



PUBLIC DISCLOSURE

July 30, 2018

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, and should not 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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Overall CRA Rating: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support this rating include:

- The loan-to-deposit ratio is reasonable given the Bank's size, financial condition, and business strategy;
- A substantial majority of the Bank's lending activity is within its delineated assessment area;
- The distribution of loans to businesses of different sizes reflects reasonable penetration within the assessment area;
- The geographic distribution of loans reflects reasonable dispersion in low- and moderate-income geographies;
- The Bank has an adequate level of community development activities that are responsive to community credit needs of the assessment area;
- The Bank did not receive any CRA-related complaints during the evaluation period.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The National Capital Bank of Washington (NCB, Bank, or Institution), is a full-service community bank, headquartered in the District of Columbia (DC). NCB does not have any affiliates or subsidiaries. NCB's main office is located on Pennsylvania Avenue near the United States Capitol. In addition to its headquarters, NCB operates two other full-service retail branches. One branch is located on 44th Street in Friendship Heights, DC and existed at the prior performance evaluation and one new branch was opened in Courthouse, Arlington, Virginia in March 2018. All three locations are in upper-income census tracts. Each branch, including the main office, has a deposit taking Automatic Teller Machine and accessible lobby hours. Drive-thru services are available at all locations with the exception of the Courthouse branch. Branch hours of operations are comparable to other local financial institutions. The Bank did not close any branch offices during the evaluation period, nor were there any mergers or acquisitions.

NCB offers a wide variety of products and services for individuals and businesses. Its retail services include checking accounts, savings programs, money-market accounts, certificates of deposit, consumer loan programs, and residential mortgages. Its commercial services include business checking accounts, money-market accounts, commercial mortgages, and lines and letters of credit. The Bank also provides online and mobile banking, remote deposit, and electronic bill pay. In addition, NCB offers a full range of investment products and services. The Bank's Internet website, <https://www.nationalcapitalbank.com> provides detailed information on products and services for both consumers and businesses.

As of March 31, 2018, NCB reported total assets of \$432.4 million and Tier 1 Capital of \$46.6 million. Net loans and leases totaled \$275.8 million, representing approximately 63.8 percent of total assets. The loan portfolio is comprised of 91.6 percent residential real estate mortgages, 8.2 percent commercial loans, 0.25 percent individual loans and 0.03 percent other loans and leases. Deposits sourced from the Bank's market area totaled \$380.2 million.

During the evaluation period, NCB was operating under a Formal Agreement (FA) dated August 25, 2015 with the OCC that focused on credit administration, internal controls, and management and Board oversight at the Bank. Management stated that the FA limited the Bank's lending activities as management spent considerable time and resources to build a strong credit, compliance and risk management infrastructure. The FA was subsequently terminated in December 2017 when the Bank's practices and condition improved.

NCB received a "Satisfactory" rating during its last Intermediate Small Bank (ISB) CRA evaluation dated April 10, 2015.

Scope of the Evaluation

Evaluation Period/Products Evaluated

NCB was evaluated under the ISB examination procedures. These procedures evaluate the Bank's performance based upon a Lending Test and a Community Development Test. The Lending Test considers the Institution's performance pursuant to the following criteria: Loan-to-Deposit Ratio Analysis; Assessment Area Concentration; Geographic Distribution; Borrower Profile; and Response to Community Reinvestment Act Complaints. The Community Development Test evaluates the Bank's responsiveness to community development needs in its assessment area through community development lending, qualified investments, and services.

The Lending Test focused on the Bank's primary loan product, which was determined based on loan origination and purchase volume from January 1, 2016 to December 31, 2017, the evaluation period. Based on the number and dollar value of loan origination data supplied by the Bank, commercial loans was the Bank's primary loan product in both 2016 and 2017. Commercial loans totaled 84.51 percent by dollar volume and 69.51 percent by number in 2016, and 79.06 percent by dollar volume and 55.48 percent by number in 2017. For the Bank's Lending Test, we reviewed a sample of 89 commercial loans from January 1, 2016 through December 31, 2017. Due to the census data changing during the evaluation period, we compared 2010 census data to the loans originated from January 1, 2016 through December 31, 2016; and 2015 American Community Survey (ACS) Census data to loans originated from January 1, 2017 through December 31, 2017. The Bank's small business loans were compared to the aggregate of all lenders in the Bank's AA reporting small business loans pursuant to the CRA. The data is reported annually, and the most recent year for which information was available is 2016. For the CD test, we evaluated the Bank's community development activities from April 10, 2015, the date of the last CRA evaluation, through December 31, 2017. This includes community development loans, investments/donations, and services.

No affiliate activity was included in this analysis. Refer to the table in Appendix A for more information on the scope of review.

Data Integrity

Prior to this evaluation, we tested the accuracy of the Bank's business loan data. We also verified that community development loans, investments, and services submitted by Bank management met the regulatory definition for community development. Items submitted by the Bank that met the definition or purpose of community development were considered.

Selection of Areas for Full-Scope Review

The Bank has one assessment area (AA), which is located in the Washington-Arlington-Alexandria, DC-VA-MD-WV Multi-state MSA 47900. We performed a full-scope review

on this AA. The AA consists of two Metropolitan Divisions (MDs). MD 47894 (Washington-Arlington-Alexandria DC-VA-MD-WV MD) and MD 43524 (Silver Spring-Frederick-Rockville, MD). Both MDs are within the Washington-Arlington-Alexandria, DC-VA-MD-WV Multi-state Metropolitan Statistical Area (MSA) 47900. For purposes of this evaluation, the two MDs were analyzed together and presented in the Performance Evaluation (PE) as a single AA.

Please refer to the table in Appendix B that provides demographic data for the AA.

Ratings

The Bank's overall rating is based solely on the full-scope review of its one AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

The following sections of this evaluation present the data that support our conclusions under the Lending Test and the CD Test, respectively.

LENDING TEST

NCB's performance under the Lending Test is rated Satisfactory. Overall, the Bank's lending activity reflects satisfactory responsiveness to the AA's credit needs for small business loans when considering performance context. Each of the areas considered in the Lending Test is described below.

Loan-to-Deposit Ratio

NCB's quarterly average net loan-to-deposit ratio (LTD) is reasonable given the Bank's size, financial condition, and the credit needs of the assessment area, and it meets the standards for satisfactory performance. The Bank's quarterly average net loan-to-deposit ratio over the thirteen-quarter review period was 61.4 percent. During this thirteen-quarter period, this ratio ranged from a quarterly low of 56.3 percent as of December 31, 2016, to a quarterly high of 72.5 percent as of March 31, 2018, reflecting a steadily increasing trend. The ratio is calculated on a Bank-wide basis. The quarterly average net LTD ratio for a custom peer group of two similarly situated institutions operating in the Washington DC area was 78.0 percent over the same period. The peer group's ratio ranged from a quarterly low of 68.3 percent to a quarterly high of 87.8 during that time period.

Lending in Assessment Area

NCB made a substantial majority of business loans, by number and dollar volume, within its delineated AA in both 2016 and 2017, and exceeds the standard for satisfactory performance. During the evaluation period, the Bank originated 89.9 percent of the number of business loans and 85.1 percent of the dollar volume within its delineated AA. Analysis is limited to Bank only originations and purchases. Refer to the following table for more information:

Table D - Lending Inside and Outside of the Assessment Area										
Business Loan sample	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
2016	41	93.2	3	6.8	44	27,581	81.2	6,405	18.8	33,986
2017	39	86.7	6	13.3	45	43,785	87.7	6,128	12.3	49,913
Total	80	89.9	9	10.1	89	71,366	85.1	12,533	14.9	83,899

Source: Sample of 89 commercial loan originations from 1/1/2016-12/31/2017

Lending to Businesses of Different Sizes

Refer to Table R in appendix C for the facts and data used to evaluate the borrower distribution of the Bank's loan originations and purchases of small loans to businesses. For comparison purposes, the Bank's performance is compared to business demographic data and aggregate small business lending data within the AA.

In 2016, the overall borrower distribution of loans to businesses with gross annual revenues of \$1 million or less was poor. In 2016, the distribution of loans to small businesses was significantly less than the percentage of small businesses in that revenue category as well as the aggregate performance. In 2016, 41.5 percent of the Bank's loans were originated to businesses with gross annual revenue of \$1 million or less, while small businesses represented 83.5 percent of total businesses in the AA. Aggregate data shows that 49.9 of all reported small business loans in the Bank's AA were made to small businesses.

In 2017, NCB's small business lending performance was more favorable than its performance in 2016. In 2017, NCB made 71.8 percent of business loans by number to businesses with gross annual revenue of \$1 million or less, compared to 84.0 percent of such businesses operating in the assessment area. Although, this percentage is still less than the percentage of small businesses; it exceeded that of the aggregate, which reported 49.9 percent of its loans to small businesses.

Overall, NCB's combined performance during 2016 and 2017 is considered reasonable given the Bank's performance context and the competitive market for business loans across the AA. In both years, approximately 50.0 percent of the Bank's loans to small businesses were originated in amounts of \$250,000 or less which reflects the Bank's willingness to meet the credit needs of small businesses.

Geographic Distribution of Loans

Refer to Table Q in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's loan originations and purchases of small loans to businesses. For comparison purposes, the Bank's performance is compared to aggregate geographic distribution of small businesses within the AA.

In 2016, NCB originated 4.9 percent of its small business loans in low-income census tracts. This level of performance slightly exceeds the aggregate lending at 4.2 percent. In comparison to the demographic benchmark, the Bank's performance is similar to the percentage of businesses in low-income census tracts at 5.0 percent. Small business lending in moderate-income census tracts at 17.1 percent was slightly less than the aggregate lending level and percentage of businesses located in such areas. The aggregate originated 18.7 percent of its small business loans in moderate-income tracts, while 19.0 percent of businesses operating within the assessment area are located in moderate-income tracts.

In 2017, NCB did not originate any small business loans in low-income geographies compared to the aggregate level of 4.4 percent that was slightly lower than the percentage of businesses located in the low-income census tracts at 5.1 percent. The Bank's performance in moderate-income census tracts at 15.4 percent was comparable to both the demographic and aggregate lending benchmarks. The aggregate originated 16.1 percent of its small business loans in moderate-income tracts, while 17.1 percent of businesses operating within the assessment area are located in moderate-income tracts.

Overall, NCB's geographic distribution of business lending during 2016 and 2017 is considered reasonable when performance context factors and competitive market for businesses loans discussed throughout the report are taken into consideration.

Responses to Complaints

There were no consumer complaints regarding the Bank's CRA performance or complaints indicating illegal or discriminatory lending practices during this evaluation.

COMMUNITY DEVELOPMENT TEST

NCB's performance under the Community Development Test is rated Satisfactory. The Bank's CD performance demonstrates adequate responsiveness to the CD needs of its AA, when considering the Bank's capacity and its performance context. The majority of NCB's community development lending and qualified investment activity targets community services and affordable housing.

Number and Amount of Community Development Loans

NCB demonstrated excellent responsiveness to the community development needs of the AA through community development loans. During the evaluation period, the Bank originated nine qualifying community development loans totaling \$7.4 million in its AA. Of the Bank's total community development loans, approximately 44.3 percent were targeted to affordable housing initiatives, which is a primary need of the AA as identified through communications with community contacts. The remaining CD loans supported community services.

Below are notable examples of the NCB's community development loans:

- A \$3.6 million participation loan to refinance the expansion and renovation of a vacant school building in a low-income tract.
- A \$1.3 million loan to finance the acquisition of a 22-unit affordable housing project in a low-income tract in Washington DC.
- A \$980,000 participation loan to refinance the acquisition, renovation, and operation of a 40-unit affordable housing project in Arlington, VA. Although located

in an upper-income census tract, the project has received funding in part through the Low Income Housing Tax Credit (LIHTC) program.

- A \$200,000 loan to a nonprofit organization that provides children, families, and adults with the tools and resources needed to move beyond poverty and homelessness. The organization also supports women who are returning home following a period of incarceration by assisting them as they move into permanent self-sufficiency.

Number and Amount of Qualified Investments

NCB's CD investment performance demonstrates adequate responsiveness to the community development needs of its AA. For the evaluation period, NCB made 12 qualified investments in the amount of \$60,500 in the form of grants and donations. These donations were to local schools and nonprofit organizations that provide social services, including affordable housing, youth programs, homeless centers, and education programs that support low- and moderate-income individuals.

Organizations receiving contributions include:

- A nonprofit organization whose mission is to create community and lasting relationships for teens and young adults in foster care.
- A community organization whose mission is to reduce homelessness, increase community support, and promote self-sufficiency.
- A community organization that provides homeless families and individuals shelter and the tools to build a better life.
- A not-for-profit organization whose mission is to promote and support communities in providing a coordinated investigation and comprehensive response to child victims of abuse through Children's Advocacy Centers and Multi-Disciplinary Teams.
- A community organization that seeks to empower individuals to break the cycles of homelessness, welfare dependency and criminal recidivism through a paid-work rehabilitation program.

Extent to Which the Bank Provides Community Development Services

NCB provided a limited number of community development services in the assessment area. During the review period, Bank employees provided 141 service hours in various capacities for community development organizations by participating in six different community development services. A few of the community development services in which NCB representatives participated are described below.

- An employee served on the Board of Directors of a local community service organization whose mission is to reduce homelessness, increase community support, and promote self-sufficiency.
- An employee served on the Financial Committee of an organization that works to provide low-income families with affordable rental housing in Arlington, Virginia.
- An employee participated in technical assistance session on financial matters for a nonprofit organization that aims to capitalize on historic assets and entrepreneurial culture to promote, retain, and attract diverse, small businesses.

Responsiveness to Community Development Needs

NCB's CD activities, as a whole, demonstrate adequate responsiveness to the needs of the AA considering the Bank's performance context during the evaluation period. While the level of NCB's community development loans was excellent, the Bank's overall community development performance was adequate due to moderate level of qualified contributions and limited community development services. Nonetheless, as mentioned by the community contacts, there is a need for affordable housing throughout the AA. NCB has adequately responded to this need, evidenced by the level of affordable housing loans, which promote affordable housing efforts.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: (01/01/2016 to 12/31/2017) Investment and Service Tests and CD Loans: (04/10/2015 to 12/31/2017)	
Financial Institution	Products Reviewed	
The National Capital Bank of Washington Washington DC	Commercial Loans Community Development Loans, Investments, and Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None Reviewed		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Washington-Arlington-Alexandria, DC-VA-MD MSA 47900	Full-Scope	Portion of the Washington-Arlington-Alexandria, DC-VA-MD (MD 47894) comprised of: <ul style="list-style-type: none"> ➤ <i>Washington, District of Columbia;</i> ➤ <i>Prince George’s County, Maryland;</i> ➤ <i>Arlington & Fairfax counties, Virginia;</i> ➤ <i>Alexandria, Fairfax & Falls Church cities, Virginia</i> Portion of the Silver Spring-Frederick-Rockville, MD (MD 43524) comprised of: <ul style="list-style-type: none"> ➤ <i>Montgomery County</i>

Appendix B: Community Profiles for Full-Scope Areas

NCB designated a single assessment area within the Washington-Arlington-Alexandria, DC-VA-MD-WV Multi-state MSA. The table below provides demographic data for AA.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	975	12.0	20.9	30.6	35.2	1.3
Population by Geography	4,096,851	11.4	20.1	32.2	35.5	0.7
Housing Units by Geography	1,624,226	11.5	20.0	32.1	35.8	0.6
Owner-Occupied Units by Geography	890,622	4.8	16.1	34.5	44.5	0.2
Occupied Rental Units by Geography	624,921	20.0	25.1	29.4	24.4	1.1
Vacant Units by Geography	108,683	17.8	22.8	28.8	30.0	0.6
Businesses by Geography	338,122	5.1	17.1	33.0	44.0	0.8
Farms by Geography	4,207	4.4	15.4	36.0	43.9	0.3
Family Distribution by Income Level	941,445	22.9	16.1	19.2	41.9	0.0
Household Distribution by Income Level	1,515,543	23.9	16.4	18.3	41.4	0.0
Median Family Income MSA - 43524 Silver Spring-Frederick-Rockville, MD MD		\$112,655	Median Housing Value			\$443,810
Median Family Income MSA - 47894 Washington-Arlington-Alexandria, DC- VA-MD-WV MD		\$106,762	Median Gross Rent			\$1,567
			Families Below Poverty Level			6.2%

Source: 2015 ACS Census and 2017 D&B Data
Due to rounding, totals may not equal 100.0
(* The NA category consists of geographies that have not been assigned an income classification.)

NCB assessment area consists of two Metropolitan Divisions (MDs). MD 47894 (Washington-Arlington-Alexandria DC-VA-MD-WV MD) and MD 43524 (Silver Spring-Frederick-Rockville, MD). Both MDs are within the Washington-Arlington-Alexandria, DC-VA-MD-WV Multi-state Metropolitan Statistical Area (MSA) 47900. For purposes of this evaluation, the two MDs were analyzed together and presented in the PE as a single AA. Specifically, the assessment area consists of the following:

- MD 47894 (Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division) consists of counties of Arlington, Fairfax, and Prince George, the District of Columbia; and cities of Alexandria, Fairfax, and Falls Church.
- MD 43524 (Silver Spring-Frederick-Rockville, MD Metropolitan Division) contains Montgomery County located in Maryland.

The 2015 ACS U.S. Census adjusted the income designation of some census tracts within the assessment area when compared to the 2010 U.S. Census data. With the ACS

Census change, the number of low-income tracts increased by seven, moderate-income tracts increased by thirty-eight, middle-income tracts increased by two, and upper-income tracts increased by twenty-four. Based on the 2015 ACS Census data, the AA consists of 975 census tracts; 12.0 percent are low-income, 20.9 percent are moderate-income, 30.6 percent middle-income, 35.2 percent are upper-income, and 1.3 percent have not been assigned an income classification.

According to the 2017 Dun and Bradstreet (D&B) business geo-demographic data, there were approximately 338,122 non-farm businesses operating within the Bank's assessment area. Approximately 84.0 percent of the businesses have revenues less than \$1 million, approximately 6.9 percent have revenues greater than \$1 million, and revenue was not reported for approximately 9.51 percent of the businesses. Approximately 5.1 percent of businesses are located in low-income geographies, 17.1 percent are located in moderate-income geographies, 33.0 percent are located in middle-income geographies, and 44.0 percent are located in upper-income geographies. Service industries represent the largest portion of businesses at 57.8 percent, followed by retail trade at 9.4 percent, finance, insurance and real estate at 8.5 percent, and non-classifiable establishments at 8.0 percent. In addition, 70.6 percent of businesses have four or fewer employees, and 89.0 percent operate from a single location. Additionally, 79.8 percent of businesses have gross annual revenues of \$0.5 million or less, indicating that the majority of businesses in the AA are very small.

Major employers and business sectors in this AA continue to be the federal government, technology, construction, international business, and hospitality. A sizable number of employees in the Washington, DC area work for defense and civilian contracting companies that conduct business directly with the Federal Government. The Washington DC area is home to major research universities, think tanks, and nonprofit organizations. Additionally, DC is a top tourism destination due to numerous museums and monuments located in DC. Some of the major employers in the Washington DC area include: federal, state and local government, the military, Lockheed Martin, Corp., Northrup Grumman, and SAIC.

Competition for both deposits and loans is intense in the AA. The FDIC Deposit Market Share report for June 30, 2017, shows 81 financial institutions with a total of 1,595 branches competed for almost \$240.8 billion of insured deposits located in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA. Of these institutions, NCB ranked 34 with a 0.15 percent deposit market share. The Bank's primary competitors are: E*TRADE Bank (1 office, 16.76 percent market share), Bank of America, NA (153 offices, 13.3 percent market share), Wells Fargo Bank, NA (163 offices, 13.1 percent market share), Capital One, NA (136 offices, 11.5 percent market share, and SunTrust Bank (156 offices, 8.2 percent market share).

The competition for mortgage loans is even more intense and includes local commercial and savings banks and branches of larger regional and nationwide banks. Based upon the most recent 2017 Peer Mortgage Data, there were 684 lending institutions within NCB's AA competing for mortgage applications. NCB ranks 231 with a market share of

0.04 percent. The top five lenders are: Wells Fargo Bank, NA, SunTrust Mortgage, Inc., Quicken Loans, Navy Federal Credit Union, and JPMorgan Chase Bank, NA. Competition is also high for small business lending. In 2016, 202 lenders reported 110,804 small business loans originated or purchased in the assessment area. The top five small business loan reporters in 2016 were American Express, Citibank, NA., Capital One Bank, NA, Bank of America, NA, and Chase Bank USA, NA with a combined small business loan market share of 70.2 percent. NCB is not required to publicly report small business lending data. As a result, the Bank is not captured on the small business lending market share report.

According to the Bureau of Labor Statistics, the December 31, 2017 the unemployment rate for Washington-Arlington-Alexandria, DC-VA-MD-WV MD was 3.4 percent. As of the same date, the unemployment rate for Silver Spring-Frederick-Rockville, MD was 3.1 percent. It matched the state average for Maryland of 3.0 percent and was slightly lower than the national unemployment rate of 4.1 percent. The District of Columbia unemployment rate was 5.9 percent for the same time period.

According to May 2018 Moody's Analytics data, superior job growth, low unemployment, and firming wage growth point to a robust Washington-Arlington-Alexandria economy. The pace of job growth has reaccelerated in the last six months. Private services, especially professional/business services, are the labor market's workhorse. The jobless rate dropped to a cycle low of 3.6 percent in March and the Employment Cost Index shows wage pressures rising more vigorously than those nationally, indicating that the labor market is tight. Steady, albeit slow, house price increases and rising home sales have yet to stir a pickup in homebuilding. The federal government has been stymied by budgetary uncertainty and employment reductions over the last year. For much of fiscal 2017, the federal government was operating on a short-term funding bill. This caused agencies to delay hiring and contracts because of uncertainty over their final appropriations and the need to restrict their spending to the close confines of the stopgap budget measure. Federal contractors were forced to delay hiring and investments as well. However, spending will receive boost this year and next. Moody's Analytics reports that Washington-Arlington-Alexandria will keep pace with the U.S. in the near term. More federal spending will benefit contractors and boost federal payrolls. Longer term, strong population trends and an expanding tech cluster will help keep WAS an average performer despite federal government weakness.

As part of our analysis, we considered information from a community contact with a local nonprofit organization whose mission is to develop, preserve, and own quality affordable housing in the area. The organization highlighted the need to support initiatives that help mission-driven housing developers acquire properties to help maintain affordability. According to the contact, in the metro DC region more than 150,000 households pay more than 50 percent of their income on rent. The region is growing and older multi-family communities are at risk of losing their affordability. The area is losing affordable housing stock at a rapid pace due to demolition and/or redevelopment. Investors are purchasing older affordable multi-family housing stock and converting it into market rate and luxury

housing that is unaffordable to low and moderate-income households. This trend is pushing low and moderate-income households and families out of the area.

Appendix C: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases; (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE. Tables are identified by both letters and numbers, which results from how they are generated in supervisory analytical systems.

The following is a listing and brief description of the tables included in each set:

Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. Because small business data is not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. The table also presents aggregate peer data for the years the data is available.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography

2016

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
NCB AA 2016	41	27,581,420	100.00	109,862	5.0	4.9	4.2	19.0	17.1	18.7	31.5	19.5	31.7	44.1	58.5	45.3	0.3	0.00	0.1
Total	41	27,581,420	100.00	109,862	5.0	4.9	4.2	19.0	17.1	18.7	31.5	19.5	31.7	44.1	58.5	45.3	0.3	0.00	0.1

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography

2017

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
NCB AA 2017	39	43,785,356	100.00	109,862	5.1	0.00	4.4	17.1	15.4	16.1	33.0	15.4	32.7	44.0	69.2	46.5	0.9	0.00	0.4
Total	39	43,785,356	100.00	109,862	5.1	0.00	4.4	17.1	15.4	16.1	33.0	15.4	32.7	44.0	69.2	46.5	0.9	0.00	0.4

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2016**

Total Loans to Small Businesses					Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
Assessment Area:	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
NCB AA 2016	41	27,581,420	100.00	109,862	83.5	41.5	49.9	6.7	58.5	9.8	0.00
Total	41	27,581,420	100.00	109,862	83.5	41.5	49.9	6.7	58.5	9.8	0.00

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2017**

Total Loans to Small Businesses					Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
Assessment Area:	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
NCB AA 2017	39	43,785,356	100.00	109,862	84.0	71.8	49.9	6.5	28.2	9.5	0.00
Total	39	43,785,356	100.00	109,862	84.0	71.8	49.9	6.5	28.2	9.5	0.00

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0