



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 21, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Maryland Bank and Trust Company, National Association
Charter Number: 23430

46930 S. Shangri LA Drive
Lexington Park, MD 20653-0000

Office of the Comptroller of the Currency

WASHINGTON, DC FIELD OFFICE
250 E Street SW
Mailstop DCFO
Washington, DC. 20219

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Satisfactory.

The major factors supporting the bank's rating include:

- The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs;
- The bank has a reasonable dispersion of loans among the census tracts within its assessment area;
- The distribution of borrowers reflects reasonable penetration of loans to borrowers of differing incomes and to business of different sizes;
- A substantial majority of the loans were made in the bank's assessment area; and
- The bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas (AAs).

Scope of Examination

Conclusions regarding the bank's lending performance are based on Home Mortgage Disclosure Act (HMDA) loans reported from January 1, 2007 through December 31, 2009, and small business loans from January 1, 2007 through December 31, 2009.

The evaluation period for the Lending Test, with the exception of community development loans, is from January 1, 2007 through December 31, 2009. For the community development test, the evaluation period runs from the ending date of the last CRA examination (March 26, 2007) through June 21, 2010. This test includes a review of the loans, services, investments, grants, and donations provided in the banks assessment areas which meet the definition of community development.

Our review also included contacting a local economic development group to ascertain community credit needs. The contact also discussed what local financial institutions are doing to help meet the credit needs of the community.

Description of Institution

Maryland Bank and Trust Company, N.A. (MB&T) is a \$348 million institution headquartered in Lexington Park, Maryland. MB&T is 100% owned by Maryland Bankcorp, Inc., a single bank holding company. The bank was chartered in 1959, and is a full service, intrastate community bank. MB&T's primary focus continues to be

serving the needs of its community by offering a full line of traditional banking products and services to both consumer and commercial customers.

MB&T operates ten full service branches in Prince George’s, Calvert, Charles, and St. Mary’s counties. MB&T closed one branch and one ATM and opened three ATMs since the last performance evaluation in 2007. The bank also maintains 24-hour ATMs at 9 of 10 branches, and seven remote cash dispensing ATMs within the AA.

As of December 31, 2009, total assets were \$348 million with gross loans of \$227 million and deposits of \$297 million. Lending activity remains centered in real estate secured loans, (i.e. commercial real estate and residential real estate loans). The following is a breakdown of MB&T’s loan products, as a percentage of the total loan portfolio:

Loans secured by Real Estate:		Non-Real Estate Loans:	
Construction and Land Development	16%	Business	11%
1-4 Family Residential	33%	Consumer	3%
Home Equity	3%		
Non-Farm, Non-Residential	34%		

There were no economic or legal impediments inhibiting the bank’s ability to identify and satisfy community credit needs.

The previous CRA performance evaluation was completed as of March 26, 2007 and a rating of “Satisfactory” was assigned.

Description of Assessment Area(S)

MB&T has two defined assessment areas (AAs) for the purpose of CRA. The first assessment area includes the lower portion of Prince George’s County as well as all of Charles and Calvert counties. This assessment area is part of the Washington-Arlington-Alexandria (DC-VA-MD-WV) Multistate Metropolitan Area, which is referred to as the Southern Maryland MSA. The second assessment area includes all of St.Mary’s County, which is located in a Non-MSA. There have been no changes to the assessment area since the last performance evaluation. The AAs meet regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Southern Maryland MSA

Southern Maryland MSA is part of the DC-VA-MD-WV, which contains fifty census tracts (CTs). The AA has no low-income CTs, six CTs in moderate-income (12%), thirty-six CTs in middle-income (72%), and eight CTs in upper-income (16%). The total population in the AA was 235,424 as of the 2000 U.S. Census. The unemployment rate for Calvert County, Charles County, and Prince George’s County, as of May 2010, were 5.8%, 5.9%, and 6.9%, respectively. The unemployment rate for the State of Maryland was 7.0% and the national unemployment rate was 9.5%. Major employers in Charles County include Charles County Board of Education, Naval Department of Defense at Indian Head, Charles County Government, and College of Southern Maryland. Major employers in Calvert County include Calvert Memorial Hospital, Calvert’s Cliff Nuclear Power Plant, and Wal-Mart. Major employers in Prince George’s County include University of Maryland at College Park, NASA Goddard Space Flight Center, and Beltsville Agricultural Research Center.

The following contains the demographic information for Southern Maryland MSA AA:

Demographic Information for Full Scope Area: Adjusted Southern MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	50	0.00	12.00	72.00	16.00	0.00
Population by Geography	235,424	0.00	9.37	76.88	13.74	0.00
Owner-Occupied Housing by Geography	66,332	0.00	7.74	77.14	15.13	0.00
Business by Geography	20,529	0.00	11.70	71.58	16.72	0.00
Farms by Geography	530	0.00	8.87	74.72	16.42	0.00
Family Distribution by Income Level	63,470	16.10	19.52	27.00	37.38	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	22,609	0.00	14.99	77.32	7.69	0.00
Median Family Income	71,100	Median Housing Value		163,305		
HUD Adjusted Median Family Income for 2009	100,800	Unemployment Rate (2000 US Census)		1.79%		
Households Below Poverty Level	5%					

The median cost of housing in the AA is \$163,305. The adjusted median family income for 2009 is \$100,800. The percentage of households below the poverty level is 5%. The AA's population is comprised of 63,470 families with the following family income distribution: 16.10% are low-income, 19.52% are moderate-income, 27.00% are middle-income, and 37.38% are upper-income.

In 2008, 301 lenders originated HMDA loans in the AA, according to the HMDA Peer Mortgage Data. MB&T ranked 122 in the AA with a market share of 0.7%. Countrywide Bank ranked first with a market share of 12.67%.

During this examination, we made one community contact and we conducted internal research to determine the credit need of this assessment area. Based on our community contact and our internal research, we determined that there is an overall need for small business loans and affordable housing.

St Mary's County Non-MSA

St. Mary's County contains fifteen CTs in the AA. There were no low-income CTs in the non-MSA. The St Mary's non-MSA has one CT in moderate-income (6.67%), five CTs in middle-income (33.33%), and ten CTs in upper-income (60%).

The total population in the AA was 86,211, as of the 2000 U.S. Census. The unemployment rate for St Mary's County, as of May 2010, was 5.8%. The unemployment rate for the State of Maryland was 7.0% and the national unemployment rate was 9.5%. Major employers in St Mary's include U.S. Naval Air System Command, Naval Air Warfare Center Aircraft Division, and St Mary's College of Maryland.

The following describes the demographics of the St. Mary's:

Demographic Information for Full Scope Area: St Mary's AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	15	0.00	6.67	33.33	60.00	0.00
Population by Geography	86,211	0.00	3.82	35.63	60.55	0.00
Owner-Occupied Housing by Geography	22,001	0.00	0.03	30.51	69.46	0.00
Business by Geography	5,768	0.00	3.14	32.45	64.41	0.00
Farms by Geography	188	0.00	0.00	30.85	69.15	0.00
Family Distribution by Income Level	22,590	12.42	14.03	22.19	51.36	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	5,975	0.00	5.61	43.15	51.25	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		50,103 69,200 7%	Median Housing Value Unemployment Rate (2000 US Census)		146,907 2.29%	

The median cost of housing in the AA is \$87,043. The adjusted median family income for 2009 is \$69,200. The percentage of households below poverty level is 7%. The AA's population is comprised of 22,590 families with the following family income distribution: 12.42% are low-income, 14.03% are moderate income, 22.19% are middle-income, and 51.36% are upper income families.

In 2008, 124 lenders originated HMDA loans in the AA, according to the HMDA Peer Mortgage Data. MB&T ranked thirty-one with 0.85% of the market share. Countrywide ranked first with a market share of 11.65%.

During this examination, we made one community contact and we conducted internal research to determine the credit need of this assessment area. Based on our community contact and our internal research, we determined that there is an overall need for small business loans, and affordable housing. The contact did not identify any unmet credit needs by local financial institutions; however, they did note that there are limited opportunities for lending to low- or moderate-income individuals given demographics of the area.

Conclusions with Respect to Performance Tests

LENDING TEST

The lending test is rated Outstanding.

Loan-to-Deposit Ratio

MB&T's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment areas (AAs) credit needs. The loan-to-deposit ratio meets the standards for satisfactory performance. The bank's quarterly average loan-to-deposit ratio over the thirteen quarters since the last CRA examination was 74.88%. During the thirteen-quarter period, the ratio ranged from a quarterly low of 69.21% to a quarterly high of 81.91%. MB&T's performance is reasonable taking into consideration the amount of competing mortgage lenders in the AAs.

The bank's quarterly average loan-to-deposit ratio is lower than those similarly situated financial institutions in Maryland, Washington D.C., and Virginia. The quarterly average loan-to-deposit ratio for these similarly situated financial institutions over the same thirteen quarters was 90.79%, and the ratio ranged from a quarterly low average of 71.59% to a quarterly average high of 106.27%.

Lending in Assessment Area

MB&T's lending in the AA exceeds the standards for satisfactory performance. A substantial majority of MB&T's loans were originated in the combined AAs. During the

evaluation period, 94% of the number of HMDA loans, 93% of the number of small loans to businesses, and 96% of other real estate secured loans were originated in the bank’s combined AAs.

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

Overall, MB&T's record of lending to borrowers of different incomes and businesses of different sizes is reasonable.

Home Mortgage Lending

Southern Maryland MSA

The lending to borrowers of different incomes reflects reasonable penetration. The level of home purchase mortgage loans originated to low-income borrowers in the Southern Maryland MSA is significantly lower than the ratio of low-income families in the AA. When considering the affordability of housing, this performance is satisfactory. There is a lack of affordability for a low-income individual or family to purchase a home when the median cost of housing was \$163,305, and a low-income individual or family earns less than \$35,550. The level of home improvement loans originated to low-income borrowers exceeds the ratio of low-income families in the AA. The level of home refinance loans originated to low-income borrowers is near to the ratio of low-income families in the AA.

The level of home purchase mortgage loans originated to moderate-income borrowers is significantly lower than the ratio of moderate-income families in the AA. However, when considering the affordability of housing in the Southern Maryland MSA, and the characteristics of minimum moderate-income CTs (6 CTs out of a total of 50 CTs), the home purchase performance is satisfactory. The level of home improvement loans originated to moderate-income borrowers exceeds the ratio of moderate-income families in the AA. The level of home refinance loans originated to moderate-income borrowers is near to the ratio of moderate-income families.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.10	0.00	19.52	7.14	27.00	14.29	37.38	78.57
Home Improvement	16.10	24.49	19.52	30.61	27.00	18.37	37.38	26.53
Home Refinance	16.10	14.29	19.52	17.86	27.00	21.43	37.38	46.43

St. Mary's Non-MSA

The level of home purchase mortgage loans originated to low-income borrowers in the St Mary's non-MSA is significantly lower than the ratio of low-income families in the AA. When considering the affordability of housing, this performance is satisfactory. There is a lack of affordability for a low-income individual or family to purchase a home when the median cost of housing was \$146,907, and a low-income individual or family earns less than \$25,052. The level of home improvement loans originated to low-income borrowers is near to the ratio of low-income families in the AA. The level of home refinance loans originated to low-income borrowers is significantly lower than the ratio of low-income families. However, when considering the affordability of housing in the St Mary's non-MSA, and the characteristics of no low-income CTs, the home mortgage performance is satisfactory.

The level of home purchase loans made to moderate-income borrowers is near to the ratio of moderate-income families in the AA. The level of home improvement loans originated to moderate-income borrowers exceeds the ratio of moderate-income families. The level of home refinance loans made to moderate-income borrowers exceeds the ratio of moderate-income families in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	12.42	0.00	14.03	13.04	22.19	21.74	51.36	65.22
Home Improvement	12.42	11.86	14.03	22.03	22.19	18.64	51.36	47.46
Home Refinance	12.42	0.00	14.03	14.29	22.19	14.29	51.36	71.43

Borrower Distribution of Loans to Businesses

Southern Maryland MSA

The distribution of small loans to businesses meets the standards for satisfactory performance. During the Evaluation Period, the percentage of small loans to businesses is lower than the percentage of businesses in the AA. This is due to the high level of competition in the area for small business lending.

St. Mary's County Non-Metropolitan Statistical Area

The distribution of small loans to businesses exceeds the standards for satisfactory performance. During the Evaluation Period, the percentage of small loans to businesses

is greater than the percentage of businesses in the AA.

Table 3 - Borrower Distribution of Loans to Businesses in Southern Maryland MSA January 1, 2007 – December 31, 2009				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of Businesses in MSA	80%	4%	16%	100%
% of Bank Loans in MSA by #	65%	35%	0%	100%
% of Bank Loans in MSA by \$	56%	44%	0%	100%

Table 4 - Borrower Distribution of Loans to Businesses in St. Mary's County Non-MSA – January 1, 2007 – December 31, 2009				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of Businesses in Non-MSA	64%	5%	31%	100%
% of Bank Loans in Non-MSA by #	75%	25%	0%	100%
% of Bank Loans in Non-MSA by \$	73%	27%	0%	100%

Geographic Distribution of Loans

Overall, the geographic distribution of loans in the AA reflects excellent dispersion. We did not identify any unexplained conspicuous gaps.

Southern Maryland MSA

MB&T's record of lending to borrowers in different geographies exceeds the standard for satisfactory performance. There are no low-income geographies in the AA. The percentage of home purchase loans originated in moderate-income geographies is lower than the ratio of owner occupied housing that are located in the geographies. However, within the moderate-income CT, only 7.74% (5,134 houses out of 66,332) of houses are owner-occupied. Given the limited opportunities to lend home purchase loans in moderate-income geographies coupled with the larger regional banks in the AA, it would be difficult for MB&T to originate home purchase loans. Furthermore, the

percentage of home improvement and home refinance loans originated in moderate-income geographies exceeds the ratio of owner occupied housing that are located in the geographies.

Table 5 - Geographic Distribution of Residential Real Estate Loans in Southern Maryland MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	7.74	0.00	77.14	94.44	15.13	5.56
Home Improvement	0.00	0.00	7.74	20.41	77.14	67.35	15.13	12.24
Home Refinance	0.00	0.00	7.74	13.79	77.14	65.52	15.13	20.69

St Mary's Non-MSA

There were no low-income geographies during the evaluation period. Furthermore, there were only 0.03% of owner-occupied housing units located in moderate geographies; therefore, an analysis would not be meaningful and was not performed.

Table 6 - Geographic Distribution of Residential Real Estate Loans in St Mary's Non-MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	0.03	0.00	30.51	29.63	69.46	70.37
Home Improvement	0.00	0.00	0.03	0.00	30.51	40.91	69.46	59.09
Home Refinance	0.00	0.00	0.03	0.00	30.51	30.43	69.46	69.57

Small Loans to Businesses

Southern Maryland MSA

The geographies distribution of small loans to businesses exceeds the standards for satisfactory performance.

There were no low-income geographies during the evaluation period. During the

evaluation period, the percentage of small loans to business in moderate-income geographies exceeds the percentage of businesses in these geographies.

Table 7 - Geographic Distribution of Loans to Businesses in Southern Maryland MSA January 1, 2007 – December 31, 2010								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	0	0	12	21	72	71	17	8

St. Mary’s County Non -MSA

The geographic distribution of small loans to businesses meets the standards for satisfactory performance.

There were no low-income geographies during the evaluation period. During the evaluation period the percentage of small loans to businesses in moderate-income geographies is similar to the percentage of businesses in these geographies.

Table 8 - Geographic Distribution of Loans to Businesses in St. Mary’s County Non MSA January 1, 2007 – December 31, 2010								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Small Business	0	0	3	1	32	51	64	49

Responses to Complaints

The bank has not received any CRA-related consumer complaints since the last CRA examination.

COMMUNITY DEVELOPMENT TEST

The community development test is rated Satisfactory.

Southern Maryland MSA

Number and amount of CD loans

During the evaluation period, MB&T made a \$1.1 million dollar loan to a business located in a moderate CT, whose primary purpose is to provide services to the elderly

such as reduced medical care and transportation. The funds were used to refinance the property the business uses to provide its services.

Number and amount of qualified investments

During the evaluation period, MBT made 34 grants and donations for a total of \$31 thousand to 15 organizations that provide economic development, affordable housing, and community services targeted to low- and moderate-income individuals.

Extent to which the bank provides CD services

During the evaluation period, one bank officer provided financial expertise to two qualified CD organizations. In addition, two bank officers participated in a round table discussion that focused on economic development and small business lending; and two employees provided financial counseling to low-and moderate-income individuals.

St. Mary's County Non-MSA

Number and amount of CD loans

During the evaluation period, MB&T made three CD loans in the St. Mary's County. The first loan was a \$5.6 million dollar loan to an organization whose primary purpose is to provide community services to low- and moderate-income individuals. The funds were used to purchase low income housing.

In addition, MB&T originated two loans to business located in the Lexington Park Enterprise Zone. These loans helped to revitalize and stabilize the Lexington Park business district. The first loan, an \$8 million dollar, of which \$5.5 million was sold, was to a business that to used the funds to rehabilitate an office building. The second loan a \$3.4 million dollar loan was to a business that used the funds to rehabilitate an office building that is intended to be used by federal contractors; which in turn would help promote and retain jobs in the area.

Number and amount of qualified investments

During the evaluation period, MB&T made 16 grants and donations for a total of \$9.6 thousand to 4 organizations that provide economic development, affordable housing, and community services to low- and moderate-income individuals.

Extent to which the bank provides community development services

Two bank employees participated in a round table discussion board that focused on economic development.

Responsiveness to Community Development Needs

MB&T's community development performance demonstrates an adequate responsiveness to the community development needs of the bank's AA considering the bank's capacity and the availability of opportunities for community development. Based upon our discussions with management, community contacts, and internal research, there are limited opportunities for CD loans and investments in both the Southern Maryland MSA and the St. Mary's County Non-MSA.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discrimination or other illegal credit practices.