

**THE BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551**

FORM 10-QSB

**Quarterly Report under Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2006

or

**Transition Report under Section 13 or 15(d)
of the Exchange Act**

For the transition period from _____ to _____

COLONIAL VIRGINIA BANK

(Exact name of small business issuer as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

75-3093106

(IRS Employer
Identification No.)

6720 Sutton Road

Gloucester, Virginia 23061

(Address of principal executive offices)

(804) 695-9300

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

605,175 shares of common stock, par value \$5.00 per share,
outstanding as of May 12, 2006

COLONIAL VIRGINIA BANK

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COLONIAL VIRGINIA BANK Balance Sheets

	(Unaudited)	
	March 31, 2006	December 31, 2005
Assets:		
Cash and due from banks	\$ 1,718,701	\$ 2,087,047
Federal funds sold	6,643,716	5,599,990
Securities available for sale, at fair market value	10,287,790	8,235,924
Loans, net of allowance for loan losses of \$316,120 in 2006 and \$316,372 in 2005	41,397,830	39,375,508
Bank premises and equipment, net	4,346,145	4,396,470
Bank owned life insurance	1,032,514	1,025,314
Other assets	379,117	276,932
	<u>379,117</u>	<u>276,932</u>
 Total assets	 <u>\$ 65,805,813</u>	 <u>\$ 60,997,185</u>
 Liabilities and Shareholders' Equity:		
Liabilities:		
Deposits:		
Non-interest bearing demand deposits	\$ 6,621,271	\$ 6,444,008
Savings and interest bearing demand deposits	13,336,838	13,131,418
Time deposits	34,921,751	30,583,867
Total deposits	<u>\$ 54,879,860</u>	<u>\$ 50,159,293</u>
Accrued expenses and other liabilities	345,800	269,698
Commitments and contingencies	-	-
Total liabilities	<u>\$ 55,225,660</u>	<u>\$ 50,428,991</u>
 Shareholders' Equity:		
Preferred stock, par value \$5.00 per share, authorized 5,000,000 shares; no shares issued and outstanding	\$ -	\$ -
Common stock, par value \$5.00 per share, authorized 10,000,000 shares; issued and outstanding 605,175 shares	3,025,875	3,025,875
Capital surplus	9,050,243	9,050,243
Retained (deficit)	(1,305,722)	(1,390,189)
Accumulated other comprehensive income (loss), net	(190,243)	(117,735)
Total shareholders' equity	<u>\$ 10,580,153</u>	<u>\$ 10,568,194</u>
 Total liabilities and shareholders' equity	 <u>\$ 65,805,813</u>	 <u>\$ 60,997,185</u>

See Accompanying Notes to Financial Statements.

COLONIAL VIRGINIA BANK
Statements of Income

	(Unaudited)	
	Three Months Ended March 31, <u>2006</u>	Three Months Ended March 31, <u>2005</u>
Interest and Dividend Income		
Interest and fees on loans	\$ 875,888	\$ 558,933
Interest on securities available for sale		
Taxable	100,106	50,511
Dividends	4,756	4,727
Interest on federal funds sold and other	<u>65,764</u>	<u>29,823</u>
Total interest income	\$ 1,046,514	\$ 643,995
Interest Expense		
Interest on deposits	<u>\$ 386,079</u>	<u>\$ 169,861</u>
Total interest expense	<u>\$ 386,079</u>	<u>\$ 169,861</u>
Net interest income	\$ 660,435	\$ 474,134
Provision for Loan Losses	<u>1,050</u>	<u>10,000</u>
Net interest income after provision for loan losses	<u>\$ 659,385</u>	<u>\$ 464,134</u>
Other Income		
Service charges on deposit accounts	12,570	11,112
Other service charges, commissions and fees	<u>30,638</u>	<u>10,028</u>
Total other income	\$ 43,208	\$ 21,140
Other Expense		
Salaries and employee benefits	\$ 333,079	\$ 262,969
Occupancy expense	46,909	43,883
Furniture and equipment expense	13,479	2,654
Data processing	100,591	92,088
Advertising	19,018	16,381
Professional fees	18,399	28,843
Stationery and supplies	10,348	6,002
Postage and freight	7,737	5,472
Regulatory assessments	4,907	3,259
Insurance	9,221	8,104
Taxes	20,856	16,115
Other operating expenses	<u>33,582</u>	<u>10,398</u>
Total other expense	\$ 618,126	\$ 496,168
Net Income (Loss) before income taxes	\$ 84,467	\$ (10,894)
Income taxes	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ 84,467</u>	<u>\$ (10,894)</u>
Earnings per share, basic and diluted	\$ 0.14	\$ (0.02)
Weighted Average Shares Outstanding, basic	605,175	605,175
Weighted Average Shares Outstanding, diluted	610,393	605,175

See Accompanying Notes to Financial Statements.

COLONIAL VIRGINIA BANK
Statements of Changes in Shareholders' Equity
For the Three Months Ended March 31, 2006
and March 31, 2005 (Unaudited)

	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Retained (Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Comprehensive Income (Loss)</u>	<u>Total</u>
Balance at December 31, 2004	\$ 3,025,875	\$ 9,050,243	\$ (1,544,734)	\$ (27,273)		\$ 10,504,111
Comprehensive Income (Loss):						
Net income (loss)			(10,894)		\$ (10,894)	(10,894)
Other comprehensive income (loss):						
Unrealized gain on securities available for sale				(71,350)	(71,350)	(71,350)
Total comprehensive (loss)					<u>\$ (82,244)</u>	
Balance at March 31, 2005	<u>\$ 3,025,875</u>	<u>\$ 9,050,243</u>	<u>\$ (1,555,628)</u>	<u>\$ (98,623)</u>		<u>\$ 10,421,867</u>
Balance at December 31, 2005	\$ 3,025,875	\$ 9,050,243	\$ (1,390,189)	\$ (117,735)		\$ 10,568,194
Comprehensive Income (Loss):						
Net income			84,467		\$ 84,467	84,467
Other comprehensive income (loss):						
Unrealized (loss) on securities available for sale				(72,508)	(72,508)	(72,508)
Total comprehensive income					<u>11,959</u>	
Balance at March 31, 2006	<u>\$ 3,025,875</u>	<u>\$ 9,050,243</u>	<u>\$ (1,305,722)</u>	<u>\$ (190,243)</u>		<u>\$ 10,580,153</u>

See Accompanying Notes to Financial Statements.

COLONIAL VIRGINIA BANK
Statements of Cash Flows
For the Three Months Ended March 31, 2006
and March 31, 2005 (Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES	2006	2005
Reconciliation of net (loss) to net cash (used in) operating activities:		
Net income (loss)	\$ 84,467	\$ (10,894)
Net amortization of premium on investment securities	(2,654)	5,525
Depreciation and amortization	77,923	42,425
Provision for loan losses	1,050	10,000
Changes in assets and liabilities:		
(Increase) in accrued interest and other assets	(102,185)	(18,838)
Increase in accrued expenses and other liabilities	76,100	68,085
Net cash provided by operating activities	\$ 134,701	\$ 96,303
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	\$ (3,377,665)	\$ (2,413,325)
Principal paydowns of securities available for sale	240,578	349,769
Maturities of securities available for sale	1,015,867	-
(Purchase) cancellation of Federal Reserve Stock	(500)	4,300
Purchase of bank owned life insurance	(7,200)	-
Net (increase) in loans	(2,023,372)	(1,617,257)
Purchases of premises and equipment	(27,598)	(571,360)
Net cash (used in) investing activities	\$ (4,179,889)	\$ (4,247,873)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand, savings, interest-bearing checking and money market deposits	\$ 382,683	\$ 1,675,984
Net increase in time deposits	4,337,884	2,784,261
Net cash provided by financing activities	\$ 4,720,567	\$ 4,460,245
 Net increase in cash and cash equivalents	\$ 675,379	\$ 308,675
 CASH AND CASH EQUIVALENTS		
Beginning	\$ 7,687,037	\$ 5,682,715
Ending	\$ 8,362,417	\$ 5,991,390
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	357,761	154,781
 SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Unrealized gain (loss) on securities available for sale	(72,508)	(71,350)

See Accompanying Notes to Financial Statements.

COLONIAL VIRGINIA BANK
Notes to Financial Statements
For the Three Months Ended March 31, 2006
and March 31, 2005 (Unaudited)

Note 1. General

Colonial Virginia Bank (the Bank) was organized under the laws of the Commonwealth of Virginia to engage in a general banking business serving the community in and around Gloucester County, Virginia. The Bank was in organization during the period from January 2, 2003 through November 5, 2003. The financial statements reflect the costs associated with the period prior to the opening of the Bank on November 6, 2003 as an accumulated deficit as of that date. These costs include salaries, legal and professional fees and other organizational expenditures. During this period, the Bank had a net loss of \$348,256.

The Bank commenced regular operations on November 6, 2003 and is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation. It is subject to the regulations of the Federal Reserve System and the State Corporation Commission of Virginia. Consequently, it undergoes periodic examinations by these regulatory authorities.

In a common stock offering ending on May 27, 2003, the Bank sold 605,175 shares of its common stock, par value \$5.00 per share, at \$20 per share. Of the proceeds, \$3,025,875 was credited to common stock and \$9,050,243 was credited to surplus, net of stock issuance costs of \$27,382.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Bank's financial position at March 31, 2006 and the statements of income, the changes in shareholders' equity and cash flows for the three months ended March 31, 2006. Financial statements are prepared in accordance with generally accepted accounting principles. Operating results for the three month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. The statements should be read in conjunction with the Notes to Financial Statements included in the Bank's Annual Report on Form 10-KSB for the year ended December 31, 2005, as filed with the Federal Reserve System.

Note 2. Securities

Amortized cost and fair values of securities available for sale at March 31, 2006, were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities of U.S. government and federal agencies	\$ 5,515,567	\$ 1,708	\$ (72,777)	\$ 5,444,498
Mortgage backed securities	4,547,494	1,403	(117,681)	4,431,216
Securities of states and political subdivisions	98,043	-	(2,897)	95,146
Restricted stock	317,050	-	-	317,050
Total	<u>\$ 10,478,154</u>	<u>\$ 3,111</u>	<u>\$ (193,355)</u>	<u>\$ 10,287,910</u>

Amortized cost and fair values of securities available for sale at December 31, 2005, were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities of U.S. government and federal agencies	\$ 3,147,398	\$ -	\$ (41,373)	\$ 3,106,025
Mortgage backed securities	4,791,723	1,799	(77,520)	4,716,002
Securities of states and political subdivisions	97,988	-	(641)	97,347
Restricted stock	316,550	-	-	316,550
Total	<u>\$ 8,353,659</u>	<u>\$ 1,799</u>	<u>\$ (119,534)</u>	<u>\$ 8,235,924</u>

At March 31, 2006 and December 31, 2005, no securities were pledged.

The amortized cost and fair value of securities available for sale at March 31, 2006, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties.

	Amortized Cost	Fair Value
One to five years	\$ 5,452,500	\$ 5,379,640
Five to ten years	3,390,508	3,286,802
After ten years	1,318,097	1,304,418
Other	317,050	317,050
Total	<u>\$ 10,478,155</u>	<u>\$ 10,287,910</u>

There were no proceeds from sales and calls of securities available for sale in the first three months of 2006 or for the year ended December 31, 2005.

There were no securities held to maturity at March 31, 2006 or December 31, 2005.

At March 31, 2006, 35 investment securities had an unrealized loss. The investment securities are obligations of entities that are excellent credit risks. The temporary impairment noted is the result of market conditions and does not reflect on the ability of the issuers to repay the obligations. There were 15 investment securities held at March 31, 2006 that had been in an unrealized loss position for greater than 12 months. These 15 securities had a total unrealized loss of \$101,670 and a market value of \$2,665,880 at March 31, 2006. The remaining 20 securities had a total unrealized loss of \$91,685 and a market value of \$6,644,766 at March 31, 2006. The Bank has the intent and the ability to hold these securities until such time as there is a recovery of the unrealized loss or until maturity.

March 31, 2006	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Obligations of U.S. government and federal agencies	\$4,348,732	(\$44,152)	\$ 998,982	(\$ 28,625)	\$5,347,714	(\$ 72,777)
Mortgage backed securities	2,200,887	(44,636)	1,666,898	(73,045)	3,867,785	(117,681)
Securities of states and political subdivisions	95,147	(2,897)	--	--	95,147	(2,897)
Total temporarily impaired securities	<u>\$6,644,766</u>	<u>(\$91,685)</u>	<u>\$2,665,880</u>	<u>(\$101,670)</u>	<u>\$9,310,646</u>	<u>(\$193,355)</u>

December 31, 2005	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Obligations of U.S. government and federal agencies	\$2,380,350	(\$17,048)	\$725,675	(\$24,325)	\$3,106,025	(\$41,373)
Mortgage backed securities	2,748,566	(30,144)	1,764,025	(47,376)	4,512,591	(77,520)
Securities of states and political subdivisions	97,347	(641)	--	--	97,347	(641)
Total temporarily impaired securities	<u>\$5,226,263</u>	<u>(\$47,833)</u>	<u>\$2,489,700</u>	<u>(\$71,701)</u>	<u>\$7,715,963</u>	<u>(\$119,534)</u>

Note 3. Loans

The consolidated loan portfolio was composed of the following at the dates indicated:

	March 31, 2006	December 31, 2005
Mortgage:		
Construction and land development	\$ 8,001,764	\$ 6,536,620
Residential real estate	11,989,042	11,447,924
Nonresidential	8,885,550	8,775,476
Commercial	8,980,809	8,981,628
Agricultural and Other Farm Loans	789,080	517,980
Consumer and All Other Loans	3,190,446	3,548,724
	<u>41,836,691</u>	<u>39,808,352</u>
Unearned income	122,741	116,472
Allowance for loan losses	316,120	316,372
Loans, net	<u>\$ 41,397,830</u>	<u>\$ 39,375,508</u>

Overdrafts totaling \$21,984 and \$17,250 at March 31, 2006 and December 31, 2005, respectively, were reclassified from deposits to loans.

The Bank had no non-performing assets at March 31, 2006 or December 31, 2005.

An analysis of the allowance for loan losses was as follows for the periods indicated:

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2005</u>
Balance at the beginning of the period (January 1)	\$ 316,372	\$ 305,129	\$ 305,129
Provision for loan losses	1,050	22,850	10,000
Loans charged off	1,317	(11,793)	(34)
Recoveries on loans previously charged off	15	185	158
Balance at the end of the period	<u>\$ 316,120</u>	<u>\$ 316,372</u>	<u>\$ 315,253</u>

Note 4. Earnings Per Share

The following table shows the weighted average number of shares used in computing earnings per share and the effect on weighted average number of shares of diluted potential common stock. Potential dilutive common stock had no effect on income available to common shareholders.

	Three months ended March 31, 2006		Three months ended March 31, 2005	
	Shares	Amount	Shares	Amount
Basic earnings per share	605,175	\$ 0.14	605,175	\$ (0.02)
Effect of dilutive securities:				
Stock Options	5,218		- 0 -	
Diluted earnings per share	<u>610,393</u>	\$ 0.14	<u>605,175</u>	\$ (0.02)

Basic earnings per share represents income available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from issuance.

Note 5. Stock Based Compensation

As of March 31, 2006, the Bank had a stock-based compensation plan. The Bank accounts for the plan under the recognition and measurement principles of the Accounting Principles Board (“APB”) Opinion 25, *Accounting for Stock Issued to Employees*, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following illustrates the effect on net income and earnings per share for the three month period ended March 31, 2005 had the fair value recognition provisions of the Financial Accounting Standards Board (“FASB”) Statement No. 123, *Accounting for Stock-Based Compensation*, been adopted.

Prior to January 1, 2006, the Bank accounted for stock based compensation utilizing the intrinsic value method in accordance with the provision of ACCOUNTING PRINCIPLES BOARD OPINION NO. 25 (“APB 25”), “Accounting for Stock Issued to Employees” and related interpretation.

Accordingly, no compensation expense was recognized for the stock option plan because the exercise prices of stock options granted equaled or exceeded the market price of the underlying stock on the dates of grants. As noted in the Bank's filing of Form 8-K, dated December 29, 2005, vesting was accelerated to December 29, 2005 for options granted February 2005.

Effective January 1, 2006, the Corporation adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payment" using a modified version of prospective application. Under this method, compensation expense will be recorded for all awards granted after the date of adoption and for the unvested portion of previously granted awards that were outstanding as of the beginning of the period of adoption.

Since December 31, 2005, there have been no new stock options granted nor have there been any stock options exercised or stock option forfeitures. Inasmuch as there have been no new stock option grants, stock options exercised or stock option forfeitures, a summary of the activity in the stock option plan may be found in "Note 10. Stock Option Plan" in the Annual Report on Form 10-KSB for the year ended December 31, 2005.

	Three Months Ended
	March 31,
	2005
Net income, as reported	\$ (10,894)
Deduct: total stock-based compensation Expense determined based on fair value method of awards, net	(52,423)
Pro forma net (loss)	<u>\$ (63,317)</u>
Basic and diluted earnings per share:	
As reported	<u>\$ (0.02)</u>
Pro forma	<u>\$ (0.10)</u>

The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for grants in 2005: price volatility of 4.97%, risk-free interest rate of 4.21%, expected dividend yield of 0% and expected lives of 10 years. There were grants of options to acquire an aggregate of 39,854 shares of common stock in the first quarter of 2005.

**AVERAGE BALANCES, INTEREST INCOME
AND EXPENSES, AVERAGE YIELDS AND RATES**

	March 31, 2006			March 31, 2005		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets:						
Interest earning assets:						
Securities						
Taxable	9,463,367	104,862	4.43%	5,689,346	55,238	3.88%
Tax Exempt ⁽¹⁾	---	---	---	---	---	---
Total securities	9,463,367	104,862	4.43%	5,689,346	55,238	3.88%
Federal funds sold	6,047,090	65,764	4.35%	4,973,247	29,823	2.40%
Deposits at other banks	---	---	---	---	---	---
Loans, net	40,788,567	875,888	8.59%	30,204,525	558,933	7.40%
Total earning assets	56,299,024	1,046,514	7.44%	40,867,118	643,995	6.30%
Less: allowance for loan losses	(316,252)			(311,918)		
Total non-earning assets	7,602,518			5,642,497		
Total assets	63,585,289			46,197,697		
Liabilities and Stockholders' Equity:						
Interest bearing liabilities:						
Checking	3,245,243	8,002	0.99%	2,382,889	5,876	0.99%
Savings and money market deposits	9,578,452	41,652	1.74%	9,382,791	30,826	1.31%
Other time	33,679,697	336,426	4.00%	18,455,026	133,159	2.89%
Total interest bearing deposits	46,503,391	386,079	3.32%	30,220,707	169,861	2.25%
Short term borrowings	---	---	---	---	---	---
Total interest bearing liabilities	46,503,391	386,079	3.32%	30,220,707	169,861	2.25%
Noninterest bearing liabilities:						
Demand deposits	6,189,067			5,305,446		
Other non-interest bearing liabilities	293,767			168,668		
Total liabilities	52,986,225			35,694,821		
Stockholders' equity	10,599,065			10,502,876		
Total liabilities and stockholders' equity	63,585,289			46,197,697		
Net Interest Income		660,435			474,134	
Interest rate spread ⁽²⁾			4.11%			4.06%
Net Interest Margin ⁽³⁾			4.69%			4.64%

⁽¹⁾ Income and yields are reported on a tax equivalent basis assuming a federal tax rate of 34%.

⁽²⁾ Interest spread is the average yield earned on earning assets, calculated on a fully taxable equivalent basis, less the average rate incurred on interest-bearing liabilities.

⁽³⁾ Net interest margin is the net interest income, calculated on a fully taxable basis assuming a federal tax rate of 34%, expressed as a percentage of average earning assets.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of the financial condition and results of operations of the Bank for the three months ended March 31, 2006 should be read in conjunction with the Bank's Financial Statements and the accompanying Notes to Financial Statements included in this report.

Executive Overview

The Bank began as a de novo operation on November 6, 2003. The Bank's initial business plan included opening two offices at the November 2003 opening. However, the branch office did not actually open until December 27, 2003. The initial business plan included substantial commitment to experienced, highly qualified personnel and the associated overhead expense. The delayed opening of the branch resulted in the associated expenses being carried for a longer period with no revenue production. Discussions of traditional analytical factors may be distorted during these early stages of operation. Therefore, the following discussion of analytical factors should be viewed in light of the dynamics of a start-up operation experiencing rapid deposit growth and the challenge to develop a high quality, high yielding loan portfolio.

The Bank's results of operations are primarily dependent on net interest income, which is the difference between the income earned on our loans and investment portfolio and the cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by our allowance for loan losses, investment activities and other fees. Non-interest expense principally consists of salary and benefits, occupancy and equipment expenses, business development costs, professional fees, data processing expense and other expenses.

The Bank moved into the permanent building at its branch location on March 25, 2005. Moderate delays in the completion of this building resulted in challenges for customer traffic around the construction activities. Therefore, while operating from a temporary trailer at that location, growth was stunted from original target levels. The new facility is spacious and provides an atmosphere for efficient employee performance and customer comfort through significant growth. Increases in the ratio of customers to employees should reduce the overhead expense burden and enhance overall operating efficiency.

The Bank moved into the permanent building at its Main Office on October 8, 2005. This resulted in a consolidation of back office operations personnel from a remote location together with Main Office retail personnel. This has improved personnel efficiency and customer convenience. The elimination of various expenses relating to the occupancy of temporary quarters, such as rent, has offset increased depreciation expense of the new Main Office.

The absolute level of all areas of operation have not reached targeted levels for a seasoned institution. However, the trend lines in virtually all areas of the Bank are positive. Although this report does not present national peer group data, Management believes that both the level and trend of operations are favorable compared to peer performance for de novo financial institutions.

Critical Accounting Policies

General

The financial condition and results of operations presented in the Financial Statements, the accompanying Notes to Financial Statements and this section are, to a large degree, dependent upon the

accounting policies of the Bank. The selection and application of these accounting policies involve judgments, estimates, and uncertainties that are susceptible to change.

Presented below is discussion of those accounting policies that management believes are the most important (“Critical Accounting Policies”) to the portrayal and understanding of the Bank’s financial condition and results of operations. The Critical Accounting Policies require management’s most difficult, subjective and complex judgments about matters that are inherently uncertain. 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.

Allowance for Loan Losses

The Bank monitors and maintains an allowance for loan losses to absorb an estimate of probable losses inherent in the loan portfolio. The Bank maintains policies and procedures that address the systems of controls over the following areas of maintenance of the allowance: the systematic methodology used to determine the appropriate level of the allowance to provide assurance that the systems are maintained in accordance with accounting principles generally accepted in the United States of America; the accounting policies for loan charge-offs and recoveries; the assessment and measurement of impairment in the loan portfolio; and the loan grading system.

The Bank evaluates various loans individually for impairment as required by Statement of Financial Accounting Standards (“SFAS”) No. 114, Accounting by Creditors for Impairment of a Loan, and SFAS No. 118, Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures. Loans evaluated individually for impairment include non-performing loans, such as loans on non-accrual, loans past due by 90 days or more, restructured loans and other loans selected by management. The evaluations are based upon discounted expected cash flows or collateral valuations. If the evaluation shows that a loan is individually impaired, then a specific reserve is established for the amount of impairment. If a loan evaluated individually is not impaired, then the loan is assessed for impairment under SFAS No. 5, Accounting for Contingencies (“SFAS 5”), with a group of loans that have similar characteristics.

For loans without individual measures of impairment, the Bank makes estimates of losses for groups of loans as required by SFAS 5. Loans are grouped by similar characteristics, including the type of loan, the assigned loan grade and the general collateral type. A loss rate reflecting the expected loss inherent in a group of loans is derived based upon estimates of default rates for a given loan grade, the predominant collateral type for the group and the terms of the loan. The resulting estimate of losses for groups of loans are adjusted for relevant environmental factors and other conditions of the portfolio of loans, including: borrower and industry concentrations; levels and trends in delinquencies, charge-offs and recoveries; changes in underwriting standards and risk selection; level of experience, ability and depth of lending management; and national and local economic conditions.

The amounts of estimated impairment for individually evaluated loans and groups of loans are added together for a total estimate of loan losses. This estimate of losses is compared to the allowance for loan losses of the Bank as of the evaluation date and, if the estimate of losses is greater than the allowance, an additional provision to the allowance would be made. If the estimate of losses is less than the allowance, the degree to which the allowance exceeds the estimate is evaluated to determine whether the allowance falls outside a range of estimates. If the estimate of losses is below the range of reasonable estimates, the allowance would be reduced by way of a credit to the provision for loan losses. The Bank recognizes the inherent imprecision in estimates of losses due to various uncertainties and variability related to the factors used, and therefore a reasonable range around the estimate of losses is derived and used to ascertain whether the allowance is too high. If different assumptions or conditions were to prevail

and it is determined that the allowance is not adequate to absorb the new estimate of probable losses, an additional provision for loan losses would be made, which amount may be material to the Financial Statements.

Financial Summary

Net income for the three months ended March 31, 2006 was \$84,467 compared to a net loss of \$10,894 for the same period in 2005. For these same two periods, gross revenues, which are defined as interest income plus other income, were \$1,089,722 and \$665,135, respectively, while gross expenses, which are defined as interest expense plus other expenses and the provision for loan losses, were \$1,005,255 and \$676,029, respectively. The Bank has steadily built the revenue stream through developing an attractive yielding loan portfolio in contrast to lower yielding investment securities and overnight type liquidity instruments. Discussed further below is the effect of the evolving loan portfolio on the trend line of net interest earnings. Total average assets increased 23.0% from \$51.7 million for the year ended December 31, 2005 to \$63.6 million for the three months ended March 31, 2006. Average shareholders' equity increased 0.95% from \$10.5 million for the year ended December 31, 2005 to \$10.6 million for the three months ended March 31, 2006. The March 31, 2006 figure reflects the \$84,467 net income less a \$72,508 increase in the unrealized loss on securities available for sale. This is discussed further below. Annualized return (loss) on average assets for the three months ended March 31, 2006 and March 31, 2005 was 0.53% and (0.09%), respectively. Annualized return (loss) on average equity for the three months ended March 31, 2006 and March 31, 2005 was 3.19% and (0.41%), respectively.

Total assets for the Bank increased to \$65.8 million at March 31, 2006, compared to \$61.0 million at December 31, 2005, representing an increase of \$4.8 million or 7.9%. Total net loans at March 31, 2006 were \$41.4 million, an increase of \$2.0 million, or 5.1%, from the December 31, 2005 amount of \$39.4 million. The provision for loan losses for the three months ended March 31, 2006 was \$1,050. The allowance for loan losses totaled \$316,120, or 0.76% of total loans outstanding, at March 31, 2006. The methodology for assessing the adequacy of the allowance is discussed further below.

The investment portfolio increased 24.9% to \$10.3 million at March 31, 2006 compared to \$8.2 million at December 31, 2005. The current investment strategy is to employ excess liquidity in securities whose yields will enhance overall interest earnings without creating undue interest rate risk. The Bank continues its posture of not attempting to forecast interest rates in a vacuum. However, the predominate economic opinion of the nation's leading forecasters is that the Federal Open Market Committee ("FOMC") will soon be slowing its recent practice of increasing the interest rate at each of its regular meetings since June 2004. With this projected slowing of increases in market interest rates over the next twelve months, investment maturities will be targeted between three to four years. Other investment considerations include tax strategies that include certain government agency issuers, where a tax preferred status may enhance overall yield. Steadily increasing rates continue to have a negative impact on prices of existing bonds in the Bank's portfolio, resulting in further increases in the unrealized losses on securities available for sale. The Bank's investment strategy is to buy securities and hold to maturity, although bonds are designated available for sale ("AFS"). The level of interest rate risk and market risk are considered manageable relative to overall balance sheet management. Declines in the market value of the Bank's bond portfolio are directly attributable to the rising interest rate environment and not associated with any instances of deteriorating credit quality. Inasmuch as the Bank does not rely on funds from the bond portfolio for primary liquidity beyond the respective maturity of individual bonds, the unrealized losses do not represent a risk of actually realizing any of the current unrealized losses during the life of these bonds.

Deposits increased \$4.7 million to \$54.9 million at March 31, 2006 from \$50.2 million at December 31, 2005. Time deposits totaled \$34.9 million at March 31, 2006, an increase of \$4.3 million

from \$30.6 million at December 31, 2005. The most popular maturity among new time deposits with customers is 13 months. Management continues to avoid growth for the sake of growth, unless pricing decisions on increased funding sources can reasonably result in employment of those funds at an appropriate interest spread. Management has established a desired net interest margin target of 4.50%. Net interest income continues to be the Bank's primary source of net revenue and is discussed below.

Shareholders' equity was \$10,580,153 at March 31, 2006. This amount represents an increase of 0.11% from the December 31, 2005 amount of \$10,568,194. The book value per common share was \$17.48 at March 31, 2006 and \$17.46 at December 31, 2005.

Net Interest Income

Net interest income is the Bank's primary source of earnings and represents the difference between interest and fees earned on earning assets and the interest expense paid on deposits and other interest bearing liabilities. Net interest income totaled \$660,435 for the first three months of 2006, compared to \$474,134 for the same period in 2005, an increase of 39.3%. Average earning assets increased \$15.4 million from \$40.9 million for the first three months of 2005 to \$56.3 million for the first three months of 2006. Average interest bearing liabilities increased \$16.3 million from \$30.2 million for the first three months of 2005 to \$46.5 million for the first three months of 2006. Total interest expense was \$386,079 for the first three months of 2006, compared to \$169,861 for the first three months of 2005. The net interest margin (tax equivalent net interest income expressed as a percentage of average earning assets), was 4.69% for the three months ended March 31, 2006 compared to 4.64% for the three months ended March 31, 2005. The vast majority of the increase in earning assets was in adjustable, floating rate instruments. This enabled the Bank to enjoy a modest increase in the net interest margin, despite the more rapid increase in average interest bearing liabilities over average earning assets.

Over the Bank's history, the 13 and 17 month maturity certificates of deposit ("CDs") have been the most popular time deposits. As a result, moderate fluctuations have occurred in the net interest margin, since short-term rates have risen so steadily. However, management believes that fluctuations are contained within a reasonable range and do not subject future earnings to material volatility.

The Bank utilizes asset liability management modeling software to aid in the identification and management of interest rate risk. This software provides tools for identifying repricing intervals, maturities and cash flows of interest earning assets and interest bearing liabilities. In addition, income simulations are performed applying interest rate shocks to interest sensitive assets and liabilities. Modeling techniques may enable the Bank to minimize significant swings or variations in net interest income during periods of substantial fluctuations in market rates. The Bank does not specifically attempt to predict interest rate movements.

As discussed above, the Bank has aggressively attempted to employ excess liquidity through expansion of the loan and investment portfolios in order to enhance yield on earning assets. The Bank's current balance sheet structure, moderately asset sensitive, is well positioned for the rising rate environment that is being forecast for the near term. This condition means that assets may reprice more quickly than liabilities and, in a rising rate environment, interest income would increase more quickly than interest expense. Conversely, when interest rates fall, interest income would decrease more quickly than interest expense. The moderately asset sensitive position should enhance net interest earnings in the event of continued increased rates in the future. Through the use of the modeling techniques mentioned above, management is closely monitoring the volumes of interest bearing liabilities that are scheduled for repricing within the next 90 day, 180 day and one year intervals. The more popular 13 and 17 month CD maturities could negatively impact net interest earnings should the FOMC actually decrease short-term rates within the next twelve months. Therefore, the Bank has become more aggressive in implementing

interest rate floors in new variable rate loan instruments. This measure is designed to guard against future falling rates. Also, as mentioned above, bond purchases are being made with maturities to protect investment yields beyond the next twelve months.

Non-interest Income

The primary components of non-interest income include service charges on deposit accounts, ATM transaction fees, commissions on credit life insurance, checkbook sales and title insurance. Non-interest income totaled \$43,208 for the first three months of 2006, an increase of 104.4% over non-interest income for the first three months of 2005 of \$21,140. The completion of the permanent facility for the Bank's Gloucester Point branch has improved parking lot traffic flow. The convenience of the Drive-up ATM has yielded an increase in non-customer use of the Bank's ATM with resulting increases in fee income.

Service charges on deposit accounts totaled \$12,570 for the first three months of 2006, compared to \$11,112 for the same period in 2005, an increase of 13.1%. This increase is attributable to the continuing growth in the number of new accounts, as there were no specific fee rate increases.

The Bank hired an individual in September 2005 to provide investment brokerage services through Community Bankers Securities. The individual is a native of Gloucester County and has worked in and around the Bank's general market for several years. Growth in account relationships and assets under management has been steady. However, the critical mass required to produce net earnings from these specific services is not projected to be achieved before the end of the current year. The new investment account relationships have also brought new banking relationships to the Bank. Therefore, benefits from these activities are expected to be multifold. Additionally, the Bank continues its exploration of mortgage banking services. Implementation of such services is now targeted for the third quarter of 2006.

Non-interest Expense

Non-interest expense for the first three months of 2006 totaled \$618,126. This represents a 24.6% increase over non-interest expense of \$496,168 for the first three months of 2005. Two primary factors contributed to the increase. First, salary and employee benefits increase \$70,110 quarter over quarter. Management previously restricted salary expansion during the early stages of net losses, but afforded officers and employees merit raises effective January 1, 2006. The importance of not only attracting, but retaining quality personnel is a challenge facing every company. The Bank also added additional personnel after occupying both permanent buildings. These were necessary positions that could not be added while operating in temporary quarters with limited space. Additionally, as discussed above, the Bank hired an investment consultant in September 2005. Salaries and benefits totaled \$333,079 in the first three months of 2006, compared to \$262,969 for the first three months of 2005, an increase of 26.7%. Second, the directors accepted to fees until June 2005. For the first quarter of 2006, directors' fees totaled \$13,700, compared to zero for the same period in 2005.

Occupancy of the permanent building at the Bank's branch office (discussed above) has enhanced overall convenience and efficiency. Modest increases in associated overhead expenses are projected to be absorbed through expanded loan revenues in the near future and were also offset somewhat by the elimination of rental expense of temporary quarters.

Non-GAAP Financial Measure

A measure of the extent to which the Bank's revenues are absorbed by non-interest expenses is expressed as the efficiency ratio. The efficiency ratio is calculated by dividing non-interest expenses by the sum of total non-interest income and net interest income for the period. This is a non-GAAP financial measure, which we believe provides important information about our operational efficiency. Comparison of our efficiency ratio with those of other companies may not be possible because other companies may calculate the ratio differently. As a de novo bank, it is expected that this ratio will be extremely high in early periods of operation due to the myriad of startup expenses. As the Bank matures, an efficiency ratio of 60% to 65% is targeted. At March 31, 2006, the Bank's efficiency ratio was 87.85% compared to 100.18% at March 31, 2005. Still another indicator of the appropriate use of personnel is the measurement of assets expressed as millions of dollars of assets per employee. This measurement was \$2.63 million per employee at March 31, 2006 compared to \$2.10 million at March 31, 2005.

Allowance for Loan Losses

The allowance for loan losses at March 31, 2006 was \$316,120, compared to \$316,372 at December 31, 2005. The allowance for loan losses was 0.76% of total loans outstanding at March 31, 2006, compared to 0.80% at December 31, 2005. The cause for the decrease is discussed below. The provision for loan losses was \$1,050 for the three months ended March 31, 2006. Management believes that the allowance for loan losses is adequate to cover credit losses inherent in the loan portfolio at March 31, 2006.

Management revised the Loan Policy during the third quarter of 2004 to expand the Bank's credit risk rating system. The risk-rating system has been revised and was approved by the Board on October 12, 2004. The current system now includes six "pass" grades, as well as four adverse grades. All existing loans were re-evaluated and assigned new risk ratings. Management not only incorporates these ratings into its methodology for evaluating the adequacy of the Allowance for Loan and Lease Losses (ALLL), but also into pricing strategies. The methodology was developed as a part of management's compliance with accounting requirements within SFAS 5 and SFAS 114, discussed above in "Critical Accounting Policies." This methodology also reflects the provision for loan loss expense to accommodate only the risks associated with this evaluation exercise. During the Bank's first full year of operation, management established an initial ALLL approximating 1.0% of total loans, until such time as the loan portfolio has seasoned to a degree that embedded risk can be more accurately identified. Using the current methodology, the ALLL has a small surplus balance above the identified embedded risk, although the ratio has fallen below the 1.0% threshold. Therefore, the Bank has reduced provision expense additions to the ALLL. The more static level of the ALLL, while the loan portfolio has continued to grow, has resulted in a declining ratio of the ALLL as a percentage of total loans. Management will maintain a moderate surplus until such time as the loan portfolio is more seasoned and the risk rating methodology has been validated by bank regulators and external loan review activities.

Capital Resources

Shareholders' equity at March 31, 2006 totaled \$10,580,153 compared to \$10,568,194 at December 31, 2005. Total common shares outstanding at March 31, 2006 were 605,175.

At March 31, 2006, the Bank's tier 1 and total risk-based capital ratios were 22.5% and 23.2%, respectively, compared to 23.6% and 24.3% at December 31, 2005. The Bank's leverage ratio was 16.9% at March 31, 2006, compared to 18.3% at December 31, 2005. The Bank raised in excess of \$12.0 million in initial capital prior to opening, resulting in skewed capital ratios, compared to industry averages, until such time as the Bank's asset base grows to fully leverage initial capital. The Bank's

capital structure places it above the regulatory guidelines, which affords the Bank the opportunity to take advantage of business opportunities while ensuring that it has the resources to protect against risk inherent in its business. This level of capital also provides sufficient resources during the business development stage.

Liquidity

Liquidity represents an institution's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest-bearing deposits with banks, federal funds sold, short-term investments, securities classified as available for sale and loans and securities maturing within one year. As a result of the Bank's management of liquid assets and the ability to generate liquidity through liability funding, management believes that the Bank maintains overall liquidity sufficient to satisfy its depositors' requirements and meet its customers' credit needs.

At March 31, 2006, cash, interest-bearing deposits with financial institutions, federal funds sold and securities available for sale were 30.9% of total deposits and liabilities. Management, through a Board approved Liquidity and Funding Policy, routinely monitors the Bank's liquidity position using various schedules and reports. A "Short-term Funds Availability Ratio" computes short-term assets (cash and due from banks, overnight funds and other cash equivalents, market value of securities available for sale, and unused lines of credit) as a percentage of total assets. The policy requires that this ratio be equal to or greater than 15% of total assets. At March 31, 2006, this ratio was 35.8%. Liability funding sources are also monitored. Demand and savings deposits, interest bearing and non-interest bearing, and time deposits under \$100,000 are monitored with a targeted level of 60% or greater as a percentage of total assets. At March 31, 2006, this percentage was 67.5%. The Bank also maintains additional sources of liquidity through "federal funds purchase" guidance lines with correspondent banks, which totaled \$5.2 million at March 31, 2006.

The Bank participates in an arrangement with QwickRate, a nationally organized program whereby financial institutions may publish interest rates for CDs of various maturities and attract deposits from other investors (predominantly credit unions). There are no "brokers" or associated "broker fees." The arrangement provides community banks with a vehicle for providing both alternate funding for liquidity purposes, as well as additional asset/liability, interest rate risk management tools. The Bank monitors weekly, the rates offered through QwickRate to determine the most economical sources of funds. To date, local market deposits have proven to be as stable and economical as national market funds. However, both from a funding and interest rate risk perspective, management will maintain the QwickRate relationship as a viable balance sheet management tool.

Off-Balance Sheet Arrangements

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loan commitments, standby letters of credit and documentary letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Bank's exposure to credit loss in the event of non-performance by the other party of these loan commitments and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Since many of the loan commitments and letters of credit may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, owner-occupied real estate and income-producing commercial properties. Except as set forth herein, during the three months ended March 31, 2006, there have been no material changes outside the ordinary course of the Bank's business in the contractual obligations specified in "Note 9. Financial Instruments with Off-Balance Sheet Risk" in the Bank's Annual Report on Form 10-KSB for the year ended December 31, 2005.

The Bank maintains funds on deposit at correspondent banks which at times exceed the federally insured limits. Management of the Bank monitors the balance in these accounts and periodically assesses the financial condition of correspondent banks.

Recent Accounting Pronouncement

There have been no recent accounting pronouncements since the filing of the Annual Report on Form 10-KSB, except as noted below.

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets an amendment of FASB Statement 140" (Statement 156). Statement 156 amends Statement 140 with respect to separately recognized servicing assets and liabilities. Statement 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract and requires all servicing assets and liabilities to be initially measured at fair value, if practicable. Statement 156 also permits entities to subsequently measure servicing assets and liabilities using an amortization method or fair value measurement method. Under the amortization method, servicing assets and liabilities are amortized in proportion to and over the estimated period of servicing. Under the fair value measurement method, servicing assets are measured at fair value at each reporting date and changes in fair value are reported in net income for the period the change occurs.

Adoption of Statement 156 is required as of the beginning of fiscal years beginning subsequent to September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including interim financial statements.

The Bank does not expect the adoption of Statement 156 at the beginning of 2007 to have a material impact.

Caution About Forward Looking Statements

Certain information contained in this discussion may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are generally identified by phrases such as "the Bank expects," "the Bank believes" or words of similar import.

Such forward-looking statements involve known and unknown risks including, but not limited to, the following factors:

- risks inherent in making loans such as repayment risks and fluctuating collateral values;

- reliance on the Bank's management team, including its ability to attract and retain key personnel;
- the ability to continue to attract low cost core deposits to fund asset growth;
- competition with other banks and financial institutions, and companies outside of the banking industry, including those companies that have substantially greater access to capital and other resources;
- the successful management of interest rate risk;
- problems with technology utilized by the Bank;
- reliance on third party relationship with Community Bankers Securities for regulatory compliant, accurate and timely processing of securities transactions associated with the Bank's investment brokerage service offerings;
- reputational risk associated with new investment brokerage service offerings;
- changes in general economic and business conditions in the Bank's market area;
- the ability to successfully manage the Bank's growth or implement its growth strategies if it is unable to identify attractive markets, locations or opportunities to expand in the future;
- changes in banking and other laws and regulations applicable to the Bank;
- demand, development and acceptance of new products and services; and
- changing trends in customer profiles and behavior.

Although the Bank believes that its expectations with respect to the forward-looking statements are based upon reliable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the Bank will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Item 3. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Bank carried out an evaluation, under the supervision and with the participation of the Bank's management, including the Bank's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Bank's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Bank's Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures are effective in timely alerting them to material information relating to the Bank required to be included in the Bank's periodic filings with the Board of Governors of the Federal Reserve System.

The Bank's management is also responsible for establishing and maintaining adequate internal control over financial reporting. There were no changes in the Bank's internal control over financial reporting identified in connection with the evaluation of it that occurred during the Bank's last fiscal quarter that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

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 a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

- 31.1 Rule 13a-14(a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a) Certification of Chief Financial Officer
- 32.1 Statement of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350

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.

COLONIAL VIRGINIA BANK
(Small Business Issuer)

Date: May 12, 2006

By: /s/ Kenneth E. Smith
Kenneth E. Smith (on behalf of the Bank and
as principal financial officer)
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibits

- | | |
|------|---|
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer |
| 32.1 | Statement of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350 |

Rule 13a-14(a) Certification of Chief Executive Officer

I, William J. Farinholt, certify that:

1. I have reviewed the Quarterly Report on Form 10-QSB for the period ended March 31, 2006 of Colonial Virginia Bank;
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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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 small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, 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 small business issuer'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 change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: May 12, 2006

/s/ William J. Farinholt

William J. Farinholt
Chief Executive Officer

Rule 13a-14(a) Certification of Chief Financial Officer

I, Kenneth E. Smith, certify that:

1. I have reviewed the Quarterly Report on Form 10-QSB for the period ended March 31, 2006 of Colonial Virginia Bank;
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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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 small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, 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 small business issuer'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 change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: May 12, 2006

/s/ Kenneth E. Smith
Kenneth E. Smith
Chief Financial Officer

Statement of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350

In connection with the Quarterly Report on Form 10-QSB for the period ended March 31, 2006 (the "Form 10-QSB") of Colonial Virginia Bank (the "Bank"), we, William J. Farinholt, Chief Executive Officer of the Bank, and Kenneth E. Smith, Chief Financial Officer of the Bank, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

- (a) the Form 10-QSB fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (b) the information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Bank as of and for the periods presented in the Form 10-QSB.

By: /s/ William J. Farinholt
William J. Farinholt
Chief Executive Officer

Date: May 12, 2006

By: /s/ Kenneth E. Smith
Kenneth E. Smith
Chief Financial Officer

Date: May 12, 2006