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**AMENDED AND RESTATED
AGREEMENT AND PLAN OF REORGANIZATION**

THIS AMENDED AND RESTATED AGREEMENT AND PLAN OF REORGANIZATION (Agreement), dated as of November 12, 2002 is between EQUITABLE BANK (Equitable), a federally chartered savings bank having its principal office at Wheaton, Maryland, BRANCH BANKING AND TRUST COMPANY (Branch Bank), a North Carolina banking corporation with its principal office at Winston-Salem, North Carolina, and BB&T CORPORATION (BB&T), a North Carolina corporation having its principal office at Winston-Salem, North Carolina;

RECITALS:

The parties desire that Equitable shall be merged into Branch Bank (said transaction being hereinafter referred to as the Merger) pursuant to this Agreement, the Combination Agreement and the plan of merger (the Plan of Merger) substantially in the form attached as Annex A hereto. The parties desire to provide for certain undertakings, conditions, representations, warranties and covenants in connection with the transactions contemplated hereby. As a condition and inducement to BB&T's and Branch Bank's willingness to enter into the Agreement, Equitable granted to BB&T an option to acquire, under certain circumstances, 260,000 shares of the common stock, par value \$.01 per share, of Equitable.

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions

When used herein, the capitalized terms set forth below shall have the following meanings:

Affiliate means, with respect to any person, any other person, who directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with such person and, without limiting the generality of the foregoing, includes any executive officer or director of such person and any Affiliate of such executive officer or director.

Articles of Merger shall mean the Articles of Merger required to be filed with the office of the Secretary of State of North Carolina, as provided in Section 55-11-05 of the NCBCA.

Bank Holding Company Act shall mean the Federal Bank Holding Company Act of 1956, as amended, and rules and regulations promulgated thereunder.

Bank Merger Act shall mean Section 18(c) of the Federal Deposit Insurance Act.

Bank Secrecy Act shall mean the Federal Bank Secrecy Act of 1970, as amended, and rules and regulations promulgated thereunder.

BB&T Common Stock shall mean the shares of voting common stock, par value \$5.00 per share, of BB&T, with rights attached issued pursuant to Rights Agreement dated December 17, 1996 between BB&T and

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Branch Bank, as Rights Agent, relating to BB&T's Series B Junior Participating Preferred Stock, \$5.00 par value per share.

BB&T Option Agreement shall mean the Stock Option Agreement dated as of September 27, 2002, as amended from time to time, under which BB&T has an option to purchase shares of Equitable Common Stock, which was executed immediately following execution of the Predecessor Agreement.

BB&T Subsidiaries shall mean Branch Bank, Branch Banking and Trust Company of South Carolina and Branch Banking and Trust Company of Virginia.

Benefit Plan Determination Date shall mean, with respect to each employee pension or welfare benefit plan or program maintained by Equitable at the Effective Time, the date determined by BB&T with respect to such plan or program which shall be not later than January 1 following the close of the calendar year in which Equitable is merged into Branch Bank.

Business Day shall mean all days other than Saturdays, Sundays and Federal Reserve holidays.

CERCLA shall mean the Comprehensive Environmental Response Compensation and Liability Act, as amended, 42 U.S.C. 9601 *et seq.*

Code shall mean the Internal Revenue Code of 1986, as amended.

Combination Agreement shall mean the Combination Agreement substantially in the form of Annex B hereto required to be filed with the OTS as provided in 12 C.F.R. § 552.13.

Commission shall mean the Securities and Exchange Commission.

CRA shall mean the Community Reinvestment Act of 1977, as amended, and rules and regulations promulgated thereunder.

Disclosed shall mean disclosed in the Equitable Disclosure Memorandum, referencing the Section number herein pursuant to which such disclosure is being made.

Environmental Claim means any notice from any governmental authority or third party alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup or remediation costs, governmental response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based upon, or resulting from a violation of the Environmental Laws or the presence or release into the environment of any Hazardous Substances.

Environmental Laws means all applicable federal, state and local laws and regulations, as amended, relating to pollution or protection of human health or the environment (including ambient air, surface water, ground water, land surface, or subsurface strata) and which are administered, interpreted, or enforced by the United States Environmental Protection Agency and state and local agencies with jurisdiction over and including common law in respect of, pollution or protection of the environment, including without limitation CERCLA, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 *et seq.*, and other laws and regulations relating to emissions, discharges, releases, or threatened releases of any Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of any Hazardous Substances.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, and rules and regulations promulgated thereunder.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

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FDIC shall mean the Federal Deposit Insurance Corporation.

Equitable Common Stock shall mean the shares of voting common stock, par value \$.01 per share, of Equitable.

Equitable Disclosure Memorandum shall mean the written information in one or more documents, each of which is entitled Equitable Disclosure Memorandum and dated on or before the date of this Agreement and delivered not later than the date of execution of this Agreement by Equitable to BB&T, and describing in reasonable detail the matters contained therein. Each disclosure made therein shall be in existence on the date of this Agreement and shall specifically reference each Section of this Agreement under which such disclosure is made. Information disclosed with respect to one Section shall not be deemed to be disclosed for purposes of any other Section not specifically referenced.

Equitable Subsidiaries shall mean First Equitable Insurance Agency, Inc., and any and all other Subsidiaries of Equitable as of the date hereof and any corporation, bank, savings association, or other organization acquired as a Subsidiary of Equitable after the date hereof and held as a Subsidiary by Equitable at the Effective Time.

Federal Reserve Board shall mean the Board of Governors of the Federal Reserve System.

Financial Advisor shall mean Keefe, Bruyette & Woods, Inc.

Financial Statements shall mean (a) with respect to BB&T, (i) the consolidated balance sheet (including related notes and schedules, if any) of BB&T as of December 31, 2001, 2000, and 1999, and the related consolidated statements of income, shareholders' equity and cash flows (including related notes and schedules, if any) for each of the three years ended December 31, 2001, 2000, and 1999, as filed by BB&T in Securities Documents and (ii) the consolidated balance sheets of BB&T (including related notes and schedules, if any) and the related consolidated statements of income, shareholders' equity and cash flows (including related notes and schedules, if any) included in Securities Documents filed by BB&T with respect to periods ended subsequent to December 31, 2001, and (b) with respect to Equitable, (i) the consolidated statements of financial condition (including related notes and schedules, if any) of Equitable as of September 30, 2001, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows (including related notes and schedules, if any) for each of the three years ended September 30, 2001, 2000 and 1999 as filed by Equitable in Securities Documents and (ii) the consolidated statements of financial condition of Equitable (including related notes and schedules, if any) and the related consolidated statements of income, stockholders' equity and cash flows (including related notes and schedules, if any) included in Securities Documents filed by Equitable with respect to periods ended subsequent to September 30, 2001.

GAAP shall mean generally accepted accounting principles applicable to financial institutions and their holding companies, as in effect at the relevant date.

Gramm-Leach-Bliley Act shall mean the Gramm-Leach-Bliley Act of 1999, as amended, and rules and regulations promulgated thereunder.

Hazardous Substances means any substance or material (i) identified in CERCLA; (ii) determined to be toxic, a pollutant or a contaminant under any applicable federal, state or local statutes, law, ordinance, rule or regulation, including but not limited to petroleum products; (iii) asbestos; (iv) radon; (v) poly-chlorinated biphenyls and (vi) such other materials, substances or waste which are otherwise dangerous, hazardous, harmful to human health or the environment.

HOLA shall mean the Home Owners' Loan Act of 1933, as amended, and rules and regulations promulgated thereunder.

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IRS shall mean the Internal Revenue Service.

Material Adverse Effect on BB&T or Equitable shall mean an event, change, or occurrence which, individually or together with any other event, change or occurrence, (i) has a material adverse effect on the financial condition, results of operations, business or business prospects of BB&T and the BB&T Subsidiaries taken as a whole, or Equitable and the Equitable Subsidiaries taken as a whole, or (ii) materially impairs the ability of BB&T or Equitable to perform its obligations under this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement; provided that Material Adverse Effect shall not be deemed to include the impact of (a) actions and omissions of BB&T or Equitable taken with the prior written consent of the other in contemplation of the transactions contemplated hereby and (b) the direct effects of compliance with this Agreement on the operating performance of the parties, including expenses incurred by the parties in consummating the transactions contemplated by this Agreement or relating to any litigation arising as a result of the Merger; provided that with respect to Equitable, only if and to the extent any such expenses payable to third parties are Disclosed by Equitable or incurred by Equitable following the date hereof as permitted by this Agreement.

NCBCA shall mean the North Carolina Business Corporation Act, as amended.

NYSE shall mean the New York Stock Exchange, Inc.

OTS shall mean the Office of Thrift Supervision.

Person shall mean any individual, corporation, partnership, limited liability company, joint venture, trust, association, unincorporated organization, agency, other entity or group of entities, or governmental body.

Proxy Statement/Prospectus shall mean the proxy statement and prospectus, together with any supplements thereto, to be sent to shareholders of Equitable to solicit their votes in connection with a proposal to approve this Agreement, the Combination Agreement and the Plan of Merger.

Registration Statement shall mean the registration statement of BB&T as declared effective by the Commission under the Securities Act, including any post-effective amendments or supplements thereto as filed with the Commission under the Securities Act, with respect to the BB&T Common Stock to be issued in connection with the transactions contemplated by this Agreement.

Rights shall mean warrants, options, rights, convertible securities and other arrangements or commitments which obligate an entity to issue or dispose of any of its capital stock or other ownership interests (other than rights pursuant to the Rights Agreement described under the definition of BB&T Common Stock), and stock appreciation rights, performance units and similar stock-based rights whether or not they obligate the issuer thereof to issue stock or other securities or to pay cash.

Securities Act shall mean the Securities Act of 1933, as amended.

Securities Documents shall mean all reports, proxy statements, registration statements and all similar documents filed, or required to be filed, pursuant to the Securities Laws, including but not limited to documents filed by Equitable with the OTS.

Securities Laws shall mean the Securities Act; the Exchange Act; the Investment Company Act of 1940, as amended; the Investment Advisers Act of 1940, as amended; the Trust Indenture Act of 1939 as amended; and in each case the rules and regulations of the Commission promulgated thereunder.

Stock Option shall mean, collectively, any option granted under the Stock Option Plan, outstanding and unexercised on the date hereof to acquire shares of Equitable Common Stock.

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Stock Option Plan shall mean Equitable's Amended and Restated Stock Option and Incentive Plan.

Subsidiaries shall mean all those corporations, associations, or other business entities of which the entity in question either owns or controls 50% or more of the outstanding equity securities either directly or through an unbroken chain of entities as to each of which 50% or more of the outstanding equity securities is owned directly or indirectly by its parent (in determining whether one entity owns or controls 50% or more of the outstanding equity securities of another, equity securities owned or controlled in a fiduciary capacity shall be deemed owned and controlled by the beneficial owner).

Superior Offer shall mean a proposal or offer to acquire or purchase all or a substantial portion of the assets of or a substantial equity interest in, or to effect any recapitalization, liquidation or dissolution involving or a business combination or other similar transaction with, Equitable or any Equitable Subsidiary (including, without limitation, a tender offer or exchange offer to purchase Equitable Common Stock) other than as contemplated by this Agreement: (i) that did not arise from or involve a breach or violation by Equitable of Section 5.9(k) or any other provision of this Agreement; (ii) that the Equitable Board of Directors determines in its good faith judgment, based, among other things, on advice of the Financial Advisor, to be more favorable to the Equitable shareholders than the Merger; and (iii) the financing for the implementation of which, to the extent required, is then committed or in the good faith reasonable judgment of the Equitable Board of Directors, based, among other things, on advice of the Financial Advisor, is capable of being obtained by the party making the proposal or offer.

TILA shall mean the Truth in Lending Act, as amended, and rules and regulations promulgated thereunder.

USA PATRIOT Act shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended, and rules and regulations promulgated thereunder.

1.2 *Terms Defined Elsewhere*

The capitalized terms set forth below are defined in the following sections:

Agreement	Introduction
BB&T	Introduction
BB&T Option Plan	Section 2.9(a)
Branch Bank	Introduction
Closing	Section 2.4
Closing Date	Section 2.4
Constituent Banks	Section 2.1
Effective Time	Section 2.3
Employer Entity	Section 5.12(a)
Equitable	Introduction
Merger	Recitals
Merger Consideration	Section 2.7(a)
OTS Notice	Section 2.2
PBGC	Section 3.14(b)(iv)
Plan	Section 3.14(b)(i)
Plan of Merger	Recitals
Predecessor Agreement	Section 8.2
Surviving Bank	Section 2.1(a)
Transferred Employee	Section 5.12(a)

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ARTICLE II

THE MERGER

2.1 Merger

Branch Bank and Equitable are the Constituent Banks (the Constituent Banks) to the Merger as contemplated by the NCBCA, the HOLA, OTS regulations promulgated under the HOLA and the Bank Merger Act. At the Effective Time:

- (a) Equitable shall be merged into Branch Bank in accordance with the applicable provisions of the NCBCA, the OTS regulations promulgated under the HOLA and the Bank Merger Act, with Branch Bank being the surviving corporate entity (hereinafter sometimes referred to as the Surviving Bank).
- (b) The separate existence of Equitable shall cease and the Merger shall in all respects have the effects provided in Section 2.5.
- (c) The Articles of Incorporation of Branch Bank at the Effective Time shall be the Articles of Incorporation of the Surviving Bank.
- (d) The Bylaws of Branch Bank at the Effective Time shall be the Bylaws of the Surviving Bank.
- (e) The officers of Branch Bank immediately prior to the Effective Time shall be the officers of the Surviving Bank.
- (f) The principal office of the Surviving Bank shall be the principal office of Branch Bank. The locations of the principal office and other offices of Branch Bank are set forth on Exhibit I to the Combination Agreement attached hereto as Annex B.

2.2 Approvals; Filing of Plan of Merger and Notice

The Merger shall not become effective unless this Agreement, the Combination Agreement and the Plan of Merger are duly approved by at least two-thirds of the members of the Board of Directors of Equitable and by shareholders holding at least two-thirds of the shares of Equitable Common Stock, and by the Board of Directors of Branch Bank. Upon fulfillment or waiver of the conditions specified in Article VI and provided that this Agreement has not been terminated pursuant to Article VII, the Constituent Banks will cause the Articles of Merger to be executed and filed with the Secretary of State of North Carolina as provided in Section 55-11-05 of the NCBCA, and shall cause notice to be filed with the OTS as required by 12 C.F.R. §563.22(b) (the OTS Notice). The Plan of Merger and the Combination Agreement are incorporated herein by reference, and adoption of this Agreement by the Boards of Directors of the Constituent Banks and approval by the shareholders of Equitable shall constitute adoption and approval of the Plan of Merger and the Combination Agreement.

2.3 Effective Time

The Merger shall be effective at the later of (i) the day and hour specified in the Articles of Merger as filed as provided in Section 2.2, or (ii) the time that the OTS Notice is provided to the OTS (herein sometimes referred to as the Effective Time).

2.4 Closing

The closing of the transactions contemplated by this Agreement (the Closing) shall take place at the offices of Womble Carlyle Sandridge & Rice, PLLC, Winston-Salem, North Carolina, at 10:00 a.m. on the date designated by BB&T which is within thirty days following the satisfaction of the conditions to Closing set forth in Article VI (other than the delivery of certificates, opinions and other instruments and documents to be delivered at the Closing), or such later date as the parties may otherwise agree (the Closing Date).

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2.5 Effect of Merger

From and after the Effective Time, the separate existence of Equitable shall cease, and the Surviving Bank shall thereupon and thereafter, to the extent consistent with its Articles of Incorporation, possess all of the rights, privileges, immunities and franchises, of a public as well as a private nature, of each of the Constituent Banks; and all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and each and every other interest of or belonging to or due to each of the Constituent Banks shall be taken and deemed to be transferred to and vested in the Surviving Bank without further act or deed; and the title to any real estate or any interest therein vested in either of the Constituent Banks shall not revert or be in any way impaired by reason of the Merger. The Surviving Bank shall thenceforth be responsible for all the liabilities, obligations and penalties of each of the Constituent Banks; and any claim, existing action or proceeding, civil or criminal, pending by or against either of the Constituent Banks may be prosecuted as if the Merger had not taken place, or the Surviving Bank may be substituted in its place; and any judgment rendered against either of the Constituent Banks may be enforced against the Surviving Bank. Neither the rights of creditors nor any liens upon the property of either of the Constituent Banks shall be impaired by reason of the Merger.

2.6 Further Assurances

If, at any time after the Effective Time, the Surviving Bank shall consider or be advised that any further deeds, assignments or assurances in law or any other actions are necessary, desirable or proper to vest, perfect or confirm of record or otherwise, in the Surviving Bank, the title to any property or rights of the Constituent Banks acquired or to be acquired by reason of, or as a result of, the Merger, the Constituent Banks agree that such Constituent Banks and their proper officers and directors shall and will execute and deliver all such proper deeds, assignments and assurances in law and do all things necessary, desirable or proper to vest, perfect or confirm title to such property or rights in the Surviving Bank and otherwise to carry out the purpose of this Agreement, and that the proper officers and directors of the Surviving Bank are fully authorized and directed in the name of the Constituent Banks or otherwise to take any and all such actions.

2.7 Merger Consideration

As used herein, the term *Merger Consideration* shall mean the number of shares of BB&T Common Stock to be exchanged for each share of Equitable Common Stock issued and outstanding as of the Effective Time. One share of BB&T Common Stock shall be issued for each issued and outstanding share of Equitable Common Stock (the *Exchange Ratio*).

2.8 Conversion of Shares; Payment of Merger Consideration

- (a) At the Effective Time, by virtue of the Merger and without any action on the part of Equitable or the holders of record of Equitable Common Stock, each share of Equitable Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into and shall represent the right to receive, upon surrender of the certificate representing such share of Equitable Common Stock (as provided in subsection (d) below), the Merger Consideration.
- (b) Each share of BB&T Common Stock issued and outstanding at the Effective Time shall continue to be issued and outstanding.
- (c) Until surrendered, each outstanding certificate which prior to the Effective Time represented one or more shares of Equitable Common Stock shall be deemed upon the Effective Time for all purposes to represent only the right to receive the Merger Consideration and any declared and unpaid dividends with respect to Equitable Common Stock. No interest will be paid or accrued on the Merger Consideration upon the surrender of the certificate or certificates representing shares of Equitable Common Stock. With respect to any certificate for Equitable Common Stock that has been lost or destroyed, BB&T shall pay the Merger Consideration attributable to such certificate upon receipt of a surety bond or other adequate indemnity as required in accordance with

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BB&T's standard policy, and evidence reasonably satisfactory to BB&T of ownership of the shares represented thereby. After the Effective Time, Equitable's transfer books shall be closed and no transfer of the shares of Equitable Common Stock outstanding immediately prior to the Effective Time shall be made on the stock transfer books of the Surviving Bank.

(d) Promptly after the Effective Time, BB&T shall cause to be delivered or mailed to each Equitable shareholder a form of letter of transmittal and instructions for use in effecting the surrender of the certificates which, immediately prior to the Effective Time, represented any shares of Equitable Common Stock. Upon proper surrender of such certificates or other evidence of ownership meeting the requirements of Section 2.8(c), together with such letter of transmittal duly executed and completed in accordance with the instructions thereto, and such other documents as may be reasonably requested, BB&T shall promptly cause the transfer to the persons entitled thereto of the Merger Consideration.

(e) BB&T shall pay any dividends or other distributions with a record date prior to the Effective Time that have been declared by Equitable in respect of shares of Equitable Common Stock in accordance with the terms of this Agreement and that remain unpaid at the Effective Time. To the extent permitted by law, former shareholders of record of Equitable shall be entitled to vote after the Effective Time at any meeting of BB&T shareholders the number of shares of BB&T Common Stock into which their respective shares of Equitable Common Stock are converted, regardless of whether such holders have exchanged their certificates representing Equitable Common Stock for certificates representing BB&T Common Stock in accordance with the provisions of this Agreement. Whenever a dividend or other distribution is declared by BB&T on the BB&T Common Stock, the record date for which is at or after the Effective Time, the declaration shall include dividends or other distributions on all shares of BB&T Common Stock issuable pursuant to this Agreement, but no dividend or other distribution payable to the holders of record of BB&T Common Stock as of any time subsequent to the Effective Time shall be delivered to the holder of any certificate representing Equitable Common Stock until such holder surrenders such certificate for exchange as provided in this Section 2.8. Upon surrender of such certificate, both the BB&T Common Stock certificate and any undelivered dividends payable hereunder (without interest) shall be delivered and paid with respect to the shares of Equitable Common Stock represented by such certificate.

2.9 Conversion of Stock Options

(a) At the Effective Time, each Stock Option then outstanding (and which by its terms does not lapse on or before the Effective Time), whether or not then exercisable, shall be converted into and become rights with respect to BB&T Common Stock, and BB&T shall assume each Stock Option in accordance with the terms of the Stock Option Plan, subject to the following provisions from and after the Effective Time: (i) BB&T and its Compensation Committee shall be substituted for Equitable and the Committee under the Stock Option Plan with respect to administering the Stock Option Plan, (ii) each Stock Option assumed by BB&T may be exercised solely for shares of BB&T Common Stock, (iii) the number of shares of BB&T Common Stock subject to each such Stock Option shall equal the number of shares of Equitable Common Stock subject to such Stock Option immediately prior to the Effective Time, and (iv) the per share exercise price under each such Stock Option shall equal the per share exercise price under each such Stock Option immediately prior to the Effective Time. Notwithstanding the foregoing, BB&T may at its election substitute as of the Effective Time options under the BB&T Corporation 1995 Omnibus Stock Incentive Plan or any other duly adopted comparable plan (in either case, the "BB&T Option Plan") for all or a part of the Stock Options, subject to the following conditions: (A) the requirements of (iii) and (iv) above shall be met; (B) such substitution shall not constitute a modification, extension or renewal of any of the Stock Options; and (C) the substituted options shall continue in effect on the same terms and conditions as provided in the stock option agreements governing each Stock Option and in the Stock Option Plan. Each grant of a converted or substitute option to any individual who subsequent to the Merger will be a director or officer of BB&T as construed under Commission Rule 16b-3 shall, as a condition to such conversion or substitution, be approved in accordance with the provisions of Rule 16b-3. Each Stock Option which is an incentive stock option shall be adjusted as required by Section 424 of the Code, and the Regulations

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promulgated thereunder, so as to continue as an incentive stock option under Section 424(a) of the Code, and so as not to constitute a modification, extension, or renewal of the option within the meaning of Section 424(h) of the Code. BB&T and Equitable agree to take all necessary steps to effectuate the foregoing provisions of this Section 2.9. BB&T has reserved and shall continue to reserve adequate shares of BB&T Common Stock for delivery upon exercise of any converted or substitute options. Within sixty days following the Effective Time, if it has not already done so (or has not already substituted options under the BB&T Option Plan), and to the extent Equitable shall have a registration statement in effect or an obligation to file a registration statement, BB&T shall file a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), with respect to the shares of BB&T Common Stock subject to converted or substitute options and shall use its reasonable efforts to maintain the effectiveness of such registration statement (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such converted or substitute options remain outstanding. With respect to those individuals, if any, who subsequent to the Merger may be subject to the reporting requirements under Section 16(a) of the Exchange Act, BB&T shall administer the Stock Option Plan assumed pursuant to this Section 2.9 (or the BB&T Option Plan, if applicable) in a manner that complies with Rule 16b-3 promulgated under the Exchange Act to the extent necessary to preserve for such individuals the benefits of Rule 16b-3 to the extent such benefits were available to them prior to the Effective Time. Equitable hereby represents that the Stock Option Plan in its current form complies with Rule 16b-3 to the extent, if any, required as of the date hereof.

(b) As soon as practicable following the Effective Time, BB&T shall deliver to the participants receiving converted options under the BB&T Option Plan an appropriate notice setting forth such participant's rights pursuant thereto.

(c) Eligibility to receive stock option grants following the Effective Time with respect to BB&T Common Stock shall be determined by BB&T in accordance with its plans and procedures as in effect from time to time, and subject to any contractual obligations.

2.10 Anti-Dilution

In the event BB&T changes the number of shares of BB&T Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend or other similar recapitalization, and the record date thereof (in the case of a stock dividend) or the effective date thereof (in the case of a stock split or similar recapitalization for which a record date is not established) shall be prior to the Effective Time, the Exchange Ratio shall be proportionately adjusted.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF EQUITABLE

Except as Disclosed, Equitable represents and warrants to BB&T as follows (the representations and warranties herein of Equitable are made subject to the applicable standard set forth in Section 6.3(a), and no such representation or warranty shall be deemed to be inaccurate unless it is inaccurate to the extent that BB&T would be entitled to refuse to consummate the Merger pursuant to Section 7.1(b)(ii) on account of such inaccuracy):

3.1 Capital Structure

The authorized capital stock of Equitable consists of 4,000,000 shares of Equitable Common Stock and 500,000 shares of Equitable serial preferred stock, \$.01 par value. Equitable has 1,315,620 shares of Equitable Common Stock issued and outstanding and no shares of Equitable serial preferred stock issued and outstanding. No other classes of capital stock of Equitable, common or preferred, are authorized, issued or outstanding. All outstanding shares of Equitable capital stock have been duly authorized and are validly issued, fully paid and

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nonassessable. No shares of capital stock have been reserved for any purpose, except for (i) shares of Equitable Common Stock reserved in connection with the Stock Option Plan, and (ii) 260,000 shares of Equitable Common Stock reserved in connection with the BB&T Option Agreement. Equitable has granted options to acquire 242,207 shares of Equitable Common Stock under the Stock Option Plan or outstanding agreements and awards, which options remain outstanding as of the date hereof. Except as set forth in this Section 3.1, there are no Rights authorized, issued or outstanding with respect to, nor are there any agreements, understandings or commitments to which Equitable is a party relating to the right of any Equitable shareholder to own, to vote or to dispose of, the capital stock of Equitable. Holders of Equitable Common Stock do not have preemptive rights.

3.2 Organization, Standing and Authority

Equitable is a federally chartered savings bank validly existing under the laws of the United States of America, with full corporate power and authority to carry on its business as now conducted and to own, lease and operate its properties and assets. Equitable is not required to be qualified to do business in any other state of the United States or foreign jurisdiction.

3.3 Ownership of Subsidiaries

Section 3.3 of the Equitable Disclosure Memorandum lists all of the Equitable Subsidiaries and, with respect to each, its jurisdiction of organization, jurisdictions in which it is qualified or otherwise licensed to conduct business, the number of shares or ownership interests owned by Equitable (directly or indirectly), the percentage ownership interest so owned by Equitable and its business activities. The outstanding shares of capital stock or other equity interests of the Equitable Subsidiaries are validly issued and outstanding, fully paid and nonassessable, and all such shares are directly or indirectly owned by Equitable free and clear of all liens, claims and encumbrances. No Rights are authorized, issued or outstanding with respect to the capital stock or other equity interests of the Equitable Subsidiaries, and there are no agreements, understandings or commitments relating to the right of Equitable to own, to vote or to dispose of said interests. None of the shares of capital stock or other equity interests of the Equitable Subsidiaries have been issued in violation of the preemptive rights of any person. Section 3.3 of the Equitable Disclosure Memorandum also lists all shares of capital stock or other securities or ownership interests of any corporation, partnership, joint venture, or other organization (other than the Equitable Subsidiaries and stock or other securities held in a fiduciary capacity) owned directly or indirectly by Equitable.

3.4 Organization, Standing and Authority of the Subsidiaries

Each of the Equitable Subsidiaries is validly existing and in good standing under the laws of its jurisdiction of organization. Each of the Equitable Subsidiaries has full power and authority to carry on its business as now conducted, and is duly qualified to do business and in good standing in each jurisdiction Disclosed with respect to it. No Equitable Subsidiary is required to be qualified to do business in any other state of the United States or foreign jurisdiction, or is engaged in any type of activities that have not been Disclosed.

3.5 Authorized and Effective Agreement

(a) Equitable has all requisite corporate power and authority to enter into and (subject to receipt of all necessary governmental approvals and the receipt of approval of the Equitable shareholders of this Agreement, the Combination Agreement and the Plan of Merger) to perform all of its obligations under this Agreement, the Combination Agreement, the Plan of Merger and the BB&T Option Agreement. The execution and delivery of this Agreement, the Articles of Merger and the BB&T Option Agreement, and consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action, except, in the case of this Agreement, the Combination Agreement and the Plan of Merger, the approval of the Equitable shareholders pursuant to and to the extent required by applicable law. This Agreement, the Combination Agreement, the Plan of Merger and the BB&T Option Agreement constitute legal, valid and binding obligations of Equitable, and each is enforceable against Equitable in accordance with its terms, in each

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such case subject to (i) bankruptcy, fraudulent transfer, insolvency, moratorium, reorganization, conservatorship, receivership, or other similar laws from time to time in effect relating to or affecting the enforcement of the rights of creditors of FDIC-insured institutions or the enforcement of creditors' rights generally; and (ii) general principles of equity (whether applied in a court of law or in equity).

(b) Neither the execution and delivery of this Agreement, the Plan of Merger, the Combination Agreement, the Articles of Merger or the BB&T Option Agreement, nor consummation of the transactions contemplated hereby or thereby, nor compliance by Equitable with any of the provisions hereof or thereof, shall (i) conflict with or result in a breach of any provision of the Charter or Bylaws of Equitable or any Equitable Subsidiary, (ii) constitute or result in a breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon any property or asset of Equitable or any Equitable Subsidiary pursuant to, any note, bond, mortgage, indenture, license, permit, contract, agreement or other instrument or obligation, or (iii) subject to receipt of all required governmental approvals, violate any order, writ, injunction, decree, statute, rule or regulation applicable to Equitable or any Equitable Subsidiary.

(c) Other than consents or approvals required from, or notices to, regulatory authorities as provided in Section 5.4(b), no notice to, filing with, or consent of, any public body or authority is necessary for the consummation by Equitable of the Merger and the other transactions contemplated in this Agreement.

3.6 Securities Filings; Financial Statements; Statements True

(a) Equitable has timely filed with the OTS all Securities Documents required to be filed since September 30, 1999. Equitable has Disclosed or made available to BB&T a true and complete copy of each Securities Document filed by Equitable with the OTS after September 30, 1999 and prior to the date hereof, which are all of the Securities Documents that Equitable was required to file during such period. As of their respective dates of filing, including the dates of filing of any amendments thereto, such Securities Documents complied with the applicable legal requirements as then in effect, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Financial Statements of Equitable fairly present or will fairly present, as the case may be, the consolidated financial position of Equitable and the Equitable Subsidiaries as of the dates indicated and the consolidated statements of income and changes in stockholders' equity and statements of cash flows for the periods then ended (subject, in the case of unaudited interim statements, to the absence of notes and to normal year-end audit adjustments that are not material in amount or effect) in conformity with GAAP applied on a consistent basis.

(c) No statement, certificate, instrument or other writing furnished or to be furnished hereunder by Equitable or any Equitable Subsidiary to BB&T contains or will contain any untrue statement of a material fact or will omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.7 Minute Books

The minute books of Equitable and each of the Equitable Subsidiaries contain or will contain at Closing accurate records of all meetings and other corporate actions of their respective shareholders and Boards of Directors (including committees of the Board of Directors), and the signatures contained therein are the true signatures of the persons whose signatures they purport to be.

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3.8 Adverse Change

Since September 30, 2001, Equitable and the Equitable Subsidiaries have not incurred any liability, whether accrued, absolute or contingent, except as disclosed in the most recent Equitable Financial Statements, or entered into any transactions with Affiliates, in each case other than in the ordinary course of business consistent with past practices, nor has there been any adverse change or any event involving a prospective adverse change in the business, financial condition, results of operations or business prospects of Equitable or any of the Equitable Subsidiaries.

3.9 Absence of Undisclosed Liabilities

All liabilities (including contingent liabilities) of Equitable and the Equitable Subsidiaries are disclosed in the most recent Financial Statements of Equitable or are normally recurring business obligations incurred in the ordinary course of its business since the date of Equitable's most recent Financial Statements.

3.10 Properties

(a) Equitable and the Equitable Subsidiaries have good and marketable title, free and clear of all liens, encumbrances, charges, defaults or equitable interests, to all of the properties and assets, real and personal, tangible and intangible, reflected on the consolidated balance sheet included in the Financial Statements of Equitable as of September 30, 2001 or acquired after such date, except for (i) liens for current taxes not yet due and payable, (ii) pledges to secure deposits and other liens incurred in the ordinary course of banking business, (iii) such imperfections of title, easements and encumbrances, if any, as are not material in character, amount or extent, or (iv) dispositions and encumbrances for adequate consideration in the ordinary course of business.

(b) All leases and licenses pursuant to which Equitable or any Equitable Subsidiary, as lessee or licensee, leases or licenses rights to real or personal property are valid and enforceable in accordance with their respective terms.

3.11 Environmental Matters

(a) Equitable and the Equitable Subsidiaries are and at all times have been in compliance with all Environmental Laws. Neither Equitable nor any Equitable Subsidiary has received any communication alleging that Equitable or the Equitable Subsidiary is not in such compliance, and there are no present circumstances that would prevent or interfere with the continuation of such compliance.

(b) There are no pending Environmental Claims, neither Equitable nor any Equitable Subsidiary has received notice of any pending Environmental Claims, and there are no conditions or facts existing which might reasonably be expected to result in legal, administrative, arbitral or other proceedings asserting Environmental Claims or other claims, causes of action or governmental investigations of any nature seeking to impose, or that could result in the imposition of, any liability arising under any Environmental Laws upon (i) Equitable or any Equitable Subsidiary, (ii) any person or entity whose liability for any Environmental Claim Equitable or any Equitable Subsidiary has or may have retained or assumed, either contractually or by operation of law, (iii) any real or personal property owned or leased by Equitable or any Equitable Subsidiary, or any real or personal property which Equitable or any Equitable Subsidiary has or is judged to have managed or supervised or participated in the management of, or (iv) any real or personal property in which Equitable or any Equitable Subsidiary holds a security interest securing a loan recorded on the books of Equitable or any Equitable Subsidiary. Neither Equitable nor any Equitable Subsidiary is subject to any agreement, order, judgment, decree or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any liability under any Environmental Laws.

(c) Equitable and the Equitable Subsidiaries are in compliance with all recommendations contained in any environmental audits, analyses and surveys received by Equitable relating to all real and personal property owned

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or leased by Equitable or any Equitable Subsidiary and all real and personal property of which Equitable or any Equitable Subsidiary has or is judged to have managed or supervised or participated in the management of.

(d) There are no past or present actions, activities, circumstances, conditions, events or incidents that could reasonably form the basis of any Environmental Claim, or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws, against Equitable or any Equitable Subsidiary or against any person or entity whose liability for any Environmental Claim Equitable or any Equitable Subsidiary has or may have retained or assumed, either contractually or by operation of law.

3.12 Loans; Allowance for Loan Losses

(a) All of the loans on the books of Equitable and the Equitable Subsidiaries are valid and properly documented and were made in the ordinary course of business, and the security therefor, if any, is valid and properly perfected. Neither the terms of such loans, nor any of the loan documentation, nor the manner in which such loans have been administered and serviced, nor Equitable's procedures and practices of approving or rejecting loan applications, violates any federal, state or local law, rule, regulation or ordinance applicable thereto, including without limitation the TILA, Regulations O and Z of the Federal Reserve Board, the CRA, the Equal Credit Opportunity Act, as amended, and state laws, rules and regulations relating to consumer protection, installment sales and usury.

(b) The allowances for loan losses reflected on the consolidated balance sheets included in the Financial Statements of Equitable are adequate as of their respective dates under the requirements of GAAP and applicable regulatory requirements and guidelines.

3.13 Tax Matters

(a) Equitable and the Equitable Subsidiaries and each of their predecessors have timely filed (or requests for extensions have been timely filed and any such extensions either are pending or have been granted and have not expired) all federal, state and local (and, if applicable, foreign) tax returns required by applicable law to be filed by them (including, without limitation, estimated tax returns, income tax returns, information returns, and withholding and employment tax returns) and have paid, or where payment is not required to have been made, have set up an adequate reserve or accrual for the payment of, all taxes required to be paid in respect of the periods covered by such returns and, as of the Effective Time, will have paid, or where payment is not required to have been made, will have set up an adequate reserve or accrual for the payment of, all taxes for any subsequent periods ending on or prior to the Effective Time. Neither Equitable nor any Equitable Subsidiary has or will have any liability for any such taxes in excess of the amounts so paid or reserves or accruals so established. Equitable and the Equitable Subsidiaries have paid, or where payment is not required to have been made have set up an adequate reserve or accrual for payment of, all taxes required to be paid or accrued for the preceding or current fiscal year for which a return is not yet due.

(b) All federal, state and local (and, if applicable, foreign) tax returns filed by Equitable and the Equitable Subsidiaries are complete and accurate. Neither Equitable nor any Equitable Subsidiary is delinquent in the payment of any tax, assessment or governmental charge. No deficiencies for any tax, assessment or governmental charge have been proposed, asserted or assessed (tentatively or otherwise) against Equitable or any Equitable Subsidiary which have not been settled and paid. There are currently no agreements in effect with respect to Equitable or any Equitable Subsidiary to extend the period of limitations for the assessment or collection of any tax. No audit examination or deficiency or refund litigation with respect to such returns is pending.

(c) Deferred taxes have been provided for in accordance with GAAP consistently applied.

(d) Neither Equitable nor any of the Equitable Subsidiaries is a party to any tax allocation or sharing agreement or has been a member of an affiliated group filing a consolidated federal income tax return (other than

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a group the common parent of which was Equitable or a Equitable subsidiary) or has any liability for taxes of any person (other than Equitable and the Equitable Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law) as a transferee or successor or by contract or otherwise.

(e) Each of Equitable and the Equitable Subsidiaries is in compliance with, and its records contain all information and documents (including properly completed IRS Forms W-9) necessary to comply with, all applicable information reporting and tax withholding requirements under federal, state, and local tax laws, and such records identify with specificity all accounts subject to backup withholding under Section 3406 of the Code.

(f) Neither Equitable nor any of the Equitable Subsidiaries has made any payments, is obligated to make any payments, or is a party to any contract that could obligate it to make any payments that would be disallowed as a deduction under Section 280G or 162(m) of the Code.

3.14 Employees; Compensation; Benefit Plans

(a) *Compensation.* Equitable has Disclosed a complete and correct list of the name, age, position, rate of compensation and any incentive compensation arrangements, bonuses or commissions or fringe or other benefits, whether payable in cash or in kind, of each director, shareholder, independent contractor, consultant and agent of Equitable and of each Equitable Subsidiary and each other person (in each case other than as an employee) to whom Equitable or any Equitable Subsidiary pays or provides, or has an obligation, agreement (written or unwritten), policy or practice of paying or providing, retirement, health, welfare or other benefits of any kind or description whatsoever.

(b) *Employee Benefit Plans.*

(i) Equitable has Disclosed an accurate and complete list of all Plans, as defined below, contributed to, maintained or sponsored by Equitable or any Equitable Subsidiary, to which Equitable or any Equitable Subsidiary is obligated to contribute or has any liability or potential liability, whether direct or indirect, including all Plans contributed to, maintained or sponsored by each member of the controlled group of corporations, within the meaning of Sections 414(b), 414(c), 414(m) and 414(o) of the Code, of which Equitable or any Equitable Subsidiary is a member. For purposes of this Agreement, the term *Plan* shall mean a plan, arrangement, agreement or program described in the foregoing provisions of this Section 3.14(b)(i) that is: (A) a profit-sharing, deferred compensation, bonus, stock option, stock purchase, pension, retainer, consulting, retirement, severance, welfare or incentive plan, agreement or arrangement, whether or not funded and whether or not terminated, (B) an employment agreement, (C) a personnel policy or fringe benefit plan, policy, program or arrangement providing for benefits or perquisites to current or former employees, officers, directors or agents, whether or not funded, and whether or not terminated, including, without limitation, benefits relating to automobiles, clubs, vacation, child care, parenting, sabbatical, sick leave, severance, medical, dental, hospitalization, life insurance and other types of insurance, or (D) any other employee benefit plan as defined in Section 3(3) of ERISA, whether or not funded and whether or not terminated.

(ii) Neither Equitable nor any Equitable Subsidiary contributes to, has an obligation to contribute to or otherwise has any liability or potential liability with respect to (A) any multiemployer plan as defined in Section 3(37) of ERISA, (B) any plan of the type described in Sections 4063 and 4064 of ERISA or in Section 413 of the Code (and regulations promulgated thereunder), or (C) any plan which provides health, life insurance, accident or other welfare-type benefits to current or future retirees or former employees or directors, their spouses or dependents, other than in accordance with Section 4980B of the Code or applicable state continuation coverage law.

(iii) None of the Plans obligates Equitable or any Equitable Subsidiary to pay separation, severance, termination or similar-type benefits solely as a result of any transaction contemplated by this Agreement or solely as a result of a change in control, as such term is used in Section 280G of the Code (and regulations promulgated thereunder).

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(iv) Each Plan, and all related trusts, insurance contracts and funds, has been maintained, funded and administered in compliance in all respects with its own terms and in compliance in all respects with all applicable laws and regulations, including but not limited to ERISA and the Code. No actions, suits, claims, complaints, charges, proceedings, hearings, examinations, investigations, audits or demands with respect to the Plans (other than routine claims for benefits) are pending or threatened, and there are no facts which could give rise to or be expected to give rise to any actions, suits, claims, complaints, charges, proceedings, hearings, examinations, investigations, audits or demands. No Plan that is subject to the funding requirements of Section 412 of the Code or Section 302 of ERISA has incurred any accumulated funding deficiency as such term is defined in such Sections of ERISA and the Code, whether or not waived, that has not previously been satisfied and any penalties with respect thereto fully paid or accrued, and each Plan has always fully met the funding standards required under Title I of ERISA and Section 412 of the Code. No liability to the Pension Benefit Guaranty Corporation (PBGC) (except for routine payment of premiums) has been or is expected to be incurred with respect to any Plan that is subject to Title IV of ERISA, no reportable event (as such term is defined in Section 4043 of ERISA) for which the PBGC has not waived notice has occurred with respect to any such Plan, and the PBGC has not commenced or threatened the termination of any Plan. None of the assets of Equitable or any Equitable Subsidiary is the subject of any lien arising under Section 302(f) of ERISA or Section 412(n) of the Code, neither Equitable nor any Equitable Subsidiary has been required to post any security pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code, and there are no facts which could be expected to give rise to such lien or such posting of security. No event has occurred and no condition exists that would subject Equitable or any Equitable Subsidiary to any tax under Sections 4971, 4972, 4976, 4977 or 4979 of the Code or to a fine or penalty under Section 502(c) of ERISA.

(v) Each Plan that is intended to be qualified under Section 401(a) of the Code, and each trust (if any) forming a part thereof, has received a favorable determination letter from the IRS as to the qualification under the Code of such Plan and the tax exempt status of such related trust, and nothing has occurred since the date of such determination letter that could adversely affect the qualification of such Plan or the tax exempt status of such related trust.

(vi) No underfunded defined benefit plan (as such term is defined in Section 3(35) of ERISA) has been, during the five years preceding the Closing Date, transferred out of the controlled group of corporations (within the meaning of Sections 414(b), (c), (m) and (o) of the Code) of which Equitable or any Equitable Subsidiary is a member or was a member during such five-year period.

(vii) As of September 30, 2001, the fair market value of the assets of each Plan that is a tax qualified defined benefit plan equaled or exceeded, and as of the Closing Date will equal or exceed, the present value of all vested and nonvested accrued benefits thereunder determined in accordance with reasonable actuarial methods, factors and assumptions applicable to a defined benefit plan on an ongoing basis. With respect to each Plan that is subject to the funding requirements of Section 412 of the Code and Section 302 of ERISA, all required contributions for all periods ending prior to or as of the Closing Date (including periods from the first day of the then-current plan year to the Closing Date and including all quarterly contributions required in accordance with Section 412(m) of the Code) shall have been made. With respect to each other Plan, all required payments, premiums, contributions, reimbursements or accruals for all periods ending prior to or as of the Closing Date shall have been made. No tax qualified Plan has any unfunded liabilities.

(viii) No prohibited transaction (which shall mean any transaction prohibited by Section 406 of ERISA and not exempt under Section 408 of ERISA or Section 4975 of the Code, whether by statutory, class or individual exemption) has occurred with respect to any Plan which would result in the imposition, directly or indirectly, of any excise tax, penalty or other liability under Section 4975 of the Code or Section 409 or 502(i) of ERISA. Neither Equitable nor, to the best knowledge of Equitable, any Equitable Subsidiary, any trustee, administrator or other fiduciary of any Plan, or any agent of any of the foregoing has engaged in any transaction or acted or failed to act in a manner that could subject Equitable or any Equitable Subsidiary to any liability for breach of fiduciary duty under ERISA or any other applicable law.

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(ix) With respect to each Plan, all reports and information required to be filed with any government agency or distributed to Plan participants and their beneficiaries have been duly and timely filed or distributed.

(x) Equitable and each Equitable Subsidiary has been and is presently in compliance with all of the requirements of Section 4980B of the Code.

(xi) Neither Equitable nor any Equitable Subsidiary has a liability as of September 30, 2001 under any Plan that, to the extent disclosure is required under GAAP, is not reflected on the consolidated balance sheet included in the Financial Statements of Equitable as of September 30, 2001 or otherwise Disclosed.

(xii) Neither the consideration nor implementation of the transactions contemplated under this Agreement will increase (A) Equitable's or any Equitable Subsidiary's obligation to make contributions or any other payments to fund benefits accrued under the Plans as of the date of this Agreement or (B) the benefits accrued or payable with respect to any participant under the Plans (except to the extent benefits may be deemed increased by accelerated vesting, accelerated allocation of previously unallocated Plan assets or by the conversion of all stock options in accordance with Section 2.9).

(xiii) With respect to each Plan, Equitable has Disclosed or made available to BB&T, true, complete and correct copies of (A) all documents pursuant to which the Plans are maintained, funded and administered, including summary plan descriptions, (B) the three most recent annual reports (Form 5500 series) filed with the IRS (with attachments), (C) the three most recent actuarial reports, if any, (D) the three most recent financial statements, (E) all governmental filings for the last three years, including, without limitation, excise tax returns and reportable events filings, and (F) all governmental rulings, determinations, and opinions (and pending requests for governmental rulings, determinations, and opinions) during the past three years.

(xiv) Each of the Plans as applied to Equitable and any Equitable Subsidiary may be amended or terminated at any time by action of Equitable's Board of Directors, or such Equitable's Subsidiary's Board of Directors, as the case may be, or a committee of such Board of Directors or duly authorized officer, in each case subject to the terms of the Plan and compliance with applicable laws and regulations (and limited, in the case of multiemployer plans, to termination of the participation of Equitable or a Equitable Subsidiary thereunder).

3.15 Certain Contracts

(a) Neither Equitable nor any Equitable Subsidiary is a party to, is bound or affected by, or receives benefits under (i) any agreement, arrangement or commitment, written or oral, the default of which would have a Material Adverse Effect, whether or not made in the ordinary course of business (other than loans or loan commitments made or certificates or deposits received in the ordinary course of the banking business), or any agreement restricting its business activities, including, without limitation, agreements or memoranda of understanding with regulatory authorities, (ii) any agreement, indenture or other instrument, written or oral, relating to the borrowing of money by Equitable or any Equitable Subsidiary or the guarantee by Equitable or any Equitable Subsidiary of any such obligation, which cannot be terminated within less than 30 days after the Closing Date by Equitable or any Equitable Subsidiary (without payment of any penalty or cost, except with respect to Federal Home Loan Bank or Federal Reserve Bank advances), (iii) any agreement, arrangement or commitment, written or oral, relating to the employment of a consultant, independent contractor or agent, or the employment, election or retention in office of any present or former director or officer, which cannot be terminated within less than 30 days after the Closing Date by Equitable or any Equitable Subsidiary (without payment of any penalty or cost), or that provides benefits which are contingent, or the application of which is altered, upon the occurrence of a transaction involving Equitable of the nature contemplated by this Agreement or the BB&T Option Agreement, or (iv) any agreement or plan, written or oral, including any Stock Option Plan, stock appreciation rights plan, restricted stock plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this

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Agreement or the BB&T Option Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement or the BB&T Option Agreement. Each matter Disclosed pursuant to this Section 3.15(a) is in full force and effect as of the date hereof.

(b) Neither Equitable nor any Equitable Subsidiary is in default under any agreement, commitment, arrangement, lease, insurance policy, or other instrument, whether entered into in the ordinary course of business or otherwise and whether written or oral, and there has not occurred any event that, with the lapse of time or giving of notice or both, would constitute such a default.

3.16 Legal Proceedings; Regulatory Approvals

There are no actions, suits, claims, governmental investigations or proceedings instituted, pending or, to the best knowledge of Equitable, threatened against Equitable or any Equitable Subsidiary or against any asset, interest, Plan or right of Equitable or any Equitable Subsidiary, or, to the best knowledge of Equitable, against any officer, director or employee of any of them in their capacity as such. There are no actions, suits or proceedings instituted, pending or, to the best knowledge of Equitable, threatened against any present or former director or officer of Equitable or any Equitable Subsidiary that would reasonably be expected to give rise to a claim against Equitable or any Equitable Subsidiary for indemnification. There are no actual or, to the best knowledge of Equitable, threatened actions, suits or proceedings which present a claim to restrain or prohibit the transactions contemplated herein or in the BB&T Option Agreement. To the best knowledge of Equitable, no fact or condition relating to Equitable or any Equitable Subsidiary exists (including, without limitation, noncompliance with the CRA or the USA PATRIOT ACT) that would prevent Equitable or BB&T from obtaining all of the federal and state regulatory approvals contemplated herein.

3.17 Compliance with Laws; Filings

Each of Equitable and each Equitable Subsidiary is in compliance with all statutes and regulations (including, but not limited to, the CRA, the TILA and regulations promulgated thereunder, and other consumer banking laws, the customer information privacy provisions of the Gramm-Leach-Bliley Act, and the anti-money-laundering provisions of the Bank Secrecy Act as amended by the USA PATRIOT ACT), and has obtained and maintained all permits, licenses and registrations applicable to the conduct of its business, and neither Equitable nor any Equitable Subsidiary has received notification that has not lapsed, been withdrawn or abandoned by any agency or department of federal, state or local government (i) asserting a violation or possible violation of any such statute or regulation, (ii) threatening to revoke any permit, license, registration, or other government authorization, or (iii) restricting or in any way limiting its operations. Neither Equitable nor any Equitable Subsidiary is subject to any regulatory or supervisory cease and desist order, agreement, directive, memorandum of understanding or commitment, and none of them has received any communication requesting that it enter into any of the foregoing. Since September 30, 2001, Equitable and each of the Equitable Subsidiaries has filed all reports, registrations, notices and statements, and any amendments thereto, that it was required to file with federal and state regulatory authorities, including, without limitation, the OTS, FDIC, Federal Reserve Board and applicable state regulators. Each such report, registration, notice and statement, and each amendment thereto, complied with applicable legal requirements.

3.18 Brokers and Finders

Neither Equitable nor any Equitable Subsidiary, nor any of their respective officers, directors or employees, has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with the transactions contemplated herein, in the Combination Agreement, in the Plan of Merger or in the BB&T Option Agreement, except for an obligation to the Financial Advisor for investment banking services, the nature and extent of which has been Disclosed, and except for fees to accountants and lawyers.

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3.19 Repurchase Agreements; Derivatives

(a) With respect to all agreements currently outstanding pursuant to which Equitable or any Equitable Subsidiary has purchased securities subject to an agreement to resell, Equitable or the Equitable Subsidiary has a valid, perfected first lien or security interest in the securities or other collateral securing such agreement, and the value of such collateral equals or exceeds the amount of the debt secured thereby. With respect to all agreements currently outstanding pursuant to which Equitable or any Equitable Subsidiary has sold securities subject to an agreement to repurchase, neither Equitable nor the Equitable Subsidiary has pledged collateral in excess of the amount of the debt secured thereby. Neither Equitable nor any Equitable Subsidiary has pledged collateral in excess of the amount required under any interest rate swap or other similar agreement currently outstanding.

(b) Neither Equitable nor any Equitable Subsidiary is a party to or has agreed to enter into an exchange-traded or over-the-counter swap, forward, future, option, cap, floor, or collar financial contract, or any other interest rate or foreign currency protection contract not included on its balance sheets in the Financial Statements, which is a financial derivative contract (including various combinations thereof), except for options and forwards entered into in the ordinary course of its mortgage lending business consistent with past practice and current policy.

3.20 Deposit Accounts

The deposit accounts of Equitable are insured by the FDIC to the maximum extent permitted by federal law, and Equitable has paid all premiums and assessments and filed all reports required to have been paid or filed under all rules and regulations applicable to the FDIC.

3.21 Related Party Transactions

Equitable has Disclosed all existing transactions, investments and loans, including loan guarantees existing as of the date hereof, to which Equitable or any Equitable Subsidiary is a party with any director, executive officer or 5% shareholder of Equitable or any person, corporation, or enterprise controlling, controlled by or under common control with any of the foregoing. All such transactions, investments and loans are on terms no less favorable to Equitable than could be obtained from unrelated parties.

3.22 Certain Information

When the Proxy Statement/Prospectus is mailed, and at the time of the meeting of shareholders of Equitable to vote on the Combination Agreement and the Plan of Merger, the Proxy Statement/Prospectus and all amendments or supplements thereto, with respect to all information set forth therein provided by Equitable, (i) shall comply with the applicable provisions of the Securities Laws, and (ii) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

3.23 Tax and Regulatory Matters

Neither Equitable nor any Equitable Subsidiary has taken or agreed to take any action which would or could reasonably be expected to (i) cause the Merger not to constitute a reorganization under Section 368 of the Code or (ii) materially impede or delay receipt of any consents of regulatory authorities referred to in Section 5.4(b) or result in failure of the condition in Section 6.3(b).

3.24 Corporate Documents

Neither the Charter nor the Bylaws of Equitable, nor any other document of Equitable or to which Equitable is a party, contains a provision that requires more than a majority of the shares of Equitable Common Stock entitled to vote, or the vote or approval of any other class of capital stock or voting security, to approve the Merger or any other transactions contemplated in this Agreement.

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3.25 Labor Relations

Neither Equitable nor any Equitable Subsidiary is the subject of any claim or allegation that it has committed an unfair labor practice (within the meaning of the National Labor Relations Act or comparable state law) or seeking to compel it to bargain with any labor organization as to wages or conditions of employment, nor is Equitable or any Equitable Subsidiary party to any collective bargaining agreement. There is no strike or other labor dispute involving Equitable or any Equitable Subsidiary, pending or threatened, or to the best knowledge of Equitable, is there any activity involving any employees of Equitable or any Equitable Subsidiary seeking to certify a collective bargaining unit or engaging in any other organization activity.

3.26 Fairness Opinion

Equitable has received from the Financial Advisor an opinion that, as of the date hereof, the Merger Consideration is fair to the shareholders of Equitable from a financial point of view.

ARTICLE IV

**REPRESENTATIONS AND WARRANTIES
OF BB&T**

BB&T represents and warrants to Equitable as follows (the representations and warranties herein of BB&T are made subject to the applicable standard set forth in Section 6.2(a), and no such representation or warranty shall be deemed to be inaccurate unless it is inaccurate to the extent that Equitable would be entitled to refuse to consummate the Merger pursuant to Section 7.1(b)(ii) on account of such inaccuracy):

4.1 Capital Structure of BB&T

The authorized capital stock of BB&T consists of (i) 5,000,000 shares of preferred stock, par value \$5.00 per share, of which 2,000,000 shares have been designated as Series B Junior Participating Preferred Stock and the remainder are undesignated, and none of which shares are issued and outstanding, and (ii) 1,000,000,000 shares of BB&T Common Stock of which 475,535,863 shares were issued and outstanding as of June 30, 2002. All outstanding shares of BB&T Common Stock have been duly authorized and are validly issued, fully paid and nonassessable. The shares of BB&T Common Stock reserved as provided in Section 5.3 are free of any Rights and have not been reserved for any other purpose, and such shares are available for issuance as provided pursuant to this Agreement, the Combination Agreement and the Plan of Merger. Holders of BB&T Common Stock do not have preemptive rights.

4.2 Organization, Standing and Authority of BB&T and Branch Bank

Each of BB&T and Branch Bank is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina, with full corporate power and authority to carry on its business as now conducted and to own, lease and operate its assets, and is duly qualified to do business in the states of the United States where its ownership or leasing of property or the conduct of its business requires such qualification. BB&T is registered as a financial holding company under the Bank Holding Company Act.

4.3 Authorized and Effective Agreement

(a) BB&T and Branch Bank have all requisite corporate power and authority to enter into and (subject to receipt of all necessary government approvals) perform all of its obligations under this Agreement. The execution and delivery of this Agreement and consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action in respect thereof on the part of BB&T. This Agreement, the Combination Agreement and the Plan of Merger constitute the legal, valid and binding obligations of BB&T, and each is enforceable against BB&T in accordance with its terms, in each case subject to (i) bankruptcy,

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insolvency, moratorium, reorganization, conservatorship, receivership or other similar laws in effect from time to time relating to or affecting the enforcement of the rights of creditors; and (ii) general principles of equity.

(b) Neither the execution and delivery of this Agreement or the Articles of Merger nor consummation of the transactions contemplated hereby, nor compliance by BB&T or Branch Bank with any of the provisions hereof or thereof shall (i) conflict with or result in a breach of any provision of the Articles of Incorporation or bylaws of BB&T or any BB&T Subsidiary, (ii) constitute or result in a breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon any property or asset of BB&T or any BB&T Subsidiary pursuant to, any note, bond, mortgage, indenture, license, agreement or other instrument or obligation, or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to BB&T or any BB&T Subsidiary.

(c) Other than consents or approvals required from, or notices to, regulatory authorities as provided in Section 5.4(b), no notice to, filing with, or consent of, any public body or authority is necessary for the consummation by BB&T or Branch Bank of the Merger and the other transactions contemplated in this Agreement.

4.4 Organization, Standing and Authority of BB&T Subsidiaries

Each of the BB&T Subsidiaries is duly organized, validly existing and in good standing under applicable laws. BB&T owns, directly or indirectly, all of the issued and outstanding shares of capital stock of each of the BB&T Subsidiaries. Each of the BB&T Subsidiaries (i) has full power and authority to carry on its business as now conducted and (ii) is duly qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification.

4.5 Securities Documents; Statements True

BB&T has timely filed all Securities Documents required by the Securities Laws to be filed since December 31, 1998. As of their respective dates of filing, including the dates of filing of any amendments thereto, such Securities Documents complied with the Securities Laws as then in effect, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No statement, certificate, instrument or other writing furnished or to be furnished hereunder by BB&T or any other BB&T Subsidiary to Equitable contains or will contain any untrue statement of material fact or will omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.6 Certain Information

When the Proxy Statement/Prospectus is mailed, and at all times subsequent to such mailing up to and including the time of the meeting of shareholders of Equitable to vote on the Merger, the Proxy Statement/Prospectus and all amendments or supplements thereto, with respect to all information set forth therein relating to BB&T, (i) shall comply with the applicable provisions of the Securities Laws, and (ii) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

4.7 Tax and Regulatory Matters

Neither BB&T nor any BB&T Subsidiary has taken or agreed to take any action which would or could reasonably be expected to (i) cause the Merger not to constitute a reorganization under Section 368 of the Code, or (ii) materially impede or delay receipt of any consents of regulatory authorities referred to in Section 5.4(b) or result in failure of the condition in Section 6.3(b); provided, that nothing contained herein shall limit the ability of BB&T to exercise its rights under the BB&T Option Agreement.

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4.8 *Share Ownership*

As of the date of this Agreement, BB&T does not own (except in a fiduciary capacity) any shares of Equitable Common Stock.

4.9 *Legal Proceedings; Regulatory Approvals*

There are no actual or, to the best knowledge of BB&T, threatened actions, suits or proceedings instituted, which present a claim to restrain or prohibit the transactions contemplated herein. To the best knowledge of BB&T, no fact or condition relating to BB&T or any BB&T Subsidiary exists (including, without limitation, noncompliance with the CRA or the USA PATRIOT ACT) that would prevent BB&T or Equitable from obtaining all of the federal and state regulatory approvals contemplated herein.

ARTICLE V

COVENANTS

5.1 *Equitable Shareholder Meeting*

Equitable shall submit this Agreement, the Combination Agreement and the Plan of Merger to its shareholders for approval at a meeting to be held as soon as practicable, and by approving execution of this Agreement, the Board of Directors of Equitable agrees that it shall, at the time the Proxy Statement/Prospectus is mailed to the shareholders of Equitable, recommend that Equitable's shareholders vote for such approval; provided, that the Board of Directors of Equitable may withdraw, modify or refuse to make such recommendation only if the Board of Directors shall determine in good faith, after consultation with outside legal counsel, that such recommendation should not be made in light of its fiduciary duty to Equitable's shareholders following a Superior Offer. At the time of execution of this Agreement, each member of the Board of Directors of Equitable and certain other shareholders have executed agreements with BB&T obligating such persons to vote all shares over which they have voting control in favor the Merger.

5.2 *Registration Statement; Proxy Statement/Prospectus*

As promptly as practicable after the date hereof, BB&T shall prepare and file the Registration Statement with the Commission. Equitable will furnish to BB&T the information required to be included in the Registration Statement with respect to its business and affairs before it is filed with the Commission and again before any amendments are filed, and shall have the right to review and consult with BB&T on the form of, and any characterizations of such information included in, the Registration Statement prior to the filing with the Commission. Such Registration Statement, at the time it becomes effective and on the Effective Time, shall in all material respects conform to the requirements of the Securities Act and the applicable rules and regulations of the Commission. The Registration Statement shall include the form of Proxy Statement/Prospectus. BB&T and Equitable shall use all reasonable efforts to cause the Proxy Statement/Prospectus to be approved by the Commission and the OTS for mailing to the Equitable shareholders, and such Proxy Statement/Prospectus shall, on the date of mailing, conform in all material respects to the requirements of the Securities Laws and the applicable rules and regulations of the Commission thereunder. Equitable shall cause the Proxy Statement/Prospectus to be mailed to shareholders in accordance with all applicable notice requirements under the Securities Laws and the rules and regulations of the Nasdaq.

5.3 *Reservation of Shares*

At the Effective Time, the Merger shall be effected in accordance with this Agreement, the Combination Agreement and the Plan of Merger. In connection therewith, BB&T acknowledges that it (i) has adopted the Plan of Merger, and (ii) will pay or cause to be paid when due the Merger Consideration. BB&T has reserved for issuance such number of shares of BB&T Common Stock as shall be necessary to pay the Merger Consideration

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and agrees not to take any action that would cause the aggregate number of authorized shares of BB&T Common Stock available for issuance hereunder not to be sufficient to effect the Merger. If at any time the aggregate number of shares of BB&T Common Stock reserved for issuance hereunder is not sufficient to effect the Merger, BB&T shall take all appropriate action as may be required to increase the number of shares of BB&T Common Stock reserved for such purpose. Notwithstanding the foregoing, this Agreement and the Combination Agreement have been executed by the appropriate officers of Branch Bank conditional upon approval of this Agreement, the Combination Agreement and the Plan of Merger by the Board of Directors of Branch Bank, and such approval shall be a condition to the obligations of Branch Bank hereunder. BB&T shall cause the Board of Directors of Branch Bank to consider such approvals at a meeting to be held prior to December 31, 2002. In the event the Board of Directors of Branch Bank does not approve this Agreement, the Combination Agreement and the Plan of Merger prior to such date, then BB&T shall incorporate an acquisition subsidiary to merge with Equitable, with the result that Equitable shall become a wholly-owned subsidiary of BB&T, and BB&T and Equitable agree to take such actions (including making any changes as may be necessary to this Agreement, the Combination Agreement or the Plan of Merger) prior to December 31, 2002 in order to effect such transaction.

5.4 Additional Acts

(a) Equitable agrees to take such actions requested by BB&T as may be reasonably necessary to modify the structure of, or to substitute parties to (so long as such substitute is BB&T or a BB&T Subsidiary) the transactions contemplated hereby, provided that such modifications do not change the Merger Consideration or abrogate the covenants and other agreements contained in this Agreement, including, without limitation, the covenant not to take any action that would substantially delay or impair the prospects of completing the Merger pursuant to this Agreement, the Combination Agreement and the Plan of Merger.

(b) As promptly as practicable after the date hereof, BB&T and Equitable shall submit notice or applications for prior approval of the transactions contemplated herein to the Federal Reserve Board and any other federal, state or local government agency, department or body to which notice is required or from which approval is required for consummation of the Merger and the other transactions contemplated hereby. Equitable and BB&T each represents and warrants to the other that all information included (or submitted for inclusion) concerning it, its respective Subsidiaries, and any of its respective directors, officers and shareholders, shall be true, correct and complete in all material respects as of the date presented.

5.5 Best Efforts

Each of BB&T and Equitable shall use, and shall cause each of their respective Subsidiaries to use, its best efforts in good faith to (i) furnish such information as may be required in connection with and otherwise cooperate in the preparation and filing of the documents referred to in Sections 5.2 and 5.4 or elsewhere herein, and (ii) take or cause to be taken all action necessary or desirable on its part to fulfill the conditions in Article VI, including, without limitation, executing and delivering, or causing to be executed and delivered, such representations, certificates and other instruments or documents as may be reasonably requested by BB&T's legal counsel for such counsel to issue the opinion contemplated by Section 6.1(e), and to consummate the transactions herein contemplated at the earliest possible date. Neither BB&T nor Equitable shall take, or cause, or to the best of its ability permit to be taken, any action that would substantially delay or impair the prospects of completing the Merger pursuant to this Agreement, the Combination Agreement and the Plan of Merger. BB&T and Equitable shall each execute and deliver to BB&T's legal counsel a certificate setting forth the factual conditions that such legal counsel determines to be reasonably necessary to deliver the legal opinion described in Section 6.1 (e).

5.6 Certain Accounting Matters

Equitable shall cooperate with BB&T concerning (i) accounting and financial matters necessary or appropriate to facilitate the Merger (taking into account BB&T's policies, practices and procedures), including, without limitation, issues arising in connection with record keeping, loan classification, valuation adjustments, levels of loan loss reserves and other accounting practices, and (ii) Equitable's lending, investment or asset/

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liability management policies; provided, that any action taken pursuant to this Section 5.6 shall not be deemed to constitute or result in the breach of any representation or warranty of Equitable contained in this Agreement.

5.7 Access to Information

Equitable and BB&T will each keep the other advised of all material developments relevant to its business and the businesses of its Subsidiaries, and to consummation of the Merger, and each shall provide to the other, upon request, reasonable details of any such development. Upon reasonable notice, Equitable shall afford to representatives of BB&T access, during normal business hours during the period prior to the Effective Time, to all of the properties, books, contracts, commitments and records of Equitable and the Equitable Subsidiaries and, during such period, shall make available all information concerning their businesses as may be reasonably requested. No investigation pursuant to this Section 5.7 shall affect or be deemed to modify any representation or warranty made by, or the conditions to the obligations hereunder of, either party hereto. Each party hereto shall, and shall cause each of its directors, officers, attorneys and advisors to, maintain the confidentiality of all information obtained hereunder which is not otherwise publicly disclosed by the other party, said undertakings with respect to confidentiality to survive any termination of this Agreement pursuant to Section 7.1. In the event of the termination of this Agreement, each party shall return to the other party upon request all confidential information previously furnished in connection with the transactions contemplated by this Agreement.

5.8 Press Releases

BB&T and Equitable shall agree with each other as to the form and substance of any press release related to this Agreement, the Combination Agreement and the Plan of Merger and the transactions contemplated hereby, and consult with each other as to the form and substance of other public disclosures related thereto; provided, that nothing contained herein shall prohibit either party, following notification to the other party, from making any disclosure which in the opinion of its counsel is required by law.

5.9 Forbearances of Equitable

Except with the prior written consent of BB&T, between the date hereof and the Effective Time, Equitable shall not, and shall cause each of the Equitable Subsidiaries not to:

- (a) carry on its business other than in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, or establish or acquire any new Subsidiary or engage in any new type of activity or expand any existing activities;
- (b) declare, set aside, make or pay any dividend or other distribution in respect of its capital stock;
- (c) issue any shares of its capital stock (including treasury shares), except pursuant to the Stock Option Plan with respect to the options outstanding on the date hereof or pursuant to the BB&T Option Agreement;
- (d) issue, grant or authorize any Rights or effect any recapitalization, reclassification, stock dividend, stock split or like change in capitalization;
- (e) amend its Charter or Bylaws;
- (f) impose or permit imposition, of any lien, charge or encumbrance on any share of stock held by it in any Equitable Subsidiary, or permit any such lien, charge or encumbrance to exist; or waive or release any material right or cancel or compromise any debt or claim, in each case other than in the ordinary course of business;
- (g) except to fulfill its fiduciary responsibilities under paragraph (k) of this Section 5.9 (and subject to all provisions hereof unless and until this Agreement shall be terminated), merge with any other entity or permit any other entity to merge into it, or consolidate with any other entity; acquire control over any other entity; or liquidate, sell or otherwise dispose of any assets or acquire any assets other than in the ordinary course of its business consistent with past practices;

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- (h) fail to comply in any material respect with any laws, regulations, ordinances or governmental actions applicable to it and to the conduct of its business;
- (i) increase the rate of compensation of any of its directors, officers or employees (excluding increases in compensation resulting from the exercise of compensatory stock options outstanding as of the date of this Agreement), or pay or agree to pay any bonus to, or provide any new employee benefit or incentive to, any of its directors, officers or employees, except for increases or payments made in the ordinary course of business consistent with past practice pursuant to plans or arrangements in effect on the date hereof;
- (j) enter into or substantially modify (except as may be required by applicable law or regulation) any pension, retirement, stock option, stock purchase, stock appreciation right, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any of its directors, officers or other employees; provided, however, that this subparagraph shall not prevent renewal of any of the foregoing consistent with past practice;
- (k) solicit or encourage inquiries or proposals with respect to, furnish any information relating to, or participate in any negotiations or discussions concerning, any acquisition or purchase of all or a substantial portion of the assets of or a substantial equity interest in, or any recapitalization, liquidation or dissolution involving or a business combination or similar transaction with, Equitable or any Equitable Subsidiary other than as contemplated by this Agreement; or authorize any officer, director, agent or affiliate of Equitable or any Equitable Subsidiary to do any of the above; or fail to notify BB&T immediately if any such inquiries or proposals are received, any such information is requested or required, or any such negotiations or discussions are sought to be initiated; provided, that this Section 5.9(k) shall not apply to furnishing information to or participating in negotiations or discussions with any Person that has made, or that the Equitable Board of Directors determines in good faith is reasonably likely to make, a Superior Offer, if the Equitable Board of Directors determines in good faith, after consultation with outside legal counsel, that it should take such actions in light of its fiduciary duty to Equitable's shareholders;
- (l) enter into (i) any material agreement, arrangement or commitment not made in the ordinary course of business, (ii) any agreement, indenture or other instrument not made in the ordinary course of business relating to the borrowing of money by Equitable or a Equitable Subsidiary or guarantee by Equitable or a Equitable Subsidiary of any obligation, (iii) any agreement, arrangement or commitment relating to the employment or severance of a consultant or the employment, severance, election or retention in office of any present or former director, officer or employee (this clause shall not apply to the election of directors by shareholders or the reappointment of officers or the quarterly renewal of employment agreements in the normal course), or (iv) any contract, agreement or understanding with a labor union;
- (m) change its lending, investment or asset liability management policies in any material respect, except as may be required by applicable law, regulation, or directives, and except that after approval of the Agreement, the Combination Agreement and the Plan of Merger by its shareholders and after receipt of the requisite regulatory approvals for the transactions contemplated by this Agreement, the Combination Agreement and the Plan of Merger, Equitable shall cooperate in good faith with BB&T to adopt policies, practices and procedures consistent with those utilized by BB&T, effective on or before the Closing Date;
- (n) change its methods of accounting in effect at September 30, 2001 except as required by changes in GAAP concurred in by BB&T, which concurrence shall not be unreasonably withheld, or change any of its methods of reporting income and deductions for federal income tax purposes from those employed in the preparation of its federal income tax returns for the year ended September 30, 2001, except as required by changes in law or regulation;
- (o) incur any commitments for capital expenditures or obligation to make capital expenditures in excess of \$25,000, for any one expenditure, or \$100,000, in the aggregate;
- (p) incur any indebtedness other than deposits from customers, advances from the Federal Home Loan Bank or Federal Reserve Bank and reverse repurchase arrangements in the ordinary course of business;

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(q) take any action which would or could reasonably be expected to (i) cause the Merger not to constitute a reorganization under Section 368 of the Code as determined by BB&T, (ii) result in any inaccuracy of a representation or warranty herein which would allow for a termination of this Agreement, or (iii) cause any of the conditions precedent to the transactions contemplated by this Agreement to fail to be satisfied;

(r) dispose of any material assets other than in the ordinary course of business; or

(s) agree to do any of the foregoing.

5.10 Employment Agreements

BB&T (or its specified BB&T Subsidiary) agrees to offer to enter into an employment agreement as of the Closing Date with Paul Merritt substantially in the form of Annex C hereto.

5.11 Affiliates

Equitable shall use its best efforts to cause all persons who are Affiliates of Equitable to deliver to BB&T promptly following execution of this Agreement a written agreement providing that such person will not dispose of BB&T Common Stock received in the Merger, except in compliance with the Securities Act and the rules and regulations promulgated thereunder, and in any event shall use its best efforts to cause such affiliates to deliver to BB&T such written agreement prior to the Closing Date.

5.12 Pension Plan; Other Employee Benefits

(a) Effective on the Benefit Plan Determination Date with respect to the defined benefit pension plan of Equitable (the Equitable Pension Plan), BB&T shall cause such plan to be merged with the defined benefit pension Plan maintained by BB&T and the BB&T Subsidiaries, or to be frozen or terminated, in each case as determined by BB&T and subject to the receipt of all applicable regulatory or governmental approvals. Each Transferred Employee who is a participant in the Equitable Pension Plan at the Effective Time and who continues in the employment of BB&T or of any subsidiary of BB&T (an Employer Entity) until the Benefit Plan Determination Date with respect to the Equitable Pension Plan, shall be eligible to participate in BB&T's pension plan as of the Benefit Plan Determination Date. Any other former employee of Equitable who is employed by an Employer Entity on or after the Benefit Plan Determination Date shall be eligible to be a participant in the BB&T pension plan upon complying with eligibility requirements. All rights to participate in BB&T's pension plan are subject to BB&T's right to amend or terminate the plan. As of the close of business immediately preceding the Benefit Plan Determination Date, BB&T shall determine the accrued benefit under the Equitable Pension Plan with respect to participants continuing in the service of an Employer Entity. Such accrued benefit shall be determined by taking into account service and compensation following the Effective Time and preceding the Benefit Plan Determination Date, and the accrued benefit as so determined shall be the accrued benefit under the BB&T pension plan for service prior to the Benefit Plan Determination Date (and shall be added to the benefit accrued under the BB&T pension plan for service and compensation beginning with the Benefit Plan Determination Date). For purposes of administering BB&T's pension plan, service with Equitable and the Equitable Subsidiaries shall be deemed to be service with BB&T for participation and vesting purposes, but not for purposes of benefit accrual. Each employee of Equitable or a Equitable Subsidiary at the Effective Time who becomes an employee immediately following the Effective Time of an Employer Entity is referred to herein as a Transferred Employee.

(b) Each Transferred Employee shall be eligible to participate in group hospitalization, medical, dental, life, disability and other welfare benefit plans and programs available to employees of the Employer Entity, subject to the terms of such plans and programs, as of the Benefit Plan Determination Date for each such plan or program, conditional upon the Transferred Employee's being employed by an Employer Entity as of such Benefit Plan Determination Date and subject to complying with eligibility requirements of the respective plans and programs. Eligibility requirements under BB&T's group hospitalization and medical benefit plans are automatically deemed

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to be met by a Transferred Employee who is a participant in Equitable's group hospitalization and medical benefit plans immediately prior to the Benefit Plan Determination Date and who continues to be employed by an Employer Entity as of the Benefit Plan Determination Date.

Participation in BB&T's group hospitalization and medical benefit plans may be subject to availability of HMO options. In any case in which HMO coverage is not available, substitute coverage will be provided which may not be fully comparable to the HMO coverage. With respect to any welfare benefit plan or program of Equitable that the Employer Entity determines, in its sole discretion, provides benefits of the same type or class as a corresponding plan or program maintained by the Employer Entity, the Employer Entity shall continue such Equitable plan or program in effect for the benefit of the Transferred Employees so long as they remain eligible to participate and until they shall become eligible to become participants in the corresponding plan or program maintained by the Employer Entity (and, with respect to any such plan or program, subject to complying with eligibility requirements and subject to the right of the Employer Entity to terminate such plan or program). If the first plan year of participation in any group health plan of an Employer Entity by a Transferred Employee is a partial year, the Employer Entity will give such Transferred Employee and his or her dependents credit toward deductible and out-of-pocket limitations for an eligible expense as incurred by such persons under the comparable Equitable group hospitalization and medical benefit plan during that portion of that plan year that precedes entry into the group health plans of the Employer Entity. For purposes of administering the welfare plans and programs subject to this Section 5.12(b), service with Equitable shall be deemed to be service with the Employer Entity for the purpose of determining eligibility to participate and vesting (if applicable) in such welfare plans and programs, but not for the purpose of computing benefits, if any, determined in whole or in part with reference to service (except as otherwise provided in Section 5.12(c)). Service with Equitable shall be deemed to be service with the Employer Entity for the purpose of determining amount of annual vacation.

(c) Except to the extent of commitments herein or other contractual commitments, if any, specifically made or assumed hereunder by BB&T, neither BB&T nor any Employer Entity shall have any obligation arising from the Merger to continue any Transferred Employees in its employ or in any specific job or to provide to any Transferred Employee any specified level of compensation or any incentive payments, benefits or perquisites. Each Transferred Employee who is terminated by an Employer Entity subsequent to the Effective Time, excluding any employee who has a then existing contract providing for severance, shall be entitled to severance pay in accordance with the general severance policy of BB&T then in effect or the general severance policy of Equitable as in effect on August 19, 2002, if and to the extent that such Transferred Employee is entitled to severance pay under the applicable policy. Prior to the Closing Date, Equitable shall determine which of such severance policies shall be applicable and shall give BB&T notice thereof, and the selected severance policy shall apply with respect to all Transferred Employees. If BB&T shall not receive such notice prior to the Closing Date, Equitable shall be deemed to have selected the BB&T severance policy. Each Transferred Employee's service with Equitable or a Equitable Subsidiary shall be treated as service with BB&T for purposes of determining the amount of severance pay, if any, under BB&T's severance policy, and each Transferred Employee's service with BB&T or a Subsidiary of BB&T shall be treated as service with Equitable for purposes of determining the amount of severance pay, if any, under Equitable's severance policy.

(d) BB&T agrees to honor all employment agreements, severance agreements and deferred compensation agreements that Equitable and the Equitable Subsidiaries have with their current and former employees and directors and which have been Disclosed to BB&T pursuant to this Agreement, except to the extent any such agreements shall be superseded or terminated at the Closing or following the Closing Date. Except for the agreements described in the preceding sentence and except as otherwise provided in this Section 5.12, the employee benefit plans of Equitable shall, in the sole discretion of BB&T, be frozen, terminated or merged into comparable plans of BB&T, effective as BB&T shall determine in its sole discretion.

5.13 Directors and Officers Protection

BB&T or a BB&T Subsidiary shall provide and keep in force for a period of three years after the Effective Time directors' and officers' liability insurance providing coverage to directors and officers of Equitable for acts or omissions occurring prior to the Effective Time. Such insurance shall provide at least the same coverage and

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amounts as contained in Equitable's policy on the date hereof; provided, that in no event shall the annual premium on such policy exceed 150% of the annual premium payments on Equitable's policy in effect as of the date hereof (the Maximum Amount). If the amount of the premiums necessary to maintain or procure such insurance coverage exceeds the Maximum Amount, BB&T shall use its reasonable efforts to maintain the most advantageous policies of directors' and officers' liability insurance obtainable for a premium equal to the Maximum Amount. Notwithstanding the foregoing, BB&T further agrees to indemnify all individuals who are or have been officers, directors or employees of Equitable or any Equitable Subsidiary prior to the Effective Time from any acts or omissions in such capacities prior to the Effective Time, to the extent that such indemnification is provided pursuant to the Charter or Bylaws of Equitable on the date hereof and is permitted under the North Carolina Business Corporation Act.

5.14 Forbearances of BB&T

Except with the prior written consent of Equitable, between the date hereof and the Effective Time, neither BB&T nor any BB&T Subsidiary shall take any action which would or might be expected to (i) cause the business combination contemplated hereby not to constitute a reorganization under Section 368 of the Code; (ii) result in any inaccuracy of a representation or warranty herein that would allow for termination of this Agreement; (iii) cause any of the conditions precedent to the transactions contemplated by this Agreement to fail to be satisfied; or (iv) fail to comply in any material respect with any laws, regulations, ordinances or governmental actions applicable to it and to the conduct of its business.

5.15 Reports

Each of Equitable and BB&T shall file (and shall cause the Equitable Subsidiaries and the BB&T Subsidiaries, respectively, to file), between the date of this Agreement and the Effective Time, all reports required to be filed by it with the Commission, the OTS and any other regulatory authorities having jurisdiction over such party, and shall deliver to BB&T or Equitable, as the case may be, copies of all such reports promptly after the same are filed. If financial statements are contained in any such reports, such financial statements will fairly present the consolidated financial position of the entity filing such statements as of the dates indicated and the consolidated results of operations, changes in shareholders equity, and cash flows for the periods then ended in accordance with GAAP (subject in the case of interim financial statements to the absence of notes and to normal recurring year-end adjustments that are not material). As of their respective dates, such reports filed with the Commission or OTS will comply in all material respects with the Securities Laws and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Any financial statements contained in any other reports to a regulatory authority other than the Commission shall be prepared in accordance with requirements applicable to such reports.

5.16 Exchange Listing

BB&T shall use its reasonable best efforts to list, prior to the Effective Time, on the NYSE, subject to official notice of issuance, the shares of BB&T Common Stock to be issued to the holders of Equitable Common Stock pursuant to the Merger, and BB&T shall give all notices and make all filings with the NYSE required in connection with the transactions contemplated herein.

5.17 Advisory Board

Following the Effective Time, as of a date selected by BB&T (the Advisory Board Establishment Date) no later than the effective time of the merger of Equitable into a banking subsidiary of BB&T, BB&T shall offer to the members of the Board of Directors of Equitable a seat on the appropriate BB&T Advisory Board. During the period following the Effective Time and until the Advisory Board Establishment Date, the directors of Equitable shall continue to serve as such so long as they continue to meet the requirements for serving, and in applying this Section 5.17 service during such period as a director shall be deemed to be service as an Advisory

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Board member. For two years following the Effective Time, the Advisory Board members appointed pursuant to this Section 5.17 who are not employees of BB&T or a BB&T Affiliate or under contract with BB&T or any BB&T Affiliate, and who continue to serve shall receive, as compensation for service on the Advisory Board, Advisory Board member's fees (annual retainer and attendance fees) equal in amount each year (prorated for any partial year) to the annual retainer and schedule of attendance fees for directors of Equitable in effect on September 1, 2002. Following such two-year period, Advisory Board Members, if they continue to serve in such capacity, shall receive fees in accordance with BB&T's standard schedule of fees for service thereon as in effect from time to time. For two years after the Effective Time, no such Advisory Board member shall be prohibited from serving thereon because he or she shall have attained the maximum age for service thereon (currently age 70). Membership of any person on any Advisory Board shall be conditional upon execution of an agreement providing that such person will not engage in activities competitive with BB&T for two years following the Effective Time or, if longer, the period that he or she is a member of the Advisory Board.

ARTICLE VI

CONDITIONS PRECEDENT

6.1 Conditions Precedent BB&T and Equitable

The respective obligations of BB&T and Equitable to effect the transactions contemplated by this Agreement shall be subject to satisfaction or waiver of the following conditions at or prior to the Effective Time:

- (a) All corporate action necessary to authorize the execution, delivery and performance of this Agreement, the Combination Agreement and the Plan of Merger, and consummation of the transactions contemplated hereby and thereby, shall have been duly and validly taken, including, without limitation, the approval of the shareholders of Equitable and the Board of Directors of Branch Bank of this Agreement, the Combination Agreement and the Plan of Merger;
- (b) The Registration Statement (including any post-effective amendments thereto) shall be effective under the Securities Act, no proceedings shall be pending or to the knowledge of BB&T threatened by the Commission to suspend the effectiveness of such Registration Statement and the BB&T Common Stock to be issued as contemplated in the Plan of Merger shall have either been registered or be subject to exemption from registration under applicable state securities laws;
- (c) The parties shall have received all regulatory approvals required in connection with the transactions contemplated by this Agreement, the Combination Agreement and the Plan of Merger, all notice periods and waiting periods with respect to such approvals shall have passed and all such approvals shall be in effect, and the Proxy Statement/Prospectus shall have been approved by the OTS;
- (d) None of BB&T, any of the BB&T Subsidiaries, Equitable or any of the Equitable Subsidiaries shall be subject to any order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits consummation of the transactions contemplated by this Agreement; and
- (e) Equitable and BB&T shall have received an opinion of BB&T's legal counsel, in form and substance satisfactory to Equitable and BB&T, substantially to the effect that the Merger will constitute one or more reorganizations under Section 368 of the Code and that the shareholders of Equitable will not recognize any gain or loss to the extent that such shareholders exchange shares of Equitable Common Stock for shares of BB&T Common Stock.

6.2 Conditions Precedent Equitable

The obligations of Equitable to effect the transactions contemplated by this Agreement shall be subject to the satisfaction of the following additional conditions at or prior to the Effective Time, unless waived by Equitable pursuant to Section 7.4:

- (a) All representations and warranties of BB&T shall be evaluated as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (or on the date designated in the

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case of any representation and warranty which specifically relates to an earlier date), except as otherwise contemplated by this Agreement or consented to in writing by Equitable. The representations and warranties of BB&T set forth in Sections 4.1, 4.2 (except as relates to qualification), 4.3(a), 4.3(b)(i) and 4.4 (except as relates to qualification) shall be true and correct (except for inaccuracies which are de minimis). There shall not exist inaccuracies in the representations and warranties of BB&T set forth in this Agreement such that the aggregate effect of such inaccuracies has, or is reasonably likely to have, a Material Adverse Effect on BB&T.

(b) BB&T shall have performed in all material respects all obligations and complied in all material respects with all covenants required by this Agreement.

(c) BB&T shall have delivered to Equitable a certificate, dated the Closing Date and signed by its Chairman or President or an Executive Vice President, to the effect that the conditions set forth in Sections 6.1(a), 6.1(b), 6.1(c), 6.1(d), 6.2(a) and 6.2(b), to the extent applicable to BB&T, have been satisfied and that there are no actions, suits, claims, governmental investigations or procedures instituted, pending or, to the best of such officer's knowledge, threatened that reasonably may be expected to have a Material Adverse Effect on BB&T or that present a claim to restrain or prohibit the transactions contemplated herein or in the Plan of Merger.

(d) Equitable shall have received opinions of counsel to BB&T in the form reasonably acceptable to Equitable's legal counsel.

(e) The shares of BB&T Common Stock issuable pursuant to the Merger shall have been approved for listing on the NYSE, subject to official notice of issuance.

6.3 Conditions Precedent BB&T

The obligations of BB&T to effect the transactions contemplated by this Agreement shall be subject to satisfaction of the following additional conditions at or prior to the Effective Time, unless waived by BB&T pursuant to Section 7.4:

(a) All representations and warranties of Equitable shall be evaluated as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (or on the date designated in the case of any representation and warranty which specifically relates to an earlier date), except as otherwise contemplated by this Agreement or consented to in writing by BB&T. The representations and warranties of Equitable set forth in Sections 3.1, 3.2 (except as it relates to qualification), 3.3, 3.4 (except the last sentence thereof), 3.5(a), 3.5(b)(i), 3.23 and 3.24 shall be true and correct (except for inaccuracies which are de minimis). There shall not exist inaccuracies in the representations and warranties of Equitable set forth in this Agreement such that the effect of such inaccuracies individually or in the aggregate has, or is reasonably likely to have, a Material Adverse Effect on Equitable (evaluated without regard to the Merger).

(b) No regulatory approval shall have imposed any condition or requirement which, in the reasonable opinion of the Board of Directors of BB&T, would so materially adversely affect the business or economic benefits to BB&T of the transactions contemplated by this Agreement as to render consummation of such transactions inadvisable or unduly burdensome.

(c) Equitable shall have performed in all material respects all obligations and complied in all material respects with all covenants required by this Agreement.

(d) Equitable shall have delivered to BB&T a certificate, dated the Closing Date and signed by its Chairman or President, to the effect that the conditions set forth in Sections 6.1(a), 6.1(c), 6.3(a) and 6.3(c), to the extent applicable to Equitable, have been satisfied and that there are no actions, suits, claims, governmental investigations or procedures instituted, pending or, to the best of such officer's knowledge, threatened that reasonably may be expected to have a Material Adverse Effect on Equitable or that present a claim to restrain or prohibit the transactions contemplated herein or in the Plan of Merger.

(e) BB&T shall have received opinions of counsel to Equitable in the form reasonably acceptable to BB&T's legal counsel.

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(f) BB&T shall have received the written agreements from Affiliates as specified in Section 5.11 to the extent necessary, in the reasonable judgment of BB&T, to promote compliance with Rule 145 promulgated by the Commission.

(g) Timothy F. Veith shall have continued in the employment of Equitable until the Closing Date and shall have delivered to BB&T a Certificate stating that he will enter into the employment of Branch Bank as of the Effective Time and that the Amended and Restated Employment Agreement entered into by Timothy F. Veith and Branch Bank, dated November 12, 2002, is effective with respect to him.

(h) The shares of BB&T Common Stock issuable pursuant to the Merger shall have been approved for listing on the NYSE, subject to official notice of issuance.

ARTICLE VII

TERMINATION, DEFAULT, WAIVER AND AMENDMENT

7.1 Termination

This Agreement may be terminated:

(a) At any time prior to the Effective Time, by the mutual consent in writing of the parties hereto.

(b) At any time prior to the Effective Time, by either party (i) in the event of a material breach by the other party of any covenant or agreement contained in this Agreement, or (ii) in the event of an inaccuracy of any representation or warranty of the other party contained in this Agreement, which inaccuracy would provide the nonbreaching party the ability to refuse to consummate the Merger under the applicable standard set forth in Section 6.2(a) in the case of Equitable and Section 6.3(a) in the case of BB&T; and, in the case of (i) or (ii), if such breach or inaccuracy has not been cured by the earlier of thirty days following written notice of such breach to the party committing such breach or the Effective Time.

(c) At any time prior to the Effective Time, by either party hereto in writing, if any of the conditions precedent to the obligations of the other party to consummate the transactions contemplated hereby cannot be satisfied or fulfilled prior to the Closing Date, and the party giving the notice is not in material breach of any of its representations, warranties, covenants or undertakings herein.

(d) At any time, by either party hereto in writing, if any of the applications for prior approval referred to in Section 5.4 are denied, and the time period for appeals and requests for reconsideration has run.

(e) At any time, by either party hereto in writing, if the shareholders of Equitable do not approve this Agreement, the Combination Agreement and the Plan of Merger.

(f) At any time following June 30, 2003 by either party hereto in writing, if the Effective Time has not occurred by the close of business on such date, and the party giving the notice is not in material breach of any of its representations, warranties, covenants or undertakings herein.

7.2 Effect of Termination

In the event this Agreement, the Combination Agreement, the Combination Agreement and the Plan of Merger is terminated pursuant to Section 7.1, both this Agreement, the Combination Agreement and the Plan of Merger shall become void and have no effect, except that (i) the provisions hereof relating to confidentiality and expenses set forth in Sections 5.7 and 8.1, respectively, shall survive any such termination and (ii) a termination pursuant to Section 7.1(b) shall not relieve the breaching party from liability for a breach of the covenant, agreement, representation or warranty giving rise to such termination. The Option Agreement shall be governed by its own terms, and no termination of this Agreement pursuant to Section 7.1 shall be interpreted as a consent by BB&T to any action or matter that would have the effect of diminishing or adversely affecting BB&T's rights under the Option Agreement.

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7.3 Survival of Representations, Warranties and Covenants

All representations, warranties and covenants in this Agreement, the Combination Agreement or the Plan of Merger or in any instrument delivered pursuant hereto or thereto shall expire on, and be terminated and extinguished at, the Effective Time, other than covenants that by their terms are to be performed after the Effective Time (including Sections 5.13 and 5.17); provided that no such representations, warranties or covenants shall be deemed to be terminated or extinguished so as to deprive BB&T or Equitable (or any director, officer or controlling person thereof) of any defense at law or in equity which otherwise would be available against the claims of any person, including, without limitation, any shareholder or former shareholder of either BB&T or Equitable, the aforesaid representations, warranties and covenants being material inducements to consummation by BB&T and Equitable of the transactions contemplated herein.

7.4 Waiver

Except with respect to any required regulatory approval, each party hereto, by written instrument signed by an executive officer of such party, may at any time (whether before or after approval of this Agreement, the Combination Agreement and Plan of Merger by the Equitable shareholders) extend the time for the performance of any of the obligations or other acts of the other party hereto and may waive (i) any inaccuracies of the other party in the representations or warranties contained in this Agreement, the Combination Agreement, the Plan of Merger or any document delivered pursuant hereto, (ii) compliance with any of the covenants, undertakings or agreements of the other party, or satisfaction of any of the conditions precedent to its obligations, contained herein, the Combination Agreement or in the Plan of Merger, or (iii) the performance by the other party of any of its obligations set out herein; provided that no such extension or waiver, or amendment or supplement pursuant to this Section 7.4, executed after approval by the Equitable shareholders of this Agreement, the Combination Agreement and the Plan of Merger, shall reduce the Exchange Ratio.

7.5 Amendment or Supplement

This Agreement, the Combination Agreement or the Plan of Merger may be amended or supplemented at any time in writing by mutual agreement of BB&T and Equitable, subject to the proviso to Section 7.4.

ARTICLE VIII

MISCELLANEOUS

8.1 Expenses

Each party hereto shall bear and pay all costs and expenses incurred by it in connection with the transactions contemplated by this Agreement, including, without limitation, fees and expenses of its own financial consultants, accountants and counsel; provided, however, that the filing fees and printing costs incurred in connection with the Registration Statement and the Proxy Statement/Prospectus shall be borne 50% by BB&T and 50% by Equitable.

8.2 Entire Agreement

This Agreement, including the documents and other writings referenced herein or delivered pursuant hereto, contains the entire agreement between the parties with respect to the transactions contemplated hereunder and thereunder and supersedes all arrangements or understandings with respect thereto, written or oral, entered into on or before the date hereof. The terms and conditions of this Agreement and the BB&T Option Agreement shall inure to the benefit of and be binding upon the parties hereto and thereto and their respective successors. Nothing in this Agreement or the BB&T Option Agreement, expressed or implied, is intended to confer upon any party, other than the parties hereto and thereto, and their respective successors, any rights, remedies, obligations or liabilities, except for the rights of directors and officers of Equitable to enforce rights in Sections 5.13 and 5.17. This Agreement amends and supersedes in its entirety the Agreement and Plan of Reorganization between BB&T

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and Equitable dated September 27, 2002 (the Predecessor Agreement), and the Predecessor Agreement shall have no further force and effect. All references in the BB&T Option Agreement, in the Equitable Disclosure Memorandum and in any Annex or other document referring to the Merger Agreement or to the Merger shall refer to this Agreement and to the Merger as described herein, and all such documents shall continue in effect with reference to this Agreement. References herein to the date hereof or similar language shall be deemed to refer to September 27, 2002.

8.3 *No Assignment*

Except for a substitution of parties pursuant to Section 5.4(a), none of the parties hereto may assign any of its rights or obligations under this Agreement to any other person, except upon the prior written consent of each other party.

8.4 *Notices*

All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally or sent by nationally recognized overnight express courier or by facsimile transmission, addressed or directed as follows:

If to Equitable:

Timothy F. Veith
Equitable Bank
11501 Georgia Avenue
Wheaton, Maryland 20902
Telephone: 301-929-5420
Fax: 301-929-5442

With a required copy to:

James S. Fleischer
Silver, Freedman & Taff, L.L.P.
1700 Wisconsin Avenue, N.W.
Washington, D.C. 20007
Telephone: 202-295-4500
Fax: 202-337-5502

If to BB&T or Branch Bank:

Scott E. Reed
150 South Stratford Road
4th Floor
Winston-Salem, North Carolina 27104
Telephone: 336-733-3088
Fax: 336-733-2296

With a required copy to:

William A. Davis, II
Womble Carlyle Sandridge & Rice, PLLC
100 West Fourth Street
Winston-Salem, North Carolina 27102
Telephone: 336-721-3624
Fax: 336-733-8364

Any party may by notice change the address to which notice or other communications to it are to be delivered.

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8.5 *Specific Performance*

Equitable acknowledges that the Equitable Common Stock and the Equitable business and assets are unique, and that if Equitable fails to consummate the transactions contemplated by this Agreement such failure will cause irreparable harm to BB&T for which there will be no adequate remedy at law. BB&T shall be entitled, in addition to its other remedies at law, to specific performance of this Agreement if Equitable shall, without cause, refuse to consummate the transactions contemplated by this Agreement.

8.6 *Captions*

The captions contained in this Agreement are for reference only and are not part of this Agreement.

8.7 *Counterparts*

This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

8.8 *Governing Law*

This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without regard to the principles of conflicts of laws, except to the extent federal law may be applicable.

[remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

BB&T CORPORATION

By: /s/ JOHN A. ALLISON IV

Name: John A. Allison IV

Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST
COMPANY

By: /s/ JOHN A. ALLISON
IV

Name: John A. Allison
IV

Title: Chairman and
Chief Executive Officer

EQUITABLE BANK

By: /s/ TIMOTHY F. VEITH

Name: Timothy F. Veith

Title: President and Chief
Executive Officer

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**PLAN OF MERGER
OF
EQUITABLE BANK INTO
BRANCH BANKING AND TRUST COMPANY**

1. *Background*

Equitable Bank, a federally chartered savings bank (*Equitable*) shall be merged (the *Merger*) into Branch Banking and Trust Company, a North Carolina banking corporation (*Branch Bank*) which is a wholly-owned subsidiary of BB&T Corporation (*BB&T*), pursuant to the terms and conditions of the Plan of Merger (the *Plan of Merger*), the Amended and Restated Agreement and Plan of Reorganization dated November 12, 2002, and the Combination Agreement dated November 12, 2002 by and among Equitable, BB&T and Branch Bank.

2. *Merger*

Branch Bank and Equitable are the constituent corporations or banks (the *Constituent Banks*) to the Merger as contemplated by the North Carolina Business Corporation Act (*NCBCA*), the Homeowners Loan Act (*HOLA*), Office of Thrift Supervision (*OTS*) regulations promulgated under the HOLA, and Section 18(c) of the Federal Deposit Insurance Act (the *Bank Merger Act*). At the Effective Time:

- (a) Equitable shall be merged into Branch Bank in accordance with the applicable provisions of the NCBCA, the HOLA, the OTS regulations promulgated under the HOLA and the Bank Merger Act, with Branch Bank being the surviving corporate entity (hereinafter sometimes referred to as the *Surviving Bank*). The name of the Surviving Bank shall continue to be Branch Banking and Trust Company.
- (b) The separate existence of Equitable shall cease and the Merger shall in all respects have the effects provided in Section 5.
- (c) The Articles of Incorporation of Branch Bank at the Effective Time shall be the Articles of Incorporation of the Surviving Bank.
- (d) The Bylaws of Branch Bank at the Effective Time shall be the Bylaws of the Surviving Bank.
- (e) The officers of Branch Bank immediately prior to the Effective Time shall be the officers of the Surviving Bank.
- (f) The principal office of the Surviving Bank shall be the principal office of Branch Bank. The locations of the principal office and other offices of Branch Bank are set forth on Exhibit I.

3. *Filing of Plan of Merger and Notice*

The Constituent Banks will cause the Articles of Merger to be executed and filed with the Secretary of State of North Carolina as provided in Section 55-11-05 of the NCBCA, and shall cause notice to be filed with the OTS as required by 12 C.F.R. § 563.22(b) (the *OTS Notice*).

4. *Effective Time*

The Merger shall be effective at the later of (i) the day and hour specified in the Articles of Merger as filed as provided in Section 3, or (ii) the time that the OTS Notice is provided to the OTS (herein sometimes referred to as the *Effective Time*).

5. *Effect of Merger*

From and after the Effective Time, the separate existence of Equitable shall cease, and the Surviving Bank shall thereupon and thereafter, to the extent consistent with its Articles of Incorporation, possess all of the rights,

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privileges, immunities and franchises, of a public as well as a private nature, of each of the Constituent Banks; and all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and each and every other interest of or belonging to or due to each of the Constituent Banks shall be taken and deemed to be transferred to and vested in the Surviving Bank without further act or deed; and the title to any real estate or any interest therein vested in either of the Constituent Banks shall not revert or be in any way impaired by reason of the Merger. The Surviving Bank shall thenceforth be responsible for all the liabilities, obligations and penalties of each of the Constituent Banks; and any claim, existing action or proceeding, civil or criminal, pending by or against either of the Constituent Banks may be prosecuted as if the Merger had not taken place, or the Surviving Bank may be substituted in its place; and any judgment rendered against either of the Constituent Banks may be enforced against the Surviving Bank. Neither the rights of creditors nor any liens upon the property of either of the Constituent Banks shall be impaired by reason of the Merger.

6. Merger Consideration

The Merger Consideration shall be the number of shares of voting common stock of BB&T (BB&T Common Stock) to be exchanged for each share of voting common stock of Equitable (Equitable Common Stock) issued and outstanding as of the Effective Time. One share of BB&T Common Stock shall be issued for each issued and outstanding share of Equitable Common Stock (the Exchange Ratio).

7. Conversion of Shares; Payment of Merger Consideration

(a) At the Effective Time, by virtue of the Merger and without any action on the part of Equitable or the holders of record of Equitable Common Stock, each share of Equitable Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into and shall represent the right to receive, upon surrender of the certificate representing such share of Equitable Common Stock (as provided in subsection (d) below), the Merger Consideration.

(b) Each share of BB&T Common Stock issued and outstanding immediately prior to the Effective Time shall continue to be issued and outstanding.

(c) Until surrendered, each outstanding certificate which prior to the Effective Time represented one or more shares of Equitable Common Stock shall be deemed upon the Effective Time for all purposes to represent only the right to receive the Merger Consideration and any declared and unpaid dividends with respect to Equitable Common Stock. No interest will be paid or accrued on the Merger Consideration upon the surrender of the certificate or certificates representing shares of Equitable Common Stock. With respect to any certificate for Equitable Common Stock that has been lost or destroyed, BB&T shall pay the Merger Consideration attributable to such certificate upon receipt of a surety bond or other adequate indemnity as required in accordance with BB&T's standard policy, and evidence reasonably satisfactory to BB&T of ownership of the shares represented thereby. After the Effective Time, Equitable's transfer books shall be closed and no transfer of the shares of Equitable Common Stock outstanding immediately prior to the Effective Time shall be made on the stock transfer books of BB&T.

(d) Promptly after the Effective Time, BB&T shall cause to be delivered or mailed to each Equitable shareholder a form of letter of transmittal and instructions for use in effecting the surrender of the certificates which, immediately prior to the Effective Time, represented any shares of Equitable Common Stock. Upon proper surrender of such certificates or other evidence of ownership meeting the requirements of subsection (c) above, together with such letter of transmittal duly executed and completed in accordance with the instructions thereto, and such other documents as may be reasonably requested, BB&T shall promptly cause the transfer to the persons entitled thereto of the Merger Consideration.

(e) BB&T shall pay any dividends or other distributions with a record date prior to the Effective Time that have been declared by Equitable in respect of shares of Equitable Common Stock and that remain unpaid at the

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Effective Time. To the extent permitted by law, former shareholders of record of Equitable shall be entitled to vote after the Effective Time at any meeting of BB&T shareholders the number of shares of BB&T Common Stock into which their respective shares of Equitable Common Stock are converted, regardless of whether such holders have exchanged their certificates representing Equitable Common Stock for certificates representing BB&T Common Stock in accordance with the provisions of this Plan of Merger. Whenever a dividend or other distribution is declared by BB&T on the BB&T Common Stock, the record date for which is at or after the Effective Time, the declaration shall include dividends or other distributions on all shares of BB&T Common Stock issuable pursuant to this Plan of Merger, but no dividend or other distribution payable to the holders of record of BB&T Common Stock as of any time subsequent to the Effective Time shall be delivered to the holder of any certificate representing Equitable Common Stock until such holder surrenders such certificate for exchange as provided herein. Upon surrender of such certificate, both the BB&T Common Stock certificate and any undelivered dividends payable hereunder (without interest) shall be delivered and paid with respect to the shares of Equitable Common Stock represented by such certificate.

8. *Conversion of Stock Options*

(a) At the Effective Time, each option to acquire shares of Equitable common stock which was granted under Equitable's Amended and Restated Stock Option and Incentive Plan (the "Stock Option Plan") and which is then outstanding, whether or not then exercisable (a "Stock Option"), shall be converted into and become rights with respect to BB&T Common Stock, and BB&T shall assume each Stock Option in accordance with the terms of the Stock Option Plan, subject to the following provisions from and after the Effective Time: (i) BB&T and its Compensation Committee shall be substituted for Equitable and the Committee under the Stock Option Plan with respect to administering the Stock Option Plan, (ii) each Stock Option assumed by BB&T may be exercised solely for shares of BB&T Common Stock, (iii) the number of shares of BB&T Common Stock subject to each such Stock Option shall equal the number of shares of Equitable Common Stock subject to such Stock Option immediately prior to the Effective Time, and (iv) the per share exercise price under each such Stock Option shall equal the per share exercise price under each such Stock Option immediately prior to the Effective Time. Notwithstanding the foregoing, BB&T may at its election substitute as of the Effective Time options under the BB&T Corporation 1995 Omnibus Stock Incentive Plan or any other duly adopted comparable plan (in either case, the "BB&T Option Plan") for all or a part of the Stock Options, subject to the following conditions: (A) the requirements of (iii) and (iv) above shall be met; (B) such substitution shall not constitute a modification, extension or renewal of any of the Stock Options; and (C) the substituted options shall continue in effect on the same terms and conditions as provided in the stock option agreements governing each Stock Option and in the Stock Option Plan. Each grant of a converted or substitute option to any individual who subsequent to the Merger will be a director or officer of BB&T as construed under Commission Rule 16b-3 shall, as a condition to such conversion or substitution, be approved in accordance with the provisions of Rule 16b-3 as described below. Each Stock Option which is an incentive stock option shall be adjusted as required by Section 424 of the Internal Revenue Code (the "Code"), and the Regulations promulgated thereunder, so as to continue as an incentive stock option under Section 424(a) of the Code, and so as not to constitute a modification, extension, or renewal of the option within the meaning of Section 424(h) of the Code. BB&T and Equitable agree to take all necessary steps to effectuate the foregoing provisions of this Section 8. BB&T has reserved and shall continue to reserve adequate shares of BB&T Common Stock for delivery upon exercise of any converted or substitute options. Within sixty days following the Effective Time, if it has not already done so (or has not already substituted options under the BB&T Option Plan), and to the extent Equitable shall have a registration statement in effect or an obligation to file a registration statement, BB&T shall file a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), with respect to the shares of BB&T Common Stock subject to converted or substitute options and shall use its reasonable efforts to maintain the effectiveness of such registration statement (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such converted or substitute options remain outstanding. With respect to those individuals, if any, who subsequent to the Merger may be subject to the reporting requirements under Section 16(a) of the Securities Exchange Act of 1934, BB&T shall administer the Stock Option Plan assumed pursuant to this Section 8 (or the BB&T Option Plan, if applicable) in a manner that complies with Rule 16b-3 promulgated

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under such Act to the extent necessary to preserve for such individuals the benefits of Rule 16b-3 to the extent such benefits were available to them prior to the Effective Time.

(b) As soon as practicable following the Effective Time, BB&T shall deliver to the participants receiving converted options under the BB&T Option Plan an appropriate notice setting forth such participant's rights pursuant thereto.

(c) Eligibility to receive stock option grants following the Effective Time with respect to BB&T Common Stock shall be determined by BB&T in accordance with its plans and procedures as in effect from time to time, and subject to any contractual obligations.

9. *Anti-Dilution*

In the event BB&T changes the number of shares of BB&T Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend or other similar recapitalization, and the record date thereof (in the case of a stock dividend) or the effective date thereof (in the case of a stock split or similar recapitalization for which a record date is not established) shall be prior to the Effective Time, the Exchange Ratio shall be proportionately adjusted.

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Annex B

COMBINATION AGREEMENT

THIS COMBINATION AGREEMENT (this Agreement) dated November 12, 2002, is by and among Equitable Bank (Equitable), a federally chartered savings bank having its principal office at Wheaton, Maryland, BB&T Corporation (BB&T), a North Carolina corporation having its principal office at Winston-Salem, North Carolina, and Branch Banking and Trust Company (Branch Bank), a North Carolina banking corporation having its principal office at Winston-Salem, North Carolina.

The parties desire that Equitable shall be merged into Branch Bank, a wholly owned subsidiary of BB&T (said transaction being hereinafter referred to as the Merger).

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Background

The parties desire for Equitable to be merged (the Merger) into Branch Bank pursuant to the terms and conditions of the Amended and Restated Agreement and Plan of Reorganization dated November 12, 2002 (the Merger Agreement), the Plan of Merger (the Plan of Merger) incorporated therein, and this Combination Agreement. Terms capitalized herein and not otherwise defined herein shall have the same meaning as set forth in the Merger Agreement.

2. Merger

Branch Bank and Equitable are the constituent corporations or banks (the Constituent Banks) to the Merger as contemplated by the NCBCA, the HOLA, OTS regulations promulgated under the HOLA and the Bank Merger Act. At the Effective Time:

- (a) Equitable shall be merged into Branch Bank in accordance with the applicable provisions of the NCBCA, the HOLA, the OTS regulations promulgated under the HOLA and the Bank Merger Act, with Branch Bank being the surviving corporate entity (hereinafter sometimes referred to as the Surviving Bank). The name of the Surviving Bank shall continue to be Branch Banking and Trust Company.
- (b) The separate existence of Equitable shall cease and the Merger shall in all respects have the effects provided in Section 5.
- (c) The Articles of Incorporation of Branch Bank at the Effective Time shall be the Articles of Incorporation of the Surviving Bank.
- (d) The Bylaws of Branch Bank at the Effective Time shall be the Bylaws of the Surviving Bank.
- (e) The officers of Branch Bank immediately prior to the Effective Time shall be the officers of the Surviving Bank.
- (f) The principal office of the Surviving Bank shall be the principal office of Branch Bank. The locations of the principal office and other offices of Branch Bank are set forth on Exhibit I.

3. Filing of Plan of Merger and Notice

The Constituent Banks will cause the Articles of Merger to be executed and filed with the Secretary of State of North Carolina as provided in Section 55-11-05 of the NCBCA, and shall cause notice to be filed with the OTS as required by 12 C.F.R. § 563.22(b) (the OTS Notice).

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4. Effective Time

The Merger shall be effective at the later of (i) the day and hour specified in the Articles of Merger as filed as provided in Section 3, or (ii) the time that the OTS Notice is provided to the OTS (herein sometimes referred to as the Effective Time).

5. Effect of Merger

From and after the Effective Time, the separate existence of Equitable shall cease, and the Surviving Bank shall thereupon and thereafter, to the extent consistent with its Articles of Incorporation, possess all of the rights, privileges, immunities and franchises, of a public as well as a private nature, of each of the Constituent Banks; and all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and each and every other interest of or belonging to or due to each of the Constituent Banks shall be taken and deemed to be transferred to and vested in the Surviving Bank without further act or deed; and the title to any real estate or any interest therein vested in either of the Constituent Banks shall not revert or be in any way impaired by reason of the Merger. The Surviving Bank shall thenceforth be responsible for all the liabilities, obligations and penalties of each of the Constituent Banks; and any claim, existing action or proceeding, civil or criminal, pending by or against either of the Constituent Banks may be prosecuted as if the Merger had not taken place, or the Surviving Bank may be substituted in its place; and any judgment rendered against either of the Constituent Banks may be enforced against the Surviving Bank. Neither the rights of creditors nor any liens upon the property of either of the Constituent Banks shall be impaired by reason of the Merger.

6. Merger Consideration

The Merger Consideration shall be the number of shares of voting common stock of BB&T (BB&T Common Stock) to be exchanged for each share of voting common stock of Equitable (Equitable Common Stock) issued and outstanding as of the Effective Time. One share of BB&T Common Stock shall be issued for each issued and outstanding share of Equitable Common Stock (the Exchange Ratio).

7. Conversion of Shares; Payment of Merger Consideration

(a) At the Effective Time, by virtue of the Merger and without any action on the part of Equitable or the holders of record of Equitable Common Stock, each share of Equitable Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into and shall represent the right to receive, upon surrender of the certificate representing such share of Equitable Common Stock (as provided in subsection (d) below), the Merger Consideration.

(b) Each share of BB&T Common Stock issued and outstanding immediately prior to the Effective Time shall continue to be issued and outstanding.

(c) Until surrendered, each outstanding certificate which prior to the Effective Time represented one or more shares of Equitable Common Stock shall be deemed upon the Effective Time for all purposes to represent only the right to receive the Merger Consideration and any declared and unpaid dividends with respect to Equitable Common Stock. No interest will be paid or accrued on the Merger Consideration upon the surrender of the certificate or certificates representing shares of Equitable Common Stock. With respect to any certificate for Equitable Common Stock that has been lost or destroyed, BB&T shall pay the Merger Consideration attributable to such certificate upon receipt of a surety bond or other adequate indemnity as required in accordance with BB&T's standard policy, and evidence reasonably satisfactory to BB&T of ownership of the shares represented thereby. After the Effective Time, Equitable's transfer books shall be closed and no transfer of the shares of Equitable Common Stock outstanding immediately prior to the Effective Time shall be made on the stock transfer books of BB&T.

(d) Promptly after the Effective Time, BB&T shall cause to be delivered or mailed to each Equitable shareholder a form of letter of transmittal and instructions for use in effecting the surrender of the certificates

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which, immediately prior to the Effective Time, represented any shares of Equitable Common Stock. Upon proper surrender of such certificates or other evidence of ownership meeting the requirements of subsection (c) above, together with such letter of transmittal duly executed and completed in accordance with the instructions thereto, and such other documents as may be reasonably requested, BB&T shall promptly cause the transfer to the persons entitled thereto of the Merger Consideration.

(e) BB&T shall pay any dividends or other distributions with a record date prior to the Effective Time that have been declared by Equitable in respect of shares of Equitable Common Stock and that remain unpaid at the Effective Time. To the extent permitted by law, former shareholders of record of Equitable shall be entitled to vote after the Effective Time at any meeting of BB&T shareholders the number of shares of BB&T Common Stock into which their respective shares of Equitable Common Stock are converted, regardless of whether such holders have exchanged their certificates representing Equitable Common Stock for certificates representing BB&T Common Stock in accordance with the provisions of this Plan of Merger. Whenever a dividend or other distribution is declared by BB&T on the BB&T Common Stock, the record date for which is at or after the Effective Time, the declaration shall include dividends or other distributions on all shares of BB&T Common Stock issuable pursuant to this Plan of Merger, but no dividend or other distribution payable to the holders of record of BB&T Common Stock as of any time subsequent to the Effective Time shall be delivered to the holder of any certificate representing Equitable Common Stock until such holder surrenders such certificate for exchange as provided herein. Upon surrender of such certificate, both the BB&T Common Stock certificate and any undelivered dividends payable hereunder (without interest) shall be delivered and paid with respect to the shares of Equitable Common Stock represented by such certificate.

8. Conversion of Stock Options

(a) At the Effective Time, each option to acquire shares of Equitable common stock which was granted under Equitable's Amended and Restated Stock Option and Incentive Plan (the "Stock Option Plan") and which is then outstanding, whether or not then exercisable (a "Stock Option"), shall be converted into and become rights with respect to BB&T Common Stock, and BB&T shall assume each Stock Option in accordance with the terms of the Stock Option Plan, subject to the following provisions from and after the Effective Time: (i) BB&T and its Compensation Committee shall be substituted for Equitable and the Committee under the Stock Option Plan with respect to administering the Stock Option Plan, (ii) each Stock Option assumed by BB&T may be exercised solely for shares of BB&T Common Stock, (iii) the number of shares of BB&T Common Stock subject to each such Stock Option shall equal the number of shares of Equitable Common Stock subject to such Stock Option immediately prior to the Effective Time, and (iv) the per share exercise price under each such Stock Option shall equal the per share exercise price under each such Stock Option immediately prior to the Effective Time. Notwithstanding the foregoing, BB&T may at its election substitute as of the Effective Time options under the BB&T Corporation 1995 Omnibus Stock Incentive Plan or any other duly adopted comparable plan (in either case, the "BB&T Option Plan") for all or a part of the Stock Options, subject to the following conditions: (A) the requirements of (iii) and (iv) above shall be met; (B) such substitution shall not constitute a modification, extension or renewal of any of the Stock Options; and (C) the substituted options shall continue in effect on the same terms and conditions as provided in the stock option agreements governing each Stock Option and in the Stock Option Plan. Each grant of a converted or substitute option to any individual who subsequent to the Merger will be a director or officer of BB&T as construed under Commission Rule 16b-3 shall, as a condition to such conversion or substitution, be approved in accordance with the provisions of Rule 16b-3 as described below. Each Stock Option which is an incentive stock option shall be adjusted as required by Section 424 of the Internal Revenue Code (the "Code"), and the Regulations promulgated thereunder, so as to continue as an incentive stock option under Section 424(a) of the Code, and so as not to constitute a modification, extension, or renewal of the option within the meaning of Section 424(h) of the Code. BB&T and Equitable agree to take all necessary steps to effectuate the foregoing provisions of this Section 10. BB&T has reserved and shall continue to reserve adequate shares of BB&T Common Stock for delivery upon exercise of any converted or substitute options. Within sixty days following the Effective Time, if it has not already done so (or has not already substituted options under the BB&T Option Plan), and to the extent Equitable shall have a registration statement in effect or an obligation to file a registration statement, BB&T shall file a registration statement on Form S-3 or Form S-8,

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as the case may be (or any successor or other appropriate forms), with respect to the shares of BB&T Common Stock subject to converted or substitute options and shall use its reasonable efforts to maintain the effectiveness of such registration statement (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such converted or substitute options remain outstanding. With respect to those individuals, if any, who subsequent to the Merger may be subject to the reporting requirements under Section 16(a) of the Securities Exchange Act of 1934, BB&T shall administer the Stock Option Plan assumed pursuant to this Section 10 (or the BB&T Option Plan, if applicable) in a manner that complies with Rule 16b-3 promulgated under such Act to the extent necessary to preserve for such individuals the benefits of Rule 16b-3 to the extent such benefits were available to them prior to the Effective Time.

(b) As soon as practicable following the Effective Time, BB&T shall deliver to the participants receiving converted options under the BB&T Option Plan an appropriate notice setting forth such participant's rights pursuant thereto.

(c) Eligibility to receive stock option grants following the Effective Time with respect to BB&T Common Stock shall be determined by BB&T in accordance with its plans and procedures as in effect from time to time, and subject to any contractual obligations.

9. *Anti-Dilution*

In the event BB&T changes the number of shares of BB&T Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend or other similar recapitalization, and the record date thereof (in the case of a stock dividend) or the effective date thereof (in the case of a stock split or similar recapitalization for which a record date is not established) shall be prior to the Effective Time, the Exchange Ratio shall be proportionately adjusted.

10. *Liquidation Account*

For purposes of granting a limited priority claim to the assets of the Surviving Bank in the unlikely event (and only upon such event) of a complete liquidation of the Surviving Bank to persons who continue to maintain savings accounts with the Surviving Bank after the Merger, and who, immediately prior to the Effective Time had a subaccount balance (as described in 12 C.F.R. § 563b.460) with respect to any liquidation account of Equitable, the Surviving Bank shall, at the time of the Merger, establish a liquidation account(s) in an amount equal to the liquidation account(s) of Equitable immediately prior to the Effective Time, which liquidation account(s) shall participate *pari passu* with any other liquidation accounts of the Surviving Bank. As required by 12 C.F.R. Section 563b.470, the Surviving Bank shall maintain sufficient records to make all necessary calculations to each subaccount in the event of a complete liquidation of the Surviving Bank, and only in such event, to ensure that the amount distributable to each accountholder is determined in accordance with the rules and regulations of the Office of Thrift Supervision pertaining to conversions by savings institutions from mutual to stock form of organization. No merger, consolidation, purchase of bulk assets with assumption of savings accounts and other liabilities, or similar transaction, whether or not the Surviving Bank is the surviving institution, will be deemed to be a complete liquidation for this purpose, and, in any such transaction, the liquidation account shall be assumed by the surviving institution.

11. *Deposit Accounts*

After the Effective Time, the Surviving Bank will continue to issue deposit accounts on the same basis as Branch Bank immediately prior to the Effective Time, unless and until changed in accordance with applicable law.

12. *Approval*

The respective obligations of the parties to effect the transactions contemplated by this Agreement shall be subject to the approval of the board of directors of Branch Bank of this Agreement, the Merger Agreement and

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Table of Contents**Exhibit I****Principal Office:**

200 West Second Street
Winston-Salem, North Carolina 27101

Branch Name	Address	City	State	Zip Code
Oxford Main	402 Main Street	Oxford	AL	36203
Quintard	1100 Quintard Ave	Anniston	AL	36201
Main/K Street	1909 K Street NW	Washington	DC	20006
Connecticut Avenue	1730 Rhode Island Ave. NW	Washington	DC	20036
Georgetown	1365 Wisconsin Ave. NW	Washington	DC	20007
Metro Center	601 13th Street NW	Washington	DC	20005
U Street	1316 U Street NW	Washington	DC	20009
Farragut Square	815 Connecticut Ave. NW	Washington	DC	20006
Friendship Heights II	5200 Wisconsin Ave. NW	Washington	DC	20015
3527 Lecanto Hwy N	Beverly Hills	Citrus	FL	34465
6250 E State Rd 70	Bradenton	Manatee	FL	34203
2211 Us Hwy 19	Holiday	Pasco	FL	34691
10611 Deerwood Park Blvd	Jacksonville	Duval	FL	32255
8840 Tamiami Trail N	Naples	Collier	FL	34108
9213 Little Rd	New Port Richey	Pasco	FL	34654
3019 SW 27th Ave.	Ocala	Marion	FL	34474
645 Hwy 231	Panama City	Bay	FL	32405
1013 Airport Blvd	Pensacola	Escambia	FL	32504
4475 Us 1 S Ste 203	Saint Augustine	Saint Johns	FL	32084
1718 Main St	Sarasota	Sarasota	FL	34236
11234 Spring Hill Rd	Spring Hill	Hernando	FL	34609
3233 Thomasville Rd	Tallahassee	Leon	FL	32312
1580 Jacaranda Blvd	Venice	Sarasota	FL	34293
Acworth Main	4900 Ross Road	Acworth	GA	30101
Adel	201 E 4th St	Adel	GA	31620
Atlanta Main-Lenox	950 East Paces Ferry Road	Atlanta	GA	30326
Buckhead Office	3520 Piedmont Road	Atlanta	GA	30305
Blue Ridge-Main	480 First Street	Blue Ridge	GA	30513
Valley Village	Old Hwy 76 Connector Road	Blue Ridge	GA	30513
Carrollton Bowdon	207 W College St	Bowdon	GA	30108
Carrollton Bremen	501 Alabama Ave	Bremen	GA	30110
Buford Main	4394 Buford Drive	Buford	GA	30518
Butler	209 S Broad St	Butler	GA	31006
Byron	102 Hwy 49	Byron	GA	31008
Calhoun-Hwy 53	409 Hwy 53 SE	Calhoun	GA	30701
Calhoun-Main	215 N Wall Street	Calhoun	GA	30701
Carrollton Main	110 Dixie St	Carrollton	GA	30117
McIntosh Office	1119 S Park St	Carrollton	GA	30117
Cartersville-Main	314 E Main Street	Cartersville	GA	30120
North Hall	5289 Cleveland Hwy	Clermont	GA	30527
Colbert	5536 Hwy 72 West	Colbert	GA	30628
Dahlonega Road	214 Dahlonega Road	Cumming	GA	30040
Dahlonega-Main	60 Main Street West	Dahlonega	GA	30533
Memorial Drive	148 Memorial Drive	Dahlonega	GA	30533
Dalton-Cleveland Road	1244 Cleveland Road	Dalton	GA	30721
Dalton-Eastside	2500 E Walnut Ave	Dalton	GA	30721
Dalton-Main	201 W Waugh Street	Dalton	GA	30720
Dalton-Westcott	905 S. Thornton Ave	Dalton	GA	30720

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Branch Name	Address	City	State	Zip Code
Danielsville-Main	220 Court House Square	Danielsville	GA	30633
Dawsonville-Main	136 Hwy 400 South	Dawsonville	GA	30534
Decatur Main	1221 Clairmont Road	Decatur	GA	30030
Douglas-Main	102 N Peterson Ave	Douglas	GA	31533
Douglas-Northside	210 N Peterson Ave	Douglas	GA	31533
Douglas-Westside	101 NW Bowens Mill Rd	Douglas	GA	31533
Douglasville-Main	8458 Campbellton St	Douglasville	GA	30134
Duluth-Sugarloaf (Ltd. Service)	3237 Satellite Blvd	Duluth	GA	30096
Duluth Main	3209 Buford Highway	Duluth	GA	30096
Gwinnett	3200 Peachtree Industrial Blvd.	Duluth	GA	30096
Dunwoody Main	2390 Mount Vernon Road	Dunwoody	GA	30338
Ellijay-Main Mountain Pkwy	894 East Maddox Drive	East Ellijay	GA	30539
Sand Street-Drive Thru Only	53 Sand Street	Ellijay	GA	30540
Fayetteville-Main	675 N. Jefferson Davis Drive	Fayetteville	GA	30214
Flowery Branch	5866 Spouts Springs Road	Flowery Branch	GA	30542
Forsyth	101 N Lee St	Forsyth	GA	31029
Fort Valley	110 North Camellia Blvd	Fort Valley	GA	31030
Jesse Jewel-Main	455 Jesse Jewel Pkwy	Gainesville	GA	30501
Browns Bridge	2895 Browns Bridge Road	Gainesville	GA	30501
Thompson Bridge	1623 Thompson Bridge Road	Gainesville	GA	30501
Washington Street	854 Washington Street	Gainesville	GA	30501
Kroger Garden City	4224 Augusta Rd	Garden City	GA	31408
Greensboro Main	201 South Main Street	Greensboro	GA	30501
Griffin Main	201 West Taylor Street	Griffin	GA	30223
Hiram Office	5071 Jimmy Lee Smith Pkwy	Hiram	GA	30141
Hull	9008 Hwy 29 South	Hull	GA	30546
Jesup-Main	818 S. First Street	Jesup	GA	31545
Jonesboro-Main	223 North Main Street	Jonesboro	GA	30236
Kennesaw Main	2760 Cobb Parkay, N.W.	Kennesaw	GA	30152
LaGrange-Main	310 Broad Street	LaGrange	GA	30240
Lavonia	10 Silo Lane	Lavonia	GA	30553
Lawrenceville Main	150 South Perry Street	Lawrenceville	GA	30045
Lilburn Main	4700 U.S. Highway 29	Lilburn	GA	30047
Lithia Springs Office	1855 Thornton Rd	Lithia Springs	GA	30057
Gray Highway	1302 Gray Hwy	Macon	GA	31211
Macon Mall	3525 Mercer University Dr	Macon	GA	31204
Riverside	2540 Riverside Dr	Macon	GA	31204
Rivoli	4357 Forsyth Rd	Macon	GA	31210
Rocky Creek	3411 Pio Nono Avenue	Macon	GA	31206
Rocky Creek Dr-In	3390 Pio Nono Avenue	Macon	GA	31206
Tower-Main	201 Second St	Macon	GA	31208
Forsyth Road	4961 Forsyth Road	Macon	GA	31203
Barrett Parkway	63 Barrett Parkway, N.E.	Marietta	GA	30066
Marietta Square	155 North Marietta Parkway	Marietta	GA	30060
McDonough Main	12 North Cedar Street	McDonough	GA	30263
Menlo Main	2880 Highway 337	Menlo	GA	30731
Metter	Hwy 121 S & Vertia St (Drive In)	Metter	GA	30439
Metter-Main	2 SE Broad Street	Metter	GA	30439
Milledgeville-Hatcher Square	2345 North Columbia Street	Milledgeville	GA	31061
Milledgeville-West Green	150 West Green Street	Milledgeville	GA	31061
Montezuma	118 Walnut Street	Montezuma	GA	30163
Nashville	313 S Davis St	Nashville	GA	31639
Newnan-Hospital Road	14 Hospital Road	Newnan	GA	30263
Newnan-Main	19 Jefferson Street	Newnan	GA	30263
Newnan-Wesley Woods (LSF)	2280 North Highway 29	Newnan	GA	30263

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Branch Name	Address	City	State	Zip Code
Newnan-White Oak	1421 Highway 34 East	Newnan	GA	30265
Newnan-Main Bullsboro	232 Bullsboro Drive	Newnan	GA	30263
Newnan-Downtown	26 Jefferson Street	Newnan	GA	30264
Oakwood	3453 Mundy Mill Road	Oakwood	GA	30566
Peachtree City-Main	705 Highway 54 East	Peachtree City	GA	30269
Portal	S Railroad St/ Hwy 80	Portal	GA	30450
Savannah-Rincon	470 S Columbia Ave	Rincon	GA	31326
Riverdale-Main	6375 Highway 85	Riverdale	GA	30274
Roberta	50 N. Dugger Ave	Roberta	GA	31078
Roswell Main	11650 Alpharetta Highway	Roswell	GA	30076
Kroger Savannah Place	14010 Abercorn Ext.	Savannah	GA	31419
Kroger Wilmington Isl Dr-In	477 Johnny Mercer Blvd.	Savannah	GA	31410
Medical Arts	5110 Waters Ave	Savannah	GA	31404
Savannah-Main	7 East Congress Street	Savannah	GA	31401
Hodgson Memorial	7393 Hodgeson Memorial Drive	Savannah	GA	31406
Smyrna Main	756 Concord Road	Smyrna	GA	30082
Snelville Main	2230 Scenic Highway	Snellville	GA	30078
Savannah Springfield	501 S Laurel St	Springfield	GA	31329
St. Simons Main	1709 Frederica Road	St. Simons Island	GA	31522
Statesboro College Plaza	506 Fair Road (Plaza)	Statesboro	GA	30458
Statesboro-Main	40 N Main St	Statesboro	GA	30458
Statesboro-Wal-mart	730 Northside Dr/Hwy 80 E	Statesboro	GA	30458
Summerville	9861 Rome Blvd.	Summerville	GA	30747
Suwanee Main	2885 Lawrenceville-Suwanee Rd	Suwanee	GA	30024
Swainsboro	205 S Main St	Swainsboro	GA	30401
Sylvania	105 S Main St	Sylvania	GA	30467
Tifton-Main	300 Commerce Way	Tifton	GA	31794
Tifton-Medical Arts	1623 Old Ocilla Rd	Tifton	GA	31794
Trion Main	14160 Highway 27	Trion	GA	30753
Dalton-Tunnel Hill	3617 Chattanooga Road	Tunnel Hill	GA	30755
Valdosta North Main	2901 A North Ashley	Valdosta	GA	31602
Vidalia Main	900 E First St	Vidalia	GA	30474
Douglasville Villa Rica	640 W Bankhead Highway	Villa Rica	GA	30180
Galleria Mall Main	3001 Watson Blvd	Warner Robins	GA	31093
Russell Pkwy	127 Russell Pkwy	Warner Robins	GA	31088
Kroger Waycross	1606 Memorial Drive	Waycross	GA	31501
Waycross Downtown Main	500 Albany Ave	Waycross	GA	31501
Winder Main	20 West May Street	Winder	GA	30680
Charlestown Crossing	3003 Charleston Town Crossing Way	New Albany	IN	47150
Baxter Drive-thru	40 West Hwy 72	Baxter	KY	41522
Bowling Green Main	1820 Scottsville Rd	Bowling Green	KY	42104
Fairview Branch	600 West US 31 Bypass	Bowling Green	KY	42101
Fountain Square Branch	903 College Street	Bowling Green	KY	42101
Gateway Branch	1901 Russellville Road	Bowling Green	KY	42101
Kroger No. 1 Branch	2945 Scottsville Road	Bowling Green	KY	42101
Kroger No. 2 Branch	350 31 W By-pass	Bowling Green	KY	42101
Kroger No. 3 Branch	711 Campbell Ln	Bowling Green	KY	42104
Lost River Branch	2750 Nashville Road	Bowling Green	KY	42101
Calhoun Branch	100 Main St	Calhoun	KY	42327
Cave City Branch	102 Broadway	Cave City	KY	42127
Corbin Branch	1390 Master St	Corbin	KY	40701
Cumberland Branch	1202 E. Main Street	Cumberland	KY	40823
Mall Branch	31 Outlet Ave	Eddyville	KY	42038
Ferrells Creek	14793 Regina/Belcher Hwy	Elkhorn City	KY	41522
Evarts Branch	107 Yocum Street	Evarts	KY	40828

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Branch Name	Address	City	State	Zip Code
By-pass Branch	103 Smith Rd	Glasgow	KY	42141
Glasgow Main Branch	301 W Main St	Glasgow	KY	42142
Grand Rivers Branch	900 US Highway 62	Grand Rivers	KY	42045
Don s Supersaver Branch	200 Waldon Rd	Harlan	KY	40831
Harlan Main Branch	101 North Main Street	Harlan	KY	40831
Hazel Branch	405 Main Street	Hazel	KY	42049
Hiseville Branch	11 E.Hiseville	Hiseville	KY	42152
Bradford Square	4000 Fort Campbell St	Hopkinsville	KY	42240
Hopkinsville Main Branch	1002 South Virginia Street	Hopkinsville	KY	42240
Millbrooke-Indian Hills	710 Country Club Lane	Hopkinsville	KY	42240
Northwest Branch	495 North Drive	Hopkinsville	KY	42240
South Boulevard Branch	2933 Fort Campbell Blvd	Hopkinsville	KY	42240
Wal-Mart Supercenter	300 Clinic Dr	Hopkinsville	KY	42240
Irvine Main Branch	119 Broadway Street	Irvine	KY	40336
Richmond & Wisemantown	910 Richmond Rd	Irvine	KY	40336
La Grange	2024 S Hwy 53	La Grange	KY	40031
Ledbetter Branch	1521 US Hwy 60 West	Ledbetter	KY	42058
Beaumont Branch	3061 Fieldstone Way	Lexington	KY	40513
Blazer Parkway Branch	3285 Blazer Parkway	Lexington	KY	40507
Central Baptist Branch	1780 Nicholasville Road	Lexington	KY	40503
Lansdowne Branch	3329 Tates Creek Rd	Lexington	KY	40502
Main Branch	360 E Vine St	Lexington	KY	40507
London Branch	840 Whitley St	London	KY	40741
Algonquin	3140 Wilson Ave	Louisville	KY	40211
Blankenbaker	11751 Bluegrass Pkwy	Louisville	KY	40299
Brownfield Square	4816 Outerloop	Louisville	KY	40219
Brownsboro	4908 US Hwy 42	Louisville	KY	40222
Dixie Valley	10403 Dixie Hwy	Louisville	KY	40272
Douglass Loop	2216 Dundee	Louisville	KY	40205
East Broadway	900 E Broadway	Louisville	KY	40204
Fern Creek	6740 Bardstown Rd	Louisville	KY	40291
Highland	1339 Bardstown Rd	Louisville	KY	40204
Hikes Point	4082 Taylorsville Rd	Louisville	KY	40218
Hillview	11401 Preston Hwy	Louisville	KY	40229
Holiday Manor Branch	2208 Holiday Manor Ctr	Louisville	KY	40222
Hunter s Trace	5100 Dixie Hwy	Louisville	KY	40216
Hurstbourne	330 Whittington Pkwy	Louisville	KY	40222
Main Office	500 W Broadway	Louisville	KY	40201
Market Street	309 W Market St	Louisville	KY	40202
Okolona	7803 Preston Hwy	Louisville	KY	40219
Park Place	9050 Dixie Hwy	Louisville	KY	40258
Plainview Branch	9711 Linn Station Road	Louisville	KY	40223
Poplar Level	5004 Poplar Level Rd	Louisville	KY	40219
Preston	5319 Preston Hwy	Louisville	KY	40213
Russell	2501 W Broadway	Louisville	KY	40211
Shively/St. Denis	4415 Cane Run Rd	Louisville	KY	40216
Southside	7111 Southside Dr	Louisville	KY	40214
Springhurst	9510 Brownsboro Rd	Louisville	KY	40241
St. Matthews	4507 Shelbyville Rd	Louisville	KY	40207
St. Matthews Main Branch	4201 Shelbyville Rd	Louisville	KY	40207
St. Matthews/Crescent Hill	3747 Lexington Rd	Louisville	KY	40207
Stony Brook	2601 Hurstbourne Pkwy	Louisville	KY	40299
Taylor Blvd	3450 Taylor Blvd	Louisville	KY	40215
Middletown Station	12917 Shelbyville Rd	Middletown	KY	40243
Monticello Branch	300 Cumberland Crossing Shpg Ctr	Monticello	KY	42633

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Branch Name	Address	City	State	Zip Code
Murray Main Branch	500 Main St	Murray	KY	42071
Murray North Branch	1104 Chestnut Street	Murray	KY	42071
Murray South Branch	602 South 12th Street	Murray	KY	42071
Murray-Kroger	808 North 12th Street	Murray	KY	42071
Oak Grove Branch	15744 Fort Campbell Blvd	Oak Grove	KY	42262
Audubon Plaza Branch	2901 West Parrish Avenue	Owensboro	KY	42301
Highway 231 Branch	2609 New Hartford Rd	Owensboro	KY	42303
Highway 60-E Branch	3000 East Fourth Street	Owensboro	KY	42303
Jumpin Jacks Branch	2910 Hwy 54E (Leitchfield Rd.)	Owensboro	KY	42303
Main Branch	230 Frederica Street	Owensboro	KY	42301
Shawnee Park Branch	1731 Scherm Rd	Owensboro	KY	42301
Towne Square Branch	5002 Frederica Street	Owensboro	KY	42301
Triplett Street Branch	1208 Triplett Street	Owensboro	KY	42303
Villa Point Hwy 54 E Branch	3200 Hwy 54E (Leitchfield Rd.)	Owensboro	KY	42303
Wesleyan Park Branch	2800 Frederica Street	Owensboro	KY	42301
Paducah Branch	1601 Broadway	Paducah	KY	42001
Paintsville	300 North Mayo Trail	Paintsville	KY	41240
Pembroke Branch	226 South Main Street	Pembroke	KY	42266
Phelps	38768 Hwy 194 East	Phelps	KY	41553
Coal Run	4414 North Mayo Trail	Pikeville	KY	41501
Pikeville-Main	164 Main Street	Pikeville	KY	41501
Town & County Plaza	234 Town Mountain Road	Pikeville	KY	41501
Glyn View Plaza	216 Glyn View Plaza	Prestonburg	KY	41653
Shelby Valley	5620 Robinson Creek Road	Robinson Creek	KY	41560
Russell Springs Branch	2198 Lakeway Drive	Russell Springs	KY	42642
Logan Square Shopping Ctr	200 Armory Drive	Russellville	KY	42276
Russellville Main Branch	102 NW Park Square	Russellville	KY	42276
3977 S Hwy 27 Branch	3977 S Hwy 27	Somerset	KY	42501
546 S Hwy 27 Branch	546 S Hwy 27	Somerset	KY	42501
Somerset Main Branch	124 N Main Street	Somerset	KY	42501
Goody Food City	2689 Thompson Plaza	South Williamson	KY	41503
Lincoln Plaza Branch	805 Bardstown Road	Springfield	KY	40069
Springfield Main Branch	110 E Main Street	Springfield	KY	40069
Whitesville Branch	10026 Main Street	Whitesville	KY	42378
By-pass Branch	825 Bypass Road	Winchester	KY	40391
Winchester Main Branch	30 West Broadway	Winchester	KY	40391
Buckingham s Choice	3200 Baker Circle	Adamstown	MD	21710
Annapolis	1419 Forest Drive	Annapolis	MD	21403
Annapolis	2661 Riva Road, Bldg 700	Annapolis	MD	21401
Housley Road	2078 General s Hwy.	Annapolis	MD	21401
B&O Branch	2 North Charles Street	Baltimore	MD	21201
Bel Air	333 Baltimore Pike	Bel Air	MD	21014
Cherry Hill	11428 Cherry Hill Road	Beltsville	MD	20705
Bethesda Main	4719 Hampden Lane	Bethesda	MD	20814
Bowie II	6901 Laurel-Bowie Road	Bowie	MD	20715
Heritage	16410 Heritage Blvd	Bowie	MD	20716
Brunswick	94 Souder Road	Brunswick	MD	21716
Camp Springs	6309 Allentown Road	Camp Springs	MD	20748
Catonsville	919 Frederick Road	Catonsville	MD	21228
College Park	9658 Baltimore Avenue	College Park	MD	20740
Columbia	5585 Twin Knolls Road	Columbia	MD	21045
Columbia Town Center	11000 Broken Land Pkwy	Columbia	MD	21045
Damascus	9815 Main Street	Damascus	MD	20872
Deale Main	5801 Deale-Churchton Road	Deale	MD	20751
Edgewater	3033 Solomons Island Road	Edgewater	MD	21037

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<u>Branch Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>
Elkridge	7290 Montgomery Road	Elkridge	MD	21705
Finksburg	3000 Gamber Road	Finksburg	MD	21048
Frederick-40 West	1370 W Patrick Street	Frederick	MD	21702
Frederick-East Frederick	1303 East Patrick Street	Frederick	MD	21701
Frederick-Homewood	7401 Willow Rd. (Retire. Home)	Frederick	MD	21702
Frederick-Main	7200 Bank Count	Frederick	MD	21703
Frederick-Rosehill	1562 Opossumtown Pike	Frederick	MD	21702
Frederick-Rosemont	1602 Rosemont Avenue	Frederick	MD	21702
Frederick-Rt. 85	5602 Buckeystown Pike	Frederick	MD	21704
Frederick-Seventh Street	1305 West 7th Street	Frederick	MD	21702
Frederick-Square Corner	1 North Market Street	Frederick	MD	21701
Gaithersburg	265 Kentland Blvd.	Gaithersburg	MD	20878
Gaithersburg Main	467 North Frederick Avenue	Gaithersburg	MD	20877
Gaithersburg	8019 Snouffer School Road	Gaithersburg	MD	20879
Crofton-Waugh Chapel	2405 Brandermill Blvd	Gambrills	MD	21054
Germantown-Fox Chapel	19947 Century Blvd.	Germantown	MD	20875
Glen-Burnie	7381 Baltimore-Annapolis	Glen Burnie	MD	21061
Greenbelt	8951 Edmonston Road	Greenbelt	MD	20770
Hampstead	999 South Main Street	Hampstead	MD	21074
Cheverly	3004 52nd Avenue	Hyattsville	MD	20781
Hyattsville Main	3505 Hamilton Street	Hyattsville	MD	20782
La Plata Main	6640 Crain Hwy	La Plata	MD	20646
Laurel-Main	380 Main Street	Laurel	MD	20707
Manchester Dr-In	3068 Westminster Street	Manchester	MD	21103
Manchester Main	3200 Main Street	Manchester	MD	21102
Middletown	819 East Main Street	Middletown	MD	21769
Monrovia-Green Valley	11801 Fingerboard Road	Monrovia	MD	21770
Mount Airy	443 East Ridgeville Blvd.	Mount Airy	MD	21771
Mt. Airy	1001 Twin Arch Road #30	Mt. Airy	MD	21771
Carrollton	8490 Annapolis Road	New Carrollton	MD	20784
Odenton	1219 Annapolis Road	Odenton	MD	21113
Perry Hall	9650 Belair Road	Perry Hall	MD	21236
Pikesville	44 East Sudbrook Lane	Pikesville	MD	21208
Poolesville-Main	19645 Fisher Avenue	Poolesville	MD	20837
Prince Frederick	571 N. Solomons Island Road	Prince Frederick	MD	20678
Reisterstown	11702 Reisterstown Road	Reisterstown	MD	21136
Potomac Woods	1099 Seven Locks Road	Rockville	MD	20854
Rockville	1470 Rockville Pike	Rockville	MD	20852
Rockville Pike	11921 Rockville Pike Suite 102	Rockville	MD	20852
Rockville Town Center	99 S Washington Street	Rockville	MD	20850
Shady Grove	9401 Key West Avenue	Rockville	MD	20850
Cloverly	15509 New Hampshire Ave.	Silver Spring	MD	20905
White Oak	11140 New Hampshire Ave.	Silver Spring	MD	20903
Silver Spring	8121 Georgia Ave.	Silver Spring	MD	20910
Colesville Road	8602 Colesville Road	Silver Spring	MD	20910
Sykesville-Eldersburg	1300 Liberty Road	Sykesville	MD	21784
Sykesville-Fairhaven	7200 Third Avenue	Sykesville	MD	21784
Taneytown	4345 Old Taneytown Road	Taneytown	MD	21787
Towson	600 Washington Avenue	Towson	MD	21204
Kettering	10666 Campus Way South	Upper Marlboro	MD	20774
St. Charles Center	11110 Mall Circle, #1005	Waldorf	MD	20603
Waldorf	3425 Leonardtown Road	Waldorf	MD	20604
Walkersville	100 Commerce Drive	Walkersville	MD	21793
East Main Street	193 East Main Street	Westminster	MD	21157
Englar Road	401 Englar Road	Westminster	MD	21157

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Branch Name	Address	City	State	Zip Code
Westminster Main	45 West Main Street	Westminster	MD	21157
Wheaton	11200 Viers Mill Road	Wheaton	MD	20902
Aberdeen Main Office	1803 Sandhills Blvd. North	Aberdeen	NC	28315
Angier Main Office	203 East Depot Street	Angier	NC	27501
Ansonville Branch	Main Street Highway 52	Ansonville	NC	28007
Apex Main Office	801 E. Williams Street	Apex	NC	27502
Asheboro Branch	261 N. Fayetteville Street	Asheboro	NC	27203
Asheville Main Office	One West Pack Square	Asheville	NC	28801
North Asheville Branch	850 Merrimon Avenue	Asheville	NC	28804
South Asheville	1653 Hendersonville Road	Asheville	NC	28803
Ayden Main Office	1410 West 3rd Street	Ayden	NC	28513
Beaufort Branch	617 Front Street	Beaufort	NC	28516
Benson Branch	307 East Main Street	Benson	NC	27504
Bethlehem Branch	NC Hwy 127 N. at Rink Dam Rd.	Bethlehem	NC	28601
Beulaville Branch	104 W. Main Street	Beulaville	NC	28518
Black Creek Branch	210 W. Center Street	Black Creek	NC	27813
Boiling Springs Branch	124 North Main Street	Boiling Springs	NC	28017
Bolivia Branch	3769 Old Ocean Hwy	Bolivia	NC	28422
Boone Branch	971 Blowing Rock Road	Boone	NC	28607
Boone Highway 105 Office	2458 Highway 105	Boone	NC	28607
Broadway Main Office	106 South Main Street	Broadway	NC	27505
Main Office	2040 S. Church Street	Burlington	NC	27215
Calabash Branch	10027 Beach Drive	Calabash	NC	28467
Carolina Beach Main Office	7 North Lake Park Blvd.	Carolina Beach	NC	28428
Carthage Main Office	502 Monroe Street	Carthage	NC	28327
Cary Main Office	200 East Chatham Street	Cary	NC	27511
Mayfair Plaza Drive-In Branch	924 Kildaire Farm Road	Cary	NC	27511
Maynard Road Branch	848 East Maynard Road	Cary	NC	27511
Northwoods Office	977 North Harrison Ave.	Cary	NC	27511
Regency Park Branch Office	7317 Tryon Road	Cary	NC	27511
Castle Hayne Branch	5610 Castle Hayne Road	Castle Hayne	NC	28429
Chadbourn Main	625 N. Brown Street	Chadbourn	NC	28431
Chapel Hill Branch	100 North Elliott Road	Chapel Hill	NC	27515
Chapel Hill Main Office	143 East Rosemary Street	Chapel Hill	NC	27514
Albemarle Road Branch	4901 Albemarle Road	Charlotte	NC	28205
Carmel Commons Center Branch	7521 Pineville-Matthews Road	Charlotte	NC	28226
Carriage Branch (LSF)	5800 Old Providence Road	Charlotte	NC	28226
Charlotte Main Branch	200 S. College Street	Charlotte	NC	28202
Crown Point Office	2520 Sardis Road North	Charlotte	NC	28227
Eastway Drive Branch	3059 Eastway Drive	Charlotte	NC	28205
Hickory Grove Branch	6021 Hickory Grove Road	Charlotte	NC	28215
Mallard Creek Office	8011 Mallard Creek Road	Charlotte	NC	28213
Methodist Home LSF	3800 Shamrock Drive	Charlotte	NC	28215
Mint Hill Branch	11425 Lawyers Road	Charlotte	NC	28227
Monroe Road Branch	3726 Monroe Road	Charlotte	NC	28205
Oakdale Branch	1814 Oakdale Road	Charlotte	NC	28214
Paw Creek Branch	419 Little Rock Road	Charlotte	NC	28214
Providence Road Branch	4309 Providence Road	Charlotte	NC	28211
Queens Road Office	101 Queens Road	Charlotte	NC	28204
Southpark Office	6869 Fairview Road	Charlotte	NC	28210
Steele Creek Office	9200 S. Tryon Street	Charlotte	NC	28273
Tryon Street	4500 S. Tryon Street	Charlotte	NC	28213
University Branch	8558 University City Blvd.	Charlotte	NC	28208
Wilkinson Blvd.(Dr-In Only)	3558 Wilkinson Blvd.	Charlotte	NC	28208
Woodlawn Branch	250 East Woodlawn Road	Charlotte	NC	28217

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<u>Branch Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>
Cherryville Main Branch	100 S. Mountain Street	Cherryville	NC	28021
East Branch (Drive-In Only)	1001 E. Church Street	Cherryville	NC	28021
Claremont Main	3296 E. Main Street	Claremont	NC	28610
Clarkton Branch	101 East Green Street	Clarkton	NC	28433
Clayton Branch	11508 U.S. Highway 70 West	Clayton	NC	27520
Lewisville-Clemmons Road Branch	2629 Lewisville-Clemmons Road	Clemmons	NC	27012
Sunset Avenue Branch	1106 Sunset Avenue	Clinton	NC	28328
Warsaw Road	501 Warsaw Road	Clinton	NC	28328
Coats Main Office	140 North McKinley Street	Coats	NC	27521
Columbia Branch	107 Main Street	Columbia	NC	27925
Conover Main	202 First Avenue South	Conover	NC	28613
Cornelius Branch	20400 Catawba Avenue	Cornelius	NC	28031
Cramerton Branch	109 Center Street	Cramerton	NC	28032
Dallas Branch	501 W. Trade Street	Dallas	NC	28034
Davidson Branch	137 North Main Street	Davidson	NC	28036
North Main Street Branch	94 North Main Street	Denton	NC	27239
Denver Main	3674 N. Hwy 16 East	Denver	NC	28037
Cumberland Street Office	1724 West Cumberland Street	Dunn	NC	28334
Dunn Main Branch	107 West Broad Street	Dunn	NC	28334
Croasdaile Branch	2726 Croasdaile Dr., Ste.104	Durham	NC	27705
Durham Main Office	505 S. Duke Street	Durham	NC	27701
Northgate Office	1530 North Gregson Street	Durham	NC	27701
Riverview Branch	5028 Roxboro Road	Durham	NC	27704
South Square Office	4011 University Drive	Durham	NC	27707
Woodcroft Branch	4717 Hope Valley Road	Durham	NC	27707
Meadow Greens Branch	680 S. Van Buren Rd	Eden	NC	27289
Edenton Main	322 South Broad Street	Edenton	NC	27932
Elizabeth City Main Office	1000 W. Ehringhaus Street	Elizabeth City	NC	27909
Elizabethtown Main	215 West Broad Street	Elizabethtown	NC	28337
North Bridge Street Branch	1661 North Bridge Street	Elkin	NC	28621
West Main Street Branch (Drive Thru)	201 West Main Street	Elkin	NC	28621
Ellerbe Branch	267 Second Street	Ellerbe	NC	28338
Elm City Branch	111 East Main Street	Elm City	NC	27822
Enfield Branch	205 W. Whitfield Street	Enfield	NC	27823
Erwin Branch	111 Denim Street	Erwin	NC	28339
Eureka Branch	101 East Main Street	Eureka	NC	27830
Fair Bluff Branch	Main Street and Riverside Drive	Fair Bluff	NC	28439
Fairmont Branch	104 W. Thompson Street	Fairmont	NC	28340
Fallston Branch	4541 Fallston Road	Fallston	NC	28042
Farmville Main Office	110 W. Church Street	Farmville	NC	27828
Bordeaux Centre	3034 Boone Trail Ext.	Fayetteville	NC	28304
Bragg Blvd. Branch (Eutaw)	2507 Bragg Boulevard	Fayetteville	NC	28303
Eastover Branch	Highway 301 North/Baywood Road	Fayetteville	NC	28301
Falcon Village Branch	6313 Raeford Road	Fayetteville	NC	28304
Fayetteville Main	316 Green Street	Fayetteville	NC	28301
Haymount Branch	1401 Morganton Road	Fayetteville	NC	28305
Main Office (Westwood)	3817 Morganton Road	Fayetteville	NC	28314
Methodist College Branch	5137 College Center Drive	Fayetteville	NC	28311
Ponderosa Branch	5801 Yadkin Road	Fayetteville	NC	28303
Rowan Street Branch	300 Rowan Street	Fayetteville	NC	28301
Tallywood Branch	3012 Raeford Road	Fayetteville	NC	28303
Fletcher Branch	6256 Hendersonville Road	Fletcher	NC	28732
Downtown Branch	179 East Main Street	Forest City	NC	28043
Main Office	364 Butler Road	Forest City	NC	28043

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Branch Name	Address	City	State	Zip Code
Fountain Branch	119 East Wilson Street	Fountain	NC	27829
Fremont Branch	126 East Main Street	Fremont	NC	27830
Fuquay-Varina Branch	210 N. Main Street	Fuquay-Varina	NC	27526
Forest Hills Shopping Center Branch	301 Vandora Springs Road	Garner	NC	27529
29 West Branch	2414 West Franklin Avenue	Gastonia	NC	28052
East Branch	120 South New Hope Road	Gastonia	NC	28054
Gastonia Main Office	265 W. Franklin Blvd.	Gastonia	NC	28052
South Branch	2831 South York Road	Gastonia	NC	28052
Union Road Branch	3070 Union Road	Gastonia	NC	28052
Spence Avenue	201 North Spence Avenue	Goldsboro	NC	27534
Eastgate Drive-In Branch	435 North Berkeley Boulevard	Goldsboro	NC	27530
Goldsboro Main Office	207 East Ash Street	Goldsboro	NC	27530
Hwy 70 West Office	1326 West Grantham Street	Goldsboro	NC	27533
Goldston Main Office	2111 S. Main Street	Goldston	NC	27252
Graham Main Office	220 South Main Street	Graham	NC	27253
Battleground Avenue Office	1300 Battleground Avenue	Greensboro	NC	27420
Bessemer Ave. Branch	915 East Bessemer Avenue	Greensboro	NC	27405
Four Seasons Mall Branch	2274 Vanstory Street	Greensboro	NC	27407
Friendly Shopping Center	625 Green Valley Road	Greensboro	NC	27404
Greensboro Main Office	201 W. Market Street	Greensboro	NC	27401
Guilford College Branch	606 College Road	Greensboro	NC	27410
Elm Street Office	3150 N. Elm Street	Greensboro	NC	27408
Randleman Road Branch	2835 Randleman Road	Greensboro	NC	27406
West Market St.	4541 W. Market Street	Greensboro	NC	27407
Westridge Square Office	3307 Battleground Ave.	Greensboro	NC	27410
Evans Street	543 South Evans Street	Greenville	NC	27834
Greenville Main Office	514 East Greenville Blvd., S.E.	Greenville	NC	27858
Medical Park Branch	2475 Stantonsburg Road	Greenville	NC	27834
Red Banks Branch	700 Arlington Boulevard	Greenville	NC	27858
Halifax Branch	3 South King Street	Halifax	NC	27839
Hamlet Branch	8 Raleigh Street	Hamlet	NC	28345
Havelock Branch	1303 East Main Street	Havelock	NC	28532
Dabney Drive Branch	632 Dabney Drive	Henderson	NC	27536
N. Chestnut Street Branch (Main)	213 N. Chestnut Street	Henderson	NC	27536
Hickory Main Branch	106 2nd Street NW	Hickory	NC	28601
Longview Branch	3201 First Avenue SW	Hickory	NC	28601
Mountain View Branch	2527 NC Hwy 127 South	Hickory	NC	28603
Springs Road Branch	1856 12th Avenue NE	Hickory	NC	28601
Valley Hills Branch	2141 Hwy 70, SE	Hickory	NC	28602
Viewmont Branch	1342 Second Street NE	Hickory	NC	28601
Archdale Branch	2940 South Main Street	High Point	NC	27263
High Point Main Branch	620 N. Main Street	High Point	NC	27262
Highway 68 Branch	4025 Premier Drive	High Point	NC	27265
Westchester Office	2105 Westchester Drive	High Point	NC	27260
Hildebran Branch	301 South Center Street	Hildebran	NC	28637
Hillsborough Branch	351 South Churton Street	Hillsborough	NC	27278
Hope Mills Branch	3618 N. Main Street	Hope Mills	NC	28348
Huntersville Northcross Branch	16710 Northcross Drive	Huntersville	NC	28078
Indian Trail Branch	200 Indian Trail Road	Indian Trail	NC	28079
Jacksonville Branch	2675 Western Blvd.	Jacksonville	NC	28546
Jamestown Main Office	120 E. Main Street	Jamestown	NC	27282
Jamesville Branch	1810 West Main Street	Jamesville	NC	27846
Kernersville Branch	237 E. Mountain Street	Kernersville	NC	27284
Harmon Mill Office	124 Harmon Creek Road	Kernersville	NC	27284
Main Office	1920 North Croatan Hwy	Kill Devil Hills	NC	27948

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Branch Name	Address	City	State	Zip Code
King Branch	601 South Main Street	King	NC	27021
Kings Mountain Branch	410 East King Street	Kings Mountain	NC	28086
Kinston Plaza Branch	611 Plaza Boulevard	Kinston	NC	28501
Main Branch	612 N. Queen Street	Kinston	NC	28501
Vernon Park Branch	2009 West Vernon Ave.	Kinston	NC	28501
Knightdale Office	7120 Highway 64 East	Knightdale	NC	27545
La Grange Branch	104 E. Washington St.	La Grange	NC	28551
Lake Waccamaw Branch	103 E. Sam Potts Hwy	Lake Waccamaw	NC	28450
Holly Plaza Shopping Center Branch	1700 S. Main Street	Laurinburg	NC	28352
Laurinburg Main Office	400 S. Main Street	Laurinburg	NC	28353
Lawndale Branch	300 East Main Street	Lawndale	NC	28090
Leland	201 Village Road	Leland	NC	28451
Mulberry Street Branch (Main)	201 Mulberry Street SW	Lenoir	NC	28645
Main Office	6454 Shallowford Road	Lewisville	NC	27023
Hwy 8 Branch	1907 Cotton Grove Road	Lexington	NC	27292
Lexington Main Office	212 W. Center Street	Lexington	NC	27292
Liberty Main Office	151 S. Fayetteville Street	Liberty	NC	27298
Lillington Branch	111 West Front Street	Lillington	NC	27546
Lincolnton Main Office	813 E. Main Street	Lincolnton	NC	28092
Littleton Branch	131 E. South Main Street	Littleton	NC	27850
Louisburg Branch	403 East Nash Street	Louisburg	NC	27549
Lowell Branch	830 Groves Street	Lowell	NC	28098
Liberty Hill Branch	5000 Fayetteville Rd.	Lumberton	NC	28358
North Elm Street Branch	2700 N. Elm Street	Lumberton	NC	28358
Main Office	500 N. Chestnut Street	Lumberton	NC	28358
Midtown Branch	1109 N. Highway Street	Madison	NC	27025
Maggie Valley Branch	2451 Soco Road	Maggie Valley	NC	28751
Magnolia Branch	119 North Railroad Street	Magnolia	NC	28453
Maiden Main	1205 E. Main Street	Maiden	NC	28650
Marshville Branch	109 E. Marshville Blvd.	Marshville	NC	28103
Matthews Township Parkway	1321 Matthews Township Parkway	Matthews	NC	28105
Matthews Main Branch	310 East John Street	Matthews	NC	28105
Plantation Estates LSF	733 Plantation Estates Drive	Matthews	NC	28105
Micro Office	32 North Railroad Street	Micro	NC	27555
Mocksville Main Office	119 Gaither Street	Mocksville	NC	27028
Willow Oak Shopping Center	1109 Yadkinville Road	Mocksville	NC	27028
Boulevard Branch	301 Roosevelt Blvd.	Monroe	NC	28110
Main/Courthouse Branch	512 N. Hayne	Monroe	NC	28110
Monroe Mall Branch	2123 West Roosevelt Boulevard	Monroe	NC	28110
Mooresville Branch	255 North Main Street	Mooresville	NC	28115
Brawley School Road Office	163 Plantation Ridge Drive	Mooresville	NC	28117
Morehead City Main Office	4408 Arendell Street	Morehead City	NC	28557
Morehead Plaza Shopping	2905 Bridges Street	Morehead City	NC	28557
Morganton Branch	305 South Green Street	Morganton	NC	28655
Highway 601 Branch	2151 Rockford Street	Mount Airy	NC	27030
Main Branch	541 North Main Street	Mount Airy	NC	27030
Mount Gilead Branch	200 N. Main Street	Mount Gilead	NC	27306
Mount Holly Branch	150 S. Main Street	Mount Holly	NC	28120
Murphy Branch	251 King Street	Murphy	NC	28906
North Wilkesboro Branch	901 Main Street	N. Wilkesboro	NC	28659
Highway 17 South Office	3509 Martin Luther Blvd.	New Bern	NC	28560
Neuse Boulevard Office	2011 Neuse Boulevard	New Bern	NC	28560
New Bern Main Branch	375 South Front Street	New Bern	NC	28560
Newton Main	12 N. Main Avenue	Newton	NC	28658

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Branch Name	Address	City	State	Zip Code
Newton North Branch	2004 N. Main Ave.	Newton	NC	28658
Newton Grove Branch	307 Main Street	Newton Grove	NC	28366
Oak City Branch	East and Commerce Street	Oak City	NC	27857
Ocean Isle Beach Branch	127 Causeway	Ocean Isle Beach	NC	28469
Old Fort Branch	202 East Main Street	Old Fort	NC	28762
Oxford Branch	154 Hillsboro Street	Oxford	NC	27565
Pikeville Branch	105 W. Main Street	Pikeville	NC	27863
Pilot Mountain Branch	108 East Main Street	Pilot Mountain	NC	27041
Chinquapin Road Office	15 Chinquapin Road	Pinehurst	NC	28374
Pinehurst Branch	100 Blake Boulevard	Pinehurst	NC	28374
Pinehurst Main Office	50 Aviemore Drive	Pinehurst	NC	28374
Pineville Branch	11100 Carolina Place Parkway	Pineville	NC	28134
Plymouth Main Office	102 W. Main Street	Plymouth	NC	27962
Princeton Office	102 North Pine Street	Princeton	NC	27569
Raeford Main Branch	207 South Main Street	Raeford	NC	28376
Barrett Drive	3701 Barrett Drive	Raleigh	NC	27609
Cameron Village	611 Oberlin Road	Raleigh	NC	27605
Capital Blvd. Office	4424 Capital Blvd.	Raleigh	NC	27604
Crabtree West	4409 Creedmoor Road	Raleigh	NC	27612
Creedmoor Road Branch	8320 Creedmoor Road	Raleigh	NC	27612
Lake Boone Trail Branch	3800 Lake Boone Trail	Raleigh	NC	27608
North Hills Mall Office	4460 Six Forks Road	Raleigh	NC	27615
North Ridge Branch	6659 Falls of Neuse Road	Raleigh	NC	27609
Raleigh Main Office	434 Fayetteville St. Mall	Raleigh	NC	27601
Six Forks Square Branch	7447 Six Forks Road	Raleigh	NC	27615
State University Office	1806 Hillsborough Street	Raleigh	NC	27605
Ramseur Main Office	171 Jordan Road	Ramseur	NC	27316
Ranlo Branch	2301 Lowell Road	Ranlo	NC	28053
Red Springs Branch	101 N. Main Street	Red Springs	NC	28377
Scottish Plaza Branch	710 East 4th Avenue	Red Springs	NC	28377
Reidsville Main Office	609 S. Main Street	Reidsville	NC	27320
Riegelwood Branch	400 Riegelwood Shopping Center	Riegelwood	NC	28456
Roanoke Rapids Main	1583 East 10th Street	Roanoke Rapids	NC	27870
Rockingham Branch	1300 Broad Street	Rockingham	NC	28379
South Lee Street	116 South Lee Street	Rockingham	NC	28379
Rocky Mount Main Office	200 North Church Street	Rocky Mount	NC	27802
Winstead Avenue Office	127 Winstead Avenue	Rocky Mount	NC	27802
Rose Hill Branch	332 South Sycamore Street	Rose Hill	NC	28458
East Roseboro Street Branch	201 E. Roseboro Street	Roseboro	NC	28382
Rowland Main	201 E. Main Street	Rowland	NC	28383
Roxboro Main Office	500 N. Madison Boulevard	Roxboro	NC	27573
Rutherfordton Main Office	202 North Main Street	Rutherfordton	NC	28139
Washington Street Branch	511 N. Washington Street	Rutherfordton	NC	28139
Saint Pauls Branch	108 East Broad Street	Saint Pauls	NC	28384
Kendale Plaza Office	145 West Main Street	Sanford	NC	27331
Riverbirch Branch	1135 Spring Lane	Sanford	NC	27330
Sanford Main Branch	200 North Horner Boulevard	Sanford	NC	27330
Scotland Neck Main Branch	1001 S. Main Street	Scotland Neck	NC	27874
Selma Branch	212 North Raiford Street	Selma	NC	27576
Seven Lakes Branch	101 Lakeway Drive	Seven Lakes	NC	27376
North Main Street Branch	4567 N. Main Street	Shallotte	NC	28459
Shallotte Branch	5002 Main Street	Shallotte	NC	28459
Market Place Office	1774 E. Dixon Blvd.	Shelby	NC	28150
Shelby Main Office	400 S. Lafayette Street.	Shelby	NC	28150
Siler City Main Office	501 N. Second Street	Siler City	NC	27344

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Branch Name	Address	City	State	Zip Code
Smithfield Main Office	301 Bridge Street	Smithfield	NC	27577
Southern Pines Branch	200 SW Broad Street	Southern Pines	NC	28387
Sawdust Trail	1606 N. Howe Street SE	Southport	NC	28461
Southport Main Branch	104 S. Howe Street	Southport	NC	28461
Sparta Branch	215 South Main Street	Sparta	NC	28675
Spindale Branch	201 W. Main Street	Spindale	NC	28160
Spring Lake Branch	218 Bragg Blvd.	Spring Lake	NC	28390
Stanley Branch	101 N. Main Street	Stanley	NC	28164
Stantonsburg Branch	111 South Main Street	Stantonsburg	NC	27883
Statesville Main	500 East Broad Street	Statesville	NC	28677
Sullivan Road Branch	621 Sullivan Road	Statesville	NC	28677
West Statesville Branch	1913 West Front Street	Statesville	NC	28677
Holden Beach Branch	3226 Holden Beach Road	Supply	NC	28462
Sylva Branch	186 Grindstaff Cove Road	Sylva	NC	28779
Tabor City Branch	301 Hickman Road	Tabor City	NC	28463
Tarboro Main Office	930 Western Boulevard	Tarboro	NC	27886
Main Ave. Branch	320 Main Ave. Dr., SE	Taylorsville	NC	28681
South Office	1120 Randolph Street	Thomasville	NC	27360
Thomasville Unity Office	521 National Highway	Thomasville	NC	27360
Trenton Branch	150 West Jones Street	Trenton	NC	28585
Troutman Branch	183 Wagner Street	Troutman	NC	28166
Main Office	225 E. Main Street	Valdese	NC	28690
Vass Main Office	100 Bank Street	Vass	NC	28394
The Automobank Branch	725 E. Caswell Street	Wadesboro	NC	28170
Wadesboro Main Branch	119 W. Wade Street	Wadesboro	NC	28170
Wake Forest Branch	12213 Capital Boulevard	Wake Forest	NC	27587
Main Office	415 N. Norwood Street	Wallace	NC	28466
Market Street Drive-In Branch	114 East Market Street	Warrenton	NC	27589
Warrenton Branch	122 South Main Street	Warrenton	NC	27589
Warsaw Branch	103 West Hill Street	Warsaw	NC	28398
Waxhaw Branch	520 N. Broome Street	Waxhaw	NC	28173
Waynesville Branch	370 N Main Street	Waynesville	NC	28786
Highway 52 North Branch	6287 Highway 52 North	Welcome	NC	27374
Weldon Branch	301 Washington Avenue	Weldon	NC	27890
Courthouse Branch	810 Pinckney Street	Whiteville	NC	28472
South Whiteville	2 Whiteville Plaza	Whiteville	NC	28472
Whiteville Main	306 S. Madison Street	Whiteville	NC	28472
Wilkesboro Branch	900 River Street	Wilkesboro	NC	28697
Main Office	918 Washington Street	Williamston	NC	27892
17th Street Office	2401 South 17th Street	Wilmington	NC	28401
Main Office	115 North 3rd Street	Wilmington	NC	28401
Odgen Branch	6830 Market Street	Wilmington	NC	28405
Oleander Drive Branch	3417 Oleander Drive	Wilmington	NC	28403
South College Road Branch	301 S. College Road	Wilmington	NC	28403
University Branch	680 South College Road	Wilmington	NC	28403
Main Office	223 W. Nash Street	Wilson	NC	27893
Medical Center Branch	1604 S. Tarboro Street	Wilson	NC	27893
West Nash Branch	2110 West Nash Street	Wilson	NC	27893
Jonestown Office	121 Jonestown Road	Winston-Salem	NC	27104
Marshall Street Drive-Thru	150 Marshall Street	Winston-Salem	NC	27104
New Walkertown Office	2601 New Walkertown Road	Winston-Salem	NC	27101
Parkway Office	2710 Peters Creek Parkway	Winston-Salem	NC	27127
Reynolda Road Office	2815 Reynolda Road	Winston-Salem	NC	27106
Robinhood Office	3410 Robinhood Road	Winston-Salem	NC	27106
Stanleyville Office	6000 University Parkway	Winston-Salem	NC	27105

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Branch Name	Address	City	State	Zip Code
Stratford Point Main Office	110 S. Stratford Road	Winston-Salem	NC	27113
Stratford Road Office	1100 S. Stratford Road, Bldg. B	Winston-Salem	NC	27103
Triad Park	200 West Second Street	Winston-Salem	NC	27101
Winterville Branch	101 W. Firetower Road	Winterville	NC	28590
Wrightsville Beach Branch	7031 Wrightsville Avenue	Wrightsville Beach	NC	28403
East Main Branch	101 East Main Street	Yadkinville	NC	27055
Oak Island Branch	101 Yaupon Drive	Yaupon Beach	NC	28465
Anderson Main Office	4007 Clemson Blvd.	Anderson	SC	29621
North Main Street	1510 North Main St.	Anderson	SC	29621
Batesburg Office	303 W. Columbia Ave.	Batesburg	SC	29006
Main Office	706 Bay Street	Beaufort	SC	29901
Capital	123 O Neal St.	Belton	SC	29627
McGee Way Drive In	108 McGee Way	Belton	SC	29627
Bluffton Main	2 Burnt Church Road	Bluffton	SC	29910
Boiling Springs	2701 Boiling Springs Rd	Boiling Springs	SC	29316
Cayce Office	2500 Charleston Hwy.	Cayce	SC	29172
Chapin Office	1301 Chapin Road	Chapin	SC	29036
Main Office	151 Meeting St.	Charleston	SC	29401
Sam Rittenburg	1962 Sam Rittenberg Blvd.	Charleston	SC	29407
Chesnee	740 S Alabama Ave	Chesnee	SC	29323
Saluda Street	115 Saluda Street	Chester	SC	29706
College Avenue	389 College Avenue	Clemson	SC	29631
Tiger Boulevard	1070 Tiger Boulevard	Clemson	SC	29631
Assembly St. (Main Office)	1901 Assembly St.	Columbia	SC	29202
Columbiana Financial Center	291 Harbison Blvd.	Columbia	SC	29212
Dutch Square Office	420 Bush River Road	Columbia	SC	29210
Forest Drive	3401 Forest Drive	Columbia	SC	29204
Two Notch	8910 Two Notch Road	Columbia	SC	29223
Woodhill Mall Office	6098 Garners Ferry Road	Columbia	SC	29209
Conway Main	2300 Highway 501 East	Conway	SC	29526
Duncan	128 W. Main Street	Duncan	SC	29334
Hwy 290	2075 E Main Street	Duncan	SC	29334
Calhoun Memorial Pkwy.	6016 Calhoun Memorial Hwy.	Easley	SC	29640
Irby Street	605 S. Irby Street	Florence	SC	29502
Main Office	1831 West Evans St.	Florence	SC	29501
Second Loop Road	407 Second Loop Road	Florence	SC	29505
Goose Creek	144 St. James Ave.	Goose Creek	SC	29445
Wade Hampton Blvd.	1533 Wade Hampton Blvd.	Greenville	SC	29609
Augusta Road	2204 Augusta Road	Greenville	SC	29605
Berea Office	1954 Cedar Lane Road	Greenville	SC	29611
Broadus Avenue Office	416 E. North Street	Greenville	SC	29601
East North Street Office	3515 E. North Street	Greenville	SC	29615
Haywood Road	701 Haywood Road	Greenville	SC	29607
Main Office	301 College St.	Greenville	SC	29601
Main Street	301 N. Main St.	Greenville	SC	29601
Mills Avenue Office	505 Mills Avenue	Greenville	SC	29605
Pelham Road	3841 Pelham Road	Greenville	SC	29615
Pleasantburg Office	265 S. Pleasantburg Drive	Greenville	SC	29607
Woodruff Road	2000 Woodruff Road	Greenville	SC	29607
Greer Main	400 Memorial Drive	Greer	SC	29651
Hudson Corners	2101 Old Spartanburg Road	Greer	SC	29650
Greer Downtown	101 N. Main Street	Greer	SC	29651
Greer-W. Poinsett	1319 W Poinsett St	Greer	SC	29650
Hampton Office	402 Elm Street East	Hampton	SC	29924
Honea Path	21 W. Greer St.	Honea Path	SC	29654

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Branch Name	Address	City	State	Zip Code
Inman	11157 Asheville Hwy	Inman	SC	29349
Irmo Office	7425 St. Andrews Road	Irmo	SC	29063
Johns Island Branch	1900 Seabrook Island Rd.	Johns Island	SC	29455
Main Office	600 N. Main Street	Lancaster	SC	29720
Columbia Avenue	309 Columbia Avenue	Lexington	SC	29072
Main Street	126 East Main Street	Lexington	SC	29072
Red Bank Office	1120 South Lake Drive	Lexington	SC	29073
Little River	1702 Hwy. 17 North	Little River	SC	29566
Main Street	4207 Main St.	Loris	SC	29569
Lyman Main	100 Inman Road	Lyman	SC	29365
Main Street	110 Main Street	Mauldin	SC	29662
McCormick Office	200 East Augusta Street	McCormick	SC	29835
Mt. Pleasant	885 Johnnie Dodds Blvd.	Mt. Pleasant	SC	29464
Mt. Pleasant	2692 N. Hwy. 17	Mt. Pleasant	SC	29464
Myrtle Square	601 21st Avenue North	Myrtle Beach	SC	29577
Socastee Branch	5429 Dick Pond Road	Myrtle Beach	SC	29588
76th Avenue Office	581 76th Avenue North	Myrtle Beach	SC	29572
North Myrtle Beach	720 Hwy. 17 South	N. Myrtle Beach	SC	29582
Newberry Main Office	1724 Wilson Road	Newberry	SC	29108
Dorchester Road	5010 Dorchester Road	North Charleston	SC	29418
Northwoods Mall	2152 Northwoods Blvd.	North Charleston	SC	29406
Main Office	500 Bennett Avenue	Orangeburg	SC	29115
Litchfield Office	115 Willbrook Blvd.	Pawleys Island	SC	29585
Pelion Branch	617 Pine Street	Pelion	SC	29123
Piedmont Center	900 Anderson St.	Piedmont	SC	29673
Dave Lyle Blvd.	2286 Dave Lyle Blvd.	Rock Hill	SC	29730
Main Office	245 South Herlong Avenue	Rock Hill	SC	29732
Seneca Office	975 Bypass 123	Seneca	SC	29678
Simpsonville Office	713 SE Main Street	Simpsonville	SC	29680
Hillcrest	1461 East Main Street	Spartanburg	SC	29307
Spartanburg-Main	380 E. Main St	Spartanburg	SC	29302
Spartanburg-Westgate	1488 W.O. Ezell Blvd	Spartanburg	SC	29301
Spartanburg-North Church	280 N. Church Street	Spartanburg	SC	29306
Main Office	718 F R Huff Drive North	St. Matthews	SC	29135
Dorchester Rd/Trolley Rd	10105 Dorchester Rd/Trolley Rd	Summerville	SC	29485
Broad Street	1099 Broad Street	Sumter	SC	29150
Main Office	216 North Main Street	Sumter	SC	29150
Westside Branch	498 N. Guignard Drive	Sumter	SC	29150
Swansea Office	235 S. Church Street	Swansea	SC	29160
Wade Hampton Blvd.	3255 Wade Hampton Blvd.	Taylors	SC	29687
Walterboro Main	401 Robertson Boulevard	Walterboro	SC	29488
Main Office	701 12th Street	West Columbia	SC	29169
Springdale Office	3300 Platt Springs Road	West Columbia	SC	29169
Sunset Office	2404 Sunset Blvd.	West Columbia	SC	29169
Williamston	1 Greenville Drive	Williamston	SC	29697
Yemassee Branch	33 Salkehatchie Road	Yemassee	SC	29945
Alcoa	109 Associates Blvd	Alcoa	TN	37701
Athens Main	204 Washington Ave	Athens	TN	37303
Athens Plaza	1604 Decatur Pike	Athens	TN	37303
Calhoun	5099 Hwy 11	Calhoun	TN	37309
Copperhill	40 Ocoee Street	Copperhill	TN	37317
Dandridge Main	858 South Hwy 92	Danridge	TN	37725
Ducktown	1646 Hwy 68	Ducktown	TN	37326
Englewood	20 S. Niota Rd	Englewood	TN	37329
Etowah	601 Tennessee Ave South	Etowah	TN	37331

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Branch Name	Address	City	State	Zip Code
Gatlinburg	811 Parkway	Gatlinburg	TN	37738
Dudley Creek	912 E. Parkway	Gatlinburg	TN	37738
Jefferson City	263 East Broadway Blvd.	Jefferson City	TN	37760
Main	625 Market Street	Knoxville	TN	37902
Farragut	11140 Kingston Pike	Knoxville	TN	37922
Knoxville Center	3001 Knoxville Center, Suite 1235	Knoxville	TN	37924
Bearden	4611 Kingston Pike	Knoxville	TN	37919
Halls	7108 Maynardville Highway	Knoxville	TN	37918
Cedar Bluff	330 North Cedar Bluff Rd	Knoxville	TN	37923
Rocky Hill	7709 Northshore Drive	Knoxville	TN	37919
Weisgarber	1235 Weisgarber Road	Knoxville	TN	37909
Merchants Drive	310 Merchants Drive	Knoxville	TN	37912
Kodak	2950 Winfield Dunn Pky	Kodak	TN	37764
Lenoir City	391 Hwy 321/95 N	Lenoir City	TN	37771
Loudon Main	406 Grove Street	Loudon	TN	37774
Tellico Village	302 Village Square Dr	Loudon	TN	37774
Madisonville	4850 New Hwy 68	Madisonville	TN	37354
Maryville Main	220 S Washington St	Maryville	TN	37804
Foothills	710 S. Foothills Plaza Dr	Maryville	TN	37801
Walland	2430 E Lamar Alexander Pky	Maryville	TN	37804
Philadelphia	22730 West Lee Hwy	Philadelphia	TN	37846
Pigeon Forge	3416 S River Rd	Pigeon Forge	TN	37863
Riceville	3809 Hwy 11	Riceville	TN	37370
Main	100 E. Main Street	Sevierville	TN	37862
Dolly Parton	710 Dolly Parton Parkway	Sevierville	TN	37862
Governors Crossing	186 Collier Drive	Sevierville	TN	37862
Seymour	10232 Chapman Hwy	Seymour	TN	37865
Sweetwater	903 Hwy 68	Sweetwater	TN	37874
Townsend	7971 E. Lamar Alexander Pky	Townsend	TN	37882
Abingdon	233 Wyndale Road	Abingdon	VA	24212
Afton Main	10190 Critzer Shop Road	Afton	VA	22920
Alexandria Main Office	1717 King Street	Alexandria	VA	22314
Old Town Office	606 King Street	Alexandria	VA	22314
Sherwood Hall Office	7901 Richmond Highway	Alexandria	VA	22306
Springfield Manchester Lakes	7027A Manchester Boulevard	Alexandria	VA	22310
AltaVista Main	700 Main Street	Altavista	VA	24517
Amherst	115 Richmond Hwy, Rt 60 East	Amherst	VA	24521
Annadale Office	4115 Annandale Road	Annandale	VA	22003
Appomattox	Hwy 460 W, History Jct Shop. Ctr	Appomattox	VA	24522
Arlington	1010 N. Gleebe Road	Arlington	VA	22201
Lee Highway Office	4736 Lee Highway	Arlington	VA	22207
England Street	703 England St	Ashland	VA	23005
Atkins	5894 Lee Hwy	Atkins	VA	24311
Oak Level	11020 Virginia Avenue	Bassett	VA	24055
Berryville Main Office	23 North Church Street	Berryville	VA	22611
Blackstone Main Office	200 South Main Street	Blackstone	VA	23824
Bridgewater Main Office	317 North Main Street	Bridgewater	VA	22812
Broadway Main Office	153 North Main Street	Broadway	VA	22915
Buchanan	19792 Main Street	Buchanan	VA	24066
Buena Vista	1002 Magnolia Avenue	Buena vista	VA	24416
Cana	15497 Fancy Gap Hwy	Cana	VA	24317
Catharpin Main Office	4665 Sudley Road	Catharpin	VA	20143
Centerville Main Office	14260 J Centreville Square	Centerville	VA	20120
Sully Station Office	5105 Westfields Boulevard	Centerville	VA	20120
Chantilly Main Office	13821 Lee Jackson Highway	Chantilly	VA	20151

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Branch Name	Address	City	State	Zip Code
Charles City Main	10000 Courthouse Road	Charles City	VA	23030
5th Street	1113 5th Street Extended	Charlottesville	VA	22903
Seminole Trail	1425 Seminole Trail	Charlottesville	VA	22906
Commonwealth Main	300 Preston Avenue	Charlottesville	VA	22901
Ivy Road	2033 Ivy Road	Charlottesville	VA	22903
Pantopps	1652 State Farm Boulevard	Charlottesville	VA	22903
Danville-Chatham	2 North Main Street	Chatham	VA	24531
Danville-Chatham Drive Thru	148 Tightsqueeze Plaza	Chatham	VA	24531
Churchland	3113 Western Branch Blvd.	Chesapeake	VA	23321
Deep Creek	111 Mill Creek Parkway, Suite 100	Chesapeake	VA	23323
Great Bridge	238 S. Battlefield Blvd.	Chesapeake	VA	23320
Greenbrier	1809 Greenbrier Parkway	Chesapeake	VA	23320
Chester	12840 Jefferson Davis Hwy	Chester	VA	23831
Chester Village Drive Office	11900 Chester Village Drive	Chester	VA	23831
Chesterfield Main Office	9970 Iron Brodge Road	Chesterfield	VA	23832
Chilhowie	1020 E. Lee Hwy	Chilhowie	VA	24319
Clifton Forge Main	1633 Main Street	Clifton Forge	VA	24422
Collinsville	2680 Virginia Avenue	Collinsville	VA	24078
Colonial Heights	2609 Boulevard	Colonial Heights	VA	23834
Courtland Main	22736 Main Street	Courtland	VA	23837
Covington Main	1113 South Craig Avenue	Covington	VA	24426
Covington Main	116 West Riverside Street	Covington	VA	24426
Culpeper Main	806 Nottingham Street	Culpeper	VA	22701
Cumberland Main	1496 Anderson Hwy, Rt 60	Cumberland	VA	23040
Danville Main	705 Main Street	Danville	VA	24540
Emporia Main Office	301 West Atlantic Street	Emporia	VA	23847
Fair Oaks Office	12220 Fairfax Towne Center	Fairfax	VA	22033
Fairfax	11180 Lee Highway	Fairfax	VA	22030
Fairfax Main	4117 Chain Bridge Road	Fairfax	VA	22030
Fairfield	5874 N. Lee Hwy (Rt 11)	Fairfield	VA	24435
Falls Church Office	133 South Washington Street	Falls Church	VA	22046
Skyline Office	3829 South George Mason Drive	Falls Church	VA	22041
Farmville Main	1304 South Main St	Farmville	VA	23901
Ferrum	4505 Timberline Road	Ferrum	VA	24088
Flint Hill Main Office	644 Zachary Taylor Highway	Flint Hill	VA	22627
Graves Mill	17923 Forest Rd, Graves Mill Center	Forest	VA	24551
Main Office	14785 Forest Road	Forest	VA	24551
Fork Union Main	4342 James Madison Hwy	Fork Union	VA	23055
College Drive	201 College Drive	Franklin	VA	23851
Franklin Main	100 East Fourth Avenue	Franklin	VA	23851
C Jefferson Hwy Office	501-C Jefferson Davis Hwy	Fredericksburg	VA	22406
Fredericksburg Four Mile	4535 Lafayette Blvd	Fredericksburg	VA	22408
Fredericksburg Main	400 George Street	Fredericksburg	VA	22401
Fredericksburg Route 3	3600 Plank Road	Fredericksburg	VA	22407
Warrenton Road Office	760 Warrenton Road	Fredericksburg	VA	22406
Front Royal Main Office	102 East Main Street	Front Royal	VA	22630
Shenandoah Center	1355 Shenandoah Ave	Front Royal	VA	22630
South Town Office	432 South Street	Front Royal	VA	22630
Gainesville Main Office	14091 John Marshall Highway	Gainesville	VA	20155
Galax	1100 E Stuart Dr	Galax	VA	24333
Glasgow	836 Rockbridge Road	Glasgow	VA	24555
Parkside Marketplace	10791 W. Broad Street	Glen Allen	VA	23060
Wyndham	11400 Nuckols Rd	Glen Allen	VA	23060
Glenns Main	14833 George Washington Memorial Hwy	Glenns	VA	23149
Gloucester Main	7171 George Washington Memorial Hwy	Gloucester	VA	23061

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Branch Name	Address	City	State	Zip Code
Gordonsville Main	202 South Main Street	Gordonsville	VA	22942
Grafton	5340 Geo. Washington Mem. Hwy.	Grafton	VA	23692
Greenville	4033 Lee-Jackson Hwy (Us Rt 11)	Greenville	VA	24440
Grottoes Main Office	200 Augusta Street	Grottoes	VA	24441
Hamilton Main Office	38997 East Colonial Highway	Hamilton	VA	20158
Coliseum	2160 Coliseum Drive	Hampton	VA	23666
Dayton Pike Office	1900 South High Street	Harrisonburg	VA	22801
Harrisonburg Main	1855 East Market Street	Harrisonburg	VA	22801
Harrisonburg South Office	3150 South Main Street	Harrisonburg	VA	22801
Parkview Office	611 Mount Clinton Pike	Harrisonburg	VA	22801
Sunnyside Office	430 Highlands Place	Harrisonburg	VA	22801
Herndon Main Office	230 Herndon Parkway	Herndon	VA	20170
Hillsville Main	145 N. Main St	Hillsville	VA	24343
Hopewell	106 N. Second Street	Hopewell	VA	23860
Hot Springs Main	Route 220 and Kingtown Lane	Hot Springs	VA	24445
Ivor Main	8314 Main Street	Ivor	VA	23866
Kenbridge Main Office	204 South Broad Street	Kenbridge	VA	23944
Keysville Main	185 King Street	Keysville	VA	23947
Dillingham Square Office	12493 Dillingham Square	Lake Ridge	VA	22192
Lebanon	654 Pittston Road	Lebanon	VA	24266
Leesburg Main Office	101 Catoctin Circle, SE	Leesburg	VA	20175
Market Street Office	7 West Market Street	Leesburg	VA	20176
College Square	744 N. Lee Hwy, College Sq Ctr	Lexington	VA	24450
Nelson Street Main	537 East Nelson Street	Lexington	VA	24450
Walmart	1233 Lee Highway	Lexington	VA	24450
Lovettesville Main Office	7 East Broadway	Lovettsville	VA	20180
Lovingston Main	93 Front Street	Lovingston	VA	22949
Luray East	700 East Main Street	Luray	VA	22835
Luray Main	1 East Main Street	Luray	VA	22835
Lynchburg Main	7114 Timberlake Road	Lynchburg	VA	24502
Waterlick Branch	21437 Timberlake Road	Lynchburg	VA	24502
Boonsboro	4925 Boonsboro Road	Lynchburg	VA	24503
Langhorne Road Branch	2120 Langhorne Road	Lynchburg	VA	24501
Main Street	925 Main Street	Lynchburg	VA	24505
Old Forest Road	3638 Old Forest Rd	Lynchburg	VA	24501
Plaza	2403 Memorial Ave	Lynchburg	VA	24501
Rivermont Avenue	2477 Rivermont Ave	Lynchburg	VA	24503
Timberlake	20865 Timberlake Road	Lynchburg	VA	24502
Wards Road-Fort Hill	2015 Wards Road	Lynchburg	VA	24502
Amelon	118 Amelon Square Plaza (Rt. 29)	Madison Heights	VA	24572
Madison Heights	109 Seminole Plaza	Madison Heights	VA	24572
Manassas Main Office	9201 Church Street	Manassas	VA	20110
Sudley Road Office	7801 Sudley Road	Manassas	VA	20109
Woodbine Office	13414 Dumfries Road	Manassas	VA	20112
Centreville Road Office	8780 Centreville Road	Manassas	VA	20110
Marshall Main Office	8318 East Main Street	Marshall	VA	20115
Boulevard	1205 Memorial Blvd	Martinsville	VA	24112
Main Office	1 Ellsworth Street	Martinsville	VA	24112
Mattaponi Main	Route 33, P. O. Box 346	Mattaponi	VA	23110
Old Dominion Drive Office	6257A Old Dominion Drive	McLean	VA	22102
Main Office	8200 Greensboro Dr, Suite 100	McLean	VA	22102
McLean	6661-C Old Dominion Dr	McLean	VA	22101
Meadows of Dan	3607 JEB Stuart Hwy	Meadows Of Dan	VA	24120
Lee-Davis	7021 Mechanicsville Tnpg	Mechanicsville	VA	23111
Middleburg Main Office	202 West Washington Street	Middleburg	VA	20117

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Branch Name	Address	City	State	Zip Code
Middletown Main Office	7800 Main Street	Middletown	VA	22645
Harbour Pointe	6512 Harbour View Court	Midlothian	VA	23112
Huguenot Road	1120 Huguenot Road	Midlothian	VA	23113
Richmond County Line Office	17650 Midlothian Turnpike	Midlothian	VA	23113
Richmond Genito Office	11010 Hull Street Road	Midlothian	VA	23112
Bellgrade	2500 Promenade Pkwy	Midlothian	VA	23113
Mineral Main	223 Mineral Avenue	Mineral	VA	23117
Westlake	13400 Booker T. Washington	Moneta	VA	24121
Mt Jackson Main Office	5180 Main Street	Mount Jackson	VA	22842
New Market Main Office	9383 Congress Street	New Market	VA	22844
Hidenwood	12301 Warwick Blvd.	Newport News	VA	23606
Newport News Main	737 J. Clyde Morris Boulevard	Newport News	VA	23601
Newsoms Main	22334 General Thomas Highway	Newsoms	VA	23874
Cromwell	2008 Cromwell Road	Norfolk	VA	23509
Ghent	539 W. 21st Street	Norfolk	VA	23517
Granby Street	7420 Granby Street	Norfolk	VA	23505
Main Office	109 E. Main Street (Home Office)	Norfolk	VA	23510
Military Circle	929 Glenrock Road	Norfolk	VA	23502
Roosevelt	2336 E. Little Creek Road	Norfolk	VA	23518
Wards Corner	245 E. Little Creek Road	Norfolk	VA	23505
Palmyra Main	13526 James Madison Hwy	Palmyra	VA	22963
Patrick Springs	22121 Jeb Stuart Hwy	Patrick Springs	VA	24133
Main	Franklin and Adams Street	Petersburg	VA	23803
South Adams	801 S. Adams Street	Petersburg	VA	23803
Walnut Hill	3340 South Crater Road	Petersburg	VA	23803
Crawford Street	500 Crawford Street	Portsmouth	VA	23704
Midtown	3301 High Street	Portsmouth	VA	23707
Portsmouth Blvd.	5515 Portsmouth Blvd.	Portsmouth	VA	23701
Purcellville	440 E Main St	Purcellville	VA	20132
Reston	12170 Sunset Hills Road	Reston	VA	20190
Richlands	3102 Cedar Valley Drive	Richlands	VA	24641
East Parham Road Office	1300 East Parham Road	Richmond	VA	23227
Forest Hill Avenue Office	6980 Forest Hill Avenue	Richmond	VA	23225
Laburnum	4802 S. Laburnum Avenue	Richmond	VA	23231
Lakeside Ave Office	5001 Lakeside Avenue	Richmond	VA	23228
Meadowbrook Office	5756 Hopkins Road	Richmond	VA	23234
Midlothian Turnpike Office	9960 Midlothian Turnpike	Richmond	VA	23235
Richmond Main	823 East Main Street	Richmond	VA	23219
Richmond-Skipwith	3214 Skipwith Road	Richmond	VA	23229
South Laburnum Office	4851 South Laburnum Avenue	Richmond	VA	23231
Staples Mill Road Office	1776 Staples Mill Road	Richmond	VA	23230
Three Chopt Road Office	9012 Three Chopt Road	Richmond	VA	23229
Westhampton	5711 Patterson Avenue	Richmond	VA	23226
Willown Lawn	1650 Willow Lawn Drive	Richmond	VA	23230
River Road	6201 River Rd	Richmond	VA	23229
Ridgeway	4860 Greensboro Road	Ridgeway	VA	24178
Hershberger Road	1620 Hershberger Road	Roanoke	VA	24012
Main	37 W. Church Avenue	Roanoke	VA	24011
Tanglewood	3119 Chaparral Drive SW	Roanoke	VA	24018
220 North	35 Shepherd Drive	Rocky Mount	VA	24151
Rocky Mount	65 N. Main St	Rocky Mount	VA	24151
Round Hill Main Office	21 Main Street	Round Hill	VA	20141
Ruckersville Main	7003 Seminole Trail	Ruckersville	VA	22968
Salem	303 E. Burwell Street	Salem	VA	24153
Main Office	109 Palmer Avenue	Saltville	VA	24370

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Branch Name	Address	City	State	Zip Code
Scottsville Main	146 James River Road	Scottsville	VA	24590
Centerville	4018 Halifax Rd	South Boston	VA	24592
South Boston Main	904 Wilborn Ave	South Boston	VA	24592
South Hill Main	212 East Atlantic St.	South Hill	VA	23970
South Riding Main	25393 Elklick Road	South Riding	VA	20152
Newington Office	7830 Backlick Road	Springfield	VA	22150
Springfield Main Office	6810 Commerce Street	Springfield	VA	22150
West Springfield Office	8432 Old Keene Mill Road	Springfield	VA	22152
Fredericksburg-Aquia	117 Garrisonville Road	Stafford	VA	22554
Stanleytown	1460 Fairystone Park Hwy	Stanleytown	VA	24168
Stauton Main Office	205 North Central Avenue	Staunton	VA	24401
Stephens City Main Office	5306 Main Street	Stephens City	VA	22655
Stephens City-Fairfax Office	126 Fairfax Pike	Stephens City	VA	22655
Sterling Main Office	22550 Davis Drive	Sterling	VA	20164
Main Office	100 Stonewall Court	Stuart	VA	24171
Holland Road	6617 Holland Road	Suffolk	VA	23437
Main Street	1525 N. Main Street	Suffolk	VA	23434
West End	1008 W. Washington Street	Suffolk	VA	23434
Surry Main	270 Colonial Trail East	Surry	VA	23883
Tazewell	901 East Fincastle Turnpike	Tazewell	VA	24651
Timberville Main Office	14104 Timber Way	Timberville	VA	22853
Vansant	Rt 83 & Rt 460	Vansant	VA	24657
Tysons Office	8221 Old Courthouse Road	Vienna	VA	22182
Vienna Office	440 Maple Avenue East	Vienna	VA	22180
Vinton	203 Virginia Avenue	Vinton	VA	24179
Washington Avenue	1111 East Washington Avenue	Vinton	VA	24179
First Colonial	930 First Colonial Road	Virginia Beach	VA	23454
Haygood	944 Independence Blvd.	Virginia Beach	VA	23455
Indian River	6056 E. Indian River Road	Virginia Beach	VA	23464
Kempsville	1433 Kempsville Road	Virginia Beach	VA	23464
Lynnhaven	601 Lynnhaven Parkway	Virginia Beach	VA	23452
Pacific Avenue	3450 Pacific Avenue	Virginia Beach	VA	23451
Pembroke	4592 Virginia Beach Blvd.	Virginia Beach	VA	23462
Witchduck	5101 Cleveland Street, Suite 100	Virginia Beach	VA	23462
Wakefield Main	205 Railroad Avenue	Wakefield	VA	23888
Warrenton Center Office	251 West Lee Highway	Warrenton	VA	20186
Warrenton Main Office	21 Main Street	Warrenton	VA	20186
Kingsmill	100 McLaws Circle	Williamsburg	VA	23185
Williamsburg Main	1031 Richmond Road	Williamsburg	VA	23185
Amherst Office	1800 Amherst Street	Winchester	VA	22601
Apple Blossom Office	1850 Apple Blossom Drive	Winchester	VA	22601
Canterbury Office	300 Westminster Canterbury Drive	Winchester	VA	22603
Fort Collier Office	829 North Loudoun Street	Winchester	VA	22601
Pleasant Valley Drive-In	2004 South Pleasant Valley Road	Winchester	VA	22601
Pleasant Valley Office	2082 South Pleasant Valley Road	Winchester	VA	22601
Senseny Road Office	1855 Senseny Road	Winchester	VA	22602
Shawnee Office	2252 Valley Avenue	Winchester	VA	22601
Winchester Main Office	115 North Cameron Street	Winchester	VA	22601
Berryville Avenue	1000 Berryville Avenue	Winchester	VA	22601
Weems Lane	426 Weems Lane	Winchester	VA	22601
Festival Main Office	14229 Potomac Mills Road	Woodbridge	VA	22192
Marumsc Plaza Office	13927 Jefferson David Highway	Woodbridge	VA	22192
Woodstock Main Office	115 West Spring Street	Woodstock	VA	22664
Athens	202 State St	Athens	WV	24712
Beckley Robert C. Byrd	3941 Robert C. Byrd Drive	Beckley	WV	25801

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Branch Name	Address	City	State	Zip Code
Beckley Harper Road	1901 Harper Road	Beckley	WV	25801
Riverside High School	1 Warrior Way	Belle	WV	25015
Berkley Springs	102 S. Washington St	Berkeley Springs	WV	25411
Bluefield	355 Bluefield Avenue	Bluefield	WV	24701
Bridgeport/Meadowbrook Mall	Meadowbrook Mall, Box 2015	Bridgeport	WV	26330
Bridgeport Valley Hills	405 West Main Street	Bridgeport	WV	26330
Cameron	21 Main Street	Cameron	WV	26033
Ceredo	106 C Street (Rt 60)	Ceredo	WV	25507
Charles Town	201 Frontage Road, Rt 340	Charles Town	WV	25414
One Valley Square Main	300 Summers Street	Charleston	WV	25301
One Valley Square Laidley St. Drive In	Laidley St (Drive-Thru)	Charleston	WV	25301
Kanawha City K Mall	5701 Maccorkle Avenue, S.	Charleston	WV	25301
Patrick Street	110 Patrick Street	Charleston	WV	25302
South Hills Ashton Place	1124 Fledderjohn Road	Charleston	WV	25304
Town Center	Town Center Mall Ste 1117	Charleston	WV	25314
West Side	501 Tennessee Avenue	Charleston	WV	25312
Washington Street Drive Thru	400 Washington St East (Dr-Thru)	Charleston	WV	25389
38th Street	3800 Mccorkle Avenue	Charleston	WV	25304
Clarksburg Main	400 W. Main Street	Clarksburg	WV	26302
Clarksburg Drive Thru	Chestnut & Washington Ave (Dr-Thru)	Clarksburg	WV	26302
Craigsville	Highland Trace (Rt 55)	Craigsville	WV	26205
Cross Lanes	5560 Big Tyler Rd	Cross Lanes	WV	25313
Danville	149 Smoot Ave	Danville	WV	25053
Delbarton	Rt. 65, Helena Ave, Box 669	Delbarton	WV	25670
Fairmont Avenue Teller Facility	108 Gaston Avenue (Dr-Thru)	Fairmont	WV	26554
Fairmont/WV Main	120 Fairmont Avenue	Fairmont	WV	26554
Middletown Mall	Rt 250 South, Middletown Mall	Fairmont	WV	26554
Fairmont/WV Farmington	Route 250 N	Farmington	WV	26571
Fort Ashby	Route 28 and Carroll Lane	Fort Ashby	WV	26719
Gilbert	Rt 52, Main Street	Gilbert	WV	25621
Glen Dale	20 Wheeling Avenue	Glen Dale	WV	26038
Grafton	7 Harman Center	Grafton	WV	26354
Hedgesville	Main & Mary St	Hedgesville	WV	25427
Huntington Main	102 6th Ave	Huntington	WV	25701
Fairfield	1425 Hal Greer Boulevard	Huntington	WV	25701
Pea Ridge/Barboursville	5638 U.S. Route 60 East	Huntington	WV	25701
Putnam Area Teays Valley	4141 State Route 34	Hurricane	WV	25526
Putnam Area Hurricane	Rt 19 & Route 34	Hurricane	WV	25526
Inwood	Route 11 N, Inwood Center	Inwood	WV	25428
Kermit	Rt 52, Eastgate Shopping Center	Kermit	WV	25674
Keyser	Route 220 Southern Dr. & Florida Ave	Keyser	WV	26726
Keyser Main	87 North Main Street	Keyser	WV	26726
Kingwood	114-116 East Main Street	Kingwood	WV	26537
Greenbrier North (Lewisburg)	U.S. Route 219 North	Lewisburg	WV	24901
Logan Main	80 Riverview Drive	Logan	WV	25601
Martinsburg East Main	148 South Queen Street	Martinsburg	WV	25401
Berkley Plaza	Berkeley Plaza (Rt 11)	Martinsburg	WV	25401
South Side	1111 Winchester Avenue	Martinsburg	WV	25401
Old Court House Square	1321 Edwin Miller Blvd	Martinsburg	WV	25401
Matewan	401 Mate St	Matewan	WV	25678
Morgantown Main	496 High Street	Morgantown	WV	26505
Morgantown Mini Bank Drive In	498 Spruce St (Drive Thru)	Morgantown	WV	26505
Sabraton	1806 Earl L. Core Road	Morgantown	WV	26505
Suncrest	466 Chestnut Ridge Road	Morgantown	WV	26554

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Branch Name	Address	City	State	Zip Code
Morgantown Mall	9259 Mall Road	Morgantown	WV	26505
Main	414-418 Jefferson Avenue	Moundsville	WV	26041
Lafayette (Drive-Thru)	700 Lafayette Avenue	Moundsville	WV	26041
Fayette Square	Rt 19, Lochgelly Rd (Fayette Square)	Oak Hill	WV	25901
Oak Hill	101 Main Street, East	Oak Hill	WV	25902
Oak Hill Drive Thru	201 Summerlee Road (Drive Thru)	Oak Hill	WV	25901
Parkersburg Main	8th & Avery Streets	Parkersburg	WV	26101
East	1822 Seventh Street	Parkersburg	WV	26101
Lubeck	1605 Harris Hwy	Parkersburg	WV	26101
South Parkersburg	280 Gihon Village Shop Center	Parkersburg	WV	26102
Parkersburg Drive Thru	Station Square 7th & Avery St (Drive-Thru)	Parkersburg	WV	26101
Point Pleasant	610 Viand St	Point Pleasant	WV	25550
Mercer County Main	1439 Main St (Courthouse Sq)	Princeton	WV	24740
Stafford Drive	1309 Stafford Drive	Princeton	WV	24740
Princeton Kroger Branch	1213 Stafford Drive (Kroger)	Princeton	WV	24740
Blakeley	301 South Mildred Street	Ranson	WV	25438
Ravenswood	One Wall Street	Ravenswood	WV	26164
Reedsville	Reedsville Valley Prof. Plaza	Reedsville	WV	26547
Ripley	98 Academy Street	Ripley	WV	25271
Greenbrier Main	100 Maplewood Avenue	Ronceverte	WV	24970
Riverwalk	520 Sixth Ave (6th & 5th Sts)	Saint Albans	WV	25177
Salem	101 East Main Street	Salem	WV	26426
Salem Drive In	201 Railroad Street (Drive Thru)	Salem	WV	26426
Shepherdstown	Route 45 West	Shepherdstown	WV	25443
St. Albans	#4 Riverwalk Plaza Maccorkle Ave	South Charleston	WV	25303
Summersville Main	811 Main Street	Summersville	WV	26651
Northside	815 Northside Drive	Summersville	WV	26651
Terra Alta	1003 East State Avenue	Terra alta	WV	26764
Vienna	500 13th Avenue	Vienna	WV	26105
Bethlehem	One Chapel Road	Wheeling	WV	26003
Wheeling	1145 Main Street	Wheeling	WV	26003
Waters Street Drive In	1225 Water Street (Drive Thru)	Wheeling	WV	26003
Williamson Main	250 2nd Ave & Vinson Street	Williamson	WV	25661

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OFFICE OF THRIFT SUPERVISION
Washington, D.C. 20552

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2002**

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OTS Docket number **07245**

EQUITABLE BANK

(Exact name of business issuer as specified in its charter)

United States

(State or other jurisdiction of incorporation or organization)

52-0952949

(IRS Employer Identification No.)

11501 Georgia Avenue, Wheaton, Maryland 20902

(Address of principal executive offices)

(Zip Code)

(301) 949-6500

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, par value \$.01 per share

Class

1,315,620

(Outstanding at July 29, 2002)

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Table of Contents**Item 1. Financial Statements****EQUITABLE BANK****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	June 30, 2002	September 30, 2001
ASSETS		
Cash and cash equivalents	\$ 2,974,502	\$ 6,348,113
Investment securities	7,152,622	6,670,574
Loans held for sale	1,385,461	2,224,093
Loans receivable, net	339,627,276	343,811,396
Mortgage-backed securities	120,944,161	113,602,800
Accrued interest receivable	2,530,755	3,019,070
Premises and equipment, net	1,056,067	1,159,153
Prepaid expenses and other assets	1,137,277	1,037,658
Total Assets	\$ 476,808,121	\$ 477,872,857
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	\$ 310,863,051	\$ 328,233,327
Advances from Federal Home Loan Bank	133,100,000	120,000,000
Advances from borrowers for taxes and insurance	930,082	509,882
Accounts payable, accrued expenses and other liabilities	2,047,814	2,153,269
Income taxes payable	46,086	
Total Liabilities	446,987,033	450,896,478
Commitments and Contingencies		
Stockholders Equity:		
Serial preferred stock, \$.01 par value 500,000 shares authorized, none outstanding		
Common stock, \$.01 par value 4,000,000 shares authorized; 1,315,620 outstanding as of June 30, 2002 and 1,309,727 as of September 30, 2001	13,156	13,097
Additional paid in capital	6,197,763	6,129,481
Retained Earnings	23,610,169	20,833,801
Total stockholders equity	29,821,088	26,976,379
Total Liabilities and Stockholders Equity	\$ 476,808,121	\$ 477,872,857
Book value, per share	\$ 22.67	\$ 20.60

See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended June 30,	
	2002	2001
Interest Income		
Loans receivable:		
Mortgage Loans	\$ 4,967,474	\$ 5,478,455
Consumer and other loans	653,218	659,617
Investment securities	97,657	308,340
Mortgage-backed and related securities	1,460,722	1,715,860
Total interest income	7,179,071	8,162,272
Interest Expense		
Deposits	2,683,418	4,183,424
Other interest	1,529,053	1,648,747
Total interest expense	4,212,471	5,832,171
Net interest income	2,966,600	2,330,101
Provision for loan losses	12,665	28,343
Net interest income after provision for loan losses	2,953,935	2,301,758
Noninterest Income		
Loan fees and service charges	18,095	13,828
Loan servicing fees	34,142	41,404
Gain on sale of loans	71,579	69,617
Other service fees	97,145	86,332
Other	12,355	10,020
Total noninterest income	233,316	221,201
Noninterest Expense		
Compensation and benefits	992,647	866,985
Occupancy and equipment	200,490	198,263
Administrative and general	521,120	498,945
Other	493	84
Total noninterest expense	1,714,750	1,564,277
Income before income taxes	1,472,501	958,682
Income tax provision	569,850	364,572
Net Income	\$ 902,651	\$ 594,110
Earnings per common share-basic	\$.69	\$.46
Earnings per common share-diluted	\$.63	\$.43

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See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine months ended June 30,	
	2002	2001
Interest Income		
Loans receivable:		
Mortgage Loans	\$ 15,471,258	\$ 16,714,760
Consumer and other loans	1,934,300	2,221,205
Investment securities	386,676	963,839
Mortgage-backed and related securities	4,587,044	5,326,435
Total interest income	22,379,278	25,226,239
Interest Expense		
Deposits	9,124,740	12,844,084
Other interest	4,585,227	5,629,087
Total interest expense	13,709,967	18,473,171
Net interest income	8,669,311	6,753,068
Provision for loan losses	68,185	47,743
Net interest income after provision for loan losses	8,601,126	6,705,325
Noninterest Income		
Gain on sale of real estate and foreclosed assets		1,000
Loan fees and service charges	42,351	45,996
Loan servicing fees	113,223	128,542
Gain on sale of loans	379,237	127,134
Other service fees	278,550	243,687
Other	35,310	29,590
Total noninterest income	848,671	575,949
Noninterest Expense		
Compensation and benefits	2,830,641	2,539,996
Occupancy and equipment	595,647	548,108
Administrative and general	1,497,778	1,521,694
Expense of foreclosed assets		122
Other	2,518	689
Total noninterest expense	4,926,584	4,610,609
Income before income taxes	4,523,213	2,670,665
Income tax provision	1,746,845	1,025,173
Net Income	\$ 2,776,368	\$ 1,645,492
Earnings per common share-basic	\$ 2.12	\$ 1.26

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Earnings per common share-diluted	\$	1.95	\$	1.19
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See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended June 30,	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 2,776,368	\$ 1,645,492
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	165,462	181,273
Provision for loan losses	68,185	47,743
Premiums and discounts on mortgage-backed securities and investments	(17,982)	(157,879)
Amortization of deferred loan fees	(299,064)	(207,211)
Gain on sale of loans	(379,237)	(127,134)
(Increase) Decrease in assets		
Accrued interest receivable	488,315	239,708
Loans originated for sale	(39,250,550)	(30,307,100)
Sales of loans originated for sale	40,086,550	27,569,000
Increase (Decrease) in liabilities		
Income taxes payable	46,086	
Other items, net	(205,074)	67,825
Net cash provided (used) by operations	3,479,059	(1,048,283)
Cash flows from Investing activities:		
Net decrease (increase) in loans	4,855,783	7,242,359
Principal reduction in mortgage-backed securities and participation certificates	30,695,331	21,980,231
Purchase of mortgage backed securities and participation certificates	(38,054,673)	(26,509,264)
Purchase of investment securities		(50,317)
Principal reduction in investment securities		8,001,250
Purchase of FHLB stock	(505,000)	(170,000)
Purchase of office property and equipment	(62,376)	(586,496)
Net cash provided (used) by investing activities	(3,070,935)	9,907,763
Cash flows from financing activities:		
Net increase (decrease) in deposits	\$ (17,370,276)	\$ 13,768,252
Federal Home Loan Bank advances	84,250,000	53,100,000
Repayment of Federal Home Loan Bank advances	(71,150,000)	(56,400,000)
Issuance of common stock pursuant to stock option plans	68,341	87,650
Net decrease in securities sold under agreements to repurchase		(8,247,000)
Advance payments by borrowers for taxes	420,200	273,903
Net cash provided (used) by financing activities	(3,781,735)	2,582,805
Net increase (decrease) in cash and cash equivalents	(3,373,611)	11,442,285
Cash and Cash Equivalents, beginning of year	6,348,113	1,065,386
Cash and Cash Equivalents, as of June 30,	\$ 2,974,502	\$ 12,507,671

See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Equitable Bank (Equitable or the Bank), without audit, pursuant to the rules and regulations of the Office of Thrift Supervision (the OTS). Equitable Bank is a federally chartered savings bank with executive and administrative offices in Wheaton, Maryland, which conducts business through a total of five retail offices located in Montgomery and Prince George s County, Maryland.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the applicable periods have been made. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Equitable Bank believes that the disclosures are adequate to make the information presented not misleading.

It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto in Equitable Bank s Annual Report to Stockholders for the year ended September 30, 2001, filed with the OTS on December 28, 2001. The results for the period covered hereby will not necessarily be indicative of the operating results for the full year ending September 30, 2002.

Per Share Data

Equitable Bank calculates earnings per share in accordance with statement of Financial Accounting Standards No. 128, Earnings per share (SFAS 128) . SFAS 128 provides for the calculation of Basic and Diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. The weighted average number of shares outstanding used in the Basic earnings per share calculations for the three months ended June 30, 2002, and June 30, 2001, was 1,314,909 and 1,304,625 shares outstanding, respectively, and for the nine months ended June 30, 2002, and June 30, 2001, was 1,312,420 and 1,302,375 shares outstanding, respectively. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. The weighted average number of shares outstanding used in the diluted calculation for the three months ended June 30, 2002, and June 30, 2001, was 1,432,450 and 1,396,800 shares outstanding, respectively, and for the nine months ended June 30, 2002, and June 30, 2001, was 1,422,482 and 1,378,100 shares outstanding, respectively.

Note 2 Income Taxes

Equitable Bank has estimated based on budgeted levels of pre-tax income that its effective tax rate for fiscal 2002 will be approximately 38%.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

This Management's Discussion and Analysis should be read in conjunction with the Management's Discussion and Analysis contained in the company's Annual Report to Stockholders, which focuses upon relevant matters occurring during the year commencing October 1, 2000 and ending September 30, 2001. Accordingly, the ensuing discussion focuses upon material matters at and for the three and nine months ended June 30, 2002, and 2001, respectively.

General

Equitable Bank's results of operations are dependent primarily upon its net interest income. Net interest income is the difference between interest income on interest-earning assets, primarily loans, mortgage-backed securities and investments, and interest expense on interest-bearing liabilities, which consist of savings deposits and borrowings. Results of operations are also dependent upon the level of Equitable Bank's noninterest income, including fee income and service charges, and the level of its noninterest expenses, including its employee compensation, occupancy expenses, federal insurance premiums, and other general and administrative expenses. Equitable Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, and actions of regulatory authorities.

Equitable Bank's basic mission is to record core earnings while serving its local communities. In seeking to accomplish this mission, management has adopted a business strategy designed to (i) increase Equitable Bank's well-capitalized position, (ii) manage Equitable Bank's vulnerability to changes in interest rates, (iii) continue to control and maintain Equitable Bank's asset quality by maintaining a low level of non-performing assets, (iv) improve Equitable Bank's net interest income by increasing Equitable Bank's interest-earning assets mainly through the origination of fixed and adjustable-rate one-to-four family residential mortgage loans which will be supplemented by commercial real estate loans (with a conservative loan to value ratio), adjustable-rate residential construction loans, adjustable-rate home equity loans, and the purchase of one-year adjustable-rate mortgage-backed securities, and by striving to maintain Equitable Bank's net interest margin via proper pricing of our loan and deposit products, (v) maintain operating expenses as a low percentage of assets, and (vi) provide additional growth to our core deposit base through the addition of new branches in high growth/high density locations.

Forward-Looking Statements

When used in this Form 10-Q or future filings by Equitable Bank with the Office of Thrift Supervision, in Equitable Bank's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project" or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Equitable Bank wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors-including regional and national economic conditions, changes in levels of market interest rates, credit risks of lending activities, and competitive and regulatory factors could affect Equitable Bank's financial performance and could cause Equitable Bank's actual results for future periods to differ materially from those anticipated or projected.

Equitable Bank does not undertake and specifically disclaims any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Financial Condition

Assets. Cash and cash equivalents decreased \$3.38 million from \$6.35 million as of September 30, 2001, to \$2.97 million as of June 30, 2002. Mortgage-backed securities increased \$7.34 million, or 6.46%, from

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\$113.60 million as of September 30, 2001, to \$120.94 million as of June 30, 2002. All Equitable Bank's mortgage-backed securities are classified as held-to-maturity as it is managements intent to hold these securities to maturity.

Loans receivable decreased from \$343.81 million as of September 30, 2001, to \$339.63 million as of June 30, 2002. This decrease of \$4.18 million, or 1.22%, was mainly the result of Equitable Bank experiencing increased prepayments as the result of declining interest rates. Also, Equitable Bank as the result of market demand, originated mainly fifteen-year and thirty-year fixed-rate one-to-four family residential mortgage loans which were subsequently sold in the secondary market due to interest rate risk concerns. However, these sales resulted in Equitable Bank's gain on sale of loans increasing by \$252,000, from \$127,000 for the nine months ended June 30, 2001, to \$379,000 for the nine months ended June 30, 2002.

Liabilities. Deposit accounts decreased \$17.37 million, or 5.29%, from \$328.23 million as of September 30, 2001, to \$310.86 million as of June 30, 2002. This decrease was the result of Equitable Bank not aggressively retaining higher cost certificates of deposit as a result of the cash flows generated by the loan portfolio due to refinancing activity during fiscal year 2002.

Borrowings. Advances from the Federal Home Loan Bank increased from \$120.00 million as of September 30, 2001, to \$133.10 million as of June 30, 2002. This \$13.10 million, or 10.92%, increase was mainly the result of Equitable Bank utilizing low cost intermediate term FHLB advances to improve its interest rate risk profile.

Non-performing Loans and Investment in Real Estate

The table below sets forth the amounts and categories of non-performing assets in Equitable Bank's loan portfolio. Loans are placed on non-accrual status when the collection of principal and/or interest becomes doubtful. Foreclosed assets include assets acquired in settlement of loans.

	June 30, 2002	September 30, 2001
(Dollars In thousands)		
Non-Performing Assets		
Non-accruing loans:		
One- to four-family	\$	\$
Construction or development		
Consumer		
	_____	_____
Total	_____	_____
Accruing loans delinquent more than 90 days:		
One- to four-family		26
Construction or development		
	_____	_____
Total		26
	_____	_____
Foreclosed assets:		
One- to four-family		
Construction or development		
	_____	_____
Total	_____	_____
	_____	_____
Total non-performing assets	\$	\$ 26
	_____	_____
Total as a percentage of total assets	.00%	.01%
	_____	_____

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Allowance for Losses on Loans and Real Estate

Management reviews on a monthly basis Equitable Bank's allowance for loan losses, considering numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience, and independent appraisals. Further reserves are established when management determines that the value of the collateral is less than the amount of the unpaid principal of the related loan plus estimated costs of the acquisition and sale. The allowance for loan losses is maintained at an amount considered adequate to provide for potential losses. At June 30, 2002, Equitable Bank had an allowance for loan losses of \$819,000, of which all had been allocated as a general reserve. Equitable Bank's ratio of allowance for loan losses to total loans was .24% and .22% for the periods ended June 30, 2002, and September 30, 2001, respectively.

Allowances for estimated losses on foreclosed real estate are charged to expense when, in the opinion of management, a decline in value is deemed both probable and estimable. Although management believes that it uses the best information available to make such determinations, future adjustments to reserves may be necessary, and net income could be significantly affected, if circumstances differ substantially from the assumptions used in making the initial determinations.

Results of Operations

Equitable Bank's results of operations depend primarily on the level of its net interest income, noninterest income, and its reduction of operating expenses. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them, respectively.

The following discussion compares the results of operations of Equitable Bank for the indicated periods.

Comparison of the Three Months Ended June 30, 2002 and June 30, 2001

Net Income. Net income for the three months ended June 30, 2002, was \$903,000, compared to net income of \$594,000 for the three months ended June 30, 2001. This \$309,000, or 52.02%, increase in net income for the quarter ended June 30, 2002, as compared to the quarter ended June 30, 2001, was the result of a \$636,000 increase in net interest income, a \$15,000 decrease in the provision for loan losses and a \$12,000 increase in noninterest income. These factors were partially offset by a \$205,000 increase in the provision for income taxes and a \$150,000 increase in noninterest expense.

Interest Income. Total interest income decreased \$983,000, or 12.05%, from \$8.16 million for the quarter ended June 30, 2001, to \$7.18 million for the quarter ended June 30, 2002. This decrease was due to a decrease in the average yields on loans, mortgage-backed securities, investment securities and a decrease in the average balance of investment securities. These decreases were partially offset by an increase in the average balances of mortgage-backed securities and loans outstanding. Loan servicing fee income to net interest income was 1% and 2% for the three months ended June 30, 2002, and June 30, 2001, respectively.

Interest on loans decreased \$517,000, or 8.42%, to \$5.62 million for the quarter ended June 30, 2002, from \$6.14 million for the quarter ended June 30, 2001. This decrease was due to a lower average yield on loans outstanding which was partially offset by an increase in the average balance of loans outstanding. The average yield on loans decreased from 7.32% for the three months ended June 30, 2001, to 6.59% for the three months ended June 30, 2002. Equitable Bank's average balance of loans outstanding increased by \$5.75 million, or 1.71%, from \$335.38 million for the three months ended June 30, 2001, to \$341.13 million for the three months ended June 30, 2002.

Interest on mortgage-backed securities decreased \$255,000, or 14.83%, to \$1.46 million for the three months ended June 30, 2002, from \$1.72 million for the three months ended June 30, 2001. This decrease was due to a lower average yield on mortgage-backed securities which was partially offset by an increase in the

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average balance of mortgage-backed securities. The average yield on mortgage-backed securities decreased from 6.48% for the quarter ended June 30, 2001, to 4.91% for the quarter ended June 30, 2002. Equitable Bank's average balance of mortgage-backed securities increased by \$13.07 million, or 12.34%, from \$105.90 million for the quarter ended June 30, 2001, to \$118.97 million for the quarter ended June 30, 2002.

Interest on investment securities decreased by \$210,000, or 68.18%, to \$98,000 for the three months ended June 30, 2002, from \$308,000 for the three months ended June 30, 2001. This decrease was due to a decrease in both the average balance of investment securities and the average yield on investment securities. The average balance of investment securities decreased \$14.44 million, or 64.26%, from \$22.47 million for the quarter ended June 30, 2001, to \$8.03 million for the quarter ended June 30, 2002 as a result of FHLB and FHLMC callable notes being called as the result of declining interest rates. The average yield on investment securities decreased from 5.49% for the quarter ended June 30, 2001, to 4.86% for the quarter ended June 30, 2002.

Interest Expense. Interest expense for the three months ended June 30, 2002, was \$4.21 million as compared to \$5.83 million for the three months ended June 30, 2001, which represented a decrease of \$1.62 million, or 27.79%. This decrease was due to a decrease in the average cost of deposits and borrowings and a lower average balance of deposits. This decrease was partially offset by an increase in the average balance of borrowings.

Interest on deposits decreased \$1.50 million, or 35.89%, from \$4.18 million for the quarter ended June 30, 2001, to \$2.68 million for the quarter ended June 30, 2002. This decrease resulted from a decrease in the average cost of deposits and a lower average balance of deposits. The average cost of deposits decreased from 5.26% for the three months ended June 30, 2001, to 3.43% for the three months ended June 30, 2002. The average balance of deposits decreased by \$5.16 million, or 1.62%, from \$318.15 million for the quarter ended June 30, 2001, to \$312.99 million for the quarter ended June 30, 2002.

Other interest expense decreased by \$120,000, or 7.27%, to \$1.53 million for the three months ended June 30, 2002, from \$1.65 million for the three months ended June 30, 2001. This decrease resulted from a lower average cost on borrowings which was partially offset by an increase in the average balance of borrowings for the quarter ended June 30, 2002. The average cost of borrowings decreased from 5.50% for the quarter ended June 30, 2001, to 4.80% for the quarter ended June 30, 2002. The average balance of borrowed funds increased \$7.40 million, or 6.17%, from \$120.00 million for the quarter ended June 30, 2001, to \$127.40 million for the quarter ended June 30, 2002.

Net Interest Income. Net interest income for the three months ended June 30, 2002, increased \$636,000 or 27.30%, to \$2.97 million for the three months ended June 30, 2002, from \$2.33 million for the three months ended June 30, 2001. This increase was mainly the result of margin expansion as the result of a steepening yield curve environment.

Provision for Loan Losses. Equitable Bank's provision for loan losses decreased \$15,000 to \$13,000 for the three months ended June 30, 2002, from \$28,000 for the three months ended June 30, 2001. As of June 30, 2002, the level of non-performing assets improved to 0.00% of assets from 0.08% of assets as of June 30, 2001.

The Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5 (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also determine that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of

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the loan portfolio, and other relevant factors. The Committee performed this analysis in April, May, and June 2002 as described above. The Committee concluded that, based on the results of this analysis, an increase in the loan loss provision of \$13,000 was warranted. The Committee documents the calculation as part of the minutes of the meeting.

Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Noninterest Income. Noninterest income for the three months ended June 30, 2002, totalled \$233,000 compared to \$221,000 for the three months ended June 30, 2001. This \$12,000, or 5.43%, increase was mainly the result of other service fees increasing by \$11,000, or 12.79%, from \$86,000 for the three months ended June 30, 2001, to \$97,000 for the three months ended June 30, 2002. This increase was mainly the result of the opening of the Rockville Branch at King Farm coupled with the Bank increasing non-interest bearing checking accounts over the past year.

Noninterest Expense. Noninterest expense for the quarter ended June 30, 2002, totalled \$1.71 million as compared to \$1.56 million for the quarter ended June 30, 2001. This \$150,000, or 9.62%, increase was mainly the result of compensation and benefit expense increasing by \$126,000, or 14.53%, from \$867,000 for the quarter ended June 30, 2001, to \$993,000 for the quarter ended June 30, 2002. This increase was mainly the result of normal salary increases coupled with a decrease in capitalized loan origination compensation due to a decrease in loan volume during the quarter ended June 30, 2002. Also, administrative and general expense increased by \$22,000, or 4.41%, from \$499,000 for the three months ended June 30, 2001, to \$521,000 for the three months ended June 30, 2002.

Income Taxes. Equitable Bank's provision for income taxes increased \$205,000, or 56.16%, from \$365,000 for the three months ended June 30, 2001, to \$570,000 for the three months June 30, 2002. This increase was mainly the result of Equitable Bank's income before taxes increasing by \$514,000, or 53.60%, from \$959,000 for the three months ended June 30, 2001, to \$1.47 million for the three months ended June 30, 2002.

Comparison of the Nine Months Ended June 30, 2002 and June 30, 2001

Net Income. Net income for the nine months ended June 30, 2002, was \$2.78 million, compared to net income of \$1.65 million for the nine months ended June 30, 2001. This \$1.13 million, or 68.48%, increase in net income for the nine months ended June 30, 2002, as compared to the nine months ended June 30, 2001, was the result of a \$1.92 million increase in net interest income and a \$273,000 increase in noninterest income. These factors were partially offset by a \$722,000 increase in the income tax provision, a \$20,000 increase in the provision for loan losses and a \$316,000 increase in noninterest expense.

Interest Income. Total interest income decreased \$2.85 million, or 11.30%, from \$25.23 million for the nine months ended June 30, 2001, to \$22.38 million for the nine months ended June 30, 2002. This decrease was due to a decrease in the average yields on loans, mortgage-backed securities, investment securities and a decrease in the average balance of investment securities. These decreases were partially offset by an increase in the average balances of mortgage-backed securities and loans outstanding. Loan servicing fee income to net interest income was 1% and 2% for the nine months ended June 30, 2002, and June 30, 2001, respectively.

Interest on loans decreased \$1.53 million, or 8.08%, to \$17.41 million for the nine months ended June 30, 2002, from \$18.94 million for the nine months ended June 30, 2001. This decrease was due to a lower average yield on loans outstanding which was partially offset by an increase in the average balance of loans outstanding. The average yield on loans decreased from 7.73% for the nine months ended June 30, 2001, to 6.77% for the nine months ended June 30, 2002. Equitable Bank's average balance of loans outstanding increased by \$16.19 million,

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or 4.96%, from \$326.49 million for the nine months ended June 30, 2001, to \$342.68 million for the nine months ended June 30, 2002. This increase was mainly the result of Equitable Bank successfully implementing its loan origination strategy of offering competitive rates and excellent timely service coupled with increasing market penetration throughout the area (as the result of loan solicitors). Loans outstanding increased mainly through the origination of commercial real estate and construction loans.

Interest on mortgage-backed securities decreased \$739,000, or 13.86%, to \$4.59 million for the nine months ended June 30, 2002, from \$5.33 million for the nine months ended June 30, 2001. This decrease was due to a lower average yield on mortgage-backed securities which was partially offset by an increase in the average balance of mortgage-backed securities. The average yield on mortgage-backed securities decreased from 6.56% for the nine months ended June 30, 2001, to 5.37% for the nine months ended June 30, 2002. Equitable Bank's average balance of mortgage-backed securities increased \$5.67 million, or 5.24%, from \$108.28 million for the nine months ended June 30, 2001, to \$113.95 million for the nine months ended June 30, 2002.

Interest on investment securities decreased by \$577,000, or 59.85%, to \$387,000 for the nine months ended June 30, 2002, from \$964,000 for the nine months ended June 30, 2001. This decrease was due to a decrease in both the average balance of investment securities and the average yield on investment securities. The average balance of investment securities decreased \$8.49 million, or 42.18%, from \$20.13 million for the nine months ended June 30, 2001, to \$11.64 million for the nine months ended June 30, 2002 as a result of FHLB and FHLMC callable notes being called as the result of declining interest rates. The average yield on investment securities decreased from 6.39% for the nine months ended June 30, 2001, to 4.43% for the nine months ended June 30, 2002.

Interest Expense. Interest expense for the nine months ended June 30, 2002, was \$13.71 million as compared to \$18.47 million for the nine months ended June 30, 2001, which represented a decrease of \$4.76 million, or 25.77%. This decrease was due to a decrease in the average cost of deposits and borrowings and a lower average balance of borrowings. This decrease was partially offset by an increase in the average balance of deposits.

Interest on deposits decreased \$3.72 million, or 28.97%, from \$12.84 million for the nine months ended June 30, 2001, to \$9.12 million for the nine months ended June 30, 2002. This decrease resulted from a decrease in the average cost of deposits which was partially offset by a higher average balance of deposits. The average cost of deposits decreased from 5.58% for the nine months ended June 30, 2001, to 3.83% for the nine months ended June 30, 2002. The average balance of deposits increased by \$11.14 million, or 3.63%, from \$306.64 million for the nine months ended June 30, 2001, to \$317.78 million for the nine months ended June 30, 2002. This increase was the result of Equitable Bank competitively pricing its deposits closer to prevailing market rates as part of its strategy to attract new deposits and retain the majority of maturing deposits.

Other interest expense decreased by \$1.04 million, or 18.47%, to \$4.59 million for the nine months ended June 30, 2002, from \$5.63 million for the nine months ended June 30, 2001. This decrease resulted from a decrease in the average balance of borrowed funds and a lower average cost on borrowings for the nine months ended June 30, 2002. The average cost of borrowings decreased from 5.91% for the nine months ended June 30, 2001, to 4.96% for the nine months ended June 30, 2002. The average balance of borrowed funds decreased by \$3.62 million, or 2.85%, from \$126.96 million for the nine months ended June 30, 2001, to \$123.34 million for the nine months ended June 30, 2002.

Net Interest Income. Net interest income for the nine months ended June 30, 2002, increased \$1.92 million, or 28.44%, to \$8.67 million for the nine months ended June 30, 2002, from \$6.75 million for the nine months ended June 30, 2001. This increase was mainly the result of margin expansion as the result of a steepening yield curve environment. Equitable Bank expects the margin to stabilize during the next few quarters.

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Provision for Loan Losses. Equitable Bank's provision for loan losses increased \$20,000 to \$68,000 for the nine months ended June 30, 2002, from \$48,000 for the nine months ended June 30, 2001. This \$20,000 increase was mainly the result of growth in commercial real estate and construction loans which resulted in higher general loan loss reserves.

The Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5 (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also determine that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors. The Committee performed this analysis during the nine months ended June 30, 2002, as described above. The Committee concluded that, based on the results of this analysis, an increase in the loan loss provision of \$68,000 was warranted. The Committee documents the calculation as part of the minutes of the meeting.

Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Noninterest Income. Noninterest income for the nine months ended June 30, 2002, totalled \$849,000 compared to \$576,000 for the nine months ended June 30, 2001. This \$273,000, or 47.40%, increase was mainly the result of gains on sale of loans increasing by \$252,000, from \$127,000 for the nine months ended June 30, 2001, to \$379,000 for the nine months ended June 30, 2002. This increase was mainly the result of Equitable Bank selling thirty-year and fifteen-year fixed-rate one-to-four family residential mortgage loans that were originated during the nine months ended June 30, 2002. Also, other service fee income increased by \$35,000, or 14.34%, from \$244,000 for the nine months ended June 30, 2001, to \$279,000 for the nine months ended June 30, 2002. This increase was mainly the result of the opening of the Rockville Branch at King Farm coupled with the Bank increasing non-interest bearing checking accounts over the past year.

Noninterest Expense. Noninterest expense for the nine months ended June 30, 2002, totalled \$4.93 million compared to \$4.61 million for the nine months ended June 30, 2001. This \$316,000, or 6.85%, increase was mainly the result of compensation and benefit expense increasing by \$291,000, or 11.46%, from \$2.54 million for the nine months ended June 30, 2001, to \$2.83 million for the nine months ended June 30, 2002. This increase was mainly the result of normal salary increases coupled with the opening of the new Rockville branch located at King Farm. Also, occupancy and equipment expense increased by \$48,000, or 8.76%, from \$548,000 for the nine months ended June 30, 2001, to \$596,000 for the nine months ended June 30, 2002. This increase was mainly the result of the opening of the new Rockville branch located at King Farm. These increases were partially offset by administrative and general expenses decreasing by \$24,000, or 1.58%, from \$1.52 million for the nine months ended June 30, 2001, to \$1.50 million for the nine months ended June 30, 2002. This decrease was the result of a concerted company-wide effort to reduce operating expenses as a percentage of assets by improving operating efficiencies and exercising tight cost control measures.

Income Taxes. Equitable Bank's provision for income taxes increased \$722,000, or 70.10%, from \$1.03 million for the nine months ended June 30, 2001, to \$1.75 million for the nine months June 30, 2002. This increase was mainly the result of Equitable Bank's income before taxes increasing by \$1.85 million, or 69.29%, from \$2.67 million as of June 30, 2001, to \$4.52 million as of June 30, 2002.

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Liquidity and Capital Resources

Equitable Bank's primary sources of funds are deposits, proceeds from principal and interest payments on loans, repurchase agreements and FHLB of Atlanta advances. While maturities and scheduled amortization of loans and mortgage-related securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, competition and, the restructuring of the thrift industry.

Liquidity management for Equitable Bank is both a daily and long-term function of Equitable Bank's management strategy. Excess funds are generally invested in short-term investments such as federal funds. In the event that Equitable Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through the use of FHLB of Atlanta advances and repurchase agreements.

Equitable Bank is required to maintain minimum levels of liquid assets as defined by Office of Thrift Supervision (OTS) regulations. This requirement, which may vary at the discretion of the OTS depending upon economic conditions and deposit flows of all savings associations. Equitable Bank's liquidity ratio at June 30, 2002, was 40.69%.

Equitable Bank's most liquid assets are cash and cash equivalents, which include investments in highly liquid, short-term investments. The levels of these assets are dependent on the Bank's operating, financing, and investing activities during any given period. At June 30, 2002, and September 30, 2001, cash and cash equivalents totalled \$2.97 million and \$6.35 million, respectively.

At June 30, 2002, Equitable Bank had outstanding loan origination commitments of \$994,000. Equitable Bank also had extended to borrowing customers unused lines of credit under existing home equity line of credit loans and unsecured consumer line of credit loans totaling \$22.51 million at June 30, 2002. Also, Equitable Bank had construction line of credit loans (loans in process or LIP) of \$18.83 million at June 30, 2002. Equitable Bank anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit held by customers of Equitable Bank which are scheduled to mature in one year or less at June 30, 2002, totaled \$151.83 million. Equitable Bank anticipates, although there can be no assurance, retaining the majority of these deposits by offering competitive interest rates. Equitable Bank has a collateral pool of approximately \$240.57 million consisting primarily of residential one-to-four family mortgage loans, mortgage-backed securities, and treasury notes which are available to secure borrowings from the Federal Home Loan Bank of Atlanta and other sources providing the bank meets certain requirements, all of which the bank is confident it can fulfill.

Capital

Federally insured savings associations, such as Equitable Bank, are required to maintain a minimum level of regulatory capital. The OTS has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to such savings associations. These capital requirements must be generally as stringent as the comparable capital requirements for national banks. The OTS is also authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

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The following table sets forth Equitable Bank's compliance with each of its capital requirements as of June 30, 2002 (dollars in thousands). Equitable Bank is considered a well capitalized institution based upon its capital ratios at June 30, 2002.

	Current Capital Requirement		Actual Bank Capital		Capital Excess	
	Amount	%*	Amount	%*	Amount	%*
Tangible Capital	\$ 7,152	1.50%	\$ 29,821	6.25%	\$ 22,669	4.75%
Core Capital	19,072	4.00%	29,821	6.25%	10,749	2.25%
Tier 1 Risk-Based	9,931	4.00%	29,821	12.01%	19,890	8.01%
Risk-Based Capital**	19,861	8.00%	30,640	12.34%	10,779	4.34%

* Tangible and core capital figures are determined as a percentage of total adjusted assets; risk-based capital figures are determined as a percentage of risk-weighted assets in accordance with OTS regulations.

** Total Capital includes general loan loss reserves of \$818,737.

Significant Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted within the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related notes. In preparing these financial statements, management has made its best estimates and judgements of certain amounts included in the financial statements, giving due consideration to materiality. The Bank does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below; however, application of these accounting policies involves the exercise of judgement and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

The Bank's Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5. (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also determine that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors. Further reserves are established when management determines that the value of the collateral is less than the amount of the unpaid principal of the related loan plus estimated costs of the acquisition and sale. Allowances for estimated losses on foreclosed real estate are charged to expense when, in the opinion of management, a decline in value is deemed both probable and estimable. Although management believes that it uses the best information available to make such determinations, future adjustments to reserves may be necessary, and net income could be significantly affected, if circumstances differ substantially from the assumptions used in making the initial determinations. Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Table of Contents**Commitments and Obligations**

	Payments Due By Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	After Five Years
Borrowings FHLB Advances	\$ 133,100,000	\$ 18,000,000	\$ 115,100,000	\$	\$
Operating Leases	5,345,881	755,431	1,510,862	1,370,952	1,708,636

	Payments Due By Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	After Five Years
Loan-In-Process	\$ 18,830,471	\$ 18,830,471	\$	\$	\$
Home Equity and Lines of Credit	22,509,346				22,509,346
Mortgage Loans	954,000	954,000			

Impact of Inflation and Changing Prices

The Consolidated Financial Statements and Notes thereto presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of Equitable Bank's operations. Unlike most industrial companies, nearly all the assets and liabilities of Equitable Bank are monetary in nature. As a result, interest rates have a greater impact on Equitable Bank's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Impact of New Accounting Standards

Recently, the Financial Accounting Standards Board issued an interpretation to SFAS 133 which requires financial institutions to classify loan commitments, related to loans held for sale, or derivatives. The new guidelines require financial institutions to mark-to-market these loan commitments and include the resulting gain or loss in the results of operations for the applicable period. The effect of the new guidelines is to record a portion of the gain on sale of loans prior to sale of the related loans. The new guidelines are effective for quarters beginning after April 10, 2002, or July 1, 2002 for Equitable Bank. Management has calculated the impact of adopting the new guidelines and the effect on Equitable Bank's financial statements was insignificant as of July 1, 2002.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management believes there has been no material change in interest rate risk since September 30, 2001. For additional information, see Management's Discussion and Analysis of Financial Condition and Results of Operations included herein in Item 2 and refer to the Interest Rate Risk Management discussion included in Equitable Bank's Annual Report for the fiscal year ended September 30, 2001.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Report on Form 8-K

(1) Exhibits

None

(2) Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITABLE BANK
(REGISTRANT)

Date: 8/12/02

/s/ TIMOTHY F. VEITH

**Timothy F. Veith, President and
Chief Executive Officer**

Date: 8/12/02

/s/ DAVID E. HYNES

**David E. Hynes, Executive Vice President
Chief Financial Officer and Chief Operating Officer**

CERTIFICATION

Each of the undersigned hereby certifies in his capacity as an officer of Equitable Bank (the Company) that the Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Date: 8/12/02

/s/ TIMOTHY F. VEITH

**Timothy F. Veith
Chief Executive Officer**

Date: 8/12/02

/s/ DAVID E. HYNES

**David E. Hynes
Chief Financial Officer**

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OFFICE OF THRIFT SUPERVISION
Washington, D.C. 20552

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OTS Docket number 07245

EQUITABLE BANK

(Exact name of business issuer as specified in its charter)

United States

(State or other jurisdiction of incorporation or organization)

52-0952949

(IRS Employer Identification No.)

11501 Georgia Avenue, Wheaton, Maryland 20902

(Address of principal executive offices)

(Zip Code)

(301) 949-6500

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, par value \$.01 per share

Class

1,315,345

(Outstanding at May 3, 2002)

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Table of Contents**Item 1. Financial Statements****EQUITABLE BANK****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	March 31, 2002	September 30, 2001
Assets		
Cash and cash equivalents	\$ 3,215,006	\$ 6,348,113
Investment securities	6,653,434	6,670,574
Loans held for sale	721,287	2,224,093
Loans receivable, net	339,471,240	343,811,396
Mortgage-backed securities	115,701,759	113,602,800
Accrued interest receivable	2,661,648	3,019,070
Premises and equipment, net	1,098,030	1,159,153
Prepaid expenses and other assets	879,125	1,037,658
Total Assets	\$ 470,401,529	\$ 477,872,857
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	\$ 315,254,035	\$ 328,233,327
Advances from Federal Home Loan Bank	124,000,000	120,000,000
Advances from borrowers for taxes and insurance	625,730	509,882
Accounts payable, accrued expenses and other liabilities	1,616,633	2,153,269
Income taxes payable	1,236	
Total Liabilities	441,497,634	450,896,478
Commitments and Contingencies		
Stockholders Equity:		
Serial preferred stock, \$.01 par value 500,000 shares authorized, none outstanding		
Common stock, \$.01 par value 4,000,000 shares authorized; 1,313,327 outstanding as of March 31, 2002 and 1,309,727 as of September 30, 2001	13,133	13,097
Additional paid in capital	6,183,245	6,129,481
Retained Earnings	22,707,517	20,833,801
Total stockholders equity	28,903,895	26,976,379
Total liabilities and Stockholders Equity	\$ 470,401,529	\$ 477,872,857
Book value, per share	\$ 22.01	\$ 20.60

See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31,	
	2002	2001
Interest Income		
Loans receivable:		
Mortgage Loans	\$ 5,072,492	\$ 5,640,195
Consumer and other loans	600,339	779,264
Investment securities	122,998	357,535
Mortgage-backed and related securities	1,543,311	1,770,150
Total interest income	7,339,140	8,547,144
Interest Expense		
Deposits	2,904,332	4,369,726
Other interest	1,509,038	1,881,010
Total interest expense	4,413,370	6,250,736
Net interest income	2,925,770	2,296,408
Provision for loan losses	32,074	1,563
Net interest income after provision for loan losses	2,893,696	2,294,845
Noninterest Income		
Loan fees and service charges	12,031	19,097
Loan servicing fees	38,452	42,255
Gain on sale of loans	63,667	40,051
Other service fees	88,137	82,035
Other	12,431	12,617
Total noninterest income	214,718	196,055
Noninterest Expense		
Compensation and benefits	955,826	871,471
Occupancy and equipment	198,428	181,755
Administrative and general	505,425	543,087
Expense of foreclosed assets		122
Other	518	209
Total noninterest expense	1,660,197	1,596,644
Income before income taxes	1,448,217	894,256
Income tax provision	558,232	345,850
Net Income	\$ 889,985	\$ 548,406
Earnings per common share-basic	\$.68	\$.42
Earnings per common share-diluted	\$.62	\$.40



See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

	Six months ended March 31,	
	2002	2001
Interest Income		
Loans receivable:		
Mortgage Loans	\$ 10,503,784	\$ 11,236,305
Consumer and other loans	1,281,082	1,561,588
Investment securities	289,019	655,499
Mortgage-backed and related securities	3,126,322	3,610,575
Total interest income	15,200,207	17,063,967
Interest Expense		
Deposits	6,441,322	8,660,660
Other interest	3,056,174	3,980,340
Total interest expense	9,497,496	12,641,000
Net interest income	5,702,711	4,422,967
Provision for loan losses	55,520	19,400
Net interest income after provision for loan losses	5,647,191	4,403,567
Noninterest Income		
Gain on sale of real estate and foreclosed assets		1,000
Loan fees and service charges	24,256	32,168
Loan servicing fees	79,081	87,138
Gain on sale of loans	307,658	57,517
Other service fees	181,405	157,355
Other	22,955	19,570
Total noninterest income	615,355	354,748
Noninterest Expense		
Compensation and benefits	1,837,994	1,673,011
Occupancy and equipment	395,157	349,845
Administrative and general	976,658	1,022,749
Expense of foreclosed assets		122
Other	2,025	605
Total noninterest expense	3,211,834	3,046,332
Income before income taxes	3,050,712	1,711,983
Income tax provision	1,176,995	660,601
Net Income	\$ 1,873,717	\$ 1,051,382
Earnings per common share-basic	\$ 1.43	\$.81

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Earnings per common share-diluted	\$	1.32	\$.77
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See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended March 31,	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 1,873,717	\$ 1,051,382
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109,522	123,280
Provision for loan losses	55,520	19,400
Premiums and discounts on mortgage-backed securities and investments	95,017	(24,704)
Amortization of deferred loan fees	(193,251)	(143,900)
Gain on sale of loans	(307,658)	(57,517)
(Increase) Decrease in assets		
Accrued interest receivable	357,422	75,785
Loans originated for sale	(34,109,950)	(11,035,700)
Sales of loans originated for sale	35,597,650	9,386,100
Increase (Decrease) in liabilities		
Income taxes payable	1,236	
Other items, net	(378,103)	272,285
	<u>3,101,122</u>	<u>(333,589)</u>
Cash flows from investing activities:		
Net decrease (increase) in loans	4,627,755	3,300,493
Principal reduction in mortgage-backed securities and participation certificates	21,995,659	11,857,874
Purchase of mortgage backed securities and participation certificates	(23,999,600)	(6,728,010)
Purchase of investment securities		(50,317)
Principal reduction in investment securities		2,001,250
Purchase of FHLB stock		(170,000)
Purchase of office property and equipment	(48,399)	(541,241)
	<u>2,575,415</u>	<u>9,670,049</u>
Cash flows from financing activities:		
Net increase (decrease) in deposits	(12,979,292)	14,414,607
Federal Home Loan Bank advances	54,500,000	48,100,000
Repayment of Federal Home Loan Bank advances	(50,500,000)	(51,400,000)
Issuance of common stock pursuant to stock option plans	53,800	43,200
Net decrease in securities sold under agreements to repurchase		(8,247,000)
Advance payments by borrowers for taxes	115,848	(25,670)
	<u>(8,809,644)</u>	<u>2,885,137</u>
Net cash provided (used) by financing activities	<u>(8,809,644)</u>	<u>2,885,137</u>
Net increase (decrease) in cash and cash equivalents	(3,133,107)	12,221,597
Cash and Cash Equivalents, beginning of year	6,348,113	1,065,386
	<u>\$ 3,215,006</u>	<u>\$ 13,286,983</u>

See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Equitable Bank (Equitable or the Bank), without audit, pursuant to the rules and regulations of the Office of Thrift Supervision (the OTS). Equitable Bank is a federally chartered savings bank with executive and administrative offices in Wheaton, Maryland, which conducts business through a total of five retail offices located in Montgomery and Prince George s County, Maryland.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the applicable periods have been made. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Equitable Bank believes that the disclosures are adequate to make the information presented not misleading.

It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto in Equitable Bank s Annual Report to Stockholders for the year ended September 30, 2001, filed with the OTS on December 28, 2001. The results for the period covered hereby will not necessarily be indicative of the operating results for the full year ending September 30, 2002.

Per Share Data

Equitable Bank calculates earnings per share in accordance with statement of Financial Accounting Standards No. 128, Earnings per share (SFAS 128) . SFAS 128 provides for the calculation of Basic and Diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. The weighted average number of shares outstanding used in the Basic earnings per share calculations for the three months ended March 31, 2002, and March 31, 2001, was 1,312,175 and 1,302,575 shares outstanding, respectively, and for the six months ended March 31, 2002, and March 31, 2001, was 1,311,125 and 1,300,900 shares outstanding, respectively. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. The weighted average number of shares outstanding used in the diluted calculation for the three months ended March 31, 2002, and March 31, 2001, was 1,426,250 and 1,382,175 shares outstanding, respectively, and for the six months ended March 31, 2002, and March 31, 2001, was 1,420,200 and 1,361,635 shares outstanding, respectively.

Note 2 Income Taxes

Equitable Bank has estimated based on budgeted levels of pre-tax income that its effective tax rate for fiscal 2002 will be approximately 38%.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis should be read in conjunction with the Management's Discussion and Analysis contained in the company's Annual Report to Stockholders, which focuses upon relevant matters occurring during the year commencing October 1, 2000 and ending September 30, 2001. Accordingly, the ensuing discussion focuses upon material matters at and for the three and six months ended March 31, 2002, and 2001, respectively.

General

Equitable Bank's results of operations are dependent primarily upon its net interest income. Net interest income is the difference between interest income on interest-earning assets, primarily loans, mortgage-backed securities and investments, and interest expense on interest-bearing liabilities, which consist of savings deposits and borrowings. Results of operations are also dependent upon the level of Equitable Bank's noninterest income, including fee income and service charges, and the level of its noninterest expenses, including its employee compensation, occupancy expenses, federal insurance premiums, and other general and administrative expenses. Equitable Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, and actions of regulatory authorities.

Equitable Bank's basic mission is to record core earnings while serving its local communities. In seeking to accomplish this mission, management has adopted a business strategy designed to (i) increase Equitable Bank's well-capitalized position, (ii) manage Equitable Bank's vulnerability to changes in interest rates, (iii) continue to control and maintain Equitable Bank's asset quality by maintaining a low level of non-performing assets, (iv) improve Equitable Bank's net interest income by increasing Equitable Bank's interest-earning assets mainly through the origination of fixed and adjustable-rate one-to-four family residential mortgage loans which will be supplemented by commercial real estate loans (with a conservative loan to value ratio), adjustable-rate residential construction loans, adjustable-rate home equity loans, and the purchase of one-year adjustable-rate mortgage-backed securities, and by striving to maintain Equitable Bank's net interest margin via proper pricing of our loan and deposit products, (v) maintain operating expenses as a low percentage of assets, and (vi) provide additional growth to our core deposit base through the addition of new branches in high growth/high density locations.

Forward-Looking Statements

When used in this Form 10-Q or future filings by Equitable Bank with the Office of Thrift Supervision, in Equitable Bank's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project" or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Equitable Bank wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors-including regional and national economic conditions, changes in levels of market interest rates, credit risks of lending activities, and competitive and regulatory factors could affect Equitable Bank's financial performance and could cause Equitable Bank's actual results for future periods to differ materially from those anticipated or projected.

Equitable Bank does not undertake and specifically disclaims any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Financial Condition

Assets. Cash and cash equivalents decreased \$3.13 million from \$6.35 million as of September 30, 2001, to \$3.22 million as of March 31, 2002. Mortgage-backed securities increased \$2.10 million, from \$113.60

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million as of September 30, 2001, to \$115.70 million as of March 31, 2002. All Equitable Bank's mortgage-backed securities are classified as held-to-maturity as it is managements intent to hold these securities to maturity.

Loans receivable decreased from \$343.81 million as of September 30, 2001, to \$339.47 million as of March 31, 2002. This decrease of \$4.34 million, or 1.26%, was mainly the result of Equitable Bank experiencing increased prepayments as the result of declining interest rates. Also, Equitable Bank as the result of market demand originated mainly fifteen-year and thirty-year fixed-rate one-to-four family residential mortgage loans which were subsequently sold due to interest rate risk concerns. However, these sales resulted in Equitable Bank's gain on sale of loans increasing by \$250,000, from \$58,000 for the six months ended March 31, 2001, to \$308,000 for the six months ended March 31, 2002.

Liabilities. Deposit accounts decreased \$12.98 million, or 3.95%, from \$328.23 million as of September 30, 2001, to \$315.25 million as of March 31, 2002. This decrease was primarily the result of Equitable Bank not aggressively retaining higher cost certificates of deposit as the result of the cash flows generated by the loan portfolio due to refinancing activity during fiscal year 2002.

Borrowings (advances from the Federal Home Loan Bank) increased from \$120.00 million as of September 30, 2001, to \$124.00 million as of March 31, 2002. This \$4.00 million, or 3.33%, increase was mainly the result of Equitable Bank utilizing low cost intermediate term FHLB advances to improve its interest rate risk profile.

Non-performing Loans and Investment in Real Estate

The table below sets forth the amounts and categories of non-performing assets in Equitable Bank's loan portfolio. Loans are placed on non-accrual status when the collection of principal and/or interest becomes doubtful. Foreclosed assets include assets acquired in settlement of loans.

	March 31, 2002	September 30, 2001
	(Dollars In thousands)	
Non-Performing Assets		
Non-accruing loans:		
One- to four-family	\$	\$
Construction or development		
Consumer		
	_____	_____
Total	_____	_____
Accruing loans delinquent more than 90 days:		
One- to four-family		26
Construction or development		
	_____	_____
Total		26
	_____	_____
Foreclosed assets:		
One- to four-family		
Construction or development		
	_____	_____
Total		
	_____	_____
Total non-performing assets	\$	\$ 26
	_____	_____
Total as a percentage of total assets	.00%	.01%
	_____	_____

Table of Contents**Allowance for Losses on Loans and Real Estate**

Management reviews on a monthly basis Equitable Bank's allowance for loan losses, considering numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience, and independent appraisals. Further reserves are established when management determines that the value of the collateral is less than the amount of the unpaid principal of the related loan plus estimated costs of the acquisition and sale. The allowance for loan losses is maintained at an amount considered adequate to provide for potential losses. At March 31, 2002, Equitable Bank had an allowance for loan losses of \$803,000, of which all had been allocated as a general reserve. Equitable Bank's ratio of allowance for loan losses to total loans was .24% and .22% for the periods ended March 31, 2002, and September 30, 2001, respectively.

Allowances for estimated losses on foreclosed real estate are charged to expense when, in the opinion of management, a decline in value is deemed both probable and estimable. Although management believes that it uses the best information available to make such determinations, future adjustments to reserves may be necessary, and net income could be significantly affected, if circumstances differ substantially from the assumptions used in making the initial determinations.

Results of Operations

Equitable Bank's results of operations depend primarily on the level of its net interest income, noninterest income, and its reduction of operating expenses. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them, respectively.

The following discussion compares the results of operations of Equitable Bank for the indicated periods.

Comparison of the Three Months Ended March 31, 2002 and March 31, 2001

Net Income. Net income for the three months ended March 31, 2002, was \$890,000, compared to net income of \$548,000 for the three months ended March 31, 2001. This \$342,000, or 62.41%, increase in net income for the quarter ended March 31, 2002, as compared to the quarter ended March 31, 2001, was the result of a \$629,000 increase in net interest income and a \$19,000 increase in noninterest income. These factors were partially offset by a \$212,000 increase in the provision for income taxes, a \$64,000 increase in noninterest expense and a \$30,000 increase in the provision for loan losses.

Interest Income. Total interest income decreased \$1.21 million, or 14.15%, from \$8.55 million for the quarter ended March 31, 2001, to \$7.34 million for the quarter ended March 31, 2002. This decrease was due to a decrease in the average yields on loans, mortgage-backed securities, investment securities and a decrease in the average balance of loans outstanding and investment securities. These decreases were partially offset by an increase in the average balance of mortgage-backed securities. Loan servicing fee income to net interest income was 1% and 2% for the three months ended March 31, 2002, and March 31, 2001, respectively.

Interest on loans decreased \$747,000, or 11.64%, to \$5.67 million for the quarter ended March 31, 2002, from \$6.42 million for the quarter ended March 31, 2001. This decrease was due to a lower average yield on loans outstanding and a decrease in the average balance of loans outstanding. The average yield on loans decreased from 7.49% for the three months ended March 31, 2001, to 6.65% for the three months ended March 31, 2002. Equitable Bank's average balance of loans outstanding decreased by \$1.51 million, or 0.44%, from \$342.93 million for the three months ended March 31, 2001, to \$341.42 million for the three months ended March 31, 2002.

Interest on mortgage-backed securities decreased \$227,000, or 12.82%, to \$1.54 million for the three months ended March 31, 2002, from \$1.77 million for the three months ended March 31, 2001. This decrease was due to a lower average yield on mortgage-backed securities which was partially offset by an increase in the

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average balance of mortgage-backed securities. The average yield on mortgage-backed securities decreased from 6.81% for the quarter ended March 31, 2001, to 5.49% for the quarter ended March 31, 2002. Equitable Bank's average balance of mortgage-backed securities increased by \$8.44 million, or 8.12%, from \$103.93 million for the quarter ended March 31, 2001, to \$112.37 million for the quarter ended March 31, 2002.

Interest on investment securities decreased by \$235,000, or 65.64%, to \$123,000 for the three months ended March 31, 2002, from \$358,000 for the three months ended March 31, 2001. This decrease was due to a decrease in both the average balance of investment securities and the average yield on investment securities. The average balance of investment securities decreased \$9.33 million, or 45.69%, from \$20.42 million for the quarter ended March 31, 2001, to \$11.09 million for the quarter ended March 31, 2002 as a result of FHLB and FHLMC callable notes being called over the past year. The average yield on investment securities decreased from 7.00% for the quarter ended March 31, 2001, to 4.43% for the quarter ended March 31, 2002.

Interest Expense. Interest expense for the three months ended March 31, 2002, was \$4.41 million as compared to \$6.25 million for the three months ended March 31, 2001, which represented a decrease of \$1.84 million, or 29.44%. This decrease was due to a decrease in the average cost of deposits and borrowings and a lower average balance of borrowings and deposits.

Interest on deposits decreased \$1.47 million, or 33.64%, from \$4.37 million for the quarter ended March 31, 2001, to \$2.90 million for the quarter ended March 31, 2002. This decrease resulted from a decrease in the average cost of deposits and a lower average balance of deposits. The average cost of deposits decreased from 5.51% for the three months ended March 31, 2001, to 3.68% for the three months ended March 31, 2002. The average balance of deposits decreased by \$1.32 million, or 0.42%, from \$316.98 million for the quarter ended March 31, 2001, to \$315.66 million for the quarter ended March 31, 2002.

Other interest expense decreased by \$372,000, or 19.79%, to \$1.51 million for the three months ended March 31, 2002, from \$1.88 million for the three months ended March 31, 2001. This decrease resulted from a lower average cost of borrowings and a decrease in the average balance of borrowings for the quarter ended March 31, 2002. The average cost of borrowings decreased from 5.95% for the quarter ended March 31, 2001, to 4.92% for the quarter ended March 31, 2002. The average balance of borrowed funds decreased \$3.88 million, or 3.07%, from \$126.51 million for the quarter ended March 31, 2001, to \$122.63 million for the quarter ended March 31, 2002.

Net Interest Income. Net interest income for the three months ended March 31, 2002, increased \$629,000 or 27.35%, to \$2.93 million for the three months ended March 31, 2002, from \$2.30 million for the three months ended March 31, 2001. This increase was mainly the result of margin expansion as the result of a steepening yield curve environment. Equitable Bank expects the margin to stabilize during the next few quarters.

Provision for Loan Losses. Equitable Bank's provision for loan losses increased \$30,000 to \$32,000 for the three months ended March 31, 2002, from \$2,000 for the three months ended March 31, 2001. This \$30,000 increase was mainly the result of growth in commercial real estate and construction loans which resulted in higher general loan loss reserves.

The Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5 (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also determine that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of

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the loan portfolio, and other relevant factors. The Committee performed this analysis in January, February, and March 2002 as described above. The Committee concluded that, based on the results of this analysis, an increase in the loan loss provision of \$32,000 was warranted. The Committee documents the calculation as part of the minutes of the meeting.

Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Noninterest Income. Noninterest income for the three months ended March 31, 2002, totaled \$215,000 compared to \$196,000 for the three months ended March 31, 2001. This \$19,000, or 9.69%, increase was mainly the result of gains on sale of loans increasing by \$24,000, or 60.00%, from \$40,000 for the three months ended March 31, 2001, to \$64,000 for the three months ended March 31, 2002. This increase was mainly the result of Equitable Bank selling thirty-year and fifteen-year fixed-rate one-to-four family residential mortgage loans that were originated during the quarter ended March 31, 2002.

Noninterest Expense. Noninterest expense for the quarter ended March 31, 2002, totaled \$1.66 million as compared to \$1.60 million for the quarter ended March 31, 2001. This \$64,000, or 4.00%, increase was mainly the result of compensation and benefit expense increasing by \$85,000, or 9.76%, from \$871,000 for the quarter ended March 31, 2001, to \$956,000 for the quarter ended March 31, 2002. This increase was mainly the result of normal salary increases coupled with the opening of the new Rockville branch located at King Farm. Also, occupancy and equipment expense increased by \$16,000, or 8.79%, from \$182,000 for the quarter ended March 31, 2001, to \$198,000 for the quarter ended March 31, 2002. This increase was mainly the result of the opening of the new Rockville branch located at King Farm. These increases were partially offset by administrative and general expense decreasing by \$38,000, or 7.00%, from \$543,000 for the three months ended March 31, 2001, to \$505,000 for the three months ended March 31, 2002. This decrease was the result of a continuing concerted company-wide effort to reduce operating expenses as a percentage of assets by improving operating efficiencies and exercising tight cost control measures.

Income Taxes. Equitable Bank's provision for income taxes increased \$212,000, or 61.27%, from \$346,000 for the three months ended March 31, 2001, to \$558,000 for the three months March 31, 2002. This increase was mainly the result of Equitable Bank's income before taxes increasing by \$554,000, or 61.97%, from \$894,000 for the three months ended March 31, 2001, to \$1.45 million for the three months ended March 31, 2002.

Comparison of the Six Months Ended March 31, 2002 and March 31, 2001

Net Income. Net income for the six months ended March 31, 2002, was \$1.87 million, compared to net income of \$1.05 million for the six months ended March 31, 2001. This \$822,000, or 78.29%, increase in net income for the six months ended March 31, 2002, as compared to the six months ended March 31, 2001, was the result of a \$1.28 million increase in net interest income and a \$260,000 increase in noninterest income. These factors were partially offset by a \$516,000 increase in the income tax provision, a \$37,000 increase in the provision for loan losses and a \$166,000 increase in noninterest expense.

Interest Income. Total interest income decreased \$1.86 million, or 10.90%, from \$17.06 million for the six months ended March 31, 2001, to \$15.20 million for the six months ended March 31, 2002. This decrease was due to a decrease in the average yields on loans, mortgage-backed securities, investment securities and a decrease in the average balance of investment securities. These decreases were partially offset by an increase in the average balance of mortgage-backed securities and loans. Loan servicing fee income to net interest income was 1% and 2% for the six months ended March 31, 2002, and March 31, 2001, respectively.

Interest on loans decreased \$1.02 million, or 7.97%, to \$11.78 million for the six months ended March 31, 2002, from \$12.80 million for the six months ended March 31, 2001. This decrease was due to a lower average

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yield on loans outstanding which was partially offset by an increase in the average balance of loans outstanding. The average yield on loans decreased from 7.49% for the six months ended March 31, 2001, to 6.85% for the six months ended March 31, 2002. Equitable Bank's average balance of loans outstanding increased by \$2.24 million, or 0.66%, from \$341.62 million for the six months ended March 31, 2001, to \$343.86 million for the six months ended March 31, 2002. This increase was mainly the result of Equitable Bank successfully implementing its loan origination strategy of offering competitive rates and excellent timely service coupled with increasing market penetration throughout the area (as the result of loan solicitors). Loans outstanding increased mainly through the origination of commercial real estate and construction loans.

Interest on mortgage-backed securities decreased \$484,000, or 13.41%, to \$3.13 million for the six months ended March 31, 2002, from \$3.61 million for the six months ended March 31, 2001. This decrease was due to a lower average yield on mortgage-backed securities which was partially offset by an increase in the average balance of mortgage-backed securities. The average yield on mortgage-backed securities decreased from 6.83% for the six months ended March 31, 2001, to 5.60% for the six months ended March 31, 2002. Equitable Bank's average balance of mortgage-backed securities increased \$6.06 million, or 5.74%, from \$105.65 million for the six months ended March 31, 2001, to \$111.71 million for the six months ended March 31, 2002.

Interest on investment securities decreased by \$366,000, or 55.88%, to \$289,000 for the six months ended March 31, 2002, from \$655,000 for the six months ended March 31, 2001. This decrease was due to a decrease in both the average balance of investment securities and the average yield on investment securities. The average balance of investment securities decreased \$5.68 million, or 29.97%, from \$18.95 million for the six months ended March 31, 2001, to \$13.27 million for the six months ended March 31, 2002. The average yield on investment securities decreased from 6.92% for the six months ended March 31, 2001, to 4.35% for the six months ended March 31, 2002.

Interest Expense. Interest expense for the six months ended March 31, 2002, was \$9.50 million as compared to \$12.64 million for the six months ended March 31, 2001, which represented a decrease of \$3.14 million, or 24.84%. This decrease was due to a decrease in the average cost of deposits and borrowings and a lower average balance of borrowings. This decrease was partially offset by an increase in the average balance of deposits.

Interest on deposits decreased \$2.22 million, or 25.64%, from \$8.66 million for the six months ended March 31, 2001, to \$6.44 million for the six months ended March 31, 2002. This decrease resulted from a decrease in the average cost of deposits which was partially offset by a higher average balance of deposits. The average cost of deposits decreased from 5.55% for the six months ended March 31, 2001, to 4.02% for the six months ended March 31, 2002. The average balance of deposits increased by \$8.34 million, or 2.67%, from \$311.97 million for the six months ended March 31, 2001, to \$320.31 million for the six months ended March 31, 2002. This increase was the result of Equitable Bank competitively pricing its deposits closer to prevailing market rates as part of its strategy to attract new deposits and retain the majority of maturing deposits.

Other interest expense decreased by \$924,000, or 30.20%, to \$3.06 million for the six months ended March 31, 2002, from \$3.98 million for the six months ended March 31, 2001. This decrease resulted from a decrease in the average balance of borrowed funds and a lower average cost of borrowings for the six months ended March 31, 2002. The average cost of borrowings decreased from 6.10% for the six months ended March 31, 2001, to 5.03% for the six months ended March 31, 2002. The average balance of borrowed funds decreased by \$8.94 million, or 6.85%, from \$130.44 million for the six months ended March 31, 2001, to \$121.50 million for the six months ended March 31, 2002.

Net Interest Income. Net interest income for the six months ended March 31, 2002, increased \$1.28 million, or 28.96%, to \$5.70 million for the six months ended March 31, 2002, from \$4.42 million for the six months ended March 31, 2001. This increase was mainly the result of margin expansion as the result of a steepening yield curve environment. Equitable Bank expects the margin to stabilize during the next few quarters.

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Provision for Loan Losses. Equitable Bank's provision for loan losses increased \$37,000 to \$56,000 for the six months ended March 31, 2002, from \$19,000 for the six months ended March 31, 2001. This \$37,000 increase was mainly the result of growth in commercial real estate and construction loans which resulted in higher general loan loss reserves.

The Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5 (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also determine that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors. The Committee performed this analysis during the six months ended March 31, 2002, as described above. The Committee concluded that, based on the results of this analysis, an increase in the loan loss provision of \$56,000 was warranted. The Committee documents the calculation as part of the minutes of the meeting.

Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Noninterest Income. Noninterest income for the six months ended March 31, 2002, totalled \$615,000 compared to \$355,000 for the six months ended March 31, 2001. This \$260,000, or 73.24%, increase was mainly the result of gains on sale of loans increasing by \$250,000, from \$58,000 for the six months ended March 31, 2001, to \$308,000 for the six months ended March 31, 2002. This increase was mainly the result of Equitable Bank selling thirty-year and fifteen-year fixed-rate one-to-four family residential mortgage loans that were originated during the six months ended March 31, 2002. Also, other service fee income increased by \$24,000, or 15.29%, from \$157,000 for the six months ended March 31, 2001, to \$181,000 for the six months ended March 31, 2002. This increase was mainly the result of the opening of the Rockville Branch at King Farm coupled with the Bank increasing non-interest bearing checking accounts over the past year.

Noninterest Expense. Noninterest expense for the six months ended March 31, 2002, totalled \$3.21 million compared to \$3.05 million for the six months ended March 31, 2001. This \$166,000, or 5.44%, increase was mainly the result of compensation and benefit expense increasing by \$165,000, or 9.88%, from \$1.67 million as of March 31, 2001, to \$1.84 million as of March 31, 2002. This increase was mainly the result of normal salary increases coupled with the opening of the new Rockville branch located at King Farm. Also, occupancy and equipment expense increased by \$45,000, or 12.86%, from \$350,000 for the six months ended March 31, 2001, to \$395,000 for the six months ended March 31, 2002. This increase was mainly the result of the opening of the new Rockville branch located at King Farm. These increases were partially offset by administrative and general expenses decreasing by \$46,000, or 4.51%, from \$1.02 million for the six months ended March 31, 2001, to \$977,000 for the six months ended March 31, 2002. This decrease was the result of a concerted company-wide effort to reduce operating expenses as a percentage of assets by improving operating efficiencies and exercising tight cost control measures.

Income Taxes. Equitable Bank's provision for income taxes increased \$516,000, or 78.06%, from \$661,000 for the six months ended March 31, 2001, to \$1.18 million for the six months March 31, 2002. This increase was mainly the result of Equitable Bank's income before taxes increasing by \$1.34 million, or 78.36%, from \$1.71 million as of March 31, 2001, to \$3.05 million as of March 31, 2002.

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Liquidity and Capital Resources

Equitable Bank's primary sources of funds are deposits, proceeds from principal and interest payments on loans, repurchase agreements and FHLB of Atlanta advances. While maturities and scheduled amortization of loans and mortgage-related securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, competition and, the restructuring of the thrift industry.

Liquidity management for Equitable Bank is both a daily and long-term function of Equitable Bank's management strategy. Excess funds are generally invested in short-term investments such as federal funds. In the event that Equitable Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through the use of FHLB of Atlanta advances and repurchase agreements.

Equitable Bank is required to maintain minimum levels of liquid assets as defined by Office of Thrift Supervision (OTS) regulations. This requirement, which may vary at the discretion of the OTS depending upon economic conditions and deposit flows of all savings associations. Equitable Bank's liquidity ratio at March 31, 2002, was 34.50%.

Equitable Bank's most liquid assets are cash and cash equivalents, which include investments in highly liquid, short-term investments. The levels of these assets are dependent on the Bank's operating, financing, and investing activities during any given period. At March 31, 2002, and September 30, 2001, cash and cash equivalents totalled \$3.22 million and \$6.35 million, respectively.

At March 31, 2002, Equitable Bank had outstanding loan origination commitments of \$3.72 million. Equitable Bank also had extended to borrowing customers unused lines of credit under existing home equity line of credit loans and unsecured consumer line of credit loans totalling \$22.35 million at March 31, 2002. Also, Equitable Bank had construction line of credit loans (loans in process or LIP) of \$14.00 million at March 31, 2002. Equitable Bank anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit held by customers of Equitable Bank which are scheduled to mature in one year or less at March 31, 2002, totaled \$163.07 million. Equitable Bank anticipates, although there can be no assurance, retaining the majority of these deposits by offering competitive interest rates. Equitable Bank has a collateral pool of approximately \$245.95 million consisting primarily of residential one-to-four family mortgage loans, mortgage-backed securities, and treasury notes which are available to secure borrowings from the Federal Home Loan Bank of Atlanta and other sources providing the bank meets certain requirements, all of which the bank is confident it can fulfill.

Capital

Federally insured savings associations, such as Equitable Bank, are required to maintain a minimum level of regulatory capital. The OTS has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to such savings associations. These capital requirements must be generally as stringent as the comparable capital requirements for national banks. The OTS is also authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

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The following table sets forth Equitable Bank's compliance with each of its capital requirements as of March 31, 2002 (dollars in thousands). Equitable Bank is considered a well capitalized institution based upon its capital ratios at March 31, 2002.

	Current Capital Requirement		Actual Bank Capital		Capital Excess	
	Amount	%*	Amount	%*	Amount	%*
Tangible Capital	\$ 7,056	1.50%	\$ 28,904	6.14%	\$ 21,848	4.64%
Core Capital	18,816	4.00%	28,904	6.14%	10,088	2.14%
Tier 1 Risk-Based	9,829	4.00%	28,904	11.76%	19,075	7.76%
Risk-Based Capital**	19,658	8.00%	29,707	12.09%	10,049	4.09%

* Tangible and core capital figures are determined as a percentage of total adjusted assets; risk-based capital figures are determined as a percentage of risk-weighted assets in accordance with OTS regulations.

** Total Capital includes general loan loss reserves of \$803,440.

Significant Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted within the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related notes. In preparing these financial statements, management has made its best estimates and judgements of certain amounts included in the financial statements, giving due consideration to materiality. The Bank does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below; however, application of these accounting policies involves the exercise of judgement and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

The Bank's Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5. (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also determine that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors. Further reserves are established when management determines that the value of the collateral is less than the amount of the unpaid principal of the related loan plus estimated costs of the acquisition and sale. Allowances for estimated losses on foreclosed real estate are charged to expense when, in the opinion of management, a decline in value is deemed both probable and estimable. Although management believes that it uses the best information available to make such determinations, future adjustments to reserves may be necessary, and net income could be significantly affected, if circumstances differ substantially from the assumptions used in making the initial determinations. Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Table of Contents**Commitments and Obligations**

	Payments Due By Period				
	Total	Less than One Year	One to Three Years	Four to Five Years	After Five Years
Borrowings FHLB Advances	\$ 124,000,000	\$ 88,000,000	\$ 36,000,000		
Operating Leases	5,775,481	722,429	1,432,859	1,432,859	2,187,334
	Amount of Commitment Expiration Per Period				
	Total	Less than One Year	One to Three Years	Four to Five Years	After Five Years
Loan-In-Process	\$14,000,000	14,000,000			
Home Equity and Lines of Credit	22,354,000				22,354,000
Mortgage Loans	3,718,000	3,718,000			

Impact of Inflation and Changing Prices

The Consolidated Financial Statements and Notes thereto presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of Equitable Bank's operations. Unlike most industrial companies, nearly all the assets and liabilities of Equitable Bank are monetary in nature. As a result, interest rates have a greater impact on Equitable Bank's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Impact of New Accounting Standards

There have been no recently issued accounting standards that would have any impact on Equitable Bank.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management believes there has been no material change in interest rate risk since September 30, 2001. For additional information, see Management's Discussion and Analysis of Financial Condition and Results of Operations included herein in Item 2 and refer to the Interest Rate Risk Management discussion included in Equitable Bank's Annual Report for the fiscal year ended September 30, 2001.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Report on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITABLE BANK
(REGISTRANT)

Date: May 13, 2002

/s/ TIMOTHY F. VEITH

**Timothy F. Veith, President and
Chief Executive Officer**

Date: May 13, 2002

/s/ DAVID E. HYNES

**David E. Hynes, Executive Vice President
Chief Financial Officer and Chief Operating Officer**

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OFFICE OF THRIFT SUPERVISION
Washington, D.C. 20552

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2001

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OTS Docket number 07245

EQUITABLE BANK

(Exact name of business issuer as specified in its charter)

United States

(State or other jurisdiction of incorporation or organization)

52-0952949

(IRS Employer Identification No.)

11501 Georgia Avenue, Wheaton, Maryland 20902

(Address of principal executive offices)

(Zip Code)

(301) 949-6500

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, par value \$.01 per share

Class

1,312,827

(Outstanding at January 29, 2002)

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	Statements of Cash Flows, Three Months Ended December 31, 2001 and 2000 (unaudited)
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Table of Contents**Item 1. Financial Statements****EQUITABLE BANK****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	December 31, 2001	September 30, 2001
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 9,224,644	\$ 6,348,113
Investment securities	6,663,137	6,670,574
Loans held for sale	2,770,732	2,224,093
Loans receivable, net	337,080,707	343,811,396
Mortgage-backed securities	109,517,235	113,602,800
Accrued interest receivable	2,639,104	3,019,070
Premises and equipment, net	1,122,818	1,159,153
Prepaid expenses and other assets	759,291	1,037,658
	<u> </u>	<u> </u>
Total Assets	\$ 469,777,668	\$ 477,872,857
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	\$ 319,134,311	\$ 328,233,327
Advances from Federal Home Loan Bank	120,000,000	120,000,000
Advances from borrowers for taxes and insurance	356,331	509,882
Accounts payable, accrued expenses and other liabilities	1,801,806	2,153,269
Income taxes payable	525,109	
	<u> </u>	<u> </u>
Total Liabilities	441,817,557	450,896,478
	<u> </u>	<u> </u>
Commitments and Contingencies		
Stockholders Equity:		
Serial preferred stock, \$.01 par value 500,000 shares authorized, none outstanding		
Common stock, \$.01 par value 4,000,000 shares authorized; 1,309,727 outstanding as of December 31, 2001 and 1,309,727 as of September 30, 2001	13,097	13,097
Additional paid in capital	6,129,481	6,129,481
Retained Earnings	21,817,533	20,833,801
	<u> </u>	<u> </u>
Total stockholders equity	27,960,111	26,976,379
	<u> </u>	<u> </u>
Total Liabilities and Stockholders Equity	\$ 469,777,668	\$ 477,872,857
	<u> </u>	<u> </u>
Book value, per share	\$ 21.35	\$ 20.60
	<u> </u>	<u> </u>

See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended December 31,	
	2001	2000
Interest Income		
Loans receivable:		
Mortgage Loans	\$ 5,431,292	\$ 5,596,110
Consumer and other loans	680,743	782,324
Investment securities	166,021	297,964
Mortgage-backed and related securities	1,583,011	1,840,425
Total interest income	7,861,067	8,516,823
Interest Expense		
Deposits	3,536,990	4,290,934
Other interest	1,547,136	2,099,330
Total interest expense	5,084,126	6,390,264
Net interest income	2,776,941	2,126,559
Provision for loan losses	23,446	17,837
Net interest income after provision for loan losses	2,753,495	2,108,722
Noninterest Income		
Gain on sale of real estate		1,000
Loan fees and service charges	12,225	13,071
Loan servicing fees	40,629	44,883
Gain on sale of loans	243,991	17,466
Other service fees	93,268	75,320
Other	10,524	6,953
Total noninterest income	400,637	158,693
Noninterest Expense		
Compensation and benefits	871,452	801,540
Occupancy and equipment	196,729	168,090
Administrative and general	471,233	479,662
Other	12,223	396
Total noninterest expense	1,551,637	1,449,688
Income before income taxes	1,602,495	817,727
Income tax provision	618,763	314,751
Net Income	\$ 983,732	\$ 502,976
Earnings per common share-basic	\$.75	\$.39

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Earnings per common share-diluted	\$.70	\$.37
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See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended December 31,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 983,732	\$ 502,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,475	60,214
Provision for loan losses	23,446	17,837
Premiums and discounts on mortgage-backed securities and investments	(779)	(30,941)
Amortization of deferred loan fees	(95,265)	(69,077)
Gain on sale of loans	(243,991)	(17,466)
Gain on sale of real estate and foreclosed assets		(1,000)
(Increase) Decrease in assets		
Accrued interest receivable	379,966	136,254
Loans originated for sale	(28,885,541)	(3,339,100)
Sales of loans originated for sale	28,342,700	2,788,400
Increase (Decrease) in liabilities		
Income taxes payable	525,109	58,453
Other items, net	(73,096)	325,860
Net cash provided by operations	1,010,756	432,410
Cash flows from investing activities:		
Net decrease (increase) in loans	7,051,697	(1,874,988)
Principal reduction in mortgage-backed securities and participation certificates	12,084,786	5,519,399
Purchase of mortgage-backed securities and participation certificates	(8,000,000)	(6,728,010)
Purchase of investment securities		(50,317)
Principal reduction in investment securities		501,250
Purchase of FHLB stock		(170,000)
Purchase of office property and equipment	(18,141)	(29,431)
Net cash provided (used) by investing activities	11,118,342	(2,832,097)
Cash flows from financing activities:		
Net increase (decrease) in deposits	\$ (9,099,016)	\$ 8,684,810
Federal Home Loan Bank advances	43,000,000	39,100,000
Repayment of Federal Home Loan Bank advances	(43,000,000)	(36,400,000)
Issuance of common stock pursuant to stock option plans		11,500
Net decrease in securities sold under agreements to repurchase		(212,000)
Advance payments by borrowers for taxes	(153,551)	(238,609)
Net cash provided (used) by financing activities	(9,252,567)	10,945,701
Net increase in cash and cash equivalents	2,876,531	8,546,014
Cash and Cash Equivalents, beginning of year	6,348,113	1,065,386
Cash and Cash Equivalents, as of December 31,	\$ 9,224,644	\$ 9,611,400

See accompanying notes to unaudited consolidated financial statements

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EQUITABLE BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Equitable Bank (Equitable or the Bank), without audit, pursuant to the rules and regulations of the Office of Thrift Supervision (the OTS). Equitable Bank is a federally chartered savings bank with executive and administrative offices in Wheaton, Maryland, which conducts business through a total of five retail offices located in Montgomery and Prince George s County, Maryland.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the applicable periods have been made. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Equitable Bank believes that the disclosures are adequate to make the information presented not misleading.

It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto in Equitable Bank s Annual Report to Stockholders for the year ended September 30, 2001, filed with the OTS on December 28, 2001. The results for the period covered hereby will not necessarily be indicative of the operating results for the full year ending September 30, 2002.

Per Share Data

Equitable Bank calculates earnings per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings per share (SFAS 128) . SFAS 128 provides for the calculation of Basic and Diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. The weighted average number of shares outstanding used in the Basic earnings per share calculation for the three months ended December 31, 2001, and December 31, 2000, was 1,309,727 and 1,299,775 shares outstanding, respectively. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. The weighted average number of shares outstanding used in the diluted calculation for the three months ended December 31, 2001, and December 31, 2000, was 1,415,000 and 1,349,075 shares outstanding, respectively.

Note 2 Income Taxes

Equitable Bank has estimated based on budgeted levels of pre-tax income that its effective tax rate for fiscal 2002 will be approximately 38%.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis should be read in conjunction with the Management's Discussion and Analysis contained in the company's Annual Report to Stockholders, which focuses upon relevant matters occurring during the year commencing October 1, 2000 and ending September 30, 2001. Accordingly, the ensuing discussion focuses upon material matters at and for the three months ended December 31, 2001, as compared to December 31, 2000.

General

Equitable Bank's results of operations are dependent primarily upon its net interest income. Net interest income is the difference between interest income on interest-earning assets, primarily loans, mortgage-backed securities and investments, and interest expense on interest-bearing liabilities, which consist of savings deposits and borrowings. Results of operations are also dependent upon the level of Equitable Bank's noninterest income, including fee income and service charges, and the level of its noninterest expenses, including its employee compensation, occupancy expenses, federal insurance premiums, and other general and administrative expenses. Equitable Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, and actions of regulatory authorities.

Equitable Bank's basic mission is to record core earnings while serving its local communities. In seeking to accomplish this mission, management has adopted a business strategy designed to (i) increase Equitable Bank's well-capitalized position, (ii) manage Equitable Bank's vulnerability to changes in interest rates, (iii) continue to control and maintain Equitable Bank's asset quality by maintaining a low level of non-performing assets, (iv) improve Equitable Bank's net interest income by increasing Equitable Bank's interest-earning assets mainly through the origination of fixed and adjustable-rate one-to-four family residential mortgage loans which will be supplemented by commercial real estate loans (with a conservative loan to value ratio), adjustable-rate residential construction loans, adjustable-rate home equity loans, and the purchase of one-year adjustable-rate mortgage-backed securities, and by striving to maintain Equitable Bank's net interest margin via proper pricing of our loan and deposit products, (v) maintain operating expenses as a low percentage of assets, and (vi) provide additional growth to our core deposit base through the addition of new branches in high growth/high density locations.

Forward-Looking Statements

When used in this Form 10-QSB or future filings by Equitable Bank with the Office of Thrift Supervision, in Equitable Bank's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project" or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Equitable Bank wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors-including regional and national economic conditions, changes in levels of market interest rates, credit risks of lending activities, and competitive and regulatory factors could affect Equitable Bank's financial performance and could cause Equitable Bank's actual results for future periods to differ materially from those anticipated or projected.

Equitable Bank does not undertake and specifically disclaims any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Financial Condition

Assets. Cash and cash equivalents increased \$2.87 million from \$6.35 million as of September 30, 2001, to \$9.22 million as of December 31, 2001. Mortgage-backed securities decreased \$4.08 million from \$113.60

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million as of September 30, 2001, to \$109.52 million as of December 31, 2001 as a result of increased prepayments due to refinancing activities over the past three months as a result of rapidly declining interest rates. All Equitable Bank's mortgage-backed securities are classified as held-to-maturity as it is management's intent to hold these securities to maturity.

Loans receivable decreased \$6.73 million from \$343.81 million as of September 30, 2001, to \$337.08 million as of December 31, 2001. This decrease of \$6.73 million, or 2.00%, was due primarily to a high volume of refinancing activity over the past three months as the result of rapidly declining interest rates. Loans held for sale increased by \$547,000, from \$2.22 million as of September 30, 2001, to \$2.77 million as of December 31, 2001.

Liabilities. Deposit accounts decreased \$9.10 million, or 2.77%, from \$328.23 million as of September 30, 2001, to \$319.13 million as of December 31, 2001. This decrease was the result of Equitable Bank not aggressively retaining maturing higher cost certificates of deposit as the result of cash flows generated by the loan portfolio due to refinancing activity over the past three months.

Non-performing Loans and Investment in Real Estate

The table below sets forth the amounts and categories of non-performing assets in Equitable Bank's loan portfolio. Loans are placed on non-accrual status when the collection of principal and/or interest becomes doubtful. Foreclosed assets include assets acquired in settlement of loans.

	December 31, 2001	September 30, 2001
	(Dollars In thousands)	
Non-Performing Assets		
Non-accruing loans:		
One- to four-family	\$	\$
Construction or development		
Consumer	2	
	_____	_____
Total	2	
	_____	_____
Accruing loans delinquent more than 90 days:		
One- to four-family	11	26
Construction or development		
	_____	_____
Total	11	26
	_____	_____
Foreclosed assets:		
One- to four-family		
Construction or development		
	_____	_____
Total		
	_____	_____
Total non-performing assets	\$ 13	\$ 26
	_____	_____
Total as a percentage of total assets	.00%	.01%
	_____	_____

Allowance for Losses on Loans and Real Estate

Management reviews on a monthly basis Equitable Bank's allowance for loan losses, considering numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience, and independent appraisals. Further reserves are established when management determines that the value of the collateral is less than the amount of the unpaid principal of the related loan plus estimated costs of the acquisition and sale. The allowance for loan losses is maintained at an amount considered adequate to

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provide for potential losses. At December 31, 2001, Equitable Bank had an allowance for loan losses of \$768,000, of which \$2,000 had been allocated as a reserve for specific loans, and \$766,000 allocated as a general reserve. Equitable Bank's ratio of allowance for loan losses to total loans was .23% and .22% for the periods ended December 31, 2001, and September 30, 2001, respectively.

Allowances for estimated losses on foreclosed real estate are charged to expense when, in the opinion of management, a decline in value is deemed both probable and estimable. Although management believes that it uses the best information available to make such determinations, future adjustments to reserves may be necessary, and net income could be significantly affected, if circumstances differ substantially from the assumptions used in making the initial determinations.

Results of Operations

Equitable Bank's results of operations depend primarily on the level of its net interest income, noninterest income, and its reduction of operating expenses. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them, respectively.

The following discussion compares the results of operations of Equitable Federal for the indicated periods.

Comparison of the Three Months Ended December 31, 2001 and December 31, 2000

Net Income. Net income for the three months ended December 31, 2001, was \$984,000, compared to net income of \$503,000 for the three months ended December 31, 2000. This \$481,000, or 95.63%, increase in net income for the quarter ended December 31, 2001, as compared to the quarter ended December 31, 2000, was the result of a \$650,000 increase in net interest income and a \$242,000 increase in noninterest income. These factors were partially offset by a \$304,000 increase in the provision for income taxes, a \$102,000 increase in the noninterest expense, and a \$5,000 increase in the provision for loan losses.

Interest Income. Total interest income decreased \$656,000, or 7.70%, from \$8.52 million for the three months ended December 31, 2000, to \$7.86 million for the three months ended December 31, 2001. This decrease was due to a decrease in the average yields on loans, mortgage-backed securities, investment securities and a decrease in the average balance of investment securities. These decreases were partially offset by an increase in the average balance on investment securities and loans. Loan servicing fee income to net interest income was 2% for the quarters ended December 31, 2000, and December 31, 2001.

Interest on loans decreased \$266,000, or 4.17%, to \$6.11 million for the three months ended December 31, 2001, from \$6.38 million for the three months ended December 31, 2000. This decrease was due to a lower average yield on loans outstanding which was partially offset by an increase in the average balance of loans outstanding. The average yield on loans decreased from 7.50% for the three months ended December 31, 2000, to 7.08% for the three months ended December 31, 2001. Equitable Bank's average balance of loans outstanding increased by \$5.17 million, or 1.52%, from \$340.31 million for the quarter ended December 31, 2000, to \$345.48 million for the quarter ended December 31, 2001. This increase was mainly the result of Equitable Bank successfully implementing its loan origination strategy of offering competitive rates and excellent timely service coupled with increasing market penetration throughout the area (as the result of loan solicitors). Loans outstanding increased mainly through the origination of commercial real estate loans, construction loans and one-to-four family residential mortgage loans which is in conjunction with Equitable Bank's business strategy of improving interest income by increasing interest-earning assets that exhibit high quality, low risk characteristics.

Interest on mortgage-backed securities decreased \$257,000, or 13.97%, to \$1.58 million for the three months ended December 31, 2001, from \$1.84 million for the three months ended December 31, 2000. This decrease was due to a lower average yield of mortgage-backed securities which was partially offset by an increase in the average balance of mortgage-backed securities. The average yield on mortgage-backed securities

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decreased from 6.86% for the three months ended December 31, 2000, to 5.73% for the three months ended December 31, 2001. Equitable Bank's average balance of mortgage-backed securities increased by \$3.13 million, or 2.91%, from \$107.38 million for the quarter ended December 31, 2000, to \$110.51 million for the quarter ended December 31, 2001.

Interest on investment securities decreased \$132,000, or 44.30%, to \$166,000 for the three months ended December 31, 2001, from \$298,000 for the three months ended December 31, 2000. This decrease was due to a decrease in both the average balance of investment securities and the average yield on investment securities. The average balance of investment securities decreased by \$1.66 million, or 9.50%, from \$17.47 million for the quarter ended December 31, 2000, to \$15.81 million for the quarter ended December 31, 2001. The average yield on investment securities decreased from 6.82% for the three months ended December 31, 2000, to 4.20% for the three months ended December 31, 2001.

Interest Expense. Interest expense for the three months ended December 31, 2001, was \$5.08 million as compared to \$6.39 million for the three months ended December 31, 2000, which represented a decrease of \$1.31 million, or 20.50%. This decrease was due to a decrease in the average cost of deposits and borrowings and a lower average balance of borrowings. This decrease was partially offset by an increase in the average balance of deposits.

Interest on deposits decreased \$754,000, or 17.58%, from \$4.29 million for the quarter ended December 31, 2000, to \$3.54 million for the quarter ended December 31, 2001. This decrease resulted from a decrease in the average cost of deposits which was partially offset by a higher average balance of deposits. The average cost of deposits decreased from 5.59% for the three months ended December 31, 2000, to 4.36% for the three months ended December 31, 2001. The average balance of deposits increased by \$17.73 million, or 5.78%, from \$306.97 million for the quarter ended December 31, 2000, to \$324.70 million for the quarter ended December 31, 2001. This increase was the result of Equitable Bank competitively pricing its deposits closer to prevailing market rates as part of its strategy to attract new deposits and retain the majority of maturing deposits. These new deposit inflows were utilized to fund the growth of interest-earning assets experienced during the past year.

Other interest expense decreased by \$552,000, or 26.29%, to \$1.55 million for the three months ended December 31, 2001, from \$2.10 million for the three months ended December 31, 2000. This decrease resulted from a decrease in the average balance of borrowed funds and a lower average cost on borrowings for the quarter ended December 31, 2001. The average balance of borrowed funds decreased by \$14.37 million, or 10.69%, from \$134.37 million for the quarter ended December 31, 2000, to \$120.00 million for the quarter ended December 31, 2001. The average cost of borrowings decreased to 5.16% for the current quarter from 6.25% for the previous year's quarter.

Net Interest Income. Net interest income for the three months ended December 31, 2001, increased \$650,000 or 30.52%, to \$2.78 million for the three months ended December 31, 2001, from \$2.13 million for the three months ended December 31, 2000. This increase was mainly the result of margin expansion as the result of a steepening yield curve environment. Equitable Bank, due to current reductions in interest rates, expects margins to continue to increase from current levels during the next couple of quarters.

Provision for Loan Losses. Equitable Bank's provision for loan losses increased \$5,000 to \$23,000 for the three months ended December 31, 2001, from \$18,000 for the three months ended December 31, 2000. This \$5,000 increase was mainly the result of a decrease in the recoveries on consumer loans.

The Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5 (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a

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specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also determine that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors. The Committee performed this analysis in October, November, and December 2001 as described above. The Committee concluded that, based on the results of this analysis, an increase of \$23,000 in the loan loss provision was warranted. The Committee documents the calculation as part of the minutes of the meeting.

Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Noninterest Income. Noninterest income for the three months ended December 31, 2001, totalled \$401,000 as compared to \$159,000 for the three months ended December 31, 2000. This \$242,000, or 152.20%, increase was mainly the result of gain on sale of loans increasing by \$227,000, from \$17,000 for the quarter ended December 31, 2000, to \$244,000 for the quarter ended December 31, 2001. This increase was mainly the result of Equitable Bank selling thirty-year and fifteen-year fixed-rate one-to-four family residential mortgage loans that were originated during the quarter ended December 31, 2001. Also, other service fee income increased by \$18,000, or 24.00%, from \$75,000 for the three months ended December 31, 2000, to \$93,000 for the three months ended December 31, 2001. This increase was mainly the result of the opening of the Rockville branch at King Farm coupled with the Bank increasing non-interest bearing checking accounts over the past year.

Noninterest Expense. Noninterest expense for the quarter ended December 31, 2001, totalled \$1.55 million as compared to \$1.45 million for the quarter ended December 31, 2000. This \$102,000, or 7.03%, increase was mainly the result of compensation and benefit expense increasing by \$69,000 from \$802,000 for the quarter ended December 31, 2000, to \$871,000 for the quarter ended December 31, 2001. This increase was mainly the result of normal salary increases coupled with the opening of the new Rockville branch located at King Farm. Also, occupancy and equipment expense increased by \$29,000, or 17.26%, from \$168,000 as of December 31, 2000, to \$197,000 as of December 31, 2001. This increase was mainly the result of the opening of the new Rockville branch at King Farm. These increases were partially offset by administrative and general expense decreasing by \$9,000, from \$480,000 for the three months ended December 31, 2000, to \$471,000 for the three months ended December 31, 2001.

Income Taxes. Equitable Bank's provision for income taxes increased \$304,000, or 96.51%, from \$315,000 for the quarter ended December 31, 2000, to \$619,000 for the quarter ended December 31, 2001. This increase was the result of Equitable Bank's income before taxes increasing by \$785,000, or 96.08%, from \$818,000 for the quarter ended December 31, 2000, to \$1.60 million for the quarter ended December 31, 2001.

Liquidity and Capital Resources

Equitable Bank's primary sources of funds are deposits, proceeds from principal and interest payments on loans, reverse repurchase agreements and FHLB of Atlanta advances. While maturities and scheduled amortization of loans and mortgage-related securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, competition and, most recently, the restructuring of the thrift industry.

Liquidity management for Equitable Bank is both a daily and long-term function of Equitable Bank's management strategy. Excess funds are generally invested in short-term investments such as federal funds. In the event that Equitable Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through the use of FHLB of Atlanta advances and repurchase agreements.

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Equitable Bank is required to maintain minimum levels of liquid assets as defined by Office of Thrift Supervision (OTS) regulations. This requirement, which may vary at the discretion of the OTS depending upon economic conditions and deposit flows of all savings associations. Equitable Bank's liquidity ratio at December 31, 2001, was 32.67%.

Equitable Bank's most liquid assets are cash and cash equivalents, which include investments in highly liquid, short-term investments. The levels of these assets are dependent on the Bank's operating, financing, and investing activities during any given period. At December 31, 2001, and September 30, 2001, cash and cash equivalents totalled \$9.22 million and \$6.35 million, respectively.

At December 31, 2001, Equitable Bank had outstanding loan origination commitments of \$3.55 million. Equitable Bank also had extended to borrowing customers unused lines of credit under existing home equity line of credit loans and unsecured consumer line of credit loans totaling \$21.39 million at December 31, 2001. Also, Equitable Bank had construction line of credit loans (loans in process or LIP) of \$12.54 million at December 31, 2001. Equitable Bank anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit held by customers of Equitable Bank which are scheduled to mature in one year or less at December 31, 2001, totaled \$213.36 million. Equitable Bank anticipates, although there can be no assurance, retaining the majority of these deposits by offering competitive interest rates. Equitable Bank has a collateral pool of approximately \$249.98 million consisting primarily of residential one-to-four family mortgage loans, mortgage-backed securities, and treasury notes which are available to secure borrowings from the Federal Home Loan Bank of Atlanta and other sources providing the bank meets certain requirements, all of which the bank is confident it can fulfill.

Capital

Federally insured savings associations, such as Equitable Bank, are required to maintain a minimum level of regulatory capital. The OTS has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to such savings associations. These capital requirements must be generally as stringent as the comparable capital requirements for national banks. The OTS is also authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

The following table sets forth Equitable Bank's compliance with each of its capital requirements as of December 31, 2001 (dollars in thousands). Equitable Bank is considered a well capitalized institution based upon its capital ratios at December 31, 2001.

	Current Capital Requirement		Actual Bank Capital		Capital Excess	
	Amount	%*	Amount	%*	Amount	%*
Tangible Capital	\$ 7,047	1.50%	\$ 27,960	5.95%	\$ 20,913	4.45%
Core Capital	18,791	4.00%	27,960	5.95%	9,169	1.95%
Tier 1 Risk-Based	9,769	4.00%	27,960	11.45%	18,191	7.45%
Risk-Based Capital**	19,538	8.00%	28,726	11.76%	9,188	3.76%

* Tangible and core capital figures are determined as a percentage of total adjusted assets; risk-based capital figures are determined as a percentage of risk-weighted assets in accordance with OTS regulations.

** Total Capital includes general loan loss reserves of \$765,765.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements and Notes thereto presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position

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and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of Equitable Bank's operations. Unlike most industrial companies, nearly all the assets and liabilities of Equitable Bank are monetary in nature. As a result, interest rates have a greater impact on Equitable Bank's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Impact of New Accounting Standards

There have been no recently issued accounting standards that would have any impact on Equitable Bank.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management believes there has been no material change in interest rate risk since September 30, 2001. For additional information, see Management's Discussion and Analysis of Financial Condition and Results of Operations included herein in Item 2 and refer to the Interest Rate Risk Management discussion included in Equitable Bank's Annual Report for the fiscal year ended September 30, 2001.

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None

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

The following is a record of votes cast at the Bank's Annual Meeting of Stockholders in the election of directors of the Bank:

	<u>FOR</u>	<u>Percent</u>	<u>WITHHELD</u>	<u>Percent</u>
Gordon N. Lockett	1,166,525	98.5	17,594	1.5
Timothy F. Veith	1,166,525	98.5	17,594	1.5
Garrett G. Goodbody	1,166,725	98.5	17,394	1.5

Accordingly, the individuals named above were declared to be duly elected directors of the Bank for the term indicated.

The following is a record of the votes cast in respect of the proposal to ratify the appointment of BDO Seidman as the Bank's auditors for the fiscal year ending September 30, 2002:

<u>FOR</u>	<u>Percent</u>	<u>AGAINST</u>	<u>Percent</u>	<u>ABSTAIN</u>	<u>Percent</u>
1,151,319	97.2	2,660	0.2	30,140	2.5

Accordingly, the proposal described above was duly adopted by the stockholders of the Bank.

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Report on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on November 16, 2001 regarding the expansion of the Board of Directors and execution of a Standstill Agreement by PL Capital Group.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITABLE BANK
(REGISTRANT)

Date: February 8, 2002

**Timothy F. Veith, President and
Chief Executive Officer**

Date: February 8, 2002

**David E. Hynes, Executive Vice President
Chief Financial Officer and Chief Operating Officer**

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITABLE BANK
(REGISTRANT)

Date: February 8, 2002

/s/ TIMOTHY F. VEITH

**Timothy F. Veith, President and
Chief Executive Officer**

Date: February 8, 2002

/s/ DAVID E. HYNES

**David E. Hynes, Executive Vice President
Chief Financial Officer and Chief Operating Officer**

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OFFICE OF THRIFT SUPERVISION
Washington, D.C. 20552

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2001

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OTS Docket number 7245

EQUITABLE BANK

(Exact Name of Issuer as Specified in its Charter)

United States
(State or other jurisdiction of
incorporation or organization)
11501 Georgia Avenue, Wheaton, Maryland
(Address of principal executive offices)

52-0952949
(I.R.S. Employer
Identification No.)
20902
(Zip Code)

Issuer's telephone number, including area code: (301) 949-6500

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share
(Title of Class)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of Issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

As of December 19, 2001, there were issued and outstanding 1,309,727 shares of the Issuer's Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Issuer, computed by reference to the last sale price of such stock as of December 19, 2001, was approximately \$23.88 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the Issuer that such person is an affiliate of the Issuer.)

DOCUMENTS INCORPORATED BY REFERENCE

PARTS II and IV of Form 10-K 2001 Annual Report to Stockholders.

PART III of Form 10-K Proxy Statement for the 2001 Annual Meeting of Stockholders.

Transitional Small Business Disclosure Format: Yes No X

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PART I

Item 1. Business

General

Equitable Bank (Equitable or the Bank) was chartered as the Equitable Cooperative Building Association in 1879 in Washington, D.C. In 1970, Equitable relocated its main office to Wheaton, Maryland and in 1972 it adopted a Maryland charter. In 1982, it converted from a Maryland state chartered to a federally-chartered mutual savings and loan association. In January 1986, it changed its name to Equitable Federal Savings Bank. On September 10, 1993, Equitable converted from the mutual to stock form of organization through the sale and issuance of 600,000 shares of common stock. During 1999, it changed its name to Equitable Bank. Equitable Bank is a member of the Federal Home Loan Bank (FHLB) of Atlanta and its deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

Equitable presently operates in Montgomery and Prince George s Counties, Maryland from its headquarters in Wheaton and four branch offices. Equitable is principally engaged in the business of attracting deposits from the general public and using such deposits, together with borrowings and other funds, to originate permanent real estate mortgage loans, commercial real estate loans, residential construction loans, consumer loans and other loans and investments.

Equitable originates a variety of permanent residential real estate mortgage loans, principally in compliance with FreddieMac underwriting standards. Equitable, as market conditions permit, sells most of the conforming (i.e., such loans conform to the underwriting guidelines of FreddieMac) and jumbo non-conforming thirty year fixed-rate permanent mortgage loans that it originates and retains for its portfolio all adjustable-rate and some fifteen year fixed-rate permanent mortgages originated.

The main office of Equitable is located at 11501 Georgia Avenue, Wheaton, Maryland 20902, and its telephone number at that address is (301) 949-6500.

Lending Activities

The principal lending activity of Equitable is the origination of fixed and adjustable-rate permanent real estate loans for the purchase or refinancing of owner-occupied homes. In addition, Equitable offers consumer loans on a direct basis, adjustable-rate home equity loans, commercial real estate loans with conservative loan to value ratios and both individual and builder residential construction loans. Equitable has concentrated its lending efforts in Maryland, Northern Virginia and the District of Columbia (Washington, D.C. metropolitan area).

In the past, Equitable primarily made long-term, fixed-rate real estate loans that it retained in its loan portfolio. Since 1983, Equitable has increased its efforts to originate short-term and, market conditions permitting, adjustable-rate loans. All of the adjustable-rate permanent mortgage loans originated by Equitable are held for its own portfolio. As a result, as of September 30, 2001, adjustable-rate loans represented 56.9% of Equitable s gross loan portfolio.

The aggregate amount of loans that Equitable is permitted to make under applicable federal regulations to any one borrower, including related entities, is generally the greater of 15% of unimpaired capital and surplus or \$500,000. See Regulation Federal Regulation of Savings Associations. At September 30, 2001, the maximum amount which Equitable could have lent to any one borrower and the borrower s related entities was \$4.0 million under these regulations.

At September 30, 2001, Equitable s largest loan to one borrower totaled \$4.0 million, and was secured by a residential condominium building. At that date, the loan was performing in accordance with its terms.

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Loan Portfolio Composition. The following table sets forth information concerning the composition of Equitable's loan portfolio in dollar amounts, including loans held for sale, and in percentages (before deductions for loans in process, deferred fees and discounts and allowances for losses) as of the dates indicated.

September 30,

	2001		2000		1999		1998		1997	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)										
Real Estate Loans										
One- to four-family	\$ 266,050	73.4%	\$ 278,302	76.9%	\$ 261,996	82.3%	\$ 193,844	78.6%	\$ 182,560	82.5%
Commercial	38,927	10.7	30,235	8.3	25,363	8.0	22,974	9.3	14,573	6.6
Construction or development	39,738	11.0	34,372	9.5	11,857	3.7	9,985	4.0	4,707	2.1
Total real estate loans	344,715	95.1	342,909	94.7	299,216	94.0	226,803	91.9	201,840	91.2
Other Loans:										
Consumer Loans:										
Deposit account	135		114		139	0.1	262	0.1	374	0.2
Recreational vehicle, boat and automobile	1,290	0.4	1,460	0.4	1,605	0.5	2,353	1.0	3,401	1.5
Home equity	16,274	4.5	17,543	4.9	17,266	5.4	17,220	7.0	15,512	7.0
Other	79		88		79		100		133	0.1
Total consumer loans	17,778	4.9	19,205	5.3	19,089	6.0	19,935	8.1	19,420	8.8
Commercial business loans									22	
Total other loans	17,778	4.9	19,205	5.3	19,089	6.0	19,935	8.1	19,442	8.8
Total loans	362,493	100.0%	362,114	100.0%	318,305	100.0%	246,738	100.0%	221,282	100.0%
Less:										
Loans in process	15,344		22,555		6,250		3,926		1,702	
Deferred fees and discounts	373		489		383		424		461	
Allowance for losses	741		755		725		641		565	
Total loans receivable, net	\$ 346,035		\$ 338,315		\$ 310,947		\$ 241,747		\$ 218,554	

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The following table shows the composition of Equitable's loan portfolio, including loans held for sale, by fixed and adjustable-rate at the dates indicated.

	September 30,									
	2001		2000		1999		1998		1997	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)										
Fixed-Rate Loans										
Real estate:										
One- to four-family	\$ 128,137	35.3%	\$ 145,397	40.2%	\$ 160,835	50.5%	\$ 67,905	27.5%	\$ 51,586	23.4%
Commercial	26,737	7.4	26,175	7.2	18,282	5.8	8,901	3.6	2,270	1.0
Construction or development	231	0.1	668	0.2	399	0.1	231	0.1	946	0.4
Total real estate loans	155,105	42.8	172,240	47.6	179,516	56.4	77,037	31.2	54,802	24.8
Consumer	1,302	0.3	1,412	0.4	1,556	0.5	2,331	1.0	3,774	1.7
Total fixed-rate loans	156,407	43.1	173,652	48.0	181,072	56.9	79,368	32.2	58,576	26.5
Adjustable-Rate Loans:										
Real estate:										
One- to four-family	137,913	38.0	132,905	36.7	101,161	31.8	125,939	51.0	130,974	59.2
Commercial	12,190	3.4	4,060	1.1	7,081	2.2	14,073	5.7	12,303	5.5
Construction or development	39,507	10.9	33,704	9.3	11,458	3.6	9,754	4.0	3,761	1.7
Total real estate loans	189,610	52.3	170,669	47.1	119,700	37.6	149,766	60.7	147,038	66.4
Consumer	16,476	4.6	17,793	4.9	17,533	5.5	17,604	7.1	15,646	7.1
Commercial business									22	
Total adjustable-rate loans	206,086	56.9	188,462	52.0	137,233	43.1	167,370	67.8	162,706	73.5
Total fixed and adjustable- rate	362,493	100.0%	362,114	100.0%	318,305	100.0%	246,738	100.0%	221,282	100.0%
Less:										
Loans in process	15,344		22,555		6,250		3,926		1,702	
Deferred fees and discounts	373		489		383		424		461	
Allowance for loan losses	741		755		725		641		565	
Total loans receivable, net	\$ 346,035		\$ 338,315		\$ 310,947		\$ 241,747		\$ 218,554	

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The following schedule illustrates the interest rate sensitivity of Equitable's loan portfolio at September 30, 2001. Mortgages which have adjustable or renegotiable interest rates are shown as maturing in the period during which the contract is due. The schedule does not reflect the effects of possible prepayments or enforcement of due-on-sale clauses.

Real Estate

	One- to Four-Family		Commercial		Construction or Development		Consumer		Commercial Business		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in Thousands)												
Due During Years Ending September 30,												
2002(1)	\$ 8,123	7.0%	\$ 1,730	7.8%	\$ 39,738(2)	7.9%	\$ 2,456	7.3%	\$	%	\$ 52,047	7.7%
2003	8,142	7.0	1,254	8.0			457	8.2			9,853	7.2
2004	8,730	7.0	1,307	8.0			165	8.2			10,202	7.1
2005 and 2006	18,981	7.0	3,067	8.0			662	7.2			22,710	7.1
2007 to 2011	53,569	7.0	19,514	8.1			12,086	7.0			85,169	7.3
2012 to 2016	47,761	7.0	7,005	8.0			18	7.0			54,784	7.1
2017 and following	120,744	7.0	5,050	7.5			1,934	7.0			127,728	7.0
Total	\$ 266,050	7.0	\$ 38,927	8.0	\$ 39,738	7.9	\$ 17,778	7.1	\$	%	\$ 362,493	7.2

(1) Includes demand loans, loans having no stated maturity and overdraft loans.

(2) Includes loans in process of \$15,344,000.

The total amount of loans due after September 30, 2002 which have predetermined interest rates is \$144,409,000 while the total amount of loans due after such date which have floating or adjustable interest rates is \$166,037,000.

Equitable originates real estate loans through internal loan production personnel at its main office. The primary source of residential loan originations is referrals from real estate brokers. Additionally, referrals from builders and customers are also important sources of loan originations. Equitable also utilizes loan solicitors to sell loan products to customers in Frederick, Montgomery, Prince George's, Howard, Calvert, Charles, and Anne Arundel counties, and Washington, D.C. Consumer loans are originated directly to the borrower at all Equitable offices.

Residential Mortgage Lending

Equitable originates, for its portfolio or for resale in the secondary market, fixed-rate loans and adjustable-rate mortgage loans (ARMs) secured by one- to four-family homes. At September 30, 2001 permanent one-to four-family residential loans totaled \$266.1 million and represented approximately 73.4% of Equitable's total loan portfolio. Equitable's residential one-to four-family real estate loans are secured by properties located predominantly in the Washington, D.C. metropolitan area.

Equitable originates adjustable-rate mortgage loans, all of which are retained for its own portfolio. During the years ended September 30, 2001 and 2000, Equitable originated \$28.3 million and \$43.8 million, respectively, of adjustable-rate one-to four-family residential mortgage loans. Rate adjustments are based upon the constant maturity index for U.S. Treasury securities and are generally limited to 2% maximum annual adjustments as well as a maximum aggregate adjustment over the life of the loan (generally 6%). Accordingly, the interest rates on these loans are not necessarily as rate sensitive as Equitable's cost of funds. Equitable's ARMs do not permit negative amortization of principal. ARMs are originated with terms to maturity of up to 30 years and borrowers are qualified based on secondary market requirements, which may not reflect fully indexed rates of interest.

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Due to the unseasoned nature of ARMs in the industry (i.e., such loans have not been subject to an interest rate environment which causes them to adjust to the maximum level), such loans entail unquantifiable risks resulting from potentially increased payment obligations by the borrower as a result of repricing. Further, the ARMs offered by Equitable, as well as by many other financial institutions, may provide for initial rates of interest below the rates which would prevail were the index and margin used for repricing applied initially. These loans are subject to increased risk of delinquency or default as the higher, fully indexed rate of interest subsequently comes into effect upon repricing.

Conforming and non-conforming thirty year fixed-rate mortgages, as market conditions permit, are generally sold in the secondary market, with servicing released, in order to generate gains on sales of loans and maintain liquidity. Conforming and non-conforming fifteen year fixed-rate mortgages are occasionally retained in the loan portfolio. During the years ended September 30, 2001, and September 30, 2000, Equitable originated \$57.7 million and \$12.3 million of one-to four-family fixed-rate residential mortgage loans and sold \$40.5 million and \$4.6 million, respectively, of such loans into the secondary market. This increase in fixed-rate residential mortgage loans originated during fiscal 2001 was the direct result of lower interest rates which resulted in a high volume of refinance activity. Of the \$57.7 million and \$12.3 million fixed-rate one-to four-family residential loans originated during September 30, 2001 and 2000, respectively, \$1.08 million and \$527,000, respectively, were non-conforming single family loans due solely to the loan amount exceeding the FreddieMac loan limitation.

At September 30, 2001, the two largest single-family residential mortgage loans totaled \$1.12 million and \$1.03 million. Equitable has not experienced significant delinquencies in its single-family residential mortgage loan portfolio.

In underwriting residential real estate loans Equitable evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. Loan applications are approved at various levels of authority, depending on the amount of the loan. Loan commitments of \$500,000 or less are approved by one senior officer and two members of Equitable's Loan Committee. Loans over \$500,000 require the approval of the Loan Committee and the Board of Directors. Equitable generally does not make residential loans with a loan to value ratio in excess of 95%. Further, it is Equitable's policy that all loans in excess of 80% of the appraised value of the property be insured for that amount of the loan in excess of 80% of the appraised value by a private mortgage insurance company approved by Equitable. In addition, Equitable requires borrowers to obtain title and fire and casualty insurance in an amount not less than the amount of the loan or the replacement cost, if mandated by state law. Real estate loans originated by Equitable generally contain a due on sale clause allowing Equitable to declare the unpaid principal balance due and payable upon the sale of the property securing the loan. Equitable enforces these due on sale clauses to the extent permitted by law. However, adjustable-rate loans originated by Equitable may be assumed by a new purchaser if acceptable to Equitable. Applications for loan assumptions are submitted to a review and approval process similar to that used in connection with new loan applications.

Consumer Lending

In order to improve the interest rate sensitivity of Equitable's loan portfolio and to expand and create stronger ties to its existing customer base, Equitable offers consumer loans.

Equitable offers a variety of secured consumer loans, including recreational vehicle, boat, automobile and home equity loans, and loans secured by deposit accounts. In addition, Equitable also offers home improvement loans and unsecured consumer loans. Consumer loans are generally originated with terms ranging from three to five years, with home equity loans generally having terms of 10 years.

Equitable currently originates all of its consumer loans in the Washington, D.C. metropolitan area. Equitable originates consumer loans only on a direct basis. Direct loans are made when Equitable extends credit directly to

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the borrower. All loans are subject to the same underwriting standards and are individually approved by Equitable personnel before commitments are made. Substantially all of Equitable's consumer loans are home equity loans.

Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured or secured by rapidly depreciable assets such as recreational vehicles, boats and automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans. Such loans may also give rise to claims and defenses by a consumer loan borrower against an assignee of such loan such as Equitable, and a borrower may be able to assert against such assignee claims and defenses which it has against the seller of the underlying collateral. Consumer loan delinquencies often increase over time as the loans age.

Construction and Development Lending

Construction and development loans secured by projects under construction and the land on which the projects are located aggregated \$39.7 million (of which \$15.3 million was loans in process) at September 30, 2001, representing 11.0% of Equitable's loan portfolio. These construction and development loans are generally on an interest-only basis with terms of three years or less, are concentrated in the Washington, D.C. metropolitan area, and are primarily made to builders with which Equitable has long-standing relationships. Construction and development loans are made with a loan to value ratio of less than 80%. The construction and development loan agreements generally provide that principal payments are required as individual dwelling units are built and sold to third party purchasers, such that the loan balances are intended to remain in direct proportion to the appraised value of the improved real estate. Further, in the case of residential developments, the agreements generally limit the number of unsold homes which may be under construction at any given time. Loan proceeds are disbursed in increments as construction progresses, subject to confirmation by a qualified fee inspector who inspects the project in connection with each disbursement request.

The cash flows and financial condition of major real estate borrowers (acquisition, development and/or construction loans) are monitored by reviewing and analyzing current financial statements on at least an annual basis as well as updating and reviewing current credit reports annually. Borrowers are required to provide current financial information at least annually. Under terms of its major real estate loans, Equitable would only consider extending the initial term of the real estate loan after a detailed review of the borrower's financial condition including an updated status report on the applicable project. After the initial term, Equitable extends these loans for only one year at a time to allow management to review the financial condition of the borrower at least annually.

Construction and development lending affords Equitable an opportunity to receive interest at rates higher than those obtainable from residential lending and to receive higher origination and other loan fees. Nevertheless, construction and development lending entails significant additional risks as compared with residential mortgage lending. Construction and development loans typically involve large loan balances to single borrowers or groups of related borrowers. Because Equitable usually provides loans to a developer for the entire estimated cost of the project, defaults in repayment generally do not occur during the covered period and it is therefore difficult to identify problem loans. Construction loans secured by single-family residences under construction and/or commercial real estate projects under construction involve additional risks attributable to the fact that loan funds are advanced upon the security of the project under construction, which is of uncertain value prior to the completion of construction. Moreover, because of the uncertainties inherent in estimating construction costs, delays arising from labor problems, material shortages, and other unpredictable contingencies, it is relatively

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difficult to evaluate accurately the total loan funds required to complete a project, and the related loan-to-value ratios. Because of these factors, the analysis of prospective construction and development loan projects requires an expertise that is different in significant respects from that which is required for permanent mortgage lending. See Provisions for Losses on Loans and Real Estate.

Commercial Real Estate Lending

Equitable's commercial real estate loans include permanent loans secured by office buildings, business properties, apartments, condominiums, and shopping centers located in the Washington, D.C. metropolitan area. At September 30, 2001, commercial real estate loans totaled \$38.9 million and represented 10.7% of Equitable's loan portfolio. Commercial real estate loans originated by Equitable are both fixed-rate loans with up to a 30 year amortization schedule and generally a balloon payment of the unpaid principal balances after a maximum term of 10 years, and adjustable-rate loans, based upon the one year Treasury bill rate plus a margin, with annual adjustments, subject to limitations on the maximum annual and total interest rate increase or decrease over the life of the loan. Commercial real estate loans held in the Bank's portfolio are typically for amounts between \$250,000 and \$4.00 million, and do not exceed 75% of the appraised value of the property securing the loan.

Commercial real estate lending entails significant additional credit risk when compared to residential lending. Commercial real estate loans typically involve large balances to single borrowers or groups of related borrowers. The payment experience of such loans is typically dependent upon the successful operation of the business or real estate project. These risks can be significantly affected by supply and demand conditions in the market for office and retail space and for condominiums and apartments and, as such, may be subject to a greater extent than are residential loans to adverse conditions in the economy.

Mortgage-Backed Securities

Equitable increased its portfolio of mortgage-backed securities by \$8.06 million from \$105.54 million at September 30, 2000, to \$113.60 million at September 30, 2001. Subsequent to Equitable's mutual to stock conversion, management has emphasized growth of interest-earning assets primarily through origination of one-to four-family residential mortgage loans and supplemental purchases of fifteen-year fixed-rate and one-year adjustable-rate GinnieMae, FannieMae, and FreddieMac mortgage-backed securities. This has helped further Equitable's operating strategy of growing low risk interest-earning assets as well as managing interest rate risk during periods of rising interest rates. Mortgage-backed securities can serve as collateral for borrowings and, through repayments, as a source of liquidity.

Under Equitable's risk-based capital requirement, mortgage-backed securities have a risk weight of 20% (or 0% in the case of GinnieMae securities) in contrast to the 50% risk weight carried by residential loans. See Regulation.

At September 30, 2001, the majority of Equitable's mortgage-backed securities carried adjustable interest rates. See Management's Discussion and Analysis of Financial Condition and Results of Operations Asset/Liability Management in the Annual Report to Stockholders filed as Exhibit 13 hereto.

For information regarding the carrying and market values of Equitable's mortgage-backed securities portfolio, see Note 6 of the Notes to Consolidated Financial Statements in the Annual Report to Stockholders filed as Exhibit 13 hereto.

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The following table sets forth the contractual maturities of Equitable's mortgage-backed securities at September 30, 2001.

	Due in			Balance Outstanding
	3 to 5 Years	10 to 20 Years	Over 20 Years	
FannieMae	\$	\$ 8,622	\$ 3,935	\$ 12,557
FreddieMac	44	21,692	4,153	25,889
GinnieMae		85	75,072	75,157
Total	\$ 44	\$ 30,399	\$ 83,160	\$ 113,603

Origination, Purchase, Sale and Servicing of Loans

Equitable originates and sells most of its thirty year fixed-rate mortgage loans and the majority of its fifteen year fixed-rate mortgage loans, mainly to FreddieMac, and purchases mainly adjustable-rate and on occasion fifteen-year fixed-rate mortgage-backed securities issued by FreddieMac, FannieMae, and GinnieMae. Equitable sold whole loans and loan participations in aggregate amounts of \$40.5 million, \$4.6 million and \$27.8 million during the years ended September 30, 2001, 2000, and 1999, respectively.

Equitable sells loans on a non-recourse basis, generally with servicing released. Such sales of whole loans and loan participations allow Equitable to generate gains on the sales of loans in the current period. The amount of loans which Equitable services for others was \$36.6 million at September 30, 2001, \$45.5 million at September 30, 2000, and \$53.5 million at September 30, 1999.

Equitable has not made any loan purchases since the year ended September 30, 1990. At September 30, 2001, \$753,000 of Equitable's total loan portfolio consisted of purchased loans.

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The following table shows the loan origination, purchase, sale and repayment activities of Equitable for the periods indicated.

	Year Ended September 30,		
	2001	2000	1999
(In Thousands)			
Originations by type:			
Adjustable-rate:			
Real estate one- to four-family	\$ 28,287	\$ 43,818	\$ 29,727
Commercial	4,819	1,992	2,458
Construction	27,424	13,685	8,885
Non-real estate consumer(1)	14,774	13,331	14,535
Total adjustable-rate	75,304	72,826	55,605
Fixed-rate:			
Real estate one- to four-family	57,723	12,253	121,865
Commercial	9,138	4,943	6,263
Non-real estate consumer	700	1,111	718
Total fixed-rate	67,561	18,307	128,846
Total loans originated	142,865	91,133	184,451
Purchases:			
Mortgage-backed securities and participation certificates	41,641	15,839	41,426
Total purchased	41,641	15,839	41,426
Sales:			
Real estate loans	40,523	4,590	27,806
Total sales	40,523	4,590	27,806
Principal repayments	129,089	78,624	126,744
Total reductions	169,612	83,214	154,550
Increase (decrease) in other items, net	885	894	3,132
Net increase	\$ 15,779	\$ 24,652	\$ 74,459

(1) Consumer loans include the total amounts available on home equity lines of credit rather than the principal balance outstanding.

Non-Performing Assets, Loan Delinquencies and Defaults

When a borrower fails to make a required payment on a loan, Equitable attempts to cause the delinquency to be cured by contacting the borrower. In the case of residential loans, a reminder notice is sent 10 days after the due date, and a late notice is sent 16 days after the due date. If the delinquency is not cured by the 30th day, a delinquency notice is sent to the borrower. Additional written contacts are made with the borrower 45 or 60 days after the due date. If the delinquency continues for a period of 65 days, Equitable usually institutes appropriate action to foreclose on the property. If foreclosed, the property is sold at public auction and may be purchased by Equitable. Delinquent consumer loans are handled in a generally similar manner, except that appropriate action may be taken to collect any loan payment that is delinquent for more than 15 days. Equitable's procedures for repossession and sale of consumer collateral are subject to various state consumer protection requirements.

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The following table sets forth information concerning delinquent mortgage and other loans at September 30, 2001 and 2000. The amounts presented represent the total remaining principal balances of the related loans, rather than the actual payment amounts which are overdue.

September 30, 2001

Real Estate												
One-to four-family			Commercial			Construction or Development			Consumer			
Number	Amount	Percent	Number	Amount	Percent	Number	Amount	Percent	Number	Amount	Percent	
(Dollars in Thousands)												
Loans delinquent for:												
30-59 days	30	\$ 3,214	76.2%		\$			%	4	\$ 7	41.2%	
60-89 days	10	978	23.2						1	10	58.8	
90 days and over	1	26	0.6									
Total delinquent loans	41	\$ 4,218	100.0%		\$			%	5	\$ 17	100.0%	

September 30, 2000

Real Estate												
One-to four-family			Commercial			Construction or Development			Consumer			
Number	Amount	Percent	Number	Amount	Percent	Number	Amount	Percent	Number	Amount	Percent	
(Dollars in Thousands)												
Loans delinquent for:												
30-59 days	31	\$ 3,953	88.9%		\$			%	4	\$ 8	66.7%	
60-89 days	2	225	5.1									
90 days and over	3	266	6.0						4	4	33.3	
Total delinquent loans	36	\$ 4,444	100.0%		\$			%	8	\$ 12	100.0%	

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The table below sets forth the amounts and categories of non-performing assets in Equitable's loan portfolio. Loans are placed on non-accrual status when the collection of principal and/or interest becomes doubtful. For all years presented, Equitable has had no troubled debt restructurings (which involve forgiving a portion of interest or principal on any loans or making loans at a rate materially less than that of market rates). Foreclosed assets include assets acquired in settlement of loans.

	September 30,				
	2001	2000	1999	1998	1997
(Dollars in Thousands)					
Non-Performing Assets					
Non-accruing loans:					
One- to four-family	\$	\$	\$	\$	\$
Construction or development					
Consumer		4	24	25	22
Total		4	24	25	22
Accruing loans delinquent more than 90 days:					
One- to four-family	26	266	477	263	364
Construction or development					
Total	26	266	477	263	364
Foreclosed assets:					
One- to four-family			76	357	821
Construction or development			418	418	418
Total			494	775	1,239
Total non-performing assets	\$ 26	\$ 270	\$ 995	\$ 1,063	\$ 1,625
Total as a percentage of total assets	.01%	.06%	.23%	.30%	.52%

Accruing Loans Delinquent More than 90 Days. At September 30, 2001, Equitable had \$26,000 in one- to four-family residential loans which were more than 90 days delinquent. Management is continuing to accrue interest on this loan, because this property is believed to have sufficient equity to cover the interest and principal payments due.

Classified Assets. Federal regulations require that each savings institution classify its own assets on a regular basis. In addition, in connection with examinations of savings institutions, OTS and FDIC examiners have authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful or loss. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the savings association will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard, with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the savings association to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses, may be designated Special Mention by management.

When a savings association classifies problem assets as either substandard or doubtful, it may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but

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which, unlike specific allowances, have not been allocated to particular problem assets. When a savings association classifies problem assets as loss, it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An association's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the OTS which may order the establishment of additional general or specific loss allowances. It is Equitable's policy to reserve 100% for loans classified as loss and net the reserves against the loan principal balances.

In connection with the filing of its periodic reports with the OTS and in accordance with its classification of assets policy, Equitable regularly reviews the assets in its portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of management's review of its assets, at September 30, 2001, Equitable had classified a total of \$26,000 of its assets as substandard and none as doubtful or loss.

The following table presents the Bank's classified assets by loan type.

	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>
	(In thousands)		
Residential real estate	\$ 26	\$	\$
Construction loans			
Consumer loans			
Foreclosed assets			
	<u>\$ 26</u>	<u>\$</u>	<u>\$</u>

Substantially all classified assets are included in non-performing assets at September 30, 2001.

Provisions for Losses on Loans and Real Estate

Management reviews on a monthly basis Equitable's provision for loan losses, considering numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience, and independent appraisals. Further reserves are established when management determines that the value of the collateral is less than the amount of the unpaid principal of the related loan plus estimated costs of the acquisition and sale. The allowance for loan losses is maintained at an amount considered adequate to provide for potential losses. At September 30, 2001, Equitable had an allowance for loan losses of \$741,000, all of which had been allocated as a general reserve for loans.

Allowances for estimated losses on investments in real estate (real estate acquired through foreclosure) are charged to expense when, in the opinion of management, a decline in value is deemed both probable and estimable. Although management believes that it uses the best information available to make such determinations, future adjustments to reserves may be necessary, and net income could be significantly affected, if circumstances differ substantially from the assumptions used in making the initial determinations.

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The following table sets forth an analysis of Equitable's allowance for loan losses.

	Year Ended September 30,				
	2001	2000	1999	1998	1997
	(Dollars in Thousands)				
Balance at beginning of period	\$ 755	\$ 726	\$ 641	\$ 565	\$ 636
Charge-offs:					
One- to four-family	(11)		(15)	(11)	(42)
Consumer	(6)	(32)	(39)	(64)	(92)
	(17)	(32)	(54)	(75)	(134)
Recoveries:					
Consumer	26	10	28	32	44
Net (charge-offs) recoveries	9	(22)	(26)	(43)	(90)
Additions charged to operations	(23)	51	110	119	19
Balance at end of period	\$ 741	\$ 755	\$ 725	\$ 641	\$ 565
Ratio of net charge-offs during the period to average loans outstanding during the period	.00%	.01%	.01%	.02%	.04%
Ratio of allowance for loan losses to total loans	.22%	.22%	.23%	.27%	.26%

The distribution of Equitable's allowance for losses on loans at the dates indicated is summarized as follows:

	September 30,									
	2001		2000		1999		1998		1997	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(In Thousands)									
One- to four-family	\$ 281	73.40%	\$ 432	76.86%	\$ 472	82.31%	\$ 391	78.56%	\$ 379	82.50%
Commercial real estate	330	10.74	238	8.35	195	7.97	189	9.31	146	6.58
Construction or development	123	10.96	77	9.49	37	3.72	47	4.05	19	2.13
Consumer	7	4.90	8	5.30	21	6.00	14	8.08	21	8.78
Commercial business										0.01
Total	\$ 741	100.00%	\$ 755	100.00%	\$ 725	100.00%	\$ 641	100.00%	\$ 565	100.00%

Investment Activities

Federal thrift institutions have authority to invest in various types of liquid assets, including U.S. Treasury obligations and securities of various federal agencies, certificates of deposit at insured institutions, bankers' acceptances and federal funds. Federal thrift institutions may also invest a portion of their assets in certain commercial paper and corporate debt securities and may invest in mutual funds whose assets conform to the

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investments that a federal thrift institution is authorized to make directly. As a member of the FHLB System, Equitable must maintain minimum levels of investments that are liquid assets as specified by the OTS. See Regulation Federal Home Loan Bank System. Liquidity may increase or decrease depending upon the availability of funds and comparative yields on investments in relation to the return on loans. Historically, Equitable has maintained its liquid assets above the minimum requirements imposed by the OTS regulations and at a level believed adequate to meet requirements of normal daily activities, repayment of maturing debt and potential deposit

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outflows. Cash flow projections are regularly reviewed and updated to assure that adequate liquidity is provided. As of September 30, 2001, Equitable's liquidity ratio (liquid assets as a percentage of net withdrawable savings and current borrowings) was 33.49%. See Regulation Federal Home Loan Bank System.

It is Equitable's general policy to purchase investment securities which are U.S. Government securities, federal agency obligations, and overnight federal funds. At September 30, 2001, the average term to maturity or repricing of the investment securities portfolio was 0.74 years.

The following table sets forth the composition of Equitable's investment portfolio at the dates indicated.

	September 30,					
	2001		2000		1999	
	Book Value	% of Total	Book Value	% of Total	Book Value	% of Total
(Dollars in Thousands)						
Interest-bearing deposits with banks	\$ 2,795	46.32%	\$ 28		\$ 28	3.65%
Federal funds sold	3,239	53.68	675	100.00	738	96.35
Total	\$ 6,034	100.00%	\$ 675	100.00%	\$ 766	100.00%
Investment securities:						
Federal agency obligations	\$	%	\$ 9,000	58.21%	\$ 8,000	60.03%
Other marketable securities	141	2.11	89	0.58	87	0.65
Subtotal	141	2.11	9,089	58.79	8,087	60.68
FHLB stock	6,529	97.89	6,372	41.21	5,240	39.32
Total investment securities and FHLB stock	\$ 6,670	100.00%	\$ 15,461	100.00%	\$ 13,327	100.00%
Average remaining life or term to repricing, including FHLB stock	.74 years		2.20 years		2.50 years	

The composition and maturities of the investment securities portfolio, excluding FHLB of Atlanta stock, are indicated in the following table.

	September 30, 2001					
	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total Investment Securities	
	Book Value	Book Value	Book Value	Book Value	Book Value	Market Value
Other marketable Securities	\$	\$	\$	\$ 141	\$ 141	\$ 139
Total investment securities	\$	\$	\$	\$ 141	\$ 141	\$ 139
Weighted average yield					5.46%	5.54%

Sources of Funds

Deposit accounts have traditionally been a principal source of Equitable's funds for lending and for other general business purposes. In addition to deposits, Equitable obtains funds from advances from the FHLB of Atlanta, collateralized short-term borrowings under repurchase agreements, loan repayments, loan sales, and cash flows generated from operations (including interest credited to deposit accounts). In the past,

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Equitable has often found that non-depository sources have provided funds at the lowest available cost. Scheduled loan payments are a relatively stable source of funds, while deposit inflows and outflows and the related cost of such funds have varied widely. The availability of funds from loan sales is influenced by general interest rates.

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Deposits. Equitable attracts both short-term and long-term deposits from the general public by offering a wide assortment of accounts and rates. In recent years, Equitable has been required by market conditions to rely increasingly on short-term accounts and other deposit alternatives that are more responsive to market interest rates than the passbook accounts. Equitable offers regular passbook accounts, checking accounts, various money market accounts, fixed interest rate certificates with varying maturities, certificates of deposit in minimum amounts of \$95,000 (Jumbo accounts) and individual retirement accounts. Equitable does not specifically solicit brokered deposits.

The following table sets forth the dollar amount of savings deposits in the various types of deposit programs offered by Equitable for the periods indicated.

	Year Ended September 30,					
	2001		2000		1999	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
(Dollars in Thousands)						
Type of Account and Interest Rate:						
Passbook Accounts 1.00%	\$ 5,692	1.73%	\$ 6,068	1.98%	\$ 6,948	2.34%
NOW Accounts 0.62%	16,190	4.93	14,548	4.75	13,321	4.50
Money Market Deposit Accounts 2.02%	23,576	7.18	22,355	7.30	25,324	8.55
Total Non-Certificates	45,458	13.84	42,971	14.03	45,593	15.39
Certificates:						
2.00-3.99%	44,617	13.59				
4.00-4.99%	84,699	25.80	5,793	1.89	62,018	20.93
5.00-5.99%	68,068	20.73	130,707	42.66	170,803	57.66
6.00-6.99%	85,391	26.01	123,347	40.26	17,704	5.98
7.00-7.99%			3,463	1.13		
Total Certificates	282,775	86.13	263,310	85.94	250,525	84.57
Total Deposits	328,233	99.97	306,281	99.97	296,118	99.96
Accrued Interest	106	.03	95	0.03	117	0.04
Total Deposits and Accrued Interest	\$ 328,339	100.00%	\$ 306,376	100.00%	\$ 296,235	100.00%

The following table sets forth the savings flows at Equitable during the periods indicated.

	Year Ended September 30,		
	2001	2000	1999
	(Dollars in Thousands)		
Opening balance	\$ 306,281	\$ 296,118	\$ 265,890
Deposits received less deposits withdrawn	9,183	(1,725)	20,426
Interest credited	12,769	11,888	9,802
Ending balance	\$ 328,233	\$ 306,281	\$ 296,118
Net increase	\$ 21,952	\$ 10,163	\$ 30,228

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Percent increase	7.17%	3.43%	11.37%
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The variety of deposit accounts offered by Equitable has allowed it to be competitive in obtaining funds and has allowed it to respond with flexibility (by paying market rates of interest) to, although not eliminating the threat of, disintermediation (the flow of funds away from depository institutions such as savings institutions into direct investment vehicles such as government and corporate securities). The cost of funds to Equitable has been and will continue to be significantly affected by money market conditions.

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The following table shows rate and maturity information for Equitable's certificates of deposit as of September 30, 2001.

	<u>2.00- 3.99%</u>	<u>4.00- 4.99%</u>	<u>5.00- 5.99%</u>	<u>6.00- 6.99%</u>	<u>Total</u>	<u>Percent of Total</u>
Certificate accounts maturing in quarter ending :						
December 31, 2001	\$ 17,907	\$ 11,570	\$ 15,834	\$ 36,523	\$ 81,834	28.94%
March 31, 2002	9,718	8,196	23,764	14,622	56,300	19.91
June 30, 2002	7,106	18,996	2,899	11,156	40,157	14.20
September 30, 2002	6,032	9,582	5,435	15,193	36,242	12.82
December 31, 2002		2,333	1,333	1,870	5,536	1.96
March 31, 2003	2,710	5,812	3,923	891	13,336	4.72
June 30, 2003		6,279	939	1,742	8,960	3.17
September 30, 2003	1,091	2,539	2,325	1,065	7,020	2.48
December 31, 2003		1,590	442	646	2,678	0.95
March 31, 2004	53	12,789	1,921	237	15,000	5.30
June 30, 2004		832	2,169		3,001	1.06
September 30, 2004		2,556	1,207		3,763	1.33
Thereafter		1,625	5,877	1,446	8,948	3.16
Total	\$ 44,617	\$ 84,699	\$ 68,068	\$ 85,391	\$ 282,775	100.00%
Percent of total	15.78%	29.95%	24.07%	30.20%	100.00%	100.00%

The following table indicates the amount of Equitable's certificates of deposit by time remaining until maturity as of September 30, 2001.

	Maturity				Total
	3 Months or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 months	
	(Dollars in Thousands)				
Certificates of deposit less than \$95,000	\$ 59,952	\$ 48,601	\$ 69,797	\$ 56,941	\$ 235,291
Certificates of deposit of \$95,000 or more	21,882	7,699	6,602	11,301	47,484
Total certificates of deposit	\$ 81,834	\$ 56,300	\$ 76,399	\$ 68,242	\$ 282,775

Borrowings. Equitable's other sources of funds include advances from the FHLB of Atlanta. As a member of the FHLB of Atlanta, Equitable is required to own capital stock in the FHLB of Atlanta and is authorized to apply for advances from the FHLB of Atlanta. Each FHLB credit program has its own interest rate, which may be fixed or variable, and range of maturities. The FHLB of Atlanta may prescribe the acceptable uses to which these advances may be put, as well as limitations on the size of the advances and repayment provisions.

Equitable's borrowings also include repurchase agreements entered into through primary dealers. The form of repurchase agreement used by Equitable is a sale of securities owned by Equitable with a commitment to repurchase the same securities at a predetermined price at a future date, typically ranging between 30 days and 90 days from the date of the initial sale.

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The following table sets forth the maximum month-end balance and average balance of FHLB advances, securities sold under agreements to repurchase and other borrowings at the dates indicated.

	Year Ended September 30,		
	2001	2000	1999
	(In Thousands)		
Maximum Balance:			
FHLB advances	\$ 128,200	\$ 125,000	\$ 103,000
Securities sold under agreements to repurchase	8,176	19,330	15,065
Other borrowings			
Average Balance:			
FHLB advances	\$ 122,523	\$ 113,304	\$ 85,419
Securities sold under agreements to repurchase	2,505	13,150	3,348
Other borrowings			

The following table sets forth certain information as to Equitable's FHLB advances and other borrowings at the dates indicated.

	September 30,		
	2001	2000	1999
	(Dollars in Thousands)		
FHLB advances	\$ 120,000	\$ 123,300	\$ 103,000
Securities sold under agreements to repurchase		8,247	15,065
Total borrowings	\$ 120,000	\$ 131,547	\$ 118,065
Weighted average interest rate of FHLB advances	5.10%	6.08%	5.14%
Weighted average interest rate of securities sold under agreements to repurchase	%	6.62%	5.38%

Subsidiary

OTS regulations permit federal thrift institutions to invest in the capital stock, obligations, or other specified types of securities of subsidiaries (referred to as service corporations) and to make loans to such subsidiaries, and joint ventures in which such subsidiaries are participants, in an aggregate amount not exceeding 2% of the institution's assets, plus an additional 1% of assets if the amount exceeding 2% is used for specified community or inner-city development purposes. Federal thrift institutions may also invest up to 50% of their total capital in conforming loans to service corporations in which they own more than 10% of the capital stock. In addition, federal thrift institutions are permitted to invest an unlimited amount in operating subsidiaries engaged solely in activities which the institution may engage in directly.

First Equitable Insurance Agency, Inc., the Bank's only subsidiary, acts as an agent in soliciting and receiving applications for mortgage life insurance and credit accident and health insurance. Also, as part of a move to expand the scope of financial products and services offered by Equitable through a partnership with UVEST investment services the bank opened a securities brokerage and investment advisory service in the second quarter of fiscal 1998. The bank through its subsidiary First Equitable Insurance Agency can now provide a full range of securities brokerage services, including financial planning, professional money management, stocks, bonds, mutual funds, and annuities. An investment representative is available for all the branch locations to provide clients with personalized, professional investment advice with the aid of state-of-the-art investment information and communications equipment. The addition of these financial services will help meet the needs of existing customers into the future as well as attract new customers and at the same time should generate additional fee income for the bank. At September 30, 2001, Equitable's investment in First Equitable Insurance Agency, Inc. was approximately \$83,000, or .02% of assets.

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Competition

Equitable faces strong competition both in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from other savings institutions, commercial banks and mortgage bankers making loans secured by real estate located in Equitable's market area. Commercial banks and finance companies provide vigorous competition in consumer lending. Equitable competes for real estate and other loans principally on the basis of the quality of services it provides to borrowers, the interest rates and loan fees it charges and the types of loans it originates.

Equitable faces substantial competition in attracting deposits from other savings institutions, commercial banks, money market and mutual funds, credit unions and other investment vehicles. Equitable attracts a significant amount of deposits through its branch offices primarily from the communities in which those branch offices are located; therefore, local competition for those deposits is principally from other savings institutions and commercial banks located in the same communities. Equitable competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours, and convenient branch locations with interbranch deposit and withdrawal privileges at each.

Equitable considers its primary market area as the Washington, D.C. metropolitan area, including Northern Virginia and Montgomery and Prince George's Counties in Maryland. Equitable believes that its share of the savings and lending markets in its market area is less than 5%.

Employees

At September 30, 2001, Equitable and its subsidiary had a total of 78 full-time employees. None of Equitable's employees is represented by any collective bargaining group. Management considers its employee relations to be satisfactory.

Regulation

General. Equitable is a federally chartered savings bank, the deposits of which are federally insured and backed by the full faith and credit of the United States Government. Accordingly, Equitable is subject to broad federal regulation and oversight extending to all its operations. Equitable is a member of the FHLB of Atlanta and is subject to certain limited regulation by the Federal Reserve Board. Equitable is a member of the Savings Association Insurance Fund (SAIF) which together with the Bank Insurance Fund (BIF) are the two deposit insurance funds administered by the FDIC. As a result, the FDIC has certain regulatory and examination authority over Equitable.

Federal Regulation of Savings Associations. The OTS has extensive authority over the operations of savings associations. As part of this authority, Equitable is required to file periodic reports with the OTS and is subject to periodic examinations by the OTS and the FDIC. The last regular OTS and FDIC examinations of Equitable were as of September 30, 2000, and June 30, 1999, respectively. Under agency scheduling guidelines, it is likely that another examination will be initiated in the near future. When these examinations are conducted by the OTS and the FDIC, the examiners may require Equitable to provide for higher general or specific loan loss reserves. All savings associations are subject to a semi-annual assessment, based upon the savings association's total assets, to fund the operations of the OTS.

The OTS also has extensive enforcement authority over all savings institutions, including Equitable, and the investment, lending and branching authority of Equitable is prescribed by federal laws and regulations.

Equitable's permissible lending limit for loans-to-one-borrower is equal to the greater of \$500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus). A broader limitation (the lesser of

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\$30 million or 30% of unimpaired capital and surplus) is provided, under certain circumstances and subject to OTS approval, for loans to develop domestic residential housing units. In addition, Equitable may provide purchase money financing for the sale of any asset without regard to the loans-to-one-borrower limitation so long as no new funds are advanced and Equitable is not placed in a more detrimental position than if it had held the asset. Equitable is in compliance with the loans-to-one-borrower limitation.

Insurance of Accounts and Regulation by the FDIC. Equitable is a member of the SAIF, which is administered by the FDIC. Savings deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the SAIF or the BIF. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the OTS an opportunity to take such action, and may terminate the deposit insurance if it determines that the institution has engaged or is engaging in unsafe or unsound practices, or is in an unsafe or unsound condition.

Regulatory Capital Requirements. Federally insured savings associations, such as Equitable, are required to maintain a minimum level of regulatory capital. The OTS has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to savings associations. These capital requirements must be generally as stringent as the comparable capital requirements for national banks. The OTS is also authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

The capital regulations require tangible capital of at least 1.5% of adjusted total assets (as defined by regulation). Tangible capital generally includes common stockholders' equity and retained income, and certain noncumulative perpetual preferred stock and related income. In addition, all intangible assets, other than a limited amount of purchased mortgage servicing rights, must be deducted from tangible capital. At September 30, 2001, Equitable did not have any intangible assets.

The capital standards also require core capital equal to 3-4% of adjusted total assets (as defined by regulation). Core capital generally consists of tangible capital plus certain intangible assets, including a limited amount of purchased credit card relationships.

The OTS risk-based requirement requires savings associations to have total capital of at least 8% of risk-weighted assets. Total capital consists of core capital, as defined above, and supplementary capital. Supplementary capital consists of certain permanent and maturing capital instruments that do not qualify as core capital and general valuation loan and lease loss allowances up to a maximum of 1.25% of risk-weighted assets. Supplementary capital may be used to satisfy the risk-based requirement only to the extent of core capital. At September 30, 2001, Equitable had \$741,000 of general loan loss reserves, which was less than 1.25% of risk-weighted assets.

In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet items, will be multiplied by a risk weight, ranging from 0% to 100%, based on the risk inherent in the type of asset. For example, the OTS has assigned a risk weight of 50% for prudently underwritten permanent one- to four-family first lien mortgage loans not more than 90 days delinquent and having a loan to value ratio of not more than 80% at origination unless insured to such ratio by an insurer approved by FannieMae or FreddieMac.

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The following table sets forth Equitable's compliance with each of the above-described capital requirements as of September 30, 2001. Equitable is considered a well capitalized institution based upon its capital ratios at September 30, 2001.

	Requirement		Equitable Actual		Excess	
	%*	\$	%*	\$	%*	\$
	(Dollars in Thousands)					
Tangible Capital	1.50%	\$ 7,168	5.65%	\$ 26,976	4.15%	\$ 19,808
Core Capital	4.00	19,115	5.65	26,976	1.65	7,861
Tier 1 Risk-Based	4.00	9,842	10.96	26,976	6.96	17,134
Risk-Based Capital**	8.00	19,684	11.26	27,717	3.26	8,033

* Tangible and core capital figures are determined as a percentage of total adjusted assets; risk-based capital figures are determined as a percentage of risk-weighted assets in accordance with OTS regulations.

** Total Capital includes general loan loss reserves of \$740,517.

The OTS and the FDIC are authorized and, under certain circumstances required, to take certain actions against associations that fail to meet their capital requirements.

The OTS is also generally authorized to reclassify an association into a lower capital category and impose the restrictions applicable to such category if the institution is engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

Limitations on Dividends and Other Capital Distributions. OTS regulations impose various restrictions on savings associations with respect to their ability to make distributions of capital which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. OTS regulations also prohibit a savings association from declaring or paying any dividends or from repurchasing any of its stock if, as a result, the regulatory capital of the association would be reduced below the amount required to be maintained for the liquidation account established in connection with its mutual to stock conversion.

Generally, annual dividends to shareholders are limited to the amount of current year net income, plus the total net income for the preceding two years, adjusted for any prior year distributions. Under certain circumstances, regulatory approval would be required before making a capital distribution. Equitable Bank did not pay any cash dividends during the year ended September 30, 2001.

Savings associations proposing to make any capital distribution need only submit written notice to the OTS 30 days prior to such distribution. Savings associations that do not, or would not meet their current minimum capital requirements following a proposed capital distribution, however, must obtain OTS approval prior to making such a distribution. The OTS may object to the distribution during that 30-day notice period based on safety and soundness concerns.

Liquidity. All savings associations, including Equitable, are required to maintain adequate liquidity to assure safe and sound operation. The average daily balance of liquid assets is equal to a certain percentage of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. For a discussion of what the Bank includes in liquid assets, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in the Annual Report to Stockholders filed as Exhibit 13 hereto. This liquid asset ratio requirement may vary from time to time depending upon economic conditions and savings flows of all savings associations. Penalties may be imposed upon associations for a violation of the liquid asset ratio requirement. At September 30, 2001, Equitable was in compliance with the requirement, with an overall liquid asset ratio of 33.49%.

Qualified Thrift Lender Test. All savings associations, including Equitable, are required to meet a qualified thrift lender (QTL) test to avoid certain restrictions on their operations. This test requires a savings

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association to have at least 65% of its portfolio assets (as defined by regulations) in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis. Equitable has always met its QTL requirements.

Community Reinvestment Act. Under the Community Reinvestment Act (CRA), every FDIC insured institution has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS, in connection with the examination of Equitable, to assess the institution's record of meeting the credit needs of its community and to take this record into account in its evaluation of certain applications, such as a merger or the establishment of a branch, by Equitable. An unsatisfactory rating may be used as the basis for the denial of an application by the OTS.

The federal banking agencies, including the OTS, have recently revised the CRA regulations and the methodology for determining an institution's compliance with the CRA. Due to the heightened attention being given to the CRA in the past few years, the Bank may be required to devote additional funds for investment and lending in its local community. The Bank was examined for CRA compliance in December 2000 and received a rating of satisfactory.

Transactions with Affiliates. Generally, transactions between a savings association or its subsidiaries and its affiliates are required to be on terms as favorable to the association as transactions with non-affiliates. In addition, certain of these transactions are restricted to a percentage of the association's capital. Affiliates of Equitable would include any company which is under common control with Equitable. In addition, a savings association may not lend to any affiliate engaged in activities not permissible for a bank holding company or acquire the securities of most affiliates. Equitable's subsidiary is not deemed an affiliate; however, the OTS has the discretion to treat subsidiaries of savings associations as affiliates on a case by case basis.

Certain transactions with directors, officers and controlling persons are also subject to conflict of interest regulations enforced by the OTS. These conflict of interest regulations and other statutes also impose restrictions on loans to such persons and their related interests. Among other things, such loans must be made on terms substantially the same as for loans to unaffiliated individuals.

Federal Reserve System. The Federal Reserve Board requires all depository institutions to maintain noninterest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts). At September 30, 2001, Equitable was in compliance with these reserve requirements. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements that may be imposed by the OTS. See Liquidity.

Federal Home Loan Bank System. Equitable is a member of the FHLB of Atlanta, which is one of 12 regional FHLBs that administers the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the board of trustees of the FHLB. These policies and procedures are subject to the regulation and oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing.

As a member, Equitable is required to purchase and maintain stock in the FHLB of Atlanta. At September 30, 2001, Equitable had \$6.53 million in FHLB stock, which was in compliance with this requirement. In past years, Equitable has received substantial dividends on its FHLB stock. Over the past two fiscal years such dividends have averaged 7.4% and were 7.1% for fiscal year 2001.

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Federal Taxation. In addition to the regular income tax, corporations, including savings associations such as the Bank, generally are subject to a minimum tax. An alternative minimum tax is imposed at a minimum tax rate of 20% on alternative minimum taxable income, which is the sum of a corporation's regular taxable income (with certain adjustments) and tax preference items, less any available exemption. The alternative minimum tax is imposed to the extent it exceeds the corporation's regular income tax and net operating losses can offset no more than 90% of alternative minimum taxable income.

To the extent earnings appropriated to a savings association's bad debt reserves for qualifying real property loans and deducted for federal income tax purposes exceed the allowable amount of such reserves computed under the experience method and to the extent of the association's supplemental reserves for losses on loans (Excess), such Excess may not, without adverse tax consequences, be utilized for the payment of cash dividends or other distributions to a shareholder (including distributions on redemption, dissolution or liquidation) or for any other purpose (except to absorb bad debt losses). As of September 30, 2001, the Bank's Excess for tax purposes totaled approximately \$4.4 million.

The Bank and its consolidated subsidiary have been audited by the IRS with respect to consolidated federal income tax returns through September 30, 1985. With respect to years examined by the IRS, either all deficiencies have been satisfied or sufficient reserves have been established to satisfy asserted deficiencies. In the opinion of management, any examination of still open returns (including returns of subsidiaries and predecessors of, or entities merged into, the Bank) would not result in a deficiency which could have a material adverse effect on the financial condition of the Bank and its consolidated subsidiary.

Executive Officers of the Registrant

Listed below is certain information with respect to the Executive Officers of Equitable.

Name	Age	Position(s) Held
Timothy F. Veith	43	Chief Executive Officer and President
David E. Hynes	49	Executive Vice President, Chief Financial Officer
Barbara A. Lucas	59	Executive Vice President Lending Division
Daniel A. Russo	39	Senior Vice President Treasurer
Kathleen T. Yamada	36	Senior Vice President Lending, Corporate Secretary

Timothy F. Veith. Mr. Veith was elected as President and CEO of Equitable in 1994 and has been employed by Equitable since 1983. Prior to becoming President, Mr. Veith served as Senior Vice President Bank Administration, and Corporate Secretary.

David E. Hynes. Mr. Hynes is the Executive Vice President and Chief Operating Officer and Chief Financial Officer of Equitable. He is responsible for the information systems, operations and financial divisions of Equitable. Mr. Hynes joined Equitable in 1974.

Barbara A. Lucas. Ms. Lucas is Senior Vice President responsible for supervision of the mortgage, construction and consumer lending, and loan servicing activities of Equitable. She joined Equitable in 1977.

Daniel A. Russo. Mr. Russo was promoted to Senior Vice President in October 1998. He is the treasurer of Equitable and is responsible for preparing the Bank's Annual Report, 10-Q Reports, 10-K Reports and Financial Statements. He joined Equitable in 1987.

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Kathleen T. Yamada. Mrs. Yamada was promoted to Senior Vice President in October 1998. She is the Corporate Secretary and Mortgage Lending Officer. She is responsible for the management of the Mortgage Loan Origination Department and joined Equitable in 1984.

Item 2. Properties

The following table sets forth certain information concerning the main office and each branch office of Equitable at September 30, 2001. The aggregate net book value of Equitable's office equipment and leasehold improvements was approximately \$1,002,980 at September 30, 2001.

<u>Location</u>	<u>Date Opened</u>	<u>Owned or Leased</u>	<u>Lease Expiration Date (Including Any Renewal Option)</u>
Main Office 11501 Georgia Avenue Wheaton, Maryland 20902	1959	Leased	2025
Calverton Office 11605 Beltsville Drive Beltsville, Maryland 20705	1977	Leased	2007
Colesville Office 11350 New Hampshire Avenue Silver Spring, Maryland 20904	1973	Owned	N/A
Layhill Office 14328 Layhill Road Silver Spring, Maryland 20906	1972	Leased	2002
King Farm Office 404 King Farm Boulevard Rockville, Maryland 20850	2001	Leased	2021

Equitable maintains depositor and borrower customer files on an on-line basis, utilizing a telecommunications network and computer equipment. The book value of all data processing and computer equipment owned by Equitable at September 30, 2001 was 138,129.

Item 3. Legal Proceedings

There are no material legal proceedings to which Equitable or its service corporation subsidiary is a party or to which any of their property is subject.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended September 30, 2001

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PART II

Item 5. Market for the Common Equity and Related Stockholder Matters

The information contained under the caption Common Stock on page 52 in the Annual Report to Stockholders is incorporated herein by reference.

Item 6. Selected Financial Data

The information contained on page 3 of the Annual Report to Stockholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

The information contained in the section captioned Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 4 through 21 of the Annual Report to Stockholders is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks

The information contained in the section captioned Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk on pages 17 through 19 of the Annual Report to Stockholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The financial statements and notes thereto contained in the Annual Report to Stockholders on pages 22 through 51 are incorporated herein by reference.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable

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PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning Directors of the Registrant is incorporated herein by reference from the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on January 23, 2002 except for information contained under the headings "Compensation Committee Report on Executive Compensation" and "Comparative Stock Performance Presentation," a copy of which will be filed not later than 120 days after the close of the fiscal year. For information concerning Executive Officers of the Registrant who are not also Directors, see "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K.

Section 16 (a) of the Securities Exchange Act of 1934 requires the Bank's directors and executive officers, and persons who own more than 10% of a registered class of the Bank's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Bank. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Bank with copies of all Section 16 (a) forms they file.

To the Bank's knowledge, based solely on a review of the copies of such reports furnished to the Bank and written representations that no other reports were required, during the last fiscal year ended September 30, 2001, all section 16 (a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with.

Item 11. Executive Compensation

The information contained under the section captioned "Proposal I Election of Directors" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated herein by reference to the section captioned "Proposal I Election of Directors" and "Voting Securities and Principal Holders Thereof" of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated herein by reference to the section captioned "Proposal I Election of Directors" and "Certain Relationships and Related Transactions" of the Proxy Statement.

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Regulation S-K Exhibit Number	Document	Reference to Prior Filing or Exhibit Number Attached Hereto	Sequential Page Where Attached Exhibits Are Located in This Annual Report on Form 10-K
22	Published report regarding matters submitted to vote of security holders	None	Not applicable
23	Consent of Experts and Counsel	None	Not applicable
24	Power of Attorney	Not required	Not applicable
27	Financial Data Schedule	None	Not applicable
28	Information from reports furnished to state insurance regulatory authorities	None	Not applicable
99	Additional Exhibits	None	Not applicable

* Filed on August 3, 1993 as exhibits to the Registrant's Pre-Effective Amendment No. One to the Application for Approval of Conversion on Form AC dated August 3, 1993. All of such previously filed documents are hereby incorporated herein by reference in accordance with Item 601 of Regulation S-K.

** Filed on December 18, 1995 as an exhibit to the Registrant's definitive proxy materials for an annual meeting of stockholders held on January 24, 1996. All of such previously filed documents are hereby incorporated herein by reference in accordance with Item 601 of Regulation S-K.

*** Filed on November 16, 2001, as an exhibit to the Registrant's Current Report on Form 8-K. All of such previously filed documents are hereby incorporated herein by reference in accordance with Item 601 of Regulation S-K.

**** Filed on December 22, 1995 as exhibits to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995. All of such previously filed documents are hereby incorporated herein by reference in accordance with Item 601 of Regulation S-K.

(b) Reports on Form 8-K:

A Report on Form 8-K was filed on November 16, 2001, regarding the Standstill Agreement dated November 12, 2001 by and between the Bank and PL Capital Group and a press release issued November 15, 2001 regarding the expansion of the Board of Directors from five to six members.

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SIGNATURES

In accordance with Section 13 or 15 (d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EQUITABLE BANK

Date: December 21, 2001

By:

/s/ TIMOTHY F. VEITH

**Timothy F. Veith
President, CEO, and Director
(Duly Authorized Representative)**

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ TIMOTHY F. VEITH _____ Timothy F. Veith	President, CEO, and Director	December 21, 2001
/s/ C. BRIAN CARLIN _____ C. Brian Carlin	Director	December 21, 2001
/s/ RICHARD L. LATIMER _____ Richard L. Latimer	Director	December 21, 2001
/s/ GEOFFREY A. HUGUELY _____ Geoffrey A. Huguely	Director	December 21, 2001
/s/ GORDON N. LUCKETT _____ Gordon N. Lockett	Director	December 21, 2001
/s/ DAVID E. HYNES _____ David E. Hynes	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial and Accounting Officer)	December 21, 2001

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SIGNATURES

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EQUITABLE BANK

Date: December 21, 2001

By:

/s/ TIMOTHY F. VEITH

**Timothy F. Veith
President, CEO, and Director
(Duly Authorized Representative)**

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ TIMOTHY F. VEITH _____ Timothy F. Veith	President, CEO, and Director	December 21, 2001
/s/ C. BRIAN CARLIN _____ C. Brian Carlin	Director	December 21, 2001
/s/ RICHARD L. LATIMER _____ Richard L. Latimer	Director	December 21, 2001
/s/ GEOFFREY A. HUGUELY _____ Geoffrey A. Huguely	Director	December 21, 2001
/s/ GORDON N. LUCKETT _____ Gordon N. Lockett	Director	December 21, 2001
/s/ DAVID E. HYNES _____ David E. Hynes	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial and Accounting Officer)	December 21, 2001

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LETTER TO SHAREHOLDERS

Once again, we are pleased to present Equitable Bank's 2001 Annual Report to our shareholders. In the past year, Equitable Bank experienced successful growth and took major steps to expand with future value in mind. We made the most of what we already had and added new components to make us more capable of delivering our products and services to a larger market. We have created a solid foundation for future growth, enhanced shareholder value, and taken positive steps toward optimizing the Bank's performance.

Annual earnings for the 2001 fiscal year were \$2,325,000, or \$1.68 per share (diluted), as compared to \$2,571,000, or \$1.90 per share (diluted), for the prior year. Although we were faced with a flat and frequently negative sloping yield curve for the first half of the fiscal year, Equitable is poised to prosper with a return to lower rates and a more typical positively sloped yield curve going forward.

During 2001, Equitable continued to increase its capital ratios, with tangible capital reaching a record level at year-end. At September 30, 2001, the Bank had ratios of tangible capital to adjusted assets of 5.65%, core capital to adjusted assets of 5.65%, and risk-based capital to risk-based assets of 11.26%. These capital levels all exceed the well capitalized standards as defined by regulation.

We also established new records for total assets, total loans, and total deposits at the end of the 2001 fiscal year. Total assets were \$478 million, which grew by \$13 million, or 3%, over the prior year. Total loans grew by \$7.7 million to \$346 million at year-end. Our deposits grew by \$22 million, or 7%, from a year ago, to end the year at \$328 million. Because our deposit growth exceeded asset growth, we were also able to decrease our level of borrowed funds to \$120 million, a reduction of \$11.5 million from the prior year.

One of the overriding challenges facing Equitable as well as the banking industry as a whole remains the ability to generate and maintain core deposits. During the past year, we implemented initiatives that will positively impact the Bank for years to come. One step was the opening of our full service branch office at the King Farm Village Center in Rockville, Maryland. This new location has increased and further complemented our presence in the affluent Montgomery County market area. With Equitone, our automated telephone banking system, our enhanced on-line Internet banking program, and our ATM network, we serve our customers 24/7, even though they may not be near a branch. A number of new products were also introduced during the 2001 fiscal year, including our Platinum Club Checking, Visa Check Card, and Checkline overdraft protection. During the year ended September 30, 2001, the Bank increased noninterest-bearing checking deposits by 23%. This increase coupled with declining interest rates has enabled the Bank to decrease the cost of deposits from 5.63% at September 30, 2000, to 4.79% at September 30, 2001. We believe that focusing on the retail deposit customer and growing our core checking, savings, and money market account base will provide Equitable Bank the best opportunity to fully serve our customers and maximize our franchise value.

Reflecting the Bank's conservative underwriting standards, we have successfully maintained our stellar asset quality. The Bank's level of non-performing assets were reduced by more than 80%, improving to 0.01% of assets at September 30, 2001, as compared to 0.06% of assets at September 30, 2000. Based on our asset quality, our loan loss reserve coverage provides more than adequate coverage of credit exposure in the loan portfolio.

In addition to the overall improved market valuation of thrift stocks, we believe that the price of Equitable's common stock this year better reflects our financial performance and the Bank's earnings growth potential. During 2001, the price of the Bank's common stock increased 63%, from \$13.625 per share at September 30, 2000, to \$22.20 per share at September 30, 2001. The Bank's market capitalization increased to \$28.9 million at year-end. We are obviously very pleased with the increase in shareholder value and confident that Equitable will continue to build value for our shareholders' benefit.

As we begin 2002, Equitable is positioned for continued growth as a strong and capable competitor in our market. In an increasingly competitive financial marketplace, we believe that our ability to adhere to strict

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lending standards and performance measures while delivering the highest quality products and customer service in a cost-efficient manner will ensure our continued profitability and growth. While others have seen consolidation, mergers and acquisitions, Equitable remains a stable, prosperous financial institution. With our additional King Farm/Rockville location, we will continue to take advantage of the growth opportunities presented to us while remaining focused on maximizing shareholder value. In doing so, we will take full advantage of the tools and technologies that enable us to continue to provide excellent service to our customer base while simultaneously increasing efficiencies. Our performance goals for 2002 will center on increasing our core deposits, providing a foundation for annual earnings per share growth, increasing our shareholders return on equity, growing tangible capital, and improving our efficiency.

Our Board of Directors, our senior management team, and our employees are aligned with the interests of all our shareholders in building the long-term value of Equitable Bank. We are very confident in our ability to compete; indeed, we believe that the consolidation of smaller financial institutions into regional and super-regional organizations will only serve to strengthen the demand for our personal delivery style. We appreciate and thank you for your support throughout the year, and look forward to a prosperous 2002.

/s/ GORDON N. LUCKETT

/s/ TIMOTHY F. VEITH

Gordon N. Lockett
Chairman of the Board

Timothy F. Veith
President and
Chief Executive Officer

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	Year Ended September 30,				
	2001	2000	1999	1998	1997
(In Thousands, except per share data)					
Summary of Operations					
Total interest income	\$ 33,280	\$ 32,091	\$ 26,887	\$ 23,668	\$ 21,750
Total interest expense	24,036	22,921	18,191	16,335	14,467
Net interest income	9,244	9,170	8,696	7,333	7,283
Provision for loan losses	(23)	51	110	119	19
Net interest income after provision for loan losses	9,267	9,119	8,586	7,214	7,264
Gain on sale of branch office				1,805	
Other noninterest income	812	632	807	1,568	1,606
Noninterest expense	6,292	5,597	5,384	5,382	5,147
Income before income taxes	3,787	4,154	4,009	5,205	3,723
Income tax provision	1,462	1,583	1,565	2,010	1,464
Net income	\$ 2,325	\$ 2,571	\$ 2,444	\$ 3,195	\$ 2,259
Basic Earnings per share	\$ 1.78	\$ 1.98	\$ 1.89	\$ 2.50	\$ 1.79
Diluted Earnings per share	\$ 1.68	\$ 1.90	\$ 1.78	\$ 2.31	\$ 1.67
Weighted Average Shares Basic	1,304,075	1,296,615	1,291,868	1,280,291	1,263,279
Weighted Average Shares Diluted	1,385,000	1,351,015	1,371,468	1,380,366	1,348,936
September 30,					
	2001	2000	1999	1998	1997
Summary Financial Condition					
Cash and cash equivalents	\$ 6,348	\$ 1,065	\$ 1,416	\$ 238	\$ 3,232
Investments(1)	6,671	15,460	13,327	9,764	11,866
Mortgage-backed securities	113,603	105,545	108,261	103,002	71,900
Loans, net	346,035	338,315	310,947	241,747	218,554
All other assets	5,216	4,814	4,881	5,106	9,416
Total assets	\$ 477,873	\$ 465,199	\$ 438,832	\$ 359,857	\$ 314,968
Deposits	\$ 328,233	\$ 306,281	\$ 296,118	\$ 265,890	\$ 243,429
Borrowings	120,000	131,547	118,065	73,000	54,000
All other liabilities	2,664	2,856	2,729	1,522	1,435
Stockholders' equity restricted(2)	26,976	24,515	21,920	19,445	16,104
Total liabilities and stockholders' equity	\$ 477,873	\$ 465,199	\$ 438,832	\$ 359,857	\$ 314,968
Year Ended September 30,					
	2001	2000	1999	1998	1997

Other Data

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Return on average assets	.49%	.56%	.62%	.95%	.76%
Return on average equity	9.06	11.05	11.82	18.36	15.12
Average equity to average assets ratio	5.45	5.09	5.23	5.17	5.01
Equity to total assets	5.65	5.27	5.00	5.40	5.11
Interest rate spread(3):					
End of period	2.15	1.55	1.95	2.05	2.28
Average during period	1.69	1.75	1.93	2.02	2.28
Net interest margin(4)	1.98	2.03	2.21	2.23	2.53
Average interest-earning assets to average interest-bearing liabilities	105.81	105.47	106.06	104.16	102.84
Non-performing assets to total assets at end of period	.01	.06	.23	.30	.52
Non-performing loans to total loans, net at end of period	.01	.08	.16	.12	.18
Number of full-service offices	5	4	4	4	4

- (1) Includes stock in the Federal Home Loan Bank (FHLB) of Atlanta and U.S. government and agency obligations.
- (2) Retained earnings is restricted by a liquidation account in the amount of approximately \$1.75 million which was established upon conversion from mutual to stock form of ownership and by the capital requirements of federal regulations. In addition, a portion of retained earnings has been set aside to absorb possible tax bad debt losses. To the extent such allocated amounts are reduced for purposes other than tax bad debt losses, Equitable could be subject to additional income taxes. See Note 12 of Notes to Consolidated Financial Statements.
- (3) Difference between weighted average yield on all interest-earning assets and weighted average rate on all interest-bearing liabilities.
- (4) Net interest income divided by average interest-earning assets.

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Table of Contents**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS****General**

Equitable Bank's results of operations are dependent primarily upon its net interest income. Net interest income is the difference between interest income on interest-earning assets, primarily loans, mortgage-backed securities and investments, and interest expense on interest-bearing liabilities, which consist of savings deposits and borrowings. Results of operations are also dependent upon the level of Equitable Bank's noninterest income, including fee income and service charges, and the level of its noninterest expenses, including its employee compensation, occupancy expenses, federal insurance premiums, and other general and administrative expenses. Equitable Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, and actions of regulatory authorities.

Equitable Bank's basic mission is to record core earnings while serving its local communities. In seeking to accomplish this mission, management has adopted a business strategy designed to (i) increase Equitable Bank's well-capitalized position, (ii) manage Equitable Bank's vulnerability to changes in interest rates, (iii) continue to control and maintain Equitable Bank's asset quality by maintaining a low level of non-performing assets, (iv) improve Equitable Bank's net interest income by increasing Equitable Bank's interest-earning assets mainly through the origination of fixed and adjustable-rate one- to four-family residential mortgage loans which will be supplemented by commercial real estate loans (with a conservative loan to value ratio), adjustable-rate residential construction loans, adjustable-rate home equity loans, and the purchase of one-year adjustable-rate mortgage-backed securities, and by striving to increase Equitable Bank's net interest margin via proper pricing of our loan and deposit products, (v) maintain operating expenses as a low percentage of assets, and (vi) provide additional growth to our core deposit base through the addition of new branches in high growth/high density locations. See Operating Strategies.

Forward-Looking Statements

When used in this annual report or future filings by Equitable Bank with the Office of Thrift Supervision, in Equitable Bank's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project", or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Equitable Bank wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors-including regional and national economic conditions, changes in levels of market interest rates, credit risks of lending activities, and competitive and regulatory factors could affect Equitable Bank's financial performance and could cause Equitable Bank's actual results for future periods to differ materially from those anticipated or projected.

Equitable Bank does not undertake and specifically disclaims any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Financial Condition

Assets. Cash and cash equivalents increased from \$1.07 million as of September 30, 2000, to \$6.35 million as of September 30, 2001. Mortgage-backed securities increased from \$105.54 million as of September 30, 2000, to \$113.60 million as of September 30, 2001. This \$8.06 million, or 7.64%, increase was mainly the result of Equitable Bank purchasing one-year adjustable-rate Government National Association (GNMA) mortgage-backed securities. All of Equitable Bank's mortgage-backed securities are classified as held-to-maturity as it is management's intent to hold these securities to maturity.

Loans receivable increased from \$338.31 million as of September 30, 2000, to \$343.81 million as of September 30, 2001. This increase of \$5.50 million, or 1.63%, was due primarily to the origination of

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commercial real estate loans, construction loans, and one- to four-family residential mortgage loans which is in conjunction with Equitable Bank's business strategy to improve interest income by increasing interest-earning assets that exhibit high quality, low risk characteristics. This increase in commercial real estate loans, construction loans and one- to four-family residential mortgage loans is the result of Equitable Bank successfully implementing its loan origination strategy of offering competitive rates and timely service coupled with increasing market penetration throughout the area. During the year ended September 30, 2001, Equitable Bank increased commercial real estate loans by 30% and construction loans by 106%.

Liabilities. Deposit accounts increased \$21.95 million, or 7.17%, from \$306.28 million as of September 30, 2000, to \$328.23 million as of September 30, 2001. Equitable Bank's strategic plan calls for competitively pricing its deposits closer to prevailing market rates in order to attract new deposits as well as retaining the majority of maturing certificates of deposit. During fiscal 2001, Equitable Bank experienced increased deposits as the result of the economic uncertainty and the extreme volatility of the stock market which resulted in customers seeking preservation of capital. These new deposit inflows have been utilized to fund the growth in interest-earning assets. See -Operating Strategies.

Borrowings (advances from the Federal Home Loan Bank and reverse repurchase agreements) decreased from \$131.55 million as of September 30, 2000, to \$120.00 million as of September 30, 2001. This decrease of \$11.55 million, or 8.78%, was mainly the result of Equitable Bank utilizing a portion of the \$21.95 million increase in deposits to reduce borrowings. Equitable Bank during the year ended September 30, 2001, further improved its interest rate risk profile and reduced earnings volatility by beginning the process of lengthening short-term liabilities. During the twelve months ended September 30, 2001, Equitable Bank in an effort to increase long-term franchise value increased noninterest-bearing checking accounts by 23%.

Results of Operations

Equitable Bank's results of operations depend primarily on the level of its net interest income, noninterest income, and its control of operating expenses. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them, respectively.

The following discussion compares the results of operations of Equitable Bank for the indicated periods. A further discussion of Equitable Bank's operating strategies and asset/liability management follows.

Comparison of the Years Ended September 30, 2001 and September 30, 2000.

Net Income. Net income for the year ended September 30, 2001, was \$2.33 million, compared to net income of \$2.57 million for the year ended September 30, 2000. This \$245,000, or 9.53%, decrease in net income for the year ended September 30, 2001 was the result of a \$695,000 increase in noninterest expense. This decrease was partially offset by a \$181,000 increase in noninterest income, a \$121,000 decrease in the income tax provision, a \$74,000 increase in net interest income and a \$74,000 decrease in the provision for loan losses.

Interest Income. Total interest income increased \$1.19 million, or 3.71%, from \$32.09 million for the year ended September 30, 2000, to \$33.28 million for the year ended September 30, 2001. This increase was due to an increase in the average balances of loans outstanding and investment securities, and increases in the average yields on loans outstanding and mortgage-backed securities. These increases were partially offset by a lower average balance of mortgage-backed securities and a decrease in the average yield on investment securities. Loan servicing fee income to net interest income was 2% for the both the years ended September 30, 2001, and 2000.

Interest on loans increased \$1.04 million, or 4.34%, to \$25.00 million for the year ended September 30, 2001, from \$23.96 million for the year ended September 30, 2000. This increase was due primarily to an increase in the average balance of loans outstanding and also to a higher average yield on loans outstanding. Equitable Bank's average balance of loans outstanding increased by \$10.76 million, or 3.27%, from \$328.63 million for the

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year ended September 30, 2000, to \$339.39 million for the year ended September 30, 2001. This increase was mainly the result of Equitable Bank successfully implementing its loan origination strategy of offering competitive rates and timely service coupled with increasing market penetration throughout the area. Loans outstanding increased mainly through the origination of commercial real estate loans, construction loans and one- to four-family residential mortgage loans which is in conjunction with Equitable Bank's business strategy of improving interest income by increasing interest-earning assets that exhibit high quality, low risk characteristics. The average yield on loans increased from 7.29% for the year ended September 30, 2000, to 7.37% for the year ended September 30, 2001.

Interest on mortgage-backed securities increased \$41,000, to \$7.08 million for the year ended September 30, 2001, from \$7.04 million for the year ended September 30, 2000. This increase was due primarily to a higher average yield on mortgage-backed securities which was partially offset by a decrease in the average balance of mortgage-backed securities. The average yield on mortgage-backed securities increased from 6.47% for the year ended September 30, 2000, to 6.58% for the year ended September 30, 2001. Equitable Bank's average balance of mortgage-backed securities decreased by \$1.27 million, or 1.17%, from \$108.88 million for the year ended September 30, 2000, to \$107.61 million for the year ended September 30, 2001. This decrease was the result of Equitable Bank growing interest-earning assets through the origination of commercial real estate loans, construction loans, and one-to four-family residential mortgage loans without having to supplement growth by purchasing mortgage-backed securities.

Interest on investment securities increased \$102,000, or 9.36%, to \$1.19 million for the year ended September 30, 2001, from \$109 million for the year ended September 30, 2000. This increase was due to a higher average balance of investment securities which was partially offset by a decrease in the average yield on investment securities. The average balance of investment securities increased \$3.96 million, or 25.92%, from \$15.28 million for the year ended September 30, 2000, to \$19.24 million for the year ended September 30, 2001. The average yield on investment securities decreased from 7.15% for the year ended September 30, 2000, to 6.21% for the year ended September 30, 2001.

Interest Expense. Interest expense for the year ended September 30, 2001, was \$24.04 million as compared to \$22.92 million for the year ended September 30, 2000, which represented an increase of \$1.12 million, or 4.89%. This increase was due to an increase in the average balance of deposits and a higher average cost of deposits. This increase was partially offset by a decrease in the average balance on borrowings and a lower average cost of borrowings.

Interest on deposits increased \$1.25 million, or 8.03%, from \$15.57 million for the year ended September 30, 2000, to \$16.82 million for the year ended September 30, 2001. This increase resulted from increases in the average balance of deposits and a higher average cost of deposits for the year ended September 30, 2001. The average balance of deposits increased by \$12.75 million, or 4.21%, from \$302.86 million for the year ended September 30, 2000, to \$315.61 million for the year ended September 30, 2001. This increase was the result of Equitable Bank competitively pricing its deposits close to prevailing market rates as part of its strategy to attract new deposits and retain the majority of maturing deposits. Also, during fiscal 2001 Equitable Bank experienced increased deposits as the result of the economic uncertainty and the extreme volatility of the stock market which resulted in customers seeking preservation of capital. These new deposit inflows were utilized to fund the growth of interest-earning assets experienced during fiscal year 2001. The average cost of deposits increased from 5.14% for the year ended September 30, 2000, to 5.33% for the year ended September 30, 2001.

Other interest expense decreased \$132,000, or 1.80%, to \$7.22 million for the year ended September 30, 2001, from \$7.35 million for the year ended September 30, 2000. This decrease resulted from a decrease in the average balance of borrowed funds and a lower average cost on borrowings for the year ended September 30, 2001. The average balance of borrowed funds decreased \$1.42 million, or 1.12%, from \$126.45 million for the year ended September 30, 2000, to \$125.03 million for the year ended September 30, 2001. The average cost of borrowed funds decreased from 5.81% for the year ended September 30, 2000, to 5.77% for the year ended September 30, 2001.

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Net Interest Income. Net interest income for the year ended September 30, 2001, increased \$74,000, to \$9.24 million for the year ended September 30, 2001, from \$9.17 million for the year ended September 30, 2000. Equitable Bank, due to current reductions in interest rates, expects margins to increase from current levels during the next few quarters.

Provision for Loan Losses. Equitable Bank's provision for loan losses decreased \$74,000, to a recovery of \$23,000 for the year ended September 30, 2001, compared to a provision of \$51,000 for the year ended September 30, 2000. This \$74,000 decrease in the provision for loan losses for the year ended September 30, 2001, was mainly the result of a decrease in delinquent loans, fewer charge offs, and increased recoveries on consumer loans.

The Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5 (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also conclude that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors. The Committee performed this analysis during each month of the year ended September 30, 2001, as described above. The Committee concluded that, based on the results of these analyses, a recovery of the loan loss provision of \$23,000 was warranted. The Committee documents the calculation as part of the minutes of the meeting.

The allowance for loan losses as a percent of loans outstanding was .22% for both the years ended September 30, 2001, and 2000. Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Noninterest Income. Noninterest income for the year ended September 30, 2001, totaled \$813,000 as compared to \$632,000 for the year ended September 30, 2000. This \$181,000, or 28.64%, increase was mainly the result of gains on sale of loans increasing by \$183,000, from \$30,000 for the year ended September 30, 2000, to \$213,000 for the year ended September 30, 2001. This increase was mainly the result of Equitable Bank selling thirty-year and fifteen-year fixed-rate one-to-four family residential mortgage loans that were originated during the year ended September 30, 2001. This increase was partially offset by loan servicing fee income decreasing by \$22,000, or 11.46%, from \$192,000 for the year ended September 30, 2000, to \$170,000 for the year ended September 30, 2001. This decrease has been the result of Equitable Bank pursuing a policy of selling mortgage loans with servicing released in order to increase gains and competitiveness. This has led to the mortgage servicing portfolio decreasing as the result of prepayments and normal amortization of loans.

Noninterest Expenses. Noninterest expense for the year ended September 30, 2001, totaled \$6.29 million compared to \$5.60 million for the year ended September 30, 2000. This \$695,000, or 12.41%, increase was mainly the result of compensation and benefit expense increasing by \$355,000, or 11.20%, from \$3.17 million for the year ended September 30, 2000, to \$3.52 million for the year ended September 30, 2001. This increase was mainly the result of normal salary increases coupled with the opening of the new Rockville branch located at King Farm. Also, administrative and general expense increased by \$88,000, or 4.56%, from \$1.93 million for the year ended September 30, 2000, to \$2.01 million for the year ended September 30, 2001, and occupancy and equipment expense increased by \$94,000, or 14.22%, from \$661,000 for the year ended September 30, 2000, to \$755,000 for the year ended September 30, 2001. These increases were mainly the result of startup/operating costs associated with the opening of the new Rockville branch located at King Farm. The recovery for losses on real estate decreased by \$177,000, to \$0 for the year ended September 30, 2001. The recovery in the prior year was the direct result of the Bank reducing the specific reserve on real estate owned as the property is sold.

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Income Taxes. Equitable Bank's provision for income taxes decreased \$121,000 or 7.66%, from \$1.58 million for the year ended September 30, 2000, to \$1.46 million for the year ended September 30, 2001. This \$121,000 decrease was mainly the result of Equitable Bank's income before taxes decreasing by \$366,000, or 8.82%, from \$4.15 million for the year ended September 30, 2000, to \$3.79 million for the year ended September 30, 2001. This decrease was partially offset as the result of Equitable Bank's effective tax rate increasing from 38.12% for the year ended September 30, 2000, to 38.61% for the year ended September 30, 2001.

Comparison of the Years Ended September 30, 2000 and September 30, 1999.

Net Income. Net income for the year ended September 30, 2000, was \$2.57 million, compared to net income of \$2.44 million for the year ended September 30, 1999. This \$126,000, or 5.16%, increase in net income for the year ended September 30, 2000 was the result of a \$474,000 increase in net interest income and a \$59,000 decrease in the provision for loan losses. This increase was partially offset by a \$175,000 decrease in noninterest income and a \$213,000 increase in noninterest expense.

Interest Income. Total interest income increased \$5.20 million, or 19.34%, from \$26.89 million for the year ended September 30, 1999, to \$32.09 million for the year ended September 30, 2000. This increase was due to an increase in the average balances of loans and mortgage-backed securities outstanding, and increases in the average yields on loans, mortgage-backed securities and investment securities. These increases were partially offset by a lower average balance of investment securities. Loan servicing fee income to net interest income was 2% and 3%, respectively, for the years ended September 30, 2000, and 1999.

Interest on loans increased \$4.66 million, or 24.15%, to \$23.96 million for the year ended September 30, 2000, from \$19.30 million for the year ended September 30, 1999. This increase was due primarily to an increase in the average balance of loans outstanding and also to a higher average yield on loans outstanding. Equitable Bank's average balance of loans outstanding increased by \$59.36 million, or 22.04%, from \$269.27 million for the year ended September 30, 1999, to \$328.63 million for the year ended September 30, 2000. This increase was mainly the result of Equitable Bank successfully implementing its loan origination strategy of offering competitive rates and timely service coupled with increasing market penetration throughout the area. Loans outstanding increased mainly through the origination of one- to four-family residential mortgage loans which is in conjunction with Equitable Bank's business strategy of improving interest income by increasing interest-earning assets that exhibit high quality, low risk characteristics. The average yield on loans increased from 7.17% for the year ended September 30, 1999, to 7.29% for the year ended September 30, 2000.

Interest on mortgage-backed securities increased \$508,000, or 7.78%, to \$7.04 million for the year ended September 30, 2000, from \$6.53 million for the year ended September 30, 1999. This increase was due primarily to a higher average yield on mortgage-backed securities. The average yield on mortgage-backed securities increased from 6.07% for the year ended September 30, 1999, to 6.47% for the year ended September 30, 2000. Equitable Bank's average balance of mortgage-backed securities increased by \$1.31 million, or 1.22%, from \$107.57 million for the year ended September 30, 1999, to \$108.88 million for the year ended September 30, 2000.

Interest on investment securities increased \$37,000, or 3.49%, to \$1.09 million for the year ended September 30, 2000, from \$1.06 million for the year ended September 30, 1999. This increase was due to a higher average yield on investment securities which was partially offset by a decrease in the average balance of investment securities. The average balance of investment securities decreased \$1.54 million, or 9.16%, from \$16.82 million for the year ended September 30, 1999, to \$15.28 million for the year ended September 30, 2000. The average yield on investment securities increased from 6.28% for the year ended September 30, 1999, to 7.15% for the year ended September 30, 2000.

Interest Expense. Interest expense for the year ended September 30, 2000, was \$22.92 million as compared to \$18.19 million for the year ended September 30, 1999, which represented an increase of \$4.73

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million, or 26.00%. This increase was due both to an increase in the general level of interest rates and in increase in the average balance of interest-bearing liabilities.

Interest on deposits increased \$1.92 million, or 14.07%, from \$13.65 million for the year ended September 30, 1999, to \$15.57 million for the year ended September 30, 2000. This increase resulted from increases in the average balance of deposits and a higher average cost of deposits for the year ended September 30, 2000. The average balance of deposits increased by \$20.45 million, or 7.24%, from \$282.41 million for the year ended September 30, 1999, to \$302.86 million for the year ended September 30, 2000. This increase was the result of Equitable Bank competitively pricing its deposits close to prevailing market rates as part of its strategy to attract new deposits and retain the majority of maturing deposits. These new deposit inflows were utilized to fund the growth of interest-earning assets experienced during fiscal year 2000. The average cost of deposits increased from 4.83% for the year ended September 30, 1999, to 5.14% for the year ended September 30, 2000.

Other interest expense increased \$2.81 million, or 61.89%, to \$7.35 million for the year ended September 30, 2000, from \$4.54 million for the year ended September 30, 1999. This increase resulted from an increase in the average balance of borrowed funds and a higher average cost on borrowings for the year ended September 30, 2000. The average balance of borrowed funds increased \$37.68 million, or 42.45%, from \$88.77 million for the year ended September 30, 1999, to \$126.45 million for the year ended September 30, 2000. This increase in the average balance of borrowed funds was the result of the growth experienced by Equitable during fiscal year 2000. The average cost of borrowed funds increased from 5.11% for the year ended September 30, 1999, to 5.81% for the year ended September 30, 2000.

Net Interest Income. Net interest income increased \$474,000, or 5.45%, to \$9.17 million for the year ended September 30, 2000, from \$8.70 million for the year ended September 30, 1999. This increase was mainly the result of significant growth in interest-earning assets and a reduction in non-performing assets, which was partially offset by a narrower net interest margin as the result of an inverted yield curve environment.

Provision for Loan Losses. Equitable Bank's provision for loan losses decreased \$59,000, to \$51,000 for the year ended September 30, 2000, compared to \$110,000 for the year ended September 30, 1999. This \$59,000 decrease in the provision for loan losses for the year ended September 30, 2000, was mainly the result of a decrease in delinquent loans and fewer charge offs.

The Asset Evaluation Committee (Committee) meets monthly to analyze and make adjustments, if necessary, to the loan loss reserve. The Committee classifies loans as substandard, doubtful, or loss, as required by federal regulations. Such an evaluation is necessary in order to meet the criteria for accrual of loss contingencies set forth in paragraph 8 of Statement of Financial Accounting Standards No. 5 (SFAS 5). The Committee provides a 100% reserve for all assets classified as loss. Also, the Committee may determine that a specific reserve of some percentage less than 100% of the loan balance is needed for certain loans classified as substandard or doubtful. The Committee may also conclude that a general valuation allowance is needed to recognize the inherent risk associated with lending activities. Such a determination is based on an evaluation of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors. The Committee performed this analysis during each month of the year ended September 30, 2000, as described above. The Committee concluded that, based on the results of these analyses, a loan loss provision of \$51,000 was warranted. The Committee documents the calculation as part of the minutes of the meeting.

The allowance for loan losses as a percent of loans outstanding was .22% and .23% at September 30, 2000, and 1999, respectively. Management believes that the loan loss reserves are adequate based on information available at the end of the respective periods.

Noninterest Income. Noninterest income for the year ended September 30, 2000, totaled \$632,000 as compared to \$808,000 for the year ended September 30, 1999. This \$176,000, or 21.78%, decrease was mainly

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the result of gains on sale of loans decreasing by \$101,000, or 77.10%, from \$131,000 for the year ended September 30, 1999, to \$30,000 for the year ended September 30, 2000. Also, loan servicing fee income decreased by \$48,000, or 20.00%, from \$240,000 for the year ended September 30, 1999, to \$192,000 for the year ended September 30, 2000. This decrease has been the result of Equitable Bank pursuing a policy of selling mortgage loans with servicing released in order to increase gains and competitiveness. This has led to the mortgage servicing portfolio decreasing as the result of prepayments and normal amortization of loans.

Noninterest Expenses. Noninterest expense for the years ended September 30, 2000, totaled \$5.60 million compared to \$5.38 million for the year ended September 30, 1999. This \$213,000, or 3.96%, increase was mainly the result of compensation and benefit expense increasing by \$280,000, or 9.72%, from \$2.88 million for the year ended September 30, 1999, to \$3.17 million for the year ended September 30, 2000. This increase was mainly the result of Equitable Bank's capitalizable compensation cost for originating mortgage loans decreasing by \$163,000 from \$293,000 for the year ended September 30, 1999, to \$130,000 for the year ended September 30, 2000, as well as Equitable Bank incurring normal salary increases over the past year. Also, administrative and general expense increased by \$134,000, or 7.49%, from \$1.79 million for the year ended September 30, 1999, to \$1.93 million for the year ended September 30, 2000. This increase was mainly the result of the growth experienced by Equitable Bank over the past year and the Bank incurring a one-time charge to change its name from Equitable Federal Savings Bank to Equitable Bank. However, the operating cost/average asset ratio declined from 1.35% for the year ended September 30, 1999, to 1.26% for the year ended September 30, 2000. In fiscal 2000, the increase in noninterest expense was partially offset by the recovery for losses on real estate increasing by \$133,000 from \$44,000 for the year ended September 30, 1999, to \$177,000 for the year ended September 30, 2000. Also, the loss on sale of real estate decreased by \$61,000, from \$67,000 for the year ended September 30, 1999, to \$6,000 for the year ended September 30, 2000. This decrease was the result of a sale of a real estate owned property during the year ended September 30, 1999, which resulted in a realized loss of \$67,000.

At the date of repossession, real estate owned (REO) is recorded at the lower of the unpaid loan balance or the fair value of the property in accordance AICPA Statement of Position (SOP) 92-3, which presumes that REO is acquired for sale and not for investment purposes. Any downward adjustments at the point of repossession are recorded in the provision for loan losses. Subsequent to foreclosure, REO is valued at the lower of cost (value at foreclosure) or fair value minus estimated selling expenses. All valuation adjustments to REO are recorded in the provision for losses on real estate. When properties are sold, the allowance for losses on real estate is evaluated in relation to the reduced portfolio. The provision (recovery) for losses on real estate was \$(177,000) for the year ended September 30, 2000. This recovery was the direct result of the Bank reducing the specific reserve on real estate owned as the property is sold.

Income Taxes. Equitable Bank's provision for income taxes increased \$19,000 or 1.22%, from \$1.56 million for the year ended September 30, 1999, to \$1.58 million for the year ended September 30, 2000. This \$19,000 increase was mainly the result of Equitable Bank's income before taxes increasing by \$145,000, or 3.62%, from \$4.01 million for the year ended September 30, 1999, to \$4.15 million for the year ended September 30, 2000. This increase was partially offset as the result of Equitable Bank's effective tax rate decreasing from 39.03% for the year ended September 30, 1999, to 38.12% for the year ended September 30, 2000.

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The following table presents for the periods indicated the total dollar amount of interest income from average interest earning assets and the resulting yields, as well as the interest expense on average interest bearing liabilities, expressed both in dollars and rates. No tax equivalent adjustments were made. All average balances are monthly average balances, including nonaccrual loans.

	Year Ended September 30,									
	Sept. 30, 2001(1) Yield/Rate	2001			2000			1999		
		Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
(Dollars in Thousands)										
Interest-earning assets:										
Loans receivable	7.27%	\$ 339,394	\$ 25,005	7.37%	\$ 328,630	\$ 23,958	7.29%	\$ 269,273	\$ 19,299	7.17%
Mortgage-backed securities	6.45	107,611	7,081	6.58	108,884	7,040	6.47	107,569	6,532	6.07
Investment securities, U.S. treasury securities and cash equivalents	5.01	19,244	1,195	6.21	15,283	1,093	7.15	16,822	1,056	6.28
Total interest-earning assets	7.01	\$ 466,249	\$ 33,281	7.14	\$ 452,797	\$ 32,091	7.09	\$ 393,664	\$ 26,887	6.83
Interest-bearing liabilities:										
Savings deposits	1.43	43,798	728	1.66	\$ 44,864	\$ 874	1.95	\$ 46,673	\$ 952	2.04
Time deposits	5.33	271,813	16,088	5.92	258,000	14,696	5.70	235,734	12,701	5.39
FHLB advances	5.10	122,523	7,045	5.75	113,304	6,549	5.78	85,419	4,393	5.14
Securities sold under agreements to repurchase		2,505	175	6.99	13,150	802	6.10	3,348	145	4.33
Total interest-bearing liabilities	4.86	\$ 440,639	24,036	5.45	\$ 429,318	\$ 22,921	5.34	\$ 371,174	\$ 18,191	4.90
Net interest income; interest rate spread	2.15%		\$ 9,245	1.69%		\$ 9,170	1.25%		\$ 8,696	1.93%
Net earning assets; net yield on average interest-earning assets		\$ 25,610	1.98%		\$ 23,479	2.03%		\$ 22,490	2.21%	
Average interest-earning assets to average interest-bearing liabilities		105.81%			105.47%			106.06%		

(1) Based on stated costs at September 30, 2001.

The following table presents the yields received on loans, investments, and other interest-earning assets, the rates paid on savings deposits and borrowings and the resultant interest rate spreads for the periods and at the dates indicated. Weighted average balances are based on monthly balances.

September 30,

	2001	2000	1999
Weighted average yield on:			
Loans receivable	7.27%	7.48%	7.15%
Investment securities and other	5.01%	6.73%	6.26%
Mortgage-backed securities	6.45%	6.85%	6.30%
Combined weighted average yield on interest-earning assets	7.01%	7.31%	6.91%
Weighted average rate paid on:			
Savings deposits	4.79%	5.63%	4.89%
Borrowings	5.10%	6.11%	5.17%
Combined weighted average rate paid on interest bearing liabilities	4.86%	5.76%	4.96%
Spread	2.15%	1.55%	1.95%

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	Year Ended September 30,		
	2001	2000	1999
Average yield on:			
Loans receivable	7.37%	7.29%	7.17%
Investment securities and other	6.21%	7.15%	6.28%
Mortgage-backed securities	6.58%	6.47%	6.07%
Combined average yield on interest-earning assets	7.14%	7.09%	6.83%
Average rate paid on:			
Savings deposits	5.33%	5.14%	4.83%
Borrowings	5.77%	5.81%	5.11%
Combined average rate paid on interest-bearing liabilities	5.45%	5.34%	4.90%
Spread	1.69%	1.75%	1.93%
Net interest margin (net interest earnings divided by average interest-earning assets)	1.98%	2.03%	2.21%

The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase related to changes in balances and that due to changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	Year Ended September 30,					
	2001 vs. 2000			2000 vs. 1999		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
(Dollars in Thousands)						
Interest-earning assets:						
Loans receivable	\$ 788	\$ 258	\$ 1,046	\$ 4,323	\$ 336	\$ 4,659
Mortgage-backed securities	(83)	124	41	81	427	508
Investments	259	(157)	102	(102)	139	37
Total interest-earning assets	\$ 964	\$ 225	\$ 1,189	\$ 4,302	\$ 902	\$ 5,204
Interest-earning liabilities:						
Savings deposits	\$ (20)	\$ (125)	(145)	\$ (37)	\$ (42)	(79)
Time deposits	804	588	1,392	1,242	752	1,994
FHLB advances and other borrowings	(83)	(49)	(132)	2,126	689	2,815
Total interest-bearing liabilities	\$ 701	\$ 414	\$ 1,115	\$ 3,331	\$ 1,399	\$ 4,730
Net interest income			\$ 74			\$ 474

Operating Strategies

Equitable Bank in an effort to increase long-term franchise value and maximize shareholder value has formulated and implemented a strategic plan designed to achieve stable and improved operating income and to strengthen capital, while continuing to implement Equitable Bank's

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asset/liability management program and manage credit risks in the loan portfolio. Among the steps taken to implement this strategy have been (a) the increase in net interest income and the reduction of interest rate sensitivity through the origination and sale (as market conditions permit) of one- to four-family residential long-term fixed-rate mortgage loans, the origination

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of adjustable-rate mortgage loans for retention in the loan portfolio, origination of commercial real estate loans (with a conservative loan to value ratio), origination of adjustable-rate residential construction loans, and the purchase of one-year adjustable-rate mortgage-backed securities; (b) the maintaining of controls on operating costs as Equitable Bank's asset base has increased in order to reduce our operating costs to assets ratio and provide Equitable Bank with a competitive advantage; (c) the reduction of non-performing assets and maintenance of high credit quality standards on all loan products; and (d) the maximization of our deposit base at Equitable Bank's five branch locations to increase operating efficiencies as well as the future operating of new branches in high growth and high density locations.

Increasing Net Interest Income. Equitable Bank has increased net interest income by \$1.96 million, or 26.92%, from \$7.28 million as of September 30, 1997, to \$9.24 million as of September 30, 2001. This increase was mainly the result of Equitable Bank increasing its loan receivable portfolio by \$126.04 million, or 57.88%, from \$217.77 million as of September 30, 1997, to \$343.81 million as of September 30, 2001. This increase was the result of Equitable Bank successfully achieving greater market penetration of its loan products through both competitive pricing strategies and the utilization of loan solicitors. Equitable Bank, in an effort to maximize asset yields, increased commercial real estate loans by 30% and construction loans by 106% during the year ended September 30, 2001.

Control of Operating Expenses. Equitable Bank, through a concerted company-wide effort, has controlled operating expenses by improving operating efficiencies, increasing productivity, increasing automation, and exercising tight cost control measures. Compensation and benefit expense has increased \$847,000, or 31.72%, from \$2.67 million for the year ended September 30, 1997, to \$3.52 million for the year ended September 30, 2001, and administrative and general expense has increased only \$213,000, or 11.90%, from \$1.79 million for the year ended September 30, 1997, to \$2.01 million for the year ended September 30, 2001. Equitable Bank has achieved this maintenance of operating expenses as assets have increased by \$162.90 million, or 51.72%, from \$314.97 million as of September 30, 1997, to \$477.87 million as of September 30, 2001. Also, the operating cost/average asset ratio has declined from 1.54% as of September 30, 1997, to 1.34% as of September 30, 2001. As a direct result of Equitable Bank maintaining control of operating expenses as it has continued to grow its assets, Equitable Bank has been able to operate profitably on a lower net interest margin. This has enabled Equitable to be more competitive on both interest paid on deposits and interest rates offered on loan products.

Reduction of Non-Performing Assets and Minimization of Credit Risk. Due to concerns regarding the level and credit quality of land acquisition, development and construction loans and increased regulatory capital requirements, Equitable Bank curtailed these lending activities in the early 90's. These lending activities have been replaced with increased originations of one- to four-family residential mortgage loans, residential construction loans, commercial real estate loans, home equity loans, and increased purchases of one-year adjustable-rate and fifteen-year fixed-rate FHLMC, FNMA, and GNMA mortgage-backed securities. These assets exhibit high quality, low credit risk characteristics. As a result of reducing credit risk and diligently pursuing reductions in non-performing assets, Equitable Bank's non-performing loans have decreased by \$1.60 million, or 98.16%, from \$1.63 million as of September 30, 1997, to \$26,000 as of September 30, 2001.

Maximization of Branch Deposits and the Opening of Future Branches. Equitable Bank has increased branch deposits by \$84.80 million, or 34.84%, from \$243.43 million as of September 30, 1997, to \$328.23 million as of September 30, 2001, as the direct result of competitive pricing, aggressive marketing, and the improvement of our sales culture with emphasis on excellent customer service. During the past few years, Equitable Bank has further improved customer service through the implementation of telephone banking, establishment of a home page (eqsb.com) which allows internet banking, introduction of a check card and by offering a brokerage service (UVEST) to provide alternative investments for our customers. Also, Equitable Bank expanded its branch system by one branch in fiscal 2001. Equitable Bank increased noninterest-bearing checking accounts by 23% during the year ended September 30, 2001.

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Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk is the most significant market risk affecting the Bank. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of the Bank's business activities.

Interest rate risk is defined as an exposure to a movement in interest rates that could have an adverse effect on the Bank's net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or reprice on a different basis than earning assets. When interest-bearing liabilities mature or reprice more quickly than earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income.

In an attempt to manage its exposure to changes in interest rates, management monitors Equitable Bank's interest rate risk. Management has established an asset/liability committee consisting of the President, the Executive Vice President-Chief Operating Officer/Chief Financial Officer, the Senior Vice President-Treasurer, the Vice President-Controller, the Executive Vice President-Lending, and the Senior Vice President-Secretary/Mortgage Lending which meets quarterly (or more frequently as appropriate) and reviews the Bank's interest rate risk position and profitability, and recommends strategies for consideration by the Board of Directors. Management also reviews loan and deposit pricing and the Bank's investment portfolio, formulates investment and funding strategies and oversees the timing and implementation of transactions to assure attainment of the Board's objectives in the most effective manner. Notwithstanding, the Bank's interest rate risk management activities, the potential for changing interest rates is an uncertainty that can have an adverse effect on net interest income.

In adjusting Equitable Bank's asset/liability position, the Board of directors and management attempt to manage the Bank's interest rate risk while enhancing net interest margin. The Bank results of operations and net portfolio values remain vulnerable to changes in interest rates and to fluctuations in the difference between long- and short-term interest rates.

Interest rate risk analyses performed by Equitable Bank indicate that the Bank is liability sensitive, or its interest-bearing liabilities mature or reprice more quickly than its earning assets. As a result, rising interest rates could result in a decrease in net interest income. Consistent with the asset/liability management philosophy described above, the Bank has taken steps to manage its interest rate risk by attempting to match the repricing periods of its earning assets to its interest-bearing liabilities. Equitable Bank, during the year ended September 30, 2001, originated adjustable-rate one- to four-family residential mortgage loans, adjustable-rate residential construction loans, adjustable-rate home equity loans, purchased one-year adjustable-rate mortgage-backed securities and began to lengthen short-term liabilities in a effort to reduce its interest rate risk.

In response to customer demand, Equitable Bank has continued to originate thirty-year fixed-rate mortgage loans, and has sold the majority of these loans in the secondary market in order to maintain an acceptable interest rate sensitivity position. In periods of falling interest rates, Equitable Bank experiences substantial prepayments of its ARM and fixed-rate loans due to refinancing to lower yielding fixed-rate mortgages, which results in the reinvestment of such proceeds at market rates which are lower than rates previously in place.

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The following table sets forth, at September 30, 2001, an analysis of the Bank's interest rate risk as measured by the estimated changes in net present value (NPV) resulting from instantaneous and sustained parallel shifts in the yield curve (± 300 basis points, measured in 100 basis point increments).

Change in Interest Rates (Basis Points)	Estimated NPV Amount	Estimated Increase (Decrease) in NPV	
		Amount	Percent
	(Dollars in Thousands)		
+300	\$ 7,962	\$ (17,371)	(68.57)%
+200	15,000	(10,333)	(40.79)%
+100	20,798	(4,535)	(17.90)%
	25,333		
-100	27,252	1,919	7.58%
-200	27,412	2,079	8.21%
-300	27,572	2,239	8.84%

Certain assumptions utilized in assessing the interest rate risk of thrift institutions were employed in preparing the preceding table. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under the various interest rate scenarios. It was also assumed that delinquency rates will not change as a result of changes in interest rates although there can be no assurance that this will be the case. Even if interest rates change in the designated amounts, there can be no assurance that the Bank's assets and liabilities would perform as set forth above. In addition, a change in U.S. Treasury rates in the designated amounts accompanied by a change in the shape of the Treasury yield curve would cause significantly different changes to the NPV than indicated above.

Liquidity and Capital Resources

Equitable Bank's primary sources of funds are deposits, proceeds from principal and interest payments on loans, and FHLB of Atlanta advances. While maturities and scheduled amortization of loans and mortgage-related securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

The primary investing activity of Equitable Bank is the origination of loans. During the years ended September 30, 2001, and 2000, Equitable originated loans in the amounts of \$142.87 million and \$91.13 million, respectively.

The sources and uses of cash flows for Equitable Bank are generated by operating activities, investing activities and financing activities. During the years ended September 30, 2001 and 2000, the net cash provided (used) by operating activities was \$(591,000) and \$1.66 million, respectively. The operating activity during fiscal 2001 and fiscal 2000 that used significant cash flows was origination of loans held for sale. The operating activity during fiscal 2001 and fiscal 2000 that provided significant cash flows was the sale of loans held for sale. During the years ended September 30, 2001 and 2000, the net cash used by investing activities was \$4.39 million and \$26.10 million, respectively. Investing activity during fiscal year 2001 and 2000 utilized significant cash flows due to purchases of mortgage-backed securities and the origination of loans that resulted from Equitable's strategic business plan to grow interest-earning assets during the years ended September 30, 2001 and 2000. During the years ended September 30, 2001 and 2000, the net cash provided by financing activities was \$10.25 million and \$24.09 million, respectively. Financing activity during fiscal year 2001 and fiscal year 2000 provided significant cash flows as the result of borrowing mainly through FHLB advances and increasing deposits to fund Equitable's growth of interest-earning assets. During the years ended September 30, 2001 and 2000, the net increase (decrease) in cash and cash equivalents was \$5.28 million and \$(350,000), respectively.

Liquidity management for Equitable Bank is both a daily and long-term function of Equitable Bank's management strategy. Excess funds are generally invested in short-term investments such as federal funds. In the

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event that Equitable Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through the use of FHLB of Atlanta advances and repurchase agreements.

Equitable Bank is required to maintain adequate levels of liquid assets. This requirement, which may vary at the discretion of the OTS depending upon economic conditions and deposit flows, is based upon a percentage of deposits and short-term borrowings. Equitable Bank's liquidity ratio at September 30, 2001, and September 30, 2000, was 33.49% and 33.16%, respectively.

Equitable Bank's most liquid assets are cash and cash equivalents, which include investments in highly liquid, short-term investments. The level of these assets are dependent on the Equitable Bank's operating, financing, and investing activities during any given period. At September 30, 2001, and 2000, cash and cash equivalents totaled \$6.35 million and \$1.07 million, respectively.

At September 30, 2001, Equitable Bank had outstanding loan origination commitments of \$2,614,000. Equitable Bank also had extended to borrowing customers unused lines of credit under existing home equity line of credit loans and unsecured consumer line of credit loans totaling \$21.67 million at September 30, 2001. Also, Equitable Bank had construction line of credit loans (loans in process or LIP) totaling \$15.34 million as of September 30, 2001. Equitable Bank anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit held by customers of Equitable Bank which are scheduled to mature in one year or less at September 30, 2001, totaled \$214.53 million. Equitable Bank anticipates, although there can be no assurance, retaining the majority of those deposits by offering competitive interest rates. Equitable Bank has a collateral pool of approximately \$248.80 million consisting primarily of residential one- to four-family mortgage loans and mortgage-backed securities which are available to secure borrowings from the Federal Home Loan Bank of Atlanta and other sources providing, Equitable Bank meets certain requirements, all of which Equitable Bank is confident it can fulfill.

Capital

Federally insured savings associations, such as Equitable Bank, are required to maintain a minimum level of regulatory capital. The OTS has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to such savings associations. These capital requirements must be generally as stringent as the comparable capital requirements for national banks. The OTS is also authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

The following table sets forth Equitable's compliance with each of the above-described capital requirements as of September 30, 2001. Equitable Bank is considered a well capitalized institution base upon its capital ratios at September 30, 2001.

	Requirement		Equitable Federal Actual		Excess	
	%*	\$	%*	\$	%*	\$
(Dollars in Thousands)						
Tangible Capital	1.50%	\$ 7,168	5.65%	\$ 26,976	4.15%	\$ 19,808
Core Capital	4.00	19,115	5.65	26,976	1.65	7,861
Tier I Risk-Based	4.00	9,842	10.96	26,976	6.96	17,134
Risk-Based Capital**	8.00	19,684	11.26	27,717	3.26	8,033

* Tangible and core capital figures are determined as a percentage of total adjusted assets; risk-based capital figures are determined as a percentage of risk-weighted assets in accordance with OTS regulations.

** Total Capital includes general loan loss reserves of \$740,517.

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Impact of Inflation and Changing Prices

The consolidated financial statements and notes thereto presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of Equitable Bank's operations. Unlike most industrial companies, nearly all the assets and liabilities of Equitable Bank are monetary in nature. As a result, interest rates have a greater impact on Equitable Bank's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Impact of New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, No. 133, Accounting for Derivative Instruments (SFAS 133). SFAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair market value. Under certain circumstances, a portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into income when the transaction affects earnings. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. Equitable Bank adopted SFAS 133 on October 1, 2000. Presently, Equitable Bank does not use derivative instruments either in hedging activities or investments. Accordingly, the adoption of FASB 133 had no impact on its financial position or results of operations.

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**EQUITABLE BANK AND SUBSIDIARY
INDEPENDENT AUDITORS REPORT**

Board of Directors and Stockholders

Equitable Bank

We have audited the accompanying consolidated statements of financial condition of **Equitable Bank and Subsidiary** as of September 30, 2001 and 2000 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of Equitable Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Equitable Bank and Subsidiary** at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

Washington, D.C.
October 26, 2001

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EQUITABLE BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	September 30,	
	2001	2000
ASSETS		
Cash and cash equivalents (Note 8)	\$ 6,348,113	\$ 1,065,386
Investment securities held-to-maturity, at amortized cost (market values of \$6,668,270 and \$15,239,180) (Note 5)	6,670,574	15,460,309
Loans held for sale (Note 1)	2,224,093	
Loans receivable, net (Notes 1, 10 and 18)	343,811,396	338,314,671
Mortgage backed securities, at amortized cost (market values of \$114,726,358 and \$104,247,160) (Notes 6 and 11)	113,602,800	105,544,559
Accrued interest receivable (Notes 1 and 3)	3,019,070	3,201,876
Premises and equipment, net (Note 7)	1,159,153	796,479
Prepaid expenses and other assets (Notes 12 and 14)	1,037,658	815,779
	\$ 477,872,857	\$ 465,199,059
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits (Note 9)	\$ 328,233,327	\$ 306,281,270
Advances from Federal Home Loan Bank (Note 10)	120,000,000	123,300,000
Securities sold under agreement to repurchase (Note 11)		8,247,000
Advances from borrowers for taxes and insurance	509,882	796,920
Accounts payable, accrued expenses and other liabilities	2,153,269	2,058,527
Total liabilities	450,896,478	440,683,717
Commitments and Contingencies (Notes 13, 14 and 20)		
Stockholders Equity (Notes 15 and 16)		
Common stock, \$.01 par value 4,000,000 shares authorized; 1,309,727 and 1,298,627 shares outstanding	13,097	12,986
Additional paid-in capital	6,129,481	5,993,692
Retained earnings	20,833,801	18,508,664
Total stockholders equity	26,976,379	24,515,342
	\$ 477,872,857	\$ 465,199,059

See accompanying summary of accounting policies and notes to consolidated financial statements.

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EQUITABLE BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	For the years ended September 30,		
	2001	2000	1999
Interest Income			
Loans receivable			
First mortgage loans	\$ 22,120,644	\$ 21,395,089	\$ 17,365,081
Consumer and other loans	2,884,248	2,562,730	1,933,439
Investment securities	1,194,764	1,093,104	1,056,125
Mortgage backed and related securities	7,080,583	7,039,932	6,532,399
Total interest income	33,280,239	32,090,855	26,887,044
Interest Expense			
Deposits (Note 9)	16,815,915	15,569,135	13,653,735
Other interest (Notes 10 and 11)	7,220,120	7,351,737	4,537,040
Total interest expense	24,036,035	22,920,872	18,190,775
Net interest income	9,244,204	9,169,983	8,696,269
(Recovery of) Provision for Loan Losses (Note 1)	(22,673)	51,073	110,448
Net interest income after provision for loan losses	9,266,877	9,118,910	8,585,821
Noninterest Income			
Gain on sale of real estate and foreclosed assets (Note 4)	1,000	2,625	
Loan fees and service charges	62,711	57,567	66,033
Loan servicing fees	170,093	192,444	239,763
Gain on sale of loans	213,095	29,822	130,677
Other service fees	328,777	335,089	344,911
Other	37,009	14,570	26,119
Total noninterest income	812,685	632,117	807,503
Noninterest Expense			
Loss on sale of real estate and foreclosed assets (Note 4)		6,064	66,834
Compensation and benefits	3,520,597	3,165,170	2,884,828
Occupancy and equipment	754,785	661,421	671,057
Administrative and general	2,014,991	1,926,982	1,792,603
Expense of foreclosed assets (Note 4)	122	11,143	8,053
(Recovery of) provision for losses on real estate (Note 4)		(176,917)	(44,391)
Other	1,739	3,426	5,432
Total noninterest expense	6,292,234	5,597,289	5,384,416
Income before income taxes	3,787,328	4,153,738	4,008,908
Income tax provision (Note 12)	1,462,191	1,583,232	1,564,764
Net income	\$ 2,325,137	\$ 2,570,506	\$ 2,444,144

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Basic earnings per share	<u>\$ 1.78</u>	<u>\$ 1.98</u>	<u>\$ 1.89</u>
Diluted earnings per share	<u>\$ 1.68</u>	<u>\$ 1.90</u>	<u>\$ 1.78</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

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EQUITABLE BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders Equity
Balance, September 30, 1998	1,228,200	\$ 12,282	\$ 5,103,982	\$ 14,328,844	\$ 19,445,108
Exercise of stock options	3,600	36	30,714		30,750
Net income				2,444,144	2,444,144
Balance, September 30, 1999	1,231,800	\$ 12,318	\$ 5,134,696	\$ 16,772,988	\$ 21,920,002
Issuance of stock dividend	61,827	618	834,046	(834,830)	(166)
Exercise of stock options	5,000	50	24,950		25,000
Net income				2,570,506	2,570,506
Balance, September 30, 2000	1,298,627	\$ 12,986	\$ 5,993,692	\$ 18,508,664	\$ 24,515,342
Exercise of stock options	11,100	111	135,789		135,900
Net income				2,325,137	2,325,137
Balance, September 30, 2001	1,309,727	\$ 13,097	\$ 6,129,481	\$ 20,833,801	\$ 26,976,379

See accompanying summary of accounting policies and notes to consolidated financial statements.

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EQUITABLE BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended September 30,		
	2001	2000	1999
Cash flows from operating activities			
Net income	\$ 2,325,137	\$ 2,570,506	\$ 2,444,144
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	237,353	229,357	226,330
Provision for loan losses	(22,673)	51,073	110,448
(Recovery of) provision for losses on real estate		(176,917)	(44,391)
Premiums and discounts on mortgage backed securities and investments	(226,256)	(212,202)	(1,910)
Deferred income taxes	7,454	16,969	(23,526)
Amortization of deferred loan fees	(339,799)	(265,016)	(224,185)
Gain on sale of loans	(213,095)	(29,822)	(130,677)
Gain on sale of real estate and foreclosed assets	(1,000)	(2,625)	
Loss on sale of real estate and foreclosed assets		6,064	66,834
Loss on fixed asset disposal	4,219		
(Increase) decrease in assets			
Accrued interest receivable	182,806	(365,222)	(433,342)
Loans originated for sale	(42,941,281)	(4,400,852)	(23,976,762)
Sales of loans originated for sale	40,522,900	4,589,950	27,600,651
Increase (decrease) in liabilities			
Income taxes payable		(85,662)	85,662
Other, net	(127,137)	(269,042)	1,349,935
Net cash provided by (used in) operating activities	(591,372)	1,656,559	7,049,211
Cash flows from investing activities			
Net increase in loans	(4,733,323)	(27,313,300)	(72,578,750)
Principal reduction in mortgage backed securities and participation certificates	33,806,317	18,765,315	36,388,445
Purchase of investment securities	(50,000)	(1,000,000)	(8,083,995)
Principal reduction in investment securities	9,000,000	787,500	6,047,366
Purchase of mortgage backed securities and participation certificates	(41,641,095)	(15,838,647)	(41,648,535)
Investment in foreclosed real estate		(117,886)	6,114
Proceeds from the sale of real estate and foreclosed assets		785,156	252,637
Purchase of FHLB stock	(157,473)	(1,918,980)	(1,523,248)
Purchase of office property and equipment	(604,246)	(245,658)	(197,901)
Net cash used by investing activities	(4,379,820)	(26,096,500)	(81,337,867)
Cash flows from financing activities			
Net increase in deposits	21,952,057	10,162,977	30,228,602
Federal Home Loan Bank advances	63,100,000	349,550,000	125,000,000
Repayment of Federal Home Loan Bank advances	(66,400,000)	(329,250,000)	(95,000,000)
Net (decrease) increase in securities sold under agreements to repurchase	(8,247,000)	(6,818,000)	15,065,000
Advance payments by borrowers for taxes	(287,038)	419,941	142,278
Proceeds from exercise of stock options	135,900	25,000	30,750
Payment of dividends		(166)	
Net cash provided by financing activities	10,253,919	24,089,752	75,466,630

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Net (decrease) increase in cash and cash equivalents	5,282,727	(350,189)	1,177,974
Cash and cash equivalents , beginning of year	1,065,386	1,415,575	237,601
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents , end of year	\$ 6,348,113	\$ 1,065,386	\$ 1,415,575
	<u> </u>	<u> </u>	<u> </u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

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EQUITABLE BANK AND SUBSIDIARY

SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Equitable Bank and its wholly owned subsidiary, First Equitable Insurance Agency, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investment Securities

Investment securities consisting of U.S. government and agency securities which Equitable Bank has the intent and ability to hold to maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recorded on the level yield (interest) method, over the period from the date of purchase to maturity. Investment securities which Equitable Bank intends to hold for indefinite periods of time, use for asset/liability management or that are to be sold in response to changes in interest rates, prepayment risk, the need to increase regulatory capital or other similar factors are classified as held for sale and carried at fair value. If a sale does occur, the adjusted carrying value of the specific security sold is used to compute gain or loss. All investments held by Equitable Bank have been classified as held to maturity as Equitable Bank has the positive intent and ability to hold them to maturity.

Mortgage Backed Securities

Mortgage backed securities which Equitable Bank has the intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost. The amortization of premiums and accretion of discounts are recorded on the level yield (interest) method over the term of the security.

Mortgage backed securities which Equitable Bank intends to hold for indefinite periods of time, use for asset/liability management or that may be sold in response to changes in interest rates, prepayment risk, the need to increase regulatory capital or other similar factors, are classified as available for sale and are carried at fair value. When sales do occur, gains and losses are recognized at the time of sale and the determination of cost of securities sold is based upon the specific identification method. All sales are made without recourse.

All mortgage backed securities held by Equitable Bank have been classified as held to maturity as Equitable Bank has the positive intent and ability to hold them to maturity.

Loans and Allowance for Loan Losses

Loans receivable are stated at unpaid principal balances, net of unearned discounts resulting from add-on interest, participation or whole-loan interests owned by others, undisbursed loans in process, deferred loan fees, and allowances for loan losses. Valuation allowances for possible losses on loans are established by charges to earnings when a decline in value is deemed both probable and estimable. Management's determination of the adequacy of the valuation allowance is based on historical patterns, industry experience, current economic conditions, changes in the composition and risk characteristics of the loan portfolio, appraisals and other factors deemed relevant to the collectibility of the loans currently outstanding.

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In addition to the allowance for specific loans, management makes a provision for losses on loans based on loan loss experience and prevailing market conditions.

Equitable Bank considers a loan to be impaired if it is probable that they will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement. When a loan is deemed impaired, Equitable Bank computes the present value of the loan's future cash flows, discounted at the effective interest rate. The effective rate used in the contractual rate is adjusted for any deferred fees, deferred costs, premiums or discounts existing at origination. If the present value is less than the carrying value of the loan, a valuation allowance is recorded. For collateral dependent loans, Equitable Bank uses the fair value of the collateral, less estimated costs to sell, on a discounted basis, to measure impairment.

Equitable Bank defers loan origination and commitment fees, net of certain direct loan origination costs. The net deferred fees are amortized into interest income over the lives of the related loans as yield adjustments.

Mortgage loans originated and intended for sale are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

Mortgage Loan Income, Discounts and Premiums Interest income on loans is recorded using the accrual method. Discounts and premiums relating to mortgage loans purchased are deferred and amortized into income over the estimated lives of the loan using the level-yield method. Accrual of interest is discontinued and deemed uncollectible when a loan is 90 days or more past due unless the loan is well collateralized and in the process of collection.

Mortgage Loan Sales and Servicing Equitable Bank originates and sells loans and participating interests in loans generally with the servicing rights released. Loans are sold to provide Equitable Bank with additional funds for general corporate purposes. Loans and participating interests originated for sale are carried at the lower of cost or market.

When a loan and its related servicing is sold, Equitable Bank recognizes the gain on the servicing at the time of the sale. When servicing is retained on a loan that is sold, Equitable Bank may recognize a gain or loss based on the present value of the difference between the average constant rate of interest it receives, adjusted for a normal servicing fee, and the yield it must pay to the purchaser of the loan over the estimated remaining life of the loan. Any resulting net premium is deferred and amortized over the estimated life of the loan using a method approximating the level-yield method.

Foreclosed Real Estate Real estate acquired through foreclosure and loans considered to have been substantively repossessed are recorded at the lower of cost or fair value minus estimated costs to sell. Subsequent to the date of foreclosure, valuation adjustments are made, if required, to the lower of cost or fair

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value minus estimated costs to sell. Costs related to holding the real estate are expensed as incurred. Recognition of gains on sale of real estate is dependent upon the transaction meeting certain criteria relating to the nature of the property sold and the terms of the sale.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Land is carried at cost. Provision for depreciation of premises and equipment is computed using the straight-line method over the expected useful lives of the assets (three to fifty years). The costs of leasehold improvements are amortized using the straight-line method over the terms of the leases or the expected useful lives of the improvements, whichever is less.

Income Taxes

Equitable Bank accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FASB 109). FASB 109 provides for the recognition of net deferred tax assets for amounts deductible in future years. The recognition of net deferred assets is reduced, if necessary, by a valuation allowance for the amount of any tax benefits that, based on available evidence, are not expected to be realized. Additionally, under FASB 109, deferred tax liabilities will be provided for bad debt reserves for income tax reporting purposes that arise after September 30, 1988 (base year).

Equitable Bank is permitted under the Internal Revenue Code to deduct an annual addition to a reserve for bad debts in determining taxable income, subject to certain limitations. Generally, this addition differs from the bad debt experience used for financial accounting purposes. Bad debt deductions for income tax purposes are included in taxable income of later years if the bad debt reserves are used subsequently for purposes other than to absorb bad debt losses. Retained earnings at September 30, 2001, include approximately \$4,385,000 for which no deferred federal income tax liability has been recognized. These amounts represent an allocation of income to bad debt deductions for income tax purposes only. Reduction of amounts so allocated for purposes other than tax bad-debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then current corporate income tax rate. The unrecorded deferred income tax liability on the above amounts was approximately \$1,491,000 at September 30, 2001.

Cash and Cash Equivalents

Equitable Bank considers cash, interest bearing deposits in other banks and federal funds sold as cash and cash equivalents for purposes of preparing the statement of cash flows.

Earnings Per Share

Earnings per share is based on the weighted average number of shares of common stock and dilutive common stock equivalents outstanding. Basic earnings per share includes no dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. The following table presents a reconciliation

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between the weighted average shares outstanding for basic and diluted earnings per share for 2001, 2000 and 1999.

For the year ended September 30, 2001	Income	Shares	Per Share Amount
Basic earnings per share			
Income available to common shareholders	\$ 2,325,137	1,304,075	\$ 1.78
Effect of dilutive stock options		80,925	
Dilutive earnings per share	\$ 2,325,137	1,385,000	\$ 1.68
For the year ended September 30, 2000			
Basic earnings per share			
Income available to common shareholders	\$ 2,570,506	1,296,615	\$ 1.98
Effect of dilutive stock options		54,400	
Dilutive earnings per share	\$ 2,570,506	1,351,015	\$ 1.90
For the year ended September 30, 1999			
Basic earnings per share			
Income available to common shareholders	\$ 2,444,144	1,291,868	\$ 1.89
Effect of dilutive stock options		79,600	
Dilutive earnings per share	\$ 2,444,144	1,371,468	\$ 1.78

Comprehensive Income

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS 130), establishes standards for the reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Equitable Bank adopted SFAS 130 effective October 1, 1998, however, it does not have any items of comprehensive income to report.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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EQUITABLE BANK AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Loans Receivable

Loans receivable consist of the following:

	September 30,	
	2001	2000
Mortgage loans		
One- to-four family	\$ 263,826,341	\$ 278,302,098
Non-residential and commercial	38,926,867	30,234,981
	302,753,208	308,537,079
Construction or development loans	39,738,350	34,371,770
Loans collateralized by deposit accounts	135,072	113,463
Home equity loans	16,274,333	17,543,416
Consumer loans	1,368,548	1,547,669
	360,269,511	362,113,397
Less:		
Due borrowers on loans in process	(15,344,303)	(22,554,567)
Deferred loan fees	(373,295)	(489,204)
Allowance for losses	(740,517)	(754,955)
	(16,458,115)	(23,798,726)
	\$ 343,811,396	\$ 338,314,671
Loans held for sale	\$ 2,224,093	\$
Loans receivable, net	343,811,396	338,314,671
	\$ 3	