INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 19, 2013

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Arundel Federal Savings Bank
Charter Number 702349

655 Crain Highway, SE Glen Burnie, MD 21061

Office of the Comptroller of the Currency

Constitution Center 400 7th Street SW Washington, DC 20219

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.

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

The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

The major factors supporting the institution's rating are:

- The bank's quarterly average net loan-to-deposit ratio is reasonable;
- The majority of originated and purchased loans are within the bank's assessment area;
- The borrower distribution of loans reflects a reasonable distribution among individuals of different income levels;
- The bank demonstrates adequate responsiveness to community development needs within the assessment areas.

Scope of Examination

Arundel Federal Savings Bank (AFSB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The evaluation period under the lending test consists of two distinct time periods: January 1, 2011 through December 31, 2011 (2011 evaluation period) and January 1, 2012 through December 31, 2012 (2012 evaluation period). The first time period is evaluated using 2000 U.S. Census demographic information, and the second time period is evaluated using 2010 U.S. Census demographic information. Due to the significant changes in the demographic information between the two time periods, the loan data was analyzed separately. The 2012 peer mortgage data and aggregate lending data were not available at the time of the examination. The evaluation period for the community development test is from January 10, 2011, the date of the last CRA Evaluation, through February 19, 2013.

AFSB's primary loan product, based on originations and purchases during the evaluation period, is residential mortgages. Residential loans, including home purchase, refinance, and home improvement loans, represent 98% of the bank's originations and purchases by number and 99% of the originations and purchases by dollar volume during the evaluation period. Home refinance loans were given more weight in our analysis because 65% of the number and 68% of the dollar volume of home mortgage loans were home refinance loans. The bank originated a limited volume of consumer and commercial loans within the evaluation period.

The bank reports data under the requirements of Home Mortgage Disclosure Act (HMDA). Prior to this evaluation, we tested the accuracy of AFSB's HMDA data. Results of this testing evidenced the data is reasonably accurate and can be relied upon for this evaluation. Therefore, the lending test includes all HMDA data from January 1, 2011 through December 31, 2012. Community Development (CD) loans, investments, and services submitted by management were also verified to ensure that they met the regulatory definition for community development.

Description of Institution

Arundel Federal Savings Bank (AFSB), established in 1906, is an intrastate federally-chartered mutual savings bank headquartered in Glen Burnie, Maryland. The bank has one wholly owned operating subsidiary, Arundel Service Corporation of Maryland. This subsidiary was formed to operate an insurance agency. The subsidiary had no activity during the evaluation period, and subsidiary activity was not considered in this evaluation.

As of February 19, 2013, AFSB operates five full service branches in Anne Arundel County and one full service branch in Baltimore City. All of the branches are located within the Baltimore-Towson, Maryland (MD) Metropolitan Statistical Area (MSA). The branches in Anne Arundel County are open 9:00AM to 3:00PM Monday through Thursday and 9:00AM to 6:00PM on Friday. Four of the branches are open from 9:00AM to 12:00PM on Saturday. Based on the 2010 U.S. Census data, the branch in Baltimore City is located in a low-income geography. The Baltimore City branch is open Monday, Wednesday, Thursday, and Friday from 9:00AM to 3:00PM and Tuesday from 9:00AM to 6:00PM. Each branch has an automated teller machine (ATM) and drive up facilities. There were no branches opened or closed and there were no mergers or acquisitions during the evaluation period.

AFSB offers a variety of products and services typical of a traditional savings bank, concentrating primarily on residential mortgage lending and consumer deposit accounts. The bank offers a limited selection of business credit and deposit products. Some of AFSB's products include personal and business checking accounts, savings, certificates of deposit, Individual Retirement Accounts, conventional mortgages, lines of credit, and personal loans. Services offered include safe deposit boxes, internet banking, telephone banking, and credit and investment counseling. Conservative underwriting standards are applied in the residential mortgage lending process as loans are originated exclusively to hold in the bank's portfolio.
As of December 31, 2012, AFSB reported total deposits of $413 million, total assets of $474 million, and tier one leverage capital of $57 million. Total assets have declined by $16 million or 3.45% since the last CRA examination. The loan portfolio totaled $261

million, or 55% of total assets, as of the same date. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product December 31, 2012	
Loan Category	**% of Gross Loans and Leases**
Home Mortgage Loans	98%
Consumer Loans	2%
Commercial and other loans	<1%

Source: AFSB's loan report of originations and purchases from 1/1/11 – 12/31/12.

There are no financial or legal impediments to hinder AFSB's ability to help meet the credit and CD needs of its assessment area.

AFSB's last Public Evaluation (PE) was dated January 10, 2011, and AFSB was assigned an overall "Needs to Improve" rating.

Description of Assessment Area

AFSB has one assessment area (AA) located within the Baltimore-Towson, Maryland (MD) Metropolitan Statistical Area (MSA). The below chart reflects demographic information based on the 2000 U.S. Census information. AFSB's performance in 2011 is compared to this information.

Demographic Information for AFSB's Assessment Area – 2011						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	99	2.02	9.09	43.43	44.44	1.01
Population by Geography	502,998	1.94	7.27	41.16	48.96	0.68
Owner-Occupied Housing by Geography	137,410	1.22	3.04	40.13	55.61	0.00
Family Distribution by Income Level	133,120	13.58	15.99	23.37	47.06	0.00
Census Median Family Income (MFI)		59,301	Median Housing Value			163,952
HUD-Adjusted MFI: 2011		84,500	Unemployment Rate			6.8%
Families Below the Poverty Level		6%				

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI; Unemployment rate as of November 2012

AFSB designated all of the census tracts in Anne Arundel County and four of the 200 census tracts in Baltimore City as its AA. Due to geographical barriers, the bank did not include all of the census tracts in Baltimore City. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas.

During the 2011 evaluation period, AFSB's AA was comprised of 99 census tracts. Two or 2% are low-income geographies, nine or 9% are moderate-income geographies, 43 or 43% are middle-income geographies, 44 or 44% are upper-income geographies, and one or 1% has not been assigned an income classification. Both of the low-income geographies were located in Baltimore City and two of the moderate-income geographies were located in Baltimore City.

According to the 2000 U.S. Census data, the AA had a total population of 502,998. The AA contains 133,120 families and 13.58% are low-income, 15.99% are moderate-income, 23.37% are middle-income, and 47.06% are upper-income. There are 183,930 households and 10,186 or 6% of the households are below the poverty level. The 2011 HUD updated median family income was $84,500.

The 2000 U.S. Census data reported 193,190 housing units in the AA. Approximately 71% are owner-occupied, 24% are rental occupied, and 5% are vacant housing units. Of all owner-occupied housing, 1.22% is located in low-income geographies, 3.04% is located in moderate-income geographies, 40.13% is located in middle-income geographies, and 55.61% is located in upper-income geographies. The median housing cost is $163,952.

The below chart reflects updated demographic information based on the 2010 U.S Census information. AFSB's performance in 2012 is compared to this information.

Demographic Information for AFSB's Assessment Area – 2012						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	108	1.85	11.11	38.89	45.37	2.78
Population by Geography	554,199	2.06	9.13	39.37	48.59	0.86
Owner-Occupied Housing by Geography	151,046	1.33	4.66	39.41	54.60	0.00
Family Distribution by Income Level	140,098	14.54	15.84	21.02	48.59	0.00
Census Median Family Income (MFI)		81,788	Median Housing Value			373,031
HUD-Adjusted MFI: 2011		85,600	Unemployment Rate			6.8%
Families Below the Poverty Level		5%				

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2012 HUD updated MFI; Unemployment rate as of November 2012

AFSB did not change their AA in 2012; however, the AA demographics did change as a result of the 2010 U.S. Census. Based on the 2010 U.S. Census, there are now 108 census tracts in the bank's AA. The major change relative to the 2010 U.S. Census reclassifications is that the moderate-income geographies increased to twelve census tracts from nine census tracts. Two or 2% are low-income, 12 or 11% are moderate-income, 42 or 39% are middle-income, 49 or 45% are upper-income, and three or 3% have not been assigned an income classification. Both low-income geographies are located in Baltimore City.

According to the 2010 U.S. Census data, the AA had a total population of 554,199. Included in the population totals are approximately 9,300 individuals residing at Fort Meade, 4,800 individuals residing at Annapolis Naval Academy, and 3,300 individuals residing at the Jessup Correctional Institution. The AA contains 140,098 families and 14.54% are low-income, 15.84% are moderate-income, 21.02% are middle-income, and 48.59% are upper-income. There are 202,499 households and 10,682 or 5% of the households are below the poverty level. The 2012 HUD updated median family income is $85,600.

The 2010 U.S. Census data reported 217,393 housing units in the AA. Approximately 69% are owner-occupied, 24% are rental occupied, and 7% are vacant housing units. Of all owner-occupied housing, 1.30% is located in low-income geographies, 5.07% is located in moderate-income geographies, 39.25% is located in middle-income geographies, and 54.37% is located in upper-income geographies. The median housing cost is $373,031.

AFSB's AA is a very diverse area that includes both urban and suburban areas, and it is primarily a higher income area with pockets of low-income areas. Anne Arundel County is a suburban area in close proximity to the Washington, DC area. Many residents in Anne Arundel County commute to the DC area for work. Housing in Anne Arundel County is expensive and housing stock for low- and moderate-income people is limited. In particular, the Severn and Hanover areas have higher income households and small businesses are growing in these areas. Housing in the bank's four Baltimore City geographies is very limited. Three of the four census tracts in Baltimore City are designated as low-income and one has not been assigned an income classification. There are only 2,006 owner-occupied housing units in these four census tracts, and a majority of the homes are dilapidated properties and/or rental properties. According to our community contacts, the Curtis Bay, Brooklyn, and Oakland Park areas of the bank's AA are low-income areas with high crime and these neighborhoods are being targeted for revitalization.

The overall economy for the AA is stable. Anne Arundel County's close proximity to Washington, D.C., the large number of government employers in the area and the local government help to keep the economy stabilized. Major sources of employment include financial and retail services, military, transportation and state, county and federal government. Some of the major employers in Anne Arundel County include: Fort George Meade, Northrup Grumman, Baltimore Washington International Airport, Ciena, and Anne Arundel Health Systems. Some of the major employers in Baltimore City include: Johns Hopkins University, Johns Hopkins Hospital and Health System, University of Maryland Medical System, and Veterans Health Administration. According to Moody's Analytics, strengths for the AA area are defense and life sciences facilities, close proximity to DC, core federal government operations, and strong transportation and distribution industries. The weaknesses are above average living and business costs, decline in old-line manufacturing, and weak population trends.

According to the Bureau of Labor Statistics, the January 31, 2011 unemployment rate for the Baltimore-Towson MD MSA was 8.1%. The unemployment rate has been trending down since then and was 6.8% as of November 30, 2012. High unemployment rates can affect a bank's ability to extend credit. As of November 30, 2012, the Maryland unemployment rate was 6.4% and the national unemployment rate was 7.8%.

Competition for loans and deposits is strong in this AA. Based on the June 30, 2012 FDIC Summary of Deposit Market Share report, AFSB has a .67% deposit market share in the Baltimore-Towson MD MSA. Bank of America, National Association ranks 1st with 100 offices and a 24.88% deposit market share, Manufacturers and Traders Trust Company ranks 2nd with 110 offices and a 23.29% deposit market share, and PNC Bank, National Association ranks 3rd with 98 offices and a 10.28% deposit market share.

Competition for mortgage loans is strong and includes local commercial and savings banks and branches of larger regional and nationwide banks. The Institution Market Share report indicates that AFSB competes with 406 lenders within its AA. The top ten lenders dominate the market with overall market share of approximately 52%. The top five lenders are: Wells Fargo Bank, National Association, Bank of America, National Association, JP Morgan Chase Bank, National Association, Branch Banking and Trust Company, and GMAC Mortgage. AFSB ranks 49th with a market share of .33%. AFSB's primary competitor for mortgage loans is Severn Savings Bank, FSB.

During our evaluation, we contacted one community organization whose primary mission is affordable housing for low-income people and one community organization whose primary mission is economic development. We determined through these community contacts and our internal research that opportunities for community development lending, investments, and services exist, but they are somewhat limited. The most prevalent community needs are affordable housing for low- and moderate-income people and small business loans. Our contacts indicated loans and investments to fund low- and moderate-income housing projects, credit and budgeting education and counseling, no fee checking accounts, small consumer loans with low interest rates and flexible credit terms, and small business loans are the primary needs of the AA. The community contacts indicated the local financial institutions have been meeting the needs of the community.

Conclusions with Respect to Performance Tests

LENDING TEST

AFSB's performance under the lending test is Satisfactory. AFSB's quarterly average net loan-to-deposit ratio is reasonable. A majority of AFSB's home mortgage loans were made within the bank's assessment area. The distribution of loans reflects a reasonable distribution among individuals of different income levels. The geographic distribution of loans reflects reasonable distribution throughout census tracts of different income levels. All criteria of the lending test are documented below.

Loan-to-Deposit Ratio

AFSB's quarterly average net loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and the credit needs of the AA, and it meets the standards for satisfactory performance. The bank's quarterly average net LTD ratio over the seven quarters since the last CRA examination is 64.55%. During this time period, the ratio ranged from a quarterly low of 61.22% to a quarterly high of 66.52%. The quarterly average net LTD ratio for a customer peer group of eight similarly sized institutions in the state of Maryland was 75.64% over the same seven quarters. The ratio ranged from a quarterly low of 29.57% to a quarterly high of 105.36% during that time period. The quarterly average net LTD ratio for a custom peer group of three similarly sized institutions operating in the Baltimore, Maryland area was 53.47%.

Lending in Assessment Area

A majority of AFSB's home mortgage loans were originated or purchased inside the bank's assessment area and the bank meets the standard for satisfactory performance. During the evaluation period, 54.08% of the number and 53.45% of the dollar amount of total home mortgage loans were originated or purchased within the bank's assessment area. The following table details the bank's lending within the AA by number and dollar amount of loans.

Table 1 - Lending in Assessment Area										
	Number of Loans					Dollars of Loans				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Home Purchase	21	52.50%	19	47.50%	40	4,140	46.07%	4,846	53.93%	8,986
Home Improvement	42	58.33%	30	41.67%	72	9,423	55.82%	7,457	44.18%	16,880
Home Refinance	116	52.97%	103	47.03%	219	29,665	53.93%	25,346	46.07%	55,011
Totals	**179**	**54.08%**	**152**	**45.92%**	**331**	**43,228**	**53.45%**	**37,649**	**46.55%**	**80,877**

Source: HMDA – reported data from 1/1/11 – 12/31/12.

Lending to Borrowers of Different Incomes

The distribution of loans reflects reasonable distribution among individuals of different income levels, and AFSB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

2011 Evaluation Period

In our analysis, we took into consideration the lack of affordability for a low- or moderate-income family to purchase a home. Based on the 2000 U.S. Census data, the median cost of housing was $163,952. The 2011 HUD updated median family income is $84,500, which means a low-income family earned less than $42,250. Additionally, moderate-income families earned at least $42,250 but less than $67,600. Therefore, low- and moderate-income borrowers would have difficulty qualifying for home mortgage loans. Furthermore, 6% of households in the AA are below the poverty level.

Out of the seven home purchase loans originated or purchased by AFSB, none were to low-income borrowers. The percentage of home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA as well as the aggregate lending data for HMDA reporters to moderate-income families.

AFSB did not originate or purchase home improvement loans to low-income borrowers. The percentage of home improvement loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA; however, the percentage of home improvement loans made to moderate-income borrowers is lower than the aggregate lending data for HMDA reporters to moderate-income families.

The percentage of home refinance loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA and is near the aggregate lending data for HMDA reporters to low-income families. The percentage of home refinance loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA as well as the aggregate lending data for HMDA reporters to moderate-income families.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2011 through December 31, 2011 as compared to the percent of families in each income category as well as the aggregate lending data for HMDA reporters within the bank's AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	13.58	0.00	15.99	28.57	23.37	14.29	47.06	57.14
Home Improvement	13.58	0.00	15.99	13.04	23.37	30.43	47.06	56.52
Home Refinance	13.58	5.08	15.99	13.56	23.37	15.25	47.06	66.10

Source: HMDA - reported data from 1/1/11 – 12/31/11; 2000 U.S. Census data.

Table 2A – Aggregate Lending Data for Borrower Distribution								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	7.54	0.00	24.74	28.57	27.43	14.29	40.28	57.14
Home Improvement	13.14	0.00	19.24	13.04	23.78	30.43	43.85	56.52
Home Refinance	5.36	5.08	14.56	13.56	23.83	15.25	56.26	66.10

Source: HMDA – reported data from 1/1/11-12/31/11; 2000 U.S. Census data

2012 Evaluation Period

In our analysis, we took into consideration the lack of affordability for a low- or moderate-income family to purchase a home. Based on the 2010 census data, the median cost of housing is $373,031. The 2012 HUD updated median family income is $85,600, which means a low-income family earned less than $42,800. Additionally, moderate-income families earned at least $42,800 but less than $68,480. Therefore, low- and moderate-income borrowers would have difficulty qualifying for home mortgage loans. Furthermore, 5% of households in the AA are below the poverty level.

The percentage of home purchase loans made to low- to moderate-income borrowers exceeds the percentage of low-income families in the AA.

The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home improvement loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA.

The percentage of home refinance loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of home refinance loans made to moderate-income borrowers is lower than the percentage of moderate-income families in the AA.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2012 as compared to the percent of families in each income category. The aggregate lending data was not available for 2012.

Table 2 - Borrower Distribution of Residential Real Estate Loans

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14.54	37.50	15.84	25.00	21.02	0.00	48.59	37.50
Home Improvement	14.54	10.53	15.84	15.79	21.02	10.53	48.59	63.16
Home Refinance	14.54	5.45	15.84	10.91	21.02	12.73	48.59	70.91

Source: HMDA – reported data report 1/1/12 – 12/31/12; 2010 U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels, and AFSB's performance meets the standard for satisfactory performance. There were no conspicuous gaps identified within AFSB's AA.

<u>2011 Evaluation Period</u>

In our analysis, we took into consideration performance context and the limited home mortgage lending opportunities in the low-income geographies in the bank's AA. Only 1% or 1,676 owner-occupied units within the bank's AA are in low-income geographies.

AFSB did not originate or purchase home purchase loans in low-income geographies. The percentage of home purchase loans made in moderate-income geographies exceeds the percentage of owner-occupied housing units in these geographies as well as the performance of aggregate HMDA reporters within the AA.

AFSB did not originate or purchase home improvement loans in low- or moderate-income geographies.

AFSB did not originate or purchase home refinance loans in low-income geographies. The percentage of home refinance loans made in moderate-income geographies is near the percentage of owner-occupied housing units in these geographies and exceeds the performance of aggregate HMDA reporters within the AA.

The following table details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level as well as the lending data for all HDMA reporters within the bank's AA for the period of January 1, 2011 through December 31, 2011.

Table 3 - Geographic Distribution of Residential Real Estate Loans

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.22	0.00	3.04	14.29	40.13	57.14	55.61	28.57
Home Improvement	1.22	0.00	3.04	0.00	40.13	17.39	55.61	82.61
Home Refinance	1.22	0.00	3.04	1.67	40.13	21.67	55.61	76.67

Source: HMDA – reported data 1/1/11 – 12/31/11; 2000 U.S. Census data.

Table 3A – Aggregate Lending Data for Geographic Distribution

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	0.52	0.00	2.73	14.29	46.44	57.14	50.31	28.57
Home Improvement	0.34	0.00	1.91	0.00	36.37	17.39	61.37	82.61
Home Mortgage Refinance	0.23	0.00	1.63	1.67	33.87	21.67	64.27	76.67

Source: HMDA – reported data from 1/1/11-12/31/11; 2000 U.S. Census data

2012 Evaluation Period

In our analysis, we took into consideration the limited home mortgage lending opportunities in the bank's AA. Only 1.30% or 1,964 owner-occupied housing units are located in low-income geographies.

AFSB did not originate or purchase home purchase loans in low -or moderate-income geographies.

AFSB did not originate or purchase home improvement loans in low- or moderate-income geographies.

AFSB did not originate or purchase home refinance loans in low-income geographies. The percentage of home refinance loans made in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units in these geographies.

The following table details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2012 through December 31, 2012. The aggregate lending data for 2012 was not available.

Table 3 - Geographic Distribution of Residential Real Estate Loans

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.30	0.00	5.07	0.00	39.25	50.00	54.38	50.00
Home Improvement	1.30	0.00	5.07	0.00	39.25	36.84	54.38	63.16
Home Refinance	1.30	0.00	5.07	1.82	39.25	25.45	54.38	72.73

Source: HMDA – reported data 1/1/12 – 12/31/12; 2010 U.S. Census data.

Responses to Complaints

AFSB has not received any CRA complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test is rated Satisfactory. AFSB's community development activities demonstrate adequate responsiveness to the community development needs of its AA, when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AA.

Number and Amount of Community Development Loans

AFSB provided no CD loans during the evaluation period. AFSB is primarily a home mortgage lender and originates very few commercial loans. During the evaluation period, AFSB purchased eight mortgage loans from a local non-profit organization whose primary purpose is affordable housing for low-income people. By purchasing these loans, AFSB provides the organization current cash flow so it can continue to provide no-interest home mortgages to qualified low-income people. These loans were reported in AFSB's HMDA data and AFSB received credit for these loans under the lending test.

Number and Amount of Qualified Investments

During the evaluation period, AFSB made two current period investments for a combined total of $250 thousand. AFSB also has one prior period investment with a current book value of $502 thousand as of January 31, 2013. All three investments are Community Development Administration residential revenue bonds through the Maryland Department of Housing and Community Development and provide financing for affordable housing properties and projects within the state, including the bank's AA.

Additionally, AFSB made 38 donations for a total of $79 thousand to 17 different qualified community development organizations that promoted small businesses or provided affordable housing or community services to low- and moderate-income individuals in the AA. All of AFSB's qualified investments and donations were responsive to the community needs identified through our community contacts.

Extent to Which the Bank Provides Community Development Services

AFSB's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. AFSB's branch in Baltimore City is located in a low-income tract. Based on information obtained during our community contacts, the Baltimore City branch is located in an area that is being targeted for revitalization. No community development services were provided during the evaluation period.

Responsiveness to Community Development Needs

CD loans and services have not greatly assisted in meeting the community needs identified by the community contacts; however, CD investments support affordable housing, which is an identified need in the AA. Considering the bank's capacity and lending focus, the AA needs, and the availability of CD opportunities, AFSB's CD performance demonstrates adequate responsiveness to the needs of the AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.