

CENTRAL VIRGINIA BANKSHARES, INC.



Community

Dreams



SAVINGS



BUSINESS OF THE COMPANY

Central Virginia Bankshares, Inc. (the “Company”) was incorporated in 1986 to serve as the holding company for Central Virginia Bank (the “Bank”). The Bank was incorporated in 1972 under the laws of Virginia and opened for business on September 17, 1973. Its primary service areas are Powhatan and Cumberland Counties, eastern Goochland County and western Chesterfield and western Henrico Counties. In June 2005, the original main office at Flat Rock in Powhatan County was closed and relocated nine-tenths of a mile east, to the new main office building. Flat Rock is the commercial hub of Powhatan County. The Bank’s other branch offices are located in the Village Marketplace Shopping Center in the Village of Midlothian, the Market Square Shopping Center in Brandermill and the Shoppes at Bellgrade, all in Chesterfield County, in Cumberland County on U.S. Route 60 near the County Courthouse and in Cartersville, and in Wellesley in the Short Pump area of western Henrico County.

The Bank engages in general community and commercial banking business, targeting the banking needs of individuals and small to medium sized businesses in its primary service area. The Bank offers all traditional loan and deposit banking services as well as newer services such as internet banking and online bill pay.

The Bank encounters strong competition for its banking services within its primary service area from other community banks and larger banks in the Richmond metropolitan area. The success of the Bank in the past and its plans for success in the future is dependent upon providing superior customer service and convenience. The Bank will continue to focus its lending within its primary service area.

The company is subject to regulation by the Board of Governors of the Federal Reserve System. The Bank is supervised and regularly examined by the Federal Reserve Board and the Bureau of Financial Institutions of the Commonwealth of Virginia State Corporation Commission. The Bank is also subject to Federal Deposit Insurance Corporation deposit insurance assessments.

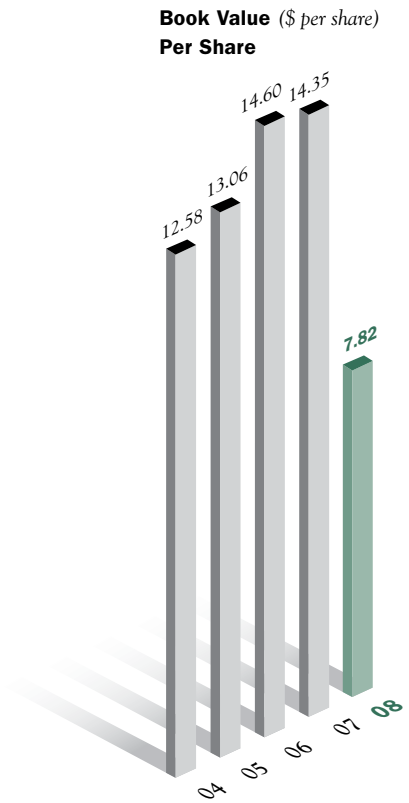
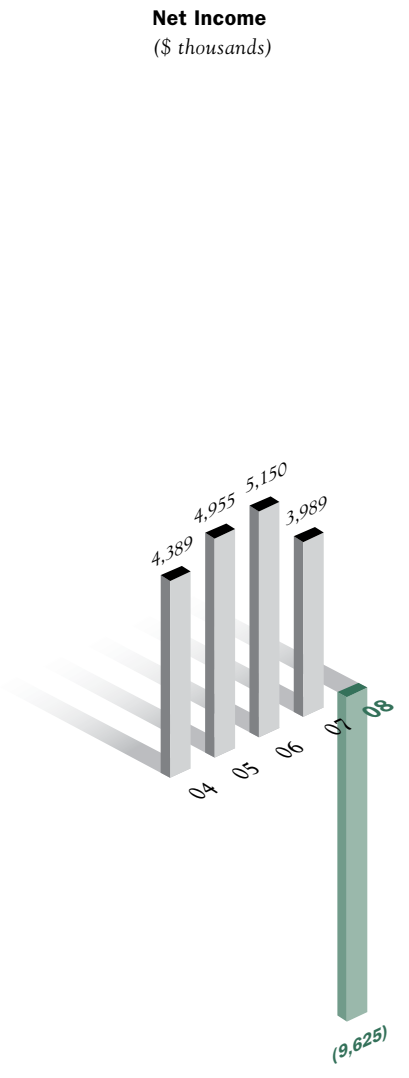
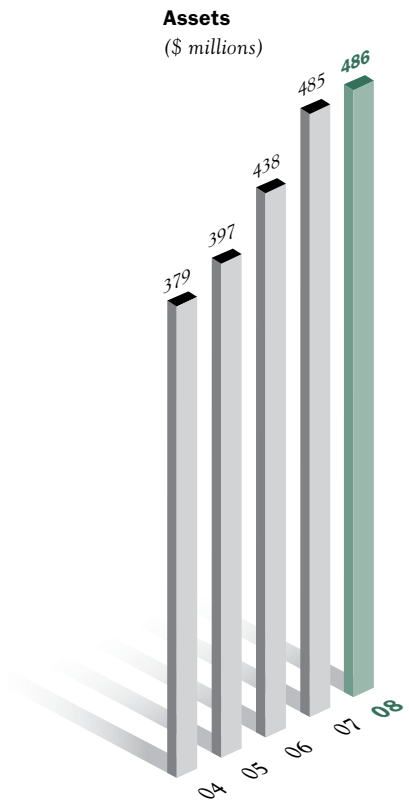
The Company and the Bank have 100 full-time and 18 part-time employees.

MY DREAM BANK

FINANCIAL HIGHLIGHTS

For the Years Ended December 31,	2008	2007	2006	2005	2004
	<i>(Dollars in thousands, except per share data)</i>				
At Year End					
Total Assets	\$ 486,268	\$ 485,221	\$ 437,535	\$ 397,373	\$ 379,431
Deposits	347,963	358,761	357,993	322,229	309,947
Loans Receivable, net	289,609	262,937	205,618	194,641	177,234
Stockholders' Equity	20,308	36,864	37,086	32,909	31,381
Net Income (Loss)	(9,625)	3,989	5,150	4,955	4,389
Ratios					
Return on Average Assets	(1.95%)	.87%	1.26%	1.26%	1.19%
Return on Average Equity	(32.45%)	10.60%	15.10%	15.26%	14.88%
Per Share Data⁽¹⁾					
Net Income (Loss)	(\$ 3.73)	\$ 1.54	\$ 2.01	\$ 1.94	\$ 1.74
Cash Dividends	.645	.72	.71	.625	0.58
Book Value Per Share	7.82	14.35	14.60	13.06	12.58

(1) Adjusted for 5% stock dividend paid in June 2008



TO SAY 2008 WAS A UNIQUE AND DIFFICULT YEAR, WOULD BE AN UNDERSTATEMENT OF COLOSSAL MAGNITUDE!

The unprecedented events in the financial markets caused Central Virginia Bankshares, Inc to face challenges that we've never had to face in our 35 year history and yet we have persevered.

Last year started out relatively calm, similar to most recent years. However as the months progressed, we began seeing indicators that all was not well with the nation's economy. Of particular concern were the problems with "sub-prime" mortgages and a pronounced slow-down of sales and price declines in real estate markets across the country. Then in September, the conservatorship of Fannie Mae and Freddie Mac was announced. This resulted in the market value of their Preferred Stock dropping

Ralph Larry Lyons and James T. Napier



overnight by almost eighty-five percent, and for all intents and purposes becoming virtually worthless. Shortly thereafter came the sale of Bear Sterns, the bankruptcy of Lehman Brothers, and the problems with Washington Mutual, Countrywide, Merrill-Lynch, and AIG. Central Virginia Bank had a substantial investment in Fannie Mae and Freddie Mac preferred stock, almost all of which was purchased from 1998 through 2003, long before any of the current problems began.

Central Virginia Bankshares, Inc. reported, for the year ended December 31, 2008, a loss of \$9,624,714 or \$(3.73) per basic and diluted share compared to income of \$3,988,711 or \$1.56 per basic and \$1.54 per diluted share in the prior year. The loss was attributable to the non-cash impairment write down of \$17.9 million in Fannie Mae and Freddie Mac Preferred stocks and a \$1.0 million Lehman Brothers bond and totaled \$18.9 million. Needless to say, these losses were extremely painful. Yet throughout all this adversity, Central Virginia Bank remained "well capitalized" with over \$40 million in regulatory capital and continued to serve our customers and the credit needs of the communities we serve.

If you subtract the Fannie Mae Freddie Mac write-downs, from our reported loss of \$9,624,714 for 2008, net of tax, the Company's net income would have been \$2,849,220 compared to net income of \$3,988,711 in 2007. The decline of \$1,139,491 can be largely attributed to our loan loss provision expense of \$1,250,000 in 2008 compared to only \$180,000 in 2007.

WHAT HAPPENED...

As we mentioned above, in September 2008, the United States Department of the Treasury, the Federal Reserve and the Federal Housing Finance Agency ("FHFA") announced that Fannie Mae and Freddie Mac would



main office

be placed under conservatorship, thereby eliminating dividend payments on their preferred stock and giving responsibility for their management and control to their regulator, the FHFA. Following this announcement, the market price of the preferred stock owned by the Bank declined significantly. On September 30, 2008 we recognized a non-cash impairment write-down of \$16.9 million. This represented the difference between our cost and the closing price of these securities on September 30, 2008. In addition, during September, Lehman Brothers Holdings, Inc. filed for bankruptcy. Because of this event, the Company recorded another other-than-temporary impairment loss of \$1 million and took a non-cash charge to earnings of \$661 thousand, net of tax, related to the Lehman debt security. As a result of the non-cash impairment write-down related to our Fannie Mae and Freddie Mac preferred stock and the Lehman Brothers bond, the Company experienced the first loss since its founding in 1973, reporting a loss of \$16,893,841 for the quarterly period ended September 30, 2008.

In the fourth quarter, a non-cash write-down of the bank's residual investment in Fannie Mae and Freddie Mac preferred stock of \$1,049,050 was taken. By the end of the fourth quarter, the market value of Fannie Mae and Freddie Mac preferred stock had declined further to approximately \$326,100, however the Company elected to eliminate any further write downs and put this matter behind us by writing off all of its remaining book value in this investment as of December 31, 2008. Also in the fourth quarter, the Company recording a tax benefit



corporate headquarters

of approximately \$6,088,400 related to the bank's third quarter non-cash impairment write-downs of its Fannie Mae and Freddie Mac investments, and the fourth quarter write down of the residual Fannie Mae and Freddie Mac book value.

In addition to these write-downs, throughout 2008, and especially during the fourth quarter, lower U.S. Treasury and general market rates plus the highly competitive local markets for deposits resulted in higher funding costs. That, coupled with the effect of the lower rates on loans, and lower market rates on investments, combined with the absence of income on \$19 million in investments due to the Fannie Mae and Freddie Mac situation, has resulted in shrinkage of our net interest margin; the difference between the interest we earn on loans and investments and the interest we pay on deposits and borrowings. This situation is referred to as "margin compression" and is being experienced to some extent by most banks.

WHAT ARE WE DOING?

In these unprecedented economic times, we are working with those customers, who may need help with a mortgage or equity line of credit, or who have lost a job, or small business owners experiencing lower cash flows and profits. It's the community banks that for many years have been the backbone of the American banking system. We know our depositors and borrowers and often we are able to be more flexible or accommodating in order to serve customers in critical times.

At Central Virginia Bank, we think of ourselves as partners with our customers, and we work together to overcome problems and challenges.



midlothian

As a result of the impact from a shrinking net interest margin, we have instituted significant expense controls along with methods to enhance income throughout the Company. This discipline and process should further contribute to our overall profitability.

In addition, Central Virginia Bankshares, Inc. applied for and was approved to participate in the TARP Capital Purchase Program of the United States Treasury. On January 30, 2009 we sold 11,385 shares of preferred stock to the U.S. Treasury raising \$11,385,000 to strengthen our capital position.

WHERE ARE WE GOING?

Our strategy remains to expand our franchise when it will be accretive to earnings within a reasonable period of time. We are looking for growth when it will be profitable, not to just be bigger. We are looking to grow our market presence generally in the Counties that comprise and are contiguous to our existing footprint.

Our Officers and employees are very involved in a large number of community service organizations and projects. Central Virginia Bank is committed to involvement in the communities we serve because we believe in giving back to all those who support us with their business. We estimate our employees, in total, spend over 3,500 hours every year in community involvement and service, a record we are very proud of.

WHAT WILL BE OUR EMPHASIS?

We are and will continue to emphasize our deposit products, as deposit growth is essential for a bank to be profitable and survive. We have seen



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significant growth in our Dream Checking product which is the ultimate no service charge interest checking account available in our markets. It pays a bonus rate of interest, and refunds foreign ATM fees when the monthly activity requirements are met. Even if the requirements are not met, it's still a free checking account that pays a rate of interest that matches many other banks.

We have funds to lend for mortgages as well as other consumer loans. Our lenders and business developers are calling on current commercial customers to ensure we are meeting their needs, as well as calling on potential new customers.

We are not satisfied with our 2008 results. However, we believe the impact of our efforts to control non-interest expense and increase non-interest income should become evident as we progress through 2009 and should translate into improved earnings. Barring a total financial market and economic collapse, we

believe evidence of economic recovery and growth should begin to be evident in late 2009. However, we don't anticipate significant economic improvement until mid-year 2010. We believe 2009 and 2010 will be difficult and challenging years.

Central Virginia Bankshares, Inc. has the ability and the resolve to successfully overcome the challenges that lie ahead. The current depressed market prices for bank stocks is discouraging, but we feel over the long run as the economy and our performance improves, you will see stock prices

as well as dividends rise. Our Board remains committed to our corporate goal of building and improving shareholder value, through franchise expansion and prudent growth of the bank.



b r a n d e r m i l l

c a r t e r s v i l l e





AND NOW... THE NUMBERS AND TECHNICAL DISCUSSION.

As previously mentioned, Central Virginia Bankshares, Inc. reported a net loss for the year ended December 31, 2008 of \$(9,624,714) compared to a profit of \$3,988,711 for a decline of \$13,613,425 or 341.3 percent. On a per share basis, the 2008 loss was \$(3.73) per basic and fully diluted share; for 2007 income per share was \$1.56 per basic and \$1.54 per fully diluted share. For the year 2008 the Company's return on equity and return on assets were -32.45 percent and -1.95 percent respectively compared to 10.60 percent and 0.87 percent respectively for 2007. Again, as mentioned above, the loss in 2008 was attributed to non-cash impairment write-downs of Fannie Mae and Freddie Mac preferred stock of \$17.95 million and a Lehman Brothers Security of \$0.99 million, for a total of \$18.9 million pre-tax and \$12.5 million after-tax.

If the non-cash impairment write-down was excluded, 2008 net income would have been \$2,849,220 a decline of \$1,139,491 or 28.6 percent compared to \$3,988,711 for 2007. As reported, 2008 basic earnings per share were

\$(3.73), but exclusive of the write down, would have been \$1.10 versus \$1.56 for 2007. On a fully diluted basis, 2008 reported earnings per share were \$(3.73), but exclusive of the write down would have been \$1.10 compared to \$1.54 for 2007. The reported 2008 return on equity and return on assets were -32.5 and -1.95 percent but

excluding the impairment write-down would have been 9.61 and 0.58 percent versus the prior year's 10.6 and 0.87 percent respectively. Additionally, the Company's provision for loan losses expense included in 2008 was \$1,250,000 compared to \$180,000 in 2007.

At year end 2008 assets totaled \$486.3 million, growth of \$1.05 million or 0.22 % from \$485.2 million at year end 2007. The major components of the Company's balance sheet at year end 2008 compared to 2007 were: cash and funds sold were \$6.6 million versus \$10.4 million, investment securities were \$145.9 million versus \$177.6 million, loans were \$293.4 million versus \$265.9 million, deferred income taxes were \$12.7 million versus \$3.1 million, other assets were \$17.6 million versus \$15.4 million, deposits were \$348.0 million versus \$358.8 million, borrowings were \$115.0 million versus \$86.7 million and total shareholder's equity was \$20.3 million versus \$36.9 million. At December 31, 2008, the book value of a share of common stock was \$7.82 versus \$14.35 in 2007.

The Company's 2008 net interest income, the most important component of our profitability, was \$14,283,179,

compared to \$14,811,334 in 2007. The principal reason for the decline was the impact of margin compression and the write-off of \$18.9

million in previously earning investments. The margin compression was anticipated, due to our asset sensitivity which is having more earning assets tied to variable interest rates than variable rate deposits or borrowings. Thus, as interest rates decline, our interest income decreases by a larger amount than our interest expense decreases, resulting in compression of our net interest margin. The Company's tax equivalent net interest margin expressed as a percentage of earning assets declined to 3.16 percent in 2008 from 3.60 percent in 2007.

Total Non-interest income for 2008 was largely unchanged as it decreased \$4,876 or 0.14%, totaling \$3,537,178 compared to \$3,542,054 in 2007.

6 Non-interest expense totaled \$31,942,781 in 2008 versus \$13,138,359 in the prior year, an increase of \$18,804,422 or 143.1% from 2007. The increase resulted from the \$18.9 million impairment write-down of securities previously discussed. Excluding this write-down total non-interest expense actually decreased \$95,478 or 0.73% to \$13,042,881 from \$13,138,359 in 2007. The Company's 2008 efficiency ratio was 173.6 percent compared to 69.0 percent in 2007, however excluding the impairment write downs the 2008 efficiency ratio would have been 70.9 percent.

The Company, given the weakness evident in our local economy continues to experience increases in non-performing assets which include non-accrual loans, all loans 90 days or more past due and restructured loans, plus other real estate and foreclosed property. This total was \$13,082,809 at December 31, 2008, versus



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\$4,118,337 at December 31, 2007.

Given the significant increase in non-performing assets, management is concerned, however we do not believe that the level of non-performing assets in 2008 is the result of any significant systemic problem within the Company's loan portfolio and rather is a reflection of the current economic environment.

However, in view of both the increase in non-performing assets as well as the overall economic conditions, we have added over \$1.2 million to our reserve for loan losses in 2008 compared to only \$180,000 in 2007, and we anticipate continuing to add to our reserves at the same or greater rate in the future.

We will continue our focus on maintaining asset quality and minimizing losses while controlling our funding costs, and adjusting the composition of our borrowings to lessen the impact of margin compression, given our expectation of a low interest rate environment for the foreseeable future. We are taking extraordinary measures to increase our earning capacity while reducing our non-interest expenses in order to maximize our profitability in future periods.



b e l l g r a d e



James T. Napier
Chairman



Ralph Larry Lyons
President & CEO

INFORMATION CORPORATE

COMMON STOCK

Central Virginia Bankshares, Inc common stock trades on the Nasdaq Stock Markets under the symbol "CVBK". As of March 25, 2009, the Company had approximately 758 shareholders of record.

The following table shows dividends paid and the high and low trade prices by quarter for the past two years according to Nasdaq.

	2008			2007			2006		
	High Trade	Low Trade	Dividends Paid	High Trade	Low Trade	Dividends Paid	High Trade	Low Trade	Dividends Paid
First Quarter	\$ 19.04	\$ 16.68	\$.18	\$ 26.18	\$ 24.24	\$.18	\$ 25.85	\$ 24.33	\$.17
Second Quarter	18.50	15.01	.18	24.90	20.72	.18	28.76	24.07	.18
Third Quarter	16.25	7.50	.18	21.95	17.14	.18	26.38	23.91	.18
Fourth Quarter	10.51	3.50	.105	19.40	16.19	.18	27.15	24.44	.18

Stock Transfer Agent

Registrar and Transfer Co.
10 Commerce Drive
Cranford, NJ 07016

Independent Accountants

Yount, Hyde & Barbour, P.C.
Certified Public Accountants
Winchester, Va.

Corporate Office

2036 New Dorset Road
Powhatan, Va. 23139
(804) 403-2000

Legal Counsel

Williams, Mullen, Clark & Dobbins
Richmond, Va.

Web Site

www.centralvabank.com

Form 10-K A Copy of Form 10-K, including financial statement schedules, as filed with the Securities and Exchange Commission will be furnished without charge upon written request.

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CORPORATE

2036 New Dorset Road
Powhatan, Va. 23139
(804) 403-2000

Bookkeeping/ Customer Service

Compliance/Loan Operation Executive Administration

Finance/Accounting

Human Resources/Training Item Processing

Investments

Network Technology

Information Technology

Retail Administration

BANKING LOCATIONS

Main Office

2351 Anderson Highway
P.O. Box 39
Powhatan, Va. 23139
(804) 403-2070

Branch Manager

Deborah F. Ellis

Brandermill

Market Square Shopping Center

4901 Millridge Parkway
Midlothian, Va. 23112
(804) 744-1784

Branch Manager

Vicki M. Alvarez

Bellgrade

2500 Promenade Parkway
Midlothian, Va. 23113
(804) 897-9370

Branch Manager

Cheryl W. Purdy

Cartersville

2288 Cartersville Road
Cartersville, Va. 23027
(804) 375-9073

Branch Manager

Betty J. Davis

Midlothian

Village Marketplace Shopping Center

13200 Midlothian Turnpike
Midlothian, Va. 23113
(804) 794-0033

Branch Manager

Lisa A. Renforth

Wellesley

3490 Lauderdale Drive
Glen Allen
(804) 364-6200

Branch Manager

Venise R. Armstrong-Cesar

Cumberland

1422 Anderson Highway
Cumberland, Va. 23040
(804) 492-5100

Branch Manager

Deborah B. Henshaw

Mortgage Loan Services

2351 Anderson Highway
P.O. Box 39

Powhatan, Va. 23139
(804) 598-4223

Manager

Richard C. Jenkins

DIRECTORS & OFFICERS



BOARD OF DIRECTORS

Left to right: Ralph Larry Lyons, Roseleen P. Rick, John B. Larus, Kemper W. Baker, Jr., Elwood C. May, James T. Napier, Phoebe P. Zarnegar, W. C. Sprouse, Jr. Not pictured, Clarke C. Jones

DIRECTORS

James T. Napier

Chairman of the Board
President, Napier, Realtors ERA

Ralph Larry Lyons

Vice-Chairman of the Board
President & CEO,
Central Virginia Bank

John B. Larus

Chairman Emeritus

Clarke C. Jones

Retired CEO of Scaffolding
Solutions and Freelance
Professional Writer

Kemper W. Baker, Jr.

Retired Vice President,
Federal Reserve Bank
of Richmond

Elwood C. May

Owner/Operator,
Flat Rock Hardware

Roseleen P. Rick

Attorney, Troutman Sanders, LLP

W. C. Sprouse, Jr.

President, E. B. Sprouse Co. &
Cumberland Building Supply, Inc.

Phoebe P. Zarnegar

Principal, Farrell & Zarnegar,
Certified Public Accountants

OFFICERS

Ralph Larry Lyons

President and CEO

Charles F. Catlett, III

Senior Vice President/Chief
Financial Officer

Leslie S. Cundiff

Senior Vice President/Senior Credit
Officer

E. William Kidd

Senior Vice President/IT and
Operations Division Manager

Shirley G. Boelt

Vice President/Human Resources/
Training Manager

Robert A. Burge

Vice President/Controller

Walter M. Cart Jr.

Vice President/Commercial Lender
& Business Developer

Jodie S. Cocke

Vice President/Construction
Lending Manager

Richard C. Jenkins

Vice President/Senior Mortgage
Lending Manager

Daniel G. Jones

Vice President/Business Developer

Judy M. Reynolds

Vice President/Retail Division
Manager/Lender

Thomas R. Thornton Jr.

Vice President/Accounting/
Corporate Auditor

Charles A. Akers

Assistant Vice President/Credit
Analyst

Vicki M. Alvarez

Assistant Vice President/Branch
Manager

Venice R. Armstrong-Cesar

Assistant Vice President/Branch
Manager

D. Todd Bradbury

Assistant Vice President/Marketing
Coordinator

Mark E. Broughton

Assistant Vice President/Information
Security & Technology Manager

Elaine M. Burns

Assistant Vice President/Mortgage
Lending Manager

Linda G. Cheatham

Assistant Vice President/Retail
Services Manager

Deborah F. Ellis

Assistant Vice President/Branch
Manager

Deborah B. Henshaw

Assistant Vice President/Branch
Manager

Laurie B. Marker

Assistant Vice President/Commercial
Lender & Business Developer

Darlene P. Pelot

Assistant Vice President/Retail
Specialty Products Administrator

Cheryl W. Purdy

Assistant Vice President/Branch
Manager

Lisa A. Renforth

Assistant Vice President/Branch
Manager

Anne M. Anderson

Loan Operations Officer/Manager

Christi L. Bowen

BSA & Operations Officer/Fraud
Manager

Ronnie L. Debnam

Operations Officer/Deposit Services
Manager

Mitchell D. Fehr

Operations Officer/General Services
Manager

Betty J. Davis

Branch Officer/Branch Manager

Linda J. Lamm

Retail Officer/Retail Support
Manager

Mary Ellen Twigg

Investment Officer/Investment Sales
Manager

Connie G. Wheeler

Branch Officer/Assistant Branch
Manager

Gateway H. Stoneman

Human Resources Officer/Generalist

Debra M. Young

Finance & Human Resources
Officer/Administrator