



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**August 8, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Chain Bridge Bank, National Association  
Charter Number 24755

1445-A Laughlin Avenue  
Mclean, VA 22101-0000

Office of the Comptroller of the Currency

WASHINGTON, DC Field Office  
Patriot Square 395 E Street SW  
Washington, DC. 20024

**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.**

Summarize the major factors supporting the institution's rating.

- The bank's quarterly average net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance;
- A majority of the bank's loans were originated in the bank's assessment area;
- The bank's distribution of loans represents reasonable penetration among businesses of different income levels;
- The bank's geographic distribution of business loans reflects poor dispersion throughout census tracts of different income levels; and
- The bank's community development performance demonstrates good responsiveness to the community development needs of its assessment area.

**SCOPE OF EXAMINATION**

This Small Bank Community Reinvestment Act (CRA) examination assesses the bank's performance under the lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area through its lending activities. In addition to the lending test, CBB requested a review and an evaluation of their performance in community development (CD) services and qualified investments.

The evaluation period for the lending test is January 1, 2009 through June 30, 2011. Based on an evaluation of the bank's loan originations and purchases from January 1, 2009 through June 30, 2011, the bank's primary loan product is business loans. Therefore, conclusions regarding the bank's lending performance are based on business loans. The bank collected and provided information on all business loans originated and purchased from January 1, 2009 through June 30, 2011. We tested the accuracy of the business loan data and results of this testing evidenced the business data is reasonably accurate and can be relied upon. Therefore, we utilized all of the business loan data for the lending test.

The evaluation period for the Community Development (CD) test is August 6, 2007 through August 8, 2011. The CD test evaluates the bank's responsiveness to the community development needs of its assessment area through their CD services and qualified investments. To perform the community development test, we reviewed all of the CD services and qualified investments submitted by management to ensure that they met the regulatory definition for community development.

## **DESCRIPTION OF INSTITUTION**

Chain Bridge Bank, National Association (CBB), is an intrastate community bank headquartered in McLean, Virginia. CBB was chartered on August 6, 2007 and has one branch. As of June 30, 2011, CBB has total assets of \$227 million and net tier one capital of \$19.9 million. CBB is wholly owned by Chain Bridge Bancorp, Inc., a one-bank holding company headquartered in McLean, Virginia with consolidated assets of \$227 million. The bank does not have any subsidiaries or affiliates.

CBB's branch is open Monday through Friday from 9AM - 6PM and Saturday from 9AM – 12PM. The bank is a small commercial bank offering a return to relationship banking. The bank offers a standard range of retail and commercial banking. Its personal banking services include checking accounts, savings programs, and money-market accounts. CBB offers home equity loans, home equity lines of credit, executive lines of credit, auto loans, personal loans, mortgage loans, and installment loans. The bank's business services include business checking, savings, and money market accounts. In addition, the bank provides commercial and industrial loans, commercial real estate loans, and construction and development loans.

CBB is an approved lender for the SBA 7a guarantee program and the SBA Express program. CBB also originates SBA 504 loans. According to a U.S. Small Business Administration lender ranking report, CBB generated a total of six SBA loans (7a and Express) for approximately \$1.5 million, ranking CBB fourth out of community banks and 18<sup>th</sup> out of 54 active SBA lenders in the Washington Metropolitan Area. In addition, CBB originated 3 SBA 504 loans totaling \$1.26 million.

As of June 30, 2011, CBB reported net loans and leases of \$79.7 million or 35.1% of total assets. The loan portfolio is comprised of Residential Real Estate Loans (46.19%), Commercial Loans (12.37%), Commercial Real Estate Loans (39.9%), Consumer Loans (0.54%), Construction and Development Loans (5.65%), Agricultural Loans (0%), and Other loans (0%). CBB's primary lending activity from January 1, 2009 through June 30, 2011 was business lending.

Local competition is intense. CBB's competition includes larger nationwide banks including Capital One, N.A., Wells Fargo Bank, N.A., Bank of America, N.A., Suntrust Bank, Branch Banking & Trust Co., PNC Bank, N.A., and Citibank, N.A. The bank's regional competition includes Burke & Herbert Bank & Trust Co., Eaglebank, Cardinal Bank, Access National Bank, John Marshall Bank, and Sonabank.

This is CBB's first Community Reinvestment Act examination. There are no financial or legal impediments to CBB's ability to meet the credit and CD needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

CBB has one assessment area (AA). The AA includes 212 census tracts within the Washington-Arlington-Alexandria, DC-VA-MD-WV MD # 47894, which is part of the larger Washington-Arlington-Alexandria, DC-VA-M-WV Metropolitan Statistical Area #47900.

The Washington-Arlington-Alexandria, DC-VA-MD-WV MD #47894 AA is comprised of the District of Columbia, Calvert, Charles, and Prince George’s Counties in Maryland, Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, Warren, Alexandria City, Fairfax City, Falls Church City, Fredericksburg City, Manassas City, and Manassas Park City Counties in Virginia, and Jefferson County in West Virginia.

CBB designated all of the census tracts in Arlington County, Fairfax County, Fairfax City, and Falls Church in Virginia as its AA. Since CBB could not reasonably service the other counties, they were excluded from the bank’s AA. CBB’s AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Below is a summary of demographic information for this AA:

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	212	0.47	10.85	31.60	56.60	0.47
Population by Geography	1,191,077	0.26	11.60	33.58	54.56	0.00
Owner-Occupied Housing by Geography	294,477	0.00	5.81	30.95	63.24	0.00
Business by Geography	110,578	0.09	6.99	33.12	59.80	0.01
Farms by Geography	1,146	0.00	6.11	34.29	59.60	0.00
Family Distribution by Income Level	300,785	12.91	13.73	20.32	53.03	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	80,146	0.78	23.22	42.15	33.85	0.00
Median Family Income		71,100	Median Housing Value	\$222, 374		
HUD Adjusted Median Family Income for 2011		101,700	Unemployment Rate:			
Households Below Poverty Level		4.18%	Arlington County	3.9%		
			Fairfax County	4.5%		
			Fairfax City	6.7%		
			Falls Church City	7.9%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI; unemployment rates as of June 30, 2011.

Of the 212 census tracts, one or 0.47% is low-income, 23 or 10.85% are moderate-income, 67 or 31.60% are middle-income, 120 or 56.60% are upper-income, and 1 has not been assigned an income classification.

According to the 2000 U.S. Census data, the AA had a total population of 1,191,077. The AA contains 300,785 families and 12.91% are low-income, 13.73% are moderate-income, 20.32% are middle-income, and 53.03% are upper-income. There are 450,238 households and 18,786 of the households are below the poverty level. The 2000 median family income was \$71,100, and the 2011 HUD updated median family income is \$101,700.

The 2000 U.S. Census reported 462,766 housing units in the AA. Approximately 64% are owner-occupied, 33% are rental occupied, and 3% are vacant housing units. There are no owner-occupied housing units in low-income geographies. Of all owner-occupied housing, 5.81% is located in moderate-income geographies, 30.95% is located in middle-income geographies, and 63.24% is located in upper-income geographies. The median housing cost is \$223,374

According to the 2010 Business Geodemographics, there are 1,010,578 businesses in the AA. Approximately 78% of the businesses reporting have revenue less than or equal to \$1 million, approximately 5% of the businesses reporting have revenue greater than \$1 million, and approximately 17% of the businesses did not report revenue information. There are 97 or 0.09% of businesses in the low-income geography, 7,732 or 6.99% of businesses in moderate-income geographies, 36,620 or 33.12% of businesses in middle-income geographies, 66,121 or 59.80% of businesses in upper-income geographies, and 8 or 0.01% of businesses in a geography where an income classification has not been assigned.

The current local economy within the AA is characterized as stable due to the close proximity to DC. Many residents work for the government or for contractors of the federal government. The Federal government is the largest employer. Economic activity in the area revolves around professional services and technology. Average unemployment for the area is low (4.5% Fairfax County) compared to the national unemployment rate of 9.2%. Major employers for the AA are the Federal government, Inova Health System, Booz Allen Hamilton, Lockheed Martin, Northrup Grumman, SAIC, General Dynamics and the public school systems of the counties and cities in the AA.

According to the Bureau of Labor Statistics, the June 30, 2011 non-seasonally adjusted unemployment rate was 3.9% for Arlington County, 4.5% for Fairfax County, 6.7% for Fairfax City, and 7.9% for Fall Church City. The unemployment rate for the state of Virginia was 6.3% and the national unemployment rate was 9.2%.

Competition for both loans and deposits is strong in this AA. Based on the June 30, 2010 FDIC Summary of Deposit Market Share report, CBB has one branch and a

0.11% deposit market share in the Washington-Arlington-Alexandria, DC-VA-MD-WV MD, ranking the bank 53<sup>rd</sup> out of 100 institutions in the market. E\*Trade Bank ranks 1<sup>st</sup> with 2 offices and a 16.28% deposit market share, Capital One, N.A. ranks 2<sup>nd</sup> with 217 offices and a 16.00% deposit market share, Wells Fargo Bank, N.A. ranks 3<sup>rd</sup> with 152 offices and an 11.84% deposit market share, Bank of America, N.A. ranks 4<sup>th</sup> with 184 offices and a 10.76% deposit market share, and Suntrust Bank ranks 5<sup>th</sup> with 181 offices and an 8.69% deposit market share. Based on the same June 30, 2010 FDIC Summary of Deposit Market share information, CBB had a 0.23% deposit market share in the Arlington County, Fairfax County, Fairfax City AA, and Falls Church City, ranking the bank 26<sup>th</sup> out of 45 institutions operating in this area. The top five banks were E\*Trade, Capital One, N.A., Wells Fargo Bank, N.A., Branch Banking & Trust Co., and Bank of America, N.A.

We conducted one community contact during this evaluation to identify community development needs and opportunities within Chain Bridge Bank's AA. The community contact we completed was to a local non-profit business development organization. The contact stated there are plenty of opportunities for banks to help the needs of their organization and the community. Their organization always needs funding and sponsorship for various programs they conduct for small business owners. The contact indicated that there is a need for small business loans between \$35,000 and \$250,000. The contact also indicated that there is a need for small business loans less than \$10,000. The contact stated that most individuals are unable to meet banks' credit criteria for business financing. Therefore, there are plenty of opportunities for banks to provide financial expertise by providing credit counseling to small business.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

CBB's performance under the Lending Test is Satisfactory. CBB's quarterly average net loan-to-deposit ratio is reasonable. A majority of CBB's business loans were made within the bank's assessment area. The bank's distribution of loans represents reasonable penetration among businesses of different income levels. The bank's geographic distribution of business loans represents poor dispersion throughout census tracts of different income levels.

All criteria of the Lending Test are documented below.

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

CBB's quarterly average net loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, performance context, and the credit needs of the AA, and it meets the standards for satisfactory performance.

The bank's quarterly average net LTD since the bank's inception in 2007 is 39.49%. The ratio ranged from a quarterly low of 14.76% as of December 2007 and a high of 50.62% as of December 2010. CBB is a De Novo institution that opened in 2007, at a time when the banking crisis was occurring and lending was a challenge for banks. In

addition, CBB is operating in an area with intense competition from larger nationwide lenders that can offer loan products that CBB is not able to offer based on the size and capacity of the bank. Additionally, CBB has a significant amount of political campaign deposits that are seasonal in nature and have an impact on the bank's loan-to-deposit ratio. When adjusting for these seasonal political campaign deposits, CBB's quarterly average net LTD is 54.79%, with a low of 35.37% as of March 2008 and a high of 67.53% as of September 2010. Furthermore, when analyzing CBB's loan growth since 2009, the bank has outpaced the rate of loan growth in the Washington MSA area during all quarters except the first quarter of 2010. When taking these factors into consideration, CBB is doing as well as can be expected; and thus meets the standard for satisfactory performance. There were no similarly sized and situated De Novo banks in the AA that could be utilized to do a peer analysis.

**Lending in Assessment Area**

A majority of CBB's business loans were made inside the bank's assessment area, and this meets the standard for satisfactory performance. During the evaluation period, 68% of the number and 65% of the dollar amount of total business loans were made within the bank's assessment area. The following table details the bank's lending within the AA by number and dollar amount of loans.

<b>Table 1 - Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	113	68%	54	32%	167	49,439,440	65%	26,125,624	35%	75,565,064

Source : Business Loans 1/1/09 – 6/30/11.

**Lending to Businesses of Different Sizes**

The distribution of loans reflects reasonable penetration among businesses of different sizes, and CBB's record of lending to businesses of different incomes meets the standard for satisfactory performance.

Compared to the percentage of AA businesses with gross annual revenues less than or equal to \$1 million, CBB is lower than this ratio in terms of the number of loans originated and in terms of dollar amount. The distribution by size of loans shows that approximately 73% of the loans originated were for \$500 thousand or less.

Furthermore, CBB is an approved lender for the SBA 7a guarantee program and the SBA Express program. CBB also originates SBA 504 loans. According to a U.S. Small Business Administration lender ranking report, CBB generated a total of six SBA loans (7a and Express) for approximately \$1.5 million, ranking CBB forth out of community banks and 18<sup>th</sup> out of 54 active SBA lenders in the Washington Metropolitan Area. In addition, CBB originated 3 SBA 504 loans totaling \$1.26 million. The Federal Reserve,

the FDIC and the OCC issued a report stating that small business lending contracted in 2010, and loan originations under the CRA declined 9% during 2010. Despite the industries decreasing trend in small business lending, CBB has managed to increase their small business lending.

The following tables, 2A and 2C, detail the bank's performance in lending to businesses of different sizes.

<b>Table 2A - Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.79	4.78	17.43	100%
% of Bank Loans in AA by #	63.72%	36.28%	0	100%
% of Bank Loans in AA by \$	57.05	42.95	0	100%

Source: Business Loans 1/1/09 – 6/30/11; Dun and Bradstreet data.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	24	21.24%	1,524,019.00	3.08%
\$100,001 - \$250,000	23	20.35%	3,980,470.00	8.05%
\$250,001 - \$500,000	35	30.97%	12,757,461.00	25.80%
\$500,001 - \$1,000,000	20	17.70%	13,508,229.00	27.32%
Over \$1,000,000	11	9.73%	17,669,260.00	35.74%

Source: Business Loans 1/1/09 – 6/30/11; Dun and Bradstreet data.

## Geographic Distribution of Loans

The geographic distribution of business loans reflects poor dispersion throughout census tracts of different income levels, and CBB's performance does not meet the standard for satisfactory performance. There were no conspicuous gaps identified within CBB's AA.

CBB did not originate business loans in low- or moderate-income geographies. While CBB did not originate business loans in low- or moderate-income geographies, we took into consideration there are only 97 businesses located in the one low-income geography and there are 7,732 businesses located in the 23 moderate-income geographies in the bank's AA. We also considered the strong competition from larger nationwide financial institutions operating in the bank's AA, the local and economic conditions that impacted business lending during the evaluation period, CBB is a De Novo institutions, and the location of CBB's one branch in relation to the low- and moderate-income geographies.

The following table, 3A, details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Table 3A - Geographic Distribution of Loans to Businesses</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	0.09%	0.00%	6.99%	0.00%	33.12%	10.62%	59.80%	89.38%

Source: Business Loans 1/1/09 – 6/30/1.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test is rated satisfactory. CBB’s community development activities demonstrate satisfactory responsiveness to the community development needs within its AA.

## **Qualified Investments and CD Services**

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

During the evaluation period, CBB purchased a \$2 million mortgage backed security (MBS). All of the mortgages collateralizing this MBS were originated to low- or moderate-income borrowers in the bank’s AA.

### **Statewide and Regional Investments**

During the evaluation period, CBB purchased six MBS for \$4 million. All of the mortgages collateralizing these six MBS were originated to low- or moderate-income borrowers in the state of Virginia, including the bank’s AA.

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

During the evaluation period, two officers, employees, and Board members provided financial and technical expertise to seven different qualified community development organizations. The following details the community development services that were provided during the evaluation period:

- A member of senior management provided financial and technical advice by making three presentations to small business owners. The events were hosted by non-profit business development organizations.
- One employee provided financial and technical advice by making two presentations to small business owners. The events were hosted by non-profit business development organizations.
- A member of senior management provided financial counseling to small business owners through two non-profit business development organizations.
- One employee provided financial counseling to small business owners through a non-profit business development organization.

### **Responses to Complaints**

CBB has not received any CRA complaints during this evaluation period.

### **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.