



Comptroller of the Currency
Administrator of National Banks

**SMALL
BANK**

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

January 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Maryland Bank and Trust Company, N.A.
Charter Number 23430**

**46930 South Shangri La Drive
Lexington Park, Maryland 20653**

**Office of the Comptroller of the Currency
1025 Connecticut Avenue, NW - Suite 708
Washington, D.C. 20036**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Maryland Bank and Trust Company, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 30, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **"SATISFACTORY"**.

The primary factors supporting the bank's overall rating include:

- The loan-to-deposit ratio is reasonable, averaging 75 percent for the period under review. This compares favorably to 70 percent for similarly situated financial institutions within the assessment area.
- A substantial majority of all loans are within the bank's assessment area, representing 94 percent of the number and 87 percent of the dollar amount of 1998 originations.
- The distribution of loans to borrowers of different income levels and to business of different revenue sizes very good compared to similarly situated lenders.

The following table indicates the performance level of **Maryland Bank and Trust Company, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	MARYLAND BANK AND TRUST COMPANY, N.A.		
	PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Maryland Bank and Trust Company, N.A. (MBT) is a locally-owned commercial bank headquartered in Lexington Park, Maryland. Founded in 1959, MBT converted from a state-chartered institution to a national bank in September of 1997. As of September 30, 1998, total assets were \$195 million, gross loans were \$132 million, and total deposits \$172 million. Lending activities are centered in commercial real estate and residential real estate loans comprising 73 percent of gross loans. The bank offers a full range of deposit services and loan products, including home improvement loans and credit cards.

MBT serves the community from its seven branch locations situated in Charles, Calvert, St. Mary's, and Prince George's counties. Branch locations are full service, including drive-up service, offer Saturday hours, and proprietary 24-hour ATM's (not available at the Fort Washington branch). The bank is scheduled to open its Prince Frederick (Calvert County) banking office, the eighth branch location, by April 1999. Executive and administrative offices are located at the Waldorf, MD operations center. There is strong competition from other community banks, regional banks, thrifts, credit unions and other non-financial institutions which have many offices in the area. MBT has no impediments, legal or otherwise, which would hinder its ability to help meet the credit needs of the bank's assessment area.

DESCRIPTION OF ASSESSMENT AREA

MBT has defined its assessment area as Southern Maryland, consisting of all the census tracts of Charles County, Calvert County, St. Mary's County, and five census tracts of Prince George's County. With the exception of St. Mary's County, the preponderance of the assessment area is within the Washington, D.C.-MD-VA-WV Metropolitan Statistical Area (MSA) 8840. The assessment area complies with CRA and does not arbitrarily exclude low- or moderate-income census tracts. According to 1990 Census Bureau data, the population of MSA and non-MSA census tracts (St. Mary's County) are 186,485 and 75,874, respectively, for a total assessment area population of 262,459.

Table I indicates the breakdown of census tract income and family income characteristics of the assessment area within MSA 8840. The 1990 Census Bureau and the 1998 Housing and Urban Development (HUD) MSA median family incomes are \$52,807 and \$72,300, respectively.

Table I

MSA ASSESSMENT AREA CHARACTERISTICS				
Income Levels	Number of Census Tracts	Percent	Number of Families	Percent
Low Income	0	0%	7,612	15%
Moderate Income	8	21%	9,918	20%
Middle Income	26	68%	14,819	30%
Upper Income	4	11%	17,621	35%
Total	38	100%	49,970	100%

Table II indicates the breakdown of the census tract income and family income characteristics of the assessment area not within the MSA. The 1990 Census Bureau and the 1998 Housing and Urban Development (HUD) non-MSA median family incomes are \$33,695 and \$44,100, respectively.

Table II

NON-MSA ASSESSMENT AREA CHARACTERISTICS				
Income Levels	Number of Census Tracts	Percent	Number of Families	Percent
Low Income	0	0%	2,488	12%
Moderate Income	0	0%	3,082	16%
Middle Income	6	46%	4,193	21%
Upper Income	7	54%	10,054	51%
Total	13	100%	19,817	100%

NOTE: Thirty three percent of families in the assessment area are low- or moderate-income.

The local economy is strong. The major employment sectors existing within the assessment area are the retail trade and service industries. The largest single employers are the Naval Surface Warfare Center and the Patuxent Naval Air Station. Management and the Board have identified the primary credit need within the bank's assessment area as commercial real estate and residential real estate lending. Based on the results of a discussion with a local economic board representative, the bank's lending strategy is in line with credit needs of the local area. The representative indicated a large demand for construction financing and working capital lines of credit.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-To-Deposit Ratio

MBT's loan-to-deposit ratio is reasonable and commensurate with its size, competition, available resources, lending activities, as well as the demographics of the assessment area. The loan-to-deposit ratio averaged 75 percent over the last seven quarters. This ratio is slightly above the 70 percent average loan-to-deposit ratio for similarly situated banks within the assessment area during the same time period. As of September 30, 1998, MBT's loan-to-deposit ratio is 75 percent.

Lending in Assessment Area

A substantial majority the bank's lending activity is within its assessment area. We tested and relied on management reports for 1998. Based on our analysis, 94 percent of the number and 87 percent of the dollar volume of loans are originated within the assessment area. Below, Table III illustrates the total loans originated relative to the assessment area.

Table III (a)

Loan Type	Total Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Business Loans	171	31,220	149	87%	25,575	82%
Residential Loans	207	18,357	192	93%	17,020	93%
Consumer Loans	925	7,670	879	95%	7,144	93%
TOTALS	1,303	57,247	1,220	94%	49,739	87%

Note: Business loans include commercial real estate loans. Residential loans include construction loans. Consumer loans include unsecured home improvement loans.

In addition, a majority of loan originations subject to the Home Mortgage Disclosure Act (HMDA) are within the assessment area. As illustrated in Table IV, 92 percent of the number and 84 percent of the dollar volume of 1997/1998 combined HMDA loan originations are within the assessment area.

Table IV

Loan Type	HMDA Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
1998	103	4,194	99	96%	4,073	97%
1997	177	10,779	159	90%	8,508	80%
TOTALS	280	14,973	258	92%	12,581	84%

Lending To Borrowers of Different Incomes and Businesses of Different Sizes - MSA 8840

In the assessment area within the MSA, the distribution of loans to borrowers of different income levels and business of different revenue sizes is very good compared to similarly situated banks. Our review included combined 1997/1998 HMDA loan originations within the MSA assessment area and a sample of 10 percent of business loans originated within the last 12 months. Small business loans are defined as those with annual gross revenues no greater than one million dollars. As illustrated in Table (a), 57 percent of the dollar volume and 69 percent of the number of HMDA loans are to low- or moderate income borrowers, and 79 percent of business loans sampled were to small businesses.

Table V (a)

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS - MSA								
Applicant Income as a Percentage of HUD Median Family Income	#		%		\$(000s)		%	
	Low	53		41%		1,426		22%
Moderate	37		28%		2,253		35%	
Middle	24		18%		1,359		21%	
Upper	12		9%		672		10%	
Income Not Available	4		4%		760		12%	
TOTAL	130		100%		6,470		100%	
LENDING TO BUSINESSES OF DIFFERENT SIZES								
Revenue Ranges	<\$100M		\$100M-\$500M		\$501M-\$1MM		>\$1MM	
	#	%	#	%	#	%	#	%
Business Loan Sample	0	0	7	50%	4	29%	3	21%

Lending To Borrowers of Different Incomes and Businesses of Different Sizes - Non-MSA (St. Mary's County)

In the assessment area outside of the MSA, the distribution of loans to borrowers of different income levels and business of different income sizes is also very good compared to similarly situated banks. Our review included 1997/1998 HMDA loan originations within the non-MSA assessment area and 10 percent of business loans originated within the last 12 months. As reflected in Table V (b), 19 percent of the dollar volume and 49 percent of the number of HMDA loans are to low- or moderate-income borrowers, and 70 percent of business loans sampled were to small businesses.

Table V (b)

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS - NON-MSA								
Applicant Income as a Percentage of HUD Median Family Income	#		%		\$ (000s)		%	
	Low	21		17%		396		7%
Moderate	41		32%		723		12%	
Middle	28		22%		807		13%	
Upper	34		27%		3,746		61%	
Income Not Available	3		2%		408		7%	
TOTAL	127		100%		6,080		100%	
LENDING TO BUSINESSES OF DIFFERENT SIZES								
Revenue Ranges	<\$100M		\$100M-\$500M		\$501M-\$1MM		>\$1MM	
	#	%	#	%	#	%	#	%
Business Loan Sample	2	20%	2	20%	3	30%	3	30%

Geographic Distribution of Loans - MSA 8840

The geographic distribution of loan originations in 1998 reflect reasonable dispersion throughout the assessment area within the MSA. We tested and relied on internal management reports. Based on our analysis, 23 percent and 70 percent of the number of loans were made in moderate- or middle-income census tracts, respectively. As illustrated in Table VI (a), the distribution of loans compare favorably to the income characteristics of the census tracts (refer to Table I).

Table VI (a)

GEOGRAPHIC DISTRIBUTION OF LOANS- MSA						
Loan Types	Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts	
	#	%	#	%	#	%
Business Loans	17	17%	73	73%	10	10%
Residential Loans	26	22%	84	73%	6	5%
Consumer Loans	106	25%	287	69%	26	6%
TOTAL	149	23%	444	70%	42	7%

Note: Business loans include commercial real estate loans. Residential loans include residential construction loans. Consumer loans include unsecured home improvement loans.

Geographic Distribution of Loans - Non-MSA (St. Mary's County)

The geographic distribution of loan originations is not meaningful, as there are no low or moderate census tracts designated in St. Mary's county.

Response to Complaints

No complaints were received since the prior examination.

Compliance With Antidiscrimination Laws

No substantive violations involving illegal discrimination or discouragement were noted during the concurrent Fair Lending examination.