

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) July 31, 2008

Colonial Virginia Bank

(Exact name of registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction
of incorporation)

(Commission File Number)

75-3093106
(I.R.S. Employer
Identification No.)

6720 Sutton Road, Gloucester, VA
(Address of principal executive offices)

23061
(Zip Code)

Registrant's telephone number, including area code (804) 695-9300

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On July 31, 2008 Colonial Virginia Bank issued a news release announcing its financial results for the quarter ended June 30, 2008. A copy of the press release is being furnished as an exhibit to this report and is incorporated by reference into this Item 2.02.

Item 9.01 Financial Statements and Exhibits

- (d) Exhibits. The following exhibit is being furnished pursuant to Item 2.02 above.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by the Registrant dated July 31, 2008.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Colonial Virginia Bank

/s/ Kenneth E. Smith _____

Date: July 31, 2008

By: Kenneth E. Smith

Executive Vice President & Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by the Registrant dated July 31, 2008

Colonial Virginia Bank

Gloucester, VA

NEWS RELEASE

Colonial Virginia Bank
6720 Sutton Rd.
Gloucester, VA 23061

Contact: Kenneth E. Smith
Exec. V.P. & Chief Financial Officer
Voice: 804/695-8082
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July 31, 2008

For Immediate Release

Company Release – 06/30/2008

Colonial Virginia Bank Announces 2nd Quarter 2008 Earnings

GLOUCESTER, Va., July 30-- Colonial Virginia Bank (OTCBB: CNVB) (“the Bank”), today reported net income of \$25,728 before taxes and \$728 after taxes, or effectively \$0.00 per share assuming dilution, for the quarter ended June 30, 2008, compared with \$83,653 (before and after taxes), or \$0.14 per share assuming dilution, for the same period in 2007. The Bank (which opened November 6, 2003) enjoyed the tax benefit of net operating loss carry forwards during its early years of operation. After fully utilizing these tax benefits through the first quarter of 2008, the Bank expensed \$25,000 during the current quarter for current income tax liability. This entry is a non-cash expense as the current expense accrual represents a reduction of an asset representing a previous period deferred tax refund receivable.

The Bank relies primarily on net interest income (interest income on loans and investment minus interest expense on deposits) for its overall net income. Net interest income for the quarter-ended June 30, 2008 was \$788,363 compared to \$769,943 for the same period in 2007. Since the third quarter of 2007, the Federal Open Market Committee of the Federal Reserve System (“FOMC”) has slashed short-term interest rates in response to a nationwide concern over the economy, specifically the sub-prime mortgage sector. The FOMC cut rates 100 basis point between September 18 and December 11, 2007. Then, in a dramatic and unprecedented move, the FOMC exercised an emergency rate cut of 75 basis points January 22, 2008, followed by a 50 basis point cut at its regular meeting January 30, 2008. Subsequent to those cuts, an additional rate cut of 75 basis points was implemented March 18, 2008, with another 25 basis point cut April 30, 2008. The Bank has established itself as a popular source of construction loan financing, typically priced as variable rate loans, floating continuously with the prime rate. Therefore, as a result of the FOMC rate cuts, the Bank’s yield on earning assets has been negatively affected to a greater degree than its benefit of reduced cost of funds. The Bank, like many community banks, relies heavily on fixed rate consumer certificates of deposits (“CDs”) for the majority of its funding. Many of these CDs have maturities of 10 – 17 months; thus restricting the Bank’s ability to reduce rates paid, even in an environment of declining rates. The duration of this negative impact on net interest income is measurable and quantifiable through interest rate risk models used by the Bank. In fact, on a monthly basis, the Bank’s net interest income has already begun to increase as higher fixed rate CDs are re-pricing downward toward current market levels.

Non-interest income for the second quarter 2008 of \$70,751 represented a 7.85% increase over the \$65,604 level for the same period in 2007, boosted by increased fees, primarily debit card fees, on a growing base of deposit accounts. Non-interest expense reflected a 9.28% increase for the second quarter 2008 compared to the same period in 2007, increasing from \$743,344 in 2007 to \$812,336 for the current quarter. The Bank expensed \$21,050 in provision for possible loan losses to bolster its allowance for loan and lease losses (ALLL) during the current quarter compared to \$8,550 for the same quarter in 2007. This expense was recognized pursuant to the growing loan volume and challenging economic cycle and not from any increase in loss risk imbedded in the loan portfolio.

The Bank's balance sheet reflected continued positive growth trends. Total assets were \$107.9 million at June 30, 2008, compared to \$104.2 million at March 31, 2008, and \$89.2 million at June 30, 2007. Net loans of \$58.5 million compared favorably to \$55.0 million and \$49.1 million for the same periods, respectively. Total deposits for the current quarter end totaled \$87.5 million compared to \$87.3 million at March 31, 2008, and \$77.2 million June 30, 2007. The Bank deliberately chose not to renew some higher costs CDs and to restrict deposit growth during the current quarter in order to more actively control its cost of funds in light of the declining net interest earnings.

Non-performing assets ("NPAs") as a percentage of total assets as of June 30, 2008, were 0.00% compared to 0.03% at March 31, 2008 and 0.08% as of June 30, 2007, a clear indication of the Bank's strong asset quality in the midst of these troubling economic times.

Bill Farinholt, President and CEO, stated, "the financial sector continues under tremendous pressure from major loan loss and other asset quality pressures as well as the compression of net interest margins." Mr. Farinholt stated that he is comforted that Colonial Virginia Bank does not suffer from asset quality issues or loan charge-offs and, in fact, enjoys a strong loan portfolio with minimal delinquencies and insignificant loss exposure. "Our Bank has not been caught up in the sub-prime mortgage crisis, nor the debacle of problem real estate development loans. The drag on earnings as stated above has been declining net interest income. However, the net interest margin (net interest income as a percentage of total average earning assets) on a monthly basis increased to 3.27% for June 2008 after a four year low in May 2008. This is encouraging and bodes well for future overall earnings. The Bank continues to be committed to sound credit quality, not compromising quality simply to obtain higher yields." Mr. Farinholt further stated that, "the Bank is well capitalized with strong liquidity. Asset growth is stable and alternate funding sources are a part of our long-term business plan. Although certain aspects of the present are moderately dim, the future looks bright."

The Bank operates two full service retail bank offices, both located in Gloucester County, Virginia and offers full investment services through its investment division, Colonial Virginia Investment Services. The Bank also offers mortgage services through Colonial Virginia Mortgage, LLC ("the mortgage company"), a 50% owned subsidiary joint with Johnson Mortgage Company, LLC ("JMC").

The Bank's stock is listed for trading on the Over the Counter Bulletin Board (OTCBB) under the symbol CNVB. The bank's primary market maker is Davenport & Company LLC, Richmond, VA.

Additional information regarding the bank's products and services, as well as access to its regulatory filings, are available on the bank's web site at <http://www.colonialvabank.com>.

Use of Certain Non-GAAP Financial Measures. In addition to results presented in accordance with United States generally accepted accounting principles (GAAP), this earnings release includes certain non-GAAP financial measures, which are reconciled to their equivalent GAAP financial measures below. Management believes these non-GAAP financial measures provide information useful to investors in understanding the Bank's performance trends and facilitate comparisons with its peers. Specifically, management believes the exclusion of a significant recovery of income recognized in a single accounting period permits a comparison of results for ongoing business operations, and it is on this basis that management internally assesses the Bank's performance and establishes goals for future periods.

Although the Bank's management believes the non-GAAP financial measures presented in this earnings release enhance investors' understandings of its performance, these non-GAAP financial measures should not be considered an alternative to GAAP-basis financial statements.

Forward-Looking Statements. The statements contained in this press release that are not historical facts may constitute "forward-looking statements" as defined by the federal securities laws. These statements may address issues that involve estimates and assumptions made by management; risks and uncertainties, and actual results could differ materially from historical results or those anticipated by such statements. Factors that could have a material adverse effect on the operations and future prospects of the Bank include, but are not limited to, changes in: (1) interest rates, (2) general economic conditions, (3) demand for loan products, (4) the legislative/regulatory climate, (5) monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, (6) the quality or composition of the loan or investment portfolios, (7) deposit flows, (8) competition, (9) demand for financial services in the Bank's market area,

(10) technology, (11) reliance on third parties for key services, and (12) accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating the forward-looking statements contained herein, and readers are cautioned not to place undue reliance on such statements, which speak only as of their dates.

Balance Sheet (\$)	Y-Y			Q-Q	
	2008 Q2	2007 Q2	Ch (%)	2008 Q1	Ch (%)
<u>Loans Held for Investment, before Reserves</u>	59,020,955	49,426,970	19.41	55,547,806	6.25
<u>Loan Loss Reserve</u>	523,653	344,573	51.97	501,972	4.32
<u>Net Loans Receivable</u>	58,497,302	49,082,397	19.18	55,045,834	6.27
<u>Total Assets</u>	107,906,143	89,202,595	20.97	104,178,576	3.58
<u>Deposits</u>	87,457,341	77,159,952	13.35	87,298,746	0.18
<u>Common Equity</u>	11,403,999	11,163,557	2.15	11,788,327	(3.26)
<u>Total Shareholders' Equity</u>	11,403,999	11,163,557	2.15	11,788,327	(3.26)
<u>Shares Outstanding (actual)</u>	610,175	610,175	0.00	610,175	0.00
Income Statement (\$)	Y-Y			Q-Q	
	2008 Q2	2007 Q2	Ch (%)	2008 Q1	Ch (%)
<u>Net Interest Income</u>	788,363	769,943	2.39	736,536	7.04
<u>Provision for Loan Losses</u>	21,050	8,550	146.20	21,050	0.00
<u>Noninterest Income</u>	70,751	65,604	7.85	157,084	(54.96)
<u>Noninterest Expense</u>	812,336	743,344	9.28	806,342	0.74
<u>Net Income Before Taxes</u>	25,728	83,653	(69.24)	66,228	(61.15)
<u>Provision for Taxes</u>	25,000	0	--	0	--
<u>Net Income</u>	728	83,653	(99.13)	66,228	(98.90)
Per Share Items (\$)	Y-Y			Q-Q	
	2008 Q2	2007 Q2	Ch (%)	2008 Q1	Ch (%)
<u>Book Value Per Share</u>	18.69	18.30	2.16	19.32	(3.26)
<u>Diluted EPS Before Extra</u>	0.00	0.14	(100.00)	0.11	(100.00)
<u>Diluted EPS After Extra</u>	0.00	0.14	(100.00)	0.11	(100.00)
<u>Dividends Declared</u>	0.00	0.00	--	0.00	--
Performance Ratios (%)	Y-Y			Q-Q	
	2008 Q2	2007 Q2	Ch (bp)	2008 Q1	Ch (bp)
<u>ROAA</u>	0.00	0.38	(38)	0.27	(27)
<u>ROAE</u>	0.02	3.00	(298)	2.28	(226)
<u>Net Interest Margin</u>	3.27	3.87	(60)	3.28	(1)
<u>Loans / Deposits</u>	67.49	64.06	343	63.63	386
<u>Efficiency Ratio</u>	94.54	88.96	558	90.23	431
Balance Sheet Ratios (%)	Y-Y			Q-Q	
	2008 Q2	2007 Q2	Ch (bp)	2008 Q1	Ch (bp)
<u>Tangible Equity / Tangible Assets</u>	10.57	12.51	(194)	11.32	(75)
<u>Equity / Assets</u>	10.57	12.51	(194)	11.32	(75)

Asset Quality Ratios (%)			Y-Y		Q-Q
	2008 Q2	2007 Q2	Ch (bp)	2008 Q1	Ch (bp)
<u>Nonperforming Assets / Assets</u>	0.00	0.08	(8)	0.03	(3)
<u>Loan Loss Reserves / Gross Loans</u>	0.89	0.70	19	0.90	(1)
<u>Loan Loss Reserves / NPAs</u>	NM	NM	NM	1434.21	NM
<u>Net Charge-offs / Avg Loans</u>	0.00	0.00	0	0.02	(2)
Regulatory Capital Ratios (%)			Y-Y		Q-Q
	2008 Q2	2007 Q2	Ch (bp)	2008 Q1	Ch (bp)
<u>Tier 1 Capital Ratio</u>	16.02	18.89	(287)	16.90	(88)

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