Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Christopher Bergstrom
Name of the Holding Company Director and Official

CEO
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

3/14/19
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2018
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

John Marshall Bancorp Inc.
Legal Title of Holding Company

1943 Isaac Newton Square, Suite 100
(Mailing Address of the Holding Company) Street / P.O. Box

Reston	VA	20190
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Jennifer Manning	SVP, Chief Acctg Officer
Name	Title

703-584-0840
Area Code / Phone Number / Extension

703-584-0859
Area Code / FAX Number

jmanning@johnmarshallbank.com
E-mail Address

www.johnmarshallbank.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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City State Zip Code

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City State Zip Code

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Form FR Y-6
John Marshall Bancorp, Inc.
Reston, Virginia
Fiscal Year Ending December 31, 2018

Report Item 1:

The bank holding company prepares an annual report for its shareholders and is not registered with the SEC. Enclosed are two (2) copies, as specified by the Federal Reserve Bank of Richmond.

JOHN MARSHALL BANCORP, INC.

Reston, Virginia

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

YHB CPAs & Consultants

Independent Auditor's Report

To the Board of Directors
John Marshall Bancorp, Inc.
Reston, Virginia

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of John Marshall Bancorp, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John Marshall Bancorp, Inc. and its subsidiary as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
We have also audited, in accordance with auditing standards generally accepted in the United States of America, John Marshall Bancorp, Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 11, 2019 expressed an unqualified opinion on the effectiveness of John Marshall Bancorp, Inc.'s internal control over financial reporting.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
March 11, 2019

JOHN MARSHALL BANCORP, INC.

Consolidated Balance Sheets

December 31, 2018 and 2017

(In thousands, except share and per share data)

	2018	2017
Assets		
Cash and due from banks	$ 7,853	$ 7,256
Interest-bearing deposits in banks	93,716	30,873
Federal funds sold	126	40
Securities available-for-sale, at fair value	61,055	54,699
Securities held-to-maturity, fair value of $35,589 in 2018 and $41,500 in 2017	36,177	41,570
Restricted securities, at cost	7,283	8,447
Equity securities, at fair value	120	--
Loans, net of allowance for loan losses of $9,731 in 2018 and $8,927 in 2017	1,151,724	997,945
Bank premises and equipment, net	2,852	2,480
Accrued interest receivable	3,623	3,263
Bank owned life insurance	19,617	19,093
Other real estate owned	379	379
Other assets	10,096	8,980
Total Assets	$ 1,394,621	$ 1,175,025
Liabilities		
Deposits:		
Non-interest bearing demand deposits	$ 222,299	$ 174,686
Interest bearing demand deposits	367,656	258,306
Savings deposits	6,987	6,709
Time deposits	541,426	457,240
Total deposits	1,138,368	896,941
Federal funds purchased	15,001	10,001
Federal Home Loan Bank advances	68,500	108,500
Subordinated debt, net of debt issuance costs	24,581	24,531
Accrued interest payable	1,243	996
Other liabilities	4,910	5,189
Total liabilities	1,252,603	1,046,158
Shareholders' Equity		
Preferred stock, par value $0.01 per share; authorized 1,000,000 shares; none issued	--	--
Common stock, nonvoting, par value $0.01 per share; authorized 1,000,000 shares; none issued	--	--
Common stock, voting, par value $0.01 per share; authorized 20,000,000 shares; issued and outstanding, 12,900,125 in 2018 including 86,400 unvested shares, 12,824,233 in 2017 including 85,007 unvested shares	128	127
Additional paid-in capital	85,127	83,867
Retained earnings	57,718	45,544
Accumulated other comprehensive loss	(955)	(671)
Total shareholders' equity	142,018	128,867
Liabilities and Shareholders' Equity	$ 1,394,621	$ 1,175,025

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Income

Years Ended December 31, 2018 and 2017

(In thousands, except per share data)

	2018	2017
Interest and Dividend Income		
Interest and fees on loans	$ 53,716	$ 46,667
Interest on investment securities, taxable	1,757	1,445
Interest on investment securities, tax-exempt	330	269
Dividends	470	417
Interest on federal funds sold	1	- -
Interest on deposits in banks	1,616	520
Total interest and dividend income	57,890	49,318
Interest Expense		
Deposits	11,307	6,752
Federal Home Loan Bank advances	1,393	1,300
Subordinated debt	1,487	719
Other short-term borrowings	3	22
Total interest expense	14,190	8,793
Net interest income	43,700	40,525
Provision for loan losses	1,069	1,380
Net interest income after provision for loan losses	42,631	39,145
Noninterest Income		
Service charges on deposit accounts	508	383
Bank owned life insurance	525	553
Other service charges and fees	194	105
Gain on sales and calls of securities	- -	134
Other operating income	10	54
Total noninterest income	1,237	1,229
Noninterest Expenses		
Salaries and employee benefits	18,327	14,820
Occupancy expense of premises	2,030	1,843
Furniture and equipment expenses	1,307	1,183
Other operating expenses	6,858	6,280
Total noninterest expenses	28,522	24,126
Income before income taxes	15,346	16,248
Income tax expense	3,172	7,264
Net income	$ 12,174	$ 8,984
Earnings Per Common Share		
Basic	$ 0.95	$ 0.70
Diluted	$ 0.89	$ 0.66

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2018 and 2017

(In thousands)

	2018	2017
Net income	$ 12,174	$ 8,984
Other comprehensive loss:		
Unrealized losses on available for sale securities, net of tax of $(87) and $(36)	(329)	(70)
Reclassification adjustment for gains on available-for-sale securities included in net income, net of tax of $-- and $(26)	--	(50)
Amortization of unrealized losses on securities transferred to held-to-maturity, net of tax of $12 and $10	45	18
Total other comprehensive loss	(284)	(102)
Total comprehensive income	$ 11,890	$ 8,882

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2018 and 2017

(In thousands, excluding shares)

	Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2016	10,137,149	$ 50,686	$ 32,112	$ 36,454	$ (457)	$ 118,795
Net income	--	--	--	8,984	--	8,984
Other comprehensive loss	--	--	--	--	(102)	(102)
Exercise of stock options	58,170	155	289	--	--	444
Reduction in par value $5 to $0.01		(50,739)	50,739	--	--	--
5 for 4 stock split in the form of a 25% stock dividend	2,543,907	25	(25)	--	--	--
Share-based compensation	--	--	752	--	--	752
Cash paid in lieu of fractional shares				(6)		(6)
Reclassification of standed tax effects from change in tax rate	--	--	--	112	(112)	--
Balance, December 31, 2017	12,739,226	$ 127	$ 83,867	$ 45,544	$ (671)	$ 128,867
Net income	--	--	--	12,174	--	12,174
Other comprehensive loss	--	--	--	--	(284)	(284)
Exercise of stock options	43,389	1	327	--	--	328
Restricted stock vesting, net of 3,472 shares surrendered	31,110	--	(63)	--	--	(63)
Share-based compensation	--	--	996	--	--	996
Balance, December 31, 2018	12,813,725	$ 128	$ 85,127	$ 57,718	$ (955)	$ 142,018

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(In thousands)

	2018	2017
Cash Flows from Operating Activities		
Net income	$ 12,174	$ 8,984
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	828	797
Provision for loan losses	1,069	1,380
Share-based compensation expense	996	752
Net amortization of securities	696	699
Fair value adjustment on equity securities	17	--
Amortization of debt issuance costs	50	24
Gains on sales and calls of available-for-sale securities	--	(76)
Gains on sales of held-to-maturity securities	--	(58)
Loss on impairment of other real estate owned	--	13
Deferred tax (benefit) expense	(334)	1,243
Gain on disposal of fixed assets	--	(1)
Increase in cash surrender value of life insurance	(524)	(553)
Changes in assets and liabilities:		
Increase in accrued interest receivable	(360)	(275)
(Increase) decrease in other assets	(276)	34
Increase in accrued interest payable	247	776
Decrease in other liabilities	(279)	(82)
Net cash provided by operating activities	$ 14,304	$ 13,657
Cash Flows from Investing Activities		
(Increase) decrease in interest bearing deposits in banks	$ (62,843)	$ 18,844
Net increase in loans	(154,848)	(113,497)
Purchase of available-for-sale securities	(18,465)	(27,204)
Purchase of held-to-maturity securities	--	(6,260)
Proceeds from sales of available-for-sale securities	--	14,199
Proceeds from maturities, calls and principal repayments of available-for-sale securities	11,414	6,234
Proceeds from sales of held-to-maturity securities	--	1,388
Proceeds from maturities, calls and principal repayments of held-to-maturity securities	5,032	7,040
Net redemption (purchase) of restricted securities	1,164	(574)
Purchase of equity securities	(137)	--
Purchase of other investments	(430)	--
(Increase) decrease in federal funds sold	(86)	20
Purchases of bank premises and equipment	(1,200)	(805)
Net cash used in investing activities	$ (220,399)	$ (100,615)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2018 and 2017
(In thousands)

	2018	2017
Cash Flows from Financing Activities		
Net increase in deposits	$ 241,427	$ 64,076
Net (repayment of) proceeds from FHLB advances	(40,000)	4,500
Increase in federal funds purchased	5,000	10,001
Decrease in repurchase agreements	- -	(14,206)
Issuance of subordinated debt	- -	24,507
Issuance of common stock	328	444
Cash paid in lieu of fractional shares	- -	(6)
Repurchase of shares for tax withholding on vested restricted stock awards	(63)	- -
Net cash provided by financing activities	$ 206,692	$ 89,316
Net increase in cash and cash equivalents	$ 597	$ 2,358
Cash and cash equivalents at beginning of period	7,256	4,898
Cash and cash equivalents at end of period	$ 7,853	$ 7,256
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 13,943	$ 8,017
Income taxes	$ 2,330	$ 6,026
Supplemental Disclosures of Noncash Transactions		
Unrealized loss on securities available for sale	$ (416)	$ (182)
Amortization of unrealized loss on securities transferred to held to maturity	$ 57	$ 28
Loans transferred to other real estate owned	$ - -	$ 392

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1. Nature of Banking Activities and Significant Accounting Policies

Nature of Banking Activities

John Marshall Bancorp, Inc. (the “Company”), headquartered in Reston, Virginia, became the registered bank holding company under the Bank Holding Company Act of 1956 for its wholly-owned subsidiary, John Marshall Bank (the “Bank”), on March 1, 2017. This reorganization was completed through a one-for-one share exchange in which the Bank's shareholders received one share of common stock of the Company in exchange for each share of the Bank's common stock.

The Bank formed on April 5, 2005 under the laws of the Commonwealth of Virginia and was chartered as a bank on February 9, 2006, by the State Corporation Commission – Bureau of Financial Institutions. The Bank is a member of the Federal Reserve System and is subject to the rules and regulations of the Virginia State Banking Commission, the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC”). The Bank opened for business on April 17, 2006 and provides banking services to its customers primarily in the Washington, D.C. metropolitan area.

The accounting and reporting policies of John Marshall Bancorp, Inc. conform to generally accepted accounting principles in the United States of America and reflect practices of the banking industry. The policies are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions between the Company and the Bank have been eliminated.

Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the evaluation for other-than-temporary impairment of securities.

Concentrations of Credit Risk

Most of the Company’s activities are with customers located in the Washington, D.C. metropolitan area. Real estate loans, including commercial and construction and land development loans, represented 94% and 92% of the total portfolio at December 31, 2018 and 2017, respectively. The Company does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks, all of which mature within ninety days.

Interest-Bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Securities

Certain debt securities that management has the positive intent and ability to hold-to-maturity are classified as “held-to-maturity” and recorded at amortized cost. Transfers of debt securities into the held-to-maturity classification from the available-for-sale classification are made at fair value on the date of transfer. The unrealized holding gain or loss on the date of the transfer is retained in the separate component of shareholders’ equity and in the carrying value of the held-to-maturity securities. Such amounts are amortized over the remaining contractual lives of the securities.
Debt securities not classified as held-to-maturity, are classified as “available-for-sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts on debt securities are recognized in interest income using the interest method over the terms of the securities.

Impairment of securities occurs when the fair value of a security is less than its amortized cost. For debt securities, impairment is considered other-than-temporary and recognized in its entirety in net income if either (a) the intent is to sell the security or (b) it is more likely than not that it will be necessary to sell the security prior to recovery of its amortized cost basis. If, however, the Company’s intent is not to sell the security and it is not more than likely that the Company will be required to sell the security before recovery, the Company must determine what portion of the impairment is attributable to a credit loss, which occurs when the amortized cost of the security exceeds the present value of the cash flows expected to be collected from the security. If there is no credit loss, there is no other-than-temporary impairment. If there is a credit loss, other-than-temporary impairment exists and the credit loss must be recognized in net income and the remaining portion of impairment must be recognized in other comprehensive income.

The Company regularly reviews each debt security for other-than-temporary impairment based on criteria that include the extent to which cost exceeds market price, the duration of that market decline, the financial health of and specific prospects for the issuer, the security’s ratings, the Company's best estimate of the present value of cash flows expected to be collected from debt securities, the intention with regards to holding the security to maturity and the likelihood that the Company would be required to sell the security before recovery.

Equity securities with readily determinable fair values are carried at fair value, with changes in fair value reported in net income. Any equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transaction for identical or similar investments. Restricted equity securities are carried at cost and are periodically evaluated for impairment based on the ultimate recovery of par value. The entirety of any impairment on the equity securities is recognized in earnings.

Gains and losses on sales of securities are recorded on the trade date and determined using the specific identification method.

Loans

The Company grants real estate, commercial and consumer loans to customers (representing the Company’s loan segments). A substantial portion of the loan portfolio is represented by commercial real estate loans in the Washington, D.C. metropolitan area. Within the real estate segment, the Company has also identified the residential, commercial and construction classes.

The ability of the Company's debtors to honor their contracts is dependent upon the real estate market and general economic conditions in this area.

Underwriting and risk characteristics of each loan class are summarized as follows:

- Real estate residential mortgage loans carry risks associated with the continued creditworthiness of the borrower and changes in the value of the collateral.
- Real estate commercial mortgage loans carry risks associated with the successful operation of a business, the continued creditworthiness of the borrower and any related guarantors and changes in the value of the collateral. In the case of investor-owned commercial real estate, risks are expanded to include the financial strength of the tenants occupying the property and the stability of occupancy and lease rates.
- Real estate construction loans carry risks that the project will not be finished according to schedule, the project will not be finished according to budget and the value of the collateral may, at any point in time, be less than the principal amount of the loan. Construction loans also bear the risk that the general contractor, who may or may not be a customer of the Company, may be unable to finish the construction project as planned because of financial pressure unrelated to the project.
- Commercial loans carry risks associated with the successful operation of a business and the financial strength of any related guarantors. In addition, there is risk associated with the value of collateral other than real estate which may depreciate over time and cannot be appraised with as much precision.
- Consumer loans carry the risks associated with the continued creditworthiness of the borrower and the value of any collateral. Consumer loans are more likely than real estate loans to be immediately adversely affected by job loss, divorce, illness or personal bankruptcy.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for the allowance for loan losses and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Other personal loans are typically charged off no later than 180 days past due. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of a loan balance is unlikely. Loans are generally written down to the estimated liquidation value of the underlying collateral when the loan is 180 days past due. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans by segment in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. Qualitative factors used for each segment include an analysis of the levels of and trends in delinquencies, nonaccrual loans, and watch list loans; trends in concentrations, volume and term of loans; effects of any changes in lending policies and practices; experience, ability, and depth of management; and national and local economic trends and conditions. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial, construction, and mortgage loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer loans for impairment disclosures.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a borrower's financial condition, the Company may grant a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring ("TDR"). The Company strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. The modified terms for a TDR may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructured loan as noted above for impaired loans.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed on the straight-line method over the useful lives of the assets, ranging from three to fifteen years, or the expected term of leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized.

Bank Owned Life Insurance

The Company has purchased life insurance on certain key executives and officers. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due that are probable at settlement. Changes in cash surrender value are reflected in noninterest income in the Consolidated Statements of Income.

Other Real Estate Owned

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed. The Company had $379 thousand in other real estate owned consisting of one commercial real estate property as of December 31, 2018 and 2017. At December 31, 2018 and 2017, there were no consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings were in place.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (a) the assets have been isolated from the Company – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (b) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (c) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss carryforwards, and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company recorded no liability for unrecognized tax benefits at December 31, 2018 or 2017.

Earnings Per Common Share

Earnings per common share is calculated in accordance with ASC 260, "Earnings Per Share," which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method.

Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method. Earnings per share are restated for all stock splits and dividends through the date of the financial statements are issued.

Advertising Costs

The Company follows the policy of charging the production costs of advertising to expense as incurred. Advertising expense was $599 thousand and $524 thousand for the years ended December 31, 2018 and 2017, respectively.

Share-Based Compensation

The Company recognizes the compensation cost relating to share-based payment transactions based on the grant date fair value of the equity instruments issued. The share compensation accounting guidance requires that compensation cost for all share-based awards be calculated and recognized over the vesting period. A Black-Scholes model is used to estimate the fair value of stock options, and restricted stock awards are valued using the closing stock price on the date of grant. The Company's accounting policy is to recognized forfeitures as they occur.

Comprehensive Income (Loss)

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains (losses) on securities available-for-sale and the amortization of unrealized losses on securities transferred from available for sale to held to maturity, which are also recognized as a separate component of equity.

Fair Value of Financial Instruments

Fair values of various assets and liabilities are estimated using relevant market information, valuation techniques and other assumptions, as more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications

Certain items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers: Topic 606." This ASU revised guidance for the recognition, measurement, and disclosure of revenue from contracts with customers. The original guidance was amended through subsequent accounting standard updates that resulted in technical corrections, improvements, and a one-year deferral of the effective date to January 1, 2018. The guidance, as amended, is applicable to all entities and replaces significant portions of existing industry and transaction-specific revenue recognition rules with a more principles-based recognition model. Most revenue associated with financial instruments, including interest income, loan origination fees, and credit card fees, is outside the scope of the guidance. Gains and losses on investment securities and sales of financial instruments are similarly excluded from the scope. The guidance is applicable to noninterest revenue streams such as deposit related fees, interchange fees, and charges for other ancillary services.

As the guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other GAAP, the new guidance did not have a material impact on revenue most closely associated with financial instruments, interest income. The Company completed its overall assessment of revenue streams and review of related contracts potentially affected by the ASU, including deposit related fees, interchange fees, and charges for other ancillary services. The Company also completed an evaluation of certain costs related to these revenue streams to determine whether such costs should be presented gross versus net. Based on these assessments, the Company concluded that ASU 2014-09 did not materially change the method in which the Company currently recognizes revenue for these revenue streams. The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy GAAP. The implementation of the new standard did not have a material impact on the measurement or recognition of revenue and as such, a cumulative effect adjustment to opening retained earnings was not deemed necessary.

January 1, 2018, the Company adopted ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU requires an entity to, among other things: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present financial assets and financial liabilities by measurement category and form of financial asset; (iii) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (iv) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. This ASU provides an election to subsequently measure certain equity securities without readily determinable fair values at cost less any impairment and adjusted for certain observable price changes. This ASU also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. The adoption of ASU No. 2016-01 did not have a material impact on the Company's consolidated financial statements and resulted in enhancements to the financial instrument disclosures.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The FASB made subsequent amendments to Topic 842 in July 2018 through ASU 2018-10 ("Codification Improvements to Topic 842, Leases.") and ASU 2018-11 ("Leases (Topic 842): Targeted Improvements.") Among these amendments is the provision in ASU 2018-11 that provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). The effect of adopting this standard on January 1, 2019 was an approximate $9.7 million increase in assets and liabilities on our consolidated balance sheet.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company formed a committee, evaluated options and has purchased software to assist in the calculation. The committee is working to implement the software and will evaluate the impact of the accounting standard on or before the required date.

In March 2017, the FASB issued ASU 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities." The amendments in this ASU shorten the amortization period for certain callable debt securities purchased at a premium. Upon adoption of the standard, premiums on these qualifying callable debt securities will be amortized to the earliest call date. Discounts on purchased debt securities will continue to be accreted to maturity. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. Upon transition, entities should apply the guidance on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption and provide the disclosures required for a change in accounting principle. The Company does not expect the adoption of ASU 2017-08 to have a material impact on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, "Compensation- Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." The amendments expand the scope of Topic 718 to include share-based payments issued to non-employees for goods or services, which were previously excluded. The amendments will align the accounting for share-based payments to nonemployees and employees more similarly. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-07 to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." The amendments modify the disclosure requirements in Topic 820 to add disclosures regarding changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty. Certain disclosure requirements in Topic 820 are also removed or modified. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Certain of the amendments are to be applied prospectively while others are to be applied retrospectively. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-13 to have a material impact on its consolidated financial statements.

Note 2. Securities

The amortized cost and fair values of securities available-for-sale and held-to-maturity as of December 31, 2018 and 2017 were as follows:

(In thousands)	Available-for-Sale Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	2018			
U.S government and federal agencies	$ 18,042	$ 21	$ (238)	$ 17,825
Collateralized Mortgage Obligations	11,221	57	(145)	11,133
Tax-exempt municipal	2,453	--	(84)	2,369
Mortgage-backed	30,461	36	(769)	29,728
	$ 62,177	$ 114	$ (1,236)	$ 61,055
	2017			
U.S government and federal agencies	$ 21,719	$ --	$ (228)	$ 21,491
Collateralized Mortgage Obligations	6,388	--	(99)	6,289
Tax-exempt municipal	2,515	--	(53)	2,462
Mortgage-backed	24,783	1	(327)	24,457
	$ 55,405	$ 1	$ (707)	$ 54,699

	Held-to-Maturity Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	2018			
U.S government and federal agencies	$ 2,939	$ --	$ (49)	$ 2,890
Taxable municipal	7,813	36	(47)	7,802
Tax-exempt municipal	13,512	15	(253)	13,274
Mortgage-backed	11,913	1	(291)	11,623
	$ 36,177	$ 52	$ (640)	$ 35,589
	2017			
U.S government and federal agencies	$ 3,915	$ --	$ (38)	$ 3,877
Taxable municipal	8,186	64	(18)	8,232
Tax-exempt municipal	14,765	50	(71)	14,744
Mortgage-backed	14,704	38	(95)	14,647
	$ 41,570	$ 152	$ (222)	$ 41,500

The amortized cost and fair value of securities available-for-sale and held-to-maturity as of December 31, 2018, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid without any penalties.

	Available-for-Sale		Held-to-Maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 5,005	$ 4,969	$ 3,308	$ 3,291
Due after one year through five years	10,247	10,064	9,343	9,262
Due after five years through ten years	13,391	13,152	14,267	14,004
Due after ten years	33,534	32,870	9,259	9,032
	$ 62,177	$ 61,055	$ 36,177	$ 35,589

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired aggregated by category and length of time that individual securities have been in a continuous loss position at December 31, 2018 and 2017.

	Less Than 12 Months		12 Months or Longer	
(In thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
2018				
U.S. government and federal agencies	$ --	$ --	$ 287	$ 18,194
Collateralized Mortgage Obligations	4	939	$ 141	$ 5,620
Taxable municipal	10	2,776	37	3,721
Tax-exempt municipal	--	503	337	13,898
Mortgage-backed	40	5,149	1,020	31,256
	$ 54	$ 9,367	$ 1,822	$ 72,689
2017				
U.S. government and federal agencies	$ 42	$ 6,045	$ 224	$ 17,825
Collateralized Mortgage Obligations	99	4,821	--	--
Taxable municipal	14	3,165	4	505
Tax-exempt municipal	66	10,312	58	3,481
Mortgage-backed	147	20,024	275	12,476
	$ 368	$ 44,367	$ 561	$ 34,287

U.S. Government and Federal Agencies

The unrealized losses in eighteen investments in direct obligations of U.S. government agencies at December 31, 2018 and 2017, respectively, were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2018 or 2017.

Mortgage-Backed Securities

The unrealized losses on the Company's investment in sixty-five and forty-four federal agency mortgage-backed securities at December 31, 2018 and 2017, respectively, were caused by interest rate changes. The contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in fair value is attributable to change in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2018 or 2017.

Municipal Securities

The unrealized losses in twenty-four and eighteen investments in municipal securities at December 31, 2018 and 2017, respectively, were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2018 or 2017.

Collateralized Mortgage Obligation Securities

The unrealized losses on the Company's investment in four and two collateralized mortgage obligation securities at December 31, 2018 and 2017, respectively, were caused by interest rate changes. The contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in fair value is attributable to change in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2018 or 2017.

Securities having an amortized cost of $36.6 million and $22.0 million at December 31, 2018 and 2017, respectively, were pledged to secure public deposits and for other purposes required by law. These securities have a carrying value of $36.4 million and $22.0 million at December 31, 2018 and 2017, respectively.

The Company did not sell any securities during 2018. During 2017, the Company sold certain available-for-sale for total proceeds of $14.2 million. Gross gains of $98 thousand and gross losses of $22 thousand were realized on those sales.

During 2017, the Company sold $1.4 million of securities classified as held-to-maturity and recognized gross gains of $58 thousand on those sales. ASC 320 permits the sale of held-to-maturity securities in certain circumstances, including circumstances where a sale is considered to be the equivalent of holding a security to maturity. Prior to the sale of each of these securities the Company had collected more than 85% of the principal outstanding at acquisition, which qualified these transactions as permissible sales of held-to-maturity securities under ASC 320.

At December 31, 2018, the Company held equity securities with readily determinable fair values totaling $120 thousand. Changes in the fair value of these securities are reflected in earnings. For the year ended December 31, 2018, a loss of $17 thousand was recorded in other noninterest income in the Consolidated Statements of Income. These securities consist of mutual funds held in a trust and were obtained for the purpose of economically hedging changes in the Company's nonqualified deferred compensation liability.

Note 3. Loans

A summary of the balances of loans follows:

	December 31,	
	2018	2017
	(in thousands)	
Real estate loans:		
Residential	$ 143,811	$ 135,791
Commercial	747,342	577,016
Construction and land development	204,986	218,538
Total real estate loans	1,096,139	931,345
Commercial loans	65,815	76,573
Consumer loans	1,198	777
Total loans	1,163,152	1,008,695
Less: Allowance for loan losses	(9,731)	(8,927)
Net deferred loan fees	(1,697)	(1,823)
Loans, net	$ 1,151,724	$ 997,945

Note 4. Allowance for Loan Losses

The following tables present, as of December 31, 2018 and December 31, 2017, the total allowance for loan losses, the allowance by impairment methodology and loans by impairment methodology:

Notes to Consolidated Financial Statements

	December 31, 2018 (In thousands)						
	Real Estate						
	Commercial	Construction & Land Development	Residential	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance, December 31, 2017	$ 4,539	$ 2,232	$ 963	$ 1,184	$ 8	$ 1	$ 8,927
Charge-offs	- -	- -	(3)	(262)	- -	- -	(265)
Recoveries	- -	- -	- -	- -	- -	- -	-
Provision	1,424	119	(119)	(357)	3	(1)	1,069
Ending Balance, December 31, 2018	$ 5,963	$ 2,351	$ 841	$ 565	$ 11	$ - -	$ 9,731
Individually evaluated for impairment	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Collectively evaluated for impairment	5,963	2,351	841	565	11	- -	9,731
Loans:							
Ending Balance, December 31, 2018	$ 747,342	$ 204,986	$ 143,811	$ 65,815	$ 1,198	$ - -	$ 1,163,152
Individually evaluated for impairment	$ - -	$ - -	$ 481	$ 371	$ - -	$ - -	$ 852
Collectively evaluated for impairment	747,342	204,986	143,330	65,444	1,198	- -	1,162,300

	December 31, 2017 (In thousands)						
	Real Estate						
	Commercial	Construction & Land Development	Residential	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance, December 31, 2016	$ 4,152	$ 1,925	$ 834	$ 1,230	$ 27	$ 34	$ 8,202
Charge-offs	- -	- -	- -	(674)	- -	- -	(674)
Recoveries	- -	- -	12	7	- -	- -	19
Provision	387	307	117	621	(19)	(33)	1,380
Ending Balance, December 31, 2017	$ 4,539	$ 2,232	$ 963	$ 1,184	$ 8	$ 1	$ 8,927
Individually evaluated for impairment	$ - -	$ - -	$ - -	$ 43	$ - -	$ - -	$ 43
Collectively evaluated for impairment	4,539	2,232	963	1,141	8	1	8,884
Loans:							
Ending Balance, December 31, 2017	$ 577,016	$ 218,538	$ 135,791	$ 76,573	$ 777	$ - -	$ 1,008,695
Individually evaluated for impairment	$ - -	$ - -	$ 660	$ 473	$ - -	$ - -	$ 1,133
Collectively evaluated for impairment	577,016	218,538	135,131	76,100	777	- -	1,007,562

Impaired loans and the related allowance at December 31, 2018 and December 31, 2017, were as follows:

	December 31, 2018 (In thousands)						
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Real Estate							
Commercial	$ - -	$ - -	$ - -	$ --	$ --	$ --	$ --
Construction and land development	- -	- -	- -	--	--	--	--
Residential	481	481	- -	481	--	488	18
Commercial	371	371	- -	371	- -	599	30
Consumer	--	--	- -	--	--	--	--
Total impaired loans	$ 852	$ 852	$ - -	$ 852	$ - -	$ 1,087	$ 48

	December 31, 2017 (In thousands)						
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Real Estate							
Commercial	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Construction and land development	--	--	--	--	--	--	--
Residential	660	660	--	660	--	957	18
Commercial	473	267	206	473	43	992	--
Consumer	--	--	--	--	--	--	--
Total impaired loans	$ 1,133	$ 927	$ 206	$ 1,133	$ 43	$ 1,949	$ 18

As of December 31, 2018, $852 thousand of impaired loans were classified as troubled debt restructurings, an increase from $495 thousand as of December 31, 2017. The following table details troubled debt restructurings during the year end December 31, 2018.

	December 31, 2018 (in thousands)		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Current Recorded Investment
Real Estate			
Commercial	--	$ --	$ --
Construction and land development	--	--	--
Residential	--	--	--
Commercial	1	371	371
Consumer	--	--	--
Total	1	$ 371	$ 371

The commercial loan noted in the table above was modified by extending the maturity. During 2017, no loans were added or removed from troubled debt restructuring status. As of December 31, 2018, all loans in troubled debt restructuring status were in compliance with their modified terms and the single loan modified in a trouble debt restructuring during 2018 did not default at any point subsequent to its modification.

All troubled debt restructurings are considered impaired and impairment is determined on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. As of December 31, 2018, none of the Bank's troubled debt restructurings required the recordation of a specific reserve.

Following is a summary of past due and non-accrual loans by class as of December 31, 2018 and December 31, 2017:

December 31, 2018
(In thousands)

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90-Days Past Due and Still Accruing	Nonaccrual Loans
Real Estate								
Commercial	$ - -	$ - -	$ - -	$ - -	$ 747,342	$ 747,342	$ - -	$ - -
Construction and land development	- -	- -	- -	- -	204,986	204,986	- -	- -
Residential	- -	- -	- -	- -	143,811	143,811	- -	- -
Commercial	- -	- -	- -	- -	65,815	65,815	- -	- -
Consumer	- -	- -	- -	- -	1,198	1,198	- -	- -
Total	$ - -	$ - -	$ - -	$ - -	$ 1,163,152	$ 1,163,152	$ - -	$ - -

December 31, 2017
(In thousands)

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90-Days Past Due and Still Accruing	Nonaccrual Loans
Real Estate								
Commercial	$ 968	$ - -	$ - -	$ 968	$ 576,048	$ 577,016	$ - -	$ - -
Construction and land development	- -	- -	- -	- -	218,538	218,538	- -	- -
Residential	- -	220	166	386	135,405	135,791	- -	166
Commercial	- -	267	206	473	76,100	76,573	- -	473
Consumer	- -	- -	- -	- -	777	777	- -	- -
Total	$ 968	$ 487	$ 372	$ 1,827	$ 1,006,868	$ 1,008,695	$ - -	$ 639

Following is a summary of the Company's credit quality information for loans by class as of December 31, 2018 and 2017:

December 31, 2018
(In thousands)

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real Estate						
Commercial	$ 743,941	$ 2,401	$ 1,000	$ - -	$ --	$ 747,342
Construction and land development	197,566	431	6,989	- -	- -	204,986
Residential	143,162	649	- -	- -	- -	143,811
Commercial	65,222	222	371	- -	- -	65,815
Consumer	1,198	- -	- -	- -	- -	1,198
Total	$ 1,151,089	$ 3,703	$ 8,360	$ - -	$ - -	$ 1,163,152

December 31, 2017
(In thousands)

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real Estate						
Commercial	$ 571,145	$ 5,871	$ - -	$ - -	$ - -	$ 577,016
Construction and land development	218,107	431	- -	- -	- -	218,538
Residential	133,417	1,738	470	166	- -	135,791
Commercial	74,253	1,847	- -	473	- -	76,573
Consumer	777	- -	- -	- -	- -	777
Total	$ 997,699	$ 9,887	$ 470	$ 639	$ - -	$ 1,008,695

The Bank assesses credit quality based on internal risk rating of loans. Internal risk rating definitions are:

Pass: These include satisfactory loans which have acceptable levels of risk.

Special Mention: These loans have a potential weakness that requires management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. These credits do not expose the Bank to sufficient risk to warrant further adverse classification.

Substandard: A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as such must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified doubtful have all the weaknesses inherent in a substandard asset with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be received in the future.

Note 5. Bank Premises and Equipment

The major classes of bank premises and equipment and the total accumulated depreciation are as follows:

	December 31,	
(In thousands)	2018	2017
Leasehold improvements	$ 2,646	$ 2,337
Furniture and equipment	5,451	4,660
	$ 8,097	$ 6,997
Less accumulated depreciation	(5,245)	(4,517)
Bank premises and equipment, net	$ 2,852	$ 2,480

Depreciation expense was $828 thousand and $797 thousand for the years ended December 31, 2018 and 2017, respectively.

Pursuant to the terms of noncancelable lease agreements at December 31, 2018, pertaining to Bank premises and equipment, future minimum rent commitments under various operating leases are as follows:

(In thousands)	
2019	$ 1,724
2020	1,739
2021	1,530
2022	833
2023	663
2024 and thereafter	229
	$ 6,718

The leases contain options to extend for periods from five to ten years. The cost of such extensions are not included above.

Total rent expense amounted to $1.6 million and $1.4 million for the years ended December 31, 2018 and 2017, respectively.

Note 6. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, the Commonwealth of Virginia, the District of Columbia and the State of Maryland. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2015.

Net deferred tax assets consist of the following components as of December 31, 2018 and 2017:

(In thousands)	2018	2017
Deferred tax assets:		
Allowance for loan losses	$ 2,131	$ 1,875
Deferred loan fees	372	383
Share-based compensation expense	367	313
Unrealized losses on securities	254	178
Other	114	105
	$ 3,238	$ 2,854
Deferred tax liabilities:		
Other	$ 4	$ 30
	$ 4	$ 30
Net deferred tax assets	$ 3,234	$ 2,824

In December 2017, the Tax Cuts and Jobs Act was signed into law. Pursuant to this act, effective January 1, 2018, a permanent reduction in the maximum federal corporate income tax rate occurred, reducing the rate to 21%. As a result of the reduction in the corporate income tax rate, the Company was required to revalue its net deferred tax asset as of December 31, 2017. Accordingly, the Company recognized a $1.8 million charge to income tax expense.

The provision for income taxes charged to operations for the years ended December 31, 2018 and 2017, consists of the following:

(In thousands)	2018	2017
Current tax expense	$ 3,506	$ 6,021
Deferred tax asset adjustment for enacted change in tax rate	- -	1,804
Deferred tax (benefit)	(334)	(561)
	$ 3,172	$ 7,264

Income tax expense differs from the amount of tax determined by applying the federal income tax rate to pretax income due to the following:

(In thousands)	2018	2017
Computed "expected" tax expense	$ 3,223	$ 5,594
Increase (decrease) in income taxes resulting from:		
Bank-owned life insurance	(110)	(190)
Tax-exempt interest income	(118)	(122)
State income taxes, net of federal benefit	223	124
Deferred tax asset adjustment for enacted change in tax rate	- -	1,804
Other, net	(46)	54
	$ 3,172	$ 7,264

Note 7. Fund Restrictions and Reserve Balance

The Company must maintain a reserve against its deposits in accordance with Regulation D of the Federal Reserve Act. For the final weekly reporting period in the years ended December 31, 2018 and 2017, the aggregate amounts of daily average required balances were approximately $853 thousand and $18.2 million.

Note 8. Related Party Transactions

The Bank has had, and may be expected to have in the future, banking transactions (including loans and deposits) in the ordinary course of business with directors, principal shareholders, executive officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties), on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. At December 31, 2018 and 2017, these loans totaled $2.8 million and $5.6 million, respectively. During 2018, there were no principal additions and total principal payments were $2.8 million. None of these loans were classified as nonaccrual, past due or restructured at December 31, 2018 or 2017. Deposits of directors and executive officers totaled $19.9 million and $18.2 million at December 31, 2018 and 2017, respectively.

Note 9. Deposits

The aggregate amount of certificates of deposit with a minimum denomination of $250,000 was $235.0 million and $201.4 million at December 31, 2018 and 2017, respectively.

At December 31, 2018, the scheduled maturities of time deposits (including brokered deposits) are as follows:

(In thousands)	
2019	$ 460,286
2020	46,092
2021	28,563
2022	3,856
2023	2,629
	$ 541,426

At December 31, 2018 and 2017, overdraft demand deposits reclassified to loans totaled $99 and $2 thousand, respectively. The Company obtains certain deposits through the efforts of third-party brokers. At December 31, 2018 and 2017, brokered deposits (not including CDARS or insured cash sweep deposits ("ICS")) totaled $68.2 million and $53.2 million respectively, and were included primarily in time deposits on the Company's balance sheets. At December 31, 2018 and 2017, CDARS deposits totaled $112.2 million and $77.5 million, respectively. At December 31, 2018 and 2017, ICS deposits totaled $135.1 million and $65.3 million, respectively.

At December 31, 2018, there were no depositors that represented 5% of the Company's total deposits.

Note 10. Federal Home Loan Bank Advances and Other Borrowings

The Bank has entered into various note agreements with the Federal Home Loan Bank of Atlanta ("FHLB"). Total FHLB advances were $68.5 million and $108.5 million at December 31, 2018 and 2017, respectively. At December 31, 2018, the Company had $55.5 million in fixed-rate borrowings maturing through December 31, 2019 at a weighted average interest rate of 2.03%. The Company also had fixed-rate term borrowings maturing $12.0 million in 2020 and $1.0 million in 2021, with weighted average rates of 2.08% and 1.31%, respectively. These advances are secured by a blanket floating lien on all real estate mortgage loans secured by 1-to-4 family residential properties. Total collateral under the blanket lien amounted to approximately $199.5 million as of December 31, 2018. Total FHLB available borrowing capacity was $252.2 million at December 31, 2018. In order to access the line amount in excess of the collateral pledged, the Bank would be required to pledge additional collateral.

The Company also has federal funds lines of credit with correspondent banks available for overnight borrowing of $72.0 million. At December 31, 2018, $15.0 million was drawn on these lines.

At December 31, 2018, the Bank had the capacity borrow $38.1 million at the Federal Reserve discount window. The Bank also has a $10.0 million letter of credit with FHLB that is pledged to secure public funds as of December 31, 2018.

Note 11. Subordinated Debt

The Company completed a private placement of $25.0 million of fixed-to-floating subordinated notes on July 6, 2017. Subject to limited exceptions permitting earlier redemption, the notes may be redeemed on or after July 15, 2022. Unless redeemed earlier, the notes will mature on July 15, 2027. The notes bear a fixed rate of 5.75% to but excluding July 15, 2022, and will bear a floating rate equal to three-month LIBOR plus 388 basis points thereafter. The notes qualify as Tier 2 capital for the Company for regulatory purposes. The notes are carried at their principal amount, less unamortized issuance costs. The balance was $24.6 million and $24.5 million at December 31, 2018 and 2017, respectively. The initial debt issuance costs were $493 thousand, of which $50 thousand and $24 thousand were amortized to interest expense in 2018 and 2017, respectively.

Note 12. Other Operating Expenses

Other operating expenses in the consolidated statements of income include the following components:

(In thousands)	Years Ended December 31, 2018	2017
Advertising expense	$ 599	$ 524
Data processing	1,492	1,304
FDIC insurance	482	677
Professional fees	768	620
State franchise tax	1,226	1,050
Other operating expense	2,291	2,105
Total other operating expenses	$ 6,858	$ 6,280

Note 13. Commitments and Contingencies

In the normal course of business, there are outstanding various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. The Company does not anticipate any material losses as a result of these transactions. See Note 14 with respect to financial instruments with off-balance-sheet risk.

Note 14. Financial Instruments With Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

A summary of the contract or notional amount of the Company's exposure to off-balance-sheet risk as of December 31, 2018 and 2017 is as follows:

(In thousands)	2018	2017
Commitments to extend credit	$ 222,637	$ 196,249
Standby letters of credit	15,144	15,485

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, income-producing commercial properties, and other real estate properties.

Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. Those lines of credit may not be drawn upon to the total extent to which the Company is committed.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Note 15. Fair Value Measurements

Determination of Fair Value

The Company determines the fair values of its financial instruments based on the fair value hierarchy established by ASC Topic 820, which also clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market and in an orderly transaction between market participants on the measurement date.

The fair value measurements and disclosures topic specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

In accordance with ASC Topic 820, the following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a recurring basis in the financial statements.

Securities

Securities available-for-sale and equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity then the security would fall to the lowest level of the hierarchy (level 3).

The Company’s investment portfolio is primarily valued using fair value measurements that are considered to be level 2. The Company has contracted with a third party portfolio accounting service vendor for valuation of its securities portfolio. The vendor’s primary source for security valuation is Reuters and ICE Data Services, which evaluates securities based on market data. ICE Data Services utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance and rating to incorporate additional spreads to the industry benchmark curves.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

(In thousands) Description	Balance	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Assets:				
Securities available-for-sale				
U.S. government and federal agencies	$17,825	$ - -	$ 17,825	$ - -
Collateralized Mortgage Obligations	11,133	- -	11,133	- -
Tax-exempt municipal	2,369	- -	2,369	- -
Mortgage-backed	29,728	- -	29,728	- -
	$61,055	$ - -	$ 61,055	$ - -
Equity securities, at fair value	$ 120	$ 120	$ - -	$ - -
December 31, 2017				
Assets:				
Securities available-for-sale				
U.S. government and federal agencies	$21,491	$ - -	$ 21,491	$ - -
Collateralized Mortgage Obligations	6,289	- -	6,289	- -
Tax-exempt municipal	2,462	- -	2,462	- -
Mortgage-backed	24,457	- -	24,457	- -
	$54,699	$ - -	$ 54,699	$ - -

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances, the Company makes adjustment to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements:

Impaired Loans: Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreements will not be collected when due. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan or the fair value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the Company's collateral is real estate. The value of real estate collateral is determined utilizing a market valuation approach based on an appraisal, of one year or less, conducted by an independent, licensed appraiser using observable market data (level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the property is more than one year old and not solely based on observable market comparables or management determines the fair value of the collateral is further impaired below the appraised value, then a level 3 valuation is considered to measure the fair value. The value of business equipment is based upon an outside appraisal, of one year or less, if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (level 3). Impaired loans allocated to the allowance for loan losses are measured at fair value on a nonrecurring basis.

Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Consolidated Statements of Income. The Company had no impaired loans with a recorded reserve as of December 31, 2018. Impaired loans with a recorded reserve totaled $206 thousand, with recorded specific reserves of $43 thousand as of December 31, 2017.

Other Real Estate Owned: Other real estate owned ("OREO") is carried at the lower of carrying value or fair value less selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value using observable market data, the Company records the property as level 2. When an appraised value using observable market data is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the property as level 3 valuation. Any fair value adjustments are recorded in the period incurred and expensed against current earnings. The Company had $379 thousand in other real estate owned as of December 31, 2018 and 2017.

The following tables summarize the Bank's assets that were measured at fair value on a nonrecurring basis at December 31, 2018 and December 31, 2017.

	Fair Value Measurements at December 31, 2018				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
			(In thousands)		
Assets:					
Other real estate owned	$ 379	$ - -	$ - -	$ 379	$ 379

	Quantitative information about Level 3 Fair Value Measurements for December 31, 2018			
	Fair Value	Valuation Technique	Unobservable Input	Range
Assets:				
Other real estate owned	$ 379	Discounted appraised value	Selling Cost	0% - 10%

	Fair Value Measurements at December 31, 2017				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
			(In thousands)		
Assets:					
Impaired loans, net of valuation allowance	$ 163	$ - -	$ - -	$ 163	$ 163
Other real estate owned	$ 379	$ - -	$ - -	$ 379	$ 379

	Quantitative information about Level 3 Fair Value Measurements for December 31, 2017			
	Fair Value	Valuation Technique	Unobservable Input	Range
Assets:				
Impaired loans, net of valuation allowance	$ 163	Discounted appraised value	Selling Cost	0% - 10%
Other real estate owned	$ 379	Discounted appraised value	Selling Cost	0% - 10%

The carrying amounts and estimated fair values of the Company's financial instruments are presented in the following tables. Fair values for December 31, 2018 were estimated using an exit price notion in accordance with the prospective adoption of ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Fair values for December 31, 2017 were estimated using the guidance in effect for that period, which permitted the use of an entry price notion in the compilation of this disclosure.

	Fair Value Measurements at December 31, 2018				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
			(In thousands)		
Financial assets:					
Cash and short-term investments	$ 101,569	$ 101,569	$ - -	$ - -	$ 101,569
Federal funds sold	126	- -	126	- -	126
Securities available-for-sale	61,055	- -	61,055	- -	61,055
Securities held-to-maturity	36,177	- -	35,589	- -	35,589
Equity securities	120	120	- -	- -	120
Loans, net	1,151,724	- -	- -	1,143,801	1,143,801
Bank owned life insurance	19,617	- -	19,617	- -	19,617
Accrued interest receivable	3,623	- -	3,623	- -	3,623
Financial liabilities:					
Deposits	$ 1,138,368	$ - -	$ 1,138,816	$ - -	$ 1,138,816
Federal funds purchased	15,001	- -	15,001	- -	15,001
FHLB advances and other debt	68,500	- -	68,108	- -	68,108
Subordinated debt	24,581	- -	- -	24,270	24,270
Accrued interest payable	1,243	- -	1,243	- -	1,243

	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value Balance
	Fair Value Measurements at December 31, 2017				
			(In thousands)		
Financial assets:					
Cash and short-term investments	$ 38,129	$ 38,129	$ - -	$ - -	$ 38,129
Federal funds sold	40	- -	40	- -	40
Securities available-for-sale	54,699	- -	54,699	- -	54,699
Securities held-to-maturity	41,570	- -	41,642	- -	41,642
Loans, net	997,945	- -	- -	989,914	989,914
Bank owned life insurance	19,093	- -	19,093	- -	19,093
Accrued interest receivable	3,263	- -	3,263	- -	3,263
Financial liabilities:					
Deposits	$ 896,941	$ - -	$ 895,530	$ - -	$ 895,530
Federal funds purchased	10,001	- -	10,001	- -	10,001
FHLB advances and other debt	108,500	- -	107,927	- -	107,927
Subordinated debt	24,531	- -	- -	24,750	24,750
Accrued interest payable	996	- -	996	- -	996

Note 16. Concentration Risk

The Company maintains its cash accounts in several correspondent banks. As of December 31, 2018, deposits in excess of amounts insured by the FDIC were insignificant.

Note 17. Share Compensation Plan

The Company’s share based compensation plan, approved by stockholders and effective April 28, 2015 (the “2015 Plan”), provides for the grant of share-based awards in the form of incentive stock options, nonincentive stock options, restricted stock and restricted stock units to directors and employees. The Company has reserved 976,211 shares of common stock for issuance under the 2015 Plan, which will remain in effect until April 28, 2025. The Company’s Personnel and Compensation Committee administers the 2015 Plan and has the authority to determine the terms and conditions of each award thereunder. As of December 31, 2018, 398,865 shares are available to grant in future periods under the 2015 Plan. The number of shares reserved under the 2015 Plan includes 400,000 additional shares approved at the 2018 annual shareholders meeting in May 2018.

The Company’s previous share based compensation plan, the 2006 Stock Option Plan (the “2006 Plan”), provided for the grant of share-based awards in the form of incentive stock options and nonincentive stock options to directors and employees. As amended, the 2006 Plan provided for awards of up to 1,490,700 shares. In April 2015, the Plan was terminated and replaced with the 2015 Plan. Options outstanding prior to April 28, 2015 were granted under the 2006 Plan and shall be subject to the provisions of the 2006 Plan.

To date, options granted under the 2015 Plan vest over five years and expire ten years from the grant date. Under the 2015 Plan, shares may be granted at not less than 100 percent of the fair market value at the grant date. The maximum term for an option award is ten years from the date of grant.

A summary of the status of option awards under the Company's share based compensation plans is presented below:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at beginning of year	1,395,001	$ 7.75	
Granted	17,500	17.39	
Exercised	(43,389)	7.54	
Forfeited or expired	(11,147)	13.11	
Outstanding at end of year	1,357,965	$ 7.83	$ 9,702,289
Exercisable at end of year	1,161,445	$ 7.10	$ 9,128,290
Weighted average fair value of options granted during the year	$ 6.41		

The aggregate intrinsic value of stock options in the table above represents the total amount by which the current market value of the underlying stock exceeds the exercise price of the option that would have been received by the Company had all option holders exercised their options on December 31, 2018. The intrinsic value of options exercised was $428 thousand in 2018 and $758 thousand in 2017. This amount changes based on changes in the market value of the Company's stock. The weighted average grant date fair value of options granted in 2017 was $4.75.

Information pertaining to options outstanding at December 31, 2018 is as follows:

	Options Outstanding		Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Number Exercisable	Weighted Average Remaining Contractual Life in Years
$0.00 - $8.00	877,172	2.13	877,172	2.13
$8.01 - $9.00	11,250	4.64	11,250	4.64
$9.01 - $11.00	- -	- -	- -	- -
$11.01 - $12.00	430,106	6.29	255,811	6.27
$12.01 - $13.00	17,562	6.31	10,837	6.04
$13.01 - $14.00	6,250	7.80	2,500	7.80
$14.01 - $18.16	15,625	9.28	3,875	9.29
	1,357,965	3.63	1,161,445	3.14

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Following are the weighted average assumptions used to value options granted in 2018:

	2018
Dividend yield	0.00%
Expected life	5.90 years
Expected volatility	32.97%
Risk-free interest rate	2.83%

The expected volatility is based on historical volatility of the Company's stock. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on the average of the contractual life and vesting schedule. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

For the years ended December 31, 2018 and 2017, share-based compensation expense applicable to the Company's share based compensation plans for stock options was $339 thousand and $315 thousand, respectively.

As of December 31, 2018, unrecognized share-based compensation expense related to nonvested options amounted to $432 thousand. This amount is expected to be recognized over a weighted-average period of 1.2 years.

A summary of the status of restricted stock awards under the 2015 Plan is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2018	85,007	$ 16.41
Granted	38,150	17.75
Vested	(34,582)	16.58
Forfeited	(2,175)	16.42
Nonvested at December 31, 2018	86,400	$ 16.93

Compensation expense for restricted stock grants is recognized over the vesting period of the awards based on the fair value of the stock at issue date. The fair value of the stock was determined using the closing stock price on the day of grant. To date, restricted stock grants vest over three years. The weighted average grant date fair value of restricted stock grants in 2017 was $16.41 per share.

For the years ended December 31, 2018 and 2017, share-based compensation expense applicable to the Company's share based compensation plans for restricted stock grants was $657 thousand and $437 thousand, respectively. The total fair value of the shares which vested during 2018 was $616 thousand.

As of December 31, 2018, unrecognized share-based compensation expense related to nonvested restricted stock grants amounted to $943 thousand. This amount is expected to be recognized over a weighted-average period of 1.6 years.

Note 18. Earnings Per Common Share

Earnings per common share is calculated in accordance with ASC 260, "Earnings Per Share," which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method.

Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method.

Earnings per common share were computed based on the following for the years ended December 31, 2018 and 2017:

Earnings per common share - basic:	**2018**	**2017**
Income available to common shareholders (in thousands):		
Net income	$ 12,174	$ 8,984
Less: Income attributable to unvested restricted stock awards	(73)	(56)
Net income available to common shareholders	$ 12,101	$ 8,928
Weighted-average shares outstanding:		
Common shares outstanding, including unvested restricted stock	12,860,692	12,796,602
Less: Unvested restricted stock	(76,975)	(80,603)
Weighted-average common shares outstanding - basic	12,783,717	12,715,999
Earnings per common share - basic	$ 0.95	$ 0.70

Earnings per common share - diluted:		
Income available to common shareholders (in thousands):	**2018**	**2017**
Net income	$ 12,174	$ 8,984
Less: Income attributable to unvested restricted stock awards	(69)	(53)
Net income available to common shareholders	$ 12,105	$ 8,931
Weighted-average shares outstanding:		
Common shares outstanding, including unvested restricted stock	12,860,692	12,796,602
Less: Unvested restricted stock	(76,975)	(80,603)
Plus: Effect of dilutive options	748,141	770,451
Weighted-average common shares outstanding - diluted	13,531,858	13,486,450
Earnings per common share - diluted	$ 0.89	$ 0.66

Note 19. Minimum Regulatory Capital Requirements

Banks and bank holding companies are subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. The Basel III Capital Rules became effective January 1, 2015, subject to a phase-in period extending through January 1, 2019.

In 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act directed the Federal Reserve Board to revise the Small Bank Holding Company Policy Statement to raise the total consolidated asset limit in the Policy Statement from $1 billion to $3 billion. The Company was previously required to comply with the minimum capital requirements on a consolidated basis; however, the Company met the conditions of the revised policy statement and was, therefore, exempt from the consolidated capital requirements at December 31, 2018.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), common equity tier 1 ("CET 1") to risk-weighted assets (as defined in the regulations) and of Tier 1 capital to average assets (as defined in the regulations). Management believes, as of December 31, 2018 and 2017, that the Company and Bank met all capital adequacy requirements to which they were subject.

In addition to the minimum regulatory capital required for capital adequacy purposes the Bank is required to maintain a minimum Capital Conservation Buffer above those minimums in the form of common equity, in order to avoid restrictions on capital distributions and discretionary bonuses. The Capital Conservation Buffer increased to 1.875% on January 1, 2018 and increased by 0.625% on January 1, 2019 to the fully phased-in percentage of 2.5%, and is applicable for the Common Equity Tier 1, Tier 1, and Total Capital Ratios. The Bank's institution specific capital conservation buffer was 5.83% at December 31, 2018.

As of December 31, 2018, the most recent notification from the Federal Reserve Bank categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the institution must maintain minimum total risk-based, Common Equity Tier 1, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since the notification that management believes have changed the Bank's category.

The actual capital amounts and ratios are presented in the table below as of December 31, 2018 and 2017.

	Actual		Minimum Capital Requirement[1]		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of December 31, 2018:						
Total Capital (to Risk Weighted Assets)						
Bank	$ 176,154	13.8%	$ 125,752	9.88%	$ 127,344	10.0%
Tier 1 Capital (to Risk Weighted Assets)						
Bank	$ 166,187	13.1%	$ 100,283	7.88%	$ 101,875	8.0%
CET 1 Capital (to Risk Weighted Assets)						
Bank	$ 166,187	13.1%	$ 81,181	6.38%	$ 82,773	6.5%
Tier 1 Capital (to Average Assets)						
Bank	$ 166,187	12.3%	$ 54,156	4.00%	$ 67,695	5.0%
As of December 31, 2017:						
Total Capital (to Risk Weighted Assets)						
Company	$ 163,138	14.5%	$ 103,959	9.25%	N/A	N/A
Bank	$ 148,832	13.3%	$ 103,898	9.25%	$ 112,323	10.0%
Tier 1 Capital (to Risk Weighted Assets)						
Company	$ 129,427	11.5%	$ 81,481	7.25%	N/A	N/A
Bank	$ 139,652	12.4%	$ 81,433	7.25%	$ 89,858	8.0%
CET 1 Capital (to Risk Weighted Assets)						
Company	$ 129,427	11.5%	$ 64,623	5.75%	N/A	N/A
Bank	$ 139,652	12.4%	$ 64,585	5.75%	$ 73,009	6.5%
Tier 1 Capital (to Average Assets)						
Company	$ 129,427	11.0%	$ 46,995	4.00%	N/A	N/A
Bank	$ 139,652	11.8%	$ 46,994	4.00%	$ 58,743	5.0%

[1] Including Capital Conservation Buffer

Note 20. Restrictions on Dividends

The Bank is subject to certain restrictions on the amount of dividends that it may pay without prior regulatory approval. At December 31, 2018, the Bank had $30.6 million available to dividend to the Company.

Note 21. Benefit Plans

Effective August 1, 2006, the Company adopted a contributory 401(k) savings plan (the “401(k) Plan”) covering substantially all employees. Eligible employees may elect to defer a portion of their compensation to the 401(k) Plan. The Board of Directors may elect to match a portion of each employee’s contribution. Contributions of $434 thousand were made by the Company for the year ended December 31, 2018 and $377 thousand were made by the Company in 2017.

In late 2017, the Company approved a deferred compensation plan that provides key employees an additional way to defer their salary on a pre-tax basis. Key employees are defined as Executive Officers (as defined by Regulation O). Board members may also participate in the Plan to defer their board fees. The Plan is voluntary and not subject to IRS/DOL discrimination testing. Substantial participation of parties eligible to contribute in the plan did not commence until 2018. As of December, 31, 2018 the deferred compensation liability was $120 thousand and was recorded in other liabilities on the Consolidated Balance Sheet. In 2018 and 2017, the Company made no matching contributions to this benefit plan.

Note 22. Low Income Housing Tax Credit Investments

The Company has invested in six separate housing equity funds as of December 31, 2018 and 2017. The general purpose of these funds is to encourage and assist participate in investing low-income residential rental properties located in the Commonwealth of Virginia, develop and implement strategies to maintain project as low-income housing, deliver Federal Low Income Housing Credits to investors, allocate tax losses and other possible tax benefits to investors, and to preserve and protect project assets. The investments in these funds were recorded as other assets on the Company's balance sheets and were $4.3 million and $4.8 million at December 31, 2018 and 2017, respectively. The expected terms of these investments and the related tax benefits run through 2033. The net impact of amortization of the investments, tax credits and other tax benefits recognized as a component of income tax expense in the Consolidated Statements of Income during the years ended December 31, 2018 and 2017, was a benefit of $75 thousand and $23 thousand, respectively. Additional capital calls expected for the funds totaled $1.9 million and $3.0 million at December 31, 2018 and 2017, respectively, and are included in other liabilities on the Company's balance sheets.

Note 23. Accumulated Other Comprehensive Loss

The following table presents the changes in accumulated other comprehensive loss, by category, net of tax for the periods presented:

	Year ended December 31, 2018		
	Unrealized Losses on Available-for-Sale Securities	Unrealized Losses on Securitites Transferred from Available-for-Sale Securities to Held-to-Maturity	Accumulated Other Comprehensive loss
		(In thousands)	
Beginning balance	$ (558)	$ (113)	$ (671)
Net change during the year	(329)	45	(284)
Ending balance	$ (887)	$ (68)	$ (955)

	Year ended December 31, 2017		
	Unrealized Losses on Available-for-Sale Securities	Unrealized Losses on Securitites Transferred from Available-for-Sale Securities to Held-to-Maturity	Accumulated Other Comprehensive loss
		(In thousands)	
Beginning balance	$ (345)	$ (112)	$ (457)
Net change during the year	(120)	$ 18	(102)
Reclassification of stranded tax effects from enacted change in tax rate	(93)	(19)	(112)
Ending balance	$ (558)	$ (113)	$ (671)

There were no items reclassified out of accumulated other comprehensive loss to net income during 2018. Items reclassified out of accumulated other comprehensive loss to net income during

2017 consisted of net gains on sales and calls of securities. In 2017, net gains on these sales or calls were $76 thousand and their related tax was $26 thousand. Gains on sales and calls are reflected in gain on sales and calls of securities and the related tax is presented as income tax expense, in the Consolidated Statements of Income.

Note 24. Revenue

On January 1, 2018, the Company adopted ASU No. 2014-09, “Revenue from Contracts with Customers: Topic 606,” and all subsequent amendments to the ASU No. 2014-09. Using Topic 606 guidelines, the Company concluded that Topic 606 applies to noninterest income excluding certain out-of-scope revenue streams (e.g. gains on securities transactions, bank owned life insurance income, etc.).

The majority of the Company’s noninterest income is derived from short term contracts associated with services provided for deposit accounts and other ancillary services and is being accounted for in accordance with Topic 606. Typically, the duration of a contract does not extend beyond the services performed. Due to the short duration of most customer contracts which generate noninterest income, no significant judgments must be made in the determination of the amount and timing of revenue recognized. The Company’s performance obligations on revenue generated from deposit accounts and other services are generally satisfied immediately, when the transaction occurs, or by month-end.

Noninterest income disaggregated by major source, for the years ended December 31, 2018 and 2017, consisted of the following:

	Years Ended December 31,	
	2018	2017
Noninterest income (in thousands)		
Service charges on deposit accounts[1]:		
Overdrawn account fees	$ 142	$ 91
ATM fees	190	155
Monthly service fees	165	128
Other service charges	11	9
Other service charges and fees[1]:		
Interchange income	53	47
Other charges and fees	141	58
Bank owned life insurance	525	553
Gain on sales and calls of securities	- -	134
Other operating income[2]	10	54
Total noninterest income	$ 1,237	$ 1,229

[1] Income within the scope of Topic 606.

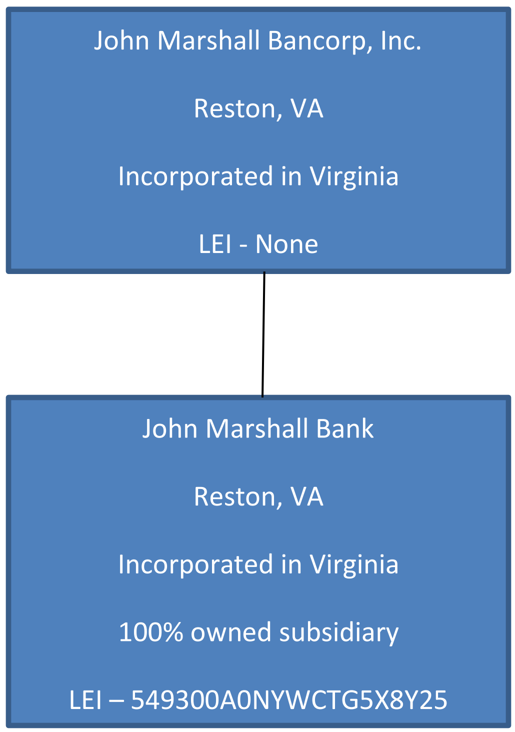
[2] For 2018, includes other income within the scope of Topic 606 amounting to $27 thousand and a loss of $17 thousand related to the fair value adjustment of equity securities carried at fair value, which is outside the scope of ASC 606. For 2017, includes other income within the scope of Topic 606 amounting to $54 thousand.

Note 25. Subsequent Events

The Company evaluates subsequent events that have occurred after the balance sheet date but before the financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including estimates inherent in the process of preparing financial statements, and (2) nonrecognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Subsequent events were evaluated through March 11, 2019, the date the financial statements were issued.

Form FR Y-6
John Marshall Bancorp, Inc.
Reston, Virginia
Fiscal Year Ending December 31, 2018

Report Item 2.a.: **Organizational Chart**



Form FR Y-6
John Marshall Bancorp, Inc.
Reston, Virginia
Fiscal Year Ending December 31, 2018

Report Item 2.b.: **Domestic Branch Listing**

See attached report.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSI	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*
OK		Full Service (Head Office	3419416	JOHN MARSHALL BANCORP, INC RESTON BRANCH	1943 ISAAC NEWTON SQUARE, SUITE 150	RESTON	VA	20190	FAIRFAX	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416
OK		Full Service	4053198	DISTRICT OF COLUMBIA BRANCH	1401 H STREET, NW SUITE 702	WASHINGTON	DC	20005	DISTRICT OF COLUMBIA	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416
OK		Full Service	3834925	ROCKVILLE BRANCH	11 N. WASHINGTON STREET, SUITE 100	ROCKVILLE	MD	20850	MONTGOMERY	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416
OK		Full Service	4520766	ALEXANDRIA BRANCH	640 FRANKLIN STREET	ALEXANDRIA	VA	22314	ALEXANDRIA CITY	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416
OK		Full Service	3938382	ARLINGTON BRANCH	2300 WILSON BOULEVARD	ARLINGTON	VA	22201	ARLINGTON	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416
OK		Full Service	3874958	LEESBURG BRANCH	842 SOUTH KING STREET	LEESBURG	VA	20175	LOUDOUN	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416
OK		Full Service	5307478	TYSONS CORNER BRANCH	8229 BOONE BOULEVARD, SUITE 102	TYSONS	VA	22182	FAIRFAX	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416
OK		Full Service	5356805	WOODBRIDGE BRANCH	14130 NOBLEWOOD PLAZA, SUITE 201	WOODBRIDGE	VA	22193	PRINCE WILLIAM	UNITED STATES	Not Required	Not Required	JOHN MARSHALL	3419416

Form FR Y-6
John Marshall Bancorp, Inc.
Reston, Virginia
Fiscal Year Ending December 31, 2018

Report Item 3: Security Holders
1 (a)(b)(c) and 2(a)(b)(c)

<table>
<tr><td colspan="3">Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2018</td><td colspan="3">Current securities holders not listed in 3(1)(a) through 3(1)(c) with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2018</td></tr>
<tr><td>1a
Name,
City, State
Country</td><td>1b
Country of
Citizenship or
Incorporation</td><td>1c
Number and percentage of each class of voting securities</td><td>2a
Name,
City, State
Country</td><td>2b
Country of
Citizenship or
Incorporation</td><td>2c
Number and percentage of each class of voting securities</td></tr>
<tr><td colspan="3">N/A – No securities holders had ownership, control or holdings of 5% or more with power to t vote as of 12/31/2018</td><td colspan="3">N/A – No securities holders had ownership, control or holdings of 5% or more with power to t vote as of 12/31/2018</td></tr>
</table>

Form FR Y-6
John Marshall Bancorp, Inc.
Reston, Virginia
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders

See attached report.

(1) Name, City, State, Country	(2) Principal occupation, if other than with the Holding Company	(3a) Title & Position with the Holding Company	(3b) Title & Position with Subsidiaries	(3c) Title & Position with other Businesses	(4a) Percentage of Voting Shares in the Holding Company	(4a) Percentage of Voting Shares in Subsidaries	(4b) List names of ther companies if 25% or more of voting securities are held
John Maxwell Ashburn, VA USA	N/A	Executive Chairman of the Board	Executive Chairman of the Board	N/A	1.98%	None	N/A
Christopher Bergstrom Woodbridge, VA USA	N/A	Director, Chief Executive Officer	Director, President & Chief Executive Officer	N/A	0.19%	None	N/A
William Ridenour Clifton, VA USA	N/A	Chief Banking Officer and President	Senior EVP & Chief Banking Officer	N/A	0.24%	None	N/A
Carl Dodson Leesburg, VA USA	N/A	Chief Risk Officer, Assistant Secretary to the Board and President	Chief Operating Officer and Senior Executive Vice President	N/A	0.39%	None	N/A
Kent Carstater Vienna, VA USA	N/A	Chief Financial Officer and Executive Vice President	Chief Financial Officer and Executive Vice President	N/A	0.10%	None	N/A
Andy Peden Vienna, VA USA	N/A	N/A	Chief Lending Officer and Executive Vice President	N/A	0.05%	None	N/A
Jennifer Manning Ashburn, VA USA	N/A	Chief Accounting Officer and Senior Vice President	Chief Accounting Officer and Senior Vice President	N/A	0.00%	None	N/A
Philip Allin Centreville, VA USA	Business Owner	Director	N/A	EVP - Interiors by Guernsey, Chairman and CEO - System Furniture Gallery, Inc.	1.19%	None	Supplies Express Inc., 100% Systems Furniture Gallery, Inc., 100% Office Outfitters Inc., 100%
Philip Chase Alexandria, VA USA	Business Owner	Director	N/A	CFO - NT Concepts	0.68%	None	Synergis LLC, 100%
Jean Edelman Great Falls, VA USA	Consultant	Director	N/A	Consultant, Edelman Financial Engines	2.13%	None	N/A
Michael Foster Arlington, VA USA	Business Owner	Director	N/A	Founder and President - MTFA Acrhitecture	2.22%	None	MTFA Architecture, Inc., 100% MTFA Architecture, PLLC, 44% Richmond Highway Inv., LLC, 50%
Michael Garcia Woodbridge, VA	Business Owner	Director	N/A	Founder and President - Mike Garcia Construction	0.00%	None	Mike Garcia Construction - 100% Glen Office I Building LLC - 33 1/3% G&L

(1) Name, City, State, Country	(2) Principal occupation, if other than with the Holding Company	(3a) Title & Position with the Holding Company	(3b) Title & Position with Subsidiaries	(3c) Title & Position with other Businesses	(4a) Percentage of Voting Shares in the Holding Company	(4a) Percentage of Voting Shares in Subsidaries	(4b) List names of ther companies if 25% or more of voting securities are held
USA							Enterprices LLC - 50% Garcia Family LLC - 33 1/3% MAG Building, LLC - 45% NVSGB LLC - 50% Digital Daycare LLC - 50% Battletech LLC - 50% Traingle Office Building LLC - 35% Triance Office Building II LLC - 35% Triange Land Co, LLC - 35% HB Investments LLC - 33 1/3% Hornbaker Investments LLC - 50% 16732 River Ridge LLC - 25% Parsons Business Park, LLC - 25% 4001 Prince William Parkway, LLC - 25%
Subhash Garg McLean, VA USA	Business Owner, CPA	Director	N/A	Co-founder and Principal - Wiener & Garg, LLC	1.59%	None	Wiener & Garg, LLC, 50% Garg Family, LLC, 100% Subhash K Garg PC 100%

(1) Name, City, State, Country	(2) Principal occupation, if other than with the Holding Company	(3a) Title & Position with the Holding Company	(3b) Title & Position with Subsidiaries	(3c) Title & Position with other Businesses	(4a) Percentage of Voting Shares in the Holding Company	(4a) Percentage of Voting Shares in Subsidiaries	(4b) List names of ther companies if 25% or more of voting securities are held
Ronald Gordon Arlington, VA USA	Business Owner	Director	N/A	Chairman and CEO - ZGS Communications	1.03%	None	ZGS Communications, 75%, Hartford Studios LLC, 65%, ZGS Tampa Studios, 60%
Jonathan Kinney Arlington, VA USA	Business Owner, Lawyer	Director	N/A	Bean, Kinney & Korman, PC	3.77%	None	See attachment.
O. Leland Mahan Leesburg, VA USA	Business Owner, Lawyer	Director	N/A	Senior Partner - Hall, Monahan, Engle, Mahan & Mitchell	0.53%	None	O. Leland Mahan, P.C., 100% Hall, Monahan, Engle, Mahan & Mitchell, 33%
Lim Nguonly Vienna, VA USA	Business Owner	Director	N/A	Founder and President - Princess Jewelers	1.57%	None	Ngounly Corporation, 25% 527 Maple LLC, 25% 3308 Williams LLC, 75% Women's Premier Fitness Inc., 25%
					17.65%		

Jonathan C. Kinney Interests in Partnerships, Corporations, Business Trusts and Limited Liability Companies that Exceed 25% Ownership Interest

March, 2019

Entity	Percentage Interest
Arlington Corporation, The	100%
Ballston Metro Park, Inc.	33.33%
Bowen Grove Associates, LLC	49%
Butterwood Creek, LLC	100%
Central Virginia Power & Light, LLC	100%
Charles City, LLC	100%
Chesapeake Marine Science Institute, BT	100%
Coastal Virginia Oil & Gas, LLC	100%
Columbia Hill, LLC	49%
Commonwealth Corporation, The	66.7%
Denali Associates, LLC	27.17%
Eastern Virginia Health Services Agency, LLC	100%
Great Falls Village Green Associates, LLC	27%
Jack Jouett Associates, LLC	38%
KCF, LLC	100%
K-F Associates, L.C.	33%
New Lexington, L.L.C.	43%
Poropotank Bay, LLC	33.33%
Providence Forge, LLC	50%
Red Hill, L.L.C.	35%
Rose & Crown, LLC	50%
Seneca Corporation of Virginia	67%
Taft Associates, a Virginia land trust	65%
The Jefferson Institute, LLC	50%
Tranz America, LLC	100%
Tranz Atlantic, LLC	100%
Tranz Chesapeake, LLC	100%
Tranz Commonwealth, LLC	100%
Tranz Dakota, LLC	100%
Tranz Dominion, LLC	100%
Tranz Potomac, LLC	100%
Tranz Victoria, LLC	100%
Tranz Virginia, LLC	100%
Trust for the First Nations, BT	50%
University of the Chesapeake, LLC	100%
University of the Commonwealth, LLC	100%
University of the Virginias, LLC	100%
Virginia Opportunity Fund	100%
Westmoreland Area Regional Transit Service, LLC	100%