

PUBLIC DISCLOSURE

June 2, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

James Monroe Bank
2684132
3033 Wilson Boulevard
Arlington, Virginia 22201

Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to demand for credit in the assessment area.
- A substantial majority of the institution's loans were originated within the bank's assessment area.
- Lending to borrowers of different income levels and to businesses of different sizes is considered reasonable given area demographics and aggregate data.
- The geographic distribution of lending is considered reasonable using various proxies for demand.
- The bank has not received any complaints regarding its CRA performance since the previous evaluation.

DESCRIPTION OF INSTITUTION

James Monroe Bank is headquartered in Arlington, Virginia, and operates three branch offices in Annandale, Fairfax and Leesburg, Virginia, as well as a stand-alone drive through facility located in Leesburg. The three branches and drive-through facility were opened since the previous evaluation. James Monroe Bank is a wholly-owned subsidiary of James Monroe Bancorp, a single bank holding company. The bank is primarily a commercial lender although various consumer credit products are available including residential mortgage, home improvement, and home equity loans. As of March 31, 2003, the bank reported assets of \$241.5 million, of which 54.7% were loans. The overall composition of the loan portfolio, as of March 31, 2003, was comprised of 66% commercial real estate and farm, 17.8% commercial, 13.4% one- to four-family real estate secured, and 2.8% consumer. Based on the number and dollar amount of loans extended by the bank within the previous 12 months, commercial loans were identified as the primary credit product offered by the bank. The bank does, however, routinely extend a variety of consumer loans. The institution's previous CRA rating was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes Arlington, Fairfax, and Loudoun Counties, as well as the Cities of Alexandria, Fairfax, and Falls Church, Virginia. The market is included within the Washington, D. C. Metropolitan Statistical Area (MSA) and contains 309 census tracts. Of these tracts, one is low-income, 28 are moderate-income, 129 are middle-income, and 108 are upper-income. Forty-three census tracts have no median family income and are unpopulated, however, according to Dun and Bradstreet (D&B) business data, 115 businesses are located within these tracts. For analytical purposes, tracts that reported a median family income of zero are considered low-income tracts.

According to the 1990 census data, the assessment area had a population of 1,216,032 and a median housing value of \$228,842. The owner-occupancy rate for the market is 59.1%, which approximates both the state (60.9%) and MSA (57.3%) rates. The 2002 median family income for the Washington, D. C. MSA is \$91,500. In the assessment area, 2.6% of families are considered below the poverty level, which is considerably lower than both the MSA (4.4%) and the state (7.7%) poverty rates.

The following table provides demographics for the assessment area by the income level of families and the percentage of the population, owner-occupied housing units, and businesses in census tracts of varying income levels. Poverty rates are also provided.

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	11.7%	14.8%	24.1%	49.4%	100%
Percentage of Population Residing in Geographies by Income Level of Geography	.2%	11.4%	48.5%	39.9%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Geography	0%	6%	47.5%	46.5%	100%
Percentage of Businesses in Geographies by Income Level of Geography	.2%	7.6%	48%	44.2%	100%
Percentage of Families Below Poverty Rate by Income Level of Geography	6.7%	8.1%	2.9%	1.1%	N/A

More than 40% of jobs in the Northern Virginia area are in the service sector industries. Large companies such as United Air Lines, Atlantic Coast Airlines, WorldCom and Orbital Sciences Corporation employ as many as 10,000 to 15,000 of the residents within the assessment area. Many of the area residents commute to Washington, D. C. for employment with various federal government agencies. The April 2003 unemployment rates of the assessment area are listed below. The unemployment rate for the Commonwealth of Virginia is 3.7%.

<u>County/City</u>	<u>Unemployment Rate</u>
Arlington	2.1%
Fairfax	2.4%
Loudoun	2.9%
Alexandria	2.5%
Fairfax	1.9%
Falls Church	2.6%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio, as of March 31, 2003, was 59.2% and averaged 65.3% for the 16-quarter period ending March 31, 2003. The quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to James Monroe Bank ranged from 73.5% to 79.2% for the same 16-quarter period. From June 30, 1999, to March 31, 2003, bank assets, loans, and deposits have increased by 526.6%, 483.5%, and 602.4%, respectively. The high growth rate can be attributed to the opening of the three additional branches since the previous evaluation. Given the institution's size, branch locations, and financial capacity, the bank's loan-to-deposit ratio is considered reasonable.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within its assessment area, a sample of 122 commercial loans and all (72) consumer loans extended during the previous year were reviewed. The sample was selected from approximately 310 commercial loans made during the previous 12-months. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	158	36	194
Percentage of Total Loans	81.4%	18.6%	100%
Total Amount of Loans (000's)	\$44,476	\$9,633	\$54,109
Percentage of Total Amount	82.2%	17.8%	100%

As illustrated above, a substantial majority of the number (81.4%) and total dollar amounts (82.2%) of the loans were provided to residents and businesses of the assessment area. This level of lending is considered highly responsive to community credit needs.

BORROWER AND GEOGRAPHIC DISTRIBUTION

To evaluate the bank's lending penetration, the 106 commercial loans and 52 consumer loans extended within the bank's assessment area were analyzed. Area demographics, aggregate data, and Dun and Bradstreet (D&B) business data were used as proxies for demand. Aggregate small business lending data includes all reporting institutions that originated such loans within the bank's assessment area during 2001, as required by the CRA. James Monroe Bank is not subject to CRA reporting requirements; consequently, the bank's small business lending activity is not included within the aggregate information. As previously mentioned, the bank's primary focus is commercial lending. Therefore, greater weight was placed on the bank's small business lending performance.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The tables that follow present data about the bank's lending to businesses of different sizes and to borrowers of different income levels. Discussion of the bank's performance follows each table.

Distribution of Loans by Size of Business

	Revenues < \$ 1 Million	Revenues > \$ 1 Million	Total
Total Number of Loans	65	33	98
Percentage of Total Loans	66.3%	33.7%	100%
Total Amount of Loans (000's)	\$13,011	\$8,434	\$21,445
Percentage of Total Amount	60.7%	39.3%	100%

According to D&B business data, 90.2% of all business within the assessment area that reported revenue data have annual revenues of \$1 million or less. According the 2001 aggregate small business data, at least 40.9% of all small business loans reported within the market area were to businesses with revenues of \$1 million or less. The remaining portion of businesses either had revenues exceeding \$1 million or had revenues that were not reported. As depicted above, 66.3% of the loans were to entities with revenues of \$1 million or less. The bank's level of small business

lending is considered reasonable.

Distribution of Consumer Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	14	16	10	12	52
Percentage of Total Loans	26.9%	30.8%	19.2%	23.1%	100%
Total Amount of Loans (000's)	\$133	\$298	\$132	\$1,744	\$2,307
Percentage of Total Amount	5.8%	12.9%	5.7%	75.6%	100%

Of the consumer loans reviewed, 26.9% were extended to low-income borrowers and 30.8% were extended to moderate-income borrowers. When compared to the percentage of such families located within the assessment area (11.7% low-income and 14.8% moderate-income), this level of lending is considered excellent.

Overall, the bank's level of lending to businesses of different sizes and to borrowers of different income levels is considered reasonable when compared with area demographics, D&B information, and 2001 aggregate data.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans is reflected in the following tables and each is followed by a discussion of the bank's performance.

Distribution of Commercial Loans in Assessment Area by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	13	48	45	106
Percentage of Total Loans	0%	12.3%	45.3%	42.4%	100%
Total Amount of Loans (000's)	\$0	\$3,407	\$23,135	\$15,628	\$42,170
Percentage of Total Amount	0%	8.1%	54.9%	37%	100%

While none of the sampled commercial loans were extended within low-income tracts, only .2% of area businesses are located in low-income tracts and only .1% of aggregate small business loans were extended in such tracts. The bank's commercial lending in moderate-income tracts (12.3%) exceeds both the percentage of businesses in moderate-income tracts (7.6%) and the 2001 aggregate lending in such tracts (7.6%). Overall, the level of commercial lending in low- and moderate-income tracts is reasonable.

Distribution of Consumer Loans in Assessment Area by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	6	23	23	52
Percentage of Total Loans	0%	11.6%	44.2%	44.2%	100%
Total Amount of Loans (000's)	\$0	\$358	\$292	\$1,657	\$2,307
Percentage of Total Amount	0%	15.5%	12.7%	71.8%	100%

Of the consumer loans extended within the bank's assessment area, none were extended within low-income tracts and 11.6% were extended within moderate-income tracts. Area demographics indicate that only .2% of the population resides in low-income tracts and 11.4% reside in moderate-income tracts. Given the limited lending opportunities in

low-income areas, the overall level of consumer lending in low- and moderate-income areas is reasonable. The bank's level of lending in geographies of varying income levels is considered reasonable when compared with various proxies for demand.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.