



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**June 10, 2003**

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

**Adams National Bank  
Charter Number 16720**

**1130 Connecticut Avenue, NW  
Suite 200  
Washington, DC 20036**

**Comptroller of the Currency  
Maryland/National Capital Area Field Office  
250 E Street, SW  
Washington, DC 20219-0001**

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

A more than reasonable loan-to-deposit ratio of 87%;

A substantial majority of loans, representing 89% of the dollar amount and 85% of the number, originated within the assessment area;

A reasonable record of lending to businesses of different sizes; and

A very good geographic distribution of loans throughout the assessment area, particularly in low- and moderate- income census tracts.

## **DESCRIPTION OF INSTITUTION**

Adams National Bank (Adams NB) is a qualified minority bank headquartered in the heart of the business district in Washington, D.C. The bank is a wholly owned subsidiary of Abigail Adams National Bancorp, Inc. As of December 31, 2002, total assets were \$205 million; gross loans were \$157 million; total deposits were \$175 million; and the loan to deposit ratio was 90%. The bank's lending activities are comprised of commercial (20%), commercial real estate (73%), Small Business Administration guaranteed (6%) and consumer (1%) loans. The bank offers a full range of loan and deposit products and services with the exception of home mortgage loans. The bank does not offer residential mortgages due to its strategic plan to focus on small business lending. In addition, there is strong competition for these loans by other financial and non-financial institutions in the area. The bank refers inquiries for home mortgage loans to outside sources.

Adams NB serves the community from its main banking office at 1501 K Street and four branches located in the District of Columbia. The bank also has a corporate office located at 1130 Connecticut Ave. N.W. The main office and each of the branches offer full services, including extended hours and proprietary ATMs available 24 hours a day. One of the branches also offers a drive-up facility. Two of the branches - Union Station and Chinatown - are located in low-income areas. In addition, the main office and the Dupont Circle branch are located in moderate-income areas. The bank is also planning expansion outside of the District and has applied with the Office of the Comptroller of the Currency to open another branch in 2003 in a low-income area in Silver Spring, Maryland. Management has identified small business as one of the primary credit needs within the bank's assessment area. This need was also highlighted by a community contact consisting of the local area Chamber of Commerce.

There are no impediments, legal or otherwise, which would hinder efforts to meet the credit needs of the assessment area.

The bank's prior Community Reinvestment Act assessment was performed in January 1999.

## DESCRIPTION OF ASSESSMENT AREA

Adams NB is located within the Washington, D.C.-MD-VA Metropolitan Statistical Area (MSA) 8840. The assessment area consists of the District of Columbia, the counties of Montgomery and 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 1990 Census Bureau data, the population of the assessment area is 3.2 million individuals of which 6% are below the poverty level and 4% are on public assistance. The 1990 Census median family income in the MSA used to assess geographic distribution was \$52,807 with an updated HUD median family income of \$91,500.

The local area economy is considered stable with some modest growth. Unemployment has risen in recent years but still remains low. There are approximately 193 thousand revenue-reporting businesses in the assessment area, 91% of which have annual revenues less than \$1 million. The largest employer is the U.S. Government and related agencies. The largest industries by type are the service sector, retail trade, finance/insurance/real estate, public administration, and transportation/communication.

The following table details the breakdown of census tract characteristics within the MSA based on 1990 Census Bureau information.

### ASSESSMENT AREA DEMOGRAPHICS

Designation	# Census Tracts	% of Total Tracts
Low Income	58	7%
Moderate Income	172	21%
Middle Income	308	38%
Upper Income	228	28%
Not Applicable*	49	6%
Totals	815	100%

\* No income reported for these tracts

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### LOAN-TO-DEPOSIT RATIO

Adams NB's loan-to-deposit ratio is more than reasonable and commensurate with its size, financial condition, and the credit needs of the assessment area. It averaged 87% over the last 16 quarters from March 30, 1999 through December 31, 2002. This compares quite favorably to the 76% average loan-to-deposit ratio for similarly situated banks during the same time period.

### LENDING IN ASSESSMENT AREA

A substantial majority of the bank's lending activity is within its assessment area. We tested and relied on total loan origination data through December 31, 2002 provided by bank reports. Based on our analysis, \$140 million of \$157 million in total dollar volume of loans, or 89%, were originated in the assessment area. This represents 460 of 541 in the total number of loans, or 85%. Of the total loans in the bank's assessment area, \$31 million are commercial loans, \$115 million are commercial real estate loans, \$9 million are Small Business Administration guaranteed, and \$2 million are consumer loans.

### LENDING TO BUSINESSES OF DIFFERENT SIZES & BORROWERS OF DIFFERENT INCOMES

As noted above, the bank does not offer residential mortgages due to its strategic plan to focus on small business lending. Business loans, representing 99% of the total portfolio, are the bank's main product line. Based on 1990 demographic data, of the businesses in the bank's assessment area, 91% have revenues less than \$1 million.

The bank's record of lending to businesses of different sizes is reasonable. We tested and relied on business loan data provided by bank reports. As the table below illustrates, 68% of the dollar volume and 81% of the total number of business loans originated in 2002 were to small businesses. Small businesses are defined as those with gross annual revenues of \$1 million or less.

#### LENDING TO BUSINESSES OF DIFFERENT SIZES

Business Revenue Size	# of Loans	% of Total	\$(000s)	% of Total
<= \$1 Million	153	80.53	30,447	68.42
>= \$1 Million	37	19.47	14,053	31.58
Totals	190	100.00	44,500	100.00

Adams NB is one of the leading Small Business Administration (SBA) lenders among community banks in the Washington, D.C. area, with 6% of the bank's loan portfolio comprised of SBA loans. In addition, Adams NB participates with Shell Oil Company in their community banking initiative. As part of this initiative, Shell Oil provides funding, through participations sold, for loans to minority and women-owned businesses in the bank's assessment area. Adams

NB has participated in this program since 2000 and currently has two loans to this initiative totaling \$155,217. One of these is located in a moderate-income census tract in D.C. The bank also participates as a lender in the U.S. Department of Transportation short term lending program. This is a national program designed to lend short-term working capital to Disadvantaged Business Enterprises (DBE) in order to increase the number of DBEs that enter into transportation-related contracts. The bank funded \$3 million in loans under this program in 2002.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

Adams NB’s geographic distribution of loans reflects a very good dispersion throughout its assessment area, particularly in the low-to moderate- income census tracts in D.C. surrounding its base of operations. We tested and relied on business loan data provided by bank reports. As the following table illustrates, 47% of the dollar volume and 42% of the number of business loans originated in 2002 were located in low- and moderate- income census tracts. This compares quite favorably to the assessment area demographics for these census tracts, which reflects a 28% penetration based on 1990 Census Bureau data. Please refer to the Assessment Area Demographics table on page 4 for additional information.

**GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS BY CENSUS TRACT**

Tract Characteristics	# of Loans	% of Total	\$(000s)	% of Total
Low	27	14.21	6,568	14.76
Moderate	52	27.37	14,257	32.04
Middle	24	12.63	4,911	11.04
Upper	76	40.00	15,753	35.40
Unknown *	11	5.79	3,011	6.76
Totals	190	100.00	44,500	100.00

\* No census tract data available for these locations

**RESPONSE TO COMPLAINTS**

The bank received no complaints applicable to its performance under the regulation during this evaluation period.

**FAIR LENDING REVIEW**

We conducted a technical review of fair lending laws and regulations concurrently with this CRA examination. We did not note any illegal discriminatory lending patterns or practices. The bank has no residential mortgages and a low volume of consumer loans. As such, it lends itself to minimal risk in this area.