2017

ANNUAL REPORT


BLUE RIDGE BANKSHARES, INC.



PARENT COMPANY OF

Blue Ridge Bank
Since 1893

Celebrating 125 Years

1893-2018

TO OUR SHAREHOLDERS

Blue Ridge Bankshares, Inc. experienced a year of firsts in 2017; it was the first full year of integration following a bank merger, the first full year of having a full-service mortgage division, and the first time the Company has purchased a controlling position in a noncore bank service, which occurred in the 4th quarter with the acquisition of a payroll services company within the commercial bank's footprint. Overall, we did these things well, but there is room for improvement and we will continue working hard to make that happen.

You will note as you review the financial statements that our earnings per share increased from $0.31 in 2016 to $1.22 in 2017, and of course this comparison is impacted greatly by the one-time merger expenses associated with the River Bancorp, Inc. acquisition in 2016. The Company did not start to experience the full benefit of merger synergies until the 3rd quarter of 2017, so some costs associated with the merger did spill over into the new year.

We disappointed on balance sheet growth in 2017, only growing assets just under $6 million, or 1.43%. A lot of energy was utilized, particularly in the first half of the year, integrating the merger of two banks and ensuring a smooth customer transition. Also, more time than anticipated was spent on managing several large loan relationships to the best outcome for the Company and shareholders. Both tasks were and remain critically important and the efforts will pay long-term dividends, but it does not excuse the level of balance sheet growth we produced. We can and must do better prospectively, and as the CEO of the Company I am entirely accountable to see that through. We are seeing more positive momentum for core relationship growth early in 2018, and we anticipate that to maintain throughout the year.

We remain acutely aware of our obligations, which include our communities, employees, and shareholders. I am incredibly proud of the effort our bank puts into supporting the communities in which we operate. Countless hours and significant dollars, both corporate and personal, go into making our communities a better place in which to live. We continue to place energy into creating and maintaining an attractive workplace environment where we are committed equally to results and enjoyment. A year of personnel changes associated with a merger accentuates the value that comes with productive longevity in an employee base. We also retain our absolute focus on creating value for shareholders. We must earn the privilege of your investment dollar every day. We implemented the 3:2 stock split in 2017 to improve shareholder liquidity, recognizing we need to continue pushing on this front, and every business decision we make is made with the long-term interests of shareholders in mind.

I am often asked what I think about the future of the industry, and how that translates into what our Company needs to do to prepare for it. We have enjoyed recent positive developments; the corporate tax rate reduction has a direct positive impact on our earnings, and there has been a slight improvement in the regulatory framework. Neither factor controls our fate. There is more competitive pressure in the industry than ever before, even with a significant reduction in the number of banks in the country. Technology is changing the way banking happens at an accelerating pace, both with loans and deposits and with payment intermediation. Many economically transformational technologies have centered around disintermediation, which should be particularly troubling for any company that operates in an intermediation business. Any traditional banker that is not at least a little scared is not paying attention, but at the same time there are incredible new and exciting opportunities being created on which we can capitalize. Technology is allowing a broader reach delivered more efficiently by reducing the need for large branch networks and significant costs associated. The opportunities to improve and grow what we are doing with technology are limitless.

We remain forward-looking and vigilant about the technology landscape and are continually looking for ways to improve our competitive positioning. I cannot make any guarantees about what the future does or does not bring, but I do believe that for much of our business, particularly with commercial and real estate transactions, we will continue to see technological evolution but at a pace that does not mirror consumer products, due to transaction complexity (though artificial intelligence advancement continues to close this gap). Our differentiating factors must be responsiveness, flexibility, and personal relationships. We must continually improve in positioning ourselves as a banking advisor providing meaningful advice, and not just a sales force peddling financial commoditization by trying to compete on price or gadgetry. There is a demand for what we are delivering, and our execution of this model will ensure success and deliver value for you as a shareholder.

The uptick in interest rates has helped and should continue to help industry earnings. I do not know the direction of interest rates, and if anyone else claims to know with certainty he or she is lying. Interest rates may rise, interest rates may fall. Interest rate movements will always have an impact on us, but if we are executing core banking services well and developing our noninterest income streams our return on equity profile will still warrant your investment dollars. That is our goal and mission, and what we are waking up every day aiming to achieve.

Please use us for your financial needs, and also please refer any opportunities to us whenever you can. Your referrals have a direct impact on the Company's earnings and the value of your investment. Please contact me with referrals, questions, or concerns at 540-743-6521 or bplum@mybrb.com.

Thank you for your investment and trust in us. We do not take it lightly.

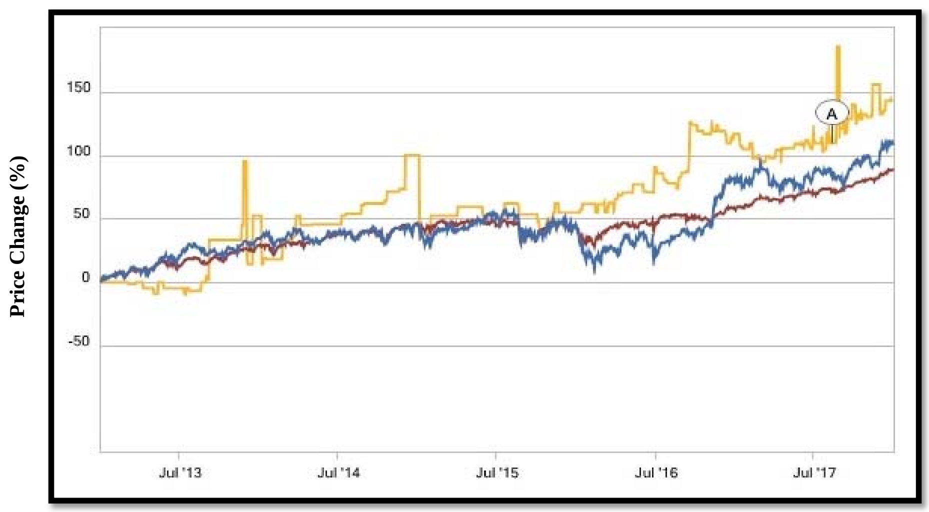
Sincerely,

Brian K. Plum
President and Chief Executive Officer

BLUE RIDGE BANKSHARES, INC.
FINANCIAL HIGHLIGHTS

For The Year	**2017**	**2016**	**2015**	**2014**	**2013**
Net income	$ 3,350,124	688,728	$ 2,498,105	$ 2,029,062	$ 1,844,604
Net income available to common stockholders	3,350,520	688,728	2,453,105	1,984,062	1,637,349
Common stock dividends paid	880,443	708,443	611,430	412,934	318,223
Earnings per common share	1.22	0.31	1.19	1.41	1.17
Dividends per common share	0.320	0.313	0.307	0.293	0.227
At Year End					
Total assets	$ 424,122,390	418,124,046	$ 268,910,152	$ 239,353,596	$ 214,724,007
Total investments	48,994,839	42,607,381	37,957,139	37,056,056	47,712,416
Net loans held for investment	328,002,333	317,614,392	204,936,540	184,723,649	153,786,879
Deposits	339,289,742	340,874,155	196,491,845	183,898,642	168,345,328
Total stockholders' equity	36,441,623	33,627,105	24,100,824	24,786,488	19,229,543
Common stockholders' equity	36,441,623	33,627,105	24,100,824	20,286,488	14,729,543
Book value per common share	13.18	12.29	11.46	10.64	10.51
Number of common stock shares outstanding	2,765,635	2,737,136	2,102,267	1,905,833	1,401,809
Key Ratios					
Return on average assets	0.80%	0.20%	0.98%	0.89%	0.87%
Return on average equity	9.56%	2.39%	10.22%	9.22%	9.78%
Return on average common equity	9.56%	2.39%	11.05%	11.33%	11.40%
Total stockholders' equity to assets	8.59%	8.04%	8.96%	10.36%	8.96%
Common stockholders' equity to assets	8.59%	8.04%	8.96%	8.48%	6.86%
Increase in assets	1.43%	55.49%	12.35%	11.47%	3.12%
Change in earnings per common share	297.83%	-74.30%	-15.17%	20.57%	25.00%
Increase in book value per share	7.25%	7.16%	7.70%	1.30%	6.12%

Five Year Stock Performance (January 1, 2013 to December 31, 2017)



OTC Pink: BRBS: 142.86%
S&P 500: 87.47%
KBW Nasdaq Bank: 108.09%

(A) 2017 Stock-Split

Source: S&P Global Market Intelligence

BLUE RIDGE BANKSHARES, INC.
PARENT OF
BLUE RIDGE BANK, NATIONAL ASSOCIATION
LURAY, VIRGINIA

FINANCIAL STATEMENTS

December 31, 2017

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Blue Ridge Bankshares, Inc.
Luray, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Blue Ridge Bankshares, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, changes in stockholders' equity, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Bankshares, Inc. and subsidiaries as of December 31, 2017 and 2016, 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 9, 2018

BLUE RIDGE BANKSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

ASSETS	2017	2016
Cash and due from banks (Note 3)	$ 10,319,189	$ 14,098,449
Federal funds sold	88,000	1,726,000
Investment securities		
Securities available for sale (at fair value) (Note 4)	32,578,294	26,748,394
Securities held to maturity (fair value of $13,414,988 in 2017, $13,193,364 in 2016) (Note 4)	13,206,415	12,971,598
Restricted investments	3,210,130	2,887,389
Total Investment Securities	48,994,839	42,607,381
Loans held for sale (Note 5)	17,219,636	24,655,901
Loans held for investment (Note 5)	330,804,825	319,627,525
Allowance for loan losses (Note 5)	(2,802,492)	(2,013,133)
Net Loans Held for Investment	328,002,333	317,614,392
Bank premises and equipment, net (Note 6)	2,277,269	2,506,399
Bank owned life insurance (Note 1)	7,654,471	4,516,310
Goodwill (Note 12)	2,094,164	2,094,164
Core deposit intangible	745,805	1,134,590
Other assets	6,726,684	7,170,460
Total Assets	$ 424,122,390	$ 418,124,046
LIABILITIES		
Deposits		
Demand deposits		
Noninterest bearing	$ 61,387,671	$ 60,137,568
Interest bearing	88,356,225	95,253,117
Savings deposits	27,532,229	24,176,888
Time deposits (Note 7)	162,013,617	161,306,582
Total Deposits	339,289,742	340,874,155
Other borrowed funds (Note 8)	36,044,626	32,623,264
Subordinated debt, net of issuance costs (Note 9)	9,732,671	9,698,790
Other liabilities	2,613,728	1,300,732
Total liabilities	387,680,767	384,496,941
STOCKHOLDERS' EQUITY		
Common stock and related surplus, no par value; authorized 5,000,000 shares; outstanding - 2,765,636 and 2,737,136, respectively (Note 10)	16,323,685	16,270,152
Contributed equity	194,864	131,357
Retained earnings	20,190,047	17,666,715
Accumulated other comprehensive income	(323,621)	(143,025)
Noncontrolling interest	199,604	-
	36,584,579	33,925,199
Unearned ESOP shares	(142,956)	(298,094)
Total Stockholders' Equity	36,441,623	33,627,105
Total Liabilities and Stockholders' Equity	$ 424,122,390	$ 418,124,046

The accompanying notes are an integral part of this statement.

BLUE RIDGE BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2017 and 2016

	2017	2016
INTEREST INCOME		
Interest and fees on loans held for investment	$ 16,430,902	$ 11,752,919
Interest and fees on loans held for sale	505,013	457,849
Interest on federal funds sold	16,753	12,993
Interest and dividends on taxable investment securities	1,278,031	930,177
Interest and dividends on nontaxable investment securities	250,458	280,772
Total Interest Income	18,481,157	13,434,710
INTEREST EXPENSE		
Interest on savings and interest bearing demand deposits	490,246	416,083
Interest on time deposits	2,238,186	1,453,674
Interest on borrowed funds	1,202,505	1,211,365
Total Interest Expense	3,930,937	3,081,122
Net Interest Income	14,550,220	10,353,588
PROVISION FOR LOAN LOSSES	1,095,000	926,000
Net Interest Income after Provision for Loan Losses	13,455,220	9,427,588
OTHER INCOME		
Service charges on deposit accounts	654,893	395,597
Earnings on investment in life insurance	138,161	102,064
Loss on disposal of assets	(52,291)	(1,025)
Gain (loss) on sale of other real estate owned	(11,010)	4,436
Small business investment company fund income	162,126	138,888
Mortgage brokerage income	1,527,203	446,116
Gain on sale of mortgages	4,139,475	928,210
Gain on sale of available for sale securities	192,161	-
Gain on sale of government guaranteed USDA loans	264,069	-
Other noninterest income	783,738	476,047
Total Other Income	7,798,525	2,490,333
OTHER EXPENSES		
Salaries and employee benefits	8,690,038	4,984,080
Occupancy and equipment expenses	1,615,892	796,010
Data processing	891,825	891,086
Communications	480,637	215,321
Advertising expense	371,077	329,341
Debit card expenses	270,252	158,878
Directors fees	202,150	150,100
Audits and examinations	116,176	83,440
Other taxes and assessments	636,222	512,840
Other contractual services	351,477	1,474,347
Other noninterest expense	2,220,770	1,080,299
Total Other Expenses	15,846,516	10,675,742
Income before income taxes & noncontrolling interest	5,407,229	1,242,179
INCOME TAX EXPENSE (Note 15)	2,057,105	553,451
Net Income	3,350,124	688,728
Net loss attributable to noncontrolling interest	396	-
Net income attributable to Blue Ridge Bankshares, Inc.	$ 3,350,520	$ 688,728
Net Income Available to Common Stockholders	$ 3,350,520	$ 688,728
Earnings per Share	$ 1.22	$ 0.31
Weighted Average Shares Outstanding	2,751,503	2,227,501

The accompanying notes are an integral part of this statement.

BLUE RIDGE BANKSHARES, INC.
CONSOLIDATED STAEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2017 and 2016

	2017	2016
Net Income	$ 3,350,124	$ 688,728
Other comprehensive income:		
Gross unrealized gains (losses) arising during the period	(16,524)	96,651
Adjustment for income tax benefit (expense)	5,618	(38,720)
	(10,906)	57,931
Less:		
Reclassification adjustment for gains included in net income	(192,161)	-
Adjustment for income tax expense	75,726	-
	(116,435)	-
Other comprehensive income (loss), net of tax	(127,341)	57,931
Comprehensive income	$ 3,222,783	$ 746,659
Comprehensive loss attributable to noncontrolling interest	$ (396)	$ -
Comprehensive income attributable to Blue Ridge Bankshares, Inc.	$ 3,223,179	$ 746,659

The accompanying notes are an integral part of this statement.

BLUE RIDGE BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2017 and 2016

	Common Stock & Related Surplus	Contributed Equity	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Unearned ESOP Shares	Total
Balance, December 31, 2015	$ 7,080,669	$ 42,887	$ 17,686,430	$ (200,956)	$ -	$ (508,206)	$ 24,100,824
Comprehensive Net Income							
Net income	-	-	688,728	-	-	-	688,728
Changes in unrealized gains on securities available for sale, net of deferred income tax liability of $38,720	-	-	-	57,931	-	-	57,931
Total Comprehensive Income	-	-	-	-	-	-	746,659
Isssuance of common stock (423,246 shares)	9,189,483	-	-	-	-	-	9,189,483
Release of unearned ESOP shares	-	88,470	-	-	-	210,112	298,582
Preferred stock dividends	-	-	-	-	-	-	-
Common stock dividends	-	-	(708,443)	-	-	-	(708,443)
Balance, December 31, 2016	16,270,152	131,357	17,666,715	(143,025)	-	(298,094)	33,627,105
Comprehensive Net Income							
Net income (loss)	-	-	3,350,520	-	(396)	-	3,350,124
Changes in unrealized gains on securities available for sale, net of deferred income tax asset of $81,344	-	-	-	(180,596)	-	-	(180,596)
Tax rate change effect			53,255				53,255
Total Comprehensive Income	-	-	-	-	-	-	3,222,783
Isssuance of restricted common stock	53,533	-	-	-	-	-	53,533
Release of unearned ESOP shares	-	63,507	-	-	-	155,138	218,645
Noncontrolling interest	-	-	-	-	200,000	-	200,000
Common stock dividends	-	-	(880,443)	-	-	-	(880,443)
Balance, December 31, 2017	$ 16,323,685	$ 194,864	$ 20,190,047	$ (323,621)	$ 199,604	$ (142,956)	$ 36,441,623

The accompanying notes are an integral part of this statement.

BLUE RIDGE BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,350,124	$ 688,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,095,000	926,000
Deferred income taxes	(324,604)	(261,330)
Net decrease (increase) in loans held for sale	7,436,265	(4,207,314)
Loss on disposition of assets	52,291	1,025
Loss on sale of other real estate owned	11,010	4,436
Securities gains	(192,161)	-
Depreciation	374,277	292,919
Investment amortization expense, net	212,209	187,015
Amortization of debt refinancing fees	76,167	76,167
Amortization of subordinated debt issuance costs	33,881	33,882
Amortization of other intangibles	437,992	79,410
(Increase) Decrease in other assets	979,372	(142,313)
Increase (Decrease) in accrued expenses	1,313,392	15,414
Increase in carrying value of life insurance investments	(138,161)	(102,064)
Release of unearned ESOP shares	218,645	298,582
Total adjustments	11,585,575	(2,798,171)
Net Cash Provided (Used) in Operating Activities	14,935,699	(2,109,443)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(14,076,296)	(4,831,435)
Purchases of securities held to maturity	(1,144,048)	-
Proceeds from calls, maturities, sales, paydowns and maturities of securities available for sale	2,382,784	4,282,576
Proceeds from calls, maturities, sales, paydowns and maturities of securities held for investment	6,622,239	1,150,000
Increase in federal funds sold	1,638,000	568,000
Net decrease (increase) in loans held for investment	(11,482,941)	(24,575,253)
Purchase of bank premises and equipment	(197,438)	(347,230)
Capital calls of SBIC funds and other investments	(220,590)	(402,255)
Nonincome distributions from limited liability companies	30,725	3,291
Purchase of bank owned life insurance	(3,000,000)	(2,000,000)
Net cash used in acquisition	-	(834,735)
Decrease (Increase) in restricted investments	(400,870)	353,425
Net Cash Used in Investing Activities	(19,848,435)	(26,633,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in demand and savings deposits	(2,291,448)	49,911,236
Net change in time deposits	707,035	(3,214,227)
Federal Home Loan Bank advances	26,000,000	36,400,000
Federal Home Loan Bank repayments	(22,500,000)	(46,600,000)
Common stock dividends paid	(880,443)	(708,443)
Issuance of common stock	53,533	-
Noncontrolling interest	199,604	-
Repayment of contingent ESOP liability	(154,805)	(212,322)
Net Cash Provided by Financing Activities	1,133,476	35,576,244
CASH AND CASH EQUIVALENTS		
Net increase (decrease) in cash and cash equivalents	(3,779,260)	6,833,185
Cash and Cash Equivalents, Beginning of Year	14,098,449	7,265,264
Cash and Cash Equivalents, End of Year	$ 10,319,189	$ 14,098,449

The accompanying notes are an integral part of this statement.

BLUE RIDGE BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2017 and 2016

	2017	2016
SUPPLEMENTAL INFORMATION		
Interest Paid	$ 3,872,382	$ 2,998,945
Income taxes paid	650,000	1,000,000
Real estate acquired by foreclosure	-	611,456

The accompanying notes are an integral part of this statement.

Note 1. Nature of Operations and Significant Accounting Policies:

Nature of Operations:

Blue Ridge Bankshares, Inc. ("Company") through Blue Ridge Bank, N.A. ("Bank") operates under a national charter and provides commercial banking services and mortgage lending services. As a nationally chartered institution, the Bank is subject to regulation by the Office of the Comptroller of the Currency. The Bank provides commercial banking services to customers located primarily in the Piedmont, Southside, and Shenandoah Valley regions of the Commonwealth of Virginia. Mortgage lending services are provided in these regions as well with additional mortgage offices located across North Carolina.

Consolidation Policy:

The consolidated financial statements include the accounts of Blue Ridge Bankshares, Inc. and its wholly-owned subsidiaries, Blue Ridge Bank, N.A. and PVB Properties, LLC, as well as Moneywise Payroll Solutions, Inc, of which Blue Ridge Bank, N.A. has a controlling ownership interest. All significant intercompany balances and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements:

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts in those statements. Actual results could differ significantly from those estimates. A material estimate that is particularly susceptible to significant changes is the determination of the allowance for loan losses, which is sensitive to changes in local and national economic conditions.

Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and correspondent balances in other financial institutions.

Investment Securities:

Management determines the appropriate classification of securities at the time of purchase. If management has the intent and the Company has the ability at the time of purchase to hold securities until maturity, they are classified as held to maturity and carried at amortized historical cost. Securities not intended to be held to maturity are classified as available for sale and carried at fair value. Securities available for sale are intended to be used as part of the Company’s asset and liability management strategy and may be sold in response to changes in interest rates, prepayment risk or other similar factors.

Amortization of premiums and accretion of discounts on securities are reported as adjustments to interest income using the effective interest method. Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold using the specific identification method. Unrealized gains and losses on investment securities available for sale are based on the difference between book value and fair value of each security. These gains and losses are credited or charged to shareholders’ equity, whereas realized gains and losses flow through the Company’s current earnings.

(Continued)

Note 1. Nature of Operations and Significant Accounting Policies (Continued):

Loans Held for Sale:

Mortgage loans originated or purchased and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. As all of these loans are under agreements to sell to investors at the time of origination, the agreed upon sales price is considered fair value. This amount is generally the loan's principal amount. Changes in fair value are recognized in the Gain on Sale of Mortgages on the Consolidated Statements of Income.

Loans Held for Investment:

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees and costs are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is generally amortizing these amounts over the contractual life of the loan that are carried on the balance sheet net of any unearned discount and the allowance for loan losses. Interest income on loans is based generally on the daily amount of principal outstanding.

The accrual of interest on impaired loans is discontinued when, in the opinion of management, the interest income recognized will not be collected. Receipts on impaired loans are applied to principal until the loan is brought current and collection is reasonably assured. Loans are considered past due based on the contractual terms of the loan.

Allowance for Loan Losses:

The allowance for loan losses is maintained at a level believed to be adequate by management to absorb probable losses inherent in the portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans and actual loss experience, current economic events in specific industries and other pertinent factors such as regulatory guidance and general economic conditions. The allowance is established through a provision for loan losses charged to earnings. Loans identified as losses and deemed uncollectible by management are charged to the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired, for which an allowance is established when the fair value of the loan is lower than its carrying value. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. Historical losses are categorized into risk-similar loan pools and a loss ratio factor is applied to each group's loan balances to determine the allocation. The loss ratio factor is based on average loss history for the current year and at least two prior years.

(Continued)

Note 1. Nature of Operations and Significant Accounting Policies (Continued):

Qualitative and environmental factors include external risk factors that management believes affect the overall lending environment of the Company. Environmental factors that management of the Company routinely analyze include levels and trends in delinquencies and impaired loans, levels and trends in charge-offs and recoveries, trends in volume and terms of loans, effects of changes in risk selection and underwriting practices, experience, ability, depth of lending management and staff, national and local economic trends, conditions such as unemployment rates, housing statistics, banking industry conditions, and the effect of changes in credit concentrations. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience and consideration of current economic trends, all of which may be susceptible to significant change.

There have been no significant changes to the methods used to determine the allowance for loan losses during the years ended December 31, 2017 and 2016.

Loan Charge-off Policies:

Consumer loans are generally fully or partially charged down to the fair value of collateral securing the asset when the loan is 120 days past due unless the loan is well secured and in the process of collection. All other loans are generally charged down to the net realizable value when the loan is 90 days past due or when current information confirms all or part of a specific loan to be uncollectible.

Bank Owned Life Insurance:

The Bank owns and is the beneficiary of several single premium life insurance contracts insuring key employees of the Bank. The policies are stated at cash surrender value, with changes in value recorded in income for the year.

Small Business Investment Company (SBIC) Fund Income:

The Bank has an interest in several Small Business Investment Company funds. The Bank's obligations to these funds are satisfied in the form of capital calls that occur during the commitment period. Two-thirds of income distributions from these funds are shown as a reduction to the Bank's principal investment. The remaining one-third is recognized as income until the investment principal has been recovered. At that time, all distributions in excess of initial investment are recognized as income.

Advertising Costs:

Advertising costs are expensed as incurred.

Bank Premises and Equipment:

Bank premises and equipment are stated at cost, less any accumulated depreciation. Depreciation is recognized over the estimated useful lives of the assets on a straight-line basis. Maintenance and repairs are charged to operations as incurred. Gains and losses on dispositions are reflected in noninterest income or expense.

Note 1. Nature of Operations and Significant Accounting Policies (Continued):

Other Real Estate Owned (Foreclosed Assets):

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Expenses associated with the maintenance and upkeep of Other Real Estate Owned are recorded as Other Real Estate Expense.

Assets acquired through loan foreclosure that are guaranteed by governmental agencies are carried as a receivable for the value which is guaranteed. The remainder of the asset is recorded at fair value at the date of foreclosure and valuations are periodically performed by management. The assets are carried at the lower of carrying amount or fair value less cost to sell.

Income Taxes:

Amounts provided for income tax expense are based on income reported for financial statement purposes rather than amounts currently payable under income tax laws. Deferred taxes, which arise principally from temporary differences between the period in which certain income and expenses are recognized for financial accounting purposes and the period in which they affect taxable income, are included in the amounts provided for income taxes.

Earnings Per Share:

Earnings per share are based on the weighted average number of shares outstanding.

Financial Instruments:

In the ordinary course of business the Bank has entered into commitments to extend credit. Such financial instruments are recorded in the financial statements when they are funded.

Reclassified Amounts:

Certain amounts have been reclassified from prior year financial statements to ensure consistent presentation with current year amounts. These reclassifications are for presentation purposes and have no impact on overall financial information.

Subsequent Events:

Subsequent events have been evaluated through March 9, 2018, the date the financial statements were available to be issued.

Note 2. Acquisition

On October 20, 2016, the Company completed the acquisition of River Bancorp, Inc. (“River”), the holding company for River Community Bank, N.A., pursuant to the terms of the Agreement and Plan of Reorganization dated March 30, 2016. Under the agreement, River’s shareholders had the right to receive, at the holder’s election, either $16.57 per share in cash or 0.8143 shares (1.221 after 2017 stock split) of Blue Ridge Bankshares, Inc. common stock, subject to the allocation and proration procedures set forth in the agreement, plus cash in lieu of fractional shares.

A summary of the assets received and liabilities assumed and related adjustments are as follows:

	As Recorded by River Bancorp, Inc.	Adjustments		As Recorded by Blue Ridge Bankshares, Inc.
Assets				
Cash and due from banks	$ 2,858,037	$ -		$ 2,858,037
Investment securities available-for-sale	5,111,322	-		5,111,322
Federal Funds Sold	1,712,000	-		1,712,000
Restricted equity securities	583,850	-		583,850
Available-for-sale loans	11,133,949	-		11,133,949
Held-for-investment loans	89,721,946	(693,347)	(1)	89,028,599
Furniture, Fixtures, and equipment	673,956	(260,660)	(2)	413,296
Accrued interest receivable	349,946	-		349,946
Core deposit intangible	-	1,214,000	(3)	1,214,000
Other assets	2,700,988	(674,133)	(4)	2,026,855
Total assets acquired	$ 114,845,994	$ (414,140)		$ 114,431,854
Liabilities				
Deposits	97,685,301	-		97,685,301
Borrowings	5,000,000	-		5,000,000
Other liabilities	592,162	-		592,162
Total liabilities assumed	$ 103,277,463	$ -		$ 103,277,463
Net assets acquired				11,154,391
Total consideration paid				12,882,255
Goodwill				$ 1,727,864

Explanation of adjustments:

(1) Adjustment to reflect estimated fair value of loans of $557,000, credit mark on loan portfolio of $(2,178,814), and elimination of River’s allowance for loan and lease losses of $928,467.
(2) Adjustment to reflect estimated fair value of furniture, fixtures, and equipment.
(3) Adjustment to reflect recording of core deposit intangible.
(4) Adjustment to reflect recording of credit mark on other real estate owned $(227,186) and adjustment to other assets including deferred taxes related to acquisition of $(446,947).

A summary of the consideration paid is as follows:

Common stock issued (423,246 shares)	$ 9,189,483
Cash payments to common shareholders	3,692,772
Total consideration paid	$ 12,882,255

Note 2. Acquisition (Continued)

This acquisition expands the Company's commercial banking presence in the Southside region of Virginia through the addition of four branches and introduced a commercial loan production office in Greensboro, North Carolina. Mortgage loan production offices were also introduced in these locations and across North Carolina.

The following table presents unaudited pro forma results of operations for the periods presented as if the River Bancorp, Inc. acquisition had been completed on January 1, 2015. The pro forma results of operations include the historical accounts of the Company and River Bancorp, Inc., and pro-forma adjustments may be required. The pro forma information is intended for informational purposes only and is not necessarily indicative of our future operating results or operating results that would have occurred had the acquisition been completed at the beginning of 2015. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions. Transaction-related costs related to the acquisition are not reflected in the pro-forma amounts.

	Pro Forma for the Year Ended December 31, 2016	Pro Forma for the Year Ended December 31, 2015
Revenues (net interest income plus noninterest income)	$ 22,050,000	$ 22,722,000
Net income	$ 3,065,000	$ 3,903,000

Note 3. Cash and Due From Banks

The Bank has compensating balance agreements with its correspondent bank and The Federal Reserve Bank of Richmond. The total included in cash and due from banks related to these agreements at December 31, 2017 and 2016 was $275,000.

Note 4. Investment Securities

The amortized cost and fair values of investment securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017				
Available for Sale				
State and municipal	$ 1,321,005	$ 23,658	$ -	$ 1,344,663
U.S. Treasury and Agencies	3,374,900	-	174,169	3,200,731
Mortgage backed securities	22,910,329	20,751	504,001	22,427,079
Corporate bonds	4,825,614	119,406	20,000	4,925,020
Equity securities	556,091	149,611	24,901	680,801
	32,987,939	313,426	723,071	32,578,294
Held to Maturity				
State and municipal	13,206,415	224,180	15,607	13,414,988
	13,206,415	224,180	15,607	13,414,988
Total Investment Securities	$ 46,194,354	$ 537,606	$ 738,678	$ 45,993,282

Note 4. Investment Securities (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016				
Available for Sale				
State and municipal	$ 1,323,150	$ -	$ -	$ 1,323,150
U.S. Treasury and Agencies	3,374,881	-	39,043	3,335,838
Mortgage backed securities	16,985,263	45,062	389,633	16,640,692
Corporate bonds	4,600,000	12,455	24,395	4,588,060
Equity securities	679,169	181,485	-	860,654
	26,962,463	239,002	453,071	26,748,394
Held to Maturity				
State and municipal	12,971,598	245,336	23,570	13,193,364
	12,971,598	245,336	23,570	13,193,364
Total Investment Securities	$ 39,934,061	$ 484,338	$ 476,641	$ 39,941,758

Proceeds from sales, calls and maturities of available for sale securities during 2017 and 2016 were $2,382,784 and $4,282,576, resulting in a gain of $192,161 and $0, respectively.

During 2017 and 2016, held to maturity securities with book values of $6,622,239 and $1,150,000, respectively, were either called or matured resulting in no gain or loss for either year.

Investment securities with an approximate fair value of $15,541,324 and $15,867,000, at December 31, 2017 and 2016, respectively, were pledged to secure public deposits and for other purposes required by law and as collateral for the Bank's line of credit with the Federal Home Loan Bank of Atlanta.

The amortized cost and fair value of investment securities at December 31, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing:				
After one year through five years	$ 827,389	$ 838,896	$ 3,819,322	$ 3,880,541
After five years through ten years	10,887,382	10,730,558	4,502,455	4,549,660
After ten years	20,717,077	20,328,039	4,884,638	4,984,787
	32,431,848	31,897,493	13,206,415	13,414,988
Equity investments with no maturity	556,091	680,801	-	-
Total	$ 32,987,939	$ 32,578,294	$ 13,206,415	$ 13,414,988

Note 4. Investment Securities (Continued)

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that securities have been in a continuous loss position is as follows:

December 31, 2017	**Less than 12 Months**		**12 Months or Greater**		**Total**	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
State and Municipal	$ 2,306,451	$ (15,607)	$ -	$ -	$ 2,306,451	$ (15,607)
U.S. Treasury and Agency	-	-	3,200,731	(174,169)	3,200,731	(174,169)
Mortgage backed	11,442,024	(237,469)	8,490,769	(266,532)	19,932,793	(504,001)
Corporate bonds	1,230,000	(20,000)	-	-	1,255,099	(44,901)
Equity securities	-	-	25,099	(24,901)	-	-
Total	$ 14,978,475	$ (273,076)	$11,716,599	$ (465,602)	$ 26,695,074	$ (738,678)

December 31, 2016	**Less than 12 Months**		**12 Months or Greater**		**Total**	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
State and Municipal	$ 982,830	$ (23,570)	$ -	$ -	$ 982,830	$ (23,570)
U.S. Treasury and Agency	835,958	(39,043)	-	-	835,958	(39,043)
Mortgage backed	5,471,092	(163,339)	6,711,335	(226,294)	12,182,427	(389,633)
Corporate bonds	1,478,730	(21,270)	246,875	(3,125)	1,725,605	(24,395)
Total	$ 8,768,610	$ (247,222)	$ 6,958,210	$ (229,419)	$ 15,726,820	$ (476,641)

Management evaluates securities for other-than-temporary impairment on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2017, the Company had securities which have depreciated 2.76% in value from the amortized cost. Included in this total are eleven securities that have been in a continuous loss position for more than twelve months. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability and intent to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Note 5. Loans Receivable and Related Allowance for Loan Losses

The following table summarizes the primary segments of the loan portfolio (in thousands):

	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
December 31, 2017			
Residential loans	$ -	$ 106,243	$ 106,243
Commercial real estate loans			
Non owner-occupied & multi-family	700	49,227	49,927
Owner-occupied & farmland	1,091	64,865	65,956
Construction loans			
Residential construction	-	8,130	8,130
Commercial construction & raw land	-	11,967	11,967
Home equity loans	395	12,875	13,270
Consumer loans	-	25,491	25,491
Commercial/farm loans	1,041	37,484	38,525
Municipal/other loans	-	11,763	11,763
Unearned income on loans	-	(467)	(467)
Total	$ 3,227	$ 327,578	$ 330,805

	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
December 31, 2016			
Residential loans	$ -	$ 103,926	$ 103,926
Commercial real estate loans			
Non owner-occupied & multi-family	-	53,941	53,941
Owner-occupied & farmland	-	60,648	60,648
Construction loans			
Residential construction	-	5,116	5,116
Commercial construction & raw land	-	17,736	17,736
Home equity loans	-	11,529	11,529
Consumer loans	-	16,104	16,104
Commercial/farm loans	-	37,410	37,410
Municipal/other loans	-	13,538	13,538
Unearned income on loans	-	(320)	(320)
Total	$ -	$ 319,628	$ 319,628

To allow management to better monitor risk and performance, the Bank's loan portfolio is disaggregated to a level that is consistent with applicable call report codes. In general, the loan portfolio is segmented into the following categories: (i) the commercial loan portfolio; (ii) the commercial real estate loan portfolio; (iii) the municipal loan portfolio; (iv) the consumer loan portfolio; and, (v) the residential loan portfolio; however, each category may consist of multiple call report codes.

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

The commercial loan segment consists of loans made for the purpose of financing the activities of commercial customers. The commercial real estate ("CRE") loan segment includes both non-owner occupied and owner occupied CRE loans, in addition to multifamily residential and commercial real estate construction loans. The municipal loan segment includes loans made to local governments and governmental authorities in the normal course of their operations. The consumer loans consist of motor vehicle loans, savings account loans, personal lines of credit, overdraft loans, other types of secured consumer loans, and unsecured personal loans. The residential loan segment is made up of fixed rate and adjustable rate single-family amortizing term loans, which are primarily first liens, and also includes the Bank's home equity loan portfolio, which are generally second liens.

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. Commercial loans and commercial real estate loans are reviewed on a regular basis with a focus on larger loans along with loans which have experienced past payment or financial deficiencies. Certain loans including commercial and other loans which are experiencing payment or financial difficulties, loans in industries for which economic trends are negative and loans which are of heightened concern to management are included on the Bank's "watch list". Watch list loans, if significant, and larger commercial loans and commercial real estate loans which are 90 days or more past due are selected for impairment testing. These loans are analyzed to determine if they are "impaired", which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement.

Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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. The Bank does not separately evaluate individual consumer and residential mortgage loans for impairment, unless such loans are part of a larger relationship that is impaired, or are classified as a troubled debt restructuring agreement.

Once the determination has been made that a loan is impaired, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (a) the present value of expected future cash flows discounted at the loan's effective interest rate; (b) the loan's observable market price; or (c) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management primarily utilizing the fair value of collateral method, which is required for loans that are collateral dependent. The evaluation of the need and amount of a specific allocation of the allowance and whether a loan can be removed from impairment status is made on a monthly basis. The Bank's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

The Bank had $3,227,000 and zero in loans individually evaluated for impairment as of December 31, 2017 and 2016, respectively.

(Continued)

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

Loans acquired in a transfer, including business combinations, where there is evidence of credit deterioration since origination and it is probable at the date of acquisition that we will not collect all contractually required principal and interest payments, are accounted for as purchased impaired loans. Purchased impaired loans are initially recorded at fair value, which includes estimated future credit losses expected to be incurred over the life of the loan. Accordingly, the historical allowance for credit losses related to these loans is not carried over.

Purchased loans from the River Bancorp Inc. transaction had remaining balances of $49,831,573 as of December 31, 2017. Of these balances three loan relationships totaling $3,149,216 were considered specifically impaired PCI loans. Specific impairment on these loans was $920,672. The following table presents the segments of the River Bancorp Inc. purchased loans as of December 31, 2017 (in thousands):

	River Bancorp Inc. Purchased Loans Balances
Real Estate	
Construction loans and all land development and other land loans	$ 2,031
Secured by farmland	193
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	3,659
Secured by first liens	13,727
Secured by junior liens	875
Secured by multifamily (5 or more) residential properties	984
Loans secured by owner-occupied, nonfarm nonresidential properties	11,701
Loans secured by other nonfarm nonresidential properties	8,284
Commercial and Industrial	
Loans to finance agricultural production and other loans to farmers	8
Commercial and industrial loans	7,833
Other	
Other revolving credit plans	252
Automobile loans	100
Other consumer loans	185
Total	$ 49,832

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

Management uses a nine point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first five categories are considered not criticized, and are aggregated as “Pass” rated. The criticized rating categories utilized by management generally follow Bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the orderly liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. Loans in the Doubtful category have all the weaknesses found in Substandard loans, with the added provision that the weaknesses make collection of debt in full highly questionable and improbable. Any portion of a loan that has been charged off is placed in the Loss category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with both internal and external oversight. The Bank’s loan officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. The loan processing department confirms the appropriate risk grade at origination and monitors all subsequent changes to risk ratings. The Bank’s Loan Committee reviews risk grades when approving a loan and approves all risk rating changes, except those made within the pass risk ratings. The Bank engages an external consultant to conduct loan reviews on an annual basis of all relationships greater than $1,800,000. The internal audit function of the Bank reviews a sample of new loans throughout the year. The Bank’s process requires the review and evaluation of an impaired loan to be updated at least quarterly. Loans in the Special Mention and Substandard categories that are collectively evaluated for impairment are given separate consideration in the determination of the allowance.

The following table presents the classes of the loan portfolio summarized by the aggregate Pass, Watch and the criticized categories of Special Mention, Substandard, and Doubtful within the internal watch risk rating system as of December 31, 2017 and 2016 (in thousands):

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

	Pass	Watch/ Special Mention	Substandard	Doubtful	Total
December 31, 2017					
Commercial real estate loans					
Non owner-occupied & multi-family	$ 47,228	$ 2,004	$ 695	$ -	$ 49,927
Owner-occupied & farmland	62,826	-	3,130	-	65,956
Construction loans					
Residential construction loans	8,130	-	-	-	8,130
Commercial construction & raw land loans	10,612	-	1,355	-	11,967
Commercial/farm loans	37,046	-	1,480	-	38,526
Municipal/other loans	11,763	-	-	-	11,763
	177,605	2,004	6,660	-	188,269
Less: Unearned revenue	(262)	-	-	-	(262)
Total	$177,343	$ 2,004	$ 6,660	$ -	$ 186,007

	Pass	Watch/ Special Mention	Substandard	Doubtful	Total
December 31, 2016					
Commercial real estate loans					
Non owner-occupied & multi-family	$ 52,839	$ 1,102	$ -	$ -	$ 53,941
Owner-occupied & farmland	54,860	3,876	1,912	-	60,648
Construction loans					
Residential construction loans	5,116	-	-	-	5,116
Commercial construction & raw land loans	16,698	40	998	-	17,736
Commercial/farm loans	34,794	1,400	1,216	-	37,410
Municipal/other loans	13,538	-	-	-	13,538
	177,845	6,418	4,126	-	188,389
Less: Unearned revenue	(109)	-	-	-	(109)
Total	$177,736	$ 6,418	$ 4,126	$ -	$ 188,280

The following table presents (in thousands) the classes of the loan portfolio for which loan performance is the primary credit quality indicator as of December 31, 2017 and 2016:

	Residential Loans	Home Equity Loans	Consumer Loans	Total
December 31, 2017				
Performing loans	$ 105,675	$ 12,875	$ 25,295	$ 143,845
Non-performing loans	568	395	196	1,159
	106,243	13,270	25,491	145,004
Less: Unearned revenue	(297)	27	64	(206)
Total	$ 105,946	$ 13,297	$ 25,555	$ 144,798

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

	Residential Loans	Home Equity Loans	Consumer Loans	Total
December 31, 2016				
Performing loans	$ 103,617	$ 11,332	$ 16,040	$ 130,989
Non-performing loans	309	197	64	570
	103,926	11,529	16,104	131,559
Less: Unearned revenue	(298)	30	57	(211)
Total	$ 103,628	$ 11,559	$ 16,161	$ 131,348

An allowance for loan and lease losses ("ALLL") is maintained to absorb losses from the loan portfolio. The ALLL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans. Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2017 and 2016 (in thousands):

December 31, 2017	Current	30-59 Days Past Due	60 - 89 Days Past Due	90 Days+ Past Due	Total Past Due	Non-Accrual	Total Loans
Residential loans	$ 105,622	$ 23	$ -	$ 30	$ 53	$ 568	$ 106,243
Commercial real estate loans							
Non owner-occupied/multi-family	49,232	-	-	-	-	695	49,927
Owner-occupied & farmland	62,778	48	-	-	48	3,130	65,956
Construction loans							
Residential construction loans	8,130	-	-	-	-	-	8,130
Commercial construction & raw land loans	10,931	-	-	-	-	1,036	11,967
Home equity loans	12,875	-	-	-	-	395	13,270
Consumer loans	24,281	786	228	-	1,014	196	25,491
Commercial/farm loans	36,699	235	55	43	333	1,493	38,525
Municipal/other loans	11,763	-	-	-	-	-	11,763
Unearned income on loans	(467)	-	-	-	-	-	(467)
Total	$ 321,844	$ 1,092	$ 283	$ 73	$ 1,448	$ 7,513	$ 330,805

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

December 31, 2016	Current	30-59 Days Past Due	60 - 89 Days Past Due	90 Days+ Past Due	Total Past Due	Non-Accrual	Total Loans
Residential loans	$ 101,470	$ 1,017	$ 480	$ 650	$ 2,147	$ 309	$ 103,926
Commercial real estate loans							
Non owner-occupied/multi-family	53,224	717	-	-	717	-	53,941
Owner-occupied & farmland	60,111	400	137	-	537	-	60,648
Construction loans							
Residential construction loans	5,116	-	-	-	-	-	5,116
Commercial construction & raw land loans	17,696	-	-	-	-	40	17,736
Home equity loans	11,333	-	-	-	-	197	11,530
Consumer loans	15,107	540	260	133	933	64	16,104
Commercial/farm loans	37,062	211	-	-	211	136	37,409
Municipal/other loans	13,538	-	-	-	-	-	13,538
Unearned income on loans	(320)	-	-	-	-	-	(320)
Total	$ 314,337	$ 2,885	$ 877	$ 783	$ 4,545	$ 746	$ 319,628

The classes described above provide the starting point for the ALLL analysis. Management tracks the historical net charge-off activity by loan class. A historical charge-off factor is calculated and applied to each class. Loans that are collectively evaluated for impairment are analyzed with general allowances being made as appropriate. For general allowances, historical loss trends are used in the estimation of losses in the current portfolio. Other qualitative factors are also considered.

“Pass” rated credits are segregated from “Criticized” credits for the application of qualitative factors. Management has identified a number of qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The qualitative factors are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources. The Bank’s qualitative factors consist of: changes in lending policies and procedures, changes in international, national, regional, and local conditions, changes in the nature and volume of the portfolio and terms of loans, changes in the experience, depth, and ability of lending management, changes in the volume and severity of past due loans and other similar conditions, changes in the quality of the organization’s loan review system, changes in the value of underlying collateral for dependent loans, the existence and effect of any concentrations of credit and changes in the levels of such concentrations, and the effect of other external factors.

Management reviews the loan portfolio on a monthly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALLL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALLL.

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

The following tables summarize the primary segments of the ALLL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of December 31, 2017 and 2016. Activity in the allowance is presented for the each of the twelve months ended December 31, 2017 and 2016 (in thousands):

	Commercial	Commercial Real Estate	Consumer	Residential	Municipal	Total
ALLL Balance at December 31, 2016	$ 294	$ 658	$ 631	$ 365	$ 65	$ 2,013
Charge-offs	-	(71)	(365)	-	-	(436)
Recoveries	34	-	95	1	-	130
Provision	209	239	575	79	(7)	1,095
ALLL Balance at December 31, 2017	$ 537	$ 826	$ 936	$ 445	$ 58	$ 2,802
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 537	$ 826	$ 936	$ 445	$ 58	$ 2,802

	Commercial	Commercial Real Estate	Consumer	Residential	Municipal	Total
ALLL Balance at December 31, 2015	$ 418	$ 680	$ 476	$ 487	$ 287	$ 2,348
Charge-offs	(330)	-	(307)	-	(689)	(1,326)
Recoveries	1	-	64	-	-	65
Provision	205	(22)	398	(122)	467	926
ALLL Balance at December 31, 2016	$ 294	$ 658	$ 631	$ 365	$ 65	$ 2,013
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 294	$ 658	$ 631	$ 365	$ 65	$ 2,013

The following is a summary of the changes in the allowance for loan losses for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016
Balance, beginning	$ 2,013	$ 2,348
Charge-offs	(436)	(1,326)
Recoveries	130	65
Provision	1,095	926
Balance, ending	$ 2,802	$ 2,013

Note 5. Loans Receivable and Related Allowance for Loan Losses (Continued)

The allowance for loan losses is based on estimates, and actual losses will vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ALLL that is representative of the risk found in the components of the portfolio at any given date.

At December 31, 2017 loans with a carrying amount of $79.0 million were pledged to secure short-term and long-term borrowings with the Federal Home Loan Bank.

Loans held for sale includes the Bank's commitment to purchase up to $20,000,000 in residential mortgage loan fundings originated by another financial institution. The Bank reviews loan documentation for each specific mortgage prior to funding to ensure it conforms to the terms of the agreement. The mortgages funded through this program must have already obtained a purchase commitment (takeout) from another financial institution as part of the conditions of the Bank's funding. The Bank also has an in-house residential mortgage loan division that originates loans held for sale. The balance of loans held for sale was $17,219,636 and $24,655,901 at December 31, 2017 and 2016, respectively.

Nonaccrual loans were approximately $7,513,000 and $746,000 at December 31, 2017 and 2016, respectively. The Bank is not committed to lend additional funds to borrowers whose loans are considered impaired or whose loans have been modified.

Note 6. Bank Premises and Equipment

Bank premises and equipment are summarized as follows:

	2017	2016
Buildings and land	$ 2,494,030	$ 2,509,609
Furniture, fixtures and equipment	2,450,202	2,451,289
Software	321,463	297,057
Total Cost	5,265,695	5,257,955
Less: Accumulated depreciation	(2,988,426)	(2,751,556)
Total, net of depreciation	$ 2,277,269	$ 2,506,399

Depreciation expense for 2017 and 2016 was $374,277 and $292,919, respectively.

(Continued)

Note 7. Time Deposits

The aggregate amounts of certificates of deposit, with a minimum denomination of $250,000 were $37,060,000 and $31,947,000 at December 31, 2017 and 2016, respectively.

Time deposits include brokered deposits purchased through the Certificate of Deposit Account Registry Service (CDARS). The balance of these time deposits was $1,221,229 and $2,283,251 at December 31, 2017 and 2016, respectively. As long as the Bank maintains its current rating through CDARS rating service, it may purchase deposits up to 15% of its assets as of the most recent quarter end. At December 31, 2017, the Bank could have purchased up to approximately $64,000,000 in deposits through CDARS. The decision to utilize this funding depends on the Bank's liquidity needs and the pricing of CDARS deposits compared to other potential funding sources.

At December 31, 2017, the scheduled maturities of time deposits are as follows:

	Maturities
2018	$ 61,659,718
2019	40,142,002
2020	22,705,733
2021	26,985,228
2022	8,125,778
2023 and beyond	2,395,158
Total	$ 162,013,617

Note 8. Borrowings

The Bank has a line of credit from the Federal Home Loan Bank of Atlanta (FHLB) secured by the Bank's real estate loan portfolio and certain pledged securities. The FHLB will lend up to 25% of the Bank's total assets at the prior quarter end, subject to certain eligibility requirements, including adequate collateral. At December 31, 2017, the Bank had borrowings from FHLB that totaled $35,957,000. The interest rate on the borrowings range from 1.21% to 3.95% depending on structure and maturity. The borrowings also required the Bank to own $1,903,100 of FHLB stock. This amount is included with restricted investments on the consolidated balance sheets.

During 2012, the Bank refinanced $11,000,000 of its fixed rate debt to take advantage of the low rate interest environment by extending maturities. The refinancing of this debt created fees of approximately $457,000, which were capitalized according to accounting standards and are included on the balance sheet as a reduction of the outstanding principal. This amount is being amortized over the life of the new debt.

Note 8. Borrowings (Continued)

The principal on FHLB borrowings matures as follows:

	Maturities
2018	$ 26,957,000
2019	9,000,000
Total principal	35,957,000
Capitalized refinancing fees	(63,472)
FHLB borrowings, net	$ 35,893,528

At December 31, 2016, the Bank had fixed rate advances from FHLB totaling $32,317,361.

In December 2014, the Company issued stock as part of a private placement capital raise. The Bank's Employee Stock Ownership Plan ("ESOP") purchased stock as part of this raise and borrowed $600,000 from Community Bankers' Bank to fund the purchase. The loan carries an interest rate of 4.50% and is to be repaid in seven annual installments of principal and interest. The Company has guaranteed the loan, which carried a balance of $151,098 and $305,903 at December 31, 2017 and 2016, respectively. The balance is included in other borrowed funds on the consolidated balance sheet. Repayment of the loan comes from the Bank's annual discretionary contribution to the ESOP, as well as the Bank's matching component to employee's elective deferrals into the 401(k) plan, the proceeds of which are contributed to the ESOP. The shares purchased with the proceeds of this loan are being used as collateral and are therefore restricted. A prorated portion of the restricted shares are released each year as the loan is repaid. The Company also pledged securities from its AFS portfolio with an approximate fair value of $326,000. These securities are included in restricted investments on the consolidated balance sheet.

In addition the Bank has established lines of credit for federal funds purchases of $15,000,000 with its correspondent banks. The balance was zero at December 31, 2017 and December 31, 2016.

Note 9. Subordinated Debt

On November 20, 2015, the Company entered into a Subordinated Note Purchase Agreement (the "Purchase Agreement") with 14 institutional accredited investors under which the Company issued an aggregate of $10,000,000 of subordinated notes (the "Notes") to the institutional accredited investors. The Notes have a maturity date of December 1, 2025. The Notes bear interest, payable on the 1st of June and December of each year, commencing June 1, 2016, at a fixed rate of 6.75% per year for the first five years, and thereafter will bear a floating interest rate of LIBOR plus 512.8 basis points. The Notes are not convertible into common stock or preferred stock and are not callable by the holders. The Company has the right to redeem the Notes, in whole or in part, without premium or penalty, at any interest payment date on or after December 1, 2020 and prior to the maturity date, but in all cases in a principal amount with integral multiples of $1,000, plus interest accrued and unpaid through the date of redemption. If an event of default occurs, such as the bankruptcy of the Company, the holder of a Note may declare the principal amount of the Note to be due and immediately payable. The Notes are unsecured, subordinated obligations of the Company and will rank junior in right of payment to the Company's existing and future senior indebtedness. The Notes qualify as Tier 2 capital for regulatory reporting.

Note 9. Subordinated Debt (Continued)

As part of the transaction, the Company incurred issuance costs totaling $338,813. These costs are being amortized over the life of the Notes. The following table summarizes the balance of the Notes and related issuance costs at December 31, 2017 and 2016:

	2017	2016
Subordinated debt	$ 10,000,000	$ 10,000,000
Unamortized issuance costs	(267,329)	(301,210)
Subordinated debt, net	$ 9,732,671	$ 9,698,790

Note 10 Common Stock

The Company has 5,000,000 shares of no par value authorized common stock of which 2,765,636 and 2,737,136 shares were issued and outstanding at December 31, 2017 and 2016, respectively.

Note 11. Other Real Estate Owned (Foreclosed Assets)

The Bank had the following amounts in Other Real Estate Owned at December 31, 2017 and 2016:

	Estimated Realizable Value	
Real Estate Held	2017	2016
1-4 Family	$ 207,425	$ 611,456

The estimated realizable value is the net amount Bank management expects to realize from the sale of the foreclosed upon real estate. The net realizable amount takes into account realtor commissions and other anticipated costs associated with the disposition of real estate. Adjustments to reduce the loan balance to net realizable value at the time the properties were acquired were made to the Allowance for Loan Losses. Bank Management continues to monitor the properties for changes in value. Any decline in value would be charged to operations.

Expenses associated with the maintenance and upkeep of Other Real Estate Owned are recorded as Other Real Estate Expense. The balance of Other Real Estate Owned is included with other assets on the Company's consolidated balance sheets.

Foreclosed assets guaranteed by governmental agencies and not included in the above total, amounted to $274,073 and $719,014 at December 31, 2017 and 2016, respectively. These balances are included with other assets on the Company's consolidated balance sheets.

(Continued)

Note 12. Goodwill

The balance in goodwill is the result of a branch acquisition in Charlottesville in 2011 and the acquisition of River Bancorp, Inc. in 2016. The purpose of these acquisitions was to expand the geographic service area by targeting attractive markets with potential to provide continued balance sheet growth and new opportunities for the Company. Bank management will evaluate at least annually the recorded value of the goodwill. In the event the asset suffers a decline in value based on criteria established in governing accounting standards, an impairment will be recorded.

Goodwill	2017	2016
Charlottesville Branch Acquisition	$ 366,300	$ 366,300
River Bancorp, Inc. Acquisition	1,727,864	1,727,864
	$ 2,094,164	$ 2,094,164

Note 13. Disclosures About Fair Value of Financial Instruments

In accordance with the requirements of U.S. GAAP, fair value disclosure estimates are being made for like-kind financial instruments. Fair value estimates are based on present value of expected future cash flows, quoted market prices of similar financial instruments, if available, and other valuation techniques. These valuations are significantly affected by the discount rates, cash flow assumptions and risk assumptions used. Therefore, the fair value estimates may not be substantiated by comparison to independent markets and are not intended to reflect the proceeds that may be realizable in an immediate settlement of the financial instruments.

U.S. GAAP excludes certain items from the disclosure requirements, and accordingly, the aggregate fair value of amounts presented do not represent the underlying value of the Company. Management does not have the intention to dispose of a significant portion of its financial instruments and, therefore, the unrealized gains or losses should not be interpreted as a forecast of future earnings and cash flows.

The following table represents the estimates of fair value of financial instruments as of December 31, 2017 and 2016:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and short-term investments	$ 10,319,189	$ 10,319,189	$ 14,098,449	$ 14,098,449
Federal funds sold	88,000	88,000	1,726,000	1,726,000
Investment securities	48,994,839	49,203,412	42,607,381	42,829,147
Loans held for sale	17,219,636	17,219,636	24,655,901	24,655,901
Net loans held for investment	328,002,333	331,854,364	317,614,392	325,438,099
Accrued interest receivable	1,519,577	1,519,577	1,296,268	1,296,268
Bank-owned life insurance	7,654,471	7,654,471	4,516,310	4,516,310
Financial Liabilities				
Deposits	339,289,742	335,359,051	340,874,155	340,272,000
Other borrowed funds	36,044,626	36,162,098	32,623,264	32,905,903
Subordinated debt, net	9,732,671	9,732,671	9,698,790	9,698,790
Accrued interest payable	285,753	285,753	233,929	233,929

(Continued)

Note 13. Disclosures About Fair Value of Financial Instruments (Continued)

The following methods and assumptions are used to estimate the fair value of financial instruments:

Cash and short term investments: The carrying amount for cash and short-term investments is a reasonable estimate of fair value. Short-term investments consist of certificates of deposit in other banks.

Investment securities: Fair values for investment securities are based on quoted market prices, if available. If market prices are not available, quoted market prices of similar securities are used.

Loans held for sale: Loans held for sale are usually held for a short period of time ranging from 10 to 60 days. The carrying value of these loans approximates their fair value.

Loans held for investment: The fair value of loans held for investment is based on a discounted value of the estimated future cash flow expected to be received through the earlier of the loan payout or the loan repricing date. The interest rate applied in the discounted cash flow method reflects average current rates on similar loans adjusted for relative risk and maturity. Fair values of impaired loans are estimated based on estimates of net realization of underlying collateral.

Deposits: The carrying amount is considered a reasonable estimate of fair value for demand and savings deposits and other variable rate deposit accounts. The fair value of fixed maturity certificates of deposit is estimated by a discounted cash flow method using the interest rates currently offered for deposits of similar remaining maturities.

Other borrowed funds: The fair value of fixed maturity obligations is estimated by a discounted cash flow method using the interest rates currently offered for borrowings of similar remaining maturities.

Accrued interest receivable and payable: The carrying amounts of accrued interest receivable and payable approximate their fair values.

Bank-owned life insurance: The carrying and fair value amount of bank-owned life insurance is based on the present value of the receivable from the executive. The cash surrender values of the policies exceed the carrying amounts as of the balance sheet date.

Off-balance sheet instruments: The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit standing of the customers. The amount of fees currently charged on commitments is determined to be insignificant and therefore the fair value and carrying value of off-balance sheet instruments are not shown.

Note 14. Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liabilities, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following sections provide a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Securities: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Currently, all of the Company's securities are considered to be Level 2 securities.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	**(Level 1)**	**(Level 2)**	**(Level 3)**
December 31, 2017				
Available for-sale securities	$ 32,578,294	$ -	$ 32,578,294	$ -
Bank-owned life insurance	7,654,471	-	7,654,471	-
Total	$ 40,232,765	$ -	$ 40,232,765	$ -
December 31, 2016				
Available for-sale securities	$ 26,748,394	$ -	$ 26,748,394	$ -
Bank-owned life insurance	4,516,310	-	4,516,310	-
Total	$ 31,264,704	$ -	$ 31,264,704	$ -

(Continued)

Note 14. Fair Value Measurements (Continued)

Gains and losses (realized and unrealized) included in earnings for the year are reported in noninterest income as follows:

December 31, 2017:		
Total gains included in earnings for the year	$	192,161
Change in unrealized gains or losses relating to assets still held at year end	$	(16,524)
December 31, 2016:		
Total gains included in earnings for the year	$	-
Change in unrealized gains or losses relating to assets still held at year end	$	96,651

Fair values of assets measured on a non-recurring basis at December 31, 2017 and 2016 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	**(Level 1)**	**(Level 2)**	**(Level 3)**
December 31, 2017				
Other real estate owned	$ 207,425	$ -	$ -	$ 207,425
Total	$ 207,425	$ -	$ -	$ 207,425
December 31, 2016				
Other real estate owned	$ 611,456	$ -	$ -	$ 611,456
Total	$ 611,456	$ -	$ -	$ 611,456

For level 3 assets and liabilities measured at fair value on a recurring basis or non-recurring basis as of December 31, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value At December 31, 2017	**Valuation Technique**	**Significant Unobservable Inputs**	**Range**
Other real estate owned	$ 207,425	Discounted appraised value	Discounted for selling costs and age of appraisals	15%-35%

	Fair Value At December 31, 2016	**Valuation Technique**	**Significant Unobservable Inputs**	**Range**
Other real estate owned	$ 611,456	Discounted appraised value	Discounted for selling costs and age of appraisals	15%-35%

Note 15. Income Taxes

A reconciliation between the amount of total income taxes and the amount computed by multiplying income by the applicable federal income tax rates is as follows:

	2017	2016
Income taxes computed at the applicable federal income tax rate	$ 2,099,816	$ 426,230
Tax exempt municipal income	(137,526)	(146,711)
Income from life insurance	(46,975)	(34,702)
Nondeductible merger expenses	-	311,140
Nondeductible amortization	132,187	-
Other, net	9,603	(2,506)
Income Tax Expense	$ 2,057,105	$ 553,451

The current and deferred components of income tax expense are as follows:

	2017	2016
Current tax expense	$ 1,732,501	$ 292,121
Deferred tax expense	324,604	261,330
Income Tax Expense	$ 2,057,105	$ 553,451

Deferred tax assets have been provided for temporary differences related to the allowance for loan losses, recognition of loan fee income, and deferred compensation agreements. Deferred tax liabilities have been provided for temporary differences related to depreciation and unrealized securities gains.

The net deferred tax asset was made up of the following:

	2017	2016
Deferred tax assets	$ 752,751	$ 1,008,318
Deferred tax liabilities	(314,838)	(349,083)
Net Deferred Tax Asset	$ 437,913	$ 659,235

This amount has been included as part of other assets on the balance sheet.

The federal and Virginia income tax returns of the Company for 2014 to 2017 are subject to examination by the Internal Revenue Service and the Virginia Department of Taxation.

On December 22, 2017, President Trump signed into law new U.S. tax reform legislation (the "Act"). The Act makes significant changes to U.S. corporate income tax laws including a decrease in the corporate income tax rate to 21% effective for tax years beginning after December 31, 2017. As a result of the change in tax rate, a deferred tax expense of $217,835 was recorded in 2017.

Note 15. Income Taxes (Continued)

In February 2018, FASB issued ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The standard provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The Company has reclassified $53,255 from accumulated other comprehensive income to retained earnings as of December 31, 2017.

Note 16. Employee Benefits

The Bank has a 401(k) Profit Sharing Plan that covers eligible employees. Employees may make voluntary contributions subject to certain limits based on federal tax laws. The Bank matches 100 percent of an employee's contribution up to five percent of his or her salary following one year of continuous service and the benefits vest immediately. The Bank's Board of Directors may make additional contributions at its discretion. Employees become eligible to participate in the discretionary contributions after one year of continuous service and the benefits vest over a five-year period. For the years ended December 31, 2017 and 2016, total expenses attributable to this plan were $308,878 and $142,565, respectively.

In 2013, the Company established an Employee Stock Ownership Plan (ESOP) that covers eligible employees. Benefits in the Plan vest over a five-year period. Contributions to the plan are made at the discretion of the Board of Directors and may include both the matching component to employees' elective deferrals into the 401(k) plan and discretionary profit contributions. In December 2014, the ESOP borrowed $600,000 and used the proceeds to purchase 64,286 common shares from the Company. Shares purchased with the borrowed funds are allocated and released to participants over the repayment period of the loan using a formula that considers current contributions to service the debt compared to total expected future contributions. As of December 31, 2017, 48,969 shares had been released from the suspended shares resulting in a remaining balance of 15,317 unallocated ESOP shares. The fair value of unallocated shares as of December 31, 2017 was $201,871. All shares issued to and held by the Plan are considered outstanding in the computation of earnings per share. The Plan or the Company is required to purchase shares from separated employees at a price determined by a third-party appraisal.

The Company recognized discretionary expenses of $120,000 and $46,000 for contributions to the Plan in 2017 and 2016, respectively. Compensation expense with regards to allocated shares is determined based on the fair value of the stock at the date of allocation and totaled $211,000 for 2017 and $291,000 for 2016, respectively. Dividends on shares released are recorded as dividends paid on common stock in the statement of Stockholders' Equity (totaled approximately $16,000 in 2017) and dividends on unreleased shares are recorded as compensation expense (totaled approximately $6,000 in 2017). The Plan held 79,800 total shares of Company stock at December 31, 2017 and 2016.

Note 17. Financial Instruments With Off-Balance-Sheet Risk

In the normal course of business, to meet credit needs of customers, the Bank has made commitments to extend credit of $45,499,000 and $33,830,000 as of December 31, 2017 and 2016, respectively. These commitments represent a credit risk which is not recognized in the consolidated balance sheet. The Bank uses the same credit policies in making commitments as it does for the loans reflected in the balance sheet. Commitments to extend credit are generally made for a period of one year and interest rates are determined when funds are disbursed. Collateral and other security for the loans are determined on a case-by-case basis. 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 distribution of commitments to extend credit approximates the distribution of loans outstanding.

Note 18. Commitments and Contingencies

In the ordinary course of business, the Bank has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments include a total of $1,536,145 for its interest in six Small Business Investment Company (SBIC) funds. The Bank funded $1,763,855 of its total $3,500,000 investment prior to December 31, 2017, and anticipates capital calls for the remaining amount to occur during the next one to three years. Management does not anticipate any loss resulting from these commitments.

The Bank sells mortgage loans to unrelated investors. In the event the Bank is not able to deliver certain loan closing documents within the specified time period, the Company may be required to repurchase some of these loans.

Note 19. Lease Commitments

Various facilities are leased under noncancellable operating leases with initial remaining terms in excess of one year and an option for renewal. In addition to minimum rentals, certain leases have escalation clauses and include provisions for additional payments to cover taxes, insurance, and maintenance. Rental expense for 2017 and 2016 was $777,228 and $298,274, respectively.

At December 31, 2017, the aggregate future minimum rental commitments (base rents) under this noncancellable operating lease are as follows:

	Annual Payments
For the year ending December 31,	
2018	$ 692,295
2019	654,861
2020	596,687
2021	462,703
2022	348,893
Thereafter	841,035
Total	$ 3,596,474

Note 20. Concentration of Credit Risk

The majority of the Bank's loans are made to customers in the Bank's trade area and a substantial portion of the loans are secured by real estate. Accordingly, the ultimate collectability of the Bank's loan portfolio is susceptible to changes in local economic conditions including the agribusiness sector and the real estate market. A summary of loans by type is shown in Note 5. Collateral required by the Bank is determined on an individual basis depending on the nature of the loan and the financial condition of the borrower. In addition, investment in state and municipal securities include governmental entities within the Bank's market area.

Note 21. Transactions With Related Parties

During the year, officers, directors, and principal shareholders and their related interests were customers of and had transactions with the Bank during the normal course of business. These transactions were made on substantially the same terms as those prevailing for other customers and did not involve any abnormal risk. Loan transactions to such related parties are shown in the following schedule:

	2017	2016
Total loans, beginning of year	$ 7,785,000	$ 6,244,000
Advances	6,293,000	4,291,000
Curtailments	(2,267,000)	(2,750,000)
Total loans, end of year	$ 11,811,000	$ 7,785,000

The Bank held related party deposits of approximately $5,664,000 and $5,556,000 at December 31, 2017 and 2016, respectively.

Note 22. Stock-Based Compensation

The Company has granted restricted stock awards to employees under the Blue Ridge Bank Equity Incentive Plan. The restricted stock awards are considered fixed awards as the number of shares and fair value is known at the date of grant and the fair value at the grant date is amortized over the vesting period. Non-cash compensation expense recognized in the Consolidated Statements of Income related to restricted stock awards, net of estimated forfeitures, was $53,533 for the year ended December 31, 2017. The fair value of restricted stock awards during the year ended December 31, 2017 was $418,000. There were no restricted stock awards granted prior to 2017.

Note 23. Derivative Instruments and Hedging Activities

The Bank participates in a "mandatory" delivery program for its government guaranteed mortgage loans. Under the mandatory delivery system, loans with interest rate locks are paired with the sale of a TBA (To Be Announced) mortgage-backed security bearing similar attributes. Under the mandatory delivery program, the Bank commits to deliver loans to an investor at an agreed-upon price prior to the close of such loans. This differs from a "best efforts" delivery, which sets the sale price with the investor on a loan-by-loan basis when each loan is locked.

Note 24. Regulatory Matters

The principal source of funds of Blue Ridge Bankshares, Inc. is dividends paid by its subsidiary bank. The various regulatory authorities impose restrictions on dividends paid by a national bank. A national bank cannot pay dividends (without the consent of the Comptroller of the Currency) in excess of the total net profits (net income less dividends paid) of the current year to date and the combined retained net profits of the previous two years. As of January 1, 2018, the Bank could pay dividends to Blue Ridge Bankshares, Inc. of approximately $6,665,656 without the permission of regulatory authorities. The ability to pay such a dividend would additionally be affected by the subsidiary bank's capital availability.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's 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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2017, that the Bank meets all capital adequacy requirements to which it is subject.

The Bank is considered well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, Common Equity Tier 1, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

Note 24 Regulatory Matters (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2017						
Total risk based capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 39,328	12.70%	$ 24,767	8.0%	N/A	N/A
Blue Ridge Bank, N.A.	$ 45,127	14.61%	$ 24,714	8.0%	$ 30,893	10.0%
Tier I capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 36,526	11.80%	$ 18,575	6.0%	N/A	N/A
Blue Ridge Bank, N.A.	$ 42,325	13.70%	$ 18,536	6.0%	$ 24,714	8.0%
Common equity tier 1 capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 36,526	11.80%	$ 13,932	4.5%	N/A	N/A
Blue Ridge Bank, N.A.	$ 42,325	13.70%	$ 13,902	4.5%	$ 20,080	6.5%
Tier I capital						
(To average assets)						
Blue Ridge Bankshares	$ 36,526	8.67%	$ 16,845	4.0%	N/A	N/A
Blue Ridge Bank, N.A.	$ 42,325	10.33%	$ 16,392	4.0%	$ 20,491	5.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016						
Total risk based capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 35,759	11.99%	$ 23,862	8.0%	N/A	N/A
Blue Ridge Bank	$ 41,900	14.11%	$ 23,749	8.0%	$ 29,687	10.0%
Tier I capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 33,746	11.31%	$ 17,896	6.0%	N/A	N/A
Blue Ridge Bank	$ 39,887	13.44%	$ 17,812	6.0%	$ 23,749	8.0%
Common equity tier 1 capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 33,746	11.31%	$ 13,422	4.5%	N/A	N/A
Blue Ridge Bank	$ 39,887	13.44%	$ 13,359	4.5%	$ 19,296	6.5%
Tier I capital						
(To average assets)						
Blue Ridge Bankshares	$ 33,746	10.27%	$ 13,150	4.0%	N/A	N/A
Blue Ridge Bank	$ 39,887	9.64%	$ 16,550	4.0%	$ 20,687	5.0%

Note 24 Regulatory Matters (Continued)

On July 7, 2013 the Federal Reserve Board approved the Basel III Final Rule which began implementation January 1, 2015. The desired overall objective of Basel III is to improve the banking sector's ability to absorb shocks arising from financial and economic stress. The Final Rule changed minimum capital ratios and raised the Tier 1 Risk Weighted Assets to 6% from 4%. In addition, the new rules require a bank to maintain a capital conservation buffer that started at 0.625% beginning in 2016 and reaches 2.50% by 2019. The phase in of this buffer began in 2015 with complete compliance required by 2019. Generally, the Basel III Final Rule requires banks to maintain higher levels of common equity and regulatory capital.

Note 25. Recent Accounting Pronouncements and Changes

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 was effective for annual reporting periods beginning after December 15, 2017. ASU No. 2015-14 issued in August 2015 deferred the effective date of this update to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this ASU is not expected to have a material effect on the Company's current financial position or results of operations; however, it may impact the reporting of future financial statement disclosures.

In January 2016, *ASU No. 2016-01 Financial Instruments – Overall (Subtopic 825-10)* was issued by the FASB. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of these amendments on its financial statements.

In June 2016, *ASU No. 2016-13 Financial Instruments – Credit Losses (Topic 326)* was issued by the FASB. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU is effective for the Company in fiscal years beginning after December 15, 2020. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Note 25. Recent Accounting Pronouncements and Changes (Continued)

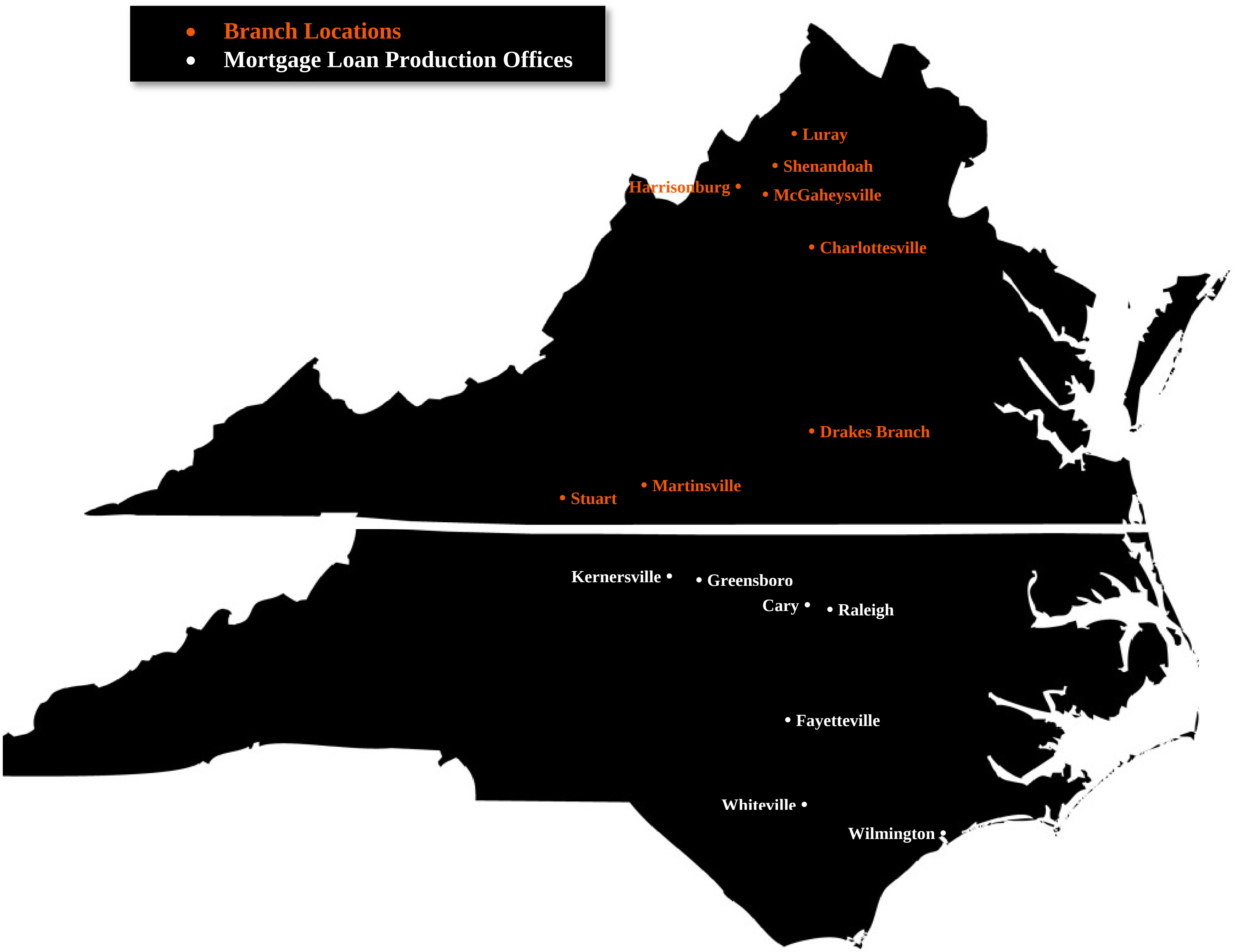
In March 2017, *ASU No. 2017-07 Compensation – Retirement Benefits (Topic 715)* was issued by the FASB. The amendments in this ASU require an employer that offers defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715 to report the service cost component of net periodic benefit cost in the same line item(s) as other compensation costs arising from services rendered during the period. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component. If the other components of net periodic benefit cost are not presented on a separate line or lines, the line item(s) used in the income statement must be disclosed. In addition, only the service cost component will be eligible for capitalization as part of an asset, when applicable. The amendments are effective for annual periods beginning after December 15, 2017. Early adoption is permitted. The Company does not expect the adoption of ASU 2017-07 to have a material impact on its consolidated financial statements.

Other accounting standards have been issued by the FASB that are not currently applicable to the Company or are not expected to have a material impact on the Company's financial statements.

BOARD OF DIRECTORS

Ottis R. Barham, Jr.	Kenneth E. Flynt	Brian K. Plum
Hunter H. Bost	James E. Gander, II	William W. Stokes
Robert B. Burger, Jr.	John H. H. Graves	Malcolm R. Sullivan, Jr.
Mensel D. Dean, Jr.	Robert S. Janney	
Larry Dees	Richard L. Masincup	

LOCATIONS



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