6	4.55
<b>Total*</b>	<b>100</b>	<b>201</b>	<b>100</b>	<b>207</b>	<b>100</b>	<b>132</b>	<b>100</b>

Source: 2000 U.S. Census data, 2004, 2005, and ytd 2006 CRA small business registers. Of the total households, 8.83 percent are living below the poverty level.

### Low-Income Borrowers

CBT's 2004 through 2006 consumer loan originations to low-income borrowers is substantially higher than the 2000 U.S. Census data which shows that 20.71 percent of households are considered to be low-income.

### Moderate-Income Borrowers

Despite being on a downward trend, the bank's 2004 through 2006 consumer loan originations to moderate-income borrowers exceeds 2000 U.S. census data which reports that 17.71 percent of assessment area households are considered moderate-income.

### Summary

CBT's percentage of consumer loan originations to low- and moderate-income borrowers when compared to total households is considered excellent.

### **Community Development Lending:**

CBT makes an adequate number of community development loans that respond to assessment area credit needs. Since 2004, the bank originated one community development loan (CD loan) totaling \$2.3 million.

Community development loans originated during the review period of \$2.3 million represents 1.02 percent of the bank's net loans. At the previous evaluation, the bank had only one CD loan in the amount of \$20,000.

When compared to other CRA evaluations conducted in the State of Maryland within the past year, CBT's total outstanding community development loans as a percentage of net loans ratio of 1.02 percent is low. At the previous evaluation, the bank had only one CD loan in the amount of \$20,000 which represented only 0.01 percent of the bank's net loans.

The following is a description of the community development loan originated by the bank during the review period:

In August 2004, the bank made a loan to a church which is located in a distressed middle income census tract. The majority of the loan proceeds were used to construct a family life center building; however, a portion of the proceeds of the loan went towards renovations for the church's day care center building and to an outreach building known as Shepard's Nook which receives and distributes donated food and clothing for the needy.

Based on the availability of community development loans within the bank's assessment area in conjunction with the volume and type of community development loans originated by other banks, CBT's performance is considered adequate.

### **Innovative and Flexible Lending Practices**

#### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers not previously served by the institution; 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

CBT makes limited use of innovative and or flexible lending practices in order to serve assessment area credit needs. Since the most recent evaluation, the bank has added two new lending products. The previous CRA evaluation stated that the bank makes limited use of innovative and/or flexible lending practices.

<b>Table N - Innovative or Flexible Lending Practices</b>		
<b>PROGRAM</b>	<b>NUMBER OF LOANS</b>	<b>DOLLAR VOLUME OF LOANS</b>
Calvin B. Taylor Good Neighbor Loan	20	\$25,814
\$1,000 or less Loan	42	\$37,401
<b>Total Innovative and Flexible Lending Programs</b>	<b>62</b>	<b>\$63,215</b>

Source: Bank Records

The \$1,000 or less Loan Program

The bank continues to offer loans under this program. Loans for \$1,000 or less are originated at below market interest rates of 12 percent or less to fulfill customer needs for minimum loan amounts without resorting to high credit card cash advances or paycheck loan advances. In some cases, the borrowers have no other means to obtain a loan. Proceeds may be used to purchase fuel, make car repairs, etc. Additionally, 80 percent of these loans are unsecured.

Calvin B. Taylor Bank Good Neighbor Loan Program

The bank has developed a program to address the unmet credit needs of low and moderate-income residents in its trade area. There are two types of loans: secured and unsecured. The secured loans must be for \$10,000 or less and must be for home improvements. The interest rate is one percent less than the primary home loan rate. The unsecured loans must be for \$1,000 or less. The purpose is for heating assistance, medical bills, textbooks, clothing, other hardships or emergency needs. The interest rate is the primary home loan rate.

Calvin B. Taylor Bank Assistance Equipment Loan

The bank has developed a program to address the credit needs for equipment loans to aid citizens with special needs. The unsecured loans must be \$1,000 or less and the purpose is for wheelchairs, hospital beds, hearing aids, or other appropriate equipment. The loans will be at the primary home loan rate. The secured loans may be \$15,000 or less. The purpose will be for modified vehicles or home modifications to aid living standards. The interest rate is one percent less than the primary home loan rate. To date, the bank has not yet originated a loan under this program.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

### **Findings**

CBT's level of qualified investments is considered adequate, as is its responsiveness to community development needs. The bank's activity related to investments has improved significantly since the previous evaluation, at which time the bank had no qualifying investments.

Table O below sets forth the number and dollar amount of the qualified investments obtained by CBT during the evaluation period.

<b>Table O - Qualified Investments</b>		
<b>DESCRIPTION</b>	<b>NUMBER</b>	<b>DOLLARS</b>
Residential Revenue Bonds	3	\$300,000
Cash Donations	Many entities	\$100,777
<b>Total Qualified Grants (number does not include in-kind donations)</b>	<b>3</b>	<b>\$400,777</b>
Outstanding Investments recognized at previous CRA evaluation	0	\$0
<b>Grand Total</b>	<b>3</b>	<b>\$400,777</b>

Source: Bank Records

Since the last examination, the bank purchased shares amounting to \$200,000 of Maryland Department of Housing and Community Development Revenue Bonds. In part, the bond resolution authorizes the Community Development Administration to issue bonds to provide funds to finance or refinance any loan, project, facility, undertaking, or purpose that the Administration is authorized to undertake, finance or provide financing for, including but not limited to, mortgage loans, or portions of or participations in mortgage loans to finance or refinance the purchase of owner-occupied single family residences by persons or families of limited incomes. In addition to mortgage loans, the bond resolution permits financing of various types of loans, including without limitation, loans to finance various types of housing developments within the State, which include single family residences, multi-family residential rental facilities, and group living facilities which promote sound community development and provide housing for occupancy, in substantial part, by persons or families of limited incomes.

In addition, since the last examination, the bank purchased shares amounting to \$100,000 of Delaware State Housing Authority Senior Single Family Mortgage Revenue bonds. A portion of the proceeds of the bonds will be used to purchase guaranteed mortgage securities backed by mortgage loans made to qualifying persons in order to finance single family residential housing in the State of Delaware.

As reflected in Table O, the bank has also provided a significant level of qualified cash donations to various community development organizations located in the bank's assessment area.

The combined total of the bank's qualified investments and donations equals \$400,077, which represents 0.10 percent of total assets and 0.46 percent of total securities. While these percentages are relatively low compared to other banks in the State of Maryland, the overall level of qualified investments is considered adequate, based on the bank's resources and the opportunities that exist to obtain/develop qualified investments in the designated assessment area.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

### **Findings**

Overall, delivery systems are accessible to essentially all portions of the bank's assessment area. Services and hours of operation do not vary in a way that inconveniences certain portions of the assessment area. CBT provides an adequate level of community development services.

## **Retail Banking Services**

### **Accessibility of Delivery Systems**

Overall, delivery systems are accessible to essentially all portions of the bank's assessment area. In addition to its main office, CBT operates nine branch offices. The main office is located in Berlin, Maryland in a moderate-income census tract. All offices have drive-up facilities. All offices, except one, have an automated teller machine (ATM) on the premises. All banking offices offer the same menu of financial products and services to customers. Overall, office locations are comparable to assessment area demographics.

### **Alternative Delivery Systems**

Alternative delivery systems offered by the bank provide customers with several additional methods to access account information and obtain information on the bank's services. Customers, both retail and business, may access account balances, review recent transactions, transfer funds, and place stop payment orders 24 hours a day by phone. The bank also offers online banking. Customers are able to check account balances, view account activity, transfer funds between deposit accounts, place stop payments, view and print account statements, and download account information. CBT's Internet site provides information about its products and services, telephone banking, online banking, and branch locations.

### **Changes in Branch Locations**

The bank has not opened or closed any branches during the review period.

### **Reasonableness of Business Hours and Services in Meeting the Assessment Area Needs**

Services and hours of operation do not vary in a way that inconveniences certain portions of the assessment area. The bank's offices have similar hours of operation and all have extended hours on Fridays, including the bank's drive-through facilities. The bank also offers point-of-sale, transfers initiated by telephone, bank by mail, and on-line bill payment.

### **Community Development Services**

A community development service is a service that has community development as its primary purpose and is related to the provision of financial services. Community development services do not include services that have been considered in the evaluation of the bank's retail banking services.

CBT provides an adequate level of community development services. During the evaluation period, the bank conducted numerous first-time home buyer seminars, made financial education presentations to local churches, and held educational workshops for local schools on the basics of banking. Several board members and members of senior management provide financial expertise as part of their involvement with different community organizations located in the bank's assessment area.

## STATE OF MARYLAND

**CRA RATING FOR Maryland\*** : Satisfactory  
**The Lending Test is rated:** High Satisfactory  
**The Investment Test is rated:** Low Satisfactory  
**The Service Test is rated:** Low Satisfactory

### SCOPE OF EXAMINATION

By number and dollar volume, 93.24 percent and 92.45 percent, respectively of the loans originated and evaluated in the overall performance portion of this CRA evaluation were originated in the Worcester County assessment area which is located in the State of Maryland. The bank's performance in this assessment area mirrors the bank's overall performance as set forth in Part II of this evaluation. Therefore, a separate analysis for this assessment area will not be presented.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND:

CBT operates 9 of its 10 branch offices in the Maryland assessment area which includes all of Worcester County, Maryland. Two offices are located in moderate-income census tracts and seven offices are located in middle-income census tracts.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MARYLAND:

As previously stated, the bank's performance in the Maryland assessment area mirrors the bank's overall performance as set forth in Part II of this CRA evaluation. Please refer to Part II conclusions with respect to the performance tests.

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\*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.

## STATE OF DELAWARE

**CRA RATING FOR Delaware\* :** Satisfactory  
**The Lending Test is rated:** High Satisfactory  
**The Investment Test is rated:** Low Satisfactory  
**The Service Test is rated:** Low Satisfactory

### SCOPE OF EXAMINATION

By number and dollar volume, 6.76 percent and 7.55 percent of the loans originated and evaluated in the overall performance portion in Part II of this CRA evaluation were originated in the Sussex County Assessment area which is located in the State of Delaware. The loan originations consist of 55 small business loans totaling \$5.3 million, 40 home mortgage loans totaling \$5.8 million, 11 home equity loans totaling \$253,000, and 38 consumer loans totaling \$268,000. Community development loans, investments, and services, including community development services, were also reviewed.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN DELAWARE:

CBT operates 1 of its 10 offices in the State of Delaware in an assessment area that includes seven census tracts in Sussex County, Delaware. The bank's only branch office in Delaware is located in a middle-income census tract.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DELAWARE:

#### LENDING TEST

##### Lending Activity

As previously stated, the bank reported originating 55 small business loans, 40 home mortgage loans, 11 home equity loans, and 38 consumer loans in its Delaware assessment area during the review period. The bank's market share of deposits in Sussex County is 0.10 percent. Of the loans originated and evaluated in the overall performance portion of this CRA evaluation, 6.76 percent by number and 7.55 percent by dollar volume were originated in the Delaware assessment area. Based on this, CBT's lending levels reflect good responsiveness to assessment area credit needs.

##### Geographic Distribution of Lending

There are no low- or moderate-income income census tracts in the Delaware assessment area. There are six middle-income census tracts and one upper-income census tract in this assessment area. Of

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\*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.

all loans originated in this assessment area, 92 percent were originated in middle-income census tracts and the geographic distribution of loans reflects excellent penetration throughout the assessment area.

### **Borrower Characteristics**

Home mortgage loans, small business loans, home equity, and consumer loans were reviewed to evaluate the bank's record of lending to low-, moderate-, middle-, and upper-income borrowers and to businesses of different sizes. Overall, penetration among business customers of different sizes and retail customers of different income levels is excellent.

### **Home Mortgage Loan Originations**

Home mortgage loans were reviewed to evaluate the bank's record of lending to low-, moderate-, middle-, and upper-income borrowers. Overall, penetration among retail customers of different income levels is excellent.

The 2004, 2005, and 2006 adjusted Median Family Income (MFI) figures for the Non-MSA portion of the State of Delaware as determined by the Department of Housing and Urban Development (HUD) of \$51,700, \$54,900, and \$54,300, respectively were used in the analysis to determine a borrower's income category.

### **Low Income**

CBT's home mortgage loan originations to low-income borrowers during 2004 of 7.14 percent is significantly above the aggregate lending percentage of 1.96. The bank's home mortgage loan originations to low-income borrowers in 2005 was 7.69 percent, which is also significantly above the aggregate percentage of 2.17. The bank's lending percentage in 2006 has increased to 33 percent. U.S. Census data shows that 16.23 percent of the total family households are low-income.

### **Moderate-Income**

The bank's home mortgage loan originations to moderate-income borrowers during 2004 of 28.57 percent is significantly above the aggregate lending percentage of 7.32. CBT's home mortgage loan originations in 2005 of 15.38 percent is also significantly above the 2005 aggregate lending percentage of 6.41. U.S. Census data shows that 22.84 percent of the total family households are moderate-income.

### **Summary**

When comparing the bank's loan originations within the Delaware assessment area to both aggregate data and assessment area demographics, the bank's penetration of low and moderate-income borrowers is considered to be excellent.

### **Small Business Loan Originations**

CBT's percentages of loans that are less than or equal to \$100,000 for the years 2004, 2005 and year to date 2006 are as follows: 86.36 percent, 75.00 percent, and 76.47 percent. CBT's loan originations to businesses with annual gross revenues less than or equal to \$1 million during 2004 of 77.27 percent far exceeds the aggregate percentage of 38.36 percent and exceeds Dun and Bradstreet data, which reports that 69.47 percent of assessment area businesses in 2004 had revenues of \$1 million or less.

The percentage of CBT's loan originations to businesses with annual gross revenues less than or equal to \$1 million decreased in 2005 to 68.75 percent; however it continues to be above Dun and Bradstreet data, which reports that 66.30 percent of assessment area businesses in 2005 had revenues of \$1 million or less.

Based on CBT's overall volume of lending to businesses with revenues of \$1 million or less when compared to aggregate lending percentage and percentage of loan originations less than or equal to \$100,000, CBT's penetration among business customers of different sizes is considered excellent.

### **Home Equity Loan Originations**

Overall, the distribution of home equity loans among individuals of different income levels is considered good.

The bank's home equity loan originations to low-income borrowers during 2004 and 2005 are 50 percent and 14 percent, respectively. Year to date 2006, the bank has not originated any home equity loans in Delaware.

In one of the two years, the bank's percentages are higher than the 2000 Census data, which shows that 18.63 percent of assessment area households are low-income. CBT's home equity loan originations to moderate-income borrowers during 2004 and 2005 are 25.00 percent and 14.28 percent, respectively. In one of the years, the bank's percentages were higher than the 2000 Census data, which reports that 17.91 percent of assessment area households are moderate-income. Based on these facts, the bank's penetration of low- and moderate-income borrowers via home equity loans is good.

### **Consumer Loan Originations**

Overall, the distribution of consumer loans among individuals of different income levels is considered excellent.

The bank's consumer loan originations to low-income borrowers during 2004, 2005, and 2006 are 18.18 percent, 35.29 percent, and 40 percent, respectively. In 2004, the bank's data is comparable with 2000 Census data, which reports that 18.63 percent of assessment area households are low-income. However, in the years 2005 and 2006, the bank's data is significantly higher than the 2000 Census data.

CBT's consumer loan originations to moderate-income borrowers during 2004, 2005 and 2006 are 63.64 percent, 47.06 percent, and 30 percent, respectively. The bank's data is significantly higher than the 2000 Census data, which reports that 17.91 percent of assessment area households are moderate-income. Based on these facts, the bank's penetration of low- and moderate-income borrowers via consumer loans is considered excellent.

### **Community Development Loans**

CBT has not made any community development loans in this assessment area.

**Innovative and Flexible**

CBT makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

**INVESTMENT TEST**

The bank has made one investment totaling \$100,000, as well as some donations that benefit the Delaware assessment area.

**SERVICE TEST**

The bank's performance in the Delaware assessment area mirrors the bank's overall performance as set forth in Part II of this CRA evaluation. Please refer to Part II conclusions with respect to the performance tests.

## APPENDIX A

### SCOPE OF EXAMINATION:

<b>Calvin B. Taylor Banking Company of Berlin, Maryland</b> <b>SCOPE OF EXAMINATION: Large Bank CRA Procedures</b>
<b>TIME PERIOD REVIEWED: Lending Analysis – January 1, 2004 through September 2006</b> <b>CDLs/Investments/Services – June 2004 through November 2006</b>
<b>PRODUCTS REVIEWED: Residential Mortgage, Small Business, Home Equity, and Consumer Loans</b>

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
NA	NA	NA

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Overall AA	On-Site		
Worcester County	On-site	1	NA
Sussex County	Off-site	0	NA

## APPENDIX B - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Block:** Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

**Block Group:** Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

**Block Numbering Areas (BNAs):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census Tract:** Small subdivisions 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. They 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.

**Metropolitan Statistical Area (MSA/MD):** The Metropolitan Statistical Areas have at least one urbanized area of 50,000 or more population. There are 11 instances (Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle, and Washington) where a Metropolitan Statistical Area containing a single core with a population of 2.5 million or more has been subdivided to form smaller groupings of counties referred to as **Metropolitan Divisions** (One or more large population centers and adjacent communities that have a high degree of economic and social integration.) Each MD must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MD comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MDs are composed of cities and towns rather than whole counties.

**Combined Statistical Area (CSA):** The larger area of which MSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs

(except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

## **HOUSING TERMS**

**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).

**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.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**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.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**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.

**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 and less than 80 percent in the case of a geography.

**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 and less than 120 percent in the case of a geography.

**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.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## APPENDIX C - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.