CPP **ANNUAL USE OF CAPITAL SURVEY - 2012**

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Harbor Bankshares Corporation

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| Person to be contacted regarding this report: | Darius L. Davis | RSSD: (For Bank Holding Companies) | 2008130 |
| UST Sequence Number: | 1273 | Holding Company Docket Number: (For Thrift Holding Companies) | n/a |
| CPP/CDCI Funds Received: | 6,800,000 | FDIC Certificate Number: (For Depository Institutions) | 24015 |
| CPP/CDCI Funds Repaid to Date: | 0 | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | Jul 17, 2009 | City: | Baltimore |
| Date Repaid[1]: | N/A | State: | Maryland |

[1]If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

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| ☒ | Increase lending or reduce lending less than otherwise would have occurred. | The capital infusion of CPP funds allowed The Harbor Bank of Maryland (the "Bank") to increase lending by providing a funding source after the Bank increased reserves for non-performing assets by $10 million. |
| ☒ | To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.). | The CPP funds supported increased small business lending by the Bank. The Bank's commercial loans outstanding increased by $8.4 million from $177.3 million to August 31, 2009 to $185.7 million to January 31, 2010. |
| ☐ | Increase securities purchased (ABS, MBS, etc.). | |

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| ☐ | Make other investments | |
| ☒ | Increase reserves for non-performing assets | The capital infusion of CPP funds allowed the Bank to increase reserves for non-performing assets by $10 million in September 2009. |
| ☐ | Reduce borrowings | |
| ☒ | Increase charge-offs | The capital infusion of CPP funds allowed the Bank to increase charge-offs by $7.7 million assets during September 2009. |
| ☐ | Purchase another financial institution or purchase assets from another financial institution | |
| ☐ | Held as non-leveraged increase to total capital | |

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Due to the capital infusion of CPP funds, the Bank was able to avoid being undercapitalized, after increasing both reserves for non-performing assets and charge-offs during 2009.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The Bank was able to remove "toxic" assets from the balance sheet and focus on increasing lending activities.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.