



PUBLIC DISCLOSURE

May 20, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Arundel Savings Bank, FSB
Charter Number 706390

125 Mountain Rd
Pasadena, MD 21122-1009

Office of the Comptroller of the Currency

400 7th Street S.W.
Washington, DC 20291

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 major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size and competitive factors;
- A majority of the bank's loans originated during the evaluation period were within the bank's assessment area (AA);
- The geographic distribution of loans reflects an overall reasonable dispersion and satisfactory performance; and
- The borrower distribution reflects reasonable dispersion and satisfactory performance.

SCOPE OF EXAMINATION

CRA activities at North Arundel Savings Bank (NASB) were completed using full-scope review procedures for its Assessment Area (AA). Our review covered the bank's performance from January 1, 2010 through December 31, 2011. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

In order to ensure the reliability of internally prepared loan reports, we performed a data integrity examination during the second quarter of 2013. Specifically, we tested the accuracy of internal reports by comparing it against NASB's loan file documentation. The data integrity examination revealed NASB's information could be relied upon for the purposes of this CRA evaluation.

DESCRIPTION OF INSTITUTION

NASB is a federally chartered mutual institution in operation since 1956. NASB offers fixed rate loans for the purchase, refinance and construction of one-to-four family dwellings. Home equity loans are also available. Deposit products offered include checking, passbook savings, money market savings, holiday club accounts, certificates of deposit, traditional and ROTH individual retirement accounts. Additional information is available at the bank's website at www.northarundelfsb.com.

At March 31, 2013, NASB maintained total assets of \$41.2 million. As of the same date, NASB had net loans of \$28.4 million, total deposits of \$36.8 million, and Tier One Capital of \$4.5 million. Net loans represent 68.9% of total assets. The bank's loan portfolio consists primarily of one-to-four family residential real estate loans.

NASB's one office is located at 125 Mountain Road, Pasadena, MD. During the evaluation period, the bank did not open or close any offices. NASB's hours of

operation are 9:00am to 3:00pm on Monday through Thursday; 9:00am to 6:00pm on Friday; and 9:00am to 12:00pm on most Saturdays. There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its AA. At the prior CRA examination dated April 7, 2008, NASB was rated "Satisfactory."

DESCRIPTION OF NASB ASSESSMENT AREA

Demographic Information for Full Scope Area: North Arundel AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	31	0.00	9.68	61.29	29.03	0.00
Population by Geography	172,940	0.00	11.32	57.72	30.95	0.00
Owner-Occupied Housing by Geography	47,324	0.00	5.04	60.29	34.67	0.00
Business by Geography	17,213	0.00	6.05	56.53	37.41	0.00
Farms by Geography	245	0.00	5.71	58.78	35.51	0.00
Family Distribution by Income Level	46,608	13.33	18.70	25.78	42.19	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	14,929	0.00	17.12	63.21	19.67	0.00
Median Family Income		\$66,107	Median Housing Value	\$149,027		
HUD Adjusted Median Family Income for 2011		\$84,500	Unemployment Rate	7.3%		
Households Below Poverty Level		5.17%	(Dec. 2011 Bureau of Labor Statistics)			

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

NASB's AA is located within the Baltimore/Towson, Maryland Metropolitan Statistical Area (MSA), and includes thirty-one (31) census tracts in Northern Anne Arundel County, MD. The bank's AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The total population in the AA was 172,940, as of the 2000 U.S. Census. The unemployment rate as of December 2011 was 7.3%. This rate is slightly higher than the Baltimore/Towson MSA rate of 6.6% and the state rate of 6.9%.

Major employers in Anne Arundel County include Fort Meade, Anne Arundel Public Schools, BWI Airport, The State of Maryland, and Northrup Grumman. Top employment sectors include government agencies at 59.9%, education establishments at 12.9%, regional airport at 7.9%, and manufacturing at 7.6%.

The median cost of housing in the AA is \$149,027. The updated Median Family Income for 2011 is \$84,500. The percentage of households below the poverty level is 5.17%. The AA's population is comprised of 46,608 families with the following family income distribution: 13.33% are low-income, 18.70% are moderate-income, 25.78% are middle-income, and 42.19% are upper-income.

In 2011, 276 lenders originated Home Mortgage Disclosure Act (HMDA) loans in the AA, according to the HMDA Peer Mortgage Data. Competition in the AA was strong with Wells Fargo, Bank of America, and JP Morgan Chase ranking as the top three lenders with market shares of 17.45%, 9.42%, and 7.09% respectively. NASB was ranked 49th with a market share of 0.34%. Other competitors consisted of large national banks and mortgage companies, large regional banks, and mortgage brokers with nationwide sources of funding.

According to the June 30, 2011 FDIC Summary of Deposits Market Share Report, NASB was ranked 65th out of 77 institutions in their AA with 0.05% of deposits. Bank of America is ranked first with 104 offices and 25.94% of the deposits. Other financial institutions include M&T Trust Company with 116 offices and 23.66% of the deposits, PNC Bank, NA with 97 offices and 9.61% of the deposits, Wells Fargo with 55 offices and 7.62% of the deposits, and Branch Banking & Trust Co with 60 offices and 5.44% of the deposits.

We discussed the community's credit needs with one community development organization that focuses on economic development. It is a non-profit, membership based organization. The contact stated that there is always a need for community development, other credit-related projects, or financing programs and there is a moderate level of opportunity for bank involvement. The contact also stated that the community can vary between strong and very needy areas. Northern Anne Arundel County (Oakland Park and Curtis Bay) tend to have a higher percentage of lower income households, and is a high crime area. This contact works with a homeowners association in this area to assist with business development and help determine what the community needs. The businesses in this area are in need of financial assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

NASB's loan-to-deposit ratio is satisfactory. The bank's average loan-to-deposit ratio for the prior twenty-one quarters is 77.43%. This is above the 77.17% average loan-to-deposit ratio for similarly situated banks during the same time period.

Lending in Assessment Area

NASB's lending in their AA is satisfactory. A majority of the home mortgage loans originated during the evaluation period were within the AA. An analysis of the lending data disclosed that 73.58% of these loans were originated in the AA.

Lending to Borrowers of Different Incomes

NASB's lending to borrowers of different incomes is satisfactory. Borrower distribution reflects reasonable penetration amount residential real estate loans. The level of home mortgage loan purchases originated to low-income borrowers is lower than the

percentage of low-income families in the AA. However, when considering the affordability of housing in the AA, the performance is reasonable. The median cost of housing in the AA is \$149 thousand, based on 2000 census data. The HUD updated median family income for 2011 is \$84 thousand. This means that a low-income household earns less than \$42 thousand. Households below the poverty level are 5.17%. Based on these statistics, it would be difficult for a low-income household to purchase housing in the AA. Also, in 2011, of the 276 lenders to low-income individuals in the AA, NASB was ranked 49th, with a market share of 0.34%. The level of home mortgage loan purchases originated to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance is excellent.

NASB did not originate any home improvement loans to low- and moderate-income families in the assessment area. The performance is mitigated by the fact that home improvement loans are not a primary product for NASB as only five or 7.3% of reportable loan applications were for home improvement purposes

The percentage of home mortgage refinance loans to low-income borrowers meets the percentage of low-income families in the AA. This performance is considered excellent. The percentage of home mortgage refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance is excellent.

Table 1 - Borrower Distribution of Residential Real Estate Loans in AA								
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	13.33	5.00	18.70	20.00	25.78	35.00	42.19	35.00
Home Improvement	13.33	0.00	18.70	0.00	25.78	50.00	42.19	50.00
Home Mortgage Refinance	13.33	13.33	18.70	26.67	25.78	6.67	42.19	53.33

Source: 2010-2011 Loan Applications.

Geographic Distribution of Loans

NASB’s geographic distribution of loans is satisfactory. The geographic distribution reflects reasonable dispersion in comparison to the geographical distribution of residential mortgage loans within the AA. Our review did not detect any conspicuous or unexplained gaps in the bank’s lending patterns.

Geographic Distribution of Residential Real Estate Loans

The bank did not make any loans in low income census tracts because they do not have any low income census tracts in their AA.

The distribution of home purchase loans to moderate-income geographies exceeds the percentage of moderate-income families and reflects excellent.

The distribution of home improvement loans to moderate-income geographies is significantly lower than the percentage of moderate-income families and reflects poor dispersion.

The distribution of home mortgage refinance loans to moderate-income geographies is significantly lower than the percentage of moderate-income families and reflects poor dispersion.

These areas are well served by major banks, large national mortgage lenders, and thrift institutions with extensive branch networks. The level of competition in these areas remains high, resulting in less lending opportunities for the institution in those geographies. Based on the institution’s size, location, and competitive factors, the institution achieved a reasonable level of lending in the moderate-income geographies and met the standard for satisfactory performance.

Table 2 - Geographic Distribution of Residential Real Estate Loans in AA								
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	0.00	0.00	5.04	11.11	60.29	55.56	34.67	33.33
Home Improvement	0.00	0.00	5.04	0.00	60.29	100.00	34.67	0.00
Home Mortgage Refinance	0.00	0.00	5.04	0.00	60.29	73.08	34.67	23.08

Source: 2009-2011 HMDA LAR.

Responses to Complaints

NASB did not receive any complaints about its performance in helping to meet credit needs in the AA during this evaluation period.

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 AA 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.