

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 September 30, 2004

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 an accelerated filer (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 November 11, 2004, registrant had outstanding 3,020,913 shares of common stock.

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ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARY
Condensed Consolidated Balance Sheets
September 30, 2004 (unaudited) and December 31, 2003

	September 30, 2004	December 31, 2003
Assets		
Cash and due from banks	\$8,136,837	\$9,746,854
Federal funds sold	6,356,000	8,690,315
Interest-earning deposits in other banks	5,248,937	10,130,699
Investment securities available for sale at fair value	34,192,807	30,456,229
Investment securities held to maturity (market values of \$15,115,146 and \$13,901,669 for 2004 and 2003, respectively)	15,122,413	13,961,384
Loans	167,617,392	156,034,227
Less: allowance for loan losses	(2,457,073)	(2,119,448)
Loans, net	165,160,319	153,914,779
Premises and equipment, net	1,161,898	1,475,535
Other assets	3,439,836	3,530,000
Total assets	\$238,819,047	\$231,905,795
 Liabilities and Stockholders' Equity		
Liabilities:		
Deposits		
Noninterest-bearing deposits	\$61,221,230	\$56,828,660
Interest-bearing deposits	140,937,060	135,927,747
Total deposits	202,158,290	192,756,407
Short-term borrowings	3,901,265	5,390,326
Long-term debt	7,353,517	10,030,117
Other liabilities	1,249,881	853,863
Total liabilities	214,662,953	209,030,713
Commitments and contingencies (Note 2)		
Stockholders' equity:		
Common stock, \$0.01 par value, authorized 5,000,000 shares; issued 3,037,353 shares in 2004 and 3,030,783 shares in 2003; outstanding 3,020,913 shares in 2004 and 3,014,343 shares in 2003	30,374	30,308
Additional paid-in capital	17,277,434	17,241,143
Retained earnings	7,034,196	5,578,431
Less: Treasury stock, 17,170 shares in 2004 and 16,440 in 2003, at cost	(113,088)	(98,349)
Accumulated other comprehensive income (loss)	(72,822)	123,549
Total stockholders' equity	24,156,094	22,875,082
Total liabilities and stockholders' equity	\$238,819,047	\$231,905,795

See Notes to Condensed Consolidated Financial Statements

ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Income
For the Periods Ended September 30, 2004 and 2003
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Interest Income				
Interest and fees on loans	\$2,914,670	\$2,633,737	\$8,471,407	\$8,101,459
Interest and dividends on investment securities	516,064	443,992	1,534,158	1,108,151
Other interest income	63,838	41,807	105,850	117,753
Total interest income	<u>3,494,572</u>	<u>3,119,536</u>	<u>10,111,415</u>	<u>9,327,363</u>
Interest Expense				
Interest on deposits	426,593	440,143	1,194,364	1,382,993
Interest on short-term borrowings	4,847	11,521	16,161	40,053
Interest on long-term debt	68,900	77,927	213,228	177,473
Total interest expense	<u>500,340</u>	<u>529,591</u>	<u>1,423,753</u>	<u>1,600,519</u>
Net interest income	2,994,232	2,589,945	8,687,662	7,726,844
Provision for loan losses	105,000	90,000	315,000	471,065
Net interest income after provision for loan losses	<u>2,889,232</u>	<u>2,499,945</u>	<u>8,372,662</u>	<u>7,255,779</u>
Noninterest income				
Service charges on deposit accounts	349,592	419,638	1,165,261	1,263,894
Gain on sale of investment securities	47,116	40,800	87,381	70,052
Other income	60,912	72,843	116,776	197,123
Total noninterest income	<u>457,620</u>	<u>533,281</u>	<u>1,369,418</u>	<u>1,531,069</u>
Noninterest expense				
Salaries and employee benefits	918,333	829,574	2,710,636	2,434,166
Occupancy and equipment expense	337,720	342,319	1,011,291	945,197
Professional fees	90,927	67,824	288,249	186,428
Data processing fees	74,992	114,894	339,315	337,222
Other operating expense	366,819	336,329	1,094,153	988,076
Total noninterest expense	<u>1,788,791</u>	<u>1,690,940</u>	<u>5,443,644</u>	<u>4,891,089</u>
Income before provision for income taxes	1,558,061	1,342,286	4,298,436	3,895,759
Provision for income taxes	620,471	533,090	1,711,468	1,553,413
Net Income	<u>\$937,590</u>	<u>\$809,196</u>	<u>\$2,586,968</u>	<u>\$2,342,346</u>
Earnings per share:				
Basic	\$0.31	\$0.27	\$0.86	\$0.78
Diluted	\$0.31	\$0.27	\$0.86	\$0.78
Average common shares outstanding:				
Basic	3,019,342	3,010,793	3,016,021	3,007,993
Diluted	3,027,489	3,024,720	3,026,634	3,023,278
Dividends per share:	\$0.125	\$0.125	\$0.38	\$0.37

See Notes to Condensed Consolidated Financial Statements

ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Changes in Stockholders' Equity
Nine Months Ended September 30, 2004 and 2003
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (loss)	Total
Balance at December 31, 2002	\$30,211	\$17,185,310	\$3,886,313	(\$98,349)	\$188,356	\$21,191,841
Comprehensive income:						
Net income	--	--	2,342,346	--	--	2,342,346
Change in net unrealized gain on investment securities available for sale, net of taxes of \$(219,466)	--	--	--	--	(321,310)	(321,310)
Total comprehensive income	--	--	--	--	--	2,021,036
Dividends declared (\$0.37 per share)	--	--	(1,097,742)	--	--	(1,097,742)
Issuance of shares under Stock Option Programs	97	55,833	--	--	--	55,930
Balance at September 30, 2003	<u>\$30,308</u>	<u>\$17,241,143</u>	<u>\$5,130,917</u>	<u>(\$98,349)</u>	<u>(\$132,954)</u>	<u>\$22,171,065</u>
Balance at December 31, 2003	\$30,308	\$17,241,143	\$5,578,431	(\$98,349)	\$123,549	\$22,875,082
Comprehensive income:						
Net income	--	--	2,586,968	--	--	2,586,968
Change in net unrealized loss on investment securities available for sale, net of taxes of \$(134,128)	--	--	--	--	(196,371)	(196,371)
Total comprehensive income	--	--	--	--	--	2,390,597
Dividends declared (\$0.38 per share)	--	--	(1,131,203)	--	--	(1,131,203)
Redemption of shares under ESOP	--	--	--	(14,739)	--	(14,739)
Issuance of shares under Stock Option Programs	66	36,291	--	--	--	36,357
Balance at September 30, 2004	<u>\$30,374</u>	<u>\$17,277,434</u>	<u>\$7,034,196</u>	<u>(\$113,088)</u>	<u>(\$72,822)</u>	<u>24,156,094</u>

See Notes to Condensed Consolidated Financial Statements

ABIGAIL ADAMS NATIONAL BANCORP, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2004 and 2003
(Unaudited)

	2004	2003
Cash flows from operating activities:		
Net income	\$2,586,968	\$2,342,346
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	315,000	471,065
Depreciation and amortization	222,268	220,128
Accretion of loan discounts and fees	(178,563)	(177,801)
Gain on sale of investment securities	(87,381)	(70,052)
Net discount (accretion)/premium amortization on investment securities	74,152	70,392
Decrease in other assets	224,290	426,237
Increase in other liabilities	396,019	522
Net cash provided by operating activities	3,552,753	3,282,837
Cash flows from investing activities:		
Proceeds from maturities of investment securities held to maturity	2,000,000	11,000,000
Proceeds from maturities of investment securities available for sale	--	18,500,000
Proceeds from repayment of mortgage-backed securities held to maturity	794,876	1,416,886
Proceeds from repayment of mortgage-backed securities available for sale	1,121,224	1,892,095
Proceeds from the sale of investment securities available for sale	3,707,807	1,000,000
Purchase of investment securities held to maturity	(3,976,000)	(16,499,375)
Purchase of investment securities available for sale	(8,862,783)	(36,599,870)
Net (increase) decrease in interest-bearing deposits in other banks	4,881,762	(20,991,401)
Net (increase) decrease in loans	(11,381,977)	6,914,222
Purchase of premises and equipment, net	91,369	(496,357)
Net cash used in investing activities	(11,623,722)	(33,863,800)
Cash flows from financing activities:		
Net increase in transaction and savings deposits	8,516,464	22,874,057
Net increase (decrease) in time deposits	885,419	(6,766,640)
Net decrease in short-term borrowings	(1,489,061)	(1,005,512)
Repayment of Federal Home Loan Bank borrowings	(2,676,600)	(469,685)
Proceeds from Federal Home Loan Bank borrowings	--	10,000,000
Proceeds from issuance of common stock, net of expenses	36,357	55,930
Payment of distributions from ESOP	(14,739)	--
Cash dividends paid to common stockholders	(1,131,203)	(1,097,742)
Net cash provided by financing activities	4,126,637	23,590,408
Net decrease in cash and cash equivalents	(3,944,332)	(6,990,555)
Cash and cash equivalents at beginning of year	18,437,169	15,976,161
Cash and cash equivalents at end of period	\$14,492,837	\$8,985,606
Supplementary disclosures:		
Interest paid on deposits and borrowings	\$1,419,856	\$1,495,010
Income taxes paid	\$1,585,000	\$1,020,000

See Notes to Condensed Consolidated Financial Statements

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

1. Basis of presentation

Abigail Adams National Bancorp, Inc. (the "Company") is the parent company of The Adams National Bank (the "Bank"). As used herein, the term Company includes the Bank, unless the context otherwise requires.

The Company prepares its consolidated financial statements on the accrual basis and in conformity with accounting principles generally accepted in the United States, the instructions for Form 10-Q, and regulation S-X. The accompanying financial statements are unaudited except for the balance sheet at December 31, 2003, 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 2003 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 nine months ended September 30, 2004 (unaudited) are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. Certain reclassifications may have been made to amounts previously reported for 2003 to conform with the 2004 presentation.

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 in outstanding commitments or contingent liabilities, since December 31, 2003.

3. Earnings per share

Basic earnings per share computations are based upon the weighted average number of shares outstanding during the periods. Diluted earnings per share computations are based upon the weighted average number of shares outstanding during the period plus the dilutive effect of outstanding stock options and stock performance awards. The following table provides a reconciliation between the computation of basic EPS and diluted EPS:

	For the 3 months ended September 30		For the 9 months ended September 30	
	2004	2003	2004	2003
Weighted Average Shares	3,019,342	3,010,793	3,016,021	3,007,993
Effect of dilutive stock options	8,147	13,927	10,613	15,285
Dilutive potential average common shares	<u>3,027,489</u>	<u>3,024,720</u>	<u>3,026,634</u>	<u>3,023,278</u>

4. Stock-based compensation plans

At September 30, 2004, the Company has five stock-based compensation plans. The Company continues to account for grants under its stock option plans based on the recognition and measurement principals of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. There were no new stock-based compensation plans issued during the periods presented.

5. Securities

The amortized cost and estimated fair value of investment securities to be held to maturity and investment securities available for sale at September 30, 2004 and December 31, 2003 are as follows:

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2004:				
Investment Securities – available for sale:				
U.S. government agencies and corporations	\$17,995,975	\$19,780	\$85,017	\$17,930,738
Mortgage-backed securities	6,747,213	22,971	62,233	6,707,951
Marketable equity securities	9,572,180	172,526	190,588	9,554,118
Total	<u>\$34,315,368</u>	<u>\$215,277</u>	<u>\$337,838</u>	<u>\$34,192,807</u>
Investment Securities – held to maturity:				
U.S. government agencies and corporations	\$13,477,137	38,348	46,240	\$13,469,245
Mortgage-backed securities	1,645,276	2,657	2,032	1,645,901
Total	<u>\$15,122,413</u>	<u>\$41,005</u>	<u>\$48,272</u>	<u>\$15,115,146</u>
December 31, 2003:				
Investment Securities – available for sale:				
U.S. government agencies and corporations	\$12,000,000	\$13,900	\$123,760	\$11,890,140
Mortgage-backed securities	7,897,502	17,049	94,937	7,819,614
Marketable equity securities	10,350,790	460,929	65,244	10,746,475
Total	<u>\$30,248,292</u>	<u>\$491,878</u>	<u>\$283,941</u>	<u>\$30,456,229</u>
Investment Securities – held to maturity:				
U.S. government agencies and corporations	\$11,499,462	\$21,343	\$76,860	\$11,443,945
Mortgage-backed securities	2,461,922	331	4,529	2,457,724
Total	<u>\$13,961,384</u>	<u>\$21,674</u>	<u>\$81,389</u>	<u>\$13,901,669</u>

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 September 30, 2004, is presented in the following table:

(Dollars in thousands)	Continuous unrealized losses existing for:					
	less than 12 months		greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	\$7,913	\$88	\$1,956	\$44	\$9,869	\$132
Mortgage-backed securities	1,006	2	2,873	62	3,879	64
Equity securities	3,231	96	1,946	94	5,177	190
Total	<u>\$12,150</u>	<u>\$186</u>	<u>\$6,775</u>	<u>\$200</u>	<u>\$18,925</u>	<u>\$386</u>

The unrealized losses that existed at September 30, 2004, are the result of market changes in interest rates, since the securities' purchase. The unrealized losses associated with these investments are considered temporary as the Company has both the intent and ability to hold these investment securities for a period of time sufficient to allow for any anticipated recovery in fair value.

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 (the "Bank"), a national bank with six full-service branches located in the greater metropolitan Washington, D.C. area. The Company reports its financial results on a consolidated basis with the Bank.

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, 2003.

Results of Operations

Overview

The Company recorded net income of \$938,000 for the three months ended September 30, 2004, as compared to \$809,000 for the third quarter of 2003. Diluted earnings per share were \$0.31 and \$0.27 for the third quarter of 2004 and 2003, respectively. The 15.9% increase in net income compared to the same quarter last year was predominantly due to a 15.6% increase in net interest income. The return on average assets was 1.56% and the return on average equity was 15.69% for the third quarter of 2004, compared to a return on average assets of 1.47% and a return on average equity of 14.53% for the same period last year.

The Company recorded net income for the first nine months of 2004 of \$2,587,000, or \$0.86 per share diluted, for an annualized return on average assets of 1.52% and an annualized return on average equity of 14.78%. Net income for the current year increased 10.4%, as compared to the same period in 2003. In comparison, net income for the nine months ended September 30, 2003 was \$2,342,000 or \$0.78 per share diluted, with a return on average assets of 1.50% and a return on average equity of 14.30%. The increase in net income in 2004 compared to 2003 was predominately due to a 12.4% increase in net interest income combined with a 33.1% decrease in the provision for loan losses and was offset by a 11.3% increase in nonoperating expenses and a 10.6% decrease in noninterest income. Book value per share was \$8.00 at September 30, 2004, an increase of \$0.64 from the book value per share of \$7.36 at September 30, 2003. 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 September 30, 2004 increased 15.6% to \$2,994,000 from \$2,590,000 for the third quarter of 2003. The growth in net interest income was attributable to the growth in average earning assets. Average loans increased 8.9% to \$162,229,000, compared to \$149,008,000 for the third quarter of 2003. Average investment securities increased 12.7% to \$46,239,000 compared to \$41,023,000 in the prior year. The yield on average assets was 6.10%, an increase of 16 basis points from the third quarter of 2003.

Average interest bearing liabilities increased 4.8% to \$151,443,000 in the third quarter of 2004 compared to the third quarter of 2003. The cost of interest-bearing funds decreased 14 basis points to 1.31%, as compared to 1.45% for the third quarter of 2003. The decrease in the cost of interest-bearing funds was due to the repricing of existing deposits at lower interest rates.

Our net interest margin, which is net interest income as a percentage of average interest-earning assets, was 5.22% for the third quarter of 2004, an increase of 29 basis points from 4.93% for the third quarter of 2003. 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 4.79% for the third quarter of 2004, reflecting an increase of 30 basis points from the 4.49% reported in the third quarter of 2003.

The net interest income for the first nine months of 2004 totaled \$8,688,000, an increase of \$961,000 or 12.4%, as compared to \$7,727,000 for the same period in 2003. Average earning assets increased 9.1% to \$217,146,000, as compared to \$199,005,000 reported last year. Earning assets were funded with a 4.7% increase in the Company's average interest-bearing liabilities and a 23.9% increase in noninterest-bearing deposits. The improvement in the net interest income was a result of the increase in average earning assets combined with a decrease in the cost of interest-bearing liabilities. The net interest spread was 4.90% and the net interest margin was 5.34% for the first nine months of 2004, reflecting an increase of 18 basis points in net interest spread and an increase of 15 basis points in net interest margin, compared to the same period in 2003.

The following table presents the average balances, net interest income and interest yields/rates for the third quarter and the year-to-date periods of 2004 and 2003.

Distribution of Assets, Liabilities and Stockholders' Equity Yields and Rates
For the Three Months Ended September 30, 2004 and 2003

(Dollars in thousands)

	2004			2003		
	Average Balances	Interest Income/ Expense	Average Rates	Average Balances	Interest Income Expense	Average Rates
Assets						
Loans (1)	\$162,229	\$2,915	7.13%	\$149,008	\$2,634	7.01%
Investment securities	46,239	516	4.43%	41,023	444	4.29%
Federal funds sold	10,390	34	1.30%	8,835	19	0.85%
Interest-earning bank balances	8,555	29	1.34%	9,565	23	0.95%
Total earning assets	227,413	3,494	6.10%	208,431	3,120	5.94%
Allowance for loan losses	(2,366)			(2,344)		
Cash and due from banks	8,392			7,186		
Other assets	4,913			4,657		
Total assets	\$238,352			\$217,930		
Liabilities and Stockholders' Equity						
Savings, NOW and money market accounts	88,933	203	0.91%	\$79,935	196	0.97%
Certificates of deposit	49,892	223	1.77%	47,481	244	2.04%
Short term borrowings	3,350	5	0.59%	6,710	12	0.71%
Long-term debt	9,268	69	2.95%	10,399	78	2.98%
Total interest-bearing liabilities	151,443	500	1.31%	144,525	530	1.45%
Noninterest-bearing deposits	61,928			50,037		
Other liabilities	1,277			1,269		
Stockholders' equity	23,704			22,099		
Total liabilities and stockholders' equity	\$238,352			\$217,930		
Net interest income		2,994			\$2,590	
Net interest spread			4.79%			4.49%
Net interest margin			5.22%			4.93%

(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 Nine Months Ended September 30, 2004 and 2003

(Dollars in thousands)

	2004			2003		
	Average Balances	Interest Income/ Expense	Average Rates	Average Balances	Interest Income Expense	Average Rates
Assets						
Loans (1)	\$159,077	\$8,472	7.11%	\$151,388	\$8,101	7.15%
Investment securities	45,904	1,534	4.46%	32,396	1,108	4.57%
Federal funds sold	5,151	46	1.19%	7,906	60	1.01%
Interest-earning bank balances	7,014	60	1.14%	7,315	58	1.06%
Total earning assets	217,146	10,112	6.22%	199,005	9,327	6.27%
Allowance for loan losses	(2,257)			(2,356)		
Cash and due from banks	8,018			7,456		
Other assets	4,906			4,595		
Total assets	\$227,813			\$208,700		
Liabilities and Stockholders' Equity						
Savings, NOW and money market accounts	\$82,512	544	0.88%	\$74,895	596	1.06%
Certificates of deposit	48,335	651	1.80%	48,511	787	2.17%
Short term borrowings	3,828	16	0.56%	6,731	40	0.79%
Long-term debt	9,641	213	2.95%	7,712	177	3.06%
Total interest-bearing liabilities	144,316	1,424	1.32%	137,849	1,600	1.55%
Noninterest-bearing deposits	58,858			47,513		
Other liabilities	1,262			1,431		
Stockholders' equity	23,377			21,907		
Total liabilities and stockholders' equity	\$227,813			\$208,700		
Net interest income		\$8,688			\$7,727	
Net interest spread			4.90%			4.72%
Net interest margin			5.34%			5.19%

(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 decreased 14.1% in the third quarter of 2004 to \$458,000 from \$533,000 reported in the third quarter of 2003. Service charges on deposit accounts totaled \$350,000, a decrease of 16.7% from the prior year total of \$420,000. The decrease in service charge income was predominantly due to a lower level of overdraft and ATM fees. Other income, consisting of other fee-based services and the gain on the sale of loans, decreased in the third quarter of 2004 by 16.4% to \$61,000, compared to \$73,000 reported for the third quarter of 2003. The gain on sale of the guaranteed portion of SBA loans totaled \$13,000 and was \$21,000 less in the third quarter of 2004 than 2003. The gain on the sale of investment securities for the third quarter of 2004 was \$47,000, compared to \$41,000 recognized in 2003.

Total noninterest income for the nine months ended September 30, 2004 was \$1,369,000, a decrease of \$162,000 or 10.6%, compared to \$1,531,000 for the same period in 2003. Service charges decreased \$99,000 to a total of \$1,165,000, compared the same period last year, due predominantly to a decrease in the level of overdraft and ATM fees. Other income totaled \$117,000, which was a decrease of \$80,000, compared \$197,000 reported for the first nine months of 2003. The gain on the sale of the guaranteed portion of SBA loans was \$17,000 less than the prior

year period. The gain on the sale of investment securities was \$87,000 for the first nine months of 2004, as compared to \$70,000 for the same period in 2003.

Noninterest Expense

Total noninterest expense for the third quarter of 2004 totaled \$1,789,000, an increase of 5.8% or \$98,000, as compared to \$1,691,000 reported for third quarter of 2003. Salaries and benefits expense increased 10.6% to \$918,000, compared to \$830,000, due to increased staffing and the related cost of benefits. Professional fees increased 33.8% to a total of \$91,000, compared to \$68,000 for the third quarter of 2003, as a result of an increase in legal fees. Data processing fees decreased 34.8% to \$75,000, compared to \$115,000, as a result of a temporary decrease in core processing fees. Other operating expense totaling \$367,000 increased 9.2% or \$31,000 in the third quarter of 2004 compared to 2003. The efficiency ratio improved in the third quarter of 2004 to 51.8%, compared to 54.1% for the same period in 2003.

Total noninterest expense for the nine months ended September 30, 2004 increased \$553,000 or 11.3% to \$5,444,000, as compared to \$4,891,000 for the same period in 2003. The Company's efficiency ratio was 54.1%, up from the 52.8% reported in 2003, as a result of the decrease in noninterest income combined with the increase in noninterest expense. Salaries and benefit expense increased \$276,000 or 11.3% to a total of \$2,711,000, due to additional staff and the related benefit expense. Professional fees increased 54.8% to \$288,000, as a result of an increase in legal fees. Occupancy and equipment increased 7.0% to \$1,011,000, due the expenses associated with opening a branch office in September 2003. Data processing expense increased slightly in 2004 to \$339,000. All other operating expenses increased 10.7% to \$1,094,000, as compared to \$988,000 reported for the same period in 2003.

Income Tax Expense

Income tax expense totaled \$620,000 for the third quarter ended September 30, 2004, an increase of 16.3% from the income tax expense reported for the third quarter of 2003. The increase in income tax expense was a result of the 16.1% increase in the Company's pretax income, as compared to the third quarter of 2003. The effective tax rate for the third quarter of 2004 was 39.8%, compared to 39.7% for the third quarter of 2003.

Income tax expense for the first nine months ended September 30, 2004 increased \$158,000 or 10.2% to a total of \$1,711,000, compared to the same period in 2003, as a result of an increase in pretax net income. The Company's effective tax rate was 39.8%, as compared to 39.9% for the same period in 2003.

Financial Condition

Overview

Total assets were \$238,819,000 at September 30, 2004, compared to \$231,906,000 at December 31, 2003, an increase of \$6,913,000 or 3.0%. The increase in total assets was primarily attributable to a 7.4% increase in loans and an 11.0% increase in investment securities. Total liabilities increased 2.7% or \$5,632,000 to \$214,663,000, primarily due to an increase in deposits. Total stockholders' equity increased 5.6% to \$24,156,000, as compared to December 31, 2003. The book value per share of common stock issued and outstanding at September 30, 2004 was \$8.00, compared to \$7.59 at December 31, 2003.

Loans

Total loans outstanding at September 30, 2004 increased 7.4% or \$11,583,000 from December 31, 2003 to a balance of \$167,617,000. Commercial real estate loans grew 14.6% from the previous year-end, while commercial loan balances remained flat. Loan originations during the first nine months of 2004 showed signs of improvement as compared to the same period in 2003.

Investments securities

Investment securities available-for-sale are carried at estimated fair value and totaled \$34,193,000 at September 30, 2004, an increase of \$3,737,000 or 12.3% from the balance at December 31, 2003. Investment securities classified as held-to-maturity were \$15,122,000 at September 30, 2004, an increase of \$1,161,000 or 8.3% from the December 31, 2003 balance totaling \$13,961,000.

Short-term investments

Short-term investments consisting of federal funds and interest earning deposits in banks totaled \$11,605,000, a decrease of 38.3% from the total of \$18,821,000 at December 31, 2003. Short-term funds were used in part to fund the growth in loans and investment securities.

Deposits

Deposits are the Company's primary source of funds. Total deposits increased 4.9% or \$9,402,000 to \$202,158,000 at September 30, 2004, as compared to December 31, 2003. Noninterest-bearing deposits totaled \$61,221,000, an increase of \$4,392,000 or 7.7% from the previous year-end. Interest-bearing deposits were \$140,937,000, a 3.7% increase from the balance of \$135,928,000 at December 31, 2003. The largest increase in interest bearing accounts were the NOW accounts, with a 13.6% increase compared to December 31, 2003.

Short-term borrowings

Short-term borrowings consisting of repurchase agreements decreased \$1,489,000 or 27.6% to a balance of \$3,901,000 at September 30, 2004, compared to December 31, 2003.

Long-term debt

Long-term debt consisted of term loans from the Federal Home Loan Bank of Atlanta ("FHLB") and totaled \$7,354,000 at September 30, 2004, a decrease of \$2,676,000 from the previous year-end, as a result of the repayment of a matured advance and scheduled payments.

Stockholders' Equity

Stockholders' equity at September 30, 2004 was \$24,156,000, an increase of \$1,281,000 or 5.6% from December 31, 2003. The increase was primarily due to earnings of \$2,587,000, less the dividends paid on the Company's common stock totaling \$1,131,000, combined with the change in the unrealized loss on available-for-sale investment securities totaling \$196,000.

Asset Quality

Loan Portfolio and Adequacy of the Allowance for Loan Losses

Management believes the allowance for loan losses accounting 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.

The Company manages the risk characteristics of its entire loan portfolio in an effort to maintain an adequate allowance for loans losses and identify problem loans so that the risks in the portfolio can be identified on a timely basis. Management performs a periodic analysis of risk factors that includes the primary sources of repayment on individual loans, liquidity and financial condition of borrowers and guarantors, and the adequacy of collateral. Loans subject to individual reviews are analyzed and segregated by risk according to the Company's internal risk rating scale. Management also considers the character of the loan portfolio, changes in nonperforming and past-due loans, historical loss experience, concentrations of loans to specific borrowers and industries, and general and regional economic conditions, as well as other factors existing at the determination date. This review takes into account the judgment of the individual loan officers, the credit risk manager, senior management and the Board of Directors. The Company also has an independent loan review performed by an outside consultant periodically throughout the year. 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 allowance for loan losses is established through provisions for loan losses as a charge to earnings based upon management's ongoing evaluation. The provision for loan losses for the nine months ended September 30, 2004 was \$315,000, compared to \$471,000 for the same period in 2003. The balance of the allowance for loan losses was \$2,457,000 or 1.47% of total loans at September 30, 2004, compared to \$2,119,000 or 1.36% of loans at December 31, 2003. Net loan recoveries were \$23,000 in 2004. During 2003, the weaken economic environment had adversely impacted the cash flows of some of our small commercial and commercial real estate borrowers, and as a result the Company experienced an increase in nonperforming loans. The increase in the provision is intended to address known and inherent losses that are both probable and estimable at September 30, 2004. While historical losses have

been modest, the current economic conditions of the market area and the concentration of loans in the higher risk classifications (e.g. commercial and industrial, and commercial real estate mortgages) warrant maintenance of the allowance for loan losses at its current level. Management believes that the allowance for loan losses at September 30, 2004 is adequate given past experience and the underlying assessment of the Company's loan portfolio.

The following table presents an analysis of the allowance for loan losses at September 30, 2004 and December 31, 2003.

	2004	2003
	(Dollars in thousands)	
Balance at beginning of period	\$2,119	\$2,297
Loans charged off:		
Commercial	81	829
Real estate – commercial	--	--
Real estate – residential	--	--
Construction and development	--	--
Installment – individuals	3	4
Total charge-offs	<u>84</u>	<u>833</u>
Recoveries:		
Commercial	106	23
Real estate – commercial	--	--
Real estate – residential	--	--
Construction and development	--	--
Installment – individuals	1	41
Total recoveries	<u>107</u>	<u>64</u>
Net (recoveries) charge-offs	<u>(23)</u>	<u>769</u>
Provision for loan losses	315	591
Balance at end of period	<u>\$2,457</u>	<u>\$2,119</u>
Ratio of net (recoveries)charge-offs to average loans	(0.01%)	0.51%

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 was one loan past-due and still accruing interest at September 30, 2004 totaling \$332,000, compared to no loans past-due at December 31, 2003. Total nonperforming loans decreased at September 30, 2004 to \$2,270,000, with balances of \$1,436,000 guaranteed by the SBA. Nonperforming loans represented 1.09% of total assets. In comparison, nonperforming loans at December 31, 2003 were 1.24% of total assets and totaled \$2,873,000, with balances of \$1,665,000 guaranteed by the SBA. The largest nonperforming loans are a commercial SBA loan with a balance of \$570,000 and a commercial real estate loan with a balance of \$307,000.

The following table presents nonperforming assets by category at September 30, 2004 and December 31, 2003.

	2004	2003
	(Dollars in thousands)	
Nonaccrual loans:		
Commercial	\$1,852	\$2,133
Real Estate	418	740
Installment – individuals	--	--
Total nonaccrual loans	<u>2,270</u>	<u>2,873</u>
Past-due loans:		
Commercial	332	--
Total nonperforming assets	<u>\$2,602</u>	<u>\$2,873</u>
Nonperforming assets exclusive of SBA guarantee	\$894	\$1,208
Ratio of nonperforming assets to gross loans	1.55%	1.84%
Ratio of nonperforming assets to total assets	1.09%	1.24%
Allowance for loan losses to nonperforming assets	94%	74%

Loans totaling \$6,710,000 and \$7,290,000 at September 30, 2004 and December 31, 2003, respectively, were classified as monitored credits subject to management's attention and are not reported in the preceding table. The classifications of the monitored credits are reviewed on a quarterly basis. The balances of the monitored credits

guaranteed by the SBA totaled \$1,951,000 and \$1,552,000 as of September 30, 2004 and December 31, 2003, 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 decreased for the period ended September 30, 2004 to a balance of \$14,493,000, as compared to the balance of \$18,437,000 at December 31, 2003. Liquid assets represented 6.07% of total assets at September 30, 2004, as compared to 7.95% of total assets at December 31, 2003.

The Company has additional sources of liquidity available through unpledged investment securities available-for-sale totaling \$28,746,000, and unsecured lines of credit available from correspondent banks, which can provide up to \$16,000,000, 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 Bank continue to maintain a strong capital position. The following table presents the Company's and the Bank's capital position relative to their various minimum statutory and regulatory capital requirements at September 30, 2004. The Company and the Bank are considered "well-capitalized" under regulatory guidelines.

	Company		Bank		Minimal Capital Requirements
	Amount	Ratio	Amount	Ratio	
	(Dollars in thousands)				
Leverage ratio	\$24,229	10.17%	\$23,873	10.02%	4.00%
Tier 1 risk-based ratio	24,229	12.50%	23,873	12.33%	4.00%
Total risk-based ratio	26,650	13.75%	26,544	13.71%	8.00%

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 moderate.

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 2- Changes in Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None

Item 3- Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

(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

(b) Reports on Form 8-K

The Company filed a Form 8-K on October 25, 2004 to report that the Company had issued a press release announcing earnings for the three month period ending September 30, 2004.

The Company filed a Form 8-K on July 23, 2004 to report that the Company had issued a press release announcing earnings for the three month period ending June 30, 2004.

The Company filed a Form 8-K on May 3, 2004 to report that the Company had issued a press release announcing earnings for the three month period ending March 31, 2004.

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: November 12, 2004

/s/ Jeanne D. Hubbard

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

Exhibit 31.1

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 known 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 (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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: November 12, 2004

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

Exhibit 31.2

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 (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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: November 12, 2004

/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 the quarterly report on Form 10-Q for the quarter ended September 30, 2004 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: November 12, 2004

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

Date: November 12, 2004

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