



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 25, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Harbor National Bank
Charter Number 24624

1503 Old Towne Road
Charleston, SC 29407

Office of the Comptroller of the Currency

212 South Tryon Street
Suite 700
Charlotte, NC 28281

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 Outstanding.

The major factors that support this rating include:

- The bank's quarterly average loan-to-deposit (LTD) ratio is more than reasonable based on the bank's size, financial condition, area credit needs, and relevant competitive factors;
- A substantial majority of the bank's loans originated within the assessment area (AA);
- The bank's distribution of loans to borrowers of different income and business of different sizes reflects excellent penetration;
- The bank's geographic distribution of business loans and home mortgage loans reflects excellent dispersion throughout the AA;
- The bank received no complaints about its performance in helping to meet the credit needs of its AA; and
- The bank exhibited excellent responsiveness to the needs of the community throughout the AA with community development services and qualified investments.

SCOPE OF EXAMINATION

We performed a full-scope evaluation of Harbor National Bank's (Harbor) performance using small bank Community Reinvestment Act examination procedures. Based on the bank's business strategy and lending activity during the evaluation period, we determined that small business loans and home mortgage loans are the bank's primary loan products. We assessed the bank's performance by reviewing a random sample of 42 small business loans originated from January 1, 2010 through December 31, 2012. We reviewed home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) reports from January 1, 2010 through December 31, 2012. In addition, we considered community development loans, qualified investments, and services from February 23, 2009 through February 25, 2013.

During the three-year evaluation period, small business loans represented approximately 62 percent of the bank's total loan portfolio. As such, we placed a heavier weight on small business loans as part of our analysis. Home mortgage loans represented 38 percent.

The volume of home refinance loans originated from January 1, 2012 through December 31, 2012, and received more weight in our analysis since it represented approximately 66 percent of the total loans.

We used 2000 U.S. Census data to analyze the bank's lending activity for the period from January 1, 2010 through December 31, 2011. For the lending activity from January 1, 2012 through December 31, 2012, we used data from the U.S. Census 2006-2010 American Community Survey.

As part of this CRA evaluation, the accuracy of the bank's publicly filed information on HMDA loans was tested. The test included an evaluation of the bank's processes to ensure that the data was reliable. We found no significant errors in the loan data. This evaluation is based on accurate data.

DESCRIPTION OF INSTITUTION

Harbor is a \$273 million community bank headquartered in Charleston, South Carolina. The bank is a wholly owned subsidiary of a one-bank holding company, Harbor Bank Group Inc., also headquartered in Charleston, South Carolina. Neither the bank nor the holding company has any other subsidiaries. The bank offers a wide range of lending and deposit products and services for consumers and small businesses. The bank's website at www.harborbankgroup.com provides a listing and description of all deposit and loan services. There has been no merger or acquisition activity during the evaluation period.

Harbor operates a main office and three branches. The main office and the Folly Beach branch are both located in middle-income census tracts in Charleston County. The Meeting Street and Mount Pleasant branches are both located in upper-income census tracts. The main office, Mount Pleasant branch, and Folly Beach branches are equipped with drive-through banking facilities. Extended banking hours are available during the business week at each branch location, except for the downtown Charleston branch on Meeting Street, which has normal weekday banking hours. In August 2012, the bank opened the Folly Beach Road branch office. The bank did not close any branch offices during the evaluation period.

Harbor's business strategy focuses on commercial lending, residential mortgage lending, consumer lending, and business and professional banking. As of December 31, 2012, Harbor reported \$219 million in net loans (which is 80 percent of total assets), \$227 million in total deposits, and Tier 1 Capital of \$30 million. The bank's loan portfolio consists of residential real estate loans (38 percent), commercial and commercial real estate loans (61 percent), and consumer loans (0.2 percent).

Harbor launched a mortgage banking operation beginning in 2012 to originate home mortgage loans for sale on the secondary market. According to the bank's 2012 HMDA data, Harbor originated 158 residential mortgage loans totaling \$51 million. In contrast, during 2010 and 2011, Harbor originated 70 HMDA-reportable loans totaling \$27.4 million. Under HMDA, lenders with assets greater than \$42 million and with branch offices located in metropolitan statistical areas (MSA) are required to report certain information about home purchase, home improvement, and home improvement loans.

Numerous national, state, and savings banks, as well as branches of several large regional institutions, provide significant deposit and lending competition in the AA. According to the Federal Depository Institution Corporation's (FDIC) Market Share Report, as of June 30, 2012, Harbor ranked 14th out of 31 institutions in the Charleston-North Charleston-Summerville, South Carolina MSA with 2.18 percent of total deposits. Competitors in the AA include Wells Fargo,

ranking first with 21.14 percent of deposits, First Federal Bank ranking second with 14.37 percent of deposits, and Bank of America ranking third with 13.16 percent of deposits. Competition for mortgage loans is also significant in the AA. According to 2011 Aggregate HMDA data, there were 379 lenders that originated loans in the AA. Competitors include Wells Fargo with the largest market share of 16.83 percent and Bank of America ranked second with 9.41 percent market share.

There are no known legal, financial, or other factors impeding Harbor’s ability to help meet the needs of its community. The bank’s rating at its preceding CRA examination, dated April 7, 2009 was “Outstanding.”

DESCRIPTION OF ASSESSMENT AREA(S)

Harbor has defined the following counties as its AA: the counties of Charleston, Dorchester, and Berkeley, which comprise the Charleston-North Charleston-Summerville, South Carolina Metropolitan Statistical Area (MSA) #16700, anchored by the cities of Charleston, North Charleston, and Summerville. Based upon 2010 Census data, the AA includes 156 census tracts. It is comprised of 9 low-income tracts (6 percent), 40 moderate-income tracts (25 percent), 66 middle-income tracts (42 percent), 39 high-income tracts (25 percent), and 2 tracts (1 percent) where the median family income is not known. The bank's AA complies with the regulation and does not arbitrarily exclude low- or moderate-income areas. Please refer to Table 1 below.

| Table 1 Demographic Information Charleston-North Charleston-Summerville, SC MSA 2010 Census Data | | | | | | |
|---|---------|--------|----------------------|--------|--------|-----------|
| | | Low | Moderate | Middle | Upper | NA* |
| Demographic Characteristics | # | % of # | % of # | % of # | % of # | % of # |
| Geographies (Census Tracts/BNAs) | 156 | 5.77 | 25.64 | 42.31 | 25.00 | 1.28 |
| Population by Geography | 664,607 | 3.98 | 22.83 | 46.96 | 26.29 | 0.00 |
| Owner-Occupied Housing by Geography | 162,865 | 1.72 | 18.29 | 48.73 | 31.26 | 0.00 |
| Business by Geography | 57,735 | 4.22 | 22.47 | 41.53 | 31.73 | 0.00 |
| Farms by Geography | 1,317 | 2.58 | 18.53 | 51.71 | 27.18 | 0.00 |
| Family Distribution by Income Level | 160,847 | 21.72 | 17.11 | 20.37 | 40.80 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 62,466 | 3.57 | 21.71 | 46.71 | 28.01 | 0.00 |
| Median Family Income | | 60,579 | Median Housing Value | | | \$245,856 |
| HUD Adjusted Median Family Income for 2012 | | 62,000 | | | | |
| Households Below Poverty Level | | 13.53 | Unemployment Rate | | | 7.1% |

(*) The NA category consists of geographies that have not been assigned an income classification.
2012 HUD updated MFI; 2010 Census Data; *Bureau of Labor Statistics Dec. 2012 estimate.

The economy for the AA remained stable throughout the evaluation period. According to the Bureau of Labor Statistics, the December 2012 unemployment rate for the Charleston-North Charleston –Summerville, SC MSA was 7.1 percent, which was lower than the state unemployment rate of 8.8 percent. The December 2012 unemployment rates for the individual counties of Charleston, Berkeley, and Dorchester were 7.5 percent, 8.7 percent, and 7.6 percent, respectively.

According to 2012 updated Dunn and Bradstreet data, there were 57,375 non-farm businesses located in the AA. Approximately 71 percent of the non-farm businesses reported revenues less than \$1 million. The AA is a diverse economy with government, service, and manufacturing industries providing the majority of employment opportunities. Based upon information from the Charleston Regional Development Alliance, major employers include the United States Military, the Medical University of South Carolina, Boeing Corporation, the Charleston County School District, and Roper St. Francis Healthcare.

During this evaluation, we incorporated information obtained from two local community contacts to help determine the credit needs in the AA. Overall, the contacts indicated that the Charleston economy has improved from where it was several years ago. Recently, the area has seen an increase in new construction and revitalization. However, despite this improvement, many small businesses owners have not yet fully recovered from the recent economic downturn. One contact indicated that there is still a need for small business loans between \$50,000 and \$250,000. The contact also indicated that obtaining financing for these smaller dollar amounts is often more difficult for small businesses. Another contact suggested that local banks form a revolving loan pool that could help meet the credit needs of start-up businesses. In addition, there are opportunities for the banks to provide technical assistance to nonprofit organizations serving small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is "Outstanding". This conclusion is based upon the results of the following specific lending tests used to determine if the bank is meeting the credit needs of the AA. All criteria of the specific lending tests are documented below.

Loan-to-Deposit (LTD) Ratio

Harbor's LTD ratio is outstanding. For the period from December 31, 2008 to September 30, 2012, the bank's average LTD ratio was 103 percent. Harbor's quarterly average LTD ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. In comparison, the average LTD ratio of the bank's peer group was 81 percent. The peer group includes banks of similar asset size in South Carolina. During the sixteen-quarter period, the bank's LTD ratio ranged from a low of 94 percent to a high 117 percent. Conversely, the bank's peer group LTD ratios ranged from a low of 57 percent to a high of 117 percent.

Lending in Assessment Area

The bank's lending in its AA is outstanding. Our analysis revealed a substantial majority of the number and dollar amount of home mortgage and business loans sampled originated within the bank's AA. Our sample of business loans and review of HMDA loans revealed that 94.37 percent by number and 93.39 percent by dollar volume are within the bank's AA. Performance for each category reviewed is detailed in the following table:

| Table 2 Assessment Area Lending Evaluation Period January 2010 to December 2012 | | | | | | | | | | |
|--|-----------------|---------------|-----------|--------------|------------|------------------|---------------|----------------|--------------|------------------|
| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage Loans | 384 | 95.52% | 18 | 4.48% | 402 | \$99,837 | 95.52% | \$4,683 | 4.48% | \$104,520 |
| Business Loans | 35 | 83.33% | 7 | 16.67% | 42 | \$13,304 | 79.99% | \$3,328 | 20.01% | \$16,632 |
| Totals | 419 | 94.37% | 25 | 5.63% | 444 | \$113,141 | 93.39% | \$8,011 | 6.61% | \$121,152 |

Source: HMDA Data and Loan Sampling

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, the bank's lending reflects excellent penetration to borrowers of different incomes and businesses of different sizes. Both the distribution of small loans to businesses and distribution of loans to different incomes reflected excellent penetration. In evaluating the bank's performance, we determined that small business lending received greater weight in our analysis since it represented the majority of the bank's lending activity.

Business Lending

The distribution of loans to businesses during 2010 through 2011 reflects excellent penetration among businesses of different sizes. The sample of 20 loans indicates that approximately 95 percent of the loans were to businesses with revenues less than \$1 million. Harbor's distribution of small business loans exceeded demographic ratios. Forty-five (45) percent of the loan sample was for loan amounts of less than \$250 thousand. Please refer to Table 3 and 4 below.

| Table 3 Distribution of Business Loans in Charleston-North Charleston-Summerville SC MSA AA January 1, 2010 - December 31, 2011 | | | | |
|---|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 67% | 3% | 30% | 100% |
| % of Bank Loans in AA by # | 95% | 5% | 0% | 100% |
| % of Bank Loans in AA by \$ | 98% | 2% | 0% | 100% |

Source: Harbor loan sample; 2011 Dunn and Bradstreet data

| Table 4 Distribution of Business Loans by Loan Size in Charleston-North Charleston-Summerville MSA AA January 1, 2010 - December 31, 2011 | | | | |
|---|---------------|----------------|--------------------------|-------------------|
| Loan Size (000's) | # of Loans | % of Number | \$ Volume of Loans (000) | % of \$ Volume |
| \$0 - \$100,000 | 6 | 30% | \$270 | 3% |
| \$100,001 - \$250,000 | 3 | 15% | 333 | 4% |
| \$250,001 - \$500,000 | 4 | 20% | 1,525 | 20% |
| \$500,001 - \$1,000,000 | 5 | 20% | 2,820 | 36% |
| Over \$1,000,000 | 3 | 15% | 2,793 | 36% |
| Total | 20 | 100% | \$7,741 | 100% |

Source: Harbor loan sample

The distribution of loans to businesses during 2012 reflects excellent penetration among businesses of different sizes. The sample of 15 loans indicates that 80 percent of the loans to businesses with revenues less than \$1 million exceeded area demographics. Fifty-four (45)

percent of the total business loans were for loan amounts less than \$250 thousand. Please refer to Table 5 and 6 below.

| Table 5 Borrower Distribution of Business Loans in Charleston-North Charleston-Summerville MSA SC AA January 1, 2012 - December 31, 2012 | | | | |
|---|---------------------|------------------------|---------------------------------|--------------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 71% | 4% | 25% | 100% |
| % of Bank Loans in AA by # | 80% | 13% | 7% | 100% |
| % of Bank Loans in AA by \$ | 46% | 11% | 43% | 100% |

Source: Harbor loan sample; 2012 Dunn and Bradstreet data

| Table 6 Distribution of Business Loans by Loan Size in Charleston-North Charleston-Summerville MSA AA January 1, 2012 - December 31, 2012 | | | | |
|--|-----------------------|------------------------|---------------------------------|---------------------------|
| Loan Size (000's) | # of Loans | % of Number | \$ Volume of Loans (000) | % of \$ Volume |
| \$0 - \$100,000 | 4 | 27% | \$309 | 6% |
| \$100,001 - \$250,000 | 4 | 27% | 640 | 12% |
| \$250,001 - \$500,000 | 4 | 27% | 1,111 | 20% |
| \$500,001 - \$1,000,000 | 2 | 13% | 1,125 | 20% |
| Over \$1,000,000 | 1 | 6% | 2,378 | 42% |
| Total | 15 | 100% | \$5,563 | 100% |

Source: Harbor loan sample

Home Mortgage Lending

Harbor's overall distribution of home mortgage loans to borrowers of different income levels reflects reasonable penetration. The volume of 2012 HMDA lending activity was substantially more than 2010-2011 HMDA lending activity, and greater weight was placed on 2012 HMDA lending activity in assessing lending performance. The volume of home refinancing lending activity during 2012 received greater weight in our analysis than home purchase and home improvement lending.

In evaluating the bank's performance, we considered the following factors:

- Family poverty rates may have affected lending opportunities among low-income families. Families below poverty may not have the financial resources to obtain home mortgage loans. According to 2000 Census data, the family poverty rate was 8.26 percent in the AA and the 2010 Census data shows the family poverty rate at 10.53 percent in the AA.
- The higher cost of housing in the Charleston-North Charleston-Summerville MSA may affect opportunities to lend to low- and moderate-income individuals. In 2012, the median family income for the Charleston MSA was \$62,000. In contrast, the median housing value was \$245,850. The gap between family income and the high cost of housing is a significant obstacle for low- and moderate-income individuals to purchase homes.

The bank's percentage of home mortgage loans during 2010 and 2011 to low-income and moderate-income borrowers was significantly lower than area demographics, and is reasonable when considering the factors impacting the AA as discussed above. Please refer to Table 7 below.

| Table 7 Borrower Distribution of Home Mortgage Loans in Charleston-Summerville-North Charleston SC MSA AA January 1, 2010 - December 31, 2011 | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 | 21% | 0% | 17% | 0% | 21% | 7% | 40% | 91% |
| Home Improvement | 21% | 0% | 17% | 33% | 21% | 0% | 40% | 67% |
| Home Refinance | 21% | 0% | 17% | 5% | 21% | 10% | 40% | 85% |
| Total | 21% | 0% | 17% | 8% | 21% | 8% | 40% | 84% |

Source: 2010 and 2011 HMDA data and 2000 Census Data

The bank’s percentage of loans during 2012 to borrowers of different income levels reflects reasonable penetration. The percentage of loans to low-income borrowers is significantly lower than the percentage of low-income families, and is reasonable when considering family poverty rates and the high cost of housing in the AA. While the percentage of home purchase and home improvement loans to moderate-income borrowers is significantly lower area demographics, the percentage of home refinance loans is reasonable, compared to area demographics. We determined that home refinance loans represents the majority of the bank’s lending activity during 2012 and it received more weight in our analysis than home purchase and home improvement loans. Please refer to Table 8 below.

| Table 8 Borrower Distribution of Home Mortgage Loans in Charleston-Summerville-North Charleston SC MSA AA January 1, 2012 – December 31, 2012 | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 | 21% | 6% | 17% | 3% | 20% | 8% | 41% | 83% |
| Home Improvement | 21% | 0% | 17% | 40% | 20% | 0% | 41% | 60% |
| Home Refinance | 21% | 0% | 17% | 12% | 20% | 12% | 41% | 76% |
| Total | 21% | 2% | 17% | 10% | 20% | 10% | 41% | 78% |

Source: 2012 HMDA data and 2010 Census Data

Geographic Distribution of Loans

Overall, the geographic distribution of business loans and home mortgage loans reflects excellent dispersion. The geographic distribution of small business loans is excellent. The geographic distribution of HMDA loans is reasonable. The geographic distribution of small business loans received greater weight in our analysis since it represents the majority of the bank’s lending activity.

We considered the following factors in evaluating the bank’s performance in home mortgage lending in low- and moderate-income census tracts:

- Lending opportunities in low-income census tracts may be limited. Owner occupied housing units in low-income tracts comprised 2.42 percent of the total owner occupied housing units.

- Harbor has no branch offices located in low- and moderate-income census tracts.

Small Business Loans

Harbor’s geographic distribution of small business loans is excellent.

The bank’s geographic distribution of small business loans originated from 2010 through 2011 reflects excellent dispersion throughout the AA. The percentage of small business loans in low-income census tracts exceeds the percentage of businesses located in low-income census tracts. The percentage of small business loans in moderate-income census tracts exceeds the percentage of businesses located in moderate-income census tracts. Please refer to Table 9 below.

| Table 9 Geographic Distribution of Business Loans in Charleston-North Charleston-Summerville MSA AA January 1, 2010 - December 31, 2011 | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Commercial Loan Sample | 4% | 5% | 16% | 20% | 47% | 55% | 33% | 20% |

Source: Harbor loan sample; 2011 Dunn and Bradstreet data.

The bank’s geographic distribution of small business loans originated during 2012 reflects excellent dispersion throughout the AA. The percentage of small business loans in low-income census tracts equaled the percentage of businesses located in low-income census tracts. The percentage of small business loans in moderate-income census tracts was near to the percentage of businesses located in moderate-income tracts. Please refer to Table 10 below.

| Table 10 Geographic Distribution of Business Loans Charleston-Summerville-North Charleston MSA AA January 1, 2012 – December 31, 2012 | | | | | | | | |
|---|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|------------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Businesses/ Farms | % of Number of Loans | % of AA Businesses /Farms | % of Number of Loans | % of AA Businesses /Farms | % of Number of Loans | % of AA Businesses /Farms | % of Number of Loans |
| Commercial Loan Sample | 7% | 7% | 28% | 27% | 38% | 40% | 27% | 26% |

Source: Harbor loan sample; 2012 Dunn and Bradstreet data.

Home Mortgage Loans

Harbor’s geographic distribution of home mortgage loans in the AA is reasonable compared to area demographics and the bank’s resources.

The bank’s geographic distribution of home mortgage loans originated from 2010 through 2011 reflects reasonable dispersion. The percentage of home mortgage loans in the low-income census tract is lower than the percentage of owner occupied housing in low-income census tracts. The percentage of home mortgage loans in moderate-income census tracts is lower than the percentage of owner occupied housing units in moderate-income census tracts. Please refer to Table 11 below.

| Table 11 Geographic Distribution of Residential Real Estate Loans in Charleston-Summerville-North Charleston SC MSA AA January 1, 2010 - December 31, 2011 | | | | | | | | |
|--|----------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of O.O.H.U.* | % of Number of Loans | % of O.O.H.U. | % of Number of Loans | % of O.O.H.U. | % of Number of Loans | % of O.O.H.U. | % of Number of Loans |
| Home Purchase | 2% | 0% | 17% | 20% | 49% | 37% | 31% | 43% |
| Home Improvement | 2% | 12% | 17% | 0% | 49% | 25% | 31% | 63% |
| Home Refinance | 2% | 0% | 17% | 8% | 49% | 31% | 31% | 59% |
| Total | 2% | 2% | 17% | 11% | 49% | 32% | 31% | 55% |

*O.O.H.U. – Owner-Occupied Housing Units
Source: 2010 and 2011 HMDA data and 2000 Census Data

The bank’s geographic distribution of home mortgage loans originated during 2012 reflects reasonable dispersion. The percentage of home mortgage loans in low-income census tracts is near to the percentage of owner occupied housing units in low-income census tracts. The percentage of home mortgage loans in moderate-income census tracts is lower than the percentage of owner-occupied housing units in moderate-income census tracts. Please refer to Table 12 below.

| Table 12 Geographic Distribution of Residential Real Estate Loans in Charleston-Summerville-North Charleston SC MSA AA January 1, 2012 – December 31, 2012 | | | | | | | | |
|--|----------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of O.O.H.U.* | % of Number of Loans | % of O.O.H.U. | % of Number of Loans | % of O.O.H.U. | % of Number of Loans | % of O.O.H.U. | % of Number of Loans |
| Home Purchase | 2% | 0% | 18% | 14% | 49% | 30% | 31% | 53% |
| Home Improvement | 2% | 10% | 18% | 30% | 49% | 20% | 31% | 40% |
| Home Refinance | 2% | 1% | 18% | 12% | 49% | 32% | 31% | 55% |
| Total | 2% | 1% | 18% | 13% | 49% | 31% | 31% | 54% |

*O.O.H.U. – Owner-Occupied Housing Units
Source: 2012 HMDA data and 2010 Census Data

Response to Complaints

Harbor did not receive any CRA related complaints during this evaluation period.

Qualified Investments and Community Development Services

The bank’s performance under the community development services and qualified investment reflects an excellent responsiveness to the needs of the community.

During the evaluation period, Harbor annually renewed its \$500,000 line of credit to the Business Development Corporation of South Carolina (BDC). South Carolina General Assembly established the BDC to promote business development and assist new business or

industry with loans or other business transactions. The BDC partners with banks and financial institutions to provide another arm of financing. Loans may be for any sound business purpose and loan terms range up to 10 years or longer depending upon the nature of the loan, collateral, and other factors. The BDC makes loans through the SBA loan programs, SBA 7a and 504 SBA loans.

In July 2009, Harbor originated a \$625,000 loan to the Habitat for Humanity of Berkeley County (Habitat). Habitat is an affordable housing nonprofit organization that builds single-family dwellings for qualified low- and moderate-income individuals. With the loan proceeds, Habitat purchased a commercial property for a retail store. This store sells home furnishing, appliances, and donates building supplies to the community at greatly reduced prices. Habitat uses the revenue from the sale of these donated items to fund its operations.

In 2012, Harbor purchased two bonds totaling \$1.06 million from the South Carolina State Housing Authority. This investment represents 3.53 percent of Harbor's Net Tier 1 Capital. The South Carolina State Housing Finance and Development Authority assists low- and moderate-income families and individuals by offering a competitive market fixed interest rate mortgage loan for first time buyers. The agency also administers the federal government's Housing Choice Voucher program by assisting very low- income families find and rent privately owned housing.

Several members of senior management and other bank personnel provide technical and financial expertise to three development organizations. From 2009 through 2010, the bank's Chief Credit Officer served on the loan committee for BDC of South Carolina. A member of senior management serves on the Board of Directors of Canterbury House, an affordable facility for low-income senior citizens in Charleston. Another member of management serves on the Board of the Windward Farm Home, a housing and rehabilitation facility for at-risk youth in Charleston County. In addition, two other bank personnel serve in leadership positions with a charter school serving predominately low- and moderate-income students in the City of Charleston. Lastly, two bank employees gave presentations on banking and personal finance to students in an elementary school that is attended primarily by low- and moderate-income students.

Fair Lending or Other Illegal Credit Practices Review

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