

**PUBLIC DISCLOSURE**

September 19, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Prosperity Bank & Trust Company

698229

5803 Rolling Road  
Springfield, Virginia 22152

**Federal Reserve Bank of Richmond**  
**P. O. Box 85029**  
**Richmond, Virginia 23261**

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

**TABLE OF CONTENTS**

Institution's CRA Rating.....	1
Scope of Examination.....	1
Description of Institution.....	1
Description of Assessment Area.....	2
Conclusions with Respect to Performance Criteria.....	3

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the demand for credit in the assessment area.
- A majority of the institution's small business loans and home equity lines of credit were originated in the assessment area.
- Lending to businesses with revenues less than \$1 million and to borrowers of different income levels is considered reasonable using various proxies for demand.
- The distribution of lending by income level of geography is considered reasonable given the branch locations and area demographics.
- There have been no complaints regarding the institution's CRA performance since the previous evaluation.

**SCOPE OF EXAMINATION**

Small business loans represent a significant portion of the bank's lending activity and were the largest product by dollar amount in the loan portfolio. Therefore, a review was conducted using a sample of the small business loans originated from January to September 2005. The analysis was based on a review of 105 of the 110 small business loans made by the institution in the period described above. A review of all (64) home equity lines of credit (HELOCs) extended by the bank from January 2004 through September 2005 was also conducted. Since small business transactions represent the greatest dollar and number volume of loans, this category is weighted more heavily when considering overall performance.

**DESCRIPTION OF INSTITUTION**

Prosperity Bank and Trust Company (PBT) is headquartered in Springfield, Virginia. The bank operates two offices in Springfield, Virginia and one office in Burke, Virginia. There are no affiliates or subsidiaries of the bank. PBT is focused primarily on commercial activities but provides both commercial and consumer deposit and loan products including various commercial lending products, automobile loans, and HELOCs. A variety of home mortgage loans are available through an arrangement the bank has with ABN AMRO Mortgage Group, Inc. (ABN) by which loans originated by the bank are sold to ABN.

PBT reported assets of approximately \$127.9 million, as of June 30, 2005, of which 55% were loans. The loan portfolio consists of 19.3% one- to four-family real estate secured, 49% commercial real estate and farm, 26.3% commercial and agricultural, and 5.4% consumer loans. The institution's previous CRA rating, dated August 20, 2001, was Satisfactory.

**Description of Fairfax County and City Assessment Area**

The institution's assessment area consists of Fairfax County and the City of Fairfax, Virginia. It is part of the Washington-Arlington-Alexandria DC-MD-VA-WV Metropolitan Statistical Area (MSA 47894). The assessment area contains 170 census tracts of which one is low-income, 13 are moderate-income, 58 are middle-income and 97 are upper-income. There is one tract for which no income data is available. According to the 2000 census data, the assessment area has a population of 991,247 and a median housing value of \$221,316. The owner-occupancy rate for the market is 69.2%, which is higher than both the Commonwealth of Virginia level of 63.3% and the MSA rate of 58.8%. Within the assessment area, 3% of families are considered below the poverty level. This rate is lower than both the MSA and commonwealth poverty rates of 5.6% and 7%, respectively. The 2004 median family income for the market is \$82,300.

The following table provides demographics for the assessment area. The percentage of commercial entities, as reported by Dun and Bradstreet (D&B), is also provided by income level of census tract.

Fairfax County and City ASSESSMENT AREA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	0.6	769	0.3	50	6.5	30,350	11.8
Moderate	13	7.6	17,979	7.0	1,737	9.7	34,161	13.2
Middle	58	34.1	87,477	33.9	3,643	4.2	52,706	20.4
Upper	97	57.1	152,038	58.9	2,208	1.5	141,046	54.6
NA	1	0.6	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>170</b>	<b>100.0</b>	<b>258,263</b>	<b>100.0</b>	<b>7,638</b>	<b>3.0</b>	<b>258,263</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low	871	7	0.0	0.8	806	92.5	58	6.7
Moderate	29,775	10,581	4.2	35.5	18,139	60.9	1,055	3.5
Middle	138,355	82,775	32.5	59.8	51,742	37.4	3,838	2.8
Upper	198,614	161,046	63.3	81.1	33,653	16.9	3,915	2.0
NA	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>367,615</b>	<b>254,409</b>	<b>100.0</b>	<b>69.2</b>	<b>104,340</b>	<b>28.4</b>	<b>8,866</b>	<b>2.4</b>
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	
Low	31	0.1	18	0.0	2	0.0	11	0.7
Moderate	1,994	4.6	1,748	4.8	147	3.0	99	6.1
Middle	15,719	36.6	13,130	36.0	1,942	39.3	647	39.7
Upper	25,262	58.7	21,541	59.1	2,848	57.7	873	53.6
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>43,006</b>	<b>100.0</b>	<b>36,437</b>	<b>100.0</b>	<b>4,939</b>	<b>100.0</b>	<b>1,630</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				84.7		11.5		3.8

Sources: 2000 Census Data, 2004 Dun & Bradstreet business demographic data.

NA Tracts are tracts without household or family income.

Fairfax County borders Washington, D. C. and is considered a leader for economic growth in the Washington, D. C. area. The county is home to a number of technology companies. Fourteen percent of all U. S. technology firms are located in Fairfax County and technology related jobs represent 22% of all jobs in the county. Other large employment segments in Fairfax include the federal government (13.3%) and self-employment (10%). Fairfax is home to six Fortune 500 companies including General Dynamics, Nextel Communications, Capital One, and Sallie Mae. The largest employers are Inova Health System (10,000 plus), Booz Allen Hamilton (7,000 plus), and Northrop Gruman (7,000 plus). As of August 2005, the unemployment rates for Fairfax City and Fairfax County were 3.1% and 2.7%, respectively. These rates are lower than the Commonwealth of Virginia's 3.7% rate for August 2005.

A local economic development official was contacted to assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions are adequately serving the credit needs of the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Loan-To-Deposit Ratio**

The bank's loan-to-deposit ratio as of June 30, 2005, is 62.3% and averaged 61.4% for the 16-quarter period ending June 30, 2005. The quarterly average loan-to-deposit ratios for all banks headquartered in metropolitan areas of Virginia and of similar asset size to PBT ranged from 75.5% to 81.9% for the same period. Since September 30, 2001, assets, loans, and deposits have increased by 46.9%, 73.6%, and 46.1%, respectively. The institution is primarily a commercial lender, but does offer consumer deposit and loan products to its customers. Given the institution's product offerings, size, branch locations, and financial capacity, the loan-to-deposit ratio is considered reasonable.

**Lending In Assessment Area**

To determine the institution's volume of lending within the assessment area, 105 small business loans and 64 HELOCs were reviewed. The 169 loans represent most of the small business loans extended from January to September 2005 and all of the HELOCs extended from January 2004 to August 2005 by the institution. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	106	63	169
Percentage of Total Loans	62.7%	37.3%	100%
Total Amount of Loans (000's)	\$13,316	\$8,101	\$21,417
Percentage of Total Amount	62.2%	37.8%	100%

As indicated in the preceding table, a majority of the number (62.7%) and dollar amount of loans (62.2%) were provided to residents and businesses within the assessment area. Overall, the institution's lending level is considered responsive to community credit needs.

**Lending to Borrowers of Different Incomes and To Businesses of Different Sizes**

The following tables present data about the bank's lending to businesses of different sizes and borrowers of different income levels. To evaluate lending penetration, an analysis was conducted of 67 small business loans extended by the institution from January to September 2005 and 39 HELOCs extended from January 2004 to September 2005, within the assessment area. Area demographics, 2004 aggregate data, and D&B business information are used as proxies for demand. The aggregate small business lending data includes all reporting institutions that originated such loans within the assessment area during 2004, as required by the Community Reinvestment Act (CRA). PBT is not subject to CRA reporting requirements; consequently, the bank's small business lending activity is not included within the aggregate information. Discussion of the bank's performance follows each table.

Distribution of Loans by Size of Business

Of the 67 small business loans originated by PBT within its assessment area, four did not contain revenue data and are not included in the analysis.

	Revenues $\leq$ \$1 Million	Revenues $>$ \$1 Million	Total
Total Number of Loans	47	16	63
Percentage of Total Loans	74.6%	25.4%	100%
Total Amount of Loans (000's)	\$5,678	\$3,212	\$8,890
Percentage of Total Amount	63.9%	36.1%	100%

Based on recent D&B demographic data, 84.7% of businesses within the assessment area have annual revenues of \$1 million or less. According to the 2004 aggregate small business data, at least 31.9% of small business loans reported within the market area were to businesses with revenues of \$1 million or less. The remaining loans were extended to businesses having revenues in excess of \$1 million per annum or revenue data was not reported. As indicated in the table above, 74.6% of the bank's business loans were to entities with revenues of \$1 million or less. This level of small business lending is considered reasonable.

Distribution of HELOCs by Income Level of Borrower

Of the 39 HELOCs originated by PBT within its assessment area, one did not contain income data and is not included in the analysis.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1	7	7	23	38
Percentage of Total Loans	2.6%	18.4%	18.4%	60.6%	100%
Total Amount of Loans (000's)	\$20	\$683	\$831	\$2,253	\$3,787
Percentage of Total Amount	.5%	18%	21.9%	59.6%	100%

Of the 38 loans reviewed, 2.6% and 18.4% were extended to low- and moderate-income borrowers, respectively. While the bank's level of lending to low-income borrowers is somewhat lower than the proportion of such families (11.8%), lending to moderate-income borrowers exceeded the proportion of such families (13.2%) within the assessment area. The bank's level of lending to low- and moderate-income borrowers is considered reasonable.

Overall, the institution's lending distribution to borrowers of different income levels and to businesses with revenues of \$1 million or less is considered reasonable using aggregate business data and area demographics as proxies for loan demand.

**Geographic Distribution of Loans**

The geographic distribution of loans within the assessment area is reflected in the following tables. Area demographics, aggregate data, and D&B business information are used as proxies for demand.

Distribution of Small Business Loans in Assessment Area by Income Level of Geography

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2	36	29	67
Percentage of Total Loans	3%	53.7%	43.3%	100%
Total Amount of Loans (000's)	\$56	\$3,332	\$6,051	\$9,439
Percentage of Total Amount	.6%	35.3%	64.1%	100%

PBT did not make any small business loans in the one low-income tract in the assessment area. Likewise, 2004 aggregate data indicates that no loans were made in this area. A review of D&B data shows only .1% of the area businesses are located in that geography. As indicated in the table above, 3% of the institution's loans were to businesses in moderate-income geographies. According to 2004 aggregate data, 3.9% of the reported small business loans were extended in moderate-income areas. According to the area demographics, 4.6% of businesses are located in moderate-income areas. Based on area demographics and 2004 aggregate data, the bank's level of lending in low- and moderate-income geographies is considered reasonable.

Distribution of HELOCs in Assessment Area by Income Level of Geography

The institution did not extend any HELOCs in low- and moderate-income areas of the assessment area. Area demographics indicate the percentages of owner-occupied housing units in low- and moderate-income tracts are 0% and 4.2%, respectively. While the lack of lending in low-income tracts is consistent with area demographics, the bank's lack of lending in moderate-income tracts is considered poor.

Overall, the level of lending in geographies of varying income levels is considered reasonable when compared to the various proxies used for demand.

**Fair Lending Or Other Illegal Credit Practices Review**

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