



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 17, 2008

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Adams National Bank  
Charter Number 16720

1130 Connecticut Avenue, N.W., Suite 200  
Washington, DC 20036-3904

Office of the Comptroller of the Currency

SPECIAL SUPERVISION  
250 E Street, SW Independence Square  
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.

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## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- Adams National Bank's (ANB) loan-to-deposit (LTD) ratio is reasonable;
- ANB originated a substantial majority of its business loans within its assessment area (AA);
- ANB's record of originating business loans reflects reasonable penetration among businesses of different sizes;
- ANB's record of originating business loans reflects reasonable dispersion among AA geographies; and
- ANB's record of engaging in community development (CD) activities including loans, donations and services reflects adequate responsiveness to the needs of its AA.

### **Scope of Examination**

We conducted an examination of ANB for the purpose of evaluating its performance relative to the Community Reinvestment Act (CRA). ANB's CRA performance was evaluated under the Intermediate Small Bank (ISB) examination procedures. The ISB procedures include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

ANB's primary loan products consist of business loans. Business loans were evaluated over the period between January 1, 2006 and September 30, 2008. The evaluation period relative to ANB's lending performance represents the most recent three full years of ANB's loan data and is considered to be representative of its lending strategy since the last CRA examination.

In order to evaluate ANB's record of originating business loans, we collected data from the business loans originated by ANB during the evaluation period described above.

ANB's record of CD performance was evaluated over the period between June 10, 2003 and September 30, 2008. This period represents the time between ANB's last CRA exam and the start of its current CRA exam. CD related activities include CD loans, investments and services.

## Description of Institution

ANB's headquarters are located in Washington, D.C. The bank is a wholly owned subsidiary of Abigail Adams National Bancorp, Inc. As of September 30, 2008, ANB reported \$259 million in net loans and \$272 million in total deposits. Net loans represented 74% of average assets. The bank's loan portfolio consists of commercial loans (94%) and residential loans (6%). Net Tier 1 Capital was \$25 million as of that same date.

The bank offers a full range of loan and deposit products and services. ANB's original charter was to provide banking resources to women and minority-owned businesses. Today, ANB now serves a wide-ranged customer base that includes growing businesses, non-profits, professional organizations, and government contractors. The bank's strategic plan is to focus on business lending and does little residential mortgages.

ANB's main banking office is located at 1501 K Street, Washington, DC. It also has five branches located in the District of Columbia, and one branch in Silver Spring, Maryland and a total of 8 ATMs. The bank's corporate office is located at 1130 Connecticut Ave. N.W., Washington, DC. The main office and each of the branches offer full services, including extended hours and all branches have ATMs. The bank's Internet website, [www.adamsbank.com](http://www.adamsbank.com), provides detailed information on its products and services for both consumers and businesses. Also, the Georgetown branch offers a drive-up facility. Three of the branches - Union Station, Chinatown, and Silver Spring - are located in low-income areas, and the main office and the Dupont Circle branch are located in moderate-income areas. Management has identified small business as one of the primary credit needs within the bank's AAs. This was also identified with one of the community contacts reviewed.

The bank was assigned a "Satisfactory" CRA rating at the previous examination dated June 10, 2003. ANB faces no legal or financial restrictions that would impede its performance and ability to meet the credit needs of its assessment area.

## Selection of Areas for Full-Scope Review

The MSAs within the bank's AA where the bank operates were selected for full-scope reviews. The MSA/MD 13644 – Bethesda, Gaithersburg and Frederick, MD and the MSA /MD 47894 – Washington D.C., Arlington, Alexandria, DC, VA and MD were selected for full scope reviews during this evaluation period. Refer to the "Scope" section under each State Rating section for details regarding how the areas were selected.

## Ratings

The bank's overall rating is a blend of the multistate metropolitan area rating and a state rating. More weight was placed on the multistate metropolitan area rating than on the

state rating since the majority of the bank's deposits and loans are from the multistate metropolitan area. ANB has one AA with two MSAs and full-scope reviews were performed for both MSAs.

## **Conclusions with Respect to Performance Criteria**

ANB's performance under the Lending Test is considered to be "Satisfactory." More weight was placed on ANB's performance in MSA /MD 47894 – Washington D.C., Arlington, Alexandria, DC, VA and MD, since deposit and loan market share are much greater in this MSA. More weight was placed on ANB's record of originating business loans since its record represents a greater portion of ANB's loan portfolio.

ANB's performance under the lending test is satisfactory. ANB's LTD ratio is slightly lower than its peer group and a substantial majority of business loans are originated inside its AA. ANB's geographic distribution of loans reflects reasonable dispersion among AA geographies and its borrower distribution reflects reasonable penetration among businesses of different sizes.

All lending test criteria are documented below.

### **Loan-to-Deposit Ratio**

ANB's loan-to-deposit ratio is reasonable and commensurate with its size, financial condition, and the credit needs of the AA. It averaged 86% over the last 23 quarters from January 1, 2003 through September 30, 2008. This is slightly under the 89% average loan-to-deposit ratio for similarly situated banks during the same time period.

ANB's lending opportunities may be impacted by area loan demand and competition. Loan demand is also impacted by competition emanating from other loan originators.

### **Lending in Assessment Area**

ANB originated a substantial majority of business loans inside its AA.

The analysis of ANB's record of lending in its AA was performed at the bank level. In order to evaluate ANB's lending record we measured and analyzed ANB's record of originating loans inside versus outside of its combined MSAs. Further, this analysis focused on ANB's record of originating business loans within its combined MSAs, since these loans constitute ANB's primary loan products.

Lending within the AA was assessed by measuring business loans originated by ANB during 2006, 2007, and 2008. We analyzed small loans to businesses by collecting data from the total business loans originated by ANB during 2006, 2007, and 2008.

ANB's business data revealed that 98% and 94%, respectively, of the number and dollar amounts of business loans were originated within the combined MSAs during the

evaluation period.

### **Lending Gap Analysis**

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in the bank's lending patterns.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **Multistate Metropolitan Area Rating**

### **MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD**

**CRA Rating for the MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD<sup>1</sup>: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

- ANB's record of originating business loans reflects good penetration among businesses of different sizes;
- ANB's record of originating business loans reflects good dispersion among MSA geographies;
- ANB's record of funding CD loans and donations reflects satisfactory responsiveness to MSA needs; and
- ANB's record of participating in CD services reflects satisfactory responsiveness to MSA needs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA/MD 47894- Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD**

The MSA/MD 47894-Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD consists of the District of Columbia, the county of Prince Georges in Maryland, the counties of Fairfax and Arlington in Virginia, and the cities of Alexandria, Fall Church, and Fairfax in Virginia. It complies with the legal requirements of CRA and does not arbitrarily exclude low- and moderate- income areas. According to 2000 Census Bureau data, the population of the assessment area is 2.7 million individuals. Of the total 615 census tracts, 69 are low-income tracts and 168 are moderate-income tracts. Middle-income tracts consist of 180 tracts while upper-income tracts consist of 190, and eight tracts had no income reported. The 2000 Census median family income is \$64,671 with an updated HUD median family income of \$92,600.

The economic conditions remain stable and investment in telecommunications, government spending, along with healthcare and education expands growth. Since last year, unemployment has been on the rise, however, remains moderate. Top employers

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<sup>1</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

for the Washington D.C. MSA and the District of Columbia are the Department of Defense and Howard University. The largest industries by type are retail trade, service sector, and transportation/communication.

We reviewed a recent community contact which was a certified community development financial institution whose mission is to provide access to capital and technical assistance to affordable housing developers, childcare providers, and small businesses in and around the nation's capital. Most of the entity's recent activities have been focused on small business development and the expansion of child care centers with a particular focus on centers serving infants and toddlers. The community contact stated a pressing need for small business financing in the greater Washington DC area for residents to be able to access day to day essentials that would typically be provided by small businesses. The contact also indicated that area banks are not doing enough to address the needs in the area. However, of the banks noted, ANB has worked with this agency in conjunction with another bank with small business financing.

Another recent community contact, a non-profit entity, focused on promoting financial education and savings opportunities to residents of Washington DC. The contact stated that credit education is greatly needed to assist individuals in how to manage their finances, set a budget, and improve their credit score. The contact also stated that both owner-occupied housing, as well as rental housing, is often priced too high for most service workers and low-wage workers in the district. A stated need by the contact was for area financial institutions to help fill the void for both credit counseling and financial education. However, the contact indicated that most banks seem more focused on housing and that seems to be the area where they are directing most of their time and money.

### **SCOPE OF EVALUATION IN MSA/MD 47894-Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD**

A full-scope review of ANB's MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD was to assess its performance.

In arriving at the Lending Test conclusions, more weight was placed on ANB's performance in its MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD than its performance in its MSA/MD 13644 – Bethesda, Gaithersburg and Frederick, MD since this is the MSA in which ANB operates the larger number of its branch offices and derives the larger number of its deposits and loans.

ANB's record of lending in its MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD was evaluated by measuring and analyzing business loans originated by ANB during 2006, 2007 and 2008.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA/MD 47894-Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD**

ANB's performance under the lending test in the MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD is rated "Satisfactory".

Conclusions were based on ANB's performance within its MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD. ANB's performance included its record of originating business loans, funding CD loans and investments, and participating in CD services.

ANB's record of originating business loans reflects good penetration among businesses of different sizes. ANB's record of originating business loans reflects good dispersion among MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD geographies. In addition, ANB's record of participating in CD services reflects satisfactory responsiveness to MSA needs, given the context in which ANB operates.

### **LENDING TEST**

The bank's performance under the lending test in the MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD is rated "Satisfactory".

ANB's record of distributing business loans among MSA businesses of different sizes is considered to be good. Similarly, ANB's record of distributing business loans among MSA geographies is considered to be good.

The bank originated a satisfactory level of small loans to businesses. The bank is ranked 32nd in deposit market share with 0.19 percent. There is strong competition in the MSA/MD 47894 – Washington D.C., Arlington, Alexandria, D.C., VA, & MD for small loans to businesses. Competition is strong for the origination of small business loans received from a large number of lenders located within the bank's MSA. Those lenders include many nationwide mortgage companies. The five leading originators of small loans to businesses are large national banks that hold 40 percent, 36 percent, and 34 percent of the market share for D.C., VA and MD, respectively.

### **Lending to Businesses of Different Sizes**

ANB's record of originating business loans reflects good penetration among businesses of different sizes.

ANB's market share is significant as compared to their MSA/MD 13644 – Bethesda, Gaithersburg and Frederick, MD market share. ANB originated a total of fifty-three small business loans within its MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD.

Data collected from the 53 business loans ANB originated over the evaluation period in its MSA/MD 47894 AA was analyzed. The analysis was performed to assess ANB's record of distributing its business loan originations among AA businesses of different sizes.

Demographic data compiled from the 2000 census for ANB's MSA/MD 47894 demonstrates that revenue was recorded as follows:

- 66.66% of AA businesses report annual revenues < or = \$1 million
- 5.78% of AA businesses report annual revenues > than \$1 million
- 27.56% of AA businesses did not report annual revenues

Table 2 - Borrower Distribution of Loans to Businesses in MSA/MD 47894 AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.66%	5.78%	27.56%	100%
% of Bank Loans in AA by #	74.00%	26.00%	0%	100%
% of Bank Loans in AA by \$	65.00%	35.00%	0%	100%

*Source: Loan sample; Dunn and Bradstreet data*

MSA/MD 47894 demographic information derived from Dunn and Bradstreet reports show that of the total businesses in the MSA, 185,214 or 72.0% reported annual revenues. Small businesses are defined as those with gross annual revenues of \$1 million or less. ANB has demonstrated responsiveness to the needs of the MSA/MD 47894 small businesses. A majority of the business loans originated by ANB represent the smaller dollar amounts needed by small businesses, with a majority of the loans originated for dollar amounts of \$250 thousand or less.

### **Geographic Distribution of Loans**

ANB's record of originating business loans reflects reasonable dispersion among geographies. ANB's market share is significant as compared to their MSA/MD 13644 – Bethesda, Gaithersburg and Frederick, MD market share.

Data collected from the 53 business loans ANB originated in its MSA/MD 47894 period was analyzed. The analysis was performed to assess ANB's record of distributing business loan originations among the AA geographies.

Demographic data compiled during the 2000 U.S. census for ANB's MSA/MD 47894 indicates that the AA businesses are geographically dispersed as follows:

- 6.41% of AA businesses are located in low-income geographies
- 18.12% of AA businesses are located in moderate-income geographies

- 31.60% of AA businesses are located in middle-income geographies
- 41.31% of AA businesses are located in upper-income geographies
- 2.56% are N/A, no census tract data available for these locations

Based on information derived from the business loans originated by ANB within its MSA/MD 47894, of the 53 loans, 19% were originated within the AA's low-income geographies and 46% were originated within the AA's moderate-income geographies.

ANB's record of originating business loans in its MSA/MD 47894 to low- and moderate-income geographies exceeds the percentage of the AA businesses located within those geographies.

### **Responses to Complaints**

ANB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in the MSA /MD 47894 – Washington D.C., Arlington, Alexandria, DC, VA & MD is rated "Satisfactory".

ANB's record of providing CD services which reflect responsiveness to the needs of its MSA is considered to be satisfactory. ANB funded CD loans and donations and ANB representatives provided services which benefited its MSA. Overall, ANB's record of engaging in CD activities within its MSA is considered to be reasonable considering the area in which it operates. ANB's opportunities to fund CD loans and investments, is limited by the extent to which CD loans and investments are available.

### **Number and Amount of Community Development Loans**

ANB, over the evaluation period in its MSA /MD 47894 – Washington D.C., Arlington, Alexandria, DC, VA & MD originated nine CD loans totaling over \$24 million. Competition emanating from both large regional and other area community financial institutions to originate CD loans is considered to be strong. We determined that future opportunities within the MSA for CD development could be limited.

On May 11, 2006, ANB originated a loan totaling \$1.8 million to a non-profit, community development organization to construct 95 affordable housing townhouses to be sold to low and moderate income buyers located in a moderate CT.

On May 25, 2006, ANB originated a loan totaling \$2.5 million for a charter school located in a moderate CT. The school was built to meet the needs of the growing Hispanic population by teaching English which is a key factor in future employment and economic achievement. On October 4, 2007, the bank increased the amount of the loan by \$250 thousand and then, on December 20, 2007, ANB also originated a revolving line-of-credit for \$200 thousand.

On June 14, 2006, ANB originated a revolving line-of-credit totaling \$85 thousand for a school located in a moderate CT that serves low-income children with emotional and behavioral problems.

On July 13, 2006, ANB originated a cooperative building project totaling \$4.2 million located in a moderate CT. A majority of the building has first time homebuyers that qualify for purchase assistance from a local DC program.

On August 9, 2006, ANB originated a participation loan totaling \$2.5 million in a limited equity cooperative. The loan was for condo units located in a low-income CT to allow low-income tenants to become homeowners.

On August 14, 2006, ANB originated a loan totaling \$2 million for a cooperative building project to construct 54 units located in a moderate-income CT. The building project partnered with a company that redevelops abandoned and substandard housing in deteriorating neighborhoods to make homeownership affordable to low-income residents.

On July 3, 2007, ANB originated a revolving line-of-credit totaling \$160 thousand. The organization helps low-income families in the poorest quadrant of the Washington, DC area with programs ranging from day care to senior care with the support of volunteers.

On December 20, 2007, ANB originated a loan totaling \$10.6 million for a public charter school. The school's mission is to empower students to excel academically, with emphasis on math, science, reading and technology. A majority of the student enrollment is low-income students.

### **Number and Amount of Qualified Investments**

ANB's CD investment and donations within its MSA /MD 47894 – Washington D.C., Arlington, Alexandria, DC, VA & MD during the evaluation period totaled \$937,132. CD investments made during the evaluation period consisted of contributions totaling \$40,988. These donations were made to various community organizations targeted to low and moderate-income individuals. A CD investment was purchased on July 26, 2006 for FHLMC mortgage backed securities of a pool of loans in low-to moderate-income census tracts. The balance of this investment was \$896,144 at the end of the evaluation period. This investment continues to have a positive impact on the Washington DC AA. Limited opportunities for CD investments exist within ANB's MSA. Competition from both large regional and other area community financial institutions to purchase CD investments is considered to be strong.

### **Extent to Which the Bank Provides Community Development Services**

The bank's delivery systems in the MSA/MD 47894- Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD are accessible to geographies and individuals of different income levels. There are five branches located in the Washington, D.C. area MSA, with two branches located in low-income census tracts and one branch located in a

moderate-income census tract. Branch distribution is consistent with the percentage of the population residing in low- and moderate-income geographies of the MSA. There are 69 low-income census tracts and 168 moderate-income census tracts in the MSA. Alternative delivery systems consist of seven ATMs, telephone banking and internet banking. There have been no branch closings during the evaluation period. No material differences exist between the range of services or operating hours of branches located in low- and moderate-income geographies and the range of services or operating hours of branches located in upper-income geographies.

### **Responsiveness to Community Development Needs**

Overall, ANB's CD activities demonstrate satisfactory responsiveness to the needs of its MSA/MD 47894- Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD based on the context in which ANB operates. Identified community needs include credit counseling, financial education, and small business financing. ANB encounters competition from larger area financial institutions for opportunities to participate in local CD activities.

During the 2007-2008 school year, seven ANB employees held two hour financial literacy classes for the fourth and fifth graders in the D.C. public schools on a monthly basis. The bank has developed and promotes a school-based savings program, The Abigail Adams Super Savers Club, in an effort to keep the students and parents motivated in all areas of financial planning and development through out the school year.

A bank employee serves as chair of the committee which approves subordinated direct loans and credit enhancements to public charter schools in Washington, D.C. to assist with the acquisition of a school location. The schools are typically serving a population of primarily low-income students.

## State Rating

### State of Maryland: MSA/MD 13644-Bethesda, Gaithersburg, and Frederick, MD

**CRA Rating for Maryland MSA/MD 13644:<sup>2</sup> Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

- ANB's record of originating business loans reflects good penetration among businesses of different sizes;
- ANB's record of originating business loans reflects good dispersion among MSA geographies;
- ANB's record of funding CD loans and donations reflects adequate responsiveness to AA needs; and
- ANB's record of participating in CD services reflects adequate responsiveness to AA needs.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND

The MSA/MD 13644-Bethesda, Gaithersburg, and Frederick, MD consists of Montgomery County. It complies with the legal requirements of CRA and does not arbitrarily exclude low-and moderate-income areas. According to 2000 Census Bureau data, the population of the AA is 873,341 individuals. Of the total 177 census tracts, two are low-income tracts and 41 are moderate-income tracts. Middle-income tracts consist of 70 tracts, while upper-income tracts consist of 64 tracts. The 2000 Census median family income is \$78,044, with an updated HUD median family income of \$101,100.

The local area economy continues to build strength in the biotech, pharmaceuticals, and medical research industries. Unemployment has declined since 2004, along with a decline in personal bankruptcies. Two of the largest employers in the suburban Maryland area are the National Institute of Health and the University of Maryland at College Park. The largest industries by type are retail trade, service sector, and transportation/communication.

### SCOPE OF EVALUATION IN MARYLAND

A full-scope review of ANB's MSA/MD 13644 – Bethesda, Gaithersburg and Frederick, MD was to assess its performance.

In arriving at the Lending Test conclusions, less weight was placed on ANB's performance in its MSA/MD13644 – Bethesda, Gaithersburg and Frederick, MD than its performance in its MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD since this is the MSA in which ANB operates only one of its branch offices and derives a minimal number of its deposits and loans.

ANB's record of lending in its MSA/MD13644 – Bethesda, Gaithersburg and Frederick, MD was evaluated by measuring and analyzing business loans originated by ANB during 2006, 2007 and 2008.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MARYLAND**

ANB's performance under the lending test in Maryland is rated "satisfactory."

Conclusions were based on ANB's performance within its MSA/MD13644 – Bethesda, Gaithersburg and Frederick, MD. ANB's performance included its record of originating business loans, funding CD loans and investments, and participating in CD services.

ANB's record of originating business loans reflects good penetration among businesses of different sizes. ANB's record of originating business loans reflects good dispersion among MSA geographies. In addition, ANB's record of funding CD loans and donations and participating in CD services reflects adequate responsiveness to AA needs, given the context in which ANB operates.

## **LENDING TEST**

The bank's performance under the lending test in Maryland rated "Satisfactory".

ANB's record of distributing business loans among AA businesses of different sizes is considered to be good. ANB's record of distributing business loans among AA geographies is also considered to be good.

The bank originated a good level of small loans to businesses. The bank is ranked 31st in deposit market share with 0.10 percent. There is strong competition in the MSA/MD 13644 – Bethesda, Gaithersburg, & Frederick, MD for small loans to businesses. Competition is strong for the origination of small business loans received from a large number of lenders located within the bank's MSA. Those lenders include many nationwide mortgage companies. The five leading originators of small loans to businesses are large national banks that hold 36 percent of the market share.

### **Lending to Businesses of Different Sizes**

ANB's record of originating business loans reflects good penetration among borrowers businesses of different sizes.

Compared to its market share within its MSA/MD 47894 – Washington DC, Arlington, Alexandria, DC, VA and MD, ANB’s market share within its MSA/MD13644 – Bethesda, Gaithersburg and Frederick, MD is minimal. ANB originated a total of nine business loans over the three year evaluation period.

ANB’s record of distributing business loan originations among MSA/MD 13644 – Bethesda, Gaithersburg and Frederick, MD businesses of different sizes is good.

Data collected from the nine business loans ANB originated over the evaluation period in its MSA/MD 13644 AA was analyzed. The analysis was performed to assess ANB’s record of distributing its business loan originations among the AA businesses of different sizes.

Demographic data compiled from the 2000 census for ANB’s MSA/MD 13644 AA demonstrates that revenue was recorded as follows:

- 68.67% of AA businesses report annual revenues < or = \$1 million
- 5.32% of AA businesses report annual revenues > than \$1 million
- 26.01% of AA businesses did not report annual revenues

Table 2 - Borrower Distribution of Loans to Businesses in MSA/MD 13644 AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown/Outside AA	Total
% of AA Businesses	68.67%	5.32%	26.01%	100%
% of Bank Loans in AA by #	89.00%	0%	11.00%	100%
% of Bank Loans in AA by \$	80.00%	0%	20.00%	100%

Source: Loan sample; Dunn and Bradstreet data

MSA/MD 13644 AA demographic information derived from Dunn and Bradstreet reports shows that, of the total businesses in this AA, 64,852 or 74.0% reported annual revenues. Small businesses are defined as those with gross annual revenues of \$1 million or less. ANB has demonstrated responsiveness to the needs of the MSA/MD 13644 AA small businesses. The majority of business loans originated by ANB represent the smaller dollar amounts needed by small businesses, with the majority originated for dollar amounts of \$250,000 or less.

### Geographic Distribution of Loans

ANB’s record of dispersing business loan originations among MSA/MD 13644 – Bethesda, Gaithersburg & Frederick, MD geographies is good.

Data collected from the nine business loans ANB originated in its MSA/MD 13644 period was analyzed. The analysis was performed to assess ANB’s record of distributing business loan originations among the AA geographies.



Demographic data compiled during the 2000 U.S. census for ANB's MSA/MD 13644 indicates that the AA businesses are geographically dispersed as follows:

- 0.38% of AA businesses are located in low-income geographies
- 23.15% of AA businesses are located in moderate-income geographies
- 40.77% of AA businesses are located in middle-income geographies
- 35.70% of AA businesses are located in upper-income geographies

Based on information derived from the business loans originated by ANB within its MSA/MD 13644, of the nine loans, 33% were originated within the AA's moderate-income geography.

ANB's record of originating business loans in its MSA/MD 13644 to low-income geographies is lower than the percentage of AA businesses located within those geographies and moderate-income geographies exceeds the percentage of the AA businesses located within those geographies.

Opportunities for ANB to originate business loans within the MSA's low-income geography may be impacted by the context in which ANB operates, including ANB's limited presence within the heavily banked Montgomery County market.

## **Responses to Complaints**

ANB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in Maryland is rated "Satisfactory."

ANB's record of engaging in CD activities which reflect responsiveness to the needs of its AA is considered to be adequate. ANB did not originate CD loans or investments within its MSA/MD 13644 – Bethesda, Gaithersburg & Frederick, MD during the evaluation period. ANB representatives, however, participated in CD services which benefited its MSA. Overall, ANB's record of engaging in CD activities within its MSA is considered to be adequate considering the context in which ANB operates. ANB's branch office is located within a heavily banked market in which it continues to have a limited presence.

## **Number and Amount of Community Development Loans**

ANB did not originate any CD loans within its MSA/MD 13644 – Bethesda, Gaithersburg & Frederick, MD during the evaluation period. We determined that limited opportunities for CD lending exist within the MSA. Competition emanating from both large regional and other area community financial institutions to originate CD loans is considered to be strong.

### **Number and Amount of Qualified Investments**

ANB did not purchase any CD investments or fund any CD donations within its MSA/MD 13644 – Bethesda, Gaithersburg & Frederick, MD during the evaluation period. Limited opportunities for CD investments exist within the MSA. Competition from both large regional and other area community financial institutions to purchase CD investments is considered to be strong.

### **Extent to Which the Bank Provides Community Development Services**

The bank's delivery systems in the MSA/MD 13644- Bethesda, Gaithersburg, and Frederick MD are accessible to geographies and individuals of different income levels. There is only one branch located in Silver Spring, MD which is in a moderate-income geography. Branch distribution is consistent with the percentage of the population residing in low and moderate-income geographies of the MSA. There are 41 moderate-income census tracts and only two low-income census tracts in the MSA. Alternative delivery systems consist of an ATM, telephone banking, and internet banking. There have been no branch closings during the evaluation period. No material differences exist between the range of services or operating hours of branches located in low and moderate-income geographies and the range of services or operating hours of branches located in upper-income geographies.

### **Responsiveness to Community Development Needs**

Overall, ANB's community development activities demonstrate adequate responsiveness to the needs of its MSA/MD 13644- Bethesda, Gaithersburg, and Frederick MD based on the context in which ANB operates. Identified community needs include affordable housing and small business loans. ANB encounters competition from larger area financial institutions for opportunities to participate in local CD activities.

A bank employee serves on the Board of Directors for a homeless agency that provides emergency, transition, and permanent housing to the homeless in this AA. This CD activity addresses community needs ANB also operates a bank branch that is accessible to residents of a moderate-income geography.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: January 1, 2006 to September 30, 2008 Community Development Test: June 10, 2003 to September 30, 2008	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Adams National Bank (ANB) Washington, DC	Business Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
MSA/MD 47894- Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD MSA/MD 13644 – Bethesda, Gaithersburg & Frederick, MD	Full-Scope  Full-Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Adams National Bank	Satisfactory	Satisfactory	Satisfactory
MSA/MD 47894- Washington, D.C., Arlington, and Alexandria, D.C., VA, and MD	Satisfactory	Satisfactory	Satisfactory
Maryland: MSA/MD 13644 – Bethesda, Gaithersburg & Frederick, MD	Satisfactory	Satisfactory	Satisfactory