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

3/17/2020
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, 2019
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 Issac Newton Square, Site 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 Accounting Offcr
Name	Title

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

703-5840859
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."

JOHN MARSHALL BANCORP, INC.

Reston, Virginia

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019, 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 17, 2020 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 17, 2020

JOHN MARSHALL BANCORP, INC.

Consolidated Balance Sheets

December 31, 2019 and 2018

(In thousands, except share and per share data)

	2019	2018
Assets		
Cash and due from banks	$ 7,471	$ 7,853
Interest-bearing deposits in banks	87,019	93,716
Federal funds sold	- -	126
Securities available-for-sale, at fair value	122,729	61,055
Securities held-to-maturity, fair value of $35,589 in 2018	- -	36,177
Restricted securities, at cost	7,188	7,283
Equity securities, at fair value	431	120
Loans, net of unearned income	1,325,532	1,161,455
Allowance for loan losses	(10,756)	(9,731)
Net loans	1,314,776	1,151,724
Bank premises and equipment, net	2,318	2,852
Accrued interest receivable	4,010	3,623
Bank owned life insurance	20,118	19,617
Other real estate owned	- -	379
Right of use assets	7,254	- -
Other assets	8,569	10,096
Total Assets	$ 1,581,883	$ 1,394,621
Liabilities		
Deposits:		
Non-interest bearing demand deposits	$ 273,459	$ 222,299
Interest bearing demand deposits	428,529	367,656
Savings deposits	29,208	6,987
Time deposits	577,508	541,426
Total deposits	1,308,704	1,138,368
Federal funds purchased	12,000	15,001
Federal Home Loan Bank advances	62,000	68,500
Subordinated debt, net of unamortized issuance costs	24,630	24,581
Accrued interest payable	1,106	1,243
Lease liabilities	7,474	- -
Other liabilities	3,987	4,910
Total liabilities	1,419,901	1,252,603
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, 13,127,661 in 2019 including 51,548 unvested shares, 12,900,125 in 2018 including 86,400 unvested shares	131	128
Additional paid-in capital	87,435	85,127
Retained earnings	73,639	57,718
Accumulated other comprehensive income (loss)	777	(955)
Total shareholders' equity	161,982	142,018
Liabilities and Shareholders' Equity	$ 1,581,883	$ 1,394,621

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.
Consolidated Statements of Income
Years Ended December 31, 2019 and 2018
(In thousands, except per share data)

	2019	2018
Interest and Dividend Income		
Interest and fees on loans	$ 63,920	$ 53,716
Interest on investment securities, taxable	2,528	1,757
Interest on investment securities, tax-exempt	135	330
Dividends	424	470
Interest on federal funds sold	1	1
Interest on deposits in banks	1,982	1,616
Total interest and dividend income	68,990	57,890
Interest Expense		
Deposits	17,817	11,307
Federal Home Loan Bank advances	1,015	1,393
Subordinated debt	1,487	1,487
Other short-term borrowings	3	3
Total interest expense	20,322	14,190
Net interest income	48,668	43,700
Provision for loan losses	1,170	1,069
Net interest income after provision for loan losses	47,498	42,631
Noninterest Income		
Service charges on deposit accounts	556	508
Bank owned life insurance	501	525
Other service charges and fees	180	194
Gain on sales and calls of securities	14	- -
Other operating income	84	10
Total noninterest income	1,335	1,237
Noninterest Expenses		
Salaries and employee benefits	18,012	18,327
Occupancy expense of premises	2,179	2,030
Furniture and equipment expenses	1,420	1,307
Other operating expenses	7,090	6,858
Total noninterest expenses	28,701	28,522
Income before income taxes	20,132	15,346
Income tax expense	4,211	3,172
Net income	$ 15,921	$ 12,174
Earnings Per Common Share		
Basic	$ 1.22	$ 0.95
Diluted	$ 1.17	$ 0.89

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2019 and 2018

(In thousands)

	2019	2018
Net income	$ 15,921	$ 12,174
Other comprehensive income (loss):		
Unrealized gain (loss) on available for sale securities, net of tax of $445 and $(87)	1,675	(329)
Reclassification adjustment for gains on available-for-sale securities included in net income, net of tax $(3) and $--	(11)	- -
Amortization of unrealized losses on securities transferred to held-to-maturity, net of tax of $18 and $12	68	45
Total other comprehensive income (loss)	1,743	(284)
Total comprehensive income	$ 17,664	$ 11,890

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2019 and 2018

	Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
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
Net income	- -	- -	- -	15,921	- -	15,921
Other comprehensive income	- -	- -	- -	- -	1,732	1,732
Exercise of stock options	230,625	2	1,510	- -	- -	1,512
Restricted stock vesting, net of 4,362 shares surrendered	31,763	1	(69)	- -	- -	(68)
Share-based compensation	- -	- -	867	- -	- -	867
Balance, December 31, 2019	13,076,113	$ 131	$ 87,435	$ 73,639	$ 777	$ 161,982

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

(In thousands)

	2019	2018
Cash Flows from Operating Activities		
Net income	$ 15,921	$ 12,174
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,735	1,285
Provision for loan losses	1,170	1,069
Share-based compensation expense	867	996
Net amortization of securities	387	696
Fair value adjustment on equity securities	(40)	17
Amortization of debt issuance costs	49	50
Gains on sales and calls of available-for-sale securities	(14)	- -
Deferred tax expense (benefit)	261	(334)
Increase in cash surrender value of life insurance	(501)	(524)
Changes in assets and liabilities:		
Increase in accrued interest receivable	(387)	(360)
Decrease (increase) in other assets	220	(733)
(Decrease) increase in accrued interest payable	(137)	247
Decrease in other liabilities	(2,056)	(279)
Net cash provided by operating activities	$ 18,475	$ 14,304
Cash Flows from Investing Activities		
Decrease (increase) in interest bearing deposits in banks	$ 6,697	$ (62,843)
Net increase in loans	(164,222)	(154,848)
Purchase of available-for-sale securities	(60,034)	(18,465)
Proceeds from sales of available-for-sale securities	10,763	- -
Proceeds from maturities, calls and principal repayments of available-for-sale securities	21,389	11,414
Proceeds from maturities, calls and principal repayments of held-to-maturity securities	4,204	5,032
Net redemption of restricted securities	95	1,164
Purchase of equity securities	(271)	(137)
Purchase of other investments	- -	(430)
Decrease (increase) in federal funds sold	126	(86)
Proceeds from sale of other real estate owned	379	- -
Purchases of bank premises and equipment	(262)	(1,200)
Net cash used in investing activities	$ (181,136)	$ (220,399)

See Notes to Consolidated Financial Statements.

JOHN MARSHALL BANCORP, INC.

Consolidated Statements of Cash Flows (continued)

Years Ended December 31, 2019 and 2018

(In thousands)

	2019	2018
Cash Flows from Financing Activities		
Net increase in deposits	$ 170,336	$ 241,427
Net repayment of FHLB advances	(6,500)	(40,000)
(Decrease) increase in federal funds purchased	(3,001)	5,000
Issuance of common stock	1,512	328
Repurchase of shares for tax withholding on vested restricted stock awards	(68)	(63)
Net cash provided by financing activities	$ 162,279	$ 206,692
Net (decrease) increase in cash and cash equivalents	$ (382)	$ 597
Cash and cash equivalents at beginning of period	7,853	7,256
Cash and cash equivalents at end of period	$ 7,471	$ 7,853
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 20,459	$ 13,943
Income taxes	$ 2,749	$ 2,330
Supplemental Disclosures of Noncash Transactions		
Unrealized gain (loss) on securities available for sale	$ 2,106	$ (416.0)
Amortization of unrealized loss on securities transferred to held to maturity	$ 86	$ 57.0
Securities transferred from held-to-maturity to available-for-sale	$ 31,976	$ - -
Initial recognition of right-of-use assets	$ 9,621	$ - -
Lease liabilitied recognized in obtaining right-of-use assets	$ 9,751	$ - -
Remeasurement of lease liabilities and right-of-use assets resulting from lease modifications	$ (938)	$ - -

See 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% of the total portfolio at December 31, 2019 and 2018. 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. 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.

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 as a separate component of shareholders' equity and in the carrying value of the held-to-maturity securities. Such amounts are amortized over the remaining contractual lived of the securities. Transfers of debt securities into held-to-maturity classification from the available-for-sale classification are recorded at fair value, with the unrealized holding gain or loss at the date of the transfer reported in other comprehensive income.

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 transactions 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 nonimpaired 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 unless the loan has been modified in a troubled debt restructuring.

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 certain. 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 no other real estate owned as of December 31, 2019. The Company had $379 thousand in other real estate owned consisting of one commercial real estate property as of December 31, 2018. At December 31, 2019 and 2018, 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, 2019 or 2018.

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 $393 thousand and $599 thousand for the years ended December 31, 2019 and 2018, 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 16. 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.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 business entities that meet the definition of a U.S. Securities and Exchange Commission (SEC) filer, excluding smaller reporting companies, the standard is effective for fiscal years beginning after December 15, 2019, including interim periods in those fiscal years. All other entities will be required to apply the guidance for fiscal years, and interim periods within those years, beginning after December 15, 2022. The Company is currently assessing the impact that ASU 2016-13 will have on its consolidated financial statements. The Company has contracted with a third party consultant and service provider to assist in developing and appropriate model that will be in conformance with the guidance.

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. The Company does not expect the adoption of ASU 2018-13 to have a material impact on its consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." This ASU clarifies and improves areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement including improvements resulting from various Transition Resource Group (TRG) Meetings. The effective date of each of the amendments depends on the adoption date of ASU 2016-01, ASU 2016-13, and ASU 2017-12. The Company is currently assessing the impact that ASU 2019-04 will have on its consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, "Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief." The amendments in this ASU provide entities that have certain instruments within the scope of Subtopic 326-20 with an option to irrevocably elect the fair value option in Subtopic 825-10, applied on an instrument-by-instrument basis for eligible instruments, upon the adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. An entity that elects the fair value option should subsequently measure those instruments at fair value with changes in fair value flowing through earnings. The effective date and transition methodology for the amendments in ASU 2019-05 are the same as in ASU 2016-13. The Company is currently assessing the impact that ASU 2019-05 will have on its consolidated financial statements.

In November 2019, the FASB issued ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses." This ASU addresses issues raised by stakeholders during the implementation of ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." Among other narrow-scope improvements, the new ASU clarifies guidance around how to report expected recoveries. "Expected recoveries" describes a situation in which an organization recognizes a full or partial write-off of the amortized cost basis of a financial asset, but then later determines that the amount written off, or a portion of that amount, will in fact be recovered. While applying the credit losses standard, stakeholders questioned whether expected recoveries were permitted on assets that had already shown credit deterioration at the time of purchase (also known as PCD assets). In response to this question, the ASU permits organizations to record expected recoveries on PCD assets. In addition to other narrow technical improvements, the ASU also reinforces existing guidance that prohibits organizations from recording negative allowances for available-for-sale debt securities. The ASU includes effective dates and transition requirements that vary depending on whether or not an entity has already adopted ASU 2016-13. The Company is currently assessing the impact that ASU 2019-11 will have on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes." The ASU is expected to reduce cost and complexity related to the accounting for income taxes by removing specific exceptions to general principles in Topic 740 (eliminating the need for an organization to analyze whether certain exceptions apply in a given period) and improving financial statement preparers' application of certain income tax-related guidance. This ASU is part of the FASB's simplification initiative to make narrow-scope simplifications and improvements to accounting standards through a series of short-term projects. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact that ASU 2019-12 will have on its consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, "Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." The ASU is based on a consensus of the Emerging Issues Task Force and is expected to increase comparability in accounting for these transactions. ASU 2016-01 made targeted improvements to accounting for financial instruments, including providing an entity the ability to measure certain equity securities without a readily determinable fair value at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Among other topics, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting. For public business entities, the amendments in the ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2020-01 to have a material impact on its consolidated financial statements.

Note 2. Securities

The amortized cost and fair values of securities available-for-sale as of December 31, 2019 and 2018 were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	2019			
U.S government and federal agencies	$ 36,003	$ 240	$ (189)	$ 36,054
Corporate bond	1,000	- -	- -	1,000
Collateralized Mortgage Obligations	12,561	214	- -	12,775
Tax-exempt municipal	3,912	121	- -	4,033
Taxable municipal	5,052	60	(5)	5,107
Mortgage-backed	63,217	758	(215)	63,760
	$ 121,745	$ 1,393	$ (409)	$ 122,729
	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

Prior to the second quarter of 2019, the Company classified debt securities in its portfolio as either available-for-sale or held-to-maturity. During the second quarter of 2019, the Company transferred all of its securities included in the held-to-maturity classification to the available-for-sale classification. The held-to-maturity securities were comprised of municipal, agency mortgage-backed, and U.S. agency bonds. The transfer enabled the Company to sell certain lower tax equivalent yield municipal bonds and reinvest the proceeds in higher yielding agency bonds. At the time of transfer, the securities had a fair value of $31.9 million and an amortized cost of $32.0 million. This resulted in an unrealized loss of $95 thousand, with a net of tax amount of $75 thousand included in accumulated other comprehensive income (loss) at the date of reclassification.

There were no securities classified as held-to-maturity at December 31, 2019. The amortized cost and fair values of the securities held-to-maturity as of December 31, 2018 were as follows:

	Held-to-Maturity			
(In thousands)	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

The amortized cost and fair value of securities available-for-sale as of December 31, 2019, 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	
(In thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 3,108	$ 3,113
Due after one year through five years	12,480	12,532
Due after five years through ten years	44,380	44,770
Due after ten years	61,777	62,314
	$ 121,745	$ 122,729

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, 2019 and 2018.

	Less Than 12 Months		12 Months or Longer	
(In thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
2019				
U.S. government and federal agencies	$ 170	$ 12,061	$ 19	$ 7,005
Collateralized Mortgage Obligations	- -	- -	- -	- -
Taxable municipal	5	499	- -	- -
Tax-exempt municipal	- -	- -	- -	- -
Mortgage-backed	119	16,958	96	8,969
	$ 294	$ 29,518	$ 115	$ 15,974
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

U.S. Government and Federal Agencies

The unrealized losses in seventeen and eighteen investments in direct obligations of U.S. government agencies at December 31, 2019 and 2018, 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 did not consider those investments to be other-than-temporarily impaired at December 31, 2019 or 2018.

Collateralized Mortgage Obligation Securities

There were no collateralized mortgage obligation securities with unrealized losses at December 31, 2019. The unrealized losses on the Company's investment in four collateralized mortgage obligation securities at December 31, 2018, 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 did not consider those investments to be other-than-temporarily impaired at December 31, 2018.

Municipal Securities

The unrealized losses in one and twenty-four investments in municipal securities at December 31, 2019 and 2018, 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 did 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 did not consider those investments to be other-than-temporarily impaired at December 31, 2019 or 2018.

Mortgage-Backed Securities

The unrealized losses on the Company’s investment in thirty-seven and sixty-five federal agency mortgage-backed securities at December 31, 2019 and 2018, 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 did not consider those investments to be other-than-temporarily impaired at December 31, 2019 or 2018.

Securities having an amortized cost of $46.6 million and $36.6 million at December 31, 2019 and 2018, respectively, were pledged to secure public deposits and for other purposes required by law. These securities have a carrying value of $47.3 million and $36.4 million at December 31, 2019 and 2018, respectively.

The Company sold certain available-for-sale for total proceeds of $10.8 million during 2019. Gross gains of $30 thousand and gross losses of $17 thousand were realized on those sales. An additional gain of $1 thousand was recognized on the call of a security in 2019. The Company did not sell any securities during 2018.

At December 31, 2019, the Company held equity securities with readily determinable fair values totaling $431 thousand. Changes in the fair value of these securities are reflected in earnings. For the year ended December 31, 2019, a gain of $40 thousand was recorded in other noninterest income in the Consolidated Statements of Income. At December 31, 2018, the Company held equity securities with readily determinable fair values totaling $120 thousand. 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, 2019	December 31, 2018
	(in thousands)	
Real estate loans:		
Residential	$ 202,512	$ 143,811
Commercial	794,142	747,342
Construction and land development	252,079	204,986
Total real estate loans	1,248,733	1,096,139
Commercial loans	76,096	65,815
Consumer loans	653	1,198
Total loans	1,325,482	1,163,152
Less: Allowance for loan losses	(10,756)	(9,731)
Net deferred loan fees	50	(1,697)
Loans, net	$ 1,314,776	$ 1,151,724

Note 4. Allowance for Loan Losses

The following tables present, as of December 31, 2019 and December 31, 2018, the total allowance for loan losses, the allowance by impairment methodology and loans by impairment methodology:

December 31, 2019 (In thousands)	Real Estate Commercial	Real Estate Construction & Land Development	Real Estate Residential	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance, December 31, 2018	$ 5,963	$ 2,351	$ 841	$ 565	$ 11	$ - -	$ 9,731
Charge-offs	- -	- -	- -	(169)	- -	- -	(169)
Recoveries	- -	- -	- -	24	- -	- -	24
Provision	1,133	(484)	221	284	(5)	21	1,170
Ending Balance, December 31, 2019	$ 7,096	$ 1,867	$ 1,062	$ 704	$ 6	$ 21	$ 10,756
Individually evaluated for impairment	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Collectively evaluated for impairment	7,096	1,867	1,062	704	6	21	10,756
Loans:							
Ending Balance, December 31, 2019	$ 794,142	$ 252,079	$ 202,512	$ 76,096	$ 653	$ - -	$ 1,325,482
Individually evaluated for impairment	$ - -	$ - -	$ 468	$ 428	$ - -	$ - -	$ 896
Collectively evaluated for impairment	794,142	252,079	202,044	75,668	653	- -	1,324,586

	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

The provisions disclosed above for each loan segment were calculated on the basis of actual net charge-offs experienced during the years and the total ending allowance as determined by management's evaluation of the year-end allowance calculation. Management evaluates historical loss data, various qualitative factors, and specific allowances in the determination of the allowance. Management believes the ending allowances at each of the dates indicated were sufficient to absorb the probable losses inherent in the loan portfolio at those dates.

Impaired loans and the related allowance at December 31, 2019 and December 31, 2018, were as follows:

Impaired Loans By Class

	December 31, 2019 (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	468	468	- -	468	--	475	19
Commercial	428	428	- -	428	- -	447	27
Consumer	--	--	- -	--	--	--	--
Total impaired loans	$ 896	$ 896	$ - -	$ 896	$ - -	$ 922	$ 46

	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

Following is a summary of past due and non-accrual loans by class as of December 31, 2019 and December 31, 2018:

	December 31, 2019 (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	Nonaccrual Loans
Real Estate								
Commercial	$ - -	$ - -	$ - -	$ - -	$ 794,142	$ 794,142	$ - -	$ - -
Construction and land development	- -	- -	- -	- -	252,079	252,079	- -	- -
Residential	- -	- -	- -	- -	202,512	202,512	- -	- -
Commercial	- -	- -	- -	- -	76,096	76,096	- -	- -
Consumer	- -	- -	- -	- -	653	653	- -	- -
Total	$ - -	$ - -	$ - -	$ - -	$ 1,325,482	$ 1,325,482	$ - -	$ - -

	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	$ - -	$ - -

Following is a summary of the Company's credit quality information for loans by class as of December 31, 2019 and 2018:

December 31, 2019
(In thousands)

	Pass	Special	Substandard	Doubtful	Loss	Total
Real Estate						
Commercial	$ 792,591	$ 1,306	$ 245	$ - -	$ --	$ 794,142
Construction and land development	245,977	- -	6,102	- -	- -	252,079
Residential	202,048	464	- -	- -	- -	202,512
Commercial	74,561	1,107	428	- -	- -	76,096
Consumer	653	- -	- -	- -	- -	653
Total	$ 1,315,830	$ 2,877	$ 6,775	$ - -	$ - -	$ 1,325,482

December 31, 2018
(In thousands)

	Pass	Special	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

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.

As of December 31, 2019, $896 thousand of impaired loans were classified as troubled debt restructurings, an increase from $852 thousand as of December 31, 2018. The following table details troubled debt restructurings during the years ended December 31, 2019 and December 31, 2018.

	December 31, 2019			
		(In thousands)		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Recorded Investment
Real Estate				
Commercial	--	$ --	$ --	$ --
Construction and land developmen	3	1,406	1,406	--
Residential	--	--	--	--
Commercial	1	222	222	193
Consumer	--	--	--	--
Total	4	$ 1,628	$ 1,628	$ 193

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

For 2019, the commercial loan noted in the table above was modified to extend maturity date. The three construction loans were modified by extending the maturity date but were paid-off prior to December 31, 2019. As of December 31, 2019 and 2018, all loans in troubled debt restructuring status were in compliance with their modified terms. There were no loans modified in troubled debt restructurings that subsequently defaulted within 12 months of their modification date during the years ended December, 31 2019 and 2018.

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, 2019 and 2018, none of the Bank’s troubled debt restructurings required the recordation of a specific reserve. As of December 31, 2019 and 2018, there was no additional commitment to disburse funds on loans classified as troubled debt restructurings.

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)	2019	2018
Leasehold improvements	$ 2,644	$ 2,646
Furniture and equipment	5,523	5,451
	$ 8,167	$ 8,097
Less accumulated depreciation	(5,849)	(5,245)
Bank premises and equipment, net	$ 2,318	$ 2,852

Depreciation expense was $796 thousand and $828 thousand for the years ended December 31, 2019 and 2018, respectively.

Note 6. Leases

On January 1, 2019, the Company adopted ASU No. 2016-02 "Leases (Topic 842)" and all subsequent ASUs that modified Topic 842. The Company elected the prospective application approach provided by ASU 2018-11 and did not adjust prior periods for ASC 842. The Company also elected certain practical expedients within the standard and consistent with such elections did not reassess whether any expired or existing contracts are or contain leases, did not reassess the lease classification for any expired or existing leases, and did not reassess any initial direct costs for existing leases. Implementation of the new standard resulted in recognition of a right-of-use asset of $9.6 million and lease liability of $9.8 million at the date of adoption, which is related to the Company's lease of premises used in operations. In December 2019, the Company remeasured the recorded balances for two for its lease liabilities as a result of modifications to the underlying lease agreements. The remeasurement resulted in a $938 thousand non-cash decline in the recorded lease liabilities and a corresponding reduction of the right-of-use assets.

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

The Company's long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably certain of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The following tables present information about the Company's leases:

(In thousands)	December 31, 2019
Lease liabilities	$ 7,474
Right-of-use assets	7,254
Weighted average remaining lease tern	5.68 years
Weighted average discount rate	2.38%

Lease Cost (In thousands)	For the Year Ended December 31, 2019
Operating lease cost	$ 1,665
Variable lease cost	- -
Short-term lease cost	- -
Total lease cost	$ 1,665
Cash paid for amounts included in the measurement of lease liabilities	$ 1,567

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities is as follows:

Years ending December 31,	Lease Payments Due (In thousands)
2020	$ 1,421
2021	1,467
2022	1,450
2023	1,284
2024	953
Thereafter	1,408
Total undiscounted cash flows	$ 7,983
Discount	(509)
Lease liabilities	$ 7,474

Total rent expense, including building expenses and real estate taxes for certain locations, amounted to $1.8 million and $1.6 million for the years ended December 31, 2019 and 2018, respectively. Rental expenses are classified as a component of the occupancy expense line item in the Consolidated Statements of Income.

Note 7. 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 2016.

Net deferred tax assets consist of the following components as of December 31, 2019 and 2018:

(In thousands)	2019	2018
Deferred tax assets:		
Allowance for loan losses	$ 2,356	$ 2,131
Lease liabilities	1,637	- -
Net deferred loan fees	- -	372
Share-based compensation expense	357	367
Unrealized losses on debt securities	- -	254
Other	125	114
	$ 4,475	$ 3,238
Deferred tax liabilities:		
Right-of-use assets	$ 1,589	$ - -
Depreciation	154	- -
Unrealized gains on debt securities	206	- -
Net deferred loan costs	11	- -
Other	2	4
	$ 1,962	$ 4
Net deferred tax assets	$ 2,513	$ 3,234

The provision for income taxes charged to operations for the years ended December 31, 2019 and 2018, consists of the following:

(In thousands)	2019	2018
Current tax expense	$ 3,950	$ 3,506
Deferred tax expense (benefit)	261	(334)
	$ 4,211	$ 3,172

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)	2019	2018
Computed "expected" tax expense	$ 4,228	$ 3,223
Increase (decrease) in income taxes resulting from:		
Bank-owned life insurance	(105)	(110)
Tax-exempt interest income	(85)	(118)
State income taxes, net of federal benefit	282	223
Other, net	(109)	(46)
	$ 4,211	$ 3,172

Note 8. 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, 2019 and 2018, the aggregate amounts of daily average required balances were approximately $2.4 million and $853 thousand.

Note 9. Related Party Transactions

The Bank has had, and may be expected to have in the future, banking transactions 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 the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. At December 31, 2019 and 2018, these loans totaled $8.5 million and $2.8 million, respectively. During 2019, there were total principal additions of $6.5 million and total principal payments of $810 thousand. Deposits of directors, executive officers and other related parties totaled $35.4 million and $19.9 million at December 31, 2019 and 2018, respectively.

Note 10. Deposits

The aggregate amount of certificates of deposit with a minimum denomination of $250,000 was $258.2 million and $235.0 million at December 31, 2019 and 2018, respectively.

At December 31, 2019, the scheduled maturities of time deposits (including brokered deposits) are as follows:

(In thousands)		
2020	$	423,591
2021		141,427
2022		6,107
2023		2,769
2024		3,614
	$	577,508

At December 31, 2019 and 2018, overdraft demand deposits reclassified to loans totaled $1 thousand and $99 thousand, respectively. The Company obtains certain deposits through the efforts of third-party brokers. At December 31, 2019 and 2018, brokered deposits (not including reciprocal CDARS or insured cash sweep deposits (“ICS”)) totaled $125.1 million and $68.2 million respectively, and were included primarily in time deposits on the Company’s consolidated balance sheets. At December 31, 2019 and 2018, reciprocal CDARS deposits totaled $50.9 million and $112.2 million, respectively. At December 31, 2019 and 2018, reciprocal ICS deposits totaled $187.4 million and $135.1 million, respectively.

At December 31, 2019, there were no depositors that represented 5% of more of the Company’s total deposits.

Note 11. 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 $62.0 million and $68.5 million at December 31, 2019 and 2018, respectively. At December 31, 2019, the schedule of borrowings is as follows:

(In millions)	Balance	Weighted Average Interest Rate
Fixed borrowings maturing through December 31, 2020	$ 28.0	1.88%
Fixed borrowings maturing in 2021	1.0	1.31%
Daily rate borrowings	20.0	1.78%
Convertible rate borrowing maturing in 2029	13.0	0.69%
	$ 62.0	

These advances are secured by a blanket floating lien on all real estate mortgage loans secured by 1-to-4 family residential, multi-family and commercial real estate properties. Total collateral under the blanket lien amounted to approximately $228.0 million as of December 31, 2019. Total FHLB available borrowing capacity was $316.2 million at December 31, 2019. 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 $120.0 million. At December 31, 2019, $12.0 million was drawn on these lines.

At December 31, 2019, the Bank had the capacity borrow $51.3 million at the Federal Reserve discount window.

Note 12. 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 at December 31, 2019 and 2018. The initial debt issuance costs were $493 thousand, of which $49 thousand and $50 thousand were amortized to interest expense in 2019 and 2018, respectively.

Note 13. Other Operating Expenses

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

(In thousands)	Years Ended December 31, 2019	Years Ended December 31, 2018
Advertising expense	$ 393	$ 599
Data processing	1,677	1,492
FDIC insurance	376	482
Professional fees	713	768
State franchise tax	1,469	1,226
Other operating expense	2,462	2,291
Total other operating expense	$ 7,090	$ 6,858

Note 14. 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 15 with respect to financial instruments with off-balance-sheet risk.

Note 15. 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, 2019 and 2018 is as follows:

(In thousands)	2019	2018
Commitments to extend credit	$ 264,040	$ 222,637
Standby letters of credit	15,902	15,144

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 16. 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 portfolio of debt securities. The vendor's primary source for security valuation is 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, 2019				
Assets:				
Securities available-for-sale				
U.S. government and federal agencies	$ 36,054	$ - -	$ 36,054	$ - -
Corporate bond	1,000	- -	1,000	- -
Collateralized Mortgage Obligations	12,775	- -	12,775	- -
Tax-exempt municipal	4,033	- -	4,033	- -
Taxable municipal	5,107	- -	5,107	- -
Mortgage-backed	63,760	- -	63,760	- -
	$ 122,729	$ - -	$ 122,729	$ - -
Equity securities, at fair value	$ 431	$ 431	$ - -	$ - -
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	$ - -	$ - -

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances, the Company makes adjustments 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, 2019 and 2018.

Other Real Estate Owned: Other real estate owned 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 no other real estate owned as of December 31, 2019. The Company had $379 thousand in other real estate owned as of December 31, 2018.

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

	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,			
	Fair Value	Valuation Technique	Unobservable Input	Range
Assets:				
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, 2019 and 2018 were estimated using an exit price notion in accordance with ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities."

	Fair Value Measurements at December 31, 2019				
	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 investme	$ 94,490	$ 94,490	$ - -	$ - -	$ 94,490
Securities available-for-sale	122,729	- -	122,729	- -	122,729
Equity securities	431	431	- -	- -	431
Loans, net	1,314,776	- -	- -	1,312,063	1,312,063
Bank owned life insurance	20,118	- -	20,118	- -	20,118
Accrued interest receivable	4,010	- -	4,010	- -	4,010
Financial liabilities:					
Deposits	$ 1,308,704	$ - -	$ 1,310,889	$ - -	$ 1,310,889
Federal funds purchased	12,000	- -	12,000	- -	12,000
FHLB advances	62,000	- -	61,998	- -	61,998
Subordinated debt	24,630	- -	- -	25,282	25,282
Accrued interest payable	1,106	- -	1,106	- -	1,106

	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 investme	$ 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	68,500	- -	68,108	- -	68,108
Subordinated debt	24,581	- -	- -	24,270	24,270
Accrued interest payable	1,243	- -	1,243	- -	1,243

Note 17. Concentration Risk

The Company maintains its cash accounts in several correspondent banks. As of December 31, 2019, deposits in excess of amounts insured by the FDIC were insignificant.

Note 18. 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, 2019, 412,604 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:

	2019		
	Shares	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding at beginning of year	1,357,965	$ 7.83	
Granted	- -	- -	
Exercised	(230,625)	6.56	
Forfeited or expired	(17,355)	12.67	
Outstanding at end of year	1,109,985	$ 8.02	$ 9,422,152
Exercisable at end of year	1,018,222	$ 7.64	$ 9,026,612
Weighted average fair value of options granted during the year	$ - -		

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, 2019. The intrinsic value of options exercised was $2.2 million in 2019 and $428 thousand in 2018. These amounts and the intrinsic values noted in the table above change based on changes in the market value of the Company's stock.

Information pertaining to options outstanding at December 31, 2019 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	691,379	1.22	691,379	1.22
$8.01 - $11.00	- -	- -	- -	- -
$11.01 - $12.00	386,044	5.30	304,844	5.29
$12.01 - $13.00	17,562	5.31	14,499	5.09
$13.01 - $14.00	- -	- -	- -	- -
$16.01 - $18.16	15,000	8.33	7,500	8.33
	1,109,985	2.80	1,018,222	2.55

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. 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. There were no options granted during 2019. The weighted average grant date fair value of options granted in 2018 was $6.41. 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%

For the years ended December 31, 2019 and 2018, share-based compensation expense applicable to the Company's share-based compensation plans for stock options was $280 thousand and $339 thousand, respectively.

As of December 31, 2019, unrecognized share-based compensation expense related to nonvested options amounted to $119 thousand. This amount is expected to be recognized over a weighted-average period of 0.6 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, 2019	86,400	$ 16.93
Granted	2,950	16.32
Vested	(36,125)	16.72
Forfeited	(1,677)	17.06
Nonvested at December 31, 2019	51,548	$ 17.04

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. The majority of the restricted stock grants vest over three years. The weighted average grant date fair value of restricted stock grants in 2018 was $17.75 per share.

For the years ended December 31, 2019 and 2018, share-based compensation expense applicable to the Company's share-based compensation plans for restricted stock grants was $587 thousand and $657 thousand, respectively. The total fair value of the shares which vested during 2019 and 2018 was $574 thousand and $616 thousand, respectively.

As of December 31, 2019, unrecognized share-based compensation expense related to nonvested restricted stock grants amounted to $375 thousand. This amount is expected to be recognized over a weighted-average period of 1.7 years.

Note 19. 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, 2019 and 2018:

Earnings per common share - basic:	2019	2018
Income available to common shareholders (in thousands):		
Net income	$ 15,921	$ 12,174
Less: Income attributable to unvested restricted stock awards	(67)	(73)
Net income available to common shareholders	$ 15,854	$ 12,101
Weighted-average shares outstanding:		
Common shares outstanding, including unvested restricted stock	13,046,832	12,860,692
Less: Unvested restricted stock	(54,920)	(76,975)
Weighted-average common shares outstanding - basic	12,991,912	12,783,717
Earnings per common share - basic	$ 1.22	$ 0.95

Earnings per common share - diluted:		
Income available to common shareholders (in thousands):	2019	2018
Net income	$ 15,921	$ 12,174
Less: Income attributable to unvested restricted stock awards	(64)	(69)
Net income available to common shareholders	$ 15,857	$ 12,105
Weighted-average shares outstanding:		
Common shares outstanding, including unvested restricted stock	13,046,832	12,860,692
Less: Unvested restricted stock	(54,920)	(76,975)
Plus: Effect of dilutive options	583,072	748,141
Weighted-average common shares outstanding - diluted	13,574,984	13,531,858
Earnings per common share - diluted	$ 1.17	$ 0.89

Outstanding options to purchase common stock were considered in the computation of diluted earnings per share for the periods presented. Stock options representing 15,404 and 12,625 weighted average shares were not included in computing diluted earnings per share at December 31, 2019 and 2018, respectively, because their effects were anti-dilutive.

Note 20. 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, 2019 and 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, 2019 and 2018, that the Bank met all capital adequacy requirements to which it was 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 was 2.5% at December 31, 2019, and is applicable for the Common Equity Tier 1, Tier 1, and Total Capital Ratios. The Bank's institution specific capital conservation buffer above the required minimums was 5.54% at December 31, 2019.

As of December 31, 2019, 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, 2019 and 2018.

	Actual		Minimum Capital Requirement[1]		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In thousands)			
As of December 31, 2019:						
Total Capital (to Risk Weighted Assets)						
Bank	$ 194,731	13.5%	$ 151,047	10.50%	$ 143,855	10.0%
Tier 1 Capital (to Risk Weighted Assets)						
Bank	$ 183,721	12.8%	$ 122,276	8.50%	$ 115,084	8.0%
CET 1 Capital (to Risk Weighted Assets)						
Bank	$ 183,721	12.8%	$ 100,698	7.00%	$ 93,505	6.5%
Tier 1 Capital (to Average Assets)						
Bank	$ 183,721	11.9%	$ 61,981	4.00%	$ 77,476	5.0%
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%

[1] Including Capital Conservation Buffer

Note 21. 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, 2019, the Bank had $39.0 million available to dividend to the Company.

Note 22. 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 $448 thousand were made by the Company for the year ended December 31, 2019 and $434 thousand were made by the Company in 2018.

In 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. The deferred compensation liability was $306 thousand as of December 31, 2019 and was recorded in other liabilities on the Consolidated Balance Sheet. The deferred compensation liability was $120 thousand as of December 31, 2018. The Company incurred an expense of $57 thousand for discretionary contributions made to the deferred compensation plan for the year ended December 31, 2019. These discretionary contributions vest for the participants over a period of three years. No discretionary contributions were made by the Company in 2018.

Note 23. Low Income Housing Tax Credit Investments

The Company has invested in six separate housing equity funds as of December 31, 2019 and 2018. The general purpose of these funds is to encourage and assist with participation 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 $3.8 million and $4.3 million at December 31, 2019 and 2018, 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, 2019 and 2018, was a benefit of $121 thousand and $75 thousand, respectively. Additional capital calls expected for the funds totaled $549 thousand and $1.9 million at December 31, 2019 and 2018, respectively, and are included in other liabilities on the Company's balance sheets.

Note 24. Accumulated Other Comprehensive Income (Loss)

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

	Year ended December 31, 2019		
	Unrealized Income (Losses) on Available-for-Sale Securities	Unrealized Income (Losses) on Securitites Transferred from Available-for-Sale Securities to Held-to-Maturity	Accumulated Other Comprehensive Income (Loss)
		(In thousands)	
Beginning balance	$ (887)	$ (68)	$ (955)
Net change during the year	1,664	68	1,732
Ending balance	$ 777	$ - -	$ 777

	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)

Items reclassified out of accumulated other comprehensive income (loss) to net income during 2019 consisted of net gains on sales and calls of securities available-for-sale. In 2019, net gains on these transactions totaled $14 thousand and their related tax was $3 thousand. Gains are included in the "Gain on sale and calls of securities" line item and the related tax is presented in the "Income tax expense" line item in the Consolidated Statements of

Income. There were no reclassifications from accumulated other comprehensive income (loss) in 2018.

Note 25. 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, 2019 and 2018, consisted of the following:

	Years Ended December 31,	
	2019	2018
Noninterest income (In thousands)		
Service charges on deposit accounts[1]:		
Overdrawn account fees	$ 121	$ 142
ATM fees	256	190
Monthly service fees	157	165
Other service charges	22	11
Other service charges and fees[1]:		
Interchange income	63	53
Other charges and fees	117	141
Bank owned life insurance	501	525
Gain on sales and calls of securities	14	- -
Bankers insurance commission	40	- -
Other operating income[2]	44	10
Total noninterest income	$ 1,335	$ 1,237

[1] Income within the scope of Topic 606.

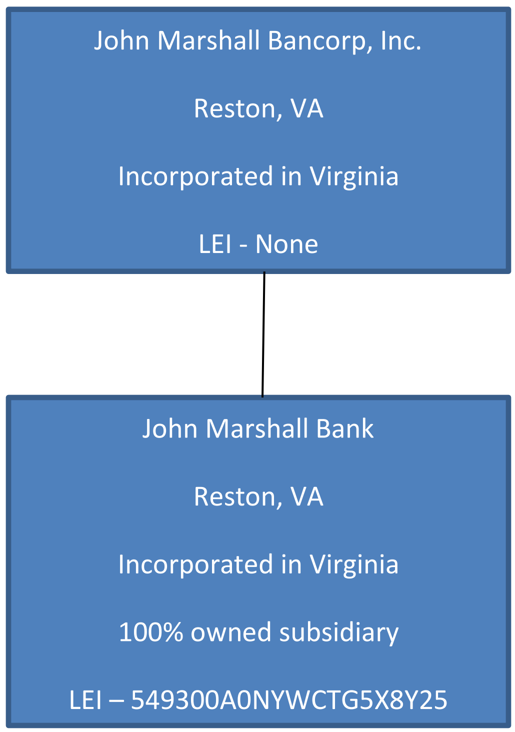
[2] For 2019, includes other income within the scope of Topic 606 amounting to $4 thousand and a gain of $40 thousand related to the fair value adjustment of equity securities carried at fair value, which is outside the scope of ASC 606. For 2018, includes other income within the scope of Topic 606 amounting to $27 thousand and a loss of $17 thousand related to the fair value adjustment of equity securities

Note 26. 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 17, 2020, the date the financial statements were issued.

Form FR Y-6
John Marshall Bancorp, Inc.
Reston, Virginia
Fiscal Year Ending December 31, 2019

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



Form FR Y-6
John Marshall Bancorp, Inc.
Reston, Virginia
Fiscal Year Ending December 31, 2019

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

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2019			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 12/31/2019		
1a Name, City, State Country	1b Country of Citizenship or Incorporation	1c Number and percentage of each class of voting securities	2a Name, City, State Country	2b Country of Citizenship or Incorporation	2c Number and percentage of each class of voting securities
N/A – No securities holders had ownership, control or holdings of 5% or more with power to vote as of 12/31/2019			N/A – No securities holders had ownership, control or holdings of 5% or more with power to vote as of 12/31/2019		

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Reston, Virginia
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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
Christopher Bergstrom Woodbridge, VA USA	N/A	Director, Chief Executive Officer	Director, President & Chief Executive Officer	N/A	0.25%	None	N/A
William Ridenour Clifton, VA USA	N/A	Chief Banking Officer and President	Senior EVP & Chief Banking Officer	N/A	1.21%	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	1.10%	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	0.14%	None	N/A
Andy Peden Vienna, VA USA	N/A	N/A	Chief Lending Officer and Executive Vice President	N/A	0.08%	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.	1.31%	None	N/A
Philip Chase Alexandria, VA USA	Business Owner	Director	N/A	CFO - NT Concepts	0.84%	None	N/A
Jean Edelman Great Falls, VA USA	Consultant	Director	N/A	Consultant, Edelman Financial Engines	2.58%	None	N/A
Michael Foster Arlington, VA USA	Business Owner	Director	N/A	Founder and President - MTFA Acrhitecture	2.45%	None	N/A
Michael Garcia Woodbridge, VA USA	Business Owner	Director	N/A	Founder and President - Mike Garcia Construction	0.05%	None	N/A
Subhash Garg McLean, VA USA	Business Owner, CPA	Director	N/A	Co-founder and Principal - Wiener & Garg, LLC	1.80%	None	N/A
Ronald Gordon Arlington, VA USA	Business Owner	Director	N/A	Chairman and CEO - ZGS Communications	1.16%	None	N/A
Jonathan Kinney	Business Owner, Lawyer	Director	N/A	Bean, Kinney & Korman, PC	3.95%	None	N/A

Arlington, VA USA							
O. Leland Mahan Leesburg, VA USA	Business Owner, Lawyer	Director	N/A	Senior Partner - Hall, Monahan, Engle, Mahan & Mitchell	0.77%	None	N/A
Lim Nguonly Vienna, VA USA	Business Owner	Director	N/A	Founder and President - Princess Jewelers	1.82%	None	N/A
					19.51%		