

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ To _____

Commission File Number: 0-10971

ABIGAIL ADAMS NATIONAL BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware 52-1508198
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1130 Connecticut Ave., NW, Washington, DC 20036
(Address of principal executive offices) (Zip Code)

202.772.3600
(Registrant's telephone number, including area code)

n/a
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer.
Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 13, 2007, there were issued and outstanding 3,462,569 shares of Registrant's Common Stock

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ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
June 30, 2007 (unaudited) and December 31, 2006
(Dollars in thousands)

| | June 30, 2007 | December 31, 2006 |
|--|----------------------|--------------------------|
| Assets | | |
| Cash and due from banks | \$15,754 | \$13,729 |
| Federal funds sold | 27,111 | 8,011 |
| Interest-earning deposits in other banks | 16,467 | 5,823 |
| Total cash and cash equivalents | 59,332 | 27,563 |
| Investment securities available for sale, at fair value | 57,014 | 45,347 |
| Investment securities held to maturity (market values of \$14,182 and \$17,418 for 2007 and 2006, respectively) | 14,438 | 17,722 |
| Loans | 320,319 | 307,957 |
| Less: allowance for loan losses | (4,569) | (4,432) |
| Loans, net | 315,750 | 303,525 |
| Premises and equipment, net | 4,982 | 4,904 |
| Other assets | 7,829 | 6,441 |
| Total assets | \$459,345 | \$405,502 |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Deposits | | |
| Noninterest-bearing deposits | \$83,272 | \$76,887 |
| Interest-bearing deposits | 323,688 | 286,703 |
| Total deposits | 406,960 | 363,590 |
| Short-term borrowings | 2,267 | 2,378 |
| Long-term debt | 15,821 | 6,288 |
| Other liabilities | 3,848 | 3,064 |
| Total liabilities | 428,896 | 375,320 |
| Commitments and contingencies (Note 2) | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, authorized 5,000,000 shares; issued 3,491,633 shares in 2007 and 3,487,678 in 2006; outstanding 3,462,569 shares in 2007 and 3,461,799 in 2006 | 35 | 35 |
| Additional paid-in capital | 25,127 | 25,123 |
| Retained earnings | 6,395 | 5,868 |
| Less: Treasury stock, 29,064 shares in 2007 and 25,879 in 2006, at cost | (255) | (210) |
| Accumulated other comprehensive loss | (853) | (634) |
| Total stockholders' equity | 30,449 | 30,182 |
| Total liabilities and stockholders' equity | \$459,345 | \$405,502 |

See Notes to Unaudited Condensed Consolidated Financial Statements

ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Income
For the Periods Ended June 30, 2007 and 2006
(In thousands except per share data)

| | For the three months ended | | For the six months ended | |
|---|----------------------------|--------------|--------------------------|----------------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Interest Income | | | | |
| Interest and fees on loans | \$6,343 | \$5,314 | \$12,785 | \$10,135 |
| Interest and dividends on investment securities | 802 | 740 | 1,517 | 1,466 |
| Other interest income | 474 | 133 | 664 | 253 |
| Total interest income | <u>7,619</u> | <u>6,187</u> | <u>14,966</u> | <u>11,854</u> |
| Interest Expense | | | | |
| Interest on deposits | 3,181 | 1,768 | 6,099 | 3,301 |
| Interest on short-term borrowings | 17 | 260 | 81 | 368 |
| Interest on long-term debt | 222 | 184 | 364 | 341 |
| Total interest expense | <u>3,420</u> | <u>2,212</u> | <u>6,544</u> | <u>4,010</u> |
| Net interest income | 4,199 | 3,975 | 8,422 | 7,844 |
| Provision for loan losses | 75 | 75 | 160 | 125 |
| Net interest income after provision for loan losses | <u>4,124</u> | <u>3,900</u> | <u>8,262</u> | <u>7,719</u> |
| Noninterest Income | | | | |
| Service charges on deposit accounts | 344 | 347 | 706 | 695 |
| Other income | 48 | 198 | 96 | 333 |
| Total noninterest income | <u>392</u> | <u>545</u> | <u>802</u> | <u>1,028</u> |
| Noninterest Expense | | | | |
| Salaries and employee benefits | 1,630 | 1,611 | 3,323 | 3,335 |
| Occupancy and equipment expense | 600 | 559 | 1,170 | 1,089 |
| Professional fees | 204 | 128 | 374 | 288 |
| Data processing fees | 297 | 233 | 580 | 452 |
| Other operating expense | 620 | 608 | 1,312 | 1,197 |
| Total noninterest expense | <u>3,351</u> | <u>3,139</u> | <u>6,759</u> | <u>6,361</u> |
| Income before provision for income taxes | 1,165 | 1,306 | 2,305 | 2,386 |
| Provision for income taxes | 454 | 518 | 912 | 945 |
| Net Income | <u>\$711</u> | <u>\$788</u> | <u>\$1,393</u> | <u>\$1,441</u> |
| Earnings per share: | | | | |
| Basic | \$0.21 | \$0.23 | \$0.40 | \$0.42 |
| Diluted | \$0.21 | \$0.23 | \$0.40 | \$0.42 |
| Average common shares outstanding: | | | | |
| Basic | 3,462 | 3,462 | 3,462 | 3,462 |
| Diluted | 3,466 | 3,466 | 3,466 | 3,466 |
| Dividends per share: | \$0.125 | \$0.125 | \$0.250 | \$0.250 |

See Notes to Unaudited Condensed Consolidated Financial Statements

ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
Six Months Ended June 30, 2007 and 2006
(In thousands except per share data))

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss | Total |
|---|-----------------|----------------------------------|----------------------|-------------------|---|-----------------|
| Balance at December 31, 2005 | \$35 | \$24,865 | \$3,903 | (\$98) | (\$652) | \$28,053 |
| Comprehensive income: | | | | | | |
| Net income | -- | -- | 1,441 | -- | -- | 1,441 |
| Unrealized losses during period of (\$467) on investment securities available for sale, net of tax benefit of (\$182) | -- | -- | -- | -- | (285) | (285) |
| Total comprehensive income | | | | | | <u>1,156</u> |
| Dividends declared (\$0.25 per share) | -- | -- | (865) | -- | -- | (865) |
| Balance at June 30, 2006 | <u>\$35</u> | <u>\$24,865</u> | <u>\$4,479</u> | <u>(\$98)</u> | <u>(\$937)</u> | <u>\$28,344</u> |
| | | | | | | |
| Balance at December 31, 2006 | \$35 | \$25,123 | \$5,868 | (\$210) | (\$634) | \$30,182 |
| Comprehensive income: | | | | | | |
| Net income | -- | -- | 1,393 | -- | -- | 1,393 |
| Unrealized losses during the period of (\$366) on investment securities available for sale, net of tax benefit of (\$147) | -- | -- | -- | -- | (219) | (219) |
| Total comprehensive income | | | | | | <u>1,174</u> |
| Issuance of shares under stock option program | -- | 4 | -- | -- | -- | 4 |
| Acquisition and issuance of shares for ESOP | -- | -- | -- | (45) | -- | (45) |
| Dividends declared (\$0.25 per share) | -- | -- | (866) | -- | -- | (866) |
| Balance at June 30, 2007 | <u>\$35</u> | <u>\$25,127</u> | <u>\$6,395</u> | <u>(\$255)</u> | <u>(\$853)</u> | <u>\$30,449</u> |

See Notes to Unaudited Condensed Consolidated Financial Statements

ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2007 and 2006
(In thousands)

| | 2007 | 2006 |
|---|-----------------|-----------------|
| Cash flows from operating activities: | | |
| Net income | \$1,393 | \$1,441 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for loan losses | 160 | 125 |
| Depreciation and amortization | 228 | 277 |
| Accretion of loan discounts and fees | (99) | (239) |
| Gain on sale of guaranteed portion of SBA loans | -- | (181) |
| Net discount accretion on investment securities | (2) | -- |
| Loss on the sale of other assets | 29 | -- |
| Proceeds from the sale of other assets | 282 | -- |
| Increase in other assets | (921) | (652) |
| Contribution to pension plan | -- | (700) |
| Increase (decrease) in other liabilities | 784 | (364) |
| Net cash provided by (used in) operating activities | 1,854 | (293) |
| Cash flows from investing activities: | | |
| Proceeds from maturities of investment securities available for sale | 6,000 | 5,000 |
| Proceeds from maturities of investment securities held to maturity | 3,000 | -- |
| Proceeds from repayment of mortgage-backed securities available for sale | 465 | 399 |
| Proceeds from repayment of mortgage-backed securities held to maturity | 286 | 107 |
| Purchase of investment securities available for sale | (18,498) | (4,000) |
| Purchase of FHLB and FRB stock | (1,534) | (1,096) |
| Redemption of FHLB stock | 892 | 738 |
| Net increase in loans | (12,223) | (24,008) |
| Purchase of premises and equipment, net | (358) | (599) |
| Net cash used in investing activities | (21,970) | (23,459) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in transaction and savings deposits | 25,932 | (6,072) |
| Net increase in time deposits | 17,438 | 17,457 |
| Net (decrease) increase in short-term borrowings | (111) | 18,846 |
| Proceeds from long-term debt | 10,000 | -- |
| Repayment of long-term debt | (467) | (461) |
| Proceeds from issuance of common stock in stock option program | 4 | -- |
| Purchased treasury stock | (45) | -- |
| Cash dividends paid to common stockholders | (866) | (865) |
| Net cash provided by financing activities | 51,885 | 28,905 |
| Net increase in cash and cash equivalents | 31,769 | 5,153 |
| Cash and cash equivalents at beginning of period | 27,563 | 18,549 |
| Cash and cash equivalents at end of period | \$59,332 | \$23,702 |
| Supplementary disclosures: | | |
| Interest paid on deposits and borrowings | \$6,345 | \$3,778 |
| Income taxes paid | \$520 | \$1,269 |

See Notes to Unaudited Condensed Consolidated Financial Statements

ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 Basis of presentation

Abigail Adams National Bancorp, Inc. (the “Company”) is the parent company of The Adams National Bank (“ANB”) and Consolidated Bank and Trust (“CB&T”). As used herein, the term Company includes ANB and CB&T, unless the context otherwise requires.

The Company prepares its condensed consolidated financial statements on the accrual basis and in conformity with accounting principles generally accepted in the United States for interim financial information, the instructions for Form 10-Q, and Regulation S-X. The accompanying financial statements are unaudited except for the balance sheet at December 31, 2006, which was derived from the audited consolidated financial statements as of that date. The unaudited information furnished herein reflects all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. These statements should be read in conjunction with the consolidated financial statements and accompanying notes included with the Company’s 2006 Annual Report to Stockholders, since they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America. Operating results for the three and six months ended June 30, 2007 (unaudited) are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. Certain reclassifications may have been made to amounts previously reported for 2006 to conform with the 2007 presentation.

Note 2 Contingent Liabilities

In the normal course of business, there are various outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit that are not reflected in the accompanying consolidated financial statements. No material losses are anticipated as a result of these transactions. There were no material changes since December 31, 2006.

Note 3 Earnings per share

Basic earnings per share (“EPS”) computations are based upon the weighted average number of shares outstanding during the periods. Diluted earnings per share computations are determined using the treasury stock method and based upon the weighted average number of shares outstanding during the periods plus the dilutive effect of outstanding stock options and stock performance awards. The following table provides a reconciliation of the number of shares between the computation of basic EPS and diluted EPS for the three and six months ended June 30, 2007 and 2006.

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|-----------|--------------------------------------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| Weighted average shares | 3,462,146 | 3,462,129 | 3,461,973 | 3,462,129 |
| Effect of dilutive stock options | 3,834 | 3,930 | 3,887 | 3,963 |
| Dilutive potential average common shares | 3,465,980 | 3,466,059 | 3,465,860 | 3,466,092 |

Note 4 Securities

The amortized cost and estimated fair value of investment securities held to maturity and investment securities available for sale at June 30, 2007 and December 31, 2006 are as follows:

| <i>(In thousands)</i> | Amortized Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|-------------------------|------------------------------|-------------------------------|-------------------------|
| June 30, 2007: | | | | |
| Investment Securities – available for sale: | | | | |
| U.S. government sponsored agencies and corporations | \$46,485 | \$1 | \$606 | \$45,880 |
| Mortgage-backed securities | 3,970 | -- | 186 | 3,784 |
| Corporate securities | 1,066 | -- | 134 | 932 |
| Other debt securities | 6,700 | 30 | 312 | 6,418 |
| Total | <u>\$58,221</u> | <u>\$31</u> | <u>\$1,238</u> | <u>\$57,014</u> |
| Investment Securities – held to maturity: | | | | |
| U.S. government sponsored agencies and corporations | \$12,494 | \$-- | \$235 | \$12,259 |
| Mortgage-backed securities | 1,944 | -- | 21 | 1,923 |
| Total | <u>\$14,438</u> | <u>\$--</u> | <u>\$256</u> | <u>\$14,182</u> |
| December 31, 2006: | | | | |
| Investment Securities – available for sale: | | | | |
| U.S. government sponsored agencies and corporations | \$33,967 | \$ -- | \$546 | \$33,421 |
| Mortgage-backed securities | 4,444 | -- | 159 | 4,285 |
| Corporate securities | 1,071 | -- | 122 | 949 |
| Other debt securities | 6,706 | 32 | 46 | 6,692 |
| Total | <u>\$46,188</u> | <u>\$32</u> | <u>\$873</u> | <u>\$45,347</u> |
| Investment Securities – held to maturity: | | | | |
| U.S. government sponsored agencies and corporations | \$15,490 | \$ -- | \$304 | \$15,186 |
| Mortgage-backed securities | 2,232 | 12 | 12 | 2,232 |
| Total | <u>\$17,722</u> | <u>\$12</u> | <u>\$316</u> | <u>\$17,418</u> |

The Company had no gains or losses on sales of securities in the periods ended June 30, 2007 or June 30, 2006.

The fair value of investment securities with unrealized losses by length of time that the individual securities have been in a continuous loss position at June 30, 2007 and December 31, 2006, are presented in the following table:

| <i>(In thousands)</i> | Continuous unrealized losses existing for less than 12 months | | Continuous unrealized losses existing 12 months or more | | Total | |
|---|--|----------------------|--|----------------------|-----------------|----------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| June 30, 2007: | | | | | | |
| U.S. government sponsored agencies and corporations | \$18,370 | \$125 | \$36,768 | \$716 | \$55,138 | \$841 |
| Mortgage-backed securities | 1,246 | 9 | 4,454 | 198 | 5,700 | 207 |
| Corporate securities | -- | -- | 932 | 134 | 932 | 134 |
| Other debt securities | 3,783 | 231 | 920 | 81 | 4,703 | 312 |
| Total | <u>\$23,399</u> | <u>\$365</u> | <u>\$43,074</u> | <u>\$1,129</u> | <u>\$66,473</u> | <u>\$1,494</u> |
| December 31, 2006: | | | | | | |
| U.S. government sponsored agencies and corporations | \$2,990 | \$6 | \$44,617 | \$844 | \$47,607 | \$850 |
| Mortgage-backed securities | -- | -- | 5,050 | 171 | 5,050 | 171 |
| Corporate securities | -- | -- | 949 | 122 | 949 | 122 |
| Other debt securities | 954 | 46 | -- | -- | 954 | 46 |
| Total | <u>\$3,944</u> | <u>\$52</u> | <u>\$50,616</u> | <u>\$1,137</u> | <u>\$54,560</u> | <u>\$1,189</u> |

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At June 30, 2007, a portion of our investment securities portfolio had unrealized losses. In analyzing an issuer's financial condition, management considers whether the securities are issued by the Federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports.

The Company holds two corporate bonds which were carried at fair value \$932,000 with an aggregate unrealized loss of \$134,000 at June 30, 2007. These two bonds have had unrealized losses existing for greater than 12 months and were downgraded in 2005 to below investment grade. Interest payments continue to be received as scheduled and the Company has the intent and ability to hold these investments until their maturity. Based on an evaluation of the creditworthiness of the issuers, the Company believes the issuers will not default and that it will recoup the entire principal at maturity; therefore, management did not record any other-than-temporary impairment charge at June 30, 2007.

The other unrealized losses that existed as of June 30, 2007 and December 31, 2006, are a result of market changes in interest rates since the securities' purchase. This factor, coupled with the fact the Company has both the intent and the ability to hold these securities for a period of time sufficient to allow for any anticipated recovery in fair value substantiates that the unrealized losses in the held to maturity and available-for-sale portfolios are temporary.

Note 5 Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and unrealized gains and losses on pension plan assets and benefit obligations. There were no reclassification adjustments realized in income for gains or losses from components of other comprehensive income in the quarters ending June 30, 2007 and June 30, 2006.

The components of comprehensive income are as follows:

| (In thousands) | For the three months ended June 30, | | For the six months ended June 30, | |
|---------------------------------|--|--------------|--------------------------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net income | \$711 | \$788 | \$1,393 | \$1,441 |
| Unrealized losses on securities | (425) | (229) | (366) | (467) |
| Income tax benefit | 170 | 90 | 147 | 182 |
| Total comprehensive income | <u>\$456</u> | <u>\$649</u> | <u>\$1,174</u> | <u>\$1,156</u> |

Note 6 Defined Benefit Pension Plan

CB&T maintains a noncontributory defined benefit pension plan. Pension benefits vest after five years of service and were based on years of service and average final salary. During 1997, CB&T froze the accrual of future service benefits, however, benefits continued to accrue for future compensation adjustments. In 2003, the compensation levels were frozen at current rates for benefit calculation purposes. On January 10, 2007, the CB&T Board of Directors adopted a resolution to terminate the pension plan effective March 31, 2007. All participants became 100% vested on that date. The Company expects to contribute \$380,000 to the pension plan in 2007 to make the plan sufficient at its termination. This contribution amount is based on actuarial assumptions and may vary depending on the timing of final distributions and the incidence of participants requesting, as permitted under the law, that an annuity be purchased for them. In May 2006, CB&T made its 2005 contribution to the plan in the amount of \$700,000.

The components of net periodic benefit cost for the three and six months ended June 30, 2007 and 2006 are shown in the following table. The cost does not reflect future expected settlement subsequent to March 31, 2007 plan termination.

| (Dollars in thousands) | Pension Benefits Net Periodic Benefit Cost For the three months ended June 30, | | Pension Benefits Net Periodic Benefit Cost For the six months ended June 30, | |
|------------------------------------|---|---------------|---|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| Service cost | \$-- | \$-- | \$-- | \$-- |
| Interest cost | 67 | 66 | 135 | 132 |
| Expected return on plan assets | (83) | (70) | (166) | (140) |
| Amortization of prior service cost | -- | -- | -- | -- |
| Amortization of net (gain) loss | -- | -- | -- | -- |
| Net periodic benefit cost | <u>\$ (16)</u> | <u>\$ (4)</u> | <u>\$ (31)</u> | <u>\$ (8)</u> |

Note 7 Segments

Management regularly reviews the performance of the Company's operations on a reporting basis by legal entity. The Company has two operating segments comprised of its subsidiaries, ANB and CB&T, for which there is discrete financial information available. Both segments are engaged in providing financial services in their respective market areas and are similar in each of the following: the nature of their products, services; and processes; type or class of customer for their products and services; methods used to distribute their products or provide their services; and the nature of the banking regulatory environment. The parent company is deemed to represent an overhead function rather than an operating segment and its financial information is presented as the "Other" category in the schedules below.

| (Dollars in thousands) | Segment Results and Reconciliation | | | | |
|--|------------------------------------|------------------------------|----------------------|------------------------------|------------------------|
| | Adams National Bank | Consolidated Bank & Trust | Other ⁽¹⁾ | Intercompany Eliminations | Consolidated Totals |
| For three months ended June 30, 2007: | | | | | |
| Interest income | \$6,225 | \$1,394 | \$-- | \$-- | \$7,619 |
| Interest expense | 2,911 | 405 | 104 | -- | 3,420 |
| Net interest income | 3,314 | 989 | (104) | -- | 4,199 |
| Provision for loan losses | 75 | -- | -- | -- | 75 |
| Noninterest income | 318 | 99 | 866 | (891) | 392 |
| Noninterest expense | 2,215 | 1,004 | 157 | (25) | 3,351 |
| Net income | 803 | 63 | 711 | (866) | 711 |
| Assets | 360,785 | 98,114 | 35,466 | (35,020) | 459,345 |
| Return on average assets (annualized) | 0.91% | 0.29% | NM ⁽²⁾ | -- | 0.65% |
| Return on average equity (annualized) | 11.83% | 3.11% | NM ⁽²⁾ | -- | 9.30% |
| For three months ended June 30, 2006: | | | | | |
| Interest income | \$5,007 | \$1,180 | \$-- | -- | \$6,187 |
| Interest expense | 1,829 | 270 | 113 | -- | 2,212 |
| Net interest income | 3,178 | 910 | (113) | -- | 3,975 |
| Provision for loan losses | 75 | -- | -- | -- | 75 |
| Noninterest income | 459 | 111 | 948 | (973) | 545 |
| Noninterest expense | 2,073 | 936 | 155 | (25) | 3,139 |
| Net income | 891 | 57 | 788 | (948) | 788 |
| Assets | 291,815 | 80,059 | 33,347 | (33,132) | 372,089 |
| Return on average assets (annualized) | 1.26% | 0.29% | NM ⁽²⁾ | -- | 0.87% |
| Return on average equity (annualized) | 13.85% | 2.98% | NM ⁽²⁾ | -- | 11.16% |

(1) Amounts represent parent company before intercompany eliminations.

(2) Not considered a meaningful performance ratio for parent company.

Segment Results and Reconciliation

| (Dollars in thousands) | Adams National Bank | Consolidated Bank & Trust | Other ⁽¹⁾ | Intercompany Eliminations | Consolidated Totals |
|--|------------------------|------------------------------|----------------------|------------------------------|------------------------|
| For six months ended June 30, 2007: | | | | | |
| Interest income | \$12,187 | \$2,779 | \$-- | \$-- | \$14,966 |
| Interest expense | 5,569 | 768 | 207 | -- | 6,544 |
| Net interest income | 6,618 | 2,011 | (207) | -- | 8,422 |
| Provision for loan losses | 150 | 10 | -- | -- | 160 |
| Noninterest income | 645 | 207 | 1,698 | (1,748) | 802 |
| Noninterest expense | 4,414 | 2,089 | 306 | (50) | 6,759 |
| Net income | 1,613 | 85 | 1,393 | (1,698) | 1,393 |
| Assets | 360,785 | 98,114 | 35,466 | (35,020) | 459,345 |
| Return on average assets (annualized) | 0.96% | 0.20% | NM ⁽²⁾ | -- | 0.66% |
| Return on average equity (annualized) | 11.97% | 2.11% | NM ⁽²⁾ | -- | 9.19% |
| For six months ended June 30, 2006: | | | | | |
| Interest income | \$9,596 | \$2,258 | \$-- | -- | \$11,854 |
| Interest expense | 3,311 | 479 | 220 | -- | 4,010 |
| Net interest income | 6,285 | 1,779 | (220) | -- | 7,844 |
| Provision for loan losses | 125 | -- | -- | -- | 125 |
| Noninterest income | 851 | 227 | 1,765 | (1,815) | 1,028 |
| Noninterest expense | 4,191 | 1,895 | 325 | (50) | 6,361 |
| Net income | 1,691 | 74 | 1,441 | (1,765) | 1,441 |
| Assets | 291,815 | 80,059 | 33,347 | (33,132) | 372,089 |
| Return on average assets (annualized) | 1.22% | 0.19% | NM ⁽²⁾ | -- | 0.81% |
| Return on average equity (annualized) | 13.19% | 1.95% | NM ⁽²⁾ | -- | 10.27% |

(1) Amounts represent parent company before intercompany eliminations.

(2) Not considered a meaningful performance ratio for parent company.

Description of significant amounts included in the "Intercompany Eliminations" column in the segment report schedules are as follows:

| (In thousands) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|-------------------|---------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Noninterest income - elimination of parent company's undistributed earnings from subsidiaries | (\$891) | (\$973) | (\$1,748) | (\$1,815) |
| Net income - elimination of parent company's earnings from subsidiaries | (\$866) | (\$948) | (\$1,698) | (\$1,765) |
| Assets - elimination of parent company's investment in subsidiaries | (\$35,020) | (\$33,132) | (\$35,020) | (\$33,132) |
| | <u>(\$36,777)</u> | <u>(\$35,053)</u> | <u>(\$38,466)</u> | <u>(\$36,712)</u> |

Note 8 Recent Accounting Pronouncements

The Company adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", on January 1, 2007. Interpretation No. 48 requires the company to review outstanding tax positions and establish a liability in its balance sheet for those positions that more likely than not, based on technical merits, would not be sustained upon examination by taxing authorities. The Company files U.S. federal income tax returns and state income tax returns in Maryland and the District of Columbia. Based on the statute of limitations, the Company is no longer subject to U.S. federal and state examinations by tax authorities for years before 2003. Based on the review of the tax returns filed for the years 2003 through 2005 and the tax benefits accrued in the 2006 annual financial statements, management determined that 100% of the benefits accrued were expected to be realized and has a high confidence level in the technical merits of the positions. It believes that the deductions taken and benefits accrued are based on widely understood administrative practices and procedures and are based on clear and unambiguous tax law. As a result of this evaluation, management did not record a liability for unrecognized tax benefits.

In February 2007, FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is currently evaluating the effects of this statement.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Abigail Adams National Bancorp, Inc. (the "Company") is the parent of The Adams National Bank ("ANB"), a national bank with six full-service branches located in the greater metropolitan Washington, D.C. area and, Consolidated Bank and Trust (CB&T), a Virginia chartered commercial bank, with two branches in Richmond and one in Hampton, Virginia. The Company reports its financial results on a consolidated basis with ANB and CB&T.

The following analysis of financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the year ended December 31, 2006.

Results of Operations

Overview

The Company recorded net income of \$711,000 for the three months ended June 30, 2007, as compared to \$788,000 for the second quarter of 2006. Although net interest income increased \$224,000 or 5.6%, noninterest income decreased \$153,000 and noninterest expense increased \$212,000. The second quarter return on average assets was 0.65% and the return on average equity was 9.30% compared to 0.87% and 11.16%, respectively, for the same period last year. Basic and diluted earnings per share were \$0.21 for the second quarter of 2007 and \$0.23 for the second quarter of 2006.

The Company recorded \$1.39 million in net income for the first six months of 2007 compared to \$1.44 million during the same period in 2006. Although net interest income increased \$578,000 or 7.4%, noninterest income decreased \$226,000 and noninterest expense increased \$398,000. The year to date return on average assets decreased 15 basis points to 0.66% and the return on average equity decreased to 9.19% from 10.27% for the same period in 2006. Book value per share increased \$0.60 to \$8.79 at June 30, 2007 from \$8.19 at June 30, 2006. The key components of net income are discussed in the following paragraphs.

Analysis of Net Interest Income

Net interest income, which is the sum of interest and certain fees generated by earning assets minus interest paid on deposits and other funding sources, is the principal source of the Company's earnings. Net interest income for the quarter ended June 30, 2007 increased 5.6% to \$4.2 million from \$4.0 million for the second quarter of 2006. The increase in net interest income was attributable to the growth in average earning assets and, to a lesser extent, increases in yields. Average loans increased 19.9% to \$316.1 million from \$263.7 million for the second quarter of 2006. The average yield on loans remained relatively unchanged at 8.05% for the second quarter of 2007 compared to 8.08% of the second quarter of 2006, reflecting a reversal in interest income on a large nonaccruing construction loan. Average total investments increased 29.5% to \$106.0 million from \$81.9 million in the prior year reflecting a \$25.8 million increase in federal funds and other short term investments. The yield on average earning assets was 7.24%, an increase of 6 basis points from the second quarter of 2006.

Funding for earning assets comes from deposits, short and long-term borrowings, and stockholders' equity. Average interest bearing liabilities increased \$77.3 million or 30.5% over the second quarter of 2006. The cost of interest-bearing funds increased 65 basis points to 4.15% from 3.50% in the second quarter of 2006. The increase in the cost of interest-bearing liabilities reflects deposits and short-term borrowings bearing higher interest rates in a rising interest rate environment.

The net interest margin, which is net interest income as a percentage of average interest-earning assets, was 3.99% for the second quarter of 2007, a decrease of 62 basis points from 4.61% for the second quarter of 2006. The net interest spread, which is the difference between the average interest rate earned on interest-earning assets and interest paid on interest-bearing liabilities, was 3.09% for the second quarter of 2007, reflecting a decrease of 59 basis points from 3.68% reported in the second quarter of 2006. The decline in the net interest margin and spread reflects the continued high cost of deposits and the strong competition for loans.

The net interest income for the first six months of 2007 totaled \$8.4 million, an increase of \$578,000 or 7.4%, as compared to \$7.8 million for the same period in 2006. The improvement in the year to date net interest income was primarily the result of the 23.0% increase in the average loan balance. Average earning assets increased 20.5% to

\$408.1 million as compared to \$338.6 million reported last year. Earning assets were funded with a \$70.3 million or 28.3% increase in the Company's average interest-bearing liabilities.

The net interest spread was 3.26% and the net interest margin was 4.16% for the first six months of 2007, reflecting a decrease of 55 basis points in net interest spread and a decrease of 51 basis points in net interest margin, compared to the same period in 2006. The continued compression in the net interest spread and margin in the first half of 2007 was due to the combination of strong competition for deposits and loans.

The following tables present the average balances, net interest income and interest yields/rates for the second quarter and the year-to-date periods of 2007 and 2006.

Distribution of Assets, Liabilities and Stockholders' Equity Yields and Rates
For the Three Months Ended June 30, 2007 and 2006
(Dollars in thousands)

| | 2007 | | | 2006 | | |
|---|---------------------|--------------------------------|------------------|---------------------|--------------------------------|------------------|
| | Average Balances | Interest Income/ Expense | Average Rates | Average Balances | Interest Income/ Expense | Average Rates |
| Assets | | | | | | |
| Loans (1) | \$316,122 | \$6,343 | 8.05% | \$263,707 | \$5,314 | 8.08% |
| Investment securities | 69,228 | 802 | 4.65% | 70,887 | 740 | 4.19% |
| Federal funds sold | 20,080 | 260 | 5.19% | 9,839 | 118 | 4.81% |
| Interest-earning bank balances | 16,735 | 214 | 5.13% | 1,166 | 15 | 5.16% |
| Total earning assets | 422,165 | 7,619 | 7.24% | 345,599 | 6,187 | 7.18% |
| Allowance for loan losses | (4,514) | | | (4,582) | | |
| Cash and due from banks | 13,148 | | | 12,353 | | |
| Other assets | 10,623 | | | 10,579 | | |
| Total assets | \$441,422 | | | \$363,949 | | |
| Liabilities and Stockholders' Equity | | | | | | |
| Savings, NOW and money market accounts | \$143,114 | 1,096 | 3.07% | \$131,285 | 844 | 2.58% |
| Certificates of deposit | 167,823 | 2,085 | 4.98% | 89,589 | 924 | 4.14% |
| Short term borrowings | 3,899 | 17 | 1.75% | 21,684 | 260 | 4.81% |
| Long-term debt | 15,945 | 222 | 5.58% | 10,874 | 184 | 6.79% |
| Total interest-bearing liabilities | 330,781 | 3,420 | 4.15% | 253,432 | 2,212 | 3.50% |
| Noninterest-bearing deposits | 75,685 | | | 78,669 | | |
| Other liabilities | 4,297 | | | 3,517 | | |
| Stockholders' equity | 30,659 | | | 28,331 | | |
| Total liabilities and stockholders' equity | \$441,422 | | | \$363,949 | | |
| Net interest income | | \$4,199 | | | \$3,975 | |
| Net interest spread | | | 3.09% | | | 3.68% |
| Net interest margin | | | 3.99% | | | 4.61% |

(1) The loan averages are stated net of unearned income and include loans on which the accrual of interest has been discontinued.

**Distribution of Assets, Liabilities and Stockholders' Equity Yields and Rates
For the Six Months Ended June 30, 2007 and 2006**

(Dollars in thousands)

| | 2007 | | | 2006 | | |
|---|---------------------|--------------------------------|------------------|---------------------|--------------------------------|------------------|
| | Average Balances | Interest Income/ Expense | Average Rates | Average Balances | Interest Income/ Expense | Average Rates |
| Assets | | | | | | |
| Loans (1) | \$315,421 | \$12,785 | 8.17% | \$256,426 | \$10,135 | 7.97% |
| Investment securities | 66,904 | 1,517 | 4.57% | 71,157 | 1,466 | 4.15% |
| Federal funds sold | 14,653 | 379 | 5.22% | 9,092 | 209 | 4.64% |
| Interest-earning bank balances | 11,108 | 285 | 5.17% | 1,940 | 44 | 4.57% |
| Total earnings assets | 408,086 | 14,966 | 7.40% | 338,615 | 11,854 | 7.06% |
| Allowance for loan losses | (4,486) | | | (4,497) | | |
| Cash and due from banks | 12,967 | | | 12,665 | | |
| Other assets | 10,405 | | | 9,769 | | |
| Total assets | \$426,972 | | | \$356,552 | | |
| Liabilities and Stockholders' Equity | | | | | | |
| Savings, NOW and money market accounts | \$135,320 | 2,009 | 2.99% | \$136,579 | 1,668 | 2.46% |
| Certificates of deposit | 165,509 | 4,090 | 4.98% | 84,822 | 1,633 | 3.88% |
| Short term borrowings | 5,767 | 81 | 2.83% | 16,223 | 368 | 4.57% |
| Long-term debt | 12,359 | 364 | 5.94% | 10,989 | 341 | 6.26% |
| Total interest-bearing liabilities | 318,955 | 6,544 | 4.14% | 248,613 | 4,010 | 3.25% |
| Noninterest-bearing deposits | 73,334 | | | 76,120 | | |
| Other liabilities | 4,113 | | | 3,519 | | |
| Stockholders' equity | 30,570 | | | 28,300 | | |
| Total liabilities and stockholders' equity | \$426,972 | | | \$356,552 | | |
| Net interest income | | \$8,422 | | | \$7,844 | |
| Net interest spread | | | 3.26% | | | 3.81% |
| Net interest margin | | | 4.16% | | | 4.67% |

(1) The loan averages are stated net of unearned income and include loans on which the accrual of interest has been discontinued.

Noninterest Income

Total noninterest income consists primarily of service charges on deposits and other fee-based services, as well as gains on the sales of investment securities and loans. Noninterest income totaled \$392,000 in the second quarter, a decrease of \$153,000 from the second quarter of 2006. We had no gain from sales of the guaranteed portion of SBA loans in the second quarter of 2007 compared to a gain of \$153,000 in the second quarter of 2006. There was no gain on the sale of investment securities in the second quarter of 2007 or 2006.

Total noninterest income for the six months ended June 30, 2007 was \$802,000, a decrease of \$226,000, compared to the same period in 2006. There were no gains from sales of the guaranteed portion of SBA loans in the first half of 2007 compared to a gain of \$181,000 in the same period of 2006. There was no gain on the sale of investment securities in the first six months of 2007 or 2006.

Noninterest Expense

Noninterest expense for the second quarter of 2007 totaled \$3.4 million, an increase of \$212,000 or 6.8%, compared to the second quarter of 2006. Salary and employee benefits increased \$19,000; occupancy expense increased \$41,000; professional fees increased \$76,000; data processing fees increased \$64,000 and other operating expense increased \$12,000.

Total noninterest expense for the six months ended June 30, 2007 increased \$398,000 or 6.3% to \$6.8 million from \$6.4 million for the same period in 2006. Net occupancy costs increased \$81,000. Professional fees increased \$86,000 due to increases in legal, audit and consulting fees. Data processing expense increased \$128,000 predominately due to data system conversion costs incurred at CB&T during the first half of 2007. Other operating expenses increased \$115,000 predominately due to a \$70,000 increase in advertising costs and a \$24,000 increase in personnel recruitment fees. The Company's efficiency ratio was 73.3% at June 30, 2007 compared to 71.7% at June 30, 2006.

Income Tax Expense

Income tax expense totaled \$454,000 for the second quarter ended June 30, 2007, a decrease of 12.4% from the income tax expense reported for the second quarter of 2006. The decrease in income tax expense was a result of the 10.8% decrease in the Company's pretax income, as compared to the second quarter of 2006. The effective tax rates for the second quarter of 2007 and 2006 were 39.0% and 39.7%, respectively.

Income tax expense for the first six months ended June 30, 2007 decreased \$33,000 or 3.5% to a total of \$912,000, compared to the same period in 2006 as a result of the decrease in pretax net income. The Company's effective tax rate for the first half of 2007 and 2006 was 39.6%.

Financial Condition

Overview

Total assets were \$459.3 million at June 30, 2007, compared to \$405.5 million at December 31, 2006, an increase of \$53.8 million or 13.3%. The increase in total assets was primarily attributable to a \$29.7 million increase in short-term investments. Total liabilities increased \$53.6 million or 14.3% from year end primarily due to a \$43.4 million or 11.9% increase in total deposits. Total stockholders' equity increased \$267,000 to \$30.4 million from December 31, 2006. The book value per share of common stock issued and outstanding at June 30, 2007 was \$8.79, compared to \$8.72 at December 31, 2006.

Loans

Total loans outstanding at June 30, 2007 increased \$12.4 million or 4.0% to \$320.3 million from December 31, 2006. Growth in commercial real estate loans of \$23.2 million was offset by a \$12.3 million decrease in commercial loans.

Investments securities

Investment securities available-for-sale are carried at estimated fair value and totaled \$57.0 million at June 30, 2007, an increase of \$11.7 million or 25.7% since year end. Investment securities classified as held-to-maturity were \$14.4 million at June 30, 2007, a decrease of \$3.3 million or 18.5% from the balance at December 31, 2006.

Short-term investments

Investments in federal funds sold increased \$19.1 million and interest-earning deposits in other banks increased \$10.6 million at June 30, 2007 reflecting the growth in seasonal non-maturity deposits.

Other assets

Other assets increased \$1.4 million from December 31, 2006. FHLB stock increased by \$633,000 necessitated by the increase in FHLB borrowings. Prepaid expenses increased \$381,000 due to annual renewals of various contracts. Accrued interest increased \$214,000 due to the growth in investment securities. Accrued deferred tax assets increased \$210,000 due to various tax timing differences. These increases were offset by the sale of other real estate owned with a book value of \$311,000.

Deposits

Deposits are the Company's primary source of funds. Total deposits increased \$43.4 million during the first six months of 2007. Noninterest-bearing deposits increased \$6.4 million or 8.3%, and interest-bearing deposits increased \$37.0 million or 12.9% from December 31, 2006. Certificates of deposits with balances greater than \$100,000 led with an increase of \$17.1 million reflecting organic growth. NOW accounts increased by \$23.7 million predominately due to seasonal funds inflow from a large governmental account.

Short-term borrowings

Short-term borrowings, consisting of repurchase agreements, federal funds, and short-term FHLB borrowings, decreased \$111,000 from December 31, 2006.

Long-term debt

Long-term debt increased \$9.5 million during the first six months of 2007. On March 7, 2007, ANB obtained a FHLB advance in the amount of \$10 million at a rate of 4.286% due on March 9, 2012.

Stockholders' equity

Stockholders' equity at June 30, 2007 was \$30.4 million, an increase of \$267,000 or .9% from December 31, 2006. The increase was primarily due to earnings of \$1.4 million, less dividends of \$866,000 paid on the Company's common stock, an increase of \$219,000 in unrealized losses on available-for-sale investment securities, and an increase of \$45,000 in treasury stock.

Asset Quality

Adequacy of the Allowance for Loan Losses

The Company continuously monitors the quality of its loan portfolio and maintains an allowance for loan and lease losses ("ALLL") sufficient to absorb probable losses inherent in its total loan portfolio. The ALLL policy is critical to the portrayal and understanding of our financial condition and results of operations. As such, selection and application of this "critical accounting policy" involves judgments, estimates, and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending upon the severity of such changes, the possibility of materially different financial condition or results of operations is a reasonable likelihood. Although credit policies are designed to minimize risk, management recognizes that loan losses will occur and that the amount of these losses will fluctuate depending on the risk characteristics of the loan portfolio.

The Company's ALLL framework has three basic components: a formula-based component for pools of homogeneous loans; a specific allowance for loans reviewed for individual impairment; and a pool specific allowance based upon other inherent risk factors and imprecision associated with the modeling and estimation process. The first component, the general allocation to homogenous loans, is determined by applying allowance factors to pools of loans that have similar characteristics in terms of business and product type. The general factors are determined by using an analysis of historical charge-off experience by loan pools. The second component of the ALLL analysis involves the estimation of allowances specific to impaired loans. The third component of the ALLL addresses inherent losses that are not otherwise captured in the other components and is applied to homogenous pools of loans. The qualitative factors are subjective and require a high degree of management judgment. These factors consider changes in nonperforming and past-due loans, concentrations of loans to specific borrowers and industries, and general and regional economic conditions, as well as other factors existing at the determination date.

The ALLL is established through provisions for loan losses as a charge to earnings based upon management's ongoing evaluation. Loans deemed uncollectible are charged against the ALLL and any subsequent recoveries are credited to the ALLL. The provision for loan losses increased in 2007 to a total of \$160,000, compared to \$125,000 for the same period in 2006. The balance of the ALLL was \$4.6 million or 1.43% of total loans at June 30, 2007, compared to \$4.4 million or 1.44% of loans at December 31, 2006. Net loan charge-offs were \$23,000 in the first half of 2007. The current level of the ALLL is intended to address known and inherent losses that are both probable and estimable at June 30, 2007.

The following table presents an analysis of the allowance for three and six months ended June 30, 2007 and 2006.

| (Dollars in thousands) | For the 3 months ended June 30, | | For the 6 months ended June 30, | |
|--|------------------------------------|----------------|------------------------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Balance at beginning of period | \$4,479 | \$4,529 | \$4,432 | \$4,345 |
| Loans charged off: | | | | |
| Commercial | -- | -- | 85 | 44 |
| Real estate – commercial | -- | -- | -- | -- |
| Real estate – residential | -- | -- | -- | -- |
| Construction and development | -- | -- | -- | -- |
| Installment – individuals | -- | 5 | -- | 7 |
| Total charge-offs | <u>--</u> | <u>5</u> | <u>85</u> | <u>51</u> |
| Recoveries: | | | | |
| Commercial | 6 | 47 | 33 | 214 |
| Real estate – commercial | -- | -- | -- | -- |
| Real estate – residential | 2 | 16 | 8 | 21 |
| Construction and development | -- | -- | -- | -- |
| Installment – individuals | 7 | 11 | 21 | 19 |
| Total recoveries | <u>15</u> | <u>74</u> | <u>62</u> | <u>254</u> |
| Net (recoveries) charge-offs | <u>(15)</u> | <u>(69)</u> | <u>23</u> | <u>(203)</u> |
| Provision for loan losses | 75 | 75 | 160 | 125 |
| Balance at end of period | <u>\$4,569</u> | <u>\$4,673</u> | <u>\$4,569</u> | <u>\$4,673</u> |
| Ratio of net (recoveries) charge-offs to average loans | (0.005)% | (0.03)% | 0.01% | (0.08)% |

Nonperforming Assets

Nonperforming assets include nonaccrual loans, restructured loans, past-due loans and other real estate owned. Past due loans are loans that are 90 days or more delinquent and still accruing interest. There were two past-due loans totaling \$1.7 million that were still accruing interest at June 30, 2007, and \$1.9 million at December 31, 2006. One past due loan with a balance of \$1.5 million was brought current shortly after the period end. Nonaccrual loans at June 30, 2007 totaled \$5.1 million, with balances of \$727,000 guaranteed by the Small Business Association (SBA), compared to \$1.5 million at December 31, 2006. The largest nonaccrual loan was a real estate secured loan totaling \$4.3 million and was placed in nonaccrual due to a collateral deficiency, which the Company expects to remedy by the end of the third quarter. Overall, total nonperforming loans were \$6.7 million or 1.47% of total assets at June 30, 2007, compared to \$3.6 million or 0.88% of total assets at December 31, 2006.

The following table presents nonperforming assets by category at June 30, 2007 and December 31, 2006.

| | June 30, 2007 | December 31, 2006 |
|---|------------------------|----------------------|
| | (Dollars in thousands) | |
| Nonaccrual loans: | | |
| Commercial | \$ 752 | \$1,508 |
| Real estate | 4,312 | -- |
| Installment – individuals | -- | -- |
| Total nonaccrual loans | <u>5,064</u> | <u>1,508</u> |
| Past-due loans | 1,669 | 1,919 |
| Other real estate owned | -- | 137 |
| Total nonperforming assets | <u>\$6,733</u> | <u>\$3,564</u> |
| Nonperforming assets exclusive of SBA guarantee | \$6,006 | \$2,544 |
| Ratio of nonperforming assets to gross loans | 2.10% | 1.16% |
| Ratio of nonperforming assets to total assets | 1.47% | 0.88% |
| Allowance for loan losses to nonperforming assets | 68% | 124% |

Assets totaling \$14.0 million and \$16.4 million at June 30, 2007 and December 31, 2006, respectively, were classified as monitored credits subject to management's attention and are not reported in the preceding table. The classification of monitored credits is reviewed on a quarterly basis. The balances of the monitored credits guaranteed by the SBA totaled \$1.4 million and \$1.0 million as of June 30, 2007 and December 31, 2006, respectively.

Liquidity and Capital Resources

Liquidity

Liquidity is a product of the Company's operating, investing, and financing activities and is represented by cash and cash equivalents. Principal sources of funds are from deposits, short and long term debt, principal and interest payments on outstanding loans, maturity of investment securities, and funds provided from operations. Overall, net cash and cash equivalents increased \$31.8 million or 115.3% to a balance of \$59.3 million for the period ended June 30, 2007 from a balance of \$27.6 million at December 31, 2006. Liquid assets represented 12.9% of total assets at June 30, 2007, as compared to 6.8% of total assets at December 31, 2006.

The Company has additional sources of liquidity available through unpledged investment securities totaling \$22.5 million, and unsecured lines of credit available from correspondent banks, which can provide up to \$31 million, as well as a credit facility through its membership in the FHLB of Atlanta.

Capital Resources

Capital levels are monitored by management on a quarterly basis in relation to financial forecasts for the year and regulatory requirements. The Company and the Banks continue to be capitalized well in excess of required levels. The following table presents the Company's and the Banks' capital position relative to their various minimum statutory and regulatory capital requirements at June 30, 2007. The Company and the Banks are considered "well-capitalized" under regulatory guidelines.

| <i>(Dollars in thousands)</i> | Actual | | Minimum Capital Requirements | | Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|----------|--------|------------------------------|-------|--|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| June 30, 2007: | | | | | | |
| Total capital to risk weighted assets: | | | | | | |
| Consolidated | \$35,602 | 9.84% | \$28,945 | 8.00% | (1) | (1) |
| ANB | 30,893 | 10.27% | 24,060 | 8.00% | 30,075 | 10.00% |
| CB&T | 8,841 | 13.65% | 5,180 | 8.00% | 6,476 | 10.00% |
| Tier I capital to risk weighted assets: | | | | | | |
| Consolidated | 31,032 | 8.58% | 14,472 | 4.00% | (1) | (1) |
| ANB | 27,320 | 9.08% | 12,030 | 4.00% | 18,045 | 6.00% |
| CB&T | 8,029 | 12.40% | 2,590 | 4.00% | 3,885 | 6.00% |
| Tier I capital to average assets: | | | | | | |
| Consolidated | 31,032 | 7.03% | 17,646 | 4.00% | (1) | (1) |
| ANB | 27,320 | 7.75% | 14,100 | 4.00% | 17,626 | 5.00% |
| CB&T | 8,029 | 9.11% | 3,526 | 4.00% | 4,407 | 5.00% |

(1) The Company is not subject to this requirement

Forward Looking Statements

When used in this Form 10-Q, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Company's market areas and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results

for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions, which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to various market risks in the normal course of conducting its' business. Market risk is the potential loss arising from adverse changes in interest rates, prices, and liquidity. The Company has established the Asset/Liability Committee (ALCO) to monitor and manage those risks. ALCO meets periodically and is responsible for approving asset/liability policies, formulating and implementing strategies to improve balance sheet and income statement positioning, and monitoring the interest rate sensitivity. The Company manages its interest rate risk sensitivity through the use of a simulation model that projects the impact of rate shocks, rate cycles, and rate forecast estimates on the net interest income and economic value of equity (the net present value of expected cash flows from assets and liabilities). These simulations provide a test for embedded interest rate risk and takes into consideration factors such as maturities, reinvestment rates, prepayment speeds, repricing limits, decay rates and other factors. The results are compared to risk tolerance limits set by ALCO policy. Based on the Company's most recent interest rate sensitivity analysis, the impact to the net interest income and economic value of equity are well within the tolerance limits for both a rising or declining interest rate environment and sensitivity to market risk is low.

Item 4 - Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II.

Item 1 - Legal Proceedings
None

Item 1A – Risk Factors

There have been no material changes from risk factors as previously disclosed in response to Item 1A. to Part 1 of the Form 10-K filed by the registrant for fiscal year ending December 31, 2006.

Item 2- Unregistered Sales of Equity Securities and Use of Proceeds
None

Item 3- Defaults Upon Senior Securities
None

Item 4 - Submission of Matters to Vote of Security Holders

On May 15, 2007, Abigail Adams National Bancorp, Inc. (the Company) held its Annual Meeting of Shareholders. At the meeting, the following persons were elected to the Board of Directors to hold office until the next Annual Meeting of Shareholders or until their respective successors have been elected and qualified. The votes cast and withheld for each such director was as follows:

| | <u>FOR</u> | <u>WITHHELD</u> |
|----------------------|------------|-----------------|
| A. George Cook | 2,768,384 | 34,202 |
| Jeanne D. Hubbard | 2,761,875 | 40,711 |
| Marshall T. Reynolds | 2,655,191 | 147,395 |
| Marianne Steiner | 2,770,660 | 31,926 |
| Joseph L. Williams | 2,745,224 | 57,362 |
| Bonita A. Wilson | 2,759,201 | 43,385 |
| Douglas V. Reynolds | 2,743,137 | 59,449 |
| Patricia G. Shannon | 2,757,059 | 45,527 |
| Sandra C. Ramsey | 2,770,533 | 32,053 |

In addition, the Company's stockholders approved the ratification of the appointment of McGladrey & Pullen, LLP as the Company's independent certified public accountants for the year ending December 31, 2007, as follows:

| | | | | | |
|-----|-----------|---------|--------|---------|-------|
| FOR | 2,755,171 | AGAINST | 43,812 | ABSTAIN | 3,603 |
|-----|-----------|---------|--------|---------|-------|

Item 5 - Other Information

None

Item 6 - Exhibits

- | | | |
|-----|--------------|--|
| (a) | Exhibits | |
| | Exhibit 31.1 | Certification of the Chief Executive Officer |
| | Exhibit 31.2 | Certification of the Chief Financial Officer |
| | Exhibit 32 | Certification of Chief Executive Officer and Chief Financial Officer |

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ABIGAIL ADAMS NATIONAL BANCORP, INC.
Registrant

Date: August 13, 2007

/s/ Jeanne D. Hubbard
Jeanne D. Hubbard
Chairwoman of the Board,
President and Director
(Principal Executive Officer)

Exhibit 31.1
Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeanne D. Hubbard, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Abigail Adams National Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosures and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made know to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2007

/s/ Jeanne D. Hubbard
Jeanne D. Hubbard
President and Chief Executive Officer

Exhibit 31.2
Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Karen E. Troutman, Sr. Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Abigail Adams National Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosures and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made know to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2007

/s/ Karen E. Troutman
Karen E. Troutman
Sr. Vice President and Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer

Jeanne D. Hubbard, President and Chief Executive Officer, and Karen E. Troutman, Senior Vice President and Chief Financial Officer of Abigail Adams National Bancorp, Inc. (the “Company”) each certify in her capacity as an officer of the Company that she has reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2007 and that to the best of her knowledge:

- (1) the report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002.

Date: August 13, 2007

/s/ Jeanne D. Hubbard
Jeanne D. Hubbard
Chief Executive Officer

Date: August 13, 2007

/s/ Karen E. Troutman
Karen E. Troutman
Chief Financial Officer