



VIRGINIA COMMERCE BANK

The VCB Newswire

Fall 2008

Virginia Commerce Bank Is Financially Sound

At Virginia Commerce Bank, we're here to help address your concerns raised by current economic turbulence. First, know that VCB is financially sound, and you can trust that we will continue to provide you with the best banking experience possible. The back of this newsletter contains an important message about VCB's financial stability from our President and CEO, Peter A. Converse.

While we are confident about our finances, we realize that you may be worried about your own. This is a great reason to visit or to call your local branch today. We can answer your questions about our Bank or your accounts. Also, we can help you make sure your current VCB accounts and services are best meeting your needs. If additional deposit insurance coverage is your concern, we can provide you with more information about our great CDARS program — the smartest, most secure and convenient way to significantly increase your FDIC coverage. You may also enhance your FDIC coverage through titling changes to your existing accounts as different categories of legal ownership and beneficiary designations are separately insured. Turn to us for our expertise. We'll help find the right financial solutions for you and deliver them with exceptional customer service.

Exercise Your VCB Check Card!

Using your VCB Check Card has great benefits for your financial health:

- **It's convenient:** You can use your VCB Check Card at ATMs worldwide.
- **It's efficient:** You can use your VCB Check Card in place of your checkbook.
- **It's flexible:** You can use your VCB Check Card to shop anywhere Visa® is accepted.
- **It's not a credit card:** VCB Check card purchases are deducted directly from your primary VCB checking account and detailed on your monthly statement.
- **It's rewarding:** Points earned for everyday purchases can be redeemed for gift cards, travel or merchandise with VCB ScoreCard Rewards.

If you don't have a VCB check card, visit your local branch to receive one on-the-spot.

Home Loan Limit Increases Won't Last for Long

The conforming loan limit increase extension will expire soon on December 31, 2008. Although housing costs have come down, our area continues to have one of the highest real estate price tags in the country. Take advantage of bigger loans while they're still available and offered at great rates by VCB's experienced and responsive Mortgage Lending specialists. Contact us at 703-961-0160 (Option 0) to let us help you finance the place you'd love to call home.

Be sure to look for the 2008 VCB Annual Customer Service Survey in your November statement. Please tell us how we're doing so VCB can continue *Making the Difference* in your banking!

MEGA Checking

NO ATM Fees

NO Overdraft Fees

NO Kidding!

2.50%
APY

MEGA Checking
pays off with:

- A market-leading rate of 2.50%
- No annoying overdraft fees – really!
- No ATM fees at any ATM in the world
Even at another bank's ATM, when the screen displays the warning "You will be charged \$3 for this transaction. Do you want to proceed?" Just click "yes" & we'll automatically pay their fee.
- And many more FREE services

Annual Percentage Yield (APY) is accurate as of 10/10/08 and subject to change. APY may change after account opening. A \$10,000 average personal checking account balance or a combined personal deposit relationship of \$50,000 must be maintained to obtain yield and avoid a \$25 monthly service charge. Fees may reduce earnings. We will waive any overdraft fees, but reserve the right to return checks presented against an insufficient balance. VCB will pay all ATM fees, including fees assessed by non-VCB ATMs. VCB reserves the right to modify or discontinue the ATM fee waivers at any time. Ask for complete details. Limit one MEGA Checking account per household.

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Peter A. Converse
President & CEO

Dear Valued Customer:

October 3, 2008

We understand that economic and financial news has been unsettling to say the least. News of the sub-prime mortgage crisis and "credit crunch" started a little over a year ago. More recent news has included bank failures, including IndyMac and WaMu, and the government's takeover of Fannie Mae and Freddie Mac. AIG, the nation's largest insurance company, had to be bailed out. Lehman Brothers declared bankruptcy and other former titans of Wall Street have sold to avoid failure. All of this has understandably raised concerns about the health of the banking industry. As we have received a number of inquiries about the safety and soundness of Virginia Commerce Bank, I felt it was appropriate to attempt to allay any concerns about our Bank by providing the following summary of facts:

- Virginia Commerce Bank is the largest bank headquartered in Northern Virginia with over \$2.6 billion in assets. In May, we celebrated our 20th anniversary.
- VCB is "well-capitalized" within regulatory guidelines and has raised additional capital. This week we increased our capital by \$25 million through direct investment by the Bank's Board of Directors and certain members of the Executive Management team. This is a testament to our faith in the soundness and viability of our organization. By the end of the year, we intend to add another \$25 million in capital to both fuel the Bank's growth and provide an even greater safeguard against any further deterioration in the economy.
- VCB continues to operate on a profitable basis. Despite increased loan loss reserve expenses to cover problem loans, and an increase in loan charge-offs, we still generated net income of \$4.9 million in the second quarter. While that was a 28.5% decrease from second quarter 2007, it was a healthy 18.6% increase over the first quarter of this year. We expect to continue to be profitable as we work through the credit problems presented by current economic conditions and the housing market downturn.
- We are confident that we can navigate through the challenges presented by the weakened housing market. The majority of our loan problems are associated with the residential portion of our acquisition, construction and development loans which comprise a small segment of our loan portfolio. We are actively managing any remaining risks in those loans.
- We have strong risk management processes in place and have set aside specific reserve provisions from our earnings to cover potential loan losses.
- We are not, nor have we been, a sub-prime mortgage lender. Therefore, we have not had to write down, charge off or buy back any of our residential mortgages.
- We have no high-risk securities in our investment portfolio. Therefore, we have not had to write down or take any losses on our investment securities. Many banks held Fannie Mae or Freddie Mac preferred stock that is now virtually worthless. We did not take that risk and are not now having to pay the high price that others face. Our high-quality securities serve as comforting collateral to our commercial customers with overnight investments in repurchase agreements.
- Our Bank continues to make prudent loans to and serve the deposit needs of businesses and residents in our communities.
- Our depositors are protected by FDIC insurance up to at least \$250,000 (through December 31, 2009). For additional information on FDIC coverage, you may consult with any of our branch officers. The FDIC provides the following online estimator tool: <http://www.fdic.gov/edie/>.
- Our depositors may increase their FDIC insurance coverage up to \$50 million through our CDARS program. CDARS, pronounced "cedars," like the trees, stands for Certificate of Deposit Account Registry Service. Branch officers may provide additional details about CDARS.

These are volatile times for our economy. Negative attitudes and uncertainty about the future have combined to take a toll on bank stock prices. Our own stock has not been immune to this trend. Such pricing swings within an industry sector have happened before and will happen again; the macro-economic forces and market psychology behind such swings are beyond the Bank's control. However, maintaining sound banking practices is fully within the Bank's control. The Bank's goal is to promote safety and soundness in all environments, and our ample capital provides additional cushion against unforeseen circumstances. FDIC insurance provides an additional safety net to our depositors.

This economic cycle will pass. Until and beyond that time, we will remain well-positioned to weather the storm and continue our twenty-year story of success.

Sincerely,

Peter A. Converse