
SMALL

BANK

Public Disclosure

July 21, 1998

Community Reinvestment Act Performance Evaluation

**Century National Bank
Charter Number 17278
1875 Eye Street, N.W.
Washington, D.C. 20006**

**Comptroller of the Currency
Maryland National Capital Area Field Office
1025 Connecticut Avenue, N.W.
Suite 708
Washington, D.C. 20036**

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not

represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

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

This document is an evaluation of the CRA performance of **Century National Bank** prepared by **the Comptroller of the Currency**, the institution's supervisory agency, as of July 21, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

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

- o The loan-to-deposit ratio averaged 80% since our last review in March 1995, which exceeds the 69% average loan-to-deposit ratio of similarly situated financial institutions.
- o A majority of small business and residential mortgage loan originations are made within the bank's assessment area.
- o The bank has a good record of lending to businesses of different revenue levels.
- o The bank has a reasonable distribution of business loans to low- and moderate- income census tracts.

The following table indicates the performance level of **Century National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Century National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio	X		
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior exam		

Description of Institution

Century National Bank (CNB) is a \$143 million community bank headquartered in Washington, D.C. and is a wholly owned subsidiary of Century Bancshares, Inc. (holding company). There are no other affiliates of the bank. There are five branches located in business corridors in downtown Washington, DC, Tysons Corner and McLean, Virginia, and Bethesda, Maryland respectively. The bank has five (5) automatic teller machines (ATM). Per the March 31, 1998 Call Report, the composition of the loan portfolio is 56% commercial loans, 33% residential real estate loans and 11% consumer loans. The bank's strategic focus for loan originations since 1994 has been small business loans. Lending efforts are focused on meeting the banking needs of professional firms (e.g. law firms and dental practices) and service companies which dominate the bank's assessment area.

CNB offers a full range of consumer and business services, including a wide range of loan and deposit products, no-fee ATM cards, Small Business Administration (SBA) guaranteed loans, short term residential mortgages and consumer loans. The bank refers requests for long term residential mortgages to Independent Bankers Mortgage Company and Boston Mortgage Company. In addition, the bank offers commercial mortgages and a Century Reserve Line designed to meet the credit needs of small businesses. The products also include SBA's Low Documentation program loans, which enable banks to make small loans (<\$100 thousand) with reduced paperwork.

CNB operates in a highly competitive banking environment with several community, large regional and multinational bank branches located in the assessment area. There are no legal or other impediments that preclude the bank from helping to meet the credit needs of its assessment area.

Description of Assessment Area

The bank's assessment area includes Washington, DC, Falls Church City, Arlington County, Alexandria City, and Fairfax City, Virginia. The assessment area also includes portions of Fairfax County, Virginia, portions Prince George's County, Maryland and portions of Montgomery County, Maryland. The assessment area complies with the requirements of CRA and does not arbitrarily exclude low or moderate income areas.

The area's major employer is the U.S. Federal Government. Management has identified small business lending as a primary community credit need. Based on the 1990 US Census Data, the total population of the assessment area is 3 million and the weighted average of the MSA's updated Median Family Income is \$70,300 per year. Low, moderate, middle, and upper census tracts are distributed as follows:

CENSUS TRACT DISTRIBUTION

Tract Characteristic	Low	Moderate	Middle	Upper	N/A	Total
Number	58	164	288	217	46	773
Percentage	8%	21%	37%	28%	6%	100%

We contacted a local community development corporation (CDC) operating in the bank's assessment area during our review. The representative from the CDC indicated a need for micro (<\$1,000.00) loans for small businesses. They also pointed out that because the market has numerous large banks with considerable financial resources earmarked to meet CRA commitments, it is difficult for smaller community lenders (like CNB) to compete. Our review of community contact data base confirmed the need for small business lending in the assessment area.

Conclusions with Respect to Performance Criteria

We based our evaluation of Lending in the Assessment Area, Geographic Distribution, and Lending to Borrowers of Different Sizes on the bank's business loan portfolio. We tested and relied on reports the bank provided regarding outstanding business loans. The bank's data did not identify loans originated since our last review. Management has identified 384 loans as business loans for an outstanding dollar total of \$57 million. This represents 60% of the total loan volume. The bank obtains current information on loan size, business revenue size, and the loan's location by census tract for the majority of these loans.

Loan-To-Deposit Ratio

CNB's loan-to-deposit ratio is reasonable and commensurate with its size and available resources. The average loan-to-deposit ratio from March 1996 through March 1998 is 80%, which is above the average ratio for banks in its peer group at 69%. The ratio compares favorably with similarly situated competing banks in the same assessment area.

Lending in Assessment Area

Lending in the assessment area is satisfactory. A majority of the business loan outstanding were made within the bank's assessment area. Census tract information was obtained for 309 of the outstanding 384 business loans. Of the 309 loans, 88% of the loans and 91% of the dollar amount are within the assessment area.

In 1994, CNB established the "Bold Initiative Program," which is a commitment to lend \$10 million to individuals and businesses who are located in or service low and moderate income communities in the assessment area, and to foster economic development in the assessment area.

Loans qualify as “Bold Initiative” loans if they are in the assessment area, secured by a government program, and facilitate the expansion of the business and/or increase employment opportunities. Personal loans qualify if the borrower lives in the assessment area, lives or works in an under served area of Greater Washington, and has low or moderate income, as defined by the U.S. Department of Housing and Urban Development (HUD). In 1996 and 1997, CNB originated 14 loans totaling \$1.7 million under this program. Since inception, thirty-eight (38) loans, totaling \$4.5 million, have closed under this program. These originations are included in our analysis of the bank’s outstanding loans.

The bank originated and purchased, eighty-five (85) Home Mortgage Disclosure Act (HMDA) reportable loans during 1996 and 1997, totaling \$12.8 million. Eighty-five percent (85%) of the number, and 85 % of the dollar amount are inside the assessment area.

In April 1996, the bank obtained a grant in the amount \$150 thousand, and originated a \$250 thousand loan to a non-profit organization dedicated to providing affordable housing in the community. These funds were used to support the construction of 34 town homes to be sold to low- and moderate- income individuals in Washington, DC. The program requires these individuals to remain in the home for at least fifteen (15) years.

Lending to Businesses of Different Sizes

Lending to businesses of different sizes is reasonable. CNB has specifically committed itself to meeting the credit needs of businesses within its assessment areas. Therefore, the majority of business loans are made to businesses with gross revenues less than \$1 million. The bank maintained business revenue information on 339 of the 384 total outstanding business loans in their CRA database. The following chart displays the distribution of loans by gross revenue size.

DISTRIBUTION OF TOTAL OUTSTANDING BUSINESS LOANS BY REVENUE SIZE

Revenue	<\$1MM	>\$1MM	Other*	Total
Number of Loans	243	96	45	384
Percentage	63%	25%	12%	100%
Dollars (000)	26,423	18,835	12,100	57,358
Percentage	46%	33%	21%	100%

*Information not provided.

Additionally, the distribution of commercial loans by size is reasonable. Most of the bank’s commercial loans are less than \$100 thousand. This is indicative of the bank’s efforts to meet the credit needs of small businesses.

DISTRIBUTION OF OUTSTANDING LOANS BY LOAN SIZE

Loan Size	<\$100M	\$100M-\$250M	\$250M- \$1MM	>\$1MM	Total
Number of loans	181	111	77	15	384
Percent	47%	29%	20%	4%	100%
Dollars (000)	6,469	14,464	25,259	11,166	57,358
Percent	11%	25%	44%	20%	100%

In 1997, the SBA ranked the bank first in the District of Columbia for “microbusiness-friendly” banks. The ranking is based on the micro business loans to assets; micro business loans to total business loans; dollar volume of micro business loans, and total number of micro business loans.

Geographic Distribution

The geographic distribution of outstanding loans is reasonable. The bank recorded the census tract location of 309 out of the 384 outstanding business loans. We evaluated the distribution of the loans outstanding to those customers and found that lending patterns are comparable to the income characteristics of the census tracts in the assessment area. For example, 18 percent of the business loans outstanding are to businesses located in low and moderate income census tracts, while 29% of the tracts are low and moderate.

GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS

Tract Characteristics	Low	Moderate	Middle	Upper	Other*	Total
Number of Loans	19	51	112	77	125	384
Percentage	5%	13%	29%	20%	33%	100%
Dollars (000)	1,937	6,131	18,544	10,361	20,385	57,358
Percent	3%	11%	32%	18%	36%	100%

*census tract information not obtained by bank (75); census tract is out of assessment area (33) ; census tract un-designated by HUD(17).

Record of Compliance with Anti-discrimination Laws.

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