

PUBLIC DISCLOSURE

January 31, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fidelity & Trust Bank

3211768

4831 Cordell Avenue

Bethesda, Maryland 20814

Federal Reserve Bank of Richmond

P. O. Box 85029

Richmond, Virginia 23261

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.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

The major factors supporting this rating include:

- The institution's lending level is considered reasonable in relation to demand for credit in the assessment area.
- A majority of the bank's lending is outside its assessment area.
- Lending to borrowers of different income levels and to businesses with revenues less than \$1 million is considered excellent using various proxies for demand.
- The distribution of lending by income level of geography is considered reasonable given the bank's location and area demographics.
- There have been no complaints regarding the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Fidelity & Trust Bank (F&TB) is a de novo institution headquartered in Bethesda, Maryland. The bank opened for business on November 17, 2003, and operates one branch office in Bethesda, Maryland. The institution is a subsidiary of Fidelity & Trust Financial Corporation, a single-bank holding company. F&TB wholly owns its mortgage subsidiary, Fidelity & Trust Mortgage, Incorporated (F&TM). The bank is focused primarily on commercial activities but provides both commercial and consumer deposit and loan products including business lines of credit, term loans for fixed assets, home equity lines of credit, and automobile loans. The mortgage company offers a variety of residential real estate transactions such as 30-year fixed rate, adjustable rate mortgage, FHA/VA, and refinancing loans. The mortgage company also brokers reverse mortgage real estate transactions.

F&TB reported assets of \$205.8 million as of December 31, 2004, of which 85.9% was loans. The loan portfolio, as of December 31, 2004, was comprised of 74.5% one- to four-family real estate secured, 15.5% commercial real estate and farm, 9.7% commercial and agriculture, and 0.3% consumer loans. Small business lending is the primary credit product extended by the bank. This is the first CRA evaluation of the institution.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area consists of all of Montgomery County, Maryland, and is part of the Bethesda, Frederick, Gaithersburg Metropolitan Statistical Area (MSA). The assessment area has 177 census tracts including two low-income, 41 moderate-income, 70 middle-income, 64 upper-income.

According to the 2000 census data, this assessment area has a population of 873,341 and a median housing value of \$210,601. The owner-occupancy rate for the market is 66.6%, which is higher than the state level of 62.5%, but lower than the MSA level of 67.7%. The percentage of families living below the poverty level in the assessment area is 3.7%, which is slightly higher than the MSA level of 3.6%, but significantly lower than the state level of 6.1%. The 2004 median family income for the MSA is \$91,600.

The following table provides demographics for the assessment area by the income level of families and the percentage of population and owner-occupied housing units in census tracts of varying income levels. Poverty rates are also provided. The percentage of commercial entities, as reported by Dun and Bradstreet (D&B) is also provided by income level of census tract. Based on 2004 data, 86.5% of assessment area businesses that listed revenues had annual revenues under \$1 million.

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	17.2%	17.5%	22.1%	43.1%	100%
Percentage of Population Residing in Geographies by Income Level	1%	23%	42%	34%	100%
Percentage of Owner-Occupied Units by Income Level	0.4%	14.1%	44.2%	41.3%	100%
Percentage of Businesses in Geographies by Income Level	0.4%	22.6%	40.6%	36.4%	100%
Percentage of Families Below the Poverty Level by Income Level	13%	7.2%	3.7%	1.6%	N/A

Montgomery County is located approximately 30 miles from Baltimore, Maryland, and borders the northwest region of Washington D.C. The county has employment opportunities both in the public and private sectors. The area is home to the National Institutes of Health and the Food and Drug Administration as well as many federal government contract firms. There are also a variety of industries in the area including information technology, healthcare, hospitality services, and telecommunications. As of December 2004, the unemployment rate for Montgomery County was 2.0% which is significantly lower than the state of Maryland at 4.0%.

A local economic development official was contacted recently to assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions are adequately serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

During the five-quarter period ending December 31, 2004, the bank's average loan-to-deposit ratio was 246.1%. The loan-to-deposit ratio for the quarter ending December 31, 2004, was 160%. The high loan-to-deposit ratios are attributable to the bank having a large amount of loans held for sale. These are loans generated by the bank's mortgage subsidiary. When excluding such loan activity the bank's loan-to-deposit ratio as of December 31, 2004, was 53%. The quarterly average loan-to-deposit ratios for all banks headquartered in metropolitan areas of Maryland and of similar asset size to F&TB ranged from 77.7% to 81.3% for the same five-quarter period. Since December 31, 2003, assets, loans and deposits have increased by 296.4%, 423.3% and 1020.4% respectively. The bank's tremendous percentage growth is typical of a de novo institution for its first year of operation. While the bank's current loan-to-deposit ratio (when excluding loans held for sale) is below its peer range, it is considered reasonable given the institution's recent entry into the market.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, 84 small business loans were reviewed. The 84 loans were selected from approximately 90 small business loans extended throughout the year 2004. Loans extended by the institution's mortgage affiliate were not considered in the evaluation of the bank's distribution of lending in the assessment area. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	35	49	84
Percentage of Total Loans	41.7%	58.3%	100%
Total Amount of Loans (000's)	\$14,544	\$25,928	\$40,472
Percentage of Total Amount	35.9%	64.1%	100%

The bank is primarily focused on growing its commercial loan portfolio at this time and considers Washington D.C. a secondary lending area. As a result, a higher percentage of loans (58.3%) were originated outside of the bank's assessment area but within the Washington D.C. market. As a de novo institution seeking commercial loans in a competitive market, the institution's lending level is considered responsive to community credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The tables that follow present data about the bank's lending to businesses of different sizes as well as the mortgage subsidiary's (F&TM) lending to borrowers of different income levels. To evaluate lending penetration, an analysis was conducted of 35 small business loans extended by F&TB and 479 mortgage loans originated by F&TM during 2004 within the bank's assessment area.

Area demographics, 2003 aggregate data, and D&B information are used as proxies for demand. Aggregate small business lending data includes all reporting institutions that originated such loans within the bank's assessment area during 2003, as required by the CRA. F&TB is not subject to CRA reporting requirements; consequently, the bank's small business lending activity is not included within the aggregate information. Discussion of the bank's performance follows each table.

Distribution of Loans by Size of Business

	Revenues < \$1 million	Revenues > \$1 million	Total
Total Number of Loans	29	6	35
Percentage of Total Loans	82.9%	17.1%	100%
Total Amount of Loans (000's)	\$11,514	\$3,030	\$14,544
Percentage of Total Amount	79.2%	20.8%	100%

Based on recent D&B demographic data, 86.5% of local businesses that reported revenue data have annual revenues of \$1 million or less. According to 2003 aggregate small business data, at least 33% of all small business loans reported within the market area were to businesses with revenues of \$1 million or less. The remaining loans were extended to businesses having annual revenues in excess of

\$1 million or revenue data was not reported. As indicated in the table above, 82.9% of the bank's loans were to entities with revenues of \$1 million or less. When compared to area demographics and aggregate data, the bank's level of small business lending is considered excellent.

Distribution of HMDA Loans by Income Level of Borrower

Of the 479 HMDA loans originated by F&TM within the bank's assessment area, 178 did not contain income data and therefore are not included in the analysis.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	33	104	86	78	301
Percentage of Total Loans	11%	34.5%	28.5%	26%	100%
Total Amount of Loans (000's)	\$4,573	\$16,226	\$17,197	\$23,183	\$61,179
Percentage of Total Amount	7.5%	26.5%	28.1%	37.9%	100%

Of the 301 loans reviewed, 11% and 34.5% were extended to low- and moderate-income borrowers, respectively. This level of lending is considered excellent when compared to the aggregate HMDA data, which indicates that when income was known 7.1% of all loans reported by HMDA reporters were to low-income borrowers and 19.5% were to moderate-income borrowers. The lending for this institution is also consistent with the proportion of low- and moderate-income families within the assessment area denoted as 17.2% and 17.5% respectively.

Overall, the institution's level of lending to businesses with revenues of \$1 million or less and to borrowers of different income levels is considered excellent when compared with aggregate data, D&B information, and area demographics.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of the small business loans extended by F&TB and HMDA loans originated by F&TM within the bank's assessment area is reflected in the following tables. Area demographics, aggregate data, and D&B business information are used as proxies for demand.

Distribution of Small Business Loans in Assessment Area
by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	5	14	16	35
Percentage of Total Loans	0%	14.3%	40%	45.7%	100%
Total Amount of Loans (000's)	\$0	\$1,807	\$5,367	\$7,370	\$14,544
Percentage of Total Amount	0%	12.4%	36.9%	50.7%	100%

Of the 35 small business loans, none were extended within the assessment area's two low-income tracts. A review of D&B data shows less than 1% of the area's businesses (0.4%) are located in these tracts. As indicated in the table above, five small business loans were extended in the area's moderate-income tracts representing 14.3% of loans extended. D&B demographic information indicates that 22.6% of business establishments are located in moderate-income tracts. Aggregate data for 2003 indicates that no loans were made in low-income tracts and 11.8% of loans made were in moderate-income tracts. When compared to area demographics and aggregate data, the bank's distribution of small business loans by income level of geography is considered reasonable.

Distribution of HMDA Loans in Assessment Area
by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	6	106	265	102	479
Percentage of Total Loans	1.3%	22.1%	55.3%	21.3%	100%
Total Amount of Loans (000's)	\$959	\$15,360	\$45,556	\$30,011	\$91,886
Percentage of Total Amount	1%	16.7%	49.6%	32.7%	100%

As illustrated in the chart above, six loans were extended in low-income areas and 106 loans were extended in moderate-income areas representing 1.3% and 22.1%, respectively. Aggregate data shows that no HMDA loans were extended in low-income areas and 5.9% of loans extended were in moderate-income areas. Area demographics indicate that the percentages of owner-occupied housing units in low- and moderate-income tracts are 0.4% and 14.1%, respectively. When considering the various proxies for loan demand, the bank's level of lending in low and moderate-income areas is considered excellent.

Overall the level of lending in geographies of varying income levels is considered reasonable when compared with various proxies for demand.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.