

PUBLIC DISCLOSURE

August 3, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Mariner Bank
31286**

**1501 South Clinton Street
Baltimore, Maryland 21224**

**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 **First Mariner Bank**, prepared by the **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **August 3, 2009**. 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.

A CRA rating of "Satisfactory" is assigned. 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.

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

PERFORMANCE LEVELS	First Mariner Bank		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve		X	
Substantial Noncompliance			

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

The assigned rating is based on the following performance factors.

Lending Test

- The bank's lending activity reflects good responsiveness to assessment areas credit needs given the institution's size and resources.
- Overall, an adequate percentage of the bank's home mortgages and small business loans were originated inside the assessment areas.
- The institution's lending within low- and moderate-income census tracts is excellent.
- The distribution of borrowers reflects adequate penetration among individuals of different income levels, particularly those of moderate-income, and businesses of different sizes.
- The bank originated an adequate level of community development loans that have a direct or indirect benefit on low- and moderate-income areas and individuals.

- The institution makes extensive use of innovative and flexible lending practices to serve assessment areas credit needs.

Investment Test

- First Mariner Bank has a poor level of qualified community development investments and grants. Since the prior evaluation, the bank obtained one new qualified investment totaling \$750,000. Given the bank's size and financial capacity, this level is less than satisfactory.

Service Test

- The bank's retail delivery systems are readily accessible to all portions of the assessment areas.
- A variety of alternative delivery systems are also available to bank customers.
- The bank's record of opening and closing branch offices has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts.
- Business hours are reasonable and generally better than those offered by competitors.
- The bank provides a relatively high level of community development services. The bank's participation in community development services has resulted in a significant impact on low- and moderate-income areas and individuals.

DESCRIPTION OF INSTITUTION

First Mariner Bank (“FMB”) is a full-service community bank headquartered in Baltimore, Maryland. FMB is a wholly-owned subsidiary of First Mariner Bancorp, a one-bank holding company also based in Baltimore. In addition to the main office, the bank operates a network of 23 branch offices that serve central Maryland, Maryland’s Eastern shore, and southeastern Pennsylvania. Since the prior evaluation, the institution opened a new branch in a middle-income census tract in Westminster, Maryland. FMB also closed four of its offices that were located in the Maryland cities of Baltimore, Gambrills, Ocean City and Randallstown. Of the four branch closings, three were situated in middle-income census tracts and the remaining one was in an upper-income area.

The bank offers a wide range of loan and deposit products for both commercial and retail customers. Retail deposit products include checking, money market, certificates of deposit, and individual retirement accounts. Additionally, consumer installment and a variety of mortgage loans are offered through several avenues. Residential mortgage loans are originated through a retail mortgage division of the bank. The bank also maintains relationships with several large investors to purchase more flexible and longer-term loans from FMB shortly following origination. Commercial products include a variety of business deposit accounts, as well as, working capital loans, real estate loans, and cash management services. FMB also extends loans through various federal and state based programs, such as, the State of Maryland, Small Business Administration (SBA), Federal Housing Authority (FHA) and Veterans Administration (VA). Credit extended within these programs is considerably more flexible than conventional financing and will be discussed in detail within this evaluation.

According to FMB’s June 30, 2009 Consolidated Reports of Condition and Income, the institution reported total assets of \$1.3 billion, total loans of \$1 billion, and total deposits of \$1.1 billion. The bank’s net loan-to-assets and net loan-to-deposit ratios were approximately 77 percent and 91 percent, respectively. The bank’s investment portfolio, consisting primarily of mortgage-backed securities and U.S. Treasury and Agency Securities, totaled approximately \$40 million and represented approximately 3 percent of total assets. Total assets increased by \$207 million, since the bank’s prior CRA evaluation as of September 24, 2007. This growth was primarily attributed to an increase in the loan portfolio, which increased \$178 million during this evaluation period.

The institution is predominantly a real estate lender as approximately 89 percent of its portfolio as of June 30, 2009 was tied to this lending focus. As shown in Table A, a significant concentration of these loans is in 1-4 family residential real estate, which comprised approximately 40 percent of the institution’s portfolio and represents the largest increase, as this type of financing represented approximately 30 percent at the last CRA evaluation. Commercial loans (including commercial real estate and commercial/industrial) accounted for the second largest segment of the bank’s portfolio at approximately 39 percent. Multifamily lending, which represented approximately 3 percent of the bank’s portfolio, remains fairly consistent since the last evaluation at approximately 2 percent. The bank’s lending focus has shifted since the last CRA evaluation as of September 24, 2007, at which time commercial and residential real estate loans represented approximately 31 percent and 30 percent, respectively, of the bank’s June 30,

2007 portfolio. In addition to the shift into residential real estate, senior management also reduced its lending activity away from construction and land development loans, which represents approximately 16 percent of the loan portfolio and reflects a notable decrease, as this type of financing represented approximately 27 percent at the prior CRA evaluation. Given the changes in the institution's strategic focus and business plan, the residential real estate lending segment is considered the institution's primary lending specialty. Refer to Table A for greater detail regarding FMB's most current loan concentrations.

Table A – Loan Distribution as of June 30, 2009		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	\$159,162	15.8
Secured by Farmland	\$3,358	0.3
1-4 Family Residential	\$399,082	39.6
Multi-Family (5 or more) Residential	\$30,273	3.0
Commercial	\$303,383	30.1
Total Real Estate Loans	\$895,258	88.8
Commercial and Industrial	\$88,427	8.8
Agricultural	\$0	0.0
Consumer	\$23,495	2.3
Other	\$740	0.1
Less: Unearned Income	\$0	0.0
Total Loans	\$1,007,920	100%

Source: Call Report Schedule RC-C as of June 30, 2009 – Total percentage may not add to 100 due to rounding.

While subject to competition from local, regional, and national financial institutions, FMB has the ability to meet the CRA performance criteria. There are no impediments, legal or otherwise, which would significantly impact the bank's ability to help meet the credit needs of its community. The bank had a Return on Assets (ROA) of negative 0.9 percent as of June 30, 2009. ROA measures an institution's net income as a percent of average assets. The bank's peer group ROA was 1.9 percent. The bank's peer group is defined as all insured residential and commercial banks having assets between \$1 billion and \$2 billion. FMB's Return on Equity (ROE) as of June 30, 2009 was negative 13.8 percent compared to 13.3 percent for its peer group. Total equity capital as of June 30, 2009 was \$81 million (or 6 percent) of total assets. Net income for the years 2007 and 2008 was negative \$10.5 million and negative \$3.9 million, respectively while net income for the quarter ended June 30, 2009 was negative \$5.6 million.

SCOPE OF EXAMINATION

This evaluation was prepared using the interagency evaluation procedures for Large Bank institutions, covering the period of September 25, 2007 through August 3, 2009. Individual ratings for the lending, investment, and service tests are displayed on the matrix on page two of this performance evaluation. The bank's performance in each of these three areas is detailed below. Home mortgage lending was evaluated using the 2008 and 2009 (through June 30, 2009) data that the institution is required to maintain under the Home Mortgage Disclosure Act (HMDA) requirements. This lending segment was given the greatest weight in this evaluation, as it represents the highest percentage of reported loan originations by number and dollar volume during the past eighteen months, while also representing the bank's primary lending focus. For purposes of this evaluation, home mortgage loans include home purchase, refinance, and home improvement loans.

CRA data collected and reported for 2008 and 2009 (through June 30, 2009) was also used to evaluate the bank's small business lending. For purposes of this evaluation, small business loans are defined as those loans that were originated in amounts of \$1 million or less. Community development loans, qualified investments, and services initiated since the prior CRA evaluation as of September 24, 2007 were also evaluated.

A review of FDIC records, as well as, the bank's Public CRA File, did not reveal any complaints relating to the institution's CRA performance. FMB received a "Needs to Improve" rating at the previous CRA evaluation, dated September 24, 2007. Please refer to the bank's Public File for additional information.

DESCRIPTION OF ASSESSMENT AREA(S)

FMB designated three separate assessment areas that consist of census tracts located in Maryland and Pennsylvania. Since the prior CRA evaluation, the bank reduced its assessment area through the removal of Worcester County in Maryland, Sussex County in Delaware and several counties located in Northern Virginia. Based on discussions with management, the modifications are attributed to changes within the bank's strategic plan coupled with nominal loan volume in those areas. Within this evaluation, an analysis of the bank's performance was conducted for the overall assessment area, hereafter referred to as the assessment area, and for each of the three different assessment areas that comprise the overall assessment area. The assessment area(s) meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income neighborhoods.

Unless otherwise noted, all demographic data in the evaluation is based on the 2000 United States Census (U.S. Census) information. The overall assessment area consists of 940 geographies, of which 92 (9.8 percent) are low-income census tracts, 227 (24.2 percent) are moderate-income census tracts, 424 (45.1 percent) are middle-income tracts, 192 (20.4 percent) are upper-income tracts and 5 (0.5 percent) are NA census tracts. NA census tracts are those that do not have an income designation due to the nominal population in those areas.

The total population of the assessment area includes 3,965,181 individuals and 1,490,720 households, of which 1,025,917 are families. Based on this same information, there were 61,063 (6.0 percent) families residing in low-income census tracts, 214,552 (20.9 percent) families residing in moderate-income census tracts, 490,847 (47.8 percent) families residing in middle-income census tracts, and 259,455 (25.3 percent) families residing in upper-income census tracts. The 2000 median family income (MFI) of the assessment area is \$61,757, which is comparable to the State of Maryland at \$61,876 but approximately 26 percent greater than the State of Pennsylvania figure of \$49,184. Additionally, families living below the poverty level represent 7.8 percent of the total families within the assessment area.

The following is a description of the three assessment areas that comprise the bank's overall assessment area:

Assessment Area #1 – (Combined Statistical Area 548 – Maryland)

This assessment area includes counties and portions of counties located in the following Metropolitan Statistical Area (MSA) and Metropolitan Division (MD).

MSA 12580:

(Maryland) – Anne Arundel County, Baltimore County, Carroll County, Harford County, Howard County, Queen Anne's County and Baltimore City

MD 47894 (a subset of MSA 47900):

(Maryland) – Charles County, Calvert County and Prince George's County

According to 2000 U.S. Census data, this assessment area consists of 849 geographies; of which 86 (10.1 percent) are low-income census tracts, 215 (25.3 percent) are moderate-income tracts, 361 (42.5 percent) are middle-income tracts, 182 (21.5 percent) are upper-income tracts; and 5 (0.6 percent) are NA census tracts. This assessment area represents 90.3 percent of the census tracts that comprise the overall assessment area.

Assessment Area #2 (Non-MSA - Talbot County - Maryland)

This assessment area encompasses the entire county of Talbot in Maryland. According to 2000 U.S. Census data, this assessment area comprises 9 geographies; of which, 1 (11.1 percent) is a moderate-income census tract, 5 (55.6 percent) are middle-income tracts and 3 (33.3 percent) are upper-income tracts. This assessment area represents approximately 1 percent of the census tracts that comprise the overall assessment area.

Assessment Area #3 (MSA 49620 - Pennsylvania)

This assessment area encompasses the entire county of York in Pennsylvania, which is located within the York-Hanover Metropolitan Statistical Area (MSA) 49620.

According to 2000 U.S. Census data, this assessment area consists of 82 geographies; of which, 6 (7.3 percent) are low-income census tracts, 11 (13.4 percent) are moderate-income tracts, 58

(70.7 percent) are middle-income tracts and 7 (8.6 percent) are upper-income tracts. The bank operates one branch office in York County. This assessment area represents 8.7 percent of the census tracts that comprise the overall assessment area.

Housing Data

The overall assessment area consists mainly of one-to-four family housing structures (88.7 percent), with 11.3 percent consisting of multi-family (five or more unit) dwellings. The median age of the homes in the assessment area is 32 years, which is slightly older than the State of Maryland average of 29 years but much younger than the State of Pennsylvania average of 43 years. Owner-occupancy levels within the assessment area, at 63.1 percent, are comparable to the State(s) of Maryland and Pennsylvania figures at 62.5 percent and 64.8, respectively. However, owner-occupancy levels are considerably lower in the low- and moderate-income census tracts at 27.6 percent and 43.9 percent, respectively, compared to the middle- and upper-income census tracts levels of 69.9 percent and 80.8 percent, respectively. In correlation, the level of rental housing located in low- and moderate-income census tracts is noticeably higher at 53.0 percent and 47.6 percent, respectively. This data depicts the substantial challenges in extending residential credit in the assessment area's low- and moderate-income areas.

An analysis of the affordability of housing was also performed during this evaluation. The affordability ratio is a method used to determine the amount of single family owner-occupied housing that a dollar of income can purchase, for the median household, within a given geography. The ratio is calculated by dividing the median household income by the median housing value of the area or geography under analysis. Values closer to 1.0 indicate greater affordability. The median household income of the bank's assessment area is \$53,066, and the median housing value is \$143,301, resulting in an affordability ratio of 0.37 and is the same for the State of Maryland. The affordability ratio for the State of Pennsylvania at 0.42 is slightly higher than the comparative data. Additional information relative to housing data can be obtained at the U.S. Census Bureau's website – www.census.gov.

Overall, home lending opportunities in the low- and moderate-income census tracts within the bank's assessment area are negatively impacted by the residents' limited capacities to borrow, lower owner-occupancy levels and higher home prices. Likewise, the ability for low- and moderate-income families located in middle- and upper-income census tracts to obtain affordable housing is adversely affected by higher home prices.

Business Data

Overall, assessment area and county level economic indicators demonstrate an adequate business climate. The assessment area maintains a sound commercial base with a strong presence of small businesses. According to 2008 Dun and Bradstreet information, there were 307,786 non-farm business establishments within the bank's overall assessment area. The services industry represents the highest concentration of commercial establishments by type at 40.1 percent, followed by retail establishments at 13.1 percent. Of the 72 percent of non-farm businesses that reported revenues, 67.1 percent reported revenues of \$1 million or less, and are therefore considered "small businesses" for purposes of this evaluation.

Geographically, 14,175 (or 4.6 percent) non-farm businesses are located in low-income census tracts and 54,965 (or 17.9 percent) are located in moderate-income census tracts. The geographic distribution of non-farm businesses also reflects that 49.4 percent operate in middle-income census tracts and 28.1 percent are in upper-income census tracts. Given the aforementioned data, opportunities for small business lending exist in the assessment area, although considerably more limited in low- and moderate-income census tracts.

Economic Data

State of Maryland

The economy of the State of Maryland has experienced a relatively mild recession that is primarily due to a slowdown in housing, construction and industrial production. Suburban Maryland saw a rise in home sales volume throughout the past twelve months, however, the median sales price and new home construction projects remain on a downward trend. Additionally, the State of Maryland continues to experience high foreclosure rates compared to the surrounding areas of Northern Virginia and the District of Columbia. On a positive scale, the unemployment rate remains at 7.2 percent for the State which is noticeably below the national average of 9.8 percent through third quarter, 2009. Furthermore, many jurisdictions showed declines in the unemployment rate which indicates certain economic factors within the State are stabilizing. Other positive economic factors for Maryland include a highly educated workforce, high per capita income and continuing development in the security, medical and biomedical research sectors. In contrast, adverse factors include old-line manufacturing, high business costs compared with most states, and deteriorating demographic trends.

York County, Pennsylvania

York County is located in southeastern Pennsylvania within the York-Hanover Metropolitan Statistical Area (MSA). According to 2000 U.S. Census data, the area is noted as the fastest-growing metro area in the Northeast region, and is ranked nationally among the fastest-growing in the nation. Nonetheless, the economy within the MSA appears to have stagnated. Despite an increase in population and below-average cost of living, there has been a softening of housing prices. Total housing permits have experienced incremental decreases since 2006. Total housing permits in York County decreased approximately 17 percent in 2007 and 32.8 percent in 2008. Single family housing permits have also experienced similar decreases in growth.

Services, retail trade, and government are the three primary industries in the area. The hospitality and tourist industry is considered the major contributor to the economy. York County is home to several retail factories and large snack food and candy companies, as well as, a major branch of a motorcycle manufacturing plant. However, the labor market in the assessment area is softening, as is the case for the entire State of Pennsylvania. Overall, the economic outlook for the County is one of slow to moderate economic growth.

Completion and Services

There is a high level of competition to provide banking services and mortgage loans within FMB's assessment area. According to the FDIC's Summary of Deposit data, as of June 30, 2009, there were 1,294 office facilities and 239 different headquarters of commercial banks and savings institutions operating within the counties represented in the bank's assessment area. Additionally, many of the bank's competitors are large regional financial institutions such as Bank of America, JP Morgan Chase Bank, SunTrust Bank and Wachovia Bank.

Community Contact

New community contacts were conducted with housing and small business related organizations located within Maryland. Additionally, existing contacts made during the past year were reviewed to further ascertain community credit needs. Information obtained from the contacts revealed that lending opportunities exist for endeavors related to start-up financing for small businesses, affordable housing projects, and workforce housing projects. In addition, first-time homebuyer, financial literacy and foreclosure prevention programs were identified as areas of need.

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 volume of community development lending; and
- 6) 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.

Lending Activity and Assessment Area Concentration

This performance criterion considers the volume of FMB's lending, including the number and dollar amount of the bank's home mortgage and small business loans originated, within the bank's assessment area during 2008 and 2009 (through June 30, 2009). Specifically, the institution originated 1,903 HMDA reportable loans totaling approximately \$502 million in 2008 and 2,183 loans totaling approximately \$580 million in 2009. The institution originated 106 small business loans totaling approximately \$33 million in 2008 and 44 loans totaling approximately \$12 million in 2009. Only 2008 home mortgage and small business data is presented in its entirety in this evaluation, as 2009 activity did not produce results significantly different from that demonstrated from the prior years' data.

As aggregate and peer mortgage data for 2008 is not yet available, the U.S. Census data for 2008 was utilized as a comparison tool in evaluating the bank's home mortgage lending performance for each year. Dun and Bradstreet data for 2008 was utilized as a comparison tool in evaluating the bank's small business lending performance for each corresponding year.

Lending Activity

Overall, the bank's level of lending reflects good responsiveness to assessment area credit needs. The bank's loan-to-deposit ratio is adequate given the institution's size, financial condition, and assessment area credit needs. As of June 30, 2009, the bank's loan-to-deposit ratio was 90.9 percent. The bank's average loan-to-deposit ratio, based on the 8 quarters since its last CRA evaluation, was 92.7 percent. Based on the bank's asset size, product focus and loan composition, two similarly-situated banks were identified within the assessment area. These banks had average loan-to-deposit ratios of approximately 92 percent and 105 percent since the prior evaluation.

Assessment Area Concentration

An adequate percentage of loans were originated inside the bank's designated assessment area. The following Table B depicts the bank's lending during 2008 and 2009 (through June 30, 2009).

<i>Table B - Distribution of Loans Inside and Outside of the Assessment Area</i>										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2008	1,903	46.9%	2,157	53.1%	4,060	\$502,021	47.4%	\$556,063	52.6%	\$1,058,084
2009	2,183	60.7%	1,414	39.3%	3,597	\$579,915	60.4%	\$380,462	39.6%	\$960,377
Subtotal	4,086	53.4%	3,571	46.6%	7,657	\$1,081,936	53.6%	\$936,525	46.4%	\$2,018,461
Small Business										
2008	106	91.4%	10	8.6%	116	\$32,933	89.5%	\$3,872	10.5%	\$36,805
2009	44	91.7%	4	8.3%	48	\$11,936	83.8%	\$2,307	16.2%	\$14,243
Subtotal	150	91.5%	14	8.5%	164	\$44,869	87.9%	\$6,179	12.1%	\$51,048
Total	4,236	54.2%	3,585	45.8%	7,821	\$1,126,805	54.5%	\$942,704	45.5%	\$2,069,509

Source: 2008 and 2009 (through 6/30/2009) HMDA LAR and 2008 and 2009 (through 6/30/2009) CRA Data Collection - Total percentage may not add to 100 due to rounding.

As reflected in Table B, the bank originated approximately 54 percent by number and 55 percent by dollar of its home mortgage and small business loans in the assessment area. While a majority of the bank's overall lending was originated inside of the assessment area, the number of home mortgage loans was less than 50 percent by both number and dollar in 2008. This decrease was attributable to expanded lending activity that occurred through the bank's loan production offices in Boston, Massachusetts. These lenders focused on originating low-cost, high volume refinance loans, many of which were outside the designated assessment area. FMB closed these loan production offices in early 2009 for various business reasons which ultimately helped to increase the bank's assessment area concentration levels. Specifically, in 2009, the bank's performance showed notable improvement as approximately 61 percent by number and 60 percent by dollar of its home mortgage loans were originated in the assessment area.

Small business lending reflected stronger performance as approximately 91 percent and 90 percent by number and dollar, respectively, of the bank's loans were originated in the assessment area in 2008. Additionally, the bank's assessment area concentration remained strong by number with a slight decrease by dollar percentage in 2009. Given the bank's improved home mortgage performance between 2008 and 2009 and consistently strong small business lending, overall, assessment area concentrations are at an adequate level.

Geographic Distribution of Loans

This performance criterion considers the geographic distribution of the bank's lending activities, based on loan location, as well as, the number and amount of loans in low- and moderate-income geographies in the bank's assessment area. As mentioned previously, only 2008 home mortgage and small business loans originated in the assessment area are presented in this analysis. Also, the bank's home mortgage lending was weighted more heavily when arriving at the overall rating for the institution. The 2008 aggregate data was not available for comparative purposes in this evaluation.

Conclusion

The geographic distribution of FMB's home mortgage and small business lending reflects excellent dispersion throughout the assessment area. Refer to Table(s) C and D below.

<i>Table C - 2008 Distribution of HMDA Loans by Tract Income</i>					
Tract Income Level	% of Total Owner-Occupied Housing Units	#	%	\$ (000s)	%
Low	3.3%	83	4.4%	\$9,923	2.0%
Moderate	16.2%	343	18.0%	\$53,713	10.7%
Middle	52.0%	934	49.1%	\$244,159	48.6%
Upper	28.5%	543	28.5%	\$194,226	38.7%
NA	0.0%	0	0.0%	\$0	0.0%
Total	100%	1,903	100%	\$502,021	100%

Source: 2000 U.S. Census Data, 2008 HMDA LAR Collection - Total percentage may not add to 100 due to rounding.

The geographic distribution of home mortgage loans reflects excellent dispersion of lending in low- and moderate-income geographies. FMB's performance as shown above in Table C, depicts a strong performance by number volume as the distributions exceed the demographic comparative factors. This is more than comparable to the available opportunities to lend based on the percentage of owner-occupied units located in low- and moderate-income census tracts at 3.3 percent and 16.2 percent, respectively. The bank's performance is especially noteworthy because of the substantial challenges in extending residential credit in the assessment area's low- and moderate-income areas as a result of lower owner-occupancy levels and higher home prices. The bank's performance was less favorable by dollar amount in these same tract segments.

However, stronger emphasis is placed on the volume and dispersion of loans, which reflects the opportunities to lend and supports that the bank is more than meeting the credit needs of its community. Furthermore, the bank originated a large number of refinances in these areas that are typically for smaller loan amounts. Given the rising number of foreclosures and a declining housing market, this type of financing was cited as a credit need by several community contacts and is considered very responsive.

Table D depicts the bank’s geographic distribution of small business loans throughout the designated assessment area in 2008.

<i>Table D – 2008 Distribution of Small Business Loans by Tract Income</i>					
Tract Income Level	% of Businesses	#	%	\$ (000s)	%
Low	4.6%	9	8.5%	\$2,501	7.6%
Moderate	17.9%	27	25.5%	\$9,960	30.2%
Middle	49.4%	51	48.1%	\$16,788	50.9%
Upper	28.1%	19	17.9%	\$3,744	11.3%
NA	0.0%	0	0.0%	\$0	0.0%
Total	100%	106	100%	\$32,993	100%

Source: 2008 Dun and Bradstreet Business Data, 2008 CRA Data Collection - Total percentage may not add to 100 due to rounding.

The geographic distribution of the institution’s small business lending reflects strong penetration throughout the assessment area. Refer to Table D above. In 2008, FMB originated 106 small business loans totaling approximately \$33 million in the assessment area; of which, the institution extended approximately 8.5 percent and 25.5 percent by number of these loans in low- and moderate-income census tracts, respectively. The bank’s performance is evaluated relative to an appropriate demographic comparative factor wherein small business loans are compared to the concentration of businesses in each income segment. The bank’s levels of lending by number volume and dollar volume significantly outpaced the percentage of non-farm business establishments located in low-income tracts (at 4.6 percent) and moderate-income tracts (at 17.9 percent) which reflects an excellent dispersion of lending among census tracts of different income levels.

Borrower Characteristics

This category evaluates the bank’s record of lending to borrowers of different income levels, particularly, low- and moderate-income and smaller size businesses (with revenues gross annual revenues of \$1million or less). Again, only 2008 home mortgage and small business loan originations originated in the assessment area are presented in this analyses. Additionally, the bank’s home mortgage lending performance was weighted more heavily in the overall conclusion of the evaluation. As a reminder, the 2008 aggregate data was not available for comparative purposes in this evaluation.

Borrower incomes are compared to Department of Housing and Urban Development (HUD) adjusted median family income figures for the year in which the loans were granted. Table E contains the 2008 HUD Adjusted Incomes for those MSAs and Non-MSAs that comprise the bank's assessment area.

MSA/MD	Name	2008
12580	Baltimore-Towson	\$78,200
47894	Washington- Arlington- Alexandria, DC-VA, MD-WV	\$97,200
49620	York-Hanover, PA	\$65,100
99999 (Maryland)	Non-MSA	\$66,200

Source: U.S. Department of Housing and Urban Development

Conclusion

Overall, the institution's borrower distribution reflects adequate penetration by borrower income level distributions, particularly to low- and moderate-income borrowers, and in serving businesses of different sizes.

Lending to Borrowers of Different Incomes

The following Table F presents the distribution of home mortgage loans by borrower income level.

Borrower Income Level	% of Families	#	%	\$ (000s)	%
Low	20.2%	176	9.3%	\$19,075	3.8%
Moderate	18.8%	501	26.3%	\$88,681	17.7%
Middle	23.7%	491	25.8%	\$244,921	48.8%
Upper	37.3%	637	33.5%	\$119,027	23.7%
NA	0.0%	98	5.1%	\$30,317	6.0%
Total	100%	1,903	100%	\$502,021	100%

Source: 2000 U.S. Census Data, 2008 HMDA LAR Collection - Total percentage may not add to 100 due to rounding.

FMB's distribution of home mortgage lending reflects a poor penetration among low-income borrowers, relative to stronger performance to moderate-income individuals. As shown in Table E above, the bank's lending to low-income borrowers trailed the percentage of families (20.2 percent) within the assessment area. However, lending opportunities in these tracts are limited since approximately 8 percent of the families in the assessment area live below the poverty level. It is also noted that families in low- and moderate-income categories do not typically possess the financial resources to support and maintain home mortgage purchases, particularly with the higher home prices in the assessment area. Nonetheless, the bank's penetration to moderate-

income borrowers showed significant improvement as the bank originated 26.3 percent by number and 17.7 percent by dollar of its loans within this income segment. This penetration level substantially exceeded the demographic comparative factors. Given the aforementioned factors, overall, the bank's lending to low- and moderate-income borrowers is adequate.

Lending to Businesses of Different Sizes

Table(s) G and H reflects the distribution of the bank's small business lending by gross annual revenues of the businesses served and loan amount.

Business Revenue Level	% of Businesses*	#	%	\$ (000s)	%
≤\$1,000,000	67.1%	61	57.6%	\$17,893	54.2%
> \$1,000,000	5.0%	37	34.9%	\$12,731	38.6%
Not Reported	27.9%	8	7.5%	\$2,369	7.2%
Total	100%	106	100%	\$32,993	100%

Source: 2008 Dun & Bradstreet Business Data, 2008 CRA Data Collection - Total percentage may not add to 100 due to rounding.

Within the small business loan segment, the institution extended an adequate volume of loans to businesses with revenue at or below \$1 million. More specifically, within the 61 small business loans made in the assessment area for which revenue data was available, the volume of loans originated to businesses in the revenue category at or below \$1 million was 57.6 percent and 54.2 percent (by number and dollar volume, respectively). The demographic data regarding the volume of small businesses in the assessment area is considered the best comparative information for this performance criterion. According to the 2008 Dun and Bradstreet business demographic data, 67.1 percent of the businesses in the assessment area have annual revenues equal to or less than \$1 million. While the bank's performance is below the concentration of local businesses considered smaller in size, the demographic figures often include very small businesses that do not desire financing or use alternative sources of commercial financing (such as credit cards and home equity lines). Given that a majority of the bank's lending performance was originated to businesses whose revenues totaled \$1 million or less, the bank's small business performance is also considered adequate.

An analysis was also conducted on the size of the small business loans originated by the bank. Loan size is generally considered a good proxy for the size of the business, as smaller size businesses typically need and qualify for smaller loan amounts. Table H reflects the bank's penetration rates within the various categories by loan size. Specifically, 23 percent of the bank's small business loans were originated in amounts of \$100,000 or less, while approximately 30 percent were originated in amounts of \$250,000 or less in 2008. Based on the distribution of loans by loan amount, the bank's performance further demonstrate its commitment to fund the credit needs of small business owners.

<i>Table H – Distribution of Small Business Loans by Loan Size</i>		
Loan Amount	2008	
	#	%
<= \$100,000	14	23.0%
\$101,000 <= \$250,000	18	29.5%
\$251,000 <= \$1,000,000	29	47.5%
>\$1,000,000	0	0.0%
<i>Total</i>	<i>61</i>	<i>100%</i>

Source: 2008 CRA Data Collection - Total percentage may not add to 100 due to rounding.

Community Development Lending

The institution's community development lending activities are evaluated pursuant to the following criteria:

- 1) The extent to which community development lending opportunities have been made available to the institution;
- 2) The responsiveness of the institution's community development lending; and
- 3) The extent of leadership the institution has demonstrated in community development lending.

Conclusion

FMB's level of community development lending demonstrates adequate responsiveness to the community development needs of the assessment area, considering the institution's capacity and the availability of opportunities. More specifically, FMB originated a total of 7 qualified community development loans totaling approximately \$4.2 million since the previous evaluation as of September 24, 2007. This volume represents 0.3 percent of total assets and 0.4 percent of total loans as of June 30, 2009. The bank's volume of community development lending is fully consistent with performance reflected at the prior CRA evaluation.

The bank's community development lending efforts focus on various community development initiatives within the assessment area, through affordable housing, community services and revitalization and stabilization of low- and moderate-income areas. The aforementioned information reflects the bank's commitment to seek out community development opportunities and respond to the needs that those opportunities represent.

FMB originated the following community development loans during the current evaluation period. Please note that the lines of credit identified below were either unsecured or non-real estate secured. As such, the loans noted below were not considered small business loans.

- 1) December 2007 – The bank renewed a \$50,000 line of credit to a local non-profit corporation that operates substance abuse centers and provides health and welfare services in a low-income area for low- and moderate-income families and their children. The line of credit was required to meet current operating expenses, as this organization awaits future government grants.

- 2) February 2008 - The bank renewed a \$1.4 million loan to purchase and renovate a distressed retail shopping center located in a moderate-income census tract in Baltimore. The shopping center consists of several commercial properties that will be offered at below market rents, as well as, help to revitalize and stabilize a moderate-income neighborhood.
- 3) June 2008 – The bank renewed a \$35,000 working capital line of credit to a non-profit organization that provides drug treatment and rehabilitation to adult males within the Baltimore City area. The organization also partners with other non-profits to develop the Collington Square neighborhood which is located in a low-income census tract.
- 4) July 2008 – The bank originated a \$139,500 construction loan for the purchase and rehabilitation of three apartment homes in a low-income census tract in Baltimore. Estimated sales prices are affordable for low- and moderate-income individuals.
- 5) November 2008 – The bank renewed a \$297,500 loan for the purchase and renovation of a mixed-use property in a moderate-income census tract in Baltimore. The complex includes a single store front and 7 apartments, which are currently renting at below market rates, and remain affordable to many low- and moderate-income individuals.
- 6) January 2009 – The bank renewed a \$1.5 million working capital line of credit to a non-profit organization that operates an assisted living facility for senior citizens that are low- and moderate-income. The line of credit will assist the organization with renovation costs, as well as, provide temporary housing, food and shelter to the residents under the organization’s care until the repair work is complete.
- 7) June 2009 – The bank granted a \$731,000 residential mortgage to purchase an apartment building located in a moderate-income area in Baltimore. The building consists of 22-units; of which, eleven units provide affordable housing through the Section 8 program.

Innovative or Flexible Lending Practices

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 in new ways or serve groups of creditworthy borrowers not previously served by the institution; and
- 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.

Conclusion

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

The following is a description of the innovative and flexible lending products that the bank has participated in since the previous evaluation.

- Maryland Mortgage Program - The purpose of this program is to provide homeownership to eligible limited income homebuyers in the State of Maryland. The great majority is offered to low- and moderate- income households, as the household income average is approximately \$50,000. For the evaluation period, the bank funded 235 loans for \$34 million.
- Federal Home Loan Bank FHP - This program matches funds for down payment and closing cost assistance to low- and moderate-income homebuyers. For every dollar put up by the buyer, FHLB will match it with five dollars up to a maximum of \$10,000. For the evaluation period, the bank funded 198 loans for \$952,191.
- Federal Housing Administration (“FHA”) and Veterans Administration (“VA”) Loans – The bank offers these flexible lending products, including the very low down payment mortgage loans to its customers. During the evaluation period, the bank originated 3,220 FHA loans totaling \$731 million and 704 VA loans totaling \$178 million.
- Federal Housing Administration 203(k) Program - This program provides assistance for low- and moderate-income borrowers to acquire and rehabilitate single-family properties. The program is vital to metropolitan areas as it allows the homebuyer to make improvements to homes sold in “as is” condition, such as short sales, foreclosures and other distressed situations. During the review period, the bank funded 91 loans totaling \$19.6 million.
- USDA Rural Housing Program - This program gives low- and moderate-income individuals who do not currently own adequate housing and who cannot obtain credit the opportunity to acquire, build, rehabilitate, improve or move dwellings to new locations in rural areas. During the evaluation period, FMB funded 63 loans totaling \$11 million.
- Down Payment Settlement Expense Loan Program: This program provides down payment and settlement expense funds for eligible limited income homebuyers in the state of Maryland. During the evaluation period, the bank funded 183 loans in the amount of \$859,157.
- Baltimore City Section 8 to Homeownership Program: This initiative is designed to convert Section 8 rental voucher holders into homeowners. This program helps low - income households to their use rental subsidies towards mortgage payment subsidy for a period of 15 years. After the 15-year period the expectation is that the homeowner should be self sufficient, no longer needing public assistance. For this evaluation period, the bank funded 4 loans for \$495,951.

- Assisted Technology Guarantee Program: This program helps Maryland residents with disabilities and their families qualify for low-interest loans to buy equipment that helps them live, work, and learn independently. During the evaluation period, the bank funded 19 loans totaling \$112,232. Additionally, of the 19 loans originated, six were smaller dollar amounts of \$1,000 or less.
- Reverse Mortgages: This credit program is primarily designed to strengthen senior citizen's personal and financial independence by providing funds without a monthly loan repayment burden during their lifetime in the home. The bank funded 1,452 loans for \$437 million during the evaluation period.

FMB also participated with local state, county and city programs that provide assistance to low- and moderate-income individuals with achieving homeownership. Collectively, the programs provide funds towards down payment and settlement costs for borrowers.

- American Dream Down-Payment Initiative - 16 units funded for \$160,000
- Baltimore City Employee Program - 14 units funded for \$120,000
- Baltimore City Trolley Tour Grant - 11 units funded for \$33,000
- Baltimore County Mortgage Assistance and Settlement Loan Programs - 9 units funded for \$225,000

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.

Conclusion

The bank's overall qualified investment performance is poor.

FMB only obtained one new qualified investment during the evaluation period. This investment was a \$750,000 mortgage backed security consisting of loans originated to low- and moderate-income borrowers. The bank's nominal qualified investment activity represents poor responsiveness to community development needs. However, it should be noted that during the evaluation period the bank's business strategy called for a drastic reduction in the level of investments that were to be maintained in the securities portfolio. As of June 30, 2009, the bank's securities portfolio totaled approximately \$40 million, which represents a decline from the \$47 million in the securities portfolio as of June 30, 2007.

Despite the fact that FMB continues to reduce its securities portfolio, the bank retained \$933,000 of previously qualified investments. In addition, during the evaluation period, FMB provided 22 donations totaling \$111,370 to various community development organizations. The combined total of the bank's previously qualified investments and current donations equals approximately \$1.8 million, which represents 0.14 percent of total assets, 4.51 percent of total securities, and 2.20 percent in equity capital.

While it is recognized that the bank had very little new investment activity during the evaluation period, the nominal level of new qualified investments indicates that the bank's performance in the investment test is in need of improvement.

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 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) The responsiveness to available opportunities for community development services.

Conclusion

The bank's retail delivery systems are readily accessible to all portions of the bank's assessment area, including low- and moderate-income census tracts. There was one branch office opened and four were closed since the prior evaluation. Business hours meet, and often exceed, those of other competitors in the marketplace. The bank offers a variety of alternative delivery systems including an Automated Teller Machine ("ATM") network, bank by phone, and Internet/PC banking. The bank provided a relatively high level of community development services during the evaluation period.

Retail Banking Services

FMB provides retail-banking services through a growing branch network and a variety of alternative delivery systems.

Branch Delivery System

The main office and two branches are located in moderate-income census tracts, 16 are in middle-income census tracts and five are in upper-income census tracts. The branch opened

during this evaluation period is located in a middle-income census tract in Westminster, Maryland. FMB also closed four of its offices that were located in the Maryland cities of Baltimore, Gambrills, Ocean City and Randallstown. Of the four branch closings, three were situated in middle-income census tracts and the remaining one was in an upper-income area. The branch closings did not adversely affect the accessibility of FMB's delivery systems to low- and moderate-income geographies or low- or moderate-income individuals.

The distribution of the branch network, including the main office and two branches located in moderate-income census tracts, indicates that delivery systems are readily accessible to all portions of the assessment area. Again, the hours of operation of the bank's offices meet and often times exceed, those of other banks operating in the marketplace. FMB's branch offices also maintain extended weekday hours depending on location. Each office has Saturday hours and most are also open on Sunday.

All branch offices offer a wide variety of retail banking products and services to customers, including a full array of personal and business deposit accounts. Included in the personal deposit account offerings are two primary checking products that have no minimum balance requirement, no monthly maintenance fee and unlimited check writing capabilities.

All branches also offer the same menu of financial products and services to customers. Overall, office locations are comparable to assessment area demographics.

Alternate Delivery Systems

Alternate delivery systems are methods used by a bank to reach communities where the bank has no physical presence. FMB offers a variety of alternative delivery systems including an ATM network, telephone banking and online banking. As of the current evaluation, the bank owns and/or supports 121 ATMs and all FMB branches have at least one ATM. Additionally, the bank is a participant in MoneyPass, a large national surcharge-free ATM network, with 10,000 ATMs throughout the country.

The bank offers a customer service center that is available through a toll-free telephone number seven days a week. Customers can use this service to get balance information, make account transfers, open deposit accounts, apply for consumer and residential mortgage loans, apply for debit cards, apply for Internet banking access and to initiate problem resolutions. An automated telephone banking service is available outside of the service center's regular business hours.

The bank's web site, www.1stmarinerbank.com, offers customers a wide variety of banking options. Consumers can use the web site to apply for loans, open deposit accounts, transfer funds, review account history, pay bills, find branch locations/hours/ATMs and contact customer service through electronic mail.

Community Development Services

FMB provided a relatively high level of community development services during the evaluation period. All of the activities provided on behalf of the institution involved the direct involvement by individuals and the use of their technical assistance skills. Table I below provides specific details on the bank's qualified community development services.

- Since the previous evaluation, 18 directors, officers, and employees provided their financial expertise through a total of 10 qualified community development service activities. The bank primarily served local non-profit organizations that facilitate various community services to smaller size local businesses, low- and moderate-income individuals and geographies or stimulate economic growth within the bank's assessment area.
- The bank is extremely active in providing financial education and small business education at schools and organizations within the assessment area. Since the prior evaluation, the bank participated in 14 financial and housing related education seminars. As mentioned previously, first-time homebuyer programs, foreclosure prevention and small business financing, including financial educational programs was cited by local community contacts as a bank outreach need; therefore, this type of initiative is considered extremely responsive to the needs of the bank's market.

Table I - Community Development Services

Service Description	Bank Sponsored Program	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
A director serves on the board for a non-profit organization that works to eliminate poverty and homelessness by refurbishing and building homes for low- and moderate-income families. (1)		X	
Two bank officers serve as members of a community service organization with the purpose to educate themselves about community reinvestment issues and look for ways to enhance community reinvestment efforts for all banks in the Greater Baltimore area. (2)		X	
Five bank officers and lenders conducted numerous homeownership workshops at various local non-profit housing centers that target low- and moderate-income households throughout Baltimore. Collectively, the workshops provided affordable housing opportunities and a broad variety of counseling services, such as homeownership, credit building and foreclosure prevention. (5)		X	
A bank officer serves on the board for a community service organization that raises money for programs dedicated to assist the underprivileged in life skills development in the Greater Baltimore area. (1)		X	
A bank officer serves on the board of a local HUD-approved counseling agency that provides homebuyer education and financial counseling to low- and moderate-income individuals, as well as services for seniors. (1)		X	

Table I - Community Development Services

Service Description	Bank Sponsored Program	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
Three bank officers and lenders participated in homebuyer and revitalization events with various community service organizations within the Greater Baltimore area. The organizations primarily work to rebuild distressed areas and provide educational and financial counseling and assistance to the disadvantaged. (3)		X	
Two bank officers also conducted specialty housing sessions for two non-profit organizations with the Baltimore area. One lender provided counseling to moderate-income seniors on the viability of the reverse mortgage credit product. The other lender presented mortgage program options to Section 8 rental voucher holders. This program offers the opportunity for low-income families to convert their rental vouchers to mortgage payment subsidies. (2)		X	
A bank officer serves on the board of a community service organization that focuses on economic empowerment and stabilization of low- and moderate-income areas in Baltimore, in addition to its primary business focus of media and education. (1)		X	
The bank partnered with a local non-profit housing organization to provide a first time homebuyer seminar to low- and moderate-income borrowers. The session focused on closing cost assistance programs and eligibility requirements. (1)	X		
The bank's community lending department participated in the Baltimore County Resource day that provided financial education sessions to attendees. The bank promoted the County's Affordable Housing program targeted at low- and moderate-income individuals. (1)		X	

(#) Denotes the number of qualified services performed for the activity.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's record of complying with anti-discrimination laws, i.e., the Fair Housing Act and Regulation B (Equal Credit Opportunity Act) is satisfactory. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community needs was identified.

MULTISTATE METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CSA 548

FMB operates 21 (approximately 91.4 percent) of its 23 branch offices within CSA 548. The areas served by the bank in CSA 548 are presented under Assessment Area #1 in the Description of Assessment Area section of this evaluation.

SCOPE OF EXAMINATION

Of the 4,086 HMDA reportable loans originated and evaluated in the overall performance portion of this CRA evaluation, approximately 98 percent were located in CSA 548. Of the 150 small business loans originated during the evaluation period, 99.3 percent were located in this CSA. CSA 548 accounts for approximately 90.3 percent of the bank's overall assessment area. Therefore, since the bank's performance in CSA 548 mirrors the bank's overall performance of this evaluation, a separate analysis for this assessment area will not be presented.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CSA 548

As previously stated, the bank's performance in CSA 548 mirrors the bank's overall performance of this CRA evaluation. Please refer to the Conclusions with Respect to Performance Tests section of this evaluation.

STATE OF MARYLAND

CRA RATING FOR MARYLAND¹: Satisfactory

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Needs to Improve

The Service Test is rated: Low Satisfactory

The overall rating assigned to the State of Maryland is based on FMB's performance in Talbot County, a non-MSA area. This designated assessment areas consists of 9 census tracts located within Talbot County and is referred to as the State of Maryland assessment area within this analysis. The level of lending in the State of Maryland assessment area was comparable to the percentage that this area represented in terms of the overall assessment area. Please note that most of Maryland is included in multi-state CSA 548 (a separate assessment area) so the bank's performance for the State of Maryland was limited to its lending activities in Talbot County.

SCOPE OF EXAMINATION

Of the 4,086 home mortgage loans originated and evaluated in the overall performance portion of this CRA evaluation, 0.7 percent were located in the State of Maryland. Of the 150 small business loans originated during the evaluation period, 0.7 percent was located in the State of Maryland. The State of Maryland accounts for approximately 1 percent of the bank's overall assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF MARYLAND

FMB operates 1 (4.3 percent) of its 23 branch offices within the State of Maryland. The area served by the bank in the State of Maryland is presented under Assessment Area #2 in the Description of Assessment Area section of this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF MARYLAND

FMB's lending activity is considered adequate, as is the bank's record of originating loans within the various census tracts and to borrowers of different incomes. FMB has not originated any community development loans in these assessment areas since the last CRA evaluation. As with the level of qualified investments that were obtained for the overall assessment area, FMB's performance is rated needs to improve.

¹For 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 discussion for the evaluation of the institutions performance in that area.

The bank's branch office is accessible to essentially all portions of the assessment area. Services and hours of operation do not vary in a way that inconveniences any portion of the assessment area. FMB provided an adequate level of community development services during the current evaluation period.

LENDING TEST

Lending Activity

Lending levels in the State of Maryland reflected adequate responsiveness to the credit needs of the assessment area. During 2008 and 2009 (through June 30, 2009) the bank originated 28 loans in this area. Lending activity for all loan types was as follows: home mortgage (27 loans totaling approximately \$6.9 million) and small business (1 loan for \$150,000). As mentioned previously, the bank's home mortgage performance was weighted more heavily in the overall rating for the bank. In addition, only the bank's 2008 home mortgage and small business lending performance is presented in the forthcoming analyses.

Geographic Distribution of Lending

Home mortgage and small business loans were reviewed to evaluate the bank's distribution of loans among the census tracts within the State of Maryland. Overall, the geographic distribution of these loan originations reflects adequate penetration throughout the assessment areas.

Home Mortgage Originations

Overall, the geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment areas. The institution originated 3.7 percent (1 loan) of its home mortgage loans in a moderate-income census tract which was below the total number of owner-occupied units in the area at 5.5 percent. The bank also originated 51.9 percent (14 loans) located in middle-income tracts and 44.4 percent (12 loans) located in upper-income tracts. The bank's distribution by dollar volume mirrored that by number and is therefore not presented in this portion of the evaluation.

While, the bank's performance was below the distribution of moderate-income census tracts within the assessment areas, the presence of both low- and moderate-income geographies is extremely nominal. Specifically, this assessment area maintains no low-income census tracts and only one moderate-income tract, while the remaining eight are middle- and upper-income geographies. Again, the bank's ability to extend credit in the sole moderate-income census tract in this small assessment area reflects favorably on the bank and is considered adequate performance.

Small Business Loan Originations

FMB only originated one small business loan within the assessment area during 2008. This sole loan was located in a middle-income census tract in Talbot County. Due to the nominal number of small business loans, no additional analysis was conducted.

Borrower Characteristics

Home Mortgage Loan Originations

Overall, the distribution of HMDA loans reflects adequate penetration among borrowers of different incomes. The bank originated approximately 3.7 percent (or 1 loan) of its home mortgage loans to a low-income borrower and 7.4 percent (or 2 loans) to moderate-income borrowers. This performance trailed the comparative demographic factor as 16.5 percent of families residing in this assessment area are low-income and 17.0 percent are moderate-income.

While, the bank's performance is below the demographic data, it is noted that families in low- and moderate-income categories do not typically possess the financial resources to support and maintain home mortgage purchases, particularly given the higher home prices in the area. Additionally, lending opportunities in these tracts are limited as approximately 5.3 percent of the families in the assessment area live below the poverty level. Given the aforementioned factors, overall, the bank's lending to low- and moderate-income borrowers is adequate.

Small Business Loan Originations

The sole small business loan originated by FMB in the assessment area in 2008 was in an amount less than \$250,000 and to a business with revenues greater than \$1 million. Due to the nominal number of small business loans, no additional analysis was conducted.

Community Development Loans and Innovative and Flexible Lending Practices

FMB did not originate any community development loans in the assessment area during the evaluation period.

Many of the innovative and flexible lending products and programs that were referenced in the Conclusions with Respect to Performance Tests section were available in the State of Maryland during the evaluation period.

INVESTMENT TEST

FMB obtained one new qualified investment totaling \$750,000 during the evaluation period.

SERVICE TEST

Accessibility of Delivery Systems

FMB's delivery systems consist of one branch office and an ATM network.

Changes in Branch Locations

FMB has not opened or closed any branch offices in the State of Maryland assessment area since the previous CRA evaluation.

Reasonableness of Business Hours and Services

Hours of operation are consistent with other banks operating in this market and all of FMB's products are available to consumers in these assessment areas.

Community Development Services

FMB provided an adequate level of community development services inside of the State of Maryland. Please refer to the Community Development Services section of the evaluation for further details on the bank's community development services.

STATE OF PENNSYLVANIA

CRA RATING FOR PENNSYLVANIA²: Satisfactory

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Needs to Improve

The Service Test is rated: Low Satisfactory

The overall rating assigned to the State of Pennsylvania is based on FMB's performance in York County, which is located within MSA 49620. This designated assessment areas consists of 82 census tracts and is referred to as the State of Pennsylvania within this evaluation. The level of lending in the assessment area was comparable to the percentage that this area represented in terms of the overall assessment area.

SCOPE OF EXAMINATION

Of the 4,086 home mortgage loans originated and evaluated in the overall performance portion of this CRA evaluation, approximately 1.3 percent were located in the State of Pennsylvania. The bank originated no small business loans in the State during the evaluation period. The State of Pennsylvania accounts for 8.7 percent of the bank's overall assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF PENNSYLVANIA

FMB operates 1 (4.3 percent) of its 23 branch offices within the State of Pennsylvania. The area served by the bank in the State of Pennsylvania is presented under Assessment Area #3 in the Description of Assessment Area section of this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF PENNSYLVANIA

FMB's lending activity is considered adequate, as is the bank's record of originating loans within the various census tracts and to borrowers of different incomes. FMB has not originated any community development loans in this assessment area since the last CRA evaluation.

As with the level of qualified investments that were obtained for the overall assessment area, FMB's performance is rated needs to improve.

The bank's branch office is accessible to essentially all portions of the assessment area. Services and hours of operation do not vary in ways that inconvenience any portion of assessment area. FMB provided an adequate level of community development services during the current evaluation period.

²For 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 discussion for the evaluation of the institutions performance in that area.

LENDING TEST

Lending Activity

Overall, lending levels in the State of Pennsylvania reflected adequate responsiveness to the credit needs of the assessment area. During 2008 and 2009 (through June 30, 2009) the bank originated 21 loans totaling approximately \$10.3 million in this area; all of which were home mortgages with no small business loan originations. As mentioned previously, the bank's home mortgage performance was weighted more heavily in the overall rating for the bank. In addition, only the bank's 2008 home mortgage and small business lending performance is presented in the forthcoming analyses.

Geographic Distribution of Lending

Home mortgage loans were reviewed to evaluate the bank's distribution of loans among the census tracts within the State of Pennsylvania. As previously mentioned, no small business loans were originated in the assessment area. Overall, the geographic distribution of the loan originations reflects adequate penetration throughout the assessment area.

Home Mortgage Originations

Overall, the geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. All 21 of the bank's home mortgage loans were originated in middle- and upper-income census tracts with no credits extended in low- or moderate-income geographies in 2008. The demographic data shows that the assessment area only maintains 6 (or 7.3 percent) low-income census tracts and 11 (13.4 percent) moderate-income tracts, relative to the remaining 65 geographies that are middle-income at 70.7 percent and upper-income area at 8.6 percent. Within each tract segment, the owner-occupancy housing levels in low- and moderate-income areas at 25.6 percent and 44.6 percent, respectively, compared to significantly higher middle- and upper-income tract levels at 76.2 percent and 86.5 percent, respectively. This data suggests that lending opportunities do exist but are much more limited in low- and moderate-income census tracts.

While, FMBs lack of penetration in low- and moderate-income areas is considered less than satisfactory, the institution faces a number of challenges in trying to reach these tract segments. FMB does not maintain a strong bank presence within the State of Pennsylvania and historically has had low levels of lending in this assessment area. Further, the bank only operates one branch office in the State that is situated in a middle-income census tract and surrounded by numerous geographies in this same tract segment. Additionally, the nearest low- and moderate-income census tracts are more than 10 miles from the branch office. As such, it is not reasonable to expect that potential applicants, particularly low- or moderate-income will travel this distance to reach the bank's sole location. Given these limitations and challenges faced by the institution, it also is not likely that the bank's lending activity would outpace the lending activity of other banks, particularly, those that are operating in close proximity to low- and moderate-income areas. Overall, the bank's performance is considered adequate.

Small Business Loan Originations

As noted previously, the bank did not originate any small business loans in the State of Pennsylvania during 2008, and therefore, no additional analysis could be conducted.

Borrower Characteristics

Home Mortgage Loan Originations

The distribution of HMDA loans reflects good penetration among borrowers of different incomes. The bank originated approximately 19.1 percent (or 4 loans) of its home mortgage loans to low-income borrowers which is above the total number of families residing within the assessment at 15.9 percent. FMB's lending to moderate-income borrowers significantly increased as 42.9 percent (9 loans) of the bank's home mortgage loans were originated within this income category. The bank's level of lending more than doubled the comparative demographic factor of 19.5 percent and thus, reflects excellent performance.

Small Business Loan Originations

Again, FMB made no small business loan originations in the State of Pennsylvania in 2008, and therefore, no additional was conducted.

Community Development Loans and Innovative and Flexible Lending Practices

FMB did not originate any community development loans in the State of Pennsylvania during the evaluation period.

Many of the innovative and flexible lending products and programs that were referenced in the Conclusions with Respect to Performance Tests section were available in the State of Pennsylvania during the evaluation period.

INVESTMENT TEST

FMB obtained one new qualified investment totaling \$750,000 during the evaluation period.

SERVICE TEST

Accessibility of Delivery Systems

FMB's delivery systems consist of one branch office and an ATM network.

Changes in Branch Locations

FMB has not opened or closed any branch offices in the State of Pennsylvania assessment area since the previous CRA evaluation.

Reasonableness of Business Hours and Services

Hours of operation are consistent with other banks operating in this market and all of FMB's products are available to consumers in these assessment areas.

Community Development Services

FMB provided an adequate level of community development services inside of the State of Pennsylvania. Please refer to the Community Development Services section of the evaluation for further details on the bank's community development services.

APPENDIX A

SCOPE OF EXAMINATION

First Mariner Bank
SCOPE OF EXAMINATION: First Mariner Bank was examined in accordance with "Large Bank" CRA performance procedures.
TIME PERIOD REVIEWED: Loan analysis: January 1, 2008 through June 30, 2009. Community development loans, investments, and services: September 25, 2007 through August 3, 2009.
PRODUCTS REVIEWED: Home Mortgage Loans (1-4 Family Residential, Refinance and Home Improvement Loans) and Small Business Loans.

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
CSA 548	Full Scope	None	None
Non-MSA (Maryland)	Full Scope	None	None
MSA 49620 (PA)	Full Scope	None	None

APPENDIX B

SUMMARY OF STATE RATINGS				
STATE OR MULTISTATE MSA NAME:	LENDING TEST RATING:	INVESTMENT TEST RATING:	SERVICE TEST RATING:	OVERALL STATE RATING:
Overall	High Satisfactory	Needs to Improve	High Satisfactory	Satisfactory
Maryland	Low Satisfactory	Needs to Improve	Low Satisfactory	Satisfactory
Pennsylvania	Low Satisfactory	Needs to Improve	Low Satisfactory	Satisfactory

APPENDIX C - GENERAL DEFINITIONS

GEOGRAPHY TERMS

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 D - 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.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.