



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 30, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cardinal Bank-Dulles, N.A.
Charter Number 23878**

**11150 Sunset Hills Rd
Reston, VA 20190**

**Comptroller of the Currency
Maryland/National Capital Area Field Office
1025 Connecticut Avenue, NW Suite 708
Washington, DC 20036**

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.

TABLE OF CONTENTS

| | |
|--|----------|
| INSTITUTION'S CRA RATING: | 1 |
| DESCRIPTION OF INSTITUTION | 2 |
| DESCRIPTION OF ASSESSMENT AREA | 2 |
| CONCLUSIONS ABOUT PERFORMANCE CRITERIA..... | 3 |

INSTITUTION'S CRA RATING: SATISFACTORY

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

- A more than reasonable loan-to-deposit ratio of 111%;
- A substantial majority of loans, representing 89% of the number and 82% of the dollar amount, originated within the assessment area;
- A reasonable record of lending to businesses of different sizes; and
- A reasonable geographic distribution of loans.

DESCRIPTION OF INSTITUTION

Cardinal Bank - Dulles, N.A. (Cardinal Bank) is one of four subsidiaries of Cardinal Financial Corporation (CFC), which is headquartered in Fairfax, Virginia. CFC began operations November 24, 1997 and opened Cardinal Bank in August 1999. As of June 30, 2001, the bank's total assets were \$42 million; gross loans were \$34 million; and total deposits were \$35 million. Lending activities include commercial (34%), commercial real estate (43%), residential real estate (10%) and consumer (13%) loans. The bank offers a full range of loan products and deposit services.

Cardinal Bank serves the community from its banking office located in Reston, Virginia. It is a full service bank, including a drive-up facility, Saturday hours, and a proprietary 24-hour ATM. The bank's strategic focus centers on small business lending; however, its initial strategy is to focus on large commercial borrowers as these opportunities are more readily available, particularly in conjunction with the affiliate banks of the holding company. There are no impediments, legal or otherwise, which would hinder efforts to meet the credit needs of the assessment area. However, strong competition from other community and regional banks, thrifts, credit unions, and non-financial institutions is evident in the assessment area. This is the bank's first Community Reinvestment Act (CRA) assessment.

DESCRIPTION OF ASSESSMENT AREA

Cardinal Bank has defined its assessment area as the counties of Arlington, Fairfax, Loudon, and Prince William. It also includes the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. This assessment area is situated within the Washington, D.C.-MD-VA Metropolitan Statistical Area (MSA) 8840. 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 1.5 million individuals.

The following table reflects the income levels of the census tract within the MSA. The 1990 Census Bureau and the 2001 Housing and Urban Development Agency (HUD) median family income levels are \$52,807 and \$85,600, respectively.

ASSESSMENT AREA DEMOGRAPHICS

| Designation | # Census Tracts | % of Total Tracts |
|-----------------|-----------------|-------------------|
| Low Income | 2 | 1% |
| Moderate Income | 39 | 10% |
| Middle Income | 159 | 42% |
| Upper Income | 115 | 31% |
| Not Applicable* | 61 | 16% |
| Totals | 376 | 100% |

* No income reported for these tracts

During the last several years, the assessment area economy has experienced significant growth and is highly prosperous. Major employers consist of the Department of Education, INOVA Healthcare system, Mobil, numerous technology industries, and the retail service sector. Management has identified small business and residential real estate loans as the primary credit needs within the bank's assessment area. These needs were also highlighted by two community contacts consisting of a local chamber of commerce and a city economic development board. Meeting these needs is part of the bank's strategic focus. However, being new to the market and given the strong competition in the area, efforts over the last two years have focused on the more readily available larger commercial credit needs within the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Analysis

Cardinal Bank'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 111% over the last 6 quarters from 12/31/99 through 3/31/01. 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 year end 2000 provided by bank reports. Based on our analysis, 142 of 160 in total number of loans, or 89%, were originated in the assessment area during the evaluation period. This represents \$23 million of \$28 million in total dollar volume of loans, or 82%.

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

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 following table illustrates, 59% of the number and 53% of the dollar volume of loans were to small businesses. Small businesses are defined as those with gross annual revenues of \$1 million or less. The considerable volume of lending to larger commercial borrowers is denotative of the bank's initial strategy in the market.

LENDING TO BUSINESSES OF DIFFERENT SIZES

| Business Revenue Size | # of Loans | % of Total | \$(000s) | % of Total |
|-----------------------|------------|------------|----------|------------|
| <= \$1 Million | 57 | 58.8 | 10,357 | 52.5 |
| >= \$1 Million | 40 | 41.2 | 9,374 | 47.5 |
| Totals | 97 | 100.0 | 19,731 | 100.0 |

The bank's record of lending to borrowers of different incomes, particularly low- and moderate-income families, is marginal.

We tested and relied on loan origination data provided by bank reports. As the following table illustrates, 27% of the number but only 6% of the dollar volume of total loans were extended to low- and moderate- income borrowers. The latter compares unfavorably to the 28% of low- and moderate- income families residing in the bank's assessment area as highlighted by the table. However, this data is derived from 1990 Census Bureau information. During the last several years, the assessment area economy has experienced significant growth and median family income levels, based on 2001 HUD information, have risen from \$52,807 to \$85,600. As such, the 1990 Census Bureau data may not be indicative of current area demographics.

LENDING TO BORROWERS OF DIFFERENT INCOMES

| Income Designation | # Loans | % of Total | \$ (000s) | % of Total | Family Income Characteristics* |
|--------------------|---------|------------|-----------|------------|--------------------------------|
| Low | 7 | 15.6 | 64 | 2.0 | 12% |
| Moderate | 5 | 11.0 | 112 | 3.6 | 16% |
| Middle | 7 | 15.6 | 414 | 13.1 | 25% |
| Upper | 26 | 57.8 | 2,563 | 81.3 | 47% |
| Totals | 45 | 100.0 | 3,153 | 100.0 | 100% |

*Based on 1990 Census Bureau information.

Geographic Distribution of Loans

The geographic distribution of loans is reasonable given the short operating history of the bank. Only 11% of the bank's assessment area is comprised of low- and moderate- income census tracts. Based on loan origination data, 4% of the number and 7% of the dollar volume of the bank's total loans were extended to borrowers residing in these census tracts.

Responses to Complaints

The bank received no complaints applicable to its performance under the CRA regulation since it began operations in August 1999.

Fair Lending Review

A technical review of fair lending laws and regulations was performed in July 2000. We did not note any illegal discriminatory lending patterns or practices during that review. In accordance with our risk based examination approach, we are not required, and did not find it necessary, to perform a fair lending examination this year.