

Company Release – 04/21/2010

## Colonial Virginia Bank Announces 1<sup>st</sup> Quarter 2010 Earnings

**GLOUCESTER, Va., April 21-- Colonial Virginia Bank (OTCBB: CNVB) (“the Bank”)**, today reported net income of \$121,356 or \$0.20 per share assuming dilution, for the quarter ended March 31, 2010, compared to \$53,848 or \$0.09 per share assuming dilution, for the same period in 2009.

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 March 31, 2010 was \$1,107,535, compared to \$859,731 for the same period in 2009, a 29.0% increase. The Bank has continued to enjoy the lower and level rate environment allowing for re-pricing in a downward fashion of higher cost, longer term CDs, decreasing its overall cost of funds. The average rate on interest-bearing liabilities during the first quarter of this year was 1.82%, a significant reduction from an average rate of 2.83% for the same period last year.

Non-interest income for the quarter ended March 31, 2010 was \$107,595 compared to \$99,693 in the same period in 2009. Non-interest expenses increased to \$987,524 this quarter from \$860,826 in the first quarter of 2009 primarily as a result of the opening of the Bank’s third full service office in New Kent County at Maidstone Village in June 2009, and the addition of personnel to staff that office. Additionally, the Bank hired a full time Vice President/Compliance Officer April 1, 2009, dictated by the complexity of government regulation and the growth of the Bank’s operations. Expense provisions for potential loan losses for the current quarter were \$66,050 compared to \$41,050 for the same period last year. The reserve allowance for potential loan losses (“ALLL”) as a percentage of total loans was 1.54% as of March 31, 2010 compared to 0.95% at March 31, 2009, a reflection of the deteriorating economy more than an indication of actual identifiable losses within the portfolio. Provisions for income taxes were \$40,200 in the first quarter of this year and \$3,700 in the first quarter of 2009.

Total assets were \$121.9 million as of March 31, 2010, a decline of 2.7% from \$125.3 million at December 31, 2009, but an increase of 9.7% from \$111.1 million at March 31, 2009. Net loans at quarter end were \$69.5 million, representing increases of 6.8% and 6.9% over December 31, 2009 and March 31, 2009, respectively. Securities totaled \$34.7 million compared to \$36.0 million at year end 2009 and \$30.7 million at March 31, 2009. Total deposits were \$101.0 million at March 31, 2010 compared to \$105.9 million and \$89.4 million at December 31, 2009 and March 31, 2009, respectively. The decline in the current quarter was a deliberate plan by Management to allow higher cost funds to be redeemed at maturity during the quarter, reducing cost of funds and enhancing overall net interest income discussed above. Total shareholder equity was \$11.9 million at quarter end; this compares to \$11.6 million at year end and \$12.0 million at March 31, 2009.

Bill Farinholt, President and CEO, stated, “the economy in general and more specifically the banking / financial sectors are showing some measure of improvement and recovery from the recession. We, at Colonial Virginia Bank, continue to enjoy local market confidence. Both the level and trend of financial results are encouraging and asset quality is considered sound with a minimum of problem loans. With improving interest margins, we have been able to maintain adequate loan loss reserves and still increase overall net earnings. We cannot avoid the effect of negative media attention directed at banks, but we believe we are poised for positive results and a bright future for our Bank. While the media continues to refer to a ‘credit freeze’, our Bank is aggressively pursuing every creditworthy borrower within its market. Certain financial reversals still plague some prospective borrowers, but the Bank is lending money as we always have – simultaneously in an aggressive, yet prudent manner.”

The Bank operates three full service retail bank offices, two in Gloucester County, Virginia, and a third in the Maidstone Village development at New Kent courthouse. The Bank offers full investment services through its investment division under the name of Colonial Virginia Investment Services and 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 corporation'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 corporation's performance and establishes goals for future periods.

Although the corporation'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 corporation 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.

## **SOURCE Colonial Virginia Bank**

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<b>Balance Sheet (\$)</b>				<b>Y-Y</b>	<b>Q-Q</b>
	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>Ch (%)</b>	<b>2009 Q4</b>	<b>Ch (%)</b>
<u>Loans Held for Investment, before Reserves</u>	70,540,854	65,620,277	7.50	66,174,513	6.60
<u>Loan Loss Reserve</u>	1,085,641	625,577	73.54	1,029,400	5.46
<u>Net Loans Receivable</u>	69,455,213	64,994,700	6.86	65,145,113	6.62
<u>Total Assets</u>	121,863,696	111,056,813	9.73	125,330,507	(2.77)
<u>Deposits</u>	101,036,987	89,372,615	13.05	105,862,597	(4.56)
<u>Common Equity</u>	11,914,186	11,995,672	(0.68)	11,647,809	2.29
<u>Total Shareholders' Equity</u>	11,914,186	11,995,672	(0.68)	11,647,809	2.29
<u>Shares Outstanding (actual)</u>	610,175	610,175	0.00	610,175	0.00

<b>Income Statement (\$)</b>				<b>Y-Y</b>	<b>Q-Q</b>
	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>Ch (%)</b>	<b>2009 Q4</b>	<b>Ch (%)</b>
<u>Net Interest Income</u>	1,107,535	859,731	28.82	973,969	13.71
<u>Provision for Loan Losses</u>	66,050	41,050	60.90	311,050	(78.77)
<u>Noninterest Income</u>	107,595	99,693	7.93	113,053	(4.83)
<u>Noninterest Expense</u>	987,524	860,826	14.72	990,633	(0.31)
<u>Net Income Before Taxes</u>	161,556	57,548	180.73	(214,661)	175.26
<u>Provision for Taxes</u>	40,200	3,700	986.49	(88,124)	145.62
<u>Net Income</u>	121,356	53,848	125.37	(126,537)	195.91

<b>Per Share Items (\$)</b>				<b>Y-Y</b>	<b>Q-Q</b>
	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>Ch (%)</b>	<b>2009 Q4</b>	<b>Ch (%)</b>
<u>Book Value Per Share</u>	19.53	19.66	(0.68)	19.09	2.28
<u>Diluted EPS Before Extra</u>	0.20	0.09	122.22	(0.21)	195.24
<u>Diluted EPS After Extra</u>	0.20	0.09	122.22	(0.21)	195.24
<u>Dividends Declared</u>	0.00	0.00	--	0.00	--

<b>Performance Ratios (%)</b>				<b>Y-Y</b>	<b>Q-Q</b>
	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>Ch (bp)</b>	<b>2009 Q4</b>	<b>Ch (bp)</b>
<u>ROAA</u>	0.40	0.20	20	(0.40)	80
<u>ROAE</u>	4.16	1.84	232	(4.20)	836
<u>Net Interest Margin</u>	4.09	3.39	70	3.49	60
<u>Loans / Deposits</u>	69.82	73.42	(360)	62.51	731
<u>Efficiency Ratio</u>	81.46	90.12	(866)	91.52	(1,006)

<b>Balance Sheet Ratios (%)</b>				<b>Y-Y</b>	<b>Q-Q</b>
	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>Ch (bp)</b>	<b>2009 Q4</b>	<b>Ch (bp)</b>
<u>Tangible Equity / Tangible Assets</u>	9.78	10.80	(102)	9.29	49
<u>Equity / Assets</u>	9.78	10.80	(102)	9.29	49

<b>Asset Quality Ratios (%)</b>			<b>Y-Y</b>		<b>Q-Q</b>
	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>Ch (bp)</b>	<b>2009 Q4</b>	<b>Ch (bp)</b>
<u>Nonperforming Assets / Assets</u>	0.38	0.06	32	0.18	20
<u>Loan Loss Reserves / Gross Loans</u>	1.54	0.95	59	1.55	(1)
<u>Loan Loss Reserves / NPAs</u>	235.91	964.03	(72,812)	454.64	(21,873)
<u>Net Charge-offs / Avg Loans</u>	0.01	0.06	(5)	0.27	(26)
<b>Regulatory Capital Ratios (%)</b>			<b>Y-Y</b>		<b>Q-Q</b>
	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>Ch (bp)</b>	<b>2009 Q4</b>	<b>Ch (bp)</b>
<u>Tier 1 Capital Ratio</u>	13.93	15.09	(116)	14.09	(16)