



FROM THE CHAIRMAN/ CEO

It was quite a year! As 2008 ended with government “rescues” of major commercial and financial firms, 2009 started with a fragile local and national economy. Consumer confidence and business activity hit historical lows and experts predicted a long-lasting recession. Unemployment levels and first-time jobless claims soared throughout most of the country. Even our seemingly “recession proof” Washington metro region experienced significant job losses.

As individuals and business owners, we “hunkered down” to preserve capital and ensure our survival. Here at Virginia Heritage Bank, we saw many of our business clients respond to revenue declines of 20% or more by reducing staff and engineering new operational efficiencies. No wonder 2009 left with so many thinking, “goodbye and good riddance.”

What’s ahead for 2010? The recovery is underway but we are not expecting it to be robust. The commercial and residential real

estate sectors will heal slowly. Still, signs point to an improving employment picture, with small business once again leading the way in adding workers.

At Virginia Heritage Bank, that trend is already in motion. Thanks to solid growth and earnings in 2009, we’ve been able to expand our branch network and add employees. In fact, we have added 15 full-time and 5 part-time positions and plan to continue to bring on the necessary staff to build a bigger presence in Northern Virginia.

We are grateful for your loyalty and support. Throughout the year, you can continue to count on Virginia Heritage Bank’s outstanding customer service and our unwavering commitment to “Building Prosperity Together.”

David Summers
dsummers@virginiaheritagebank.com



David Summers

FINANCIAL NEWS

“When will rates begin to edge upward?”

I’m asked that quite frequently as we continue to experience an interest rate environment the likes of which has not been seen since 1955. It’s an especially important question for individuals who rely on interest income from retirement funds. But ask 20 economists when rates will begin to rise and you will likely get 20 different answers, if not more. One school of thought suggests keeping an eye on two simple measures: monthly job growth and core inflation (excludes food and energy). When we begin to see positive numbers in the former and steady increases in the latter, some believe it is likely the Fed will move quickly to increase rates. The bigger challenge is predicting the timing of this event. The experts vary greatly, but most forecasts land somewhere between the second quarter of 2010 out to late 2011, and beyond. Based on these prognostications, it’s likely we will continue to see the current interest rates for at least another nine to fifteen months.

Depositors wrestle with interest rate uncertainty every day when looking for the best CD term. The goal is to maximize yield without staying too short and giving up yield verses going too long and being locked into a below-market rate when rates start moving up. That’s why many banks — including Virginia Heritage Bank — have created “no penalty” or “step up” CD products that offer the depositor one opportunity per term to redeem or adjust the CD without penalty. This helps depositors maintain a competitive yield while still enjoying the opportunity to move up with a market shift.

You may want to consider adding a no-penalty Virginia Heritage Bank CD product to your portfolio. We can help you with this and many other deposit products designed to meet your individual needs.

Chris Brockett, CFO
cbrockett@virginiaheritagebank.com



Chris Brockett

CONSUMER LENDING



Richard Johnson

IT IS A GOOD TIME TO PURCHASE A NEW OR A USED VEHICLE!

Because even though the “Cash for Clunkers” program is over, the automobile industry still offers a variety of opportunities for car buyers. Many manufacturers, for example, offer new-car rebates and dealerships are offering quality used cars at prices so low that adding a second vehicle becomes much more affordable.

And, despite what you may read in the media, banks ARE making loans! In fact, if you’re looking to finance your next vehicle, Virginia Heritage Bank offers car loans through local automobile dealerships and directly at our branch banking locations.

Loans for cars — and more. In addition to car loans, Virginia Heritage Bank offers affordable home equity loans and revolving lines of credit. Now is a great time

to remodel since many contractors have cut their prices to compete for work in the downturned economy. With a loan from Virginia Heritage Bank, you can start that home improvement project now!

After you’re approved, the great customer service continues. As always, Virginia Heritage Bank is here for all your consumer lending needs. We are committed to protecting your privacy and the confidentiality of your information. Therefore, please be patient as we verify your identity prior to performing any services related to your application or loan.

If a payment problem arises on any consumer loans you may currently have, don’t ignore the situation. Contact your lender immediately. Working together proactively is the best way to find a solution.

*Richard Johnson, rjohnson@virginiaheritagebank.com
Chief Consumer Lending Officer*

COMMERCIAL REAL ESTATE



John Saunders

THE ROAD TO RECOVERY

It certainly has been an educational, albeit difficult, time to be a construction and commercial real estate lender. Fortunately, the Washington DC market has weathered the economic storm better than other pockets of the country; and Virginia Heritage Bank has weathered the storm better than many banks in our region. Virginia Heritage remains well capitalized,

profitable and continues to maintain strong credit quality. We feel we are poised to assist our customers with their construction and commercial real estate financing needs, whereas some other banks may be bogged down in working out problems rather than focusing on originating new loans.

VHB’s staff of real estate lenders possesses many years of experience in this market and have seen numerous real estate cycles. We feel confident in our ability to structure transactions that will aid our customers in reaching their real estate investing goals. The Bank provides loans for the acquisition or refinance of owner occupied and investment properties, including industrial, office, retail, multi-family, and special use buildings. Virginia Heritage Bank also originates residential and commercial construction loans.

Feel free to contact me to discuss your commercial real estate objectives.

*John A. Saunders, jsaunders@virginiaheritagebank.com
Chief Real Estate Loan Officer*

MORTGAGE NEWS

GREAT OPPORTUNITIES!

What does the combination of the VHB First Time Homebuyers Grant of \$10,000 and the extension of the Federal Tax Credit of \$8,000 into 2010 equal?



Rick Hutchison

As we start the new year, Virginia Heritage Bank is looking ahead with good news for homebuyers.

At year end, our mortgage division was busy helping customers close on home purchases and take advantage of the \$8,000 Federal Tax Credit for first-time home buyers. In 2009, this high volume of loans contributed to the growth of our VHB Mortgage division and our success in providing over \$800,000 in grant dollars that helped 80 families become first-time homeowners in Virginia and Maryland. In 2010, our goal is to surpass that number by providing 100 clients with grant funds of over \$1 million.

What else is ahead for 2010? The Senate supports extending the \$8,000 Federal Tax Credit for first-time home buyers who contract to purchase properties by April 30, 2010. The sale, however, would have to close before June 30, 2010. In addition to the \$8,000 tax credit for first-time homebuyers, Congress is considering a \$6,500 tax credit that would help current homeowners move up from their existing home to a larger property.

Adding up the incentives. It is a great time to buy or move up! In January, for example, a qualified first-time buyer could receive \$18,000 toward the purchase of a home: a \$10,000 grant from Virginia Heritage plus the \$8,000 tax credit from Uncle Sam. Note, however, that the market is changing. Short sales and foreclosures in Loudoun and Fairfax Counties are becoming harder to find and purchasers increasingly encounter very competitive situations.

Clients interested in moving up or becoming first-time homebuyers can reduce their risks in this changing environment by securing the help of a reputable real estate professional with expertise in both the local markets and short-sale transactions. Contact us if you need assistance in finding an agent and we will be happy to direct you towards a real estate professional whom we feel will represent your best interests.

We are here to assist you with your next home purchase or refinance. Please give us a call or visit us on the web at VHBMortgage.com.

*Rick Hutchison, rhutchison@vhbmortgage.com
Chief Mortgage Officer*

CASH MANAGEMENT

NEW LOCKBOX SERVICE

Saving Money is Easier Than Ever



Susie Kitchin

Virginia Heritage Bank is committed to helping our commercial customers save time and money. That's why we offer remote deposit, online banking and our courier service. Now, we're pleased to announce that we also offer LockBox Service. This service is designed for property management companies, but can be specialized to accommodate any payment mechanism for our high-volume

commercial customers (i.e., doctor's offices, homeowners associations, medical facilities, etc.).

The LockBox system helps you improve efficiency and effectiveness for payments and receivable operations. By having your customers send payments to a local central P. O. Box, you enjoy faster payment processing. You also have better control since a LockBox account provides daily payment postings to accounts and thus limits employee hands-on processing.

Chet Hahne, President of Sequoia Management Company, says, "Working with the LockBox Service that Virginia Heritage Bank offers has significantly improved our payment processing efficiency. This has resulted in savings which have been passed through to our homeowner association clients. VHB provides a high level of personal service and having a local contact is a real asset to Sequoia."



For more information about our LockBox system, stop by any of our branches or call Susie Kitchin at 703-359-4100.

EMPLOYEE SPOTLIGHT

Have you met Wayne Benson and Larry Pope, our couriers? After retirement, these two gentlemen began second careers with Virginia Heritage Bank, providing a valuable service to our qualified customers by picking up their deposits and delivering other important documents. The relationships they've formed with our customers are exceptional! "We bring the bank to the customer every day," says Wayne. Larry adds that he speaks for them both when he says, "this is the best job of my life."

BRANCH SPOTLIGHT

CHANTILLY

MAKING STRIDES



Tara Smith

Our Chantilly employees join with customers in supporting community events. I was especially proud to participate in the Making Strides Against Breast Cancer 5K Walk for the American Cancer Society. Every three minutes, a woman is diagnosed with breast cancer.

I know many Virginia Heritage Bank families have been affected by the illness. My own family is dealing with it for the second time. I thought of both

my "families" when I saw a banner that said: "I am walking in honor of women everywhere."



CUSTOMER FOCUS

One of the greatest pleasures of being a small, community bank is having the opportunity to build strong, personal relationships with our customers. Randy and Harriet Rickard, owners of Rickard's Complete Renovations Inc., come visit us at the Chantilly Branch almost daily. Mr. and Mrs. Rickard have managed their Class-A general contracting business for over 10 years and have performed all types of complete renovations for their customers. The Rickards enjoy the friendly environment here at Virginia Heritage Bank, and we greatly appreciate their business.



Tara M. Smith, Branch Officer
tsmith@virginiaheritagebank.com

13986 Metrotech Drive • Chantilly, VA 20151 • Phone: 703.378.0010 • Fax: 703.378.0104

TYSONS CORNER



Raj Periyapatna

THE TYSONS CORNER BRANCH IS NOW OPEN!

Our new Tysons Corner Branch is now open! Come by and visit our new state of the art branch, and pass the word along to friends and businesses in the Tysons Corner area.



The VHB Tysons Corner Team: Tyler Hutchison, Homa Sharifi, Betty Gillen, Raj Periyapatna



8245 Boone Boulevard • Suite 100 • Vienna, VA 22182 • Phone: 703.752.9360 • Fax: 703.752.9363

BRANCH SPOTLIGHT

FAIRFAX

WOODY'S FALL JUBILEE

Sunny and I supported Woody's Fall Jubilee at Van Dyck Park on behalf of the Fairfax branch of Virginia Heritage Bank. The event, hosted by Mr. Woody Lashely of Woody's Ice Cream, received an estimated crowd of several thousand community residents with free food and drinks and many



Aida Tannous

games and events for the community children. Virginia Heritage Bank was proud to be a part of such a wonderful event for our community.

*Aida Tannous, atannous@virginiaheritagebank.com
Branch Officer/Manager*

11166 Fairfax Boulevard • Fairfax, VA 22030 • Phone: 703.359.4100 • Fax: 703.359.2776

CUSTOMER FOCUS

Quality Auto Body, Inc.

With the rapid growth of the Fairfax branch, we are always welcoming new customers. Recently, Mr. Gilbert and his partners, Mr. Spencer and Mr. Stoner, opened their business accounts and are very pleased with the service that we provide including online banking and our deposit courier service.

Our Commercial Real Estate Loan Officer, John Saunders, is working with Mr. Gilbert and his partners at Quality Auto Body, Inc. on refinancing their business property in Fairfax.



GAINESVILLE

NOW WITH COFFEE

Our Gainesville customers delight in being called by name when they walk into the office. We enjoy hearing the latest about their families and the events happening in their lives. By listening to what's going on with our customers, we can help determine the right services for them, such as the best way to title an



Marty Hoover

account so they are covered by the FDIC on the funds they've deposited with us. Now, with our new coffee service, our customers can enjoy coming into the office even more. We look forward to seeing you!

*Marty Hoover, Branch Officer/Manager
mhoover@virginiaheritagebank.com*

CUSTOMER FOCUS

Gainesville Plumbing, LLC

Gainesville Plumbing, LLC, was one of our first business customers. Janis Jones founded and runs this vibrant "Woman Owned Business" that specializes in residential and commercial plumbing. With more than 40 years of combined industry experience, Gainesville Plumbing can help with new construction, renovations, and service. They also install radiant in-floor heating and handle gas line installation and repair. Our branch considers it a pleasure to do business with Janis and her company.



7905 Heritage Village Plaza • Gainesville, VA 20155 • Phone: 571.248.8800 • Fax: 571.248.8066



GROW YOUR MONEY WITH VHB!

VHB accounts offer competitive interest rates with a convenient choice of terms and maturities.

24 Month No Penalty CD 2.00% APY*

Money Market 1.00% APY**

Ask us about it today and we'll discuss our promotion with you in more detail!

Fairfax: 703.359.4100

Chantilly: 703.378.0010

Gainesville: 571.248.8800

Tysons Corner: 703.752.9360

* Annual Percentage Yield (APY) is current as of 1/25/10 and is subject to change. \$5,000 minimum to open and one time penalty free withdrawal. This CD is subject to the seven day early withdrawal penalty. Additional withdrawals are subject to standard penalties. Fees may reduce earnings.
** Annual Percentage Yield (APY) is current as of 1/25/10 and is subject to change. \$25,000 minimum balance required to obtain the APY. Balances below 25k earn 0.40% APY. Balances below \$10,000 earn 0.25% APY. Fees may reduce earnings.



VIRGINIA HERITAGE BANK
Building Prosperity Together

11166 Fairfax Boulevard
Fairfax, VA 22030

PRESORTED
STANDARD
US POSTAGE
PAID
PERMIT NO. 51
DULLES, VA



Chairman/CEO David Summers invites you to see how VHB can help you prosper with our full line of services!



FDIC