



## PUBLIC DISCLOSURE

November 12, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Capital Bank, National Association  
Charter Number 23850

1 Church Street  
Rockville, MD 20850

Office of the Comptroller of the Currency

400 7th Street S.W.  
Washington, DC 20291

**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.**

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

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

The major factors supporting this rating include:

- The Bank's quarterly average net loan-to-deposit ratio is more than reasonable and exceeds the standards for satisfactory performance;
- A majority of the Bank's loans were originated in the Bank's combined assessment area;
- The distribution of loans by borrower income represents a reasonable penetration among individuals of different income levels;
- The geographic distribution of loans reflects reasonable dispersion throughout the census tracts of different income levels; and
- The level of qualified community development services, loans, and investments represents adequate responsiveness to identified community development needs.

## **SCOPE OF EXAMINATION**

Capital Bank, National Association (CBNA) was evaluated under the Intermediate Small Bank examination procedures, as the Bank had assets of at least \$300 million as of December 31 of both of the previous two calendar years, and less than \$1.2 billion as of either of the prior two calendar years. These procedures evaluate the Bank's performance based upon a Lending Test and a Community Development (CD) Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) Analysis; Assessment Area (AA) Concentration; Geographic Distribution; Borrower Profile; and Response to CRA Complaints. The Community Development Test evaluates the Bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services. The evaluation period for the Lending Test covers the Bank's performance from January 1, 2012 through December 31, 2013. The evaluation period for the community development test is from April 20, 2009, the date of the last CRA Evaluation, through November 12, 2014.

CBNA's primary loan product based on originations and purchases during the evaluation period is residential mortgages. Residential loans represent 78 percent of the Bank's originations and purchases by number and 71 percent of the originations and purchases by dollar volume during the evaluation period. This evaluation considered CBNA's HMDA-reportable loans (home purchase and home refinance) for the calendar years 2012, and 2013. Home improvement

loans are not a primary product for the Bank; therefore, we did not include home improvement loans in our analysis or in the tables below.

In order to ensure that CBNA's record of originating residential mortgage loans was accurate and reliable, we analyzed loan data CBNA collected and reported in accordance with the Home Mortgage Disclosure Act (HMDA) requirements. This data integrity examination was performed during the second quarter of 2014. During that examination, we evaluated CBNA's processes to ensure the accuracy of collected HMDA data and tested a sample of CBNA's reported HMDA loans. Specifically, we tested the accuracy of HMDA loan data by comparing it against CBNA's loan file documentation. The data integrity examination revealed that CBNA's publicly available HMDA loan data could be relied upon for the purposes of this CRA evaluation.

## **DESCRIPTION OF INSTITUTION**

CBNA is an interstate community Bank headquartered in Rockville, MD. As of September 30, 2014, CBNA had total assets of \$543.3 million. As of the same date, CBNA had net loans and leases of \$480.7 million, total deposits of \$436.3 million and Tier One Capital of \$54.5 million. CBNA is a wholly owned subsidiary of Capital Bancorp, a one-bank holding company. CBNA does not have any operating subsidiaries.

As of September 30, 2014, CBNA operates its main branch and one other full service branch in Montgomery County, Maryland and one full service branch in the District of Columbia (DC). All three branches are open weekdays from 9:00 AM until 4:00 PM and until 5:00 PM on Friday. The main branch and the DC branch have Automated Teller Machines (ATMs). In addition to these two full service ATM's, CBNA has one ATM at Revitz House, a federally subsidized apartment facility for seniors and persons with physical disabilities located in Rockville, MD. ATM services at foreign ATMs are available through Capital's participation in the Star and Cirrus systems. CBNA refunds its customers for up to \$8.00 of fees monthly, charged by foreign ATMs.

CBNA also operates two loan production offices (LPOs), one located in Howard County, MD and the other in Fairfax County, VA. In August of 2011, through the acquisition of a failed Bank, Public Savings Bank, the Bank acquired a secured credit card division with the OpenSky secured VISA card oriented toward people who would like to re-establish or establish their credit. This product is only available via the Internet. The customers of the OpenSky card have access to customer service help lines 24/7.

CBNA's products include a variety of traditional deposit and loan products, 24-hour telephone banking, and on-line Internet bill payment services. It defines itself as a "business bank", targeting closely-held businesses, professionals, not-for-profit organizations and investors. CBNA provides small business owners and others with a full range of commercial loan services including term loans, lines of credit and customized terms. Affordable mortgage products available during the review period included loans guaranteed by the Federal Housing Administration (FHA), and the Veterans Administration (VA) loans. These mortgage programs target low- and moderate-income individuals and families by permitting higher debt-to-income and loan-to-value ratios. The Bank's Internet website, <http://www.capitalbankmd.com> provides detailed information on products and services for both consumers and businesses.

CBNA operates in an intensely competitive market with many competitors consisting of local community banks, branches of larger national and regional lenders. As such, CBNA has a relatively limited presence in its assessment area with its three branches and two LPOs. CBNA's main competitors are: E\*TRADE Bank, Wachovia Bank, NA, Capital One, NA, Bank of America, NA, and SunTrust Bank.

There are ample opportunities available for banks to address CD and credit needs in the area. The area is served by several CDFIs, CD entities, and nonprofit entities. During this evaluation, OCC representatives met with various CD organizations that support economic development, small business development, and affordable housing and community services targeted toward LMI individuals and families. Through our contacts with these organizations, some of the most critical community needs include:

- creation, preservation and rehabilitation of affordable housing (rental housing and revitalization);
- housing for special needs populations;
- foreclosure prevention services;
- loans for affordable housing construction and rehabilitation;
- financial education;
- small business development;
- technical assistance and access to credit for small businesses and microenterprises; and
- funding for nonprofit entities.

There are no financial or legal impediments to hinder CBNA's ability to help meet the credit needs of the communities it services. CBNA's last Public Evaluation (PE), dated April 20, 2009, was rated Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREAS**

CBNA's assessment area includes areas within two contiguous Metropolitan Statistical Areas (MSAs): Washington-Arlington-Alexandria, DC-VA-MD-WV MSA 47900 and Baltimore-Towson, MD MSA 12580, which is part of Consolidated Statistical Area (CSA) 548 (Washington-Baltimore-Northern Virginia, DC-MD-VA-WV). MSA 47900 is further broken down in two Metropolitan Divisions (MDs). The first MD is the Washington-Arlington-Alexandria, DC-VA-MD-WV MD 47894. The second MD is the Bethesda-Frederick-Gaithersburg, MD 13644. Each MD received a full-scope review. More weight was placed on the MSA 47900 because all of the Bank's branches and deposits are in this AA, and a majority of the Bank's lending originated in this AA.

### **The Bethesda-Frederick-Gaithersburg, Maryland MD 13644**

CBNA's primary AA is a portion of the Bethesda-Frederick-Gaithersburg, MD MD 13644. The Bethesda-Frederick-Gaithersburg, MD MD 13644 is comprised of Frederick County and Montgomery County in Maryland. CBNA designated all 276 census tracts in this AA. This AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. Two branches and one ATM are located within this AA. One branch and the ATM are located in a moderate-income CT, and one branch is located in an upper-income CT.

Below is a summary of demographic information for this AA:

Demographic Information for Full Scope Area: MD 13644 Bethesda-Rockville-Frederick						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	276	6.16	29.35	36.23	28.26	0.00
Population by Geography	1,205,162	6.10	28.33	37.49	28.08	0.00
Owner-Occupied Housing by Geography	308,927	3.05	22.99	41.19	32.76	0.00
Business by Geography	128,450	3.82	27.46	34.28	34.43	0.00
Farms by Geography	2,798	2.72	23.37	47.68	26.23	0.00
Family Distribution by Income Level	303,467	20.78	17.55	21.88	39.78	0.00
Median Family Income		107,887	Median Housing Value		472,266	
HUD Adjusted MFI for 2013		112,200	Unemployment Rate (2010 US Census)		4.5%	
Households Below Poverty Level		5%				

(\* ) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2013 HUD updated MFI; Unemployment Rate – September 2014 Bureau of Labor Statistics

Of the 276 census tracts, 17 are low-income geographies, 81 are moderate-income geographies, 100 are middle-income geographies, and 78 are upper-income geographies.

The 2010 U.S. Census reported the total population of the AA at 1,205,162. Within the AA, there are 436,632 households and 303,467 families. There are 460,196 housing units, of which, 67 percent are owner-occupied, 29 percent are rental-occupied, and 5 percent are vacant housing units. Approximately 3 percent of owner-occupied housing is located in low-income geographies, 23 percent in moderate-income geographies, 41 percent in middle-income geographies, and 33 percent in upper-income geographies. The median housing cost is \$472,266. Based on statistics from the National Association of Realtors, the national median sales price for existing single-family homes was 197,400 in 2013. The high cost of living associated with this area makes home ownership difficult, especially for LMI individuals.

The 2010 median income for this AA was \$107,887, and the 2013 HUD updated median family income is \$112,200. Approximately 21 percent of families are low-income, 18 percent are moderate-income, 22 percent are middle-income, and 40 percent are upper-income. There are 5 percent of households below the poverty level.

Competition for loans and deposits is strong in this AA. Based on the June 30, 2014 FDIC Summary of Deposit Market Share report, CBNA’s deposit market share within the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA is 0.22 percent, ranking CBNA 31 out of 87 institutions in the MSA. CBNA’s primary competitors in the Washington-Arlington-Alexandria,

DC-VA-MD-WV MSA are: E\*TRADE (2 offices, 16.80 percent market share), Wells Fargo, NA (166 offices, 12.78 percent market share), Bank of America, NA (165 offices, 12.42 percent market share), Capital One, NA (186 offices, 11.33 percent market share), and SunTrust Bank (175 offices, 8.96 percent market share). CBNA's deposit market share within Montgomery County is 1.13 percent, ranking CBNA 12 out of 34 institutions in Montgomery County.

The current local economy is considered diversified and stable. Key sectors driving the economy continue to be the federal government, information technology, life sciences. Some of the major employers in Montgomery County are: National Institutes of Health, Adventist Healthcare, Food and Drug Administration, Marriott International, Lockheed Martin Corp., and National Naval Medical Command. Competition for mortgage loans is strong and includes local commercial and savings banks and branches of larger regional and nationwide banks. The Institution Market Share report indicates that CBNA competes with 505 lenders within its AA. The top ten lenders dominate the market with overall market share of approximately 48 percent. The top five lenders are: Wells Fargo Bank, JP Morgan Chase Bank, SunTrust Mortgage Inc., Branch Banking and Trust Company and Bank of America. CBNA ranks 34th with a market share of 0.61percent.

According to the September 2014 Bureau of Labor Statistics data, the unemployment rate for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA was 5.0 percent. The unemployment rate for the Bethesda-Frederick-Gaithersburg, MD was 4.5 percent. The unemployment rate for Montgomery County was 4.5 percent, and the unemployment rate for the state of Maryland was 5.6 percent. The national unemployment rate was 5.8 percent as of November 2014.

**The Washington-Arlington-Alexandria, DC-VA-MD-WV MD 47894**

CBNA's second AA is a portion of the Washington-Arlington-Alexandria, DC-VA-MD- WV MD 47894. 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. There is one full service branch that provides services in this AA. The branch offers a full line of traditional banking products and services and is open weekdays from 9:00 AM until 4:00 PM and until 5:00 PM on Friday. There is also a full service automated teller machine (ATM) at this branch.

CBNA designated all of the census tracts in the District of Columbia, Prince George's County in Maryland, and Arlington, Fairfax, Loudoun, Alexandria City, Fairfax City, Manassas City, Manassas Park City and Falls Church City in Virginia as its AA. CBNA could not reasonably service the other counties; therefore, they were excluded from the Bank's AA. CBNA'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:

<b>Demographic Information for Full Scope Area: MD 47894 Wash-Arl-Alex-DC-VA-MD-WV</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #

Geographies (Census Tracts/BNAs)	834	11.75	23.26	30.34	33.57	1.08
Population by Geography	3,293,764	10.64	22.18	31.57	35.38	0.23
Owner-Occupied Housing by Geography	749,817	4.59	17.38	35.03	42.99	0.00
Business by Geography	359,791	4.69	16.35	32.31	45.88	0.77
Farms by Geography	4,005	3.37	14.06	33.66	48.81	0.10
Family Distribution by Income Level	735,835	21.46	16.66	20.01	41.87	0.00
Median Family Income		100,890	Median Housing Value		444,917	
HUD Adjusted MFI for 2013		105,900	Unemployment Rate (2010 US Census)		3.46%	
Households Below Poverty Level		8%			4.7%	

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2013 HUD updated MFI; Non- seasonally adjusted Unemployment Rate – October 2014 Bureau of Labor Statistics

Of the 834 census tracts, 98 are low-income geographies, 194 are moderate-income geographies, 253 are middle-income geographies, 280 are upper-income geographies, and 9 have not been assigned an income classification.

The 2010 U.S. Census reported the total population of the AA at 3,293,764. Within the AA, there are 1,221,119 households and 735,835 families. There are 1,333,207 housing units, of which, 56 percent are owner-occupied, 35 percent are rental-occupied, and 8 percent are vacant housing units. Approximately 5 percent of owner-occupied housing is located in low- income geographies, 17 percent in moderate-income geographies, 35 percent in middle-income geographies, and 43 percent in upper-income geographies. The median housing cost is \$444,917. Based on statistics from the National Association of Realtors, the national median sales price for existing single-family homes was 197,400 in 2013. The high cost of living associated with this area makes home ownership difficult, especially for LMI individuals.

The 2010 median income was \$100,890, and the 2013 HUD updated median family income is \$105,900. Approximately 21 percent of the families are low-income, 17 percent are moderate-income, 21 percent are middle-income, and 42 percent are upper-income. Approximately 8 percent of households are below the poverty level.

Competition for loans and deposits is strong in this AA. Based on the June 30, 2014 FDIC Summary of Deposit Market Share report, CBNA's deposit market share within the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA is 0.22 percent, ranking CBNA 31 out of 87 institutions in the MSA. CBNA's primary competitors in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA are: E\*TRADE (2 offices, 16.80 percent market share), Wells Fargo, NA (166 offices, 12.78 percent market share), Bank of America, NA (165 offices, 12.42 percent market share), Capital One, NA (186

offices, 11.33 percent market share), and SunTrust Bank (175 offices, 8.96 percent market share).

The current local economy is considered diversified and relatively stable. The recession did not adversely affect the AA economy as much as the rest of the country. The presence of the federal government helps to create a relatively stable employment base for the region. The Public Sector is the largest employer in the AA. Private employers include large healthcare providers such as Medstar and Inova and aerospace/defense contractors including Northrop Grumman, Science Applications International and Lockheed Martin. Other large private employers in the area include Booz Allen Hamilton, Marriott International and Verizon.

Unemployment rates traditionally run much lower than the national average in this area although the trends are generally similar. Budget sequestration in mid-2013 had a more significant impact in this area than it did nationally due to the high number of government and government-related private sector jobs. According to the Bureau of Labor Statistics, national unemployment rate was 5.8 percent as of November 30, 2014. The October 30, 2014 non-seasonally adjusted unemployment rate for the District of Columbia was 7.2 percent, and the preliminary unemployment rate for the Washington-Arlington-Alexandria MD was 4.7 percent.

### **The Baltimore-Towson, Maryland MSA 12580**

CBNA's third AA is a portion of the Baltimore-Towson, MD MSA 12580. The Baltimore-Towson MSA includes the counties of Anne Arundel, Baltimore, Carroll, Harford, Howard, Queen Anne's and Baltimore City.

CBNA designated all of the census tracts in Baltimore City, Baltimore County, Carroll County, Ann Arundel County and Howard County in this AA. CBNA's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. CBNA has no branches or ATM facilities, but it has one loan production office (LPO) located in this AA.

Below is a summary of demographic information for this AA:

<b>Demographic Information for Full Scope Area: Baltimore-Towson MD MSA 12580</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	611	16.20	22.59	31.26	28.64	1.31
Population by Geography	2,417,865	11.79	21.59	33.44	32.62	0.57
Owner-Occupied Housing by Geography	604,904	6.38	17.68	36.81	39.13	0.01
Business by Geography	0	0.00	0.00	0.00	0.00	0.00
Farms by Geography	0	0.00	0.00	0.00	0.00	0.00
Family Distribution by Income Level	587,983	22.22	17.39	20.50	39.89	0.00

Distribution of Low and Moderate Income Families throughout AA Geographies	232,891	20.81	30.35	31.64	17.20	0.00
Median Family Income	81,788	Median Housing Value	294,827			
HUD Adjusted Median Family Income for 2013	85,600	Unemployment Rate (2010 US Census)	5.6%			
Households Below Poverty Level	10%					

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2013 HUD updated MFI; Unemployment Rate – October 2014 Bureau of Labor Statistics

Of the 611 census tracts, 99 are low-income geographies, 138 are moderate-income geographies, 191 are middle-income geographies, and 175 are upper-income geographies and eight have not been assigned an income classification.

The 2010 U.S. Census reported the total population of the AA at 2,417,865. Within the AA, there are 911,616 households and 587,983 families. There are 1,008,370 housing units, of which, 60 percent are owner-occupied, 30 percent are rental-occupied, and 10 percent are vacant housing units. Approximately 6 percent of owner-occupied housing is located in low-income geographies, 18 percent in moderate-income geographies, 37 percent in middle-income geographies, and 39 percent in upper-income geographies. The median housing cost is \$294,827. Based on statistics from the National Association of Realtors, the national median sales price for existing single-family homes was 197,400 in 2013.

The 2010 median income for this AA was \$ 81,788, and the 2013 HUD updated median family income is \$85,600. Approximately 22 percent of families are low-income, 17 percent are moderate-income, 21 percent are middle-income, and 40 percent are upper-income. There are 10 percent of households below the poverty level.

According to the Bureau of Labor Statistics, the October 30, 2014 non-seasonally adjusted unemployment rate was 5.6 percent.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

CBNA’s performance under the Lending Test is “Satisfactory”. CBNA’s quarterly average net loan-to-deposit ratio is more than reasonable. A majority of loans originated were inside the Bank’s combined AA. The distribution of loans reflects a reasonable distribution among individuals of different income levels. The geographic distribution of loans reflects reasonable distribution throughout census tracts of different income levels. All criteria of the Lending Test are documented below. Home improvement loans are not a primary product for the Bank; therefore, we did not include home improvement loans in our analysis or in the tables below.

## LENDING TEST

### Loan-to-Deposit Ratio

CBNA’s quarterly average net loan-to-deposit ratio is more than reasonable given the Bank’s size, financial condition, and the credit needs of the AA. CBNA’s loan-to-deposit ratio exceeds the standards for satisfactory performance. The Bank’s quarterly average net loan-to-deposit ratio over the twenty-two quarters since the last CRA examination was 108.40 percent. The custom peer group’s ratio ranged from a quarterly low of 101.76 percent to a quarterly high of 112.47 percent during that time period. The quarterly average net loan-to deposit ratio for a custom peer group of six similarly sized and situated banks was 85.82 percent over the same period. The ratio ranged from a quarterly low of 40.87percent to a quarterly high of 107.40 percent during that time period.

### Lending in Assessment Area

A majority of CBNA's home mortgage loans were originated or purchased inside the Bank’s combined assessment area and this meets the standard for satisfactory performance. During the evaluation period, 77.41percent of the number and 84.15 percent of the dollar amount of total home mortgage loans were originated or purchased within the Bank’s combined 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
	#	%	#	%		\$	%	\$	%	
Home Purchase	388	73.90%	137	26.10%	525	149,701	84.66%	27,133	15.34%	176,834
Home Refinance	1,802	78.21%	502	21.79%	2,304	649,638	84.03%	123,448	15.97%	773,086
<b>Totals</b>	<b>2,190</b>	<b>77.41%</b>	<b>639</b>	<b>22.59%</b>	<b>2,829</b>	<b>799,339</b>	<b>84.15%</b>	<b>150,581</b>	<b>15.85%</b>	<b>949,920</b>

### Lending to Borrowers of Different Incomes

The distribution of loans reflects reasonable distribution among individuals of different income levels, and CBNA’s record of lending to borrowers of different incomes meets the standard for satisfactory performance.

### The Bethesda-Frederick-Gaithersburg, Maryland MD 13644

Performance in lending to low- and moderate-income borrowers is adequate considering performance context.

In our analysis, we took into consideration the lack of affordability for a low- or moderate-income family to purchase a home. Based on the 2010 census data, the median cost of housing is \$472,266. The 2013 HUD updated median family income is \$112,200, which means a low-income family earned less than \$56,100. Additionally, moderate-income families earned at least \$56,100 but less than \$89,760. Therefore, low- and moderate-income borrowers would have difficulty finding affordable housing in the AA. Furthermore, 5 percent of households in the AA are below the poverty level.

The percentage of home purchase loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of home purchase loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA. The 2013 HMDA aggregate data indicates CBNA ranks 38 out of 162 lenders in the AA with a 0.56 percent market share in home purchase lending. Large nationwide banks and mortgage companies dominate the market for this product.

The distribution of home refinance loans to low- and moderate-income borrowers is below the percentages of low- and moderate-income families in the AA. Based on the 2013 HMDA aggregate data, CBNA ranked 53 out of 214 lenders in the AA with a 0.26 percent market share in home refinance lending.

The following table reflects the distribution of home loan products among borrowers of different income levels as compared to the percentage of families in each income category.

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	21.46	4.96	17.55	14.89	21.88	18.44	39.78	61.70
Home Refinance	20.78	2.69	17.55	9.46	21.88	21.96	39.78	65.89

Source: All HMDA reported loans from January 1, 2012 through December 31, 2013. Percentage of families is based on the 2010 Census Data.

### **The Washington-Arlington-Alexandria, DC-VA-MD-WV MD 47894**

Performance in lending to low- and moderate-income borrowers is adequate considering performance context.

In our analysis, we took into consideration the lack of affordability for a low- or moderate-income family to purchase a home. Based on the 2010 census data, the median cost of housing is \$444,917. The 2013 HUD updated median family income is \$105,900 which means a low-income family earned less than \$52,950. Additionally, moderate-income families earned at least \$52,750 but less than \$84,720. Therefore,

low- and moderate-income borrowers would have difficulty finding affordable housing in the AA. Furthermore, 8 percent of households in the AA are below the poverty level.

The distribution of home purchase loans to low- and moderate-income borrowers is below the percentages of low- and moderate-income families in the AA. The 2013 HMDA aggregate data indicates CBNA ranks 181 out of 209 lenders in the AA with a 0.02% market share in home purchase lending. Large nationwide banks, mortgage companies, dominate the market for this product.

The distribution of home refinance loans to low- and moderate-income borrowers is below the percentages of low- and moderate-income families in the AA. Based on the 2013 HMDA aggregate data, CBNA ranked 103 out of 269 lenders in the AA with a 0.08 percent market share in home refinance lending.

The following table reflects the distribution of home loan products among borrowers of different income levels as compared to the percentage of families in each income category.

<b>Table 2a - Borrower Distribution of Residential Real Estate Loans MD 47894 Wash-Arl-Alex-DC-VA-MD-WV</b>								
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	21.46	1.11	16.66	10.00	20.01	21.11	41.87	67.78
Home Refinance	21.46	1.88	16.66	8.56	20.01	17.95	41.87	71.61

Source: HMDA – reported data report 1/1/12 – 12/31/13; 2010 U.S. Census data.

### **The Baltimore-Towson, Maryland MSA 12580**

Performance in lending to low- and moderate-income borrowers is adequate considering performance context.

In our analysis, we took into consideration the lack of affordability for a low- or moderate-income family to purchase a home. Based on the 2010 census data, the median cost of housing is \$294,827. The 2013 HUD updated median family income is \$85,600, which means a low-income family earned less than \$42,800. Additionally, moderate-income families earned at least \$42,800 but less than \$68,480. Therefore, low- and moderate-income borrowers would have difficulty finding affordable housing in the AA. Furthermore, 10 percent of households in the AA are below the poverty level.

There is also a high level of competition in the Bank's assessment area for mortgage loans. During 2013, the latest year for which aggregate lending data is available, 588 HMDA lenders reported originating one or more mortgage loans in the Bank's assessment area. CBNA ranked 56 with a market share of 0.28 percent by the number of loans. The top five HMDA lenders in 2013 had a combined market share of 43.5

percent by the number of loans, with the leading lender having a market share of 35.66 percent by number volume. Among the leading lenders were national and regional financial institutions such as Wells Fargo Bank; JPMorgan Chase Bank, N.A., Bank of America, N.A.; and Branch Banking and Trust Co.

The distribution of home purchase and home refinance loans to low-income borrowers is significantly below the percentages of low-income families in the AA at 1.41 percent and 1.71 percent, respectively. The percentage of home refinance loans made to moderate-income borrowers is also lower than the percentage of moderate-income families in the AA. However, CBNA performed favorably in its home purchase loan product line to moderate-income borrowers. The percentage of home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA at 18.31percent.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2013 as compared to the percent of families in each income category.

Table 2b- Borrower Distribution of Residential Real Estate Loans MD 12580 Baltimore-Towson								
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	22.22	1.41	17.39	18.31	20.50	15.49	39.89	64.79
Home Refinance	22.22	1.71	17.39	6.84	20.50	25.36	39.89	66.10

Source: All HMDA reported loans from January 1, 2012 through December 31, 2013. Percentage of families is based on the 2010 Census Data.

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels, and CBNA’s performance meets the standard for satisfactory performance. There were no conspicuous gaps identified within CBNA’s AA.

### The Bethesda-Frederick-Gaithersburg, Maryland MD 13644

The geographic distribution of home purchase and home improvement loans is adequate.

The percent of home purchase loans in the low-income geographies is near the percent of owner-occupied housing units in these geographies. The percentage of home purchase loans in the moderate-income geographies is lower than the percent of owner-occupied housing units in in these geographies.

The percentage of home refinance loans to both low- and moderate-income geographies is lower than the percentage of owner occupied housing units in the low- and moderate-income geographies in the AA.

Only 3.05 percent or 9,422 owner-occupied housing units are located in low-income geographies. This results in limited opportunities to make mortgage loans in these geographies.

The following table details the Bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2012, through December 31, 2013:

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans MD 13644 Bethesda-Rockville-Frederick</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.05	2.80	22.99	11.19	41.19	38.46	47.55	47.55
Home Refinance	3.05	1.03	22.99	9.58	41.19	26.68	47.55	62.71

Source: All HMDA reported loans from January 1, 2012 through December 31, 2013. Percentage of families is based on the 2010 Census Data.

**The Washington-Arlington-Alexandria, DC-VA-MD-WV MD 47894**

The distribution of home purchase loans to low-income geographies exceeds the percentage of owner occupied housing units within this AA. This performance is considered excellent when considering the strong competition and only one branch office in these geographies. The percentage of home purchase loans to moderate-income geographies is lower than the percentage of owner- occupied housing units in low-income geographies in the AA.

The percent of home refinance loans to low-income geographies is near the percentage of owner occupied housing units in the AA. The percent of home refinance loans to moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units in the AA.

The following table details the Bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2012, through December 31, 2013.

<b>Table 3a - Geographic Distribution of Residential Real Estate Loans MD 47894 Wash-Arl-Alex-DC-VA-MD-WV</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper

Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.59	5.32	17.38	7.45	35.03	23.40	42.99	63.83
Home Refinance	4.59	4.13	17.38	12.76	35.03	22.33	42.99	60.79

Source: All HMDA reported loans from January 1, 2012 through December 31, 2013. Percentage of families is based on the 2010 Census Data.

**The Baltimore-Towson, Maryland MSA 12580**

The geographic distribution of home purchase and home improvement loans is very poor.

The percentage of home purchase loans to low- and moderate-income geographies is lower than the percentage of owner occupied housing units in both low- and moderate-income geographies.

The percentage of home refinance loans in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units in these geographies.

The following table details the Bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2012, through December 31, 2013.

Table 3 - Geographic Distribution of Residential Real Estate Loans MD 12580 Baltimore-Towson AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	6.38	2.07	22.99	2.76	41.19	30.34	39.13	64.83
Home Refinance	6.38	0.77	17.68	3.08	41.19	21.28	39.13	74.87

Source: All HMDA reported loans from January 1, 2012 through December 31, 2013. Percentage of families is based on the 2010 Census Data.

**Responses to Complaints**

During the review period, CBNA received no written complaints pertaining to its performance in helping to meet the credit needs within the assessment area.

**COMMUNITY DEVELOPMENT TEST**

CBNA’s performance under the Community Development Test is rated Satisfactory. The Bank has conducted community development activities through a mix of loans, investments, and services. More detail on the level of activity within each of the three components of the Community Development Test is provided below, along with the regulatory definition of community development.

According to the definition found in 12 CFR 25, community development means:

- 1) Affordable housing for low- or moderate-income individuals;
- 2) Community services targeted to low- or moderate-income individuals;
- 3) Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or
- 4) Activities that revitalize or stabilize:
  - o low- or moderate-income geographies;
  - o designated disaster areas; or
  - o distressed or underserved non-metropolitan middle-income geographies.

CBNA's community development activities in its primary assessment areas demonstrate satisfactory responsiveness to the community development needs. On a combined basis, the Bank provided \$30.2 million in qualified CD loans, \$364 thousand in qualified investments and \$39 thousand in qualified donations to help meet community development needs. Bank officers also provided financial expertise by serving as a Board member of three organizations that provides community services to low- and moderate-income individuals.

### **Community Development Loans**

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or residential mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

#### **The Washington-Arlington-Alexandria, DC-VA-MD-WV MD 47894**

During the evaluation period, CBNA originated 56 community development loans in its assessment area totaling \$30.2 million. The majority of loans were for affordable housing. The projects expanded section 8 housing in the Washington D.C. area.

#### **The Bethesda-Frederick-Gaithersburg, Maryland MD 13644**

No community development loans were originated or purchased in this AA during the evaluation period.

#### **The Baltimore-Towson, Maryland MSA12580**

No community development loans were originated or purchased in this AA during the evaluation period.

## **Qualified Investments and Grants**

The Investment Test evaluates the Bank's record of meeting the assessment area's credit and economic development needs through its qualified investments. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

### **The Washington-Arlington-Alexandria, DC-VA-MD-WV MD 47894**

#### *Low Income Housing Tax Credit (LIHTC)*

CBNA purchased one qualified investment during the review. On August 15, 2012, the Bank entered into an agreement to purchase limited partnership interests in a partnership, which owns an "80-20" multi-family residential building, located in Washington D.C. The Property was financed with District of Columbia Housing Finance Agency FHA-Insured Multifamily Housing Revenue Bonds (NIBP Program—Foundry Lofts Project) Series 2009A-6 in the principal amount of \$47,700,000. CBNA funded approximately \$364 thousand of the investment during the current review period.

Additionally, during the evaluation period, CBNA made 15 grants and donations totaling \$30,270 to benefit various community groups in the AA.

### **The Bethesda-Frederick-Gaithersburg, Maryland MD 13644**

During the evaluation period, CBNA made two qualified donations totaling \$9,000 to various local charities benefiting low- and moderate-income individuals.

### **The Baltimore-Towson, Maryland MSA 12580**

CBNA made no qualifying investments or donations during the evaluation period in this AA.

## **Community Development Services**

This section of the Community Development Test evaluates the institution's record of providing community development services, including the provision and availability of services to low- and moderate-income people. A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance.

### **The Washington-Arlington-Alexandria, DC-VA-MD-WV MD 47894**

There were no community development services in this AA.

### **The Bethesda-Frederick-Gaithersburg, Maryland MD 13644**

During the evaluation period, two Bank officers provided financial and technical expertise by serving on the Board of Directors for four local organizations that provide community services to low- and moderate-income individuals and families and organizations assisting small businesses.

## **The Baltimore-Towson, Maryland MSA 12580**

There were no community development services in this AA.

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

CBNA's community development activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in the AAs. CBNA employees provide a reasonable amount of community services to organizations offering services to low- and moderate-income individuals or organizations assisting small businesses. Bank employees provide banking services to residents of Revitz House, a federally subsidized housing facility for seniors and persons with physical disabilities located in Rockville MD. Revitz House utilizes the Project Based Section 8 Federal housing program to make rent affordable to low income tenants. CBNA employees visit Revitz House facility once a week and take deposits, open new accounts and cash checks for the residents. In addition, the Bank has employed bilingual employees who speak eleven different languages to assist customers. The Bank also donates to local organizations that provide community development services. Community contacts rank affordable housing as the most pressing need in the assessment areas and the Bank has supported affordable housing. The level of investments and services is reasonable given the bank's performance context.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs of the Bank's combined assessment area.