



Virginia National Bank  
222 East Main Street  
P.O. Box 2853  
Charlottesville, Virginia 22902

April 8, 2011

***To All of Our Shareholders:***

We are pleased to invite you to attend the thirteenth Annual Meeting of Shareholders of Virginia National Bank. The meeting will be held on Monday, May 16, 2011, at 4:00 p.m. in **Pavilions II and III at The Boar's Head Inn, 200 Ednam Drive, in Charlottesville, Virginia**. Please note the change of location from prior year meetings.

Enclosed are the Notice of Meeting, the Proxy Statement about the business to be transacted at the meeting, and your Proxy Form. We also are including Virginia National Bank's 2010 Annual Report on Form 10-K, along with a letter providing Glenn Rust's perspective on the ongoing performance of your bank.

Like last year, the formal meeting will be followed by a brief discussion of our plans and priorities. We strongly believe that your involvement is vital to the continuing success of Virginia National Bank, and we encourage you to attend the meeting.

**WHETHER YOU PLAN TO ATTEND OR NOT, PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY FORM AS SOON AS POSSIBLE IN THE POSTAGE PAID ENVELOPE PROVIDED.**

We sincerely appreciate your support as a shareholder of Virginia National Bank and hope to see you on May 16th.

Very truly yours,

Mark Giles  
Chairman

VIRGINIA NATIONAL BANK

---

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS

---

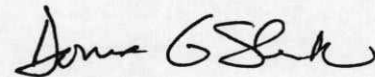
To be Held on May 16, 2011

The Annual Meeting of Shareholders of Virginia National Bank will be held in Pavilions II and III at The Boar's Head Inn, 200 Ednam Drive, in Charlottesville, Virginia at 4:00 p.m. on May 16, 2011, to consider and vote upon the following matters:

1. Election of directors of Virginia National Bank for the following year.
2. Transaction of such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed April 1, 2011 as the record date for determination of shareholders entitled to notice of and to vote at the meeting and any adjournments thereof.

By Order of the Board of Directors:



*Donna G. Shewmake*  
Secretary

**Please promptly complete and return the enclosed proxy whether or not you plan to attend the meeting. If you attend the meeting in person, you may withdraw your proxy and vote your shares in person.**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held On May 16, 2011**

A complete set of proxy materials related to Virginia National Bank's Annual Meeting to be held at the date, time and location set forth above is available at [www.vnb.com](http://www.vnb.com). The materials available include the Notice of Annual Meeting of Shareholders, the Proxy Statement, the form of Proxy and the Annual Report on Form 10-K for the year ended December 31, 2010.

---

## PROXY STATEMENT

---

### SOLICITATION OF PROXIES, REVOCABILITY AND VOTING

**General.** This Proxy Statement is solicited by the Board of Directors (the "Board") of Virginia National Bank ("VNB" or the "Bank") for use at the Annual Meeting of Shareholders of VNB ("Meeting") to be held on May 16, 2011, in Pavilions II and III at The Boar's Head Inn, 200 Ednam Drive, in Charlottesville, Virginia. The approximate mailing date of this Proxy Statement and accompanying proxy is April 8, 2011.

The purpose of the Proxy Statement is to provide information about the persons who will be nominated as directors of Virginia National Bank and for whom shareholders will be asked to vote at the Meeting. The principal executive offices of VNB are located at 222 East Main Street in Charlottesville, Virginia, and the mailing address of those offices is Post Office Box 2853, Charlottesville, Virginia 22902-2853.

**Voting and Revocation of Proxies.** Execution of a proxy will not affect a shareholder's right to attend the Meeting and vote in person. Any shareholder who has executed and returned a proxy may revoke it by attending the Meeting and voting in person. A shareholder may also revoke his proxy at any time before it is exercised by filing a written notice with the Corporate Secretary of VNB or by submitting a proxy bearing a later date. Proxies will extend to, and will be voted at, any adjourned session of the Meeting.

**Voting Rights of Shareholders.** You are entitled to notice of and to vote at the Meeting if you were a shareholder of record as of the close of business on April 1, 2011, the record date fixed for the Meeting. As of the close of business on the record date, 2,339,322 shares of VNB Common Stock ("Common Stock") were outstanding and entitled to vote at the Meeting. A majority of the votes entitled to be cast, represented in person or by proxy, will constitute a quorum for the transaction of business at the Meeting.

Shareholders of Common Stock may cumulate their votes in the election of directors. Accordingly, in the election of directors, each shareholder is entitled to vote the number of shares owned by such shareholder for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of nominees for directors multiplied by the number of shares owned equals, or to distribute votes determined on the same principle among as many of the nominees as the shareholder deems appropriate. In all other matters properly presented at the Meeting, each shareholder is entitled to one vote for each share of Common Stock held. Shares for which the holder has elected to abstain or to withhold the named proxies' authority to vote (including broker non-votes) on a matter will count toward a quorum, but will not be included in determining the number of votes cast with respect to such matter.

**Solicitation of Proxies.** The cost of solicitation of proxies will be borne by VNB. Solicitation is being made by mail and, if necessary, may be made in person, by telephone, by e-mail or by special letter by directors, officers and employees of VNB or its subsidiary, acting without any separate compensation for any such solicitations.

## ANNUAL REPORT

VNB's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, is being furnished with this Proxy Statement to shareholders of record on the record date. The Annual Report does not constitute a part of this Proxy Statement or proxy solicitation material.

### ELECTION OF DIRECTORS

**Nominations for Directors.** Thirteen existing directors of the Bank, including Leslie B. Disharoon, who was elected to the Board on September 20, 2010, will be nominated at the Meeting for re-election to the Board.

Each person nominated has consented to being named as a nominee in this Proxy Statement, and has indicated that he or she is willing to serve as a director if elected. If at the time of the Meeting, any nominee is unable or unwilling to serve, shares represented by proxies will be voted at the discretion of the named proxies for such other person or persons as the Board of Directors may nominate. If elected, the nominees will serve as directors until the 2012 Annual Meeting of Shareholders.

Nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of capital stock of VNB eligible to vote for the election of directors. At the Meeting, however, only thirteen persons will be elected directors and, if additional nominations are made at the Meeting, the thirteen persons receiving the greatest number of votes will be elected.

The following table sets forth certain information concerning the persons who have been nominated for election as directors.

<b>Name (Age)</b>	<b>Principal Occupation</b>	<b>Director Since</b>
H. K. Benham, III (71)	Attorney, Harrison and Johnston	2002 (4)
Steven W. Blaine (53)	Partner, LeClair Ryan, a Professional Corporation	1998 (1)(5)
Hunter E. Craig (50)	Vice Chairman of the Board, Virginia National Bank; President, Hunter E. Craig Company	1998 (4)(5)
Leslie B. Disharoon (78)	Retired	2010 (4)
William D. Dittmar, Jr. (58)	President and Chief Executive Officer, Enterprise Holdings, Inc.	1998 (1)(3)
Janet L. Dorman (54)	Chief Executive Officer, Teachstone Training, LLC	1998 (2)(5)
Claire W. Gargalli (68)	Retired	2005 (3)(5)
Mark T. Giles (56)	Non-Executive Chairman of the Board, Virginia National Bank and VNBTrust, N.A.	1998 (1)
David G. Kalergis (62)	Chief Executive Officer, Diffusion Pharmaceuticals LLC	1998 (1)(3)
Neal F. Kassell, M.D. (65)	Distinguished Professor, Department of Neurosurgery, University of Virginia	1998 (4)

C. Wilson McNeely, III (68)	Business Person	1998 (5)
Susan King Payne (62)	President, Payne, Ross & Associates	1998 (5)
Glenn W. Rust (55)	President and Chief Executive Officer, Virginia National Bank	2006 (2)(3)

- 
- (1) Member of the Audit and Compliance Committee
  - (2) Member of the Community Committee
  - (3) Member of the Asset/Liability Management Committee
  - (4) Member of the Compensation Committee
  - (5) Member of the Corporate Governance Committee

The following is a brief biographical summary of each director nominee of VNB.

**H. K. Benham, III** is a partner in the law firm of Harrison and Johnston in Winchester, Virginia (since 1964), specializing in corporate, tax, trust and real estate law; a managing partner in Page-Brooke Land Trust (since 1973), a residential and commercial development and investment company; and a major owner and director of Plasticard-Locktech International (since 2006), a gift card and hotel key card company. He is past chairman of a number of local community organizations. He received a B.A. degree in 1961 and a law degree in 1964 from the University of Virginia. Mr. Benham has extensive experience with bank trust departments, both personally and as legal counsel for clients. In addition to his legal expertise, Mr. Benham's knowledge of the Winchester marketplace is critical to the Bank's success in this area of Virginia.

**Steven W. Blaine** is a partner in the Charlottesville, Virginia office of the law firm of LeClair Ryan, a Professional Corporation, primarily practicing in business and real estate law. Prior to joining LeClair Ryan in 1999 and for more than five years, Mr. Blaine was a partner in the Charlottesville office of McGuireWoods LLP. He has served on the board of directors of the Charlottesville/Albemarle Chamber of Commerce; as a Governor of the Real Property Section of the Virginia State Bar; and was, until July 2007, a Commissioner on the Charlottesville Housing and Redevelopment Authority. He is currently serving on the board of the Jefferson School Preservation Corporation. Mr. Blaine received a B.A. degree in Economics from the University of Virginia in 1979, and a J.D. degree from the College of William & Mary in 1983. As a practicing attorney, Mr. Blaine provides twenty-seven years of experience as a corporate and transactional attorney. In addition, he provides valuable insight into the local real estate economy, and brings his legal perspective to bear in matters coming before the Bank's Audit and Compliance Committee.

**Hunter E. Craig**<sup>1</sup> is the Vice Chairman of the Board of VNB. Mr. Craig also is President of Hunter E. Craig Company, a residential, commercial and industrial property investment company. Since 1991, Mr. Craig has been a principal real estate broker with Georgetown Real Estate. Mr. Craig is a current member of the Board of Visitors of the University of Virginia. He has served on the board of directors of the Hovey S. Dabney Foundation for Elders. He was a member of the board of directors of Virginia Blood Services from 2002 until 2005. From 1994 to 1996, Mr. Craig served as a member of the board of directors of RF&P Corporation, a real estate company. In addition, Mr. Craig served on the board of directors of the University of Virginia Foundation from 1995 to 2003. He was a member of the Commonwealth of Virginia State Water Control Board from 1995 to 2003, and served as its chairman from 2001 to 2003. He formerly served as Vice Chairman of the Virginia Retirement System Investment

---

<sup>1</sup> Mr. Craig is the son-in-law of Mr. McNeely, another director of VNB.

Advisory Committee. Mr. Craig is involved in various business activities and civic organizations in the Charlottesville area. Mr. Craig received a B.A. degree in Economics from Hampden-Sydney College in 1984. As a lifelong resident of Charlottesville and a co-founder of the Bank, Mr. Craig provides a deep knowledge of local business conditions and extensive community contacts.

**Leslie B. Disharoon** is retired. Mr. Disharoon served, until his retirement, as Chairman, President and Chief Executive Officer of Monumental Corporation, a life insurance company. Mr. Disharoon was previously associated with Connecticut Mutual Life Insurance Company, and served as General Agent, Vice President and Senior Vice President. He has served as a director of VNBTrust, N.A., a wholly-owned subsidiary of Virginia National Bank since 2007. Previously, Mr. Disharoon has served as a director of a number of companies, including The St. Paul Travelers Companies, Inc. and Citigroup, Inc. Mr. Disharoon has extensive corporate and board membership experience, and serves as chair of the Audit Committee of VNBTrust, N.A.

**William D. Dittmar, Jr.** is President and Chief Executive Officer of Enterprise Holdings, Inc., the parent company for various real estate and commercial property subsidiaries. Additionally, he is the sole member of Enterprise Properties, LLC; OMD, LLC; 401 East Market Street, LLC; Pantops Park, LLC; BHE, LLC; and BHN, LLC, all of which own and develop commercial properties in Central Virginia. He is a director of VNBTrust, N.A., a wholly-owned subsidiary of Virginia National Bank, and serves on its Audit Committee. He graduated from Catholic University in Washington, D.C. in 1974; pursued a graduate degree at the University of Virginia 1975-1978; and qualified for the Virginia Bar in 1986. Mr. Dittmar is the Bank's "audit committee financial expert," has an extensive business background as a corporate executive, real estate executive and project manager, and is well-versed in economic issues.

**Janet L. Dorman** is Chief Executive Officer of Teachstone Training, LLC, an education company providing evidence-based tools for teaching and learning. From 2003 to 2009, Ms. Dorman was a management consultant, providing facilitation, strategic and operational planning services. Previously, Ms. Dorman was Director of Corporate Development and Planning for the University of Virginia Health Services Foundation. Prior to coming to Charlottesville, Ms. Dorman held management positions with Cornell University in Ithaca, New York. Ms. Dorman has served on local education boards. Ms. Dorman received a B.A. degree in Psychology from the University of Delaware in 1978 (Phi Beta Kappa) and an M.B.A. degree from the Wharton School of the University of Pennsylvania in 1981. Ms. Dorman's specific area of expertise is the ability to facilitate strategic discussions both at the board level and among Bank employees.

**Claire W. Gargalli** is retired. She is a director of Baker Hughes, Inc., a Houston oil field services company, and chairs its Compensation Committee. She is also a director of Praxair, Inc., a Danbury, Connecticut industrial gases company, and chairs its Governance Committee. She serves on the board of BioMotion Analytics, L.L.C., a start-up health care related company. From 1998 through 2007, she served as director of Intermec, Inc., an Everett, Washington automated data capture company. She serves as Trustee Emeritus of Middlebury College and Carnegie Mellon University. She is a member of the advisory board for The Heart and Vascular Center and the board of the Foundation of the Miller Center of Public Affairs, both at the University of Virginia. Ms. Gargalli received her B.A. from Middlebury College in 1964. Ms. Gargalli brings twenty-six years of prior banking experience to VNB's Board, having served as Executive Vice President of Corporate Banking from 1964 to 1984 for Fidelity Bank in Philadelphia, PA and as President, Chief Operating Officer and a director of Equibank in Pittsburgh, PA. Ms. Gargalli is a leading voice with respect to matters of corporate governance.

**Mark T. Giles** is the non-executive Chairman of VNB and VNBTrust, N.A. He was elected Chairman of the Board of Directors of VNB in 2005, after having served as Chief Executive Officer of the Bank since 1998. He was elected Chairman of the Board of VNBTrust, N.A. in 2010. He is the sole

managing member of Panda Holdings, LLC, a Virginia limited liability company that makes private investments. Mr. Giles serves on the boards of the Thomas Jefferson Area United Way; the Computers4Kids Program; and the Charlottesville Regional Chamber of Commerce; and serves on the board and finance committee of Martha Jefferson Hospital. Mr. Giles previously served as the president of two publicly-traded bank holding companies and subsidiary banks in Texas, and practiced law with the banking group of a Houston law firm. In 1977, Mr. Giles received a B.S. degree in Finance from the McIntire School of Commerce at the University of Virginia. Mr. Giles received a J.D. degree from the University of Virginia School of Law in 1980. Mr. Giles brings a proven record of successful bank management to VNB, along with a broad knowledge of the banking industry.

**David G. Kalergis** is Chief Executive Officer of Diffusion Pharmaceuticals LLC, a Charlottesville-based clinical-stage drug development company. He has held this position since January, 2004. From 1998 to 2004, he was Director of the University of Virginia Gateway, an initiative to encourage interaction between knowledge-based industry and University's research faculty. He currently serves on the board of the Virginia Biotechnology Association. From 1991 to 1997, he was the General Counsel, Director of Business Development, and Consultant to Pharmaceutical Research Associates, Inc., a Charlottesville-based corporation providing clinical trial services to pharmaceutical and biotechnology companies. From 1986 to 1990, Mr. Kalergis was President and General Counsel of Designs Import/Export, Ltd., a corporation with exclusive distribution contracts from Asian manufacturers. From 1982 to 1986, he was associated with the New York law firm of Dewey, Ballantine, Bushby, Palmer & Wood. Mr. Kalergis graduated from the University of Virginia with a B.A. degree in Psychology in 1970 and received his J.D. and M.B.A. degrees from the University of Virginia in 1982. Mr. Kalergis has broad experience in law and business management.

**Neal F. Kassell, M.D.** is the Distinguished Professor of the Department of Neurosurgery at the University of Virginia. He specializes in the treatment of patients with cerebral vascular disease, including aneurysms and arteriovenous malformations, and also specializes in focused ultrasound technology. His research interests focus on intracranial aneurysms, as well as computing and information technology, and have resulted in more than 500 publications, supported by over \$30 million in grants and contracts from NIH and industry. Dr. Kassell is a founder of Interax, Inc., the Virginia Neurological Institute, Multimedia Systems, Inc., the Neuroclinical Trials Center, the NeuroVenture Fund, The Focused Ultrasound Surgery Foundation and MedSpecialists.net. He is a member of numerous national and international medical societies and has served on numerous standing and ad hoc committees of the National Institutes of Health. Before joining the University of Virginia in 1984, Dr. Kassell was on the faculty of the University of Iowa from 1977 to 1984. He received both his undergraduate and medical education at the University of Pennsylvania and was granted an M.D. in 1972. After internship and two years of neurology and neurosurgery residency in Philadelphia, Dr. Kassell completed his neurosurgical training at the University of Western Ontario from 1975 to 1977. Dr. Kassell has extensive contacts in the medical field and is a leading voice in the enhancement of shareholder value.

**C. Wilson McNeely, III**<sup>2</sup> is past President and Chairman of the Board of Eagle Corporation, a holding company engaged in the business of manufacturing concrete, precast, aggregates and other building materials. Mr. McNeely was a member of the Board of Visitors of the University of Virginia from February 1994 to April 1998, and has been a member of the University's Alumni Association Board of Managers since 1988. He has also served on the Advisory Board of the University of Virginia Cardiovascular Institute. Mr. McNeely received a B.S. degree in Economics from the University of Virginia in 1964. As another co-founder of the Bank, Mr. McNeely has extensive contacts in all of the Bank's markets and is an excellent source of customer referrals.

---

<sup>2</sup> Mr. McNeely is the father-in-law of Mr. Craig, Vice Chairman of the Board of VNB.

**Susan King Payne** is President of Payne, Ross & Associates Advertising, Inc., a marketing, public relations and advertising firm located in Charlottesville, Virginia. She has been an owner of this firm for more than the past five years. Ms. Payne currently serves on the boards of Virginia Tourism Corporation, the Charlottesville/Albemarle Community Foundation and the Charlottesville Free Clinic. Ms. Payne received a B.A. degree from Endicott College in Beverly, MA, in 1968. Ms. Payne has an extensive understanding of the markets and communities served by the Bank and provides marketing and public relations knowledge to VNB's Board, better enabling the Bank to communicate with existing customers, reach new customers and expand the VNB brand.

**Glenn W. Rust** is Chief Executive Officer and President of Virginia National Bank. He joined the Bank in November, 2006. He is also a director of VNBTrust, N.A., a wholly-owned subsidiary of the Bank. From 1996 to 2006, he served as an Executive Vice President of Sterling Bank, a financial institution based in Houston, Texas, and was a member of its board of directors. Mr. Rust was Chief Operations Officer at Sterling Bank from 2002 to 2006, with responsibility for revenue departments such as retail banking and treasury management. From 1996 to 2002, he served as Chief Information Officer for Sterling Bank. He also served as President of the Bankruptcy Trustee Division of Sterling. Mr. Rust brings wide-ranging executive bank management experience to the Bank and expertise in successfully managing growth opportunities.

**The Board of Directors of VNB unanimously recommends that shareholders vote "FOR" the election of the nominees set forth above as VNB directors. Unless otherwise indicated in the accompanying proxy, the persons named therein will vote "FOR" the election of the nominees set forth above.**

#### INFORMATION ABOUT THE BOARD OF DIRECTORS AND BOARD COMMITTEES

**Compensation of Directors.** Each outside director received \$15,000 in cash compensation for serving on the VNB Board of Directors in 2010. Mr. Dittmar received an additional \$5,000 for serving as chairman of the Audit and Compliance Committee of the Board.

The following table provides information concerning the compensation of VNB's directors for the year ended December 31, 2010. Information concerning Mr. Rust is not included in the table since he is a named executive officer of the Bank, and his compensation information is fully reflected in the Summary Compensation Table, shown later in this Proxy Statement.

Name	Fees Earned or Paid in Cash	All Other Compensation	Total
H.K. Benham, III	\$15,000	\$0	\$15,000
Steven W. Blaine	\$15,000	\$0	\$15,000
Hunter E. Craig (1)	\$0	\$24,000	\$24,000
Leslie B. Disharoon	\$15,000	\$0	\$15,000
William D. Dittmar, Jr.	\$20,000	\$0	\$20,000
Janet L. Dorman	\$15,000	\$0	\$15,000
Claire W. Gargalli	\$15,000	\$0	\$15,000
Mark T. Giles	\$15,000	\$0	\$15,000
David G. Kalergis	\$15,000	\$0	\$15,000
Neal F. Kassell, M.D.	\$15,000	\$0	\$15,000
C. Wilson McNeely, III	\$15,000	\$0	\$15,000
Susan K. Payne	\$15,000	\$0	\$15,000

(1) In addition to his service as a director of the Bank, Mr. Craig is an employee of the Bank. The "All Other Compensation" column reflects salary amounts paid to him.

**Meetings of the Board of Directors and Director Attendance.** The Board of Directors meets monthly, except for August and November. In addition, special meetings may be called whenever necessary. During 2010, the Board of Directors met eleven times. All incumbent directors attended at least 75 percent of the meetings of the Board of Directors and of the Committees of the Board on which he or she served during 2010. Board members are encouraged to attend the Annual Meeting of Shareholders, and eleven of the thirteen serving directors attended the 2010 Annual Meeting of Shareholders.

**Asset/Liability Management Committee.** The directors who serve on the Asset/Liability Management Committee are David G. Kalergis (chair), William D. Dittmar, Jr., Claire W. Gargalli and Glenn W. Rust. In addition, Stephen B. Perry, Chief Operations Officer and Executive Vice President of VNB, is a member of the Asset/Liability Management Committee. The primary function of the Asset/Liability Management Committee is to plan and monitor the process for matching the mix and maturities of assets and liabilities in ways that are intended to provide a favorable and even flow of net interest income while assuming reasonable business risks. The Asset/Liability Management Committee met twice during 2010, while a third meeting scheduled during December was postponed until January, 2011.

**Audit and Compliance Committee.** The directors who serve on the Audit and Compliance Committee are William D. Dittmar, Jr. (chair), Steven W. Blaine, Mark T. Giles and David G. Kalergis. The primary function of the Audit and Compliance Committee is to direct and monitor the internal audit and control functions and to make recommendations regarding the selection of VNB's independent auditing firm. The Board of Directors has determined that Mr. Dittmar is an "audit committee financial expert," and the Board has determined that each member of the Committee except Mr. Blaine is "independent" within the corporate governance standards established by the New York Stock Exchange ("NYSE"), as described in more detail below under "Independence of Directors." The Audit and Compliance Committee met three times during 2010. The charter of the Audit and Compliance Committee appears on the Bank's website at [www.vnb.com](http://www.vnb.com).

**Community Committee.** The directors who serve on the Community Committee are Janet L. Dorman (chair) and Glenn W. Rust. The primary function of the Community Committee is to direct and monitor VNB's effort to responsibly demonstrate an authentic and meaningful long-term commitment to better the local communities in which it does business. The Community Committee did not meet during 2010.

**Compensation Committee.** The directors who serve on the Compensation Committee are Neal F. Kassell, M.D. (chair), H.K. Benham, III, Leslie B. Disharoon and Hunter E. Craig. Each member of the Committee other than Mr. Craig is "independent" within the corporate governance standards of the NYSE. The primary function of the Compensation Committee is to review and make recommendations to the Board of Directors with respect to VNB's executive compensation policies and to administer the VNB stock incentive plans. Other duties of the Committee include reviews of, and recommendations to the full Board on, compensation for directors of the Bank. In addition, VNB's Compensation Committee, together with VNBTrust's compensation committee, reviews VNBTrust's performance-based compensation plan every two years. The Compensation Committee met three times during 2010. The charter of the Compensation Committee appears on the Bank's website at [www.vnb.com](http://www.vnb.com).

**Corporate Governance and Nominating Committee.** The directors who serve on the Corporate Governance and Nominating Committee are Claire W. Gargalli (chair), Steven W. Blaine, Hunter E. Craig, Janet L. Dorman, C. Wilson McNeely, III, and Susan K. Payne. Each member of the Committee other than Mr. Craig is "independent" within the corporate governance standards of the NYSE. As described further on the following page, the primary function of the Corporate Governance and Nominating Committee is to make recommendations to the full Board of Directors on matters of corporate governance. The committee

has no regular meeting schedule and no specific charter, but is available to address corporate governance matters with respect to which the full Board requests guidance. The Corporate Governance and Nominating Committee met once during 2010.

**Corporate Governance.** The Corporate Governance and Nominating Committee is tasked with the following items:

- Periodic review and revision, as necessary, of the corporate Governance Core Principles and Statement of Structure and Process.
- Provision of separate leadership for independent sessions of the independent directors which may be held from time to time in the absence of the Chairman and CEO.
- Review of Board committee charters for consistency with Core principles.
- Annual review of the status of director independence.
- Periodic self-assessment by the Board and its committees.
- Periodic review of criteria for Board membership against current needs of the Board and the Bank.
- Recommendation of director nominees to the Board for consideration.
- Stand as a clearing house, as necessary, for other Board self-management issues.

**Nominating Procedures.** To date, the Corporate Governance and Nominating Committee has recommended only one individual for election to the Bank's Board of Directors. Mr. Disharoon was unanimously recommended for election to the Board of Directors at a meeting of the committee held in August, 2010 and was elected to the Board on September 20, 2010. The committee has not established a policy regarding consideration of any director candidates recommended by security holders, specific criteria or minimum qualifications for a nominee to the Board or a process for identifying and evaluating nominees for director. The Board has not established policies regarding consideration of diversity in identifying nominees for director. All recommendations of the committee as to board membership and committee and chair assignments are subject to approval by the entire Board of Directors. In previous years, the Board itself has nominated four individuals for election as directors who did not serve on the original VNB Board. Mr. H.K. Benham, III was nominated to fill the Board slot that was left vacant by the death of Senator Emily Couric, a previous director of VNB. Mr. Benham's nomination was approved unanimously by the Board, including a majority of the independent directors. In addition, Claire W. Gargalli and James E. Haden were unanimously nominated by the Board for inclusion in the 2005 slate of directors, and approved by VNB's shareholders. Mr. Haden resigned from the Board in 2010. In 2006, Glenn W. Rust, as President of the Bank, was nominated to the VNB Board, and unanimously approved by the Board, including a majority of independent directors.

**Board Leadership Structure and Role in Risk Oversight.** Since 2007, the positions of principal executive officer and Chairman of the Board have been separated; however, the incumbents share similar backgrounds and interact often on matters of strategy, policy and overall management of the Bank. The current leadership structure, which allows the Chairman to maintain a more objective role in management of Board functions and oversight of management, is deemed appropriate and effective by the Board at this time. While the Bank's management has responsibility for direct, day-to-day management of the Bank, the Board has a significant role in oversight of risk. Officers are ratified by the Board, upon the recommendation of the President. The Board approves all significant policies, which guide the Bank's officers and other employees in the discharge of their duties. Policies approved by the Board include policies related to loan underwriting and administration, investments, liquidity, asset and liability management, audit, bank operations and controls and regulatory compliance. Programs are established to monitor compliance with the policies, and compliance reviews are reported to the Audit and Compliance Committee. While the Board committees outlined above generally perform a more direct role in overseeing specific areas of risk, each committee provides full reports to the Board on any significant or material

findings. In addition to the outlined committees, three Board members are also members of the Bank's loan committee.

**Independence of Directors.** Securities and Exchange Commission ("SEC") rules require that a company like VNB, whose securities are not listed on a national securities exchange, disclose in its proxy statement whether each director, nominee for director and member of its compensation, nominating or audit committee is "independent" using a definition of independence under the rules of a national securities exchange. The Board has selected to use the independence definitions under the corporate governance standards established by the NYSE for purposes of disclosure in this proxy, even though those standards are not directly applicable to the Bank. For the purpose of determining the independence of any individual for service on the Board of Directors of the Bank, the Board has made a reasonable good faith determination, after taking into account all relevant facts and circumstances, that the individual has no material relationship with or conflict with the interests of the Bank that would interfere with or impair the exercise of that individual's independent business judgment.

The Board has determined the following eleven of the thirteen directors and nominees are independent within the meaning and guidance of Section 303A.02 of the NYSE Listed Company Manual: Messrs. Benham, Blaine, Disharoon, Dittmar, Ms. Dorman, Ms. Gargalli, Messrs. Giles and Kalergis, Dr. Kassell, Mr. McNeely and Ms. Payne.

In addition, using the NYSE standards, the Board has determined that each member of the Corporate Governance and Nominating Committee is independent except Mr. Craig; each member of the Compensation Committee is independent except Mr. Craig; and each member of the Audit and Compliance Committee is independent except Mr. Blaine, who is not independent under the NYSE requirement that audit committee members meet the additional independence requirements of SEC Rule 10A-3, because other attorneys with Mr. Blaine's firm have provided legal services to VNB.

## EXECUTIVE COMPENSATION

### Executive Officers.

The following table sets forth the name and position of each executive officer of the Bank as of December 31, 2010. These four individuals are referred to throughout this document as "executive officers." The three executive officers listed in the Summary Compensation Table found later in this document are referred to as the "named executive officers." Unless otherwise indicated, each of these officers has served as an executive officer of the Bank for at least five years:

<u>Name</u>	<u>Information about Executive Officers</u>
Glenn W. Rust	President of Virginia National Bank since November 1, 2006 and Chief Executive Officer since July 15, 2007. From 2002 to 2006, Mr. Rust served as Executive Vice President and Chief Operations Officer of Sterling Bank in Houston, Texas. Mr. Rust is 55 years old.
Joseph D. Miller	Managing Director and Executive Vice President of Virginia National Bank. Mr. Miller has served as an executive officer of the Bank since its inception in 1998. Mr. Miller is 64 years old.

Stephen B. Perry

Chief Operations Officer, Executive Vice President and Principal Financial Officer of Virginia National Bank. Mr. Perry has served as an executive officer of the Bank since its inception in 1998. Mr. Perry is 51 years old.

Donna G. Shewmake

General Counsel, Executive Vice President and Secretary of Virginia National Bank. Ms. Shewmake joined the Bank in June, 2008 as General Counsel and Executive Vice President, and was named Secretary and an executive officer in May, 2009. From 1987 until 2008, Ms. Shewmake was employed in various capacities as legal counsel and officer of affiliates and/or predecessors of Wachovia Corporation (now, Wells Fargo & Company), most recently serving as Senior Vice President and Assistant General Counsel of Wachovia Securities from 2003 to 2008. Ms. Shewmake is 50 years old.

### **Compensation Discussion.**

**Philosophy and Objectives of the Bank's Compensation Program.** The Compensation Committee is responsible for evaluating and making recommendations to the Board with respect to VNB's executive compensation policies. VNB believes that compensation of its executive officers should reflect and support VNB's strategic and financial performance goals, the primary goal being the creation of long-term value for the shareholders of VNB, while protecting the interests of the depositors of VNB. The Compensation Committee has adopted a committee charter, which was subsequently ratified by the entire Board of Directors, pursuant to which the committee reviews and makes recommendations to the Board with respect to VNB's executive compensation policies and administers the VNB stock incentive plans.

The committee specifically reviews and, subject to approval by the Board, establishes the compensation of the Chief Executive Officer of VNB based on reasonableness, competitiveness, and relationship to performance. The committee concluded in early 2010 that new levels of compensation of Mr. Rust were supported by the financial performance of VNB in 2009 relative to the performance of peer and comparable banks. The committee also concluded that the cash compensation of Mr. Rust and stock option incentive awards made to him bear a reasonable relationship to the compensation paid to the chief executive officers of comparable banks. In arriving at this conclusion, the committee assessed Mr. Rust's performance as Chief Executive Officer of VNB against the performance standards previously established and reviewed by the committee. The committee also reviewed and considered independently published compensation data with respect to the compensation of chief executive officers of banks of comparable size, including national and regional data; the history of Mr. Rust's compensation since joining VNB; the overall performance of VNB, measured against performance objectives and strategic goals previously established; the performance of VNB's stock price; and the desire of the committee to offer appropriate performance incentives to the Chief Executive Officer and to motivate him to remain at VNB. When the committee met in March 2010 to discuss Mr. Rust's compensation for 2010, his salary was increased by \$20,000 to \$285,000. Additionally, Mr. Rust received a bonus of \$10,000, and was awarded stock options representing 5,000 shares, such options to vest evenly over a four-year period. The committee will review and, subject to approval by the Board, establish the future compensation levels for Mr. Rust.

The Chief Executive Officer of VNB specifically reviews and establishes the compensation of the other executive officers of the Bank, subject to normal and customary Board review. The philosophy behind the compensation program is to provide cash compensation in the form of salaries and short-term incentive compensation, and stock option incentives in an effort to promote an ownership mentality among the executive officers and other key individuals within the Bank.

During 2010, no compensation consultants were engaged or used by the Compensation Committee, the full Board of Directors or management.

**Composition of Compensation.** There are four primary components of executive compensation, as follows:

- base salary,
- short-term incentive compensation,
- long-term stock option grants or other awards under the VNB stock incentive plans, and
- benefits.

Base salary provides competitive levels of compensation to executives, in accordance with their experience, duties and responsibilities. Base salaries are necessary to recruit and retain executives, and base salary adjustments are reflective of an individual's performance or changed responsibilities.

Short-term incentive compensation is designed to align the interests of staff with the Bank's shareholders by rewarding executive officers and other eligible employees based on the performance of the Bank. During 2010, the Bank paid no short-term incentive compensation. Instead, it worked to modify the short-term incentive compensation program used until 2009 to add both individual and department goals as part of a new short-term incentive program. It is anticipated that payments will be made under the revised program for calendar year 2011. The Chief Executive Officer of the Bank does not participate in this program.

Periodically, stock option grants, restricted stock or other awards under the VNB stock incentive plans may be awarded to executive officers and others within the Bank whose performance is critical to the ongoing success of the Bank. Stock options that have been granted have a ten-year term, and typically vest evenly over a four-year period. All outstanding options have an exercise price equal to the closing price of VNB Common Stock on the date of the grant. The actual value that may be realized by an option holder is tied to the appreciation of VNB's Common Stock, thereby aligning the option holders' interests with those of other shareholders.

The Bank has a 401(k) plan available to all full-time employees, including executive officers, who are at least 18 years of age. Employees are able to elect the amount to contribute, not to exceed a maximum amount as determined by IRS regulation. The Bank has agreed to match 50% of every dollar contributed by employees up to a maximum of 6% of annual compensation. "Vesting" refers to the rights of ownership to the assets in the 401(k) accounts. Bank contributions to the plan are vested by the employees according to the following schedule: 50% after two years of service, 75% after three years of service and 100% after four years of service. Employee contributions to the plan are always 100% vested. The Bank also offers health and welfare benefits to the executive officers and others within the Bank, including medical and dental insurance, group term life insurance and disability insurance.

The Bank has certain split dollar insurance, or bank-owned life insurance ("BOLI") arrangements with the named executive officers and certain other senior officers of the Bank. Under these BOLI arrangements, the Bank is the owner of, and pays all premiums for, insurance policies on the officer's life. Upon the death of the insured officer, a portion of the death benefit is paid to beneficiary(ies) designated by the officer, and the balance is paid to the Bank.

Perquisites may be granted to executive officers and other employees, after proper consideration of the business need. Perquisites may include memberships in local clubs and the provision of a bank-owned automobile, or limited reimbursement toward the purchase of a personal automobile that will be

primarily used for Bank business. All perquisites represent a very small portion of the Bank's compensation program, and those for the named executive officers are disclosed according to regulation in the Summary Compensation Table, found later in this document.

### Summary Compensation Table

The following table sets forth for the periods indicated certain information concerning the compensation of the "named executive officers."

Name and Position	Year	Salary	Bonus	Option Awards	All Other Compensation (1)	Total
Glenn W. Rust	2010	\$279,258	\$10,409	\$37,710	\$25,561	\$352,938
Chief Executive Officer and President (Principal Executive Officer)	2009	\$265,436	\$0	\$0	\$22,237	\$287,673
Joseph D. Miller	2010	\$187,305	\$410	\$0	\$7,893	\$195,608
Executive Vice President and Managing Director	2009	\$182,424	\$0	\$0	\$5,004	\$187,428
Stephen B. Perry	2010	\$193,269	\$414	\$0	\$7,474	\$201,157
Executive Vice President and Chief Operations Officer (Principal Financial Officer)	2009	\$185,424	\$0	\$0	\$7,149	\$192,573

(1) Consists of VNB's contribution to the 401(k) plan account of the named executive officers during the years mentioned and term life, bank-owned life insurance and disability insurance premiums paid by VNB for the benefit of the named executive officers. Mr. Rust received perquisites or other personal benefits of \$20,046 in 2010. Of this amount, \$10,580 was paid for monthly club membership dues, \$1,923 was reimbursed to him from his technology budget and \$7,543 was paid for vehicle maintenance. Mr. Rust received perquisites or other personal benefits of \$18,328 in 2009. Of this amount, \$10,879 was paid for monthly club membership dues, \$6,260 was reimbursed to him from his technology budget, and \$1,189 was paid for vehicle maintenance.

### Outstanding Equity Awards at Fiscal Year-End 2010

The following table provides information concerning unexercised options for each of the named executive officers who had equity awards outstanding as of December 31, 2010. The table discloses the exercise price and the expiration date of any awards.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price (\$)	Option Expiration Date
Glenn W. Rust	10,000	-	\$42.25	11/01/2016
Glenn W. Rust	-	5,000	\$18.00	04/19/2020
Joseph D. Miller	3,000	1,000	\$31.00	08/22/2017
Stephen B. Perry	2,500	-	\$18.37	02/18/2012
Stephen B. Perry	3,000	1,000	\$31.00	08/22/2017

(1) Mr. Rust's unexercisable options vest evenly at April 19, 2011, 2012, 2013 and 2014. Mr. Miller's and Mr. Perry's unexercisable options vest on August 22, 2011.

## OWNERSHIP OF VNB COMMON STOCK

The following table sets forth certain information known to VNB concerning persons who beneficially owned more than 5 percent of the outstanding Common Stock as of March 1, 2011. Referenced footnotes follow the second table concerning the beneficial ownership of Common Stock by directors and executive officers of VNB.

<u>Name and Address</u>	<u>Number of Shares Beneficially Owned(1)</u>	<u>Percent of Class(2)</u>
Hunter E. Craig 1900 Arlington Boulevard Charlottesville, Virginia 22903	209,804(3)(4)	8.9%
Mark T. Giles 222 East Main Street Charlottesville, Virginia 22902	185,627(5)	7.9%
C. Wilson McNeely, III P.O. Box 5381 Charlottesville, Virginia 22905	170,960(6)(7)	7.3%

The following table sets forth certain information as of March 1, 2011 concerning beneficial ownership of the Common Stock by all directors, the named executive officers and all directors and executive officers as a group.

<u>Name</u>	<u>Shares of Common Stock Beneficially Owned</u>	
	<u>Number of Shares(1)</u>	<u>Percent of Outstanding(2)</u>
H. K. Benham, III	13,846(8)(9)	*
Steven W. Blaine	4,740(6)	*
Hunter E. Craig	209,804(3)(4)	8.9%
Leslie B. Disharoon	11,800	*
William D. Dittmar, Jr.	78,786(6)	3.4%
Janet L. Dorman	5,340(6)	*
Claire W. Gargalli	4,340(10)	*
Mark T. Giles	185,627(5)	7.9%
David G. Kalergis	18,240(6)	*
Neal F. Kassell, M.D.	10,340(6)	*
C. Wilson McNeely, III	170,960(6)(7)	7.3%
Joseph D. Miller	11,100(11)	*
Susan King Payne	5,340(6)	*
Stephen B. Perry	16,668(12)	*
Glenn W. Rust	20,050(13)	*
Directors and All Executive Officers as a Group (16 persons)	768,981	31.9%

\* Represents less than one percent of VNB's Common Stock.

- (1) A person is deemed to be the beneficial owner of shares of VNB's Common Stock if that person has the right to beneficially acquire such shares through the exercise of any option, warrant or right within 60 days.
- (2) Any shares of VNB's Common Stock which are not outstanding, but subject to options, warrants or other conversion rights, are deemed to be outstanding for the purpose of computing the percentage of VNB's Common Stock owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage by any other person.
- (3) Includes 10,971 shares that Mr. Craig has the right to acquire through the exercise of stock options.
- (4) Excludes 9,500 shares owned by Mr. Craig's spouse and 2,900 shares owned by Mr. Craig's spouse under the Virginia Uniform Transfer to Minors Act for their three minor children, beneficial ownership of which is disclaimed by Mr. Craig. Includes 1,100 shares held by Mr. Craig under the Virginia Uniform Transfer to Minors Act for his three minor children. 197,623 of the shares directly owned by Mr. Craig are pledged as security.
- (5) Includes 1,540 shares that Mr. Giles has the right to purchase through the exercise of stock options.

- (6) Includes 4,340 shares that the recipient has the right to purchase through the exercise of stock options.
- (7) 165,350 of the shares directly owned by Mr. McNeely are pledged as security.
- (8) Includes 2,670 shares held by the Kern Trust. Mr. Benham disclaims beneficial ownership of shares held by the Kern Trust, except to the extent of his pecuniary interest therein.
- (9) Includes 4,840 shares that the Mr. Benham has the right to purchase through the exercise of stock options.
- (10) Includes 3,340 shares that the Ms. Gargalli has the right to purchase through the exercise of stock options.
- (11) Includes 3,000 shares that Mr. Miller has the right to purchase through the exercise of stock options.
- (12) Includes 5,500 shares that Mr. Perry has the right to purchase through the exercise of stock options.
- (13) Includes 11,250 shares that Mr. Rust has the right to purchase through the exercise of stock options.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires VNB's directors, executive officers and persons who own more than 10% of VNB's common stock to file reports of ownership and changes in ownership of VNB securities with the Office of the Comptroller of the Currency and to furnish VNB with copies of all Section 16(a) reports filed. During 2010 and early 2011, VNB personnel undertook an extensive review of Section 16(a) reports filed for 2010 and prior years by current directors and executive officers to determine whether all reportable transactions in VNB's stock were timely reported and to ensure proper reporting of their beneficial holdings. The review revealed that there were a number of transactions that were not timely reported from 2002 through 2010, and VNB personnel facilitated filing reports for delinquent transactions identified. Most of the delinquent transactions were "non-market transactions" such as gifts, automatic conversion of convertible preferred stock into Common Stock, incentive stock option grants (which were reported in prior proxies) and exercises of incentive stock options. In some cases, however, the late reports involved "market transactions" such as purchase and sales of securities. VNB now believes that all transactions in VNB securities for current directors and executive officers have been reported except as noted below. VNB has also taken steps to improve its Section 16(a) compliance.

Based on a review of reports furnished to, or filed with the assistance of, VNB and written representations from reporting persons, VNB believes that all reportable transactions for 2010 and prior years were reported timely except for an undetermined number of transaction that may have been reported based on settlement date rather than trade date for various reporting persons and the following transactions which, except as otherwise noted, were reported on a Form 4 or 4A filed in 2010 and/or a Form 5 filed in 2011 (Note: Unless otherwise noted each late report involved only one transaction and the transaction occurred prior to 2010): Mr. Benham filed a late Form 3 reporting two holdings, seven late reports of ten non-market transactions and five late reports of six market transactions (two of which occurred in 2010); Mr. Blaine, Ms. Dorman, Dr. Kassell and Ms. Payne each filed five late reports of non-market transactions; Mr. Craig filed sixteen late reports of twenty-two non-market transactions and four late reports on market transactions involving 2010 purchases of 200 shares or less (filed within two days of date due); Mr. Disharoon filed a late amendment to his Form 3 to report additional shares owned; Mr. Dittmar filed five late reports on non-market transactions and two late reports on 2010 market transactions (filed within two and five days of date due); Ms. Gargalli filed a late Form 3 reporting no security ownership, four late reports of non-market transactions and one late report of a market transaction; Mr. Giles filed a late amendment to report properly a non-market transaction and three late reports of non-market transactions; Mr. Kalergis filed nine late reports of non-market transactions and three late reports of market transactions; Mr. McNeely filed six late reports of non-market transactions and three late reports of market transactions, and information related to the purchase of 250 shares prior to 2006 could not be located, but those shares have been included in the total amount of securities beneficially owned in reports for Mr. McNeely; Mr. Miller filed four late reports of five non-market transactions and one late report of purchase of non-registered convertible preferred securities from the Bank; Mr. Perry filed six late reports of non-market transactions; and Mr. Rust filed a late Form 3 (filed in 2008) and filed two late reports of non-market transactions (one of which occurred in 2010) and four late reports (filed in 2008) of market transactions.

## CERTAIN TRANSACTIONS

Certain officers and directors of VNB, and certain immediate family members and/or entities in which such persons are associated, are customers of VNB and have had transactions in the ordinary course of business with VNB, including loan transactions. All such transactions have been on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons, and did not involve more than a normal risk of collection or present any unfavorable features for VNB. All credit transactions involving officers and directors are reviewed and approved pursuant to VNB's established underwriting procedures, and all credit transactions involving executive officers and directors, and any immediate family members and/or entities in which such persons are associated, are reported to the Board of Directors of VNB.

In 2010, VNB had business dealings or entered into business transactions with companies owned by directors of VNB or in which a director is a principal. All such dealings and transactions have been on substantially the same terms as those prevailing at the time for comparable business dealings and transactions with unrelated persons. Expenditures made to these companies in 2010 include rental expense of \$440,000 (including reimbursements for taxes, insurance and other expenses), paid to Pantops Park, L.L.C., of which William D. Dittmar, Jr., a director of the Bank, is a member. Monthly rent for this space is a fair market rate as verified by an independent third-party appraisal. VNB paid \$126,000 for assistance with the Bank's marketing and advertising programs to a marketing and advertising agency of which Susan K. Payne is an owner. Some portion of the payments to Ms. Payne's agency may have been used, in turn, to pay third parties for legitimate business expenses incurred on behalf of the Bank. Steven W. Blaine, a director of VNB, is a partner of LeClair Ryan, P.C., a law firm which provided legal services to VNB during 2010. The only other director with whom VNB entered into business transactions during 2010 was Hunter Craig. In no case did the aggregate amount of any transactions with Messrs. Blaine or Craig, or their respective organizations, exceed the applicable reporting threshold of \$120,000.

## INDEPENDENT AUDITORS

VNB has selected Yount, Hyde & Barbour, P.C., Winchester, Virginia, to serve as independent auditors for VNB in 2011. The firm audited the books and records of VNB for 2010 and 2009. The following table reflects the aggregate fees for audit and other professional services billed to, and paid by, VNB during the fiscal years ended December 31, 2010 and December 31, 2009 to Yount, Hyde & Barbour, P.C.:

	<u>2010</u>	<u>2009</u>
Audit fees	\$71,850	\$69,855
Audit-related fees	11,240	8,000
Tax fees	7,570	7,350
All other fees	0	0
Total	<u>\$90,660</u>	<u>\$85,205</u>

Audit fees were incurred in conjunction with the audit of VNB's annual financial statements included in the Bank's Form 10-K for the year ended December 31, 2010 and the year ended December 31, 2009 and reviews of the Form 10-Q reports for both years. Audit-related fees in 2010 included the required annual review of the Bank's fulfillment of requirements as a depository of public funds. Audit-related fees in 2009 and 2010 included the Bank's annual required audit of its 401(k) Plan. Tax fees were incurred in conjunction with services related to the preparation of the Bank's federal income tax returns.

In every case, the scope of all audit services and permissible non-audit services provided by Yount, Hyde & Barbour, P.C. was pre-approved by the Bank's Audit and Compliance Committee. The Committee was directly responsible for the appointment, compensation, retention and oversight of Yount, Hyde & Barbour, P.C., and the firm reported directly to the Committee.

Representatives from Yount, Hyde & Barbour, P.C. are expected to be present at the Meeting to make a statement if they desire to do so, and to answer any questions any shareholder may have.

Yount, Hyde & Barbour, P.C. has advised VNB that neither it nor any of its members has any direct financial interest or material indirect financial interest in the securities of VNB, or any connection with VNB in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

### **AUDIT AND COMPLIANCE COMMITTEE REPORT**

The Audit and Compliance Committee ("Audit Committee") consists of Directors Blaine, Dittmar, Giles and Kalergis, none of whom is an employee of VNB. The Committee is authorized by the Board to provide independent oversight with respect to the independent audit; to monitor VNB's accounting practices, procedures and policies and financial reporting processes, compliance of VNB's financial statements and internal controls with federal and state banking and securities regulatory requirements; and to evaluate VNB's system of internal controls, internal audit function (whether outsourced or conducted in-house), and related areas.

The Audit Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has also reviewed and discussed with Yount, Hyde & Barbour, P.C., independent auditors, the matters required to be discussed by Statement on Auditing Standards Number 61, *Communication with Audit Committees*, as amended. The Audit Committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit and Compliance Committee concerning independence, and has discussed with the independent auditors the independence of the firm.

Based on the foregoing discussions, the Audit Committee and the Board of Directors of VNB approved inclusion of the audited financial statements in VNB's Annual Report on Form 10-K for the year ended December 31, 2010.

*William D. Dittmar, Jr., Chairman*  
*Steven W. Blaine*  
*Mark T. Giles*  
*David G. Kalergis*

## CODE OF ETHICS

VNB has adopted a Code of Ethics that applies to all of its employees, including its principal executive officer and its principal financial officer. The Code of Ethics is designed to deter wrongdoing and to promote the following: honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with regulatory agencies and in other public communications; compliance with applicable governmental laws, rules and regulations; the prompt internal reporting of violations of the Code to an appropriate person identified in the Code; and accountability for adherence to the Code.

VNB's Code of Ethics is available, free of charge, by contacting the Secretary of Virginia National Bank at P.O. Box 2853, 222 East Main Street, Charlottesville, Virginia 22902-2853. It is also available on the Bank's website at [www.vnb.com](http://www.vnb.com).

## SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING OF SHAREHOLDERS

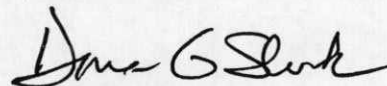
The deadline for submitting shareholder proposals for inclusion in VNB's proxy statement and form of proxy for the next Annual Meeting of Shareholders is December 8, 2011. Proposals submitted after December 8, 2011 will be considered untimely and will not be included. Shareholder proposals should be submitted to the Secretary of Virginia National Bank, P.O. Box 2853, 222 East Main Street, Charlottesville, Virginia 22902-2853. Any other matters that a shareholder wishes to be brought to the attention of the Board of Directors should be submitted to the Secretary of Virginia National Bank, P.O. Box 2853, 222 East Main Street, Charlottesville, Virginia 22902-2853.

## OTHER MATTERS

VNB is not aware of any other matters to come before the Meeting. If other matters are properly raised at the Meeting, the persons named in the enclosed proxy form will vote the proxy in their discretion.

VNB is furnishing with this Proxy Statement, without charge to any shareholder, a copy of its 2010 Annual Report on Form 10-K filed with the Office of the Comptroller of the Currency.

By order of the Board of Directors:



*Donna G. Shewmake*  
Secretary