



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

April 10, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Capital Bank of Washington
Charter Number 4107

316 Pennsylvania Avenue, S.E., Washington, DC 20003

Office of the Comptroller of the Currency

400 7th Street S.W., 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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GENERAL INFORMATION AND INSTITUTION'S CRA RATING

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 (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such evaluation, 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 The National Capital Bank of Washington (NCB) issued by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, for the evaluation period beginning on January 1, 2012. 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.

This institution is rated Satisfactory.

The bank's overall rating is based on its performance relative to the lending and community development tests within its assessment areas. The bank has two assessment areas, one primary and the other secondary. The OCC placed more weight on the bank's primary assessment area. The major factors supporting the institution's rating include:

- NCB's average loan-to-deposit ratio is reasonable when compared to similarly situated institutions.
- A substantial majority of NCB's loans were originated within its assessment areas.
- The distribution of borrowers reflects an overall reasonable penetration given the demographics of the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The bank demonstrates adequate responsiveness to community development needs.

SCOPE OF EVALUATION

In evaluating the bank's performance under the CRA, we utilized Intermediate Small Bank evaluation procedures. These procedures allowed an assessment of the bank's performance under the lending and community development tests. The lending test evaluates an institution's record of meeting the credit needs of its assessment area through lending activities, and the community development test evaluates responsiveness to community development needs through community development lending, qualified investments, and services.

The lending test for NCB covers performance between January 1, 2012 and December 31, 2013. Primary loan products, as reflected by internally prepared loan reports, are business and reportable Home Mortgage Disclosure Act (HMDA) lending. We utilized the limited data analysis approach, one of three acceptable methods, given changes in the 2014 census and metropolitan areas that impacted 2015 CRA Performance Evaluations (PE). Business and HMDA loans for the year 2014 were excluded from this evaluation given a requirement for a separate analysis due to aforementioned changes in that year. Bank management agreed with the data exclusion. The accuracy of the bank's reporting of business and HMDA loan data had been tested and had been determined to be reasonably accurate and reliable. Therefore, the OCC utilized all of the bank's 2012 and 2013 business and HMDA data for the lending test.

The evaluation period for the community development test is between January 1, 2012 and March 31, 2015. Community development loans, investments, and services submitted by management were verified to ensure that they met the regulatory definition for community development.

DESCRIPTION OF INSTITUTION

NCB, established in 1889, is an independent, intrastate community bank headquartered in the District of Columbia. The bank's main office is located on Pennsylvania Avenue near the United States Capitol. In addition to its main office, NCB has a branch located on 44th street in Friendship Heights, a community located within the city limits of DC. Both the main office and the Friendship Heights branch are open weekdays between 9:00 a.m. and 3:00 p.m. with extended hours on Fridays to 6:00 p.m. The main office also offers walk-up hours between 8:00 a.m. and 7:00 p.m. Monday through Friday. Both the main office and the Friendship branch are open between 10:00 a.m. and 1:00 p.m. on Saturday and have full service Automated Teller Machines (ATMs) available. The bank also has two additional ATMs in DC. There were no branches opened or closed, and there were no mergers or acquisitions during the evaluation period. NCB does not have any subsidiaries or affiliates.

NCB is a full service community bank offering a standard range of retail and commercial banking services. Its retail services include checking accounts, savings programs, money-market accounts, certificates of deposit, consumer loan programs, and

residential mortgages. The bank also offers commercial services including business checking accounts, money-market accounts, commercial mortgages, and lines or letters of credit. In addition, NCB offers a full range of investment products and services.

As of December 31, 2014, the bank reported total assets of \$435.2 million and tier 1 capital of \$41 million. Net loans and leases totaled \$244 million, representing approximately 57 percent of total assets. The loan portfolio is comprised of real estate loans (81 percent), commercial and industrial loans (17 percent), and consumer loans (2 percent). The bank's primary lending activity was business lending and home mortgage loans. Competition is strong and includes branches of larger regional and national banks as well as local community banks. NCB's main competitors continue to be E*Trade Bank, Capital One, Wells Fargo, and Bank of America. There are no financial or legal impediments hindering NCB's ability to help meet the credit needs of the communities it serves.

NCB's last Performance Evaluation, dated February 13, 2012, rated the bank's performance as Satisfactory.

SELECTION OF AREAS FOR FULL-SCOPE REVIEW

NCB designated an assessment area that includes eight counties within the District of Columbia, Virginia, and Maryland. All of the designated counties are within the Washington DC-Bethesda MSA (MSA 47900), which is divided into two Metropolitan Divisions. Those Metropolitan Divisions are Washington-Arlington-Alexandria (MD 47894) and Bethesda-Frederick-Gaithersburg (MD 13644).

The bank's primary assessment area includes the counties of Arlington, Fairfax, and Prince George, the District of Columbia; and cities of Alexandria, Fairfax, and Falls Church. These geographies are all located with the Washington-Arlington-Alexandria Metropolitan Division. The bank's secondary assessment area is Montgomery County, which is located within the Bethesda-Frederick-Gaithersburg Metropolitan Division. Because the assessment areas contain counties that fall in two different Metropolitan Divisions each were analyzed separately. However, greater emphasis was placed on the Washington-Arlington-Alexandria Metropolitan Division because all of the bank's branches and the majority of the bank's lending were within this assessment area.

The Washington-Arlington-Alexandria (MD 47894)

NCB designated all of the 760 census tracts in the District of Columbia, the cities of Arlington, Fairfax, and Alexandria, and the counties of Falls Church and Prince George as its primary assessment area. NCB could not reasonably service the other counties, and they were, therefore, excluded from the assessment area. NCB's primary assessment area is a portion of the Washington-Arlington-Alexandria Metropolitan Division. The bank's assessment area 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 assessment area:

Washington-Arlington-Alexandria						
	Number	Low (%)	Moderate (%)	Middle (%)	Upper (%)	N/A*
Geographies (Census Tracts)	760	11.22	24.34	30.39	31.45	**1.06
Population by Geography	2,929,359	11.76	23.42	31.95	32.61	0.26
Owner-Occupied Housing by Geography	661,799	5.11	18.41	**35.98	40.50	0.00
Businesses by Geography	318,325	4.99	17.00	32.88	44.35	**0.78
Farms by Geography	2,999	3.83	16.64	36.45	43.01	0.07
Family Distribution by Income Level	652,614	10.54	21.59	32.77	35.10	0.00
Household Distribution by Income Level	1,109,851	11.52	23.21	32.12	33.15	0.00
Census Median Family Income (MFI)	100,890	Median Housing Value			441,797	
HUD-Adjusted MFI: 2013	105,900	Unemployment Rate			4.48%	
Households Below the Poverty Level	8.04%					

Source: 2010 U.S. Census Data; 2013 HUD updated MFI

*The N/A Category consists of geographies that have not been assigned an income classification.

** Rounding

Of the 760 census tracts within the assessment area, low-income geographies total 97 (12.76 percent), moderate-income geographies total 185 (24.34 percent), middle-income geographies total 231 (30.39 percent), and upper-income total 239 (31.45 percent). The assessment area also contains eight census tracts that have not received an income level classification, representing only 1.06 percent of the assessment area.

The 2010 U.S. Census reported the total population of the assessment area at 2,929,359. Within the assessment area, there are 1,109,851 households and 652,614 families. Of the 661,799 housing units within the assessment area, owner-occupied units represent 54.67 percent of the total with rental units comprising 37.01 percent. Vacant housing units are reported at 8.32 percent. Approximately 5.11 percent of owner-occupied housing is located in low-income geographies, 18.41 percent in moderate-income geographies, 35.98 percent in middle-income geographies, and 40.50 percent in upper-income geographies. The median housing value is \$441,797.

According to the 2013 business demographics, there are a total of 315,325 businesses within the assessment area. Approximately 69.91 percent of the businesses reporting revenue information report revenues of less than \$1 million, with approximately 5.02 percent reporting revenues greater than \$1 million. Revenue was not reported for approximately 25.07 percent of the businesses. The majority of business are located in middle- and upper-income geographies at 32.88 percent and 44.35 percent, respectively. Approximately 4.99 percent of reporting businesses are located in low-income geographies and 17.00 percent in moderate-income geographies.

According to the Federal Deposit Insurance Corporation Summary of Deposit Market Share report as of June 30, 2014, NCB's deposit market share within the Washington-Arlington-Alexandria MSA is 0.27 percent. Its market share ranks 23rd of the 61 institutions within the assessment area. As previously stated, competition is strong. Within the assessment area, E*Trade has two offices and 25.54 percent market share, Wells Fargo 105 offices and 14.22 market share, Bank of America 99 offices and 11.59 percent market share, and Capital One 88 offices and 9.73 percent market share. SunTrust Bank is also a competitor, with 103 offices and 8.48 percent market share.

Major employers and business sectors within the assessment area continue to be the federal government, technology, construction, international business, and hospitality. A sizable number of individuals in the District of Columbia and the surrounding area work for defense and civilian contracting companies that conduct business directly with the federal government. Some of the major employers in the area include the federal, state and local governments, the military, Lockheed Martin, Northrup Grumman Corporation, and SAIC. The District of Columbia and the surrounding area is home to major research universities, think tanks, and non-profit organizations. The numerous museums and monuments located in the area make the District of Columbia a top tourist destination.

The Bethesda-Frederick-Gaithersburg (MD 13644)

NCB designated all 215 census tracts with Montgomery County, a portion of the Metropolitan Division, as its secondary assessment area. The bank does not have any branches or ATMs in Montgomery County. The county is, however, included in the assessment area given the number of customers who work in the District of Columbia and utilize NCB's branches and ATMs, but reside and/or operate businesses in Montgomery County. Frederick County, which is located further away from bank branches than Montgomery County, was excluded from the assessment area because NCB cannot reasonably service it. This assessment area 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 assessment area:

Bethesda-Frederick-Gaithersburg						
	Number	Low (%)	Moderate (%)	Middle (%)	Upper (%)	N/A*
Geographies (Census Tracts)	215	6.05	28.37	29.77	35.81	0.00
Population by Geography	971,777	6.39	27.63	31.48	34.50	0.00
Owner-Occupied Housing by Geography	244,815	3.02	21.85	34.22	40.91	0.00
Businesses by Geography	103,124	3.52	26.00	27.87	42.61	0.00
Farms by Geography	1,643	2.98	18.87	34.51	43.64	0.00
Family Distribution by Income Level	226,024	5.80	25.29	31.50	37.41	0.00
Household Distribution by Income Level	353,177	5.93	28.93	32.08	33.07	0.00
Census Median Family Income (MFI)	107,887	Median Housing Value		503,056		
HUD-Adjusted MFI: 2013	112,200	Unemployment Rate		3.70%		
Households Below the Poverty Level	5.59%					

Source: 2010 U.S. Census Data; 2013 HUD updated MFI

*The N/A Category consists of geographies that have not been assigned an income classification.

Of the 215 census tracts within Montgomery County, low-income geographies total 13 (6.05 percent), moderate-income geographies total 61 (28.37 percent), middle-income geographies total 64 (29.77 percent), and upper-income total 77 (35.81 percent).

The 2010 U.S. Census reported the total population of the assessment area at 971,777. Within the assessment area, there are 353,177 households and 242,950 families. There are 244,815 housing units, of which 65.85 percent are owner-occupied and 29.15 percent are rental. Approximately 5.00 percent of housing units are vacant. Approximately 3.02 percent of owner-occupied housing is located in low-income geographies, 21.85 percent in moderate-income geographies, 34.22 percent in middle-income geographies, and 40.91 percent in upper-income geographies. The median housing cost is \$503,056.

According to the 2013 business demographics, there are 103,124 businesses in the assessment area. Approximately 73.46 percent of the businesses report having revenues less than \$1 million, and 14.30 percent have revenues over \$1 million. Revenue was not reported by 21.94 percent of businesses. Approximately 3.52 percent of businesses are located in low-income geographies, 26.00 percent in moderate-income geographies, 27.87 percent in middle-income geographies, and 42.61 percent in upper-income geographies.

According to the June 30, 2014 Federal Deposit Insurance Corporation Summary of Deposit Market Share report, NCB has no deposit market share within the assessment

area. This report also reflects NCB as having 34 competitors within its secondary assessment area. Within this assessment area, the bank's primary competitors include Capital One with 56 offices and 21.77 percent market share, Bank of America with 33 offices and 17.66 percent market share, SunTrust Bank with 38 offices and 12.52 percent market share, and Wells Fargo with 18 offices and 7.85 percent market share. Sandy Spring Bank is also a competitor with 21 offices and 5.83 percent market share.

Montgomery County is in close proximity to the nation's capital, and is the home of many federal and advanced technology jobs. The county is also an important business and research center. Montgomery County is the epicenter for biotechnology in the Mid-Atlantic region. Montgomery County, as third largest biotechnology cluster in the U.S., holds a large cluster and companies of large corporate size within the state of Maryland. Biomedical research is carried out by institutions including Johns Hopkins University's Montgomery County Campus and the Howard Hughes Medical Institute. Federal government agencies engaged in related work include the Food and Drug Administration, the National Institutes of Health, and the Walter Reed Army Institute of Research.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

NCB's overall performance under the lending test is Satisfactory. The loan-to-deposit ratio is reasonable. A majority of NCB's primary loan product, business lending, and its secondary loan product, home loans, were originated within the combined assessment area. Overall, the record of lending to businesses of different sizes and home loans reflects adequate penetration to low- and moderate-income borrowers. The geographic distribution of loans reflects poor dispersion of low- and moderate-income census tract within the assessment areas.

Loan-to-Deposit Ratio

NCB's quarterly average net loan-to-deposit (LTD) ratio is reasonable when compared to similarly situated institutions. The bank's quarterly LTD ratio over the twelve quarters since the previous CRA evaluation was 67.69 percent. During this twelve-quarter period, this ratio ranged from a quarterly low of 63.94 percent to a quarterly high of 77.10 percent. In comparison, the quarterly average net LTD ratio for national institutions of similar size was 76.05 percent over the same twelve quarters. The ratios ranged from a quarterly low of 42.31 percent to a quarterly high of 109.80 percent during that period.

Lending in Assessment Area

A substantial majority of the NCB's loans were originated within the bank's assessment areas. The following table sets forth the percentage of the bank's business and home lending inside and outside its combined assessment area for the review period:

Table 1 - Lending in NCB's Assessment Area										
Loan Type	Number of Loans					Dollars of Loans(000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	335	92.03	29	7.97	364	\$96,430	88.96	\$11,961	11.04	\$108,391
Home Purchase	33	91.67	3	8.33	36	\$10,371	94.12	\$648	5.88	\$11,019
Home Improvement	43	100.00	0	0.00	43	\$12,076	100.00	\$0	0.00	\$12,076
Refinance	204	92.73	16	7.27	220	\$73,653	92.47	\$6,000	7.53	\$79,653
Total Loans	674	93.09	50	6.91	724	\$219,900	91.70	\$19,899	8.30	\$239,799

Source: Business loan data 1/1/2012-12/31/2013

NCB made a substantial majority of business and home loans within its combined assessment area. The bank originated 93.09 percent of the total number and 91.70 percent of the total dollar amount of business and HMDA loans within the assessment area. Throughout the evaluation period, the bank originated 364 business loans or 92.03 percent of its total number of business loans within the assessment area. Additionally, the bank originated 88.96 percent of the dollar volume of its business loans inside the assessment area. NCB originated a total of 280 HMDA reportable loans or 93.65 percent within the assessment area, and a total dollar volume of \$96,100 or 93.53 percent in its assessment area.

Lending to Businesses of Different Sizes and to Borrowers of Different Incomes

The distribution of loans in both Metropolitan Divisions reflects excellent penetration. The distribution of loans to businesses of different sizes in the individual Metropolitan Divisions reflects excellent penetration among small businesses. Compared to the percentage of businesses with gross annual revenues less than or equal to \$1 million within the assessment areas, NCB originated a higher volume of loans in both number and dollar volume. The bank's performance is considered excellent when consideration is given to the strong competition from much larger financial institutions within the assessment area. NCB originated 93.38 percent and 95.83 percent of its business loans (by number) to businesses with annual revenues of \$1 million or less in the Washington-Arlington-Alexandria and the Bethesda-Frederick-Gaithersburg Metropolitan Divisions, respectively. The following charts display the bank's performance in each Metropolitan Division.

Business Loans

Washington-Arlington-Alexandria (MD 47894)

The distribution of loans to small businesses, those with less than \$1 million in gross annual revenues, within NCB’s primary assessment area is excellent. By number and dollar amount, the percentage of loans to small businesses is substantially above the percentage of small businesses in the assessment area as reported in Table 2A below.

Table 2A - Borrower Distribution of Loans to Businesses Washington-Arlington-Alexandria				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	69.91%	5.02 %	25.07%	100%
% of Bank Loans in AA by #	93.38%	6.62%	0.00%	100%
% of Bank Loans in AA by \$	89.09%	10.91%	0.00%	100%

Source: Business loan data 1/1/2012-12/31/2013

Bethesda-Frederick-Gaithersburg (MD 13644)

The distribution of loans to small businesses in NCB’s secondary assessment area is excellent. By number volume, the percentage of loans to small businesses is substantially above the percentage of small businesses in the assessment area as reported in Table 2B below, while the dollar volume is comparable to the percentage of small businesses in the assessment area.

Table 2B - Borrower Distribution of Loans to Businesses Bethesda-Frederick-Gaithersburg				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.46%	14.30%	21.94%	100%
% of Bank Loans in AA by #	95.83%	4.17%	0.00%	100%
% of Bank Loans in AA by \$	79.37%	20.63%	0.00%	100%

Source: Business loan data 1/1/2012-12/31/2013

Home Loans

Overall, the borrowers’ distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, and the overall distribution of HMDA loans is reasonable.

Washington-Arlington-Alexandria (MD 47894)

Overall lending levels in the primary assessment area reflects reasonable responsiveness to meeting the credit needs. The bank’s lending to low- and moderate-income families is below the number of low- and moderate-income families within the

assessment area. However, the number of loans made to low-income families and to moderate-income families is assessed as reasonable in light of several factors. According to the 2013 HUD-updated median family income, low-income families earn less than \$52,950. In comparison, the median housing value in the assessment area is \$441,797. Additionally, there are 8.04 percent of households that are below the poverty level. These factors negatively impact opportunities for home purchase, home improvement, and home refinance lending to low- and moderate-income families. For this reason, it is deemed reasonable for the number of loans made to low- and moderate- income families to be below the number of families within these income tracts. Table 2C reflects borrower distribution of home mortgage loan segments.

Table 2C - Borrower Distribution of Residential Real Estate Loans Washington-Arlington-Alexandria								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase Loans	22.60	4.55	17.01	4.55	19.72	*40.90	*40.67	50.00
Home Improvement Loans	22.60	15.15	17.01	15.15	19.72	6.06	*40.67	63.64
Home Refinance Loans	22.60	3.66	17.01	8.54	19.72	20.12	*40.67	67.68
TOTAL HMDA LOANS ¹	22.60	5.48	17.01	9.13	19.72	20.09	*40.67	65.30

Source: 2010 U.S. Census. HMDA Data reported for evaluation period January 1, 2012-December 31, 2013.
*Rounding

Bethesda-Frederick-Gaithersburg (MD 13644)

The bank’s lending to borrowers of different income levels reflects reasonable penetration given the demographics of the secondary assessment area. The bank’s level of HMDA lending to low-income borrowers is below the percentage of low-income families within the assessment area, however, the percentage of total HMDA loans to moderate-income families exceeds the percentage of moderate-income families. We note that the number of families below the poverty line in the assessment area is 5.59 percent and that the median housing price of \$503,056, both factors making it difficult for low-income borrowers to qualify for home loans in this area. See Table 2D for borrower distribution of home mortgage loan segments.

¹ Loans for which borrower income was available.

Table 2D - Borrower Distribution of Residential Real Estate Loans Bethesda-Frederick-Gaithersburg								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase Loans	20.44	0.00	16.63	25.00	20.56	25.00	42.37	50.00
Home Improvement Loans	20.44	14.29	16.63	14.29	20.56	0.00	42.37	*71.42
Home Refinance Loans	20.44	7.41	16.63	14.81	20.56	29.63	42.37	48.15
TOTAL HMDA LOANS ²	20.44	7.14	16.63	16.67	20.56	23.81	42.37	52.38

Source: 2010 U.S. Census. HMDA Data reported for evaluation period January 1, 2012-December 31, 2013.

*Rounding

Geographic Distribution of Business Loans and Home Loans

The geographic distribution of loans reflects overall reasonable penetration among businesses of different sizes and individuals of different income levels. The overall geographic distribution of business loans reflects poor dispersion while the distribution of HMDA loans is reasonable.

Business Loans

The overall geographic distribution of business loans reflects poor dispersion throughout census tracts of different income levels. However, when giving more weight to the bank's primary assessment area of Washington-Arlington-Alexandria, NCB's performance does meet the standard for satisfactory performance.

Washington-Arlington-Alexandria (MD 47894)

The bank's geographic distribution of business loans reflects reasonable dispersion in low-income census tracts and poor dispersion in moderate-income census tracts. The percentage of business loans NCB made in moderate-income geographies is significantly lower than the percentage of businesses that are located in these geographies and fell below the standard for satisfactory performance. The following table details the bank's performance as compared to the percentage of businesses within census tracts of different income levels.

² Loans for which borrower income was available.

Table 3A – Geographic Distribution of Business Loans Washington-Arlington-Alexandria								
Census Tract *Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	4.99%	2.44%	17.00%	6.27%	32.88%	16.72%	44.35%	74.56%

Source: Business loan data 1/1/2012-12/31/2013

Bethesda-Frederick-Gaithersburg (MD 13644)

The bank's geographic distribution of business loans reflects poor dispersion throughout census tracts of different income levels. NCB did not originate or purchase loans to businesses located in low-income geographies given the limited opportunities to lend to businesses in low-income geographies. Additionally, the percentage of business loans NCB originated in moderate-income geographies is significantly lower than the percentage of businesses located in these geographies and did not meet the standard for satisfactory performance. The majority of the bank's lending in this assessment area originated in middle- and upper-income geographies, areas that can be reasonably served through the bank's Friendship Heights branch and the ATM located on Wisconsin Avenue. The following table details the bank's performance as compared to the percentage of businesses within census tracts of different income levels.

Table 3B – Geographic Distribution of Business Loans Bethesda-Frederick-Gaithersburg								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	3.52%	0.00%	26.00%	8.33%	27.87%	18.75%	42.61%	72.92%

Source: Business loan data 1/1/2012-12/31/2013

Home Loans

Washington-Arlington-Alexandria (MD 47894)

Overall, the distribution of HMDA loans within the assessment area reflects reasonable dispersion among the geographies. The percentage of home purchase loans the bank originated in low-income geographies exceeds the percentage of owner-occupied housing units and the percentage of loans made in moderate-income geographies demonstrates reasonable dispersion. The percentage of home improvement and refinance loans in low- and moderate-income geographies are below the percentage of owner-occupied housings units in those geographies. Table 3C details the bank's performance as compared to the percentage of owner-occupied units within census tracts of different income levels.

Table 3C - Geographic Distribution of Residential Real Estate Loans Washington-Arlington-Alexandria								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Units	% of Number of Loans						
Home Purchase	5.11	8.00	18.41	16.00	35.99	28.00	40.49*	48.00
Home Improvement	5.11	2.86	18.41	8.57	35.99	25.71	40.49*	62.86
Home Refinance	5.11	2.84	18.41	7.95	35.99	17.05	40.49*	72.16
TOTAL HMDA³	5.11	3.39	18.41	8.90	35.99	19.49	40.49*	68.22

Source: 2010 U.S. Census. HMDA Data reported for evaluation period January 1, 2012-December 31, 2013.

*Rounding

Bethesda-Frederick-Gaithersburg (MD 13644)

The distribution of HMDA loans reflects reasonable dispersion among low and moderate-income geographies given that NCB has no physical presence in this assessment area. Although the bank did not originate any home loans in low-income geographies during the review period, the percentage of owner occupied housing units is low at 3.02 percent. NCB additionally does not have a physical presence within the assessment area, which contributes to the difficulty in lending within these geographies. While NCB made no purchase loans in moderate-income census tracts within the assessment area, the percentage of home improvement loans originated is above the percentage of owner-occupied housings units. The percentage of home refinance loans is reasonable when compared to the percentage of owner-occupied units in moderate-income census tracts.

Table 3D - Geographic Distribution of Residential Real Estate Loans Bethesda-Frederick-Gaithersburg								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Units	% of Number of Loans						
Home Purchase	3.02	0.00	21.85	0.00	34.22	75.00	40.91	25.00
Home Improvement	3.02	0.00	21.85	25.00	34.22	50.00	40.91	25.00
Home Refinance	3.02	0.00	21.85	17.86	34.22	10.71	40.91	71.43
TOTAL HMDA⁴	3.02	0.00	21.85	15.91	34.22	29.55	40.91	54.55

Source: 2010 U.S. Census. HMDA Data reported for evaluation period January 1, 2012-December 31, 2013.

³ Loans for which census tracts were available.

⁴ Loans for which census tracts were available.

COMMUNITY DEVELOPMENT TEST

Overall, the bank demonstrates adequate responsiveness to community development needs. The extent to which the bank could provide community development loans to its entire assessment area was limited. NCB responded to community development needs within its primary assessment area through community development loans and services, however, the bank's secondary assessment area continues to pose a challenge for the bank due to the limited community development activities within the area.

The Washington-Arlington-Alexandria (MD 47894)

NCB's community development activities, as a whole, demonstrates reasonable responsiveness to community development needs within its primary assessment area when considering the bank's capacity, performance context, and the competition for community development opportunities. The bank responded to the community development needs of its assessment area through community development loans and services. Between February 1, 2012 and March 30, 2015, the bank originated \$5.8 million in community development loans and renewed \$12.9 million. Community development loans included loans to (i) not-for-profit organizations primarily serving community development needs, (ii) borrowers to finance environmental clean-up as part of an effort to revitalize the community, and (iii) borrowers who help retain businesses that employ local residents including low- and moderate-income individuals.

NCB contributed little in qualified community development investments during the review period. However, the bank did provide outstanding community development services. Bank employees and officers continue to provide technical assistance on financial matters to nonprofit organizations serving low- to moderate-income economic revitalization and development needs.

A community contact discussed opportunities for financial institutions within the assessment area. The contact was a non-profit community development organization whose mission is to empower underserved communities and individuals in the District of Columbia metropolitan area by providing access to capital and technical assistance to small businesses, child care centers, affordable housing developers, and community organizations. The community contact indicated that there are opportunities for financial institution participation to support "meet the lender" events where small business owners can meet one on one with lenders. Other opportunities include employment opportunities and affordable housing.

The Bethesda-Frederick-Gaithersburg (MD 13644)

The assessment area continues to pose a challenge for the bank given the limited community development activities in the area. While NCB did not meet the needs of the community through qualified investment opportunities, there was an adequate volume of lending to meet community development needs in light of the bank's assets and the assessment area.

RESPONSES TO COMPLAINTS

There have been no complaints received concerning NCB's performance in meeting the credit needs of the assessment area since the preceding evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.