



Comptroller of the Currency
Administrator of National Banks

Small Bank

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

July 10, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cardinal Bank, N.A.

Charter Number 23606

**10641 Lee Highway
Fairfax, Virginia 22030**

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

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

*This document is an evaluation of the CRA performance of **Cardinal Bank, N.A.** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of July 10, 2000. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATINGSSATISFACTORY

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

- A more than reasonable loan-to-deposit ratio of 85%;
- A substantial majority of loans, representing 85% of the number and 71% of the dollar amount, originated within the assessment area; and
- A reasonable record of lending to businesses of different sizes; and
- A reasonable geographic distribution of loans.

DESCRIPTION OF BANK

Cardinal Bank, 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 its first bank subsidiary, Cardinal Bank, on June 8, 1998. As of March 31, 2000, the bank's total assets were \$55 million; gross loans were \$40 million; and total deposits were \$44 million. Lending activities include commercial (33%), commercial real estate (26%), residential real estate (31%) and consumer (10%) loans. The bank offers a full range of loan products and deposit services.

Cardinal Bank serves the community from its banking office located in Fairfax, 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 is 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 also including 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 breakdown of census tract characteristics within the MSA. The 1990 Census Bureau and the 1998 Housing and Urban Development Agency (HUD) median family income levels are \$52,807 and \$72,300, respectively.

Table 1:

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 prosperity with the influx of the high tech industry. Major employers consist of the Department of Education, INOVA Healthcare system, Mobil and numerous technology industries. 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 WITH RESPECT TO 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 85% over the last 6 quarters from 12/31/98 through 3/31/00. This compares favorably to the 76% average loan-to-deposit ratio for similarly situated banks within the assessment area 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 for 1999 provided by bank reports. This data is indicative of the lending activity during the first six months of operation in 1998 and year to date 2000, as well. Based on our analysis, 242 of 284 in total number of loans, or 85%, were originated in the assessment area during the evaluation period. This represents \$33 million of \$46 million in total dollar volume of loans, or 71%.

Lending to Businesses of Different Sizes and Borrowers of Different Incomes

The bank's record of lending to businesses of different sizes is reasonable. We tested and relied on business loan data for 1999 provided by bank reports. As the following table illustrates, 42% of the number and 40% 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 higher volume of lending to larger commercial borrowers is indicative of the bank's initial strategy in the market.

LENDING TO BUSINESSES OF DIFFERENT SIZES				
Business Revenue Size	# Loans	% of Total	\$ (000s)	% of Total
< = \$1 Million	43	42%	8,222	40%
> \$1 Million	59	58%	12,290	60%
Totals	102	100%	20,512	100%

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 for 1999 provided by bank reports. As the following table illustrates, 13% of the number and 3% of the dollar volume of total loans were extended to low- and moderate- income borrowers. These percentages compare unfavorably to the 28% of low- and moderate- income families residing in the bank's assessment area as highlighted in the table. However, the family income data is derived from 1990 Census Bureau information. During the last several years, the assessment area economy has experienced significant prosperity and median family income levels, based on 1998 Housing and Urban Development Agency (HUD) information, have risen from \$52,807 to \$72,300. As such, the 1990 Census Bureau data may not be indicative of current area demographics.

Table 2:

LENDING TO BORROWERS OF DIFFERENT INCOMES					
Income Designation	# Loans	% of Total	\$ (000s)	% of Total	Family Income Characteristics
Low	6	5%	88	1%	12%
Moderate	10	8%	238	2%	16%
Middle	15	11%	754	6%	25%
Upper	100	76%	10,414	91%	47%
Totals	131	100%	11,494	100%	100%

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. During 1999, 3% of the number and 4% of the dollar volume of the bank's total loans were extended to borrowers residing in these census tracts.

Response to Complaints

The bank received no complaints applicable to its performance under the CRA regulation since it began operations on June 8, 1998.

Compliance with Antidiscrimination Laws

No illegal discriminatory lending patterns or practices were noted during the concurrent Fair Lending examination.