



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 03, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sonabank, National Association
Charter Number: 24578

1770 Timberwood Boulevard, Suite 100
Charlottesville, VA 22911

Office of the Comptroller of the Currency

Virginia Field Office
3800 Electric Road Suite 204
Roanoke, VA 24018

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

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

The major factors that support this rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- The bank made a majority of its loans within its assessment areas.
- The geographic distribution of loans does not reflect reasonable penetration among businesses located in low-and-moderate-income census tracts.
- The distribution of borrowers reflects reasonable distribution among businesses of different sizes.

SCOPE OF EXAMINATION

This is first examination of Sonabank, N.A. (Sona) since it began operations April 14, 2005. This Performance Evaluation assesses the bank's performance under the Lending Test. The evaluation covers the bank's performance from April 14, 2005 through September 30, 2007, using comparative demographic data from the 2000 U. S. Census. Sona's Operating Plan targets small business lending and construction lending as its primary products. Residential lending is limited, and consists primarily of \$80 million in loans acquired through Sona's acquisition of 1st Services Bank. As of June 30, 2007, loans to businesses represented 55% of the loan portfolio.

Our analysis of *Lending in the Assessment Area* was based on an initial sample of 43 small business loans. We then expanded that sample to 70 small business loans to evaluate *Lending to Businesses of Different Sizes* and *Geographic Distribution of Loans* as follows: 23 loans in the Clifton Forge AA, 24 loans in the Charlottesville AA, and 23 loans in the WDC/VA/MD/WVA AA.

DESCRIPTION OF INSTITUTION

Sona is an intra-state community bank headquartered in Charlottesville, Virginia. Sona is wholly owned by Southern National Bancorp of Virginia, Inc., a \$317 million bank holding company headquartered in Charlottesville and listed on NASDAQ national market under the symbol "SONA". Sona has no affiliate relationships.

Sona is a full service community bank. Sona expanded its market area through branch (December 2005) and institution acquisitions (December 2006). Sona now has six full service branches: one branch located in Clifton Forge, four branches in northern Virginia, and one branch in Charlottesville. Total assets as of June 30, 2007 were \$317 million. As of June 30, 2007, Tier I Leverage Capital was 18.59%, or \$54,098 thousand. Tier I Risk-Based Capital was 22.32% for the same time-period. Sona's capital position provides the bank sufficient ability to meet various credit needs of its communities. There are no legal or financial circumstances that would impede the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREAS (AA)

Sonabank, N.A. has three assessment areas.

Charlottesville MSA: a very rapidly growing area located in central Virginia. Charlottesville is home to The University of Virginia and Monticello – Thomas Jefferson’s home. This MSA consists of Albemarle, Fluvanna, Greene and Nelson counties, and Charlottesville City. The total population of the Charlottesville MSA is 174,021. This MSA has one low-income, nine moderate-income, 19 middle-income, and eight upper-income census tracts. There are 13,714 non-farm businesses located in this MSA, and 1,869 are located in low/moderate income census tracts. The primary industry in Charlottesville is services at 39.82%, followed by retail trade at 13.42%, and construction at 8.45%. Sonabank’s main office is located in Charlottesville and has been in full service since April 14, 2005. The Charlottesville branch is located in an upper-income geography.

WDC/VA/MD/WVA MSA: a very rapidly growing, densely populated and widespread geography that is dominated by federal governmental entities. This MSA includes the District of Columbia, Orange, Culpepper, Arlington, Clarke, Fairfax, Fauquier, Loudon, Prince William, Spotsylvania, Stafford, and Warren counties in Virginia; Frederick, Charles, Prince George’s, Calvert, and Montgomery counties in Maryland; Jefferson County in West Virginia; Arlington, Alexandria, Reston, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park cities in Virginia; and Bethesda, Gaithersburg, and Frederick cities in Maryland; and the city of Washington DC. The total population in this MSA is 2,116,692. This MSA has 388 census tracts designated as follows: five low-income, 56 moderate-income, 163 middle-income, and 163 upper-income. There are 172,934 non-farm businesses located in this MSA, with 19,633 located in low- or moderate-income census tracts. Primary industry for this MSA is services at 45.73%, followed by retail trade at 11.94%, and construction at 8.0%. Sona’s four branches are located in Reston, Fairfax, McLean, and Warrenton. The Warrenton branch received approval in December 2005 and is located in a middle-income census tract, but did not begin operations until June 2007. The Reston, Fairfax, and McLean branches began operating as Sona branches in December 2006, less than one year from the date of our review. The Reston and Fairfax branches are located in middle-income census tracts, and the McLean branch is located in an upper-income census tract.

Clifton Forge AA, western Virginia: rural community in the heart of coal country, bordering on West Virginia. This AA consists of Clifton Forge City, and Allegheny and Bath counties; the total population for this AA is 28,566. There are no low- or moderate-income census tracts located in this AA. There are 1,542 non-farm businesses. Of these, 942 generate revenues of less than \$1 million. Primary industries are services at 36.9%, and retail trade at 15.93%.

Banking competition is intense, especially within the WDC/VA/MD/WVA and Charlottesville AAs. National, regional and local financial institutions are represented, including Bank of America, Wachovia, BB&T and SunTrust.

We made four community contacts: County Administrator for Allegheny County, Warm Springs, VA; Economic Development Manager, Manassas, VA; Director, Central Virginia Small Business Development Center, Charlottesville, VA; and Executive Director of the Thomas Jefferson partnership for Economic Development, Charlottesville. This was the first time we contacted these interviewees. All expressed a desire to see more community development and bank involvement. One expressed a need for more SBA lending programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance is rated "Satisfactory".

In evaluating performance under the Lending Test, we considered Sona's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. Our sample focused on loans to businesses and was statistically derived using the bank's loan trial and CRA monitoring reports.

Loan-to-Deposit Ratio

We evaluated the bank's average loan-to-deposit ratio for all quarters since opening. The average loan-to-deposit ratio is 105.86% and exceeds the quarterly averages over the same timeframe of two similarly-situated banks at 82.73% and 60.06%. One bank is a national bank, with branches located in the Charlottesville AA, and the other is a state bank with branches located in WDC/VA/MD/WVA AA.

Lending in Assessment Area

The bank originated a majority of its loans inside the assessment area. Of the initial 43 loans sampled, 73% were within the assessment areas.

Lending to Businesses of Different Sizes

Sona's overall lending to businesses of different sizes is reasonable; however, lending to businesses of different sizes in the WDC/VA/MD/WVA assessment area is less than reasonable.

Lending to businesses of different sizes in the Charlottesville AA is reasonable.

CHARLOTTESVILLE AA

Table 2A - Borrower Distribution of Loans to Businesses in Charlottesville AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.30	4.75	28.95	100%
% of Bank Loans in AA by #	63.64	36.36	*	100%
% of Bank Loans in AA by \$	58.46	41.54	*	100%

Lending to businesses of different sizes in the Clifton Forge AA is more than reasonable.

CLIFTON FORGE AA

Table 2A - Borrower Distribution of Loans to Businesses in Clifton Forge AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61.09	3.70	35.21	100%
% of Bank Loans in AA by #	91.3	8.7	0	100%
% of Bank Loans in AA by \$	96.04	3.96	0	100%

Lending to businesses of different sizes in the WDC/VA/MD/WVA AA is less than reasonable.

DC-MD-VA-WV AA

Table 2A - Borrower Distribution of Loans to Businesses in DC-MD-VA-WV AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.72	6.24	26.04	100%
% of Bank Loans in AA by #	34.62	65.38	0	100%
% of Bank Loans in AA by \$	23.73	76.27	0	100%

Geographic Distribution of Loans

The geographic distribution of loans does not reflect reasonable penetration among businesses located in low- or moderate-income census tracts in the Charlottesville and WDC/VA/MD/WVA assessment areas. The low volume of lending in low- and moderate-income tracts in the WDC/VA/MD/WVA assessment area is partly due to the size of the AA and location of the bank’s branches. The Clifton Forge AA does not have any low- or moderate-income census tracts; therefore, a geographic distribution analysis would not be meaningful.

CHARLOTTESVILLE AA

Table 3A - Geographic Distribution of Loans to Businesses/Farms in Charlottesville AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business loans	0.75	0	12.88	0	60.21	45.45	26.16	54.53

WDC-VA-MD-WVA AA

Table 3A - Geographic Distribution of Loans to Businesses/Farms in DC-MD-VA-WV AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business loans	0.65	0	10.70	3.85	42.60	42.31	46.05	53.85

Responses to Complaints

There have been no complaints regarding the bank’s performance under CRA during this evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.