



Connecting *business* and the *community*



2015 Annual Report

FVCBankcorp, Inc.



Building *relationships*
that build our *community*

FVCBankcorp, Inc. and Subsidiary
Consolidated Financial Report
Fairfax, Virginia | December 31, 2015



MARCH 10, 2016

Dear Shareholder:

I am delighted to update you on your Bank's financial performance during 2015. We recently reported consolidated earnings of \$5.4 million for 2015, or \$0.80 diluted earnings per share, an increase of \$1.3 million, or 31.1% compared with 2014 net income of \$4.1 million, or \$0.63 diluted earnings per share. 2015 was a milestone year for FVCbank as our team achieved record loan growth and earnings in one of the most vibrant markets in the country. We continue to win relationships and embrace our commitment to provide the best quality and service to our customers. The record earnings for the year reflect our executed business plan to improve operating efficiency as we increase our earning assets and grow into our infrastructure.

In October, we formed FVCBankcorp, Inc. (the Company), now the holding company of FVCbank. As a result, you were asked to exchange your FVCbank stock for shares of FVCBankcorp, Inc. The Company remains "well-capitalized" under the new Basel III guidelines adopted in 2015. The holding company was formed to allow for flexibility in raising capital in the future to optimize shareholder value.

Total assets increased to \$736.8 million compared with \$604.8 million as of December 31, 2015 and 2014, respectively, an increase of 21.8%. Loans receivable totaled \$623.6 million as of December 31, 2015, compared with \$509.9 million as of December 31, 2014, an increase of \$113.6 million, or 22.3%. During the fourth quarter of 2015, loans increased \$61.2 million, representing annualized growth in excess of 40%.

Total deposits increased \$122.4 million, or 24.3% to \$626.6 million as of December 31, 2015, compared with \$504.2 million as of December 31, 2014. Non-interest bearing deposits comprise 20.6% of total deposits and increased \$24.0 million, or 22.8% for the year. Wholesale deposits totaling \$55.4 million, or 8.8% of total deposits, increased \$11.0 million, while customer deposits increased \$111.4 million for the 2015 year. We continue to leverage our suite of cash management products and high-touch service to new and existing customers as part of our relationship banking strategy.

Net interest income totaled \$22.9 million, an increase of \$3.7 million, or 19.3% for the year ended December 31, 2015, compared with the prior year. The Company's net interest margin was 3.69% and 3.63% for the years ended December 31, 2015, and 2014, respectively. The improved net interest margin primarily results from growth in loans receivable year over year.

Non-interest income declined to \$1.1 million from \$1.2 million for the years ended December 31, 2015, and 2014, respectively, due to the gain on the sale of an SBA loan totaling \$196 thousand recognized in the 2014 fourth quarter. Management has implemented new initiatives to enhance non-interest income, while maintaining our commitment to be a low fee bank for our customers.

We continue to attract high-performing experienced individuals as we grow prudently and soundly. Non-interest expenses increased \$1.4 million, or 10.4% for the 2015 year. Salary and compensation related expenses increased \$977 thousand, or 12.5%, while other operating expenses increased \$408 thousand, or 7.4%, for the same period. The efficiency ratio improved to 61.5%, compared with 65.2%, for the years ended December 31, 2015, and 2014, respectively, reflecting the Company's early investment in technology and experienced bankers.

Asset quality remains strong. We reported non-performing assets and loans ninety days or more past due of \$2.6 million, or 0.35% of total assets, compared with \$1.6 million, or 0.26%, as of December 31, 2015, and 2014, respectively. Management continues its conservative credit culture through proactive monitoring and early identification of potential problem loans.

We plan to open a new branch location in Loudoun County in the first half of this year and look for other opportunities to expand our footprint throughout the Washington D.C. Metropolitan area. We are excited about 2016 as we start the year with momentum, and we are well positioned to consider opportunities in our market area to further enhance shareholder value.

We continue to be rewarded by our shareholders who have selected us as their banker. We are committed to providing personalized customer service to each one of you. We welcome the opportunity to win your trust and your business.

Best Regards.



David W. Pijor
Chairman, President and Chief Executive Officer





DIRECTORS

David W. Pijor
Chairman

L. Burwell Gunn
Vice Chairman

Scott Laughlin

Tom L. Patterson

Devin Satz

Lawrence W. Schwartz

Sidney G. Simmonds

Daniel M. Testa

Philip "Trey" R. Wills III

EXECUTIVE OFFICERS

David W. Pijor
*Chairman, President &
Chief Executive Officer*

Patricia A. Ferrick
*Executive Vice President &
Chief Financial Officer*

B. Todd Dempsey
*Executive Vice President &
Chief Operating Officer*

Jack Novak
*Executive Vice President &
Chief Marketing Officer*

Bill Byers
*Executive Vice President &
Chief Lending Officer*

Michael G. Nassy
*Executive Vice President &
Chief Credit Officer*

REGIONAL LENDING OFFICERS

Alissa Curry Briggs
*Senior Vice President
Regional Lending Executive*

James C. Elliot
*Senior Vice President
Regional Lending Executive*

Christopher O. Turley
*Senior Vice President
Regional Lending Executive*

Lance D. Nobles
*Senior Vice President
Regional Lending Executive*

OFFICERS

Michelle L. Buckles
*Senior Vice President
Compliance*

James D. Holter
*Senior Vice President
Information Technology*

Terry R. Frey
*Senior Vice President
Loan Administration*

Alberta A. Gibson
*Senior Vice President
Director of Human Resources*

Michael Y. Huang
Senior Vice President Finance

Jacqueline S. Marbell-Edson
*Senior Vice President
Loan Administration*

Farideh Mullafiroze
*Senior Vice President
Business Development*

Todd E. Lattimer
Senior Vice President Lending

Joshua F. Steele
Senior Vice President Lending

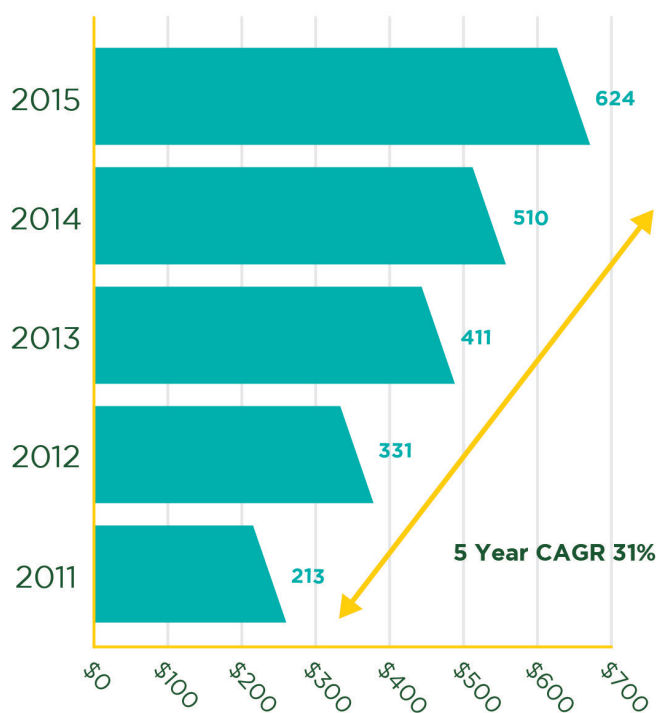
Brian R. Tower
Senior Vice President Lending

Huong K. Van
Senior Vice President Lending

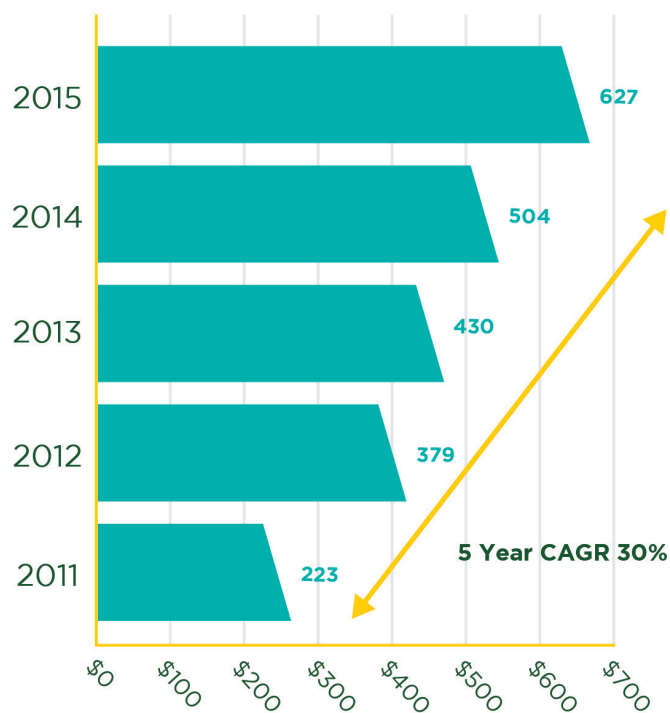
Steffany R. Watson
*Senior Vice President
Cash Management*

LOAN AND DEPOSIT GROWTH

Gross Loans (mm)

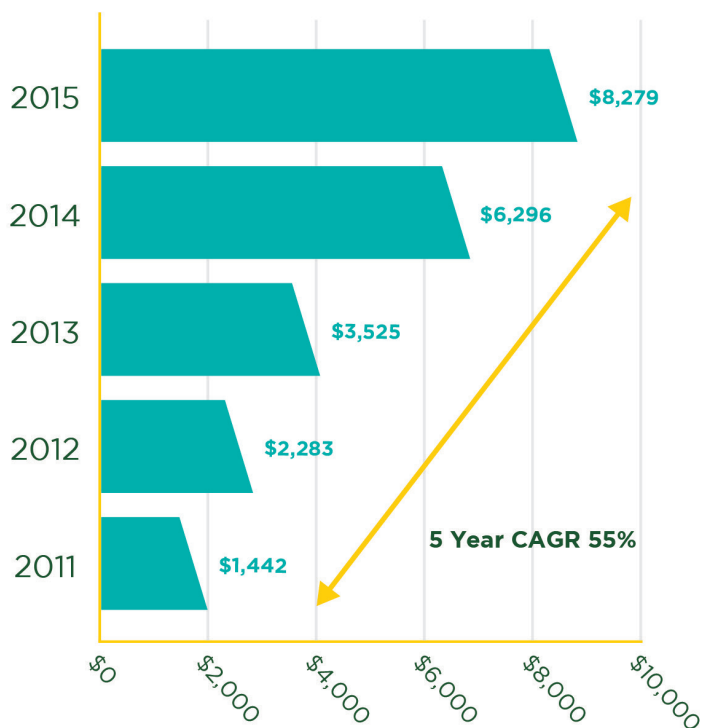


Total Deposits (mm)

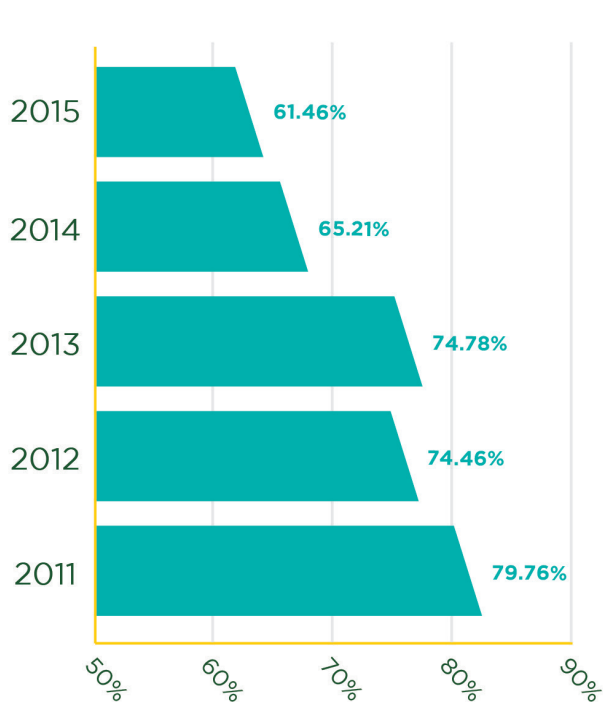


INCREASING PROFITABILITY

Income before taxes (mm)



Efficiency Ratio



SELECTED FINANCIAL DATA

For the year ended December 31 (unaudited) (dollars in thousands, except per share data)

	2015	2014	2013	2012	2011
Selected Balances					
Total assets	\$ 736,807	\$ 604,756	\$ 506,717	\$ 422,761	\$ 261,037
Total deposits	626,640	504,220	429,990	378,702	223,369
Total loans	623,559	509,938	411,040	331,428	213,361
Other borrowings	35,650	32,500	14,500	2,500	2,500
Allowance for loan losses	(6,239)	(5,565)	(4,792)	(3,757)	(2,754)
Total shareholders' equity	72,752	66,815	60,903	39,143	33,785
Summary Results of Operations					
Interest income	\$ 26,557	\$ 22,473	\$ 18,491	\$ 15,095	\$ 12,169
Interest expense	3,665	3,288	2,960	2,515	2,293
Net interest income	22,892	19,185	15,531	12,580	9,875
Provision for loan losses	1,073	886	803	1,227	649
Net interest income after provision for loan losses	21,819	18,299	14,728	11,353	9,226
Noninterest income	1,161	1,313	1,025	1,098	469
Noninterest expense	14,701	13,316	12,228	10,168	8,253
Income before taxes	8,279	6,296	3,525	2,283	1,442
Income tax expense (benefit)	2,860	2,162	1,297	805	(558)
Net income	5,419	4,133	2,228	1,478	2,000
Per Share Data*					
Net income, basic	\$ 0.84	\$ 0.64	\$ 0.39	\$ 0.35	\$ 0.57
Net income, diluted	\$ 0.80	\$ 0.63	\$ 0.38	\$ 0.34	\$ 0.56
Book value	\$ 11.21	\$ 10.30	\$ 9.41	\$ 8.82	\$ 8.26
Tangible Book value	\$ 11.19	\$ 10.27	\$ 9.38	\$ 8.78	\$ 8.26
Shares outstanding	6,490,420	6,488,123	6,470,915	4,435,995	4,090,476
Significant Ratios					
Net interest margin	3.69%	3.63%	3.59%	4.09%	4.15%
Efficiency Ratio	61.46%	65.21%	74.78%	74.46%	79.76%
Return on average assets	0.85%	0.76%	0.50%	0.47%	0.81%
Return on average equity	7.70%	6.45%	4.21%	4.11%	7.51%
Total capital (to risk weighted assets)	12.20%	13.62%	15.89%	12.29%	14.27%
Common equity Tier 1 capital (to risk weighted assets)	11.25%	N/A	N/A	N/A	N/A
Tier 1 capital (to risk weighted assets)	11.25%	12.53%	14.71%	11.13%	13.14%
Tier 1 (to average assets)	10.82%	10.96%	12.58%	9.16%	12.44%
Asset Quality					
Nonperforming assets and loans 90+ past due	\$ 2,559	\$ 1,601	\$ 2,988	\$ 4,623	\$ 5,902
Nonperforming assets and loans 90+ past due to total assets	0.35%	0.26%	0.59%	1.09%	2.26%
Allowance for loan losses to loans	1.00%	1.09%	1.17%	1.13%	1.29%
Allowance for loan losses to nonperforming assets	243.81%	347.51%	160.37%	81.27%	46.67%
Net (recovery) charge-offs	\$ 399	\$ 113	\$ (231)	\$ 225	\$ --
Net (recovery) charge-offs to average loans	0.07%	0.03%	(0.06%)	0.07%	0.00%

*Adjusted for 5-for-4 stock split in 2015





FVCBankcorp, Inc. and Subsidiary

Consolidated Financial Report

Fairfax, Virginia | December 31, 2015

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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
FVCBankcorp, Inc.
Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of FVCBankcorp, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements, (collectively, financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FVCBankcorp, Inc. and its subsidiary as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Yount, Hyde & Barbour, P.C.'.

Winchester, Virginia
March 10, 2016

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

December 31, 2015 and 2014

ASSETS	2015	2014
Cash and due from banks	\$ 5,257,136	\$ 5,066,808
Federal funds sold	--	13,895
Interest-bearing deposits at other financial institutions	23,442,934	10,915,209
Securities held-to-maturity (fair market value of \$2,244,390 in 2015)	2,246,992	--
Securities available for sale, at fair market value	65,547,520	62,697,398
Restricted stock, at cost	4,048,000	3,887,250
Loans, net of allowance for loan losses of \$6,238,606 for 2015 and \$5,564,669 for 2014	617,320,037	504,372,951
Premises and equipment, net	1,511,900	1,744,607
Accrued interest receivable	1,908,487	1,576,142
Prepaid expenses	648,459	738,804
Deferred tax asset, net	3,684,617	3,210,400
Core deposit intangible	139,400	159,800
Bank owned life insurance (BOLI)	10,524,789	10,199,352
Other assets	527,148	173,226
<i>Total assets</i>	<i>\$ 736,807,419</i>	<i>\$ 604,755,842</i>
LIABILITIES AND STOCKHOLDERS' EQUITY	2015	2014
Liabilities		
Deposits:		
Noninterest-bearing	\$ 129,078,409	\$ 105,126,136
Interest-bearing checking, savings and money market	285,622,930	200,354,779
Time deposits	211,938,452	198,739,453
<i>Total deposits</i>	<i>\$ 626,639,791</i>	<i>\$ 504,220,368</i>
FHLB advances	35,650,000	32,500,000
Accrued interest payable	132,743	153,062
Accrued expenses and other liabilities	1,633,195	1,067,479
<i>Total liabilities</i>	<i>\$ 664,055,729</i>	<i>\$ 537,940,909</i>
Commitments and Contingent Liabilities		
Stockholders' Equity		
Preferred stock:		
\$0.01 par value, authorized 1,000,000 shares; no shares issued and outstanding in 2015 and 2014	--	--
Common stock:		
\$0.01 and \$5.00 par value, authorized 10,000,000 shares; 6,490,420 and 5,190,498 shares issued and outstanding in 2015 and 2014, respectively	64,904	25,952,490
Additional paid-in capital	62,343,894	35,728,331
Retained earnings	10,956,822	5,537,751
Accumulated other comprehensive (loss), net	(613,930)	(403,639)
<i>Total stockholders' equity</i>	<i>\$ 72,751,690</i>	<i>\$ 66,814,933</i>
<i>Total liabilities and stockholders' equity</i>	<i>\$ 736,807,419</i>	<i>\$ 604,755,842</i>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

For the Years Ended December 31, 2015 and 2014

	2015	2014
Interest and Dividend Income		
Interest and fees on loans	\$ 25,340,584	\$ 21,197,541
Interest and dividends on securities held-to-maturity	40,058	--
Interest and dividends on securities available-for-sale	998,877	1,074,950
Dividends on restricted stock	145,453	142,476
Interest on deposits at other financial institutions	32,081	2,173
Interest on federal funds sold	--	55,747
<i>Total interest and dividend income</i>	<i>\$ 26,557,053</i>	<i>\$ 22,472,887</i>

	2015	2014
Interest Expense		
Interest on deposits	\$ 3,618,983	\$ 3,247,751
Interest on federal funds purchased	428	319
Interest on short-term debt	11,869	7,456
Interest on long-term debt	33,250	32,248
<i>Total interest expense</i>	<i>\$ 3,664,530</i>	<i>\$ 3,287,774</i>

	2015	2014
Net Interest Income	\$ 22,892,523	\$ 19,185,113
Provision for loan losses	1,072,820	885,685
<i>Net interest income after provision for loan losses</i>	<i>\$ 21,819,703</i>	<i>\$ 18,299,428</i>

	2015	2014
Noninterest Income		
Service charges on deposit accounts	\$ 565,963	\$ 651,919
Gains on sale of securities available for sale	67,482	77,222
Gains on sale of loans	--	196,114
BOLI income	325,437	199,351
Other fee income	202,021	188,259
<i>Total noninterest income</i>	<i>\$ 1,160,903</i>	<i>\$ 1,312,865</i>

	2015	2014
Noninterest Expenses		
Salaries and employee benefits	\$ 8,807,837	\$ 7,830,511
Occupancy and equipment expense	1,950,856	1,939,042
Data processing and network administration	838,663	841,498
State franchise taxes	680,297	628,121
FDIC insurance	367,168	319,182
Audit, legal and consulting fees	331,540	287,939
Director fees	279,128	228,636
Marketing, business development and advertising	256,475	238,527
Postage, courier and telephone	195,111	206,469
Internet banking	150,471	117,105
Loan related expenses	138,747	38,356
Dues, memberships and publications	109,225	94,214
Printing and supplies	102,282	109,828
State assessments	100,409	78,859
Bank insurance	84,826	77,756
Bank charges	65,025	70,058
Core deposit intangible amortization	20,400	20,400
Other operating expenses	223,278	189,891
<i>Total noninterest expenses</i>	<i>\$ 14,701,738</i>	<i>\$ 13,316,392</i>
<i>Net income before income tax expense</i>	<i>\$ 8,278,868</i>	<i>\$ 6,295,901</i>
<i>Income tax expense</i>	<i>\$ 2,859,797</i>	<i>\$ 2,162,413</i>
<i>Net income</i>	<i>\$ 5,419,071</i>	<i>\$ 4,133,488</i>
<i>Earnings per share, basic</i>	<i>\$ 0.84</i>	<i>\$ 0.64</i>
<i>Earnings per share, diluted</i>	<i>\$ 0.80</i>	<i>\$ 0.63</i>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2015 and 2014

	2015	2014
Net Income	\$ 5,419,071	\$ 4,133,488
Other comprehensive income (loss):		
Unrealized gain (loss) on securities available for sale, net of tax \$(85,388) and \$609,242, respectively	(165,753)	1,182,647
Reclassification adjustment for gains realized in income, net of tax \$22,944 and \$26,255, respectively	(44,538)	(50,967)
<i>Total other comprehensive income (loss)</i>	<i>\$ (210,291)</i>	<i>\$ 1,131,680</i>
<i>Total comprehensive income</i>	<i>\$ 5,208,780</i>	<i>\$ 5,265,168</i>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 5,419,071	\$ 4,133,488
Depreciation	563,579	535,251
Provision for loan losses	1,072,820	885,685
Net amortization of premium of securities	199,397	142,717
Net amortization of deferreds and purchase premiums	170,136	471,834
Stock-based compensation expense	705,000	481,000
BOLI income	(325,437)	(199,351)
Realized gains on securities sales	(67,482)	(77,222)
Realized gains on loan sales	--	(196,114)
Deferred income tax (benefit)	(365,885)	(193,905)
Core deposits intangible amortization	20,400	20,400
Changes in assets and liabilities:		
(Increase) in accrued interest receivable, prepaid expenses and other assets	(595,922)	(342,812)
Increase (decrease) in accrued interest payable, accrued expenses and other liabilities	545,397	(103,060)
<i>Net cash provided by operating activities</i>	\$ 7,341,074	\$ 5,557,911
Cash Flows From Investing Activities		
Maturities of certificates of deposits purchased for investment	\$ 1,000,000	\$ 750,000
(Increase) decrease in interest-bearing deposits at other financial institutions	(12,527,725)	13,769,596
Purchases of securities held-to-maturity	(2,246,047)	--
Purchases of securities available for sale	(31,874,397)	(29,757,681)
Proceeds from sales of securities available for sale	19,513,845	15,663,566
Proceeds from maturities and calls of securities available for sale	913,043	3,419,655
Proceeds from prepayments of securities available for sale	7,145,904	5,766,326
Net (purchase) of restricted stock	(160,750)	(945,500)
Net (increase) in loans	(114,201,576)	(99,296,346)
Proceeds from recovery of charged off loans	11,534	10,000
Purchases of BOLI	--	(10,000,001)
(Purchases) of premises and equipment	(330,872)	(268,461)
<i>Net cash (used in) investing activities</i>	\$ (132,757,041)	\$ (100,888,846)

Cash Flows From Financing Activities

Net increase in noninterest-bearing, interest-bearing checking, savings, and money market deposits	109,220,424	69,090,668
Net increase in time deposits	13,198,999	5,140,194
(Decrease) in federal funds purchased	--	(3,000,000)
Increase in FHLB advances	3,150,000	21,000,000
Cash paid in lieu of fractional shares	(3,348)	--
Common stock issuance, net of offering costs	26,325	165,291
<i>Net cash provided by financing activities</i>	\$ 125,592,400	\$ 92,396,153
<i>Net increase (decrease) in cash and cash equivalents</i>	\$ 176,433	\$ (2,934,782)
<i>Cash and cash equivalents, beginning of year</i>	5,080,703	8,015,485
<i>Cash and cash equivalents, end of year</i>	\$ 5,257,136	\$ 5,080,703

Supplemental Disclosures of Cash Flow Information

Cash payments for interest	\$ 3,644,211	\$ 3,332,507
Cash payments for income taxes	\$ 2,625,000	\$ 2,331,000

Supplemental Disclosures of Noncash Investing Activity

Unrealized gains (losses) on securities available for sale	\$ (318,623)	\$ 1,714,667
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See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2015 and 2014

	SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance at December 31, 2013	\$ 5,176,732	\$ 25,883,660	\$ 35,150,870	\$ 1,404,263	\$ (1,535,319)	\$ 60,903,474
Net income	--	--	--	4,133,488	--	4,133,488
Other comprehensive income	--	--	--	--	1,131,680	1,131,680
Common stock issuance for options exercised	13,766	68,830	96,461	--	--	165,291
Stock-based compensation expense, net of tax benefit of \$65,387	--	--	481,000	--	--	481,000
Balance at December 31, 2014	\$ 5,190,498	\$ 25,952,490	\$ 35,728,331	\$ 5,537,751	\$ (403,639)	\$ 66,814,933
Net income	--	--	--	5,419,071	--	5,419,071
Other comprehensive loss	--	--	--	--	(210,291)	(210,291)
5-for-4 stock split	1,297,485	6,487,425	(6,490,773)	--	--	(3,348)
Common stock issuance for options exercised	2,437	12,185	14,140	--	--	26,325
Par value change from \$5.00 to \$0.01	--	(32,387,196)	32,387,196	--	--	--
Stock-based compensation expense, net of tax benefit of \$90,526	--	--	705,000	--	--	705,000
Balance at December 31, 2015	\$ 6,490,420	\$ 64,904	\$ 62,343,894	\$ 10,956,822	\$ (613,930)	\$ 72,751,690

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1 Organization and Summary of Significant Accounting Policies

Organization

FVCBankcorp, Inc. (the “Company”), a Virginia corporation, was formed in 2015 and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Company is headquartered in Fairfax, Virginia. The Company conducts its business activities through the branch offices of its wholly owned subsidiary bank, First Virginia Community Bank (the “Bank”). The Company exists primarily for the purposes of holding the stock of its subsidiary, the Bank.

The Bank was organized under the laws of the Commonwealth of Virginia to engage in a general banking business serving the community in and around Fairfax, Virginia. The Bank commenced regular operations on November 27, 2007, and is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation. It is subject to the regulations of the Federal Reserve System and the State Corporation Commission of Virginia. Consequently, it undergoes periodic examinations by these regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of FVCBankcorp, Inc. and its wholly owned subsidiary. All material intercompany balances and transactions have been eliminated in consolidation.

Significant Accounting Policies

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The more significant of these policies are summarized below.

Stock Split and Par Value

On March 23, 2015, the Company declared a five-for-four common stock split. The earnings per share for the years ended December 31, 2015 and 2014 have been retroactively adjusted for this split as if it occurred on January 1, 2014. On October 30, 2015, the Company reduced the par value of its common stock from \$5.00 per share to \$0.01 per share.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased and sold for one day periods.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as “held-to-maturity” and recorded at amortized cost. Securities not classified as held-to-maturity, including equity securities with readily determinable fair values, are classified as “available-for-sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Restricted stock, such as Federal Reserve Bank stock, Federal Home Loan Bank (FHLB) stock and Community Bankers’ Bank stock, is carried at cost, based on the redemption provisions of these correspondent banks.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (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) whether the Company intends to sell the security, whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized costs basis and whether the Company expects to recover the security’s entire cost basis. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans

The Company grants commercial real estate, commercial non-real estate and consumer loans to its customers. A substantial portion of the loan portfolio includes commercial loans throughout the greater Washington, D.C. metropolitan area, initially focusing on the counties of Arlington, Fairfax, Loudoun and Prince William, Virginia. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

The recorded investment in loans that management has the intent and ability to hold represents the customers unpaid principal balances, net of partial charge-offs. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees and certain direct costs are deferred and the net amount is amortized as an adjustment of the related loans' yield. The Company is amortizing these amounts over the loans' contractual lives.

Past due status is monitored based on customers' contractual payment status for all loans. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan becomes 90 days delinquent unless the credit is well-secured and in process of collection. Non-performing loans are placed either on nonaccrual status pending further collection efforts or charged off if collection of principal or interest is considered doubtful.

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

Troubled Debt Restructurings

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

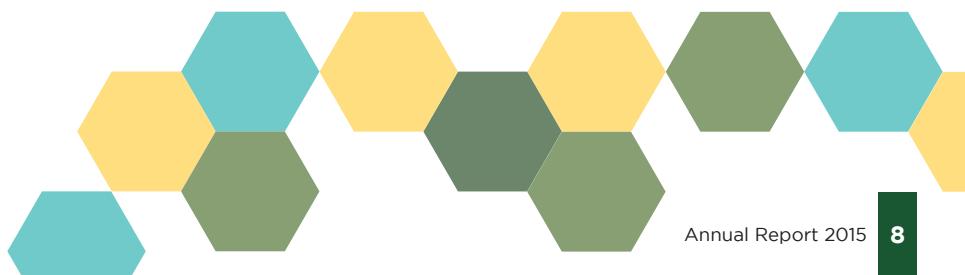
Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Charge-offs of loans are made by portfolio segment at the time that the collection of the full principal, in management's judgment, is doubtful. This methodology for determining charge-offs is consistently applied to each segment.

The allowance consists of specific, general and unallocated reserves. Specific reserves relate to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Company selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral.

Larger balance, non-homogeneous loans are individually evaluated for possible impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Smaller balance, homogeneous loans are collectively evaluated for impairment.

The Company recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired with measurement of impairment based on expected future cash flows discounted using the loan's effective rate immediately prior to the restructuring.



General reserves cover non-impaired loans and are based on peer group historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions; changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

The unallocated component of the allowance is maintained to cover uncertainties that could affect management's estimate of losses inherent in the loan portfolio. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used for estimating the specific and general losses in the loan portfolio.

Portfolio segments identified by the Company include commercial real estate, commercial and industrial, commercial construction, consumer residential, consumer nonresidential and consumer construction. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to income, collateral type and loan-to-value ratios for consumer loans. The Company uses the same segments and classes for analyzing adequacy of general allowances.

Premises and Equipment

Leasehold improvements, computer software, furniture, fixtures and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives or life of lease. Estimated useful lives are 10 years for leasehold improvements and 3 to 7 years for computer software, furniture, fixtures and equipment.

Intangible Assets

The Company's intangible assets were acquired in the acquisition of 1st Commonwealth. ASC 350, Intangibles-Goodwill and Other (ASC 350), prescribes accounting for intangible assets subsequent to initial recognition. Acquired intangible assets (such as core deposit intangibles) are separately recognized if the benefit of the assets can be sold, transferred, licensed, rented, or exchanged, and amortized over their useful lives. Intangible assets related to acquisition are amortized. The core deposit intangible asset, based on an independent valuation, is being amortized over its estimated life of 10 years.

Foreclosed Properties

Assets acquired through, or in lieu of, loan foreclosure are held for sale. At the time of acquisition, these properties are recorded at fair value less estimated selling costs, with any write down charged to the allowance for loan losses. Subsequent to foreclosure, valuations of the assets are periodically performed by management. Adjustments are made for subsequent decline in the fair market value of the assets less selling costs. Revenue and expenses from operations and valuation changes are included in net expenses from foreclosed assets. The Company had no foreclosed assets during the years ended December 31, 2015 and 2014.

The Company had no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process as of December 31, 2015.

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain key employees. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance date, which is the cash surrender value.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the assets have been isolated from the Company — put presumptively beyond reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, and the fair value of financial instruments.

Income Taxes

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

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Advertising Costs

The Company follows the policy of charging all of advertising to expense as incurred.

Comprehensive Income (Loss)

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income (loss) includes unrealized gains (losses) on securities available-for-sale, which are also recognized as separate components of equity. Items reclassified out of accumulated other comprehensive income (loss) to net income relate solely to realized gains (losses) on sales of securities available-for-sale and appear under the caption "Gains on sale of securities available-for-sales" in the Company's statements of income

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 14. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Stock Compensation Plans

Authoritative accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost is measured based on the fair value of the equity or liability instruments issued. The guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The guidance requires entities to measure the cost of employee services recognized in exchange for stock options based on the grant-date fair value of the award, and to recognize the cost over the period the employee is required to provide services for the award. The Company uses the Black-Scholes option-pricing model to meet the fair value objective as outlined in the accounting literature.

Retirement Plan

Employee 401(k) expense is the amount of matching contributions paid by the Company. 401(k) expense was \$172,095 and \$164,277 for the years ended December 31, 2015 and 2014, respectively.

Earnings Per Share

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company consist solely of outstanding stock options, and are determined using the treasury method.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's method of presentation. None of these reclassifications were significant.

Recent Accounting Pronouncements

In June 2014, the FASB issued ASU No. 2014-12, "Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period."



The new guidance applies to reporting entities that grant employees share-based payments in which the terms of the award allow a performance target to be achieved after the requisite service period. The amendments in the ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Existing guidance in "Compensation — Stock Compensation (Topic 718)," should be applied to account for these types of awards. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted and reporting entities may choose to apply the amendments in the ASU either on a prospective or retrospective basis. The Company does not expect the adoption of ASU 2014-12 to have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This update is intended to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management is required under the new guidance to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued when preparing financial statements for each interim and annual reporting period. If conditions or events are identified, the ASU specifies the process that must be followed by management and also clarifies the timing and content of going concern footnote disclosures in order to reduce diversity in practice. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of ASU 2014-15 to have a material impact on its consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement — Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." The amendments in this ASU eliminate from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-

per-share data applicable to the extraordinary item. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of ASU 2015-01 to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." The amendments in this ASU are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB Accounting Standards Codification™ and improves current GAAP by placing more emphasis on risk of loss when determining a controlling financial interest, reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity (VIE), and changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. The amendments in this ASU are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. ASU 2015-02 may be applied retrospectively in previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. The Company does not expect the adoption of ASU 2015-02 to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The amendments in this ASU are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments in this ASU are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company does not expect the adoption of ASU 2015-03 to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, “Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” The amendments in this ASU provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer’s accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The amendments in this ASU are effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. An entity can elect to adopt the amendments either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. The Company does not expect the adoption of ASU 2015-05 to have a material impact on its consolidated financial statements.

In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date.” The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. All other entities may apply the guidance in ASU 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities also may apply the guidance in ASU 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which the entity first applies the guidance in ASU 2014-09. The Company does not expect the adoption of ASU 2015-14 (or ASU 2014-09) to have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.” The amendments in ASU 2016-01, among other things:

1) Requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. 2) Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. 3) Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables). 4) Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently assessing the impact that ASU 2016-01 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-01, “Leases (Topic 842).” Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company is currently assessing the impact that ASU 2016-02 will have on its consolidated financial statements.



Note 2 Restrictions on Cash and Amounts due From Banks

The Company is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2015 and 2014, these reserve balances amounted to \$0 and \$0, respectively. There were no Federal Reserve balances at December 31, 2015 and 2014.



Note 3 Securities

Amortized cost and fair values of securities held-to-maturity and securities available-for-sale as of December 31, 2015 and 2014, are as follows:

2015				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Held-to-maturity				
Securities of state and local municipalities tax exempt	\$ 263,141	\$ 4,048	\$ --	\$ 267,189
Securities of U.S. government and federal agencies	1,983,851	69	(6,719)	1,977,201
<i>Total Held-to-maturity Securities</i>	<u>\$ 2,246,992</u>	<u>\$ 4,117</u>	<u>\$ (6,719)</u>	<u>\$ 2,244,390</u>
Available-for-sale				
Securities of U.S. government and federal agencies	\$ 1,500,000	\$ --	\$ (16,062)	\$ 1,483,938
Securities of state and local municipalities tax exempt	1,726,350	2,249	(234)	1,728,365
Securities of state and local municipalities taxable	1,306,314	1,686	--	1,308,000
Corporate securities	2,000,000	--	(59,130)	1,940,870
Certificates of deposit	985,000	7,411	--	992,411
SBA pass-through securities	380,583	--	(9,439)	371,144
Mortgage-backed securities	37,403,209	17,760	(261,189)	37,159,780
Collateralized mortgage obligations	21,176,262	6,905	(620,155)	20,563,012
<i>Total Available-for-sale Securities</i>	<u>\$ 66,477,718</u>	<u>\$ 36,011</u>	<u>\$ (966,209)</u>	<u>\$ 65,547,520</u>

2014				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Available-for-sale				
Securities of U.S. government and federal agencies	\$ 4,239,131	\$ 346	\$ (71,752)	\$ 4,167,725
Securities of state and local municipalities taxable	1,321,954	--	(32,129)	1,289,825
Certificates of deposit	2,235,000	10,238	(687)	2,244,551
SBA pass-through securities	446,151	--	(17,069)	429,082
Mortgage-backed securities	25,067,769	143,487	(188,672)	25,022,584
Collateralized mortgage obligations	29,998,968	54,723	(510,060)	29,543,631
<i>Total Available-for-sale Securities</i>	<u>\$ 63,308,973</u>	<u>\$ 208,794</u>	<u>\$ (820,369)</u>	<u>\$ 62,697,398</u>

At December 31, 2015 and 2014, securities with a market value of \$957,951 and \$987,971 were pledged to secure borrowings at the Federal Reserve Bank.

At December 31, 2015 and 2014, securities with a market value of \$5,144,064 and \$13,427,812 were pledged to secure borrowings at the Federal Home Loan Bank of Atlanta.

At December 31, 2015 and 2014, securities with a market value of \$41,963,694 and \$20,622,479 were pledged to secure public deposits with the Treasury Board of Virginia at the Community Bankers' Bank.

The following table shows estimated fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015 and 2014, respectively. The reference point for determining when securities are in an unrealized loss position is month-end. Therefore, it is possible that a security's market value exceeded its amortized cost on other days during the past twelve-month period.

Available-for-sale securities that have been in a continuous unrealized loss position are as follows:

AT DECEMBER 31, 2015:		LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	
Securities of U.S. government and federal agencies	\$ --	\$ --	\$ 1,483,938	\$ (16,062)	\$ 1,483,938	\$ (16,062)	
Securities of state and local municipalities tax exempt	288,490	(234)	--	--	288,490	(234)	
Corporate securities	1,940,870	(59,130)	--	--	1,940,870	(59,130)	
SBA pass-through securities	--	--	371,144	(9,439)	371,144	(9,439)	
Mortgage-backed securities	33,795,118	(252,341)	1,184,231	(8,848)	34,979,349	(261,189)	
Collateralized mortgage obligations	9,893,597	(223,514)	8,845,178	(396,641)	18,738,775	(620,155)	
<i>Total</i>	<u>\$ 45,918,075</u>	<u>\$ (535,219)</u>	<u>\$ 11,884,491</u>	<u>\$ (430,990)</u>	<u>\$ 57,802,566</u>	<u>\$ (966,209)</u>	

AT DECEMBER 31, 2014:		LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	
Securities of U.S. government and federal agencies	\$ --	\$ --	\$ 3,667,379	\$ (71,752)	\$ 3,667,379	\$ (71,752)	
Securities of state and local municipalities taxable	807,525	(14,429)	482,300	(17,700)	1,289,825	(32,129)	
Certificates of deposits	244,313	(687)	--	--	244,313	(687)	
SBA pass-through securities	--	--	429,082	(17,069)	429,082	(17,069)	
Mortgage-backed securities	6,056,708	(24,442)	5,741,066	(164,230)	11,797,774	(188,672)	
Collateralized mortgage obligations	9,013,341	(78,180)	14,939,826	(431,880)	23,953,167	(510,060)	
<i>Total</i>	<u>\$ 16,121,887</u>	<u>\$ (117,738)</u>	<u>\$ 25,259,653</u>	<u>\$ (702,631)</u>	<u>\$ 41,381,540</u>	<u>\$ (820,369)</u>	

As of December 31, 2015, the Company had one held-to-maturity security in an unrealized loss position of less than twelve months. The fair value of the security was with \$993,281 and the unrealized loss was \$6,719. There were no held-to-maturity securities as of December 31, 2014.

Securities of U.S. government and federal agencies: The unrealized losses were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2015.

Securities of state and local municipalities: The unrealized losses on the investments in securities of state and local municipalities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2015.

Corporate securities: The unrealized losses on the investments in corporate securities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2015.

Certificates of deposit: The unrealized losses on the Company's investment in fully-insured certificates of deposits were caused by interest rate increases. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2015.

SBA pass-through securities: The unrealized losses on the Company's investment in SBA pass-through securities were caused by interest rate increases. Repayment of the principal on those investments is guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost basis of the Company's investments. Because the

decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2015.

Mortgage-backed securities: The unrealized losses on the Company's investment in mortgage-backed securities were caused by interest rate increases. The contractual cash flows of those investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost basis of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2015.

Collateralized mortgage obligations (CMOs): The unrealized loss associated with CMOs was caused by interest rate increases. The contractual cash flows of these investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost basis of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2015.



The amortized cost and fair value of securities available-for-sale as of December 31, 2015, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties.

	HELD-TO-MATURITY		AVAILABLE-FOR-SALES	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Less than 1 year	\$ --	\$ --	\$ 245,000	\$ 246,337
After 1 year through 5 years	--	--	5,946,706	5,886,164
After 5 years through 10 years	1,983,851	1,977,201	5,893,524	5,814,856
After 10 years	263,141	267,189	54,392,488	53,600,163
<i>Total</i>	<i>\$ 2,246,992</i>	<i>\$ 2,244,390</i>	<i>\$ 66,477,718</i>	<i>\$ 65,547,520</i>

For the years ended December 31, 2015 and 2014, proceeds from maturities, calls and principal repayments of securities were \$8,058,947 and \$9,185,981, respectively. During 2015 and 2014, proceeds from sales of securities available-for-sale amounted to \$19,513,845 and \$15,663,566, gross realized gains were \$144,215 and \$126,670 and gross realized losses were \$76,733 and \$49,448, respectively.

Note 4 Loans and Allowance for Loan Losses

A summary of loan balances by type follows:

	2015	2014
Commercial real estate	\$ 376,426,381	\$ 325,040,726
Commercial and industrial	89,502,318	82,373,936
Commercial construction	49,833,719	24,160,267
Consumer residential	84,463,861	66,227,782
Consumer nonresidential	19,127,221	11,615,337
Consumer construction	3,855,706	--
	<i>\$ 623,209,206</i>	<i>\$ 509,418,048</i>
Less:		
Allowance for loan losses	6,238,606	5,564,669
Unearned income and unamortized premiums	(349,437)	(519,572)
<i>Loans, net</i>	<i>\$ 617,320,037</i>	<i>\$ 504,372,951</i>

An analysis of the allowance for loan losses for the years ended December 31, 2015 and 2014 follows:

	COMMERCIAL REAL ESTATE	COMMERCIAL & INDUSTRIAL	COMMERCIAL CONSTRUCTION	CONSUMER RESIDENTIAL	CONSUMER NONRESIDENTIAL	CONSUMER CONSTRUCTION	UNALLOCATED	TOTAL
2015 Allowance for credit losses:								
Beginning Balance	\$ 3,721,334	\$ 1,276,356	\$ 233,751	\$ 204,790	\$ 66,204	\$ --	\$ 62,234	\$ 5,564,669
Charge-offs	(98,396)	(312,021)	--	--	--	--	--	(410,417)
Recoveries	11,534	--	--	--	--	--	--	11,534
Provision	367,370	478,003	67,743	77,175	32,408	23,327	26,794	1,072,820
Ending Balance	<i>\$ 4,001,842</i>	<i>\$ 1,442,338</i>	<i>\$ 301,494</i>	<i>\$ 281,965</i>	<i>\$ 98,612</i>	<i>\$ 23,327</i>	<i>\$ 89,028</i>	<i>\$ 6,238,606</i>
2014 Allowance for credit losses:								
Beginning Balance	\$ 3,725,137	\$ 786,921	\$ 78,143	\$ 177,212	\$ 9,134	\$ 2,996	\$ 12,173	\$ 4,791,716
Charge-offs	(112,625)	--	--	--	(10,107)	--	--	(122,732)
Recoveries	10,000	--	--	--	--	--	--	10,000
Provision	98,822	489,435	155,608	27,578	67,177	(2,996)	50,061	885,685
Ending Balance	<i>\$ 3,721,334</i>	<i>\$ 1,276,356</i>	<i>\$ 233,751</i>	<i>\$ 204,790</i>	<i>\$ 66,204</i>	<i>\$ --</i>	<i>\$ 62,234</i>	<i>\$ 5,564,669</i>

The following table presents the recorded investment in loans and impairment method as of December 31, 2015 and 2014 by portfolio segment:

2015								
	Commercial Real Estate	Commercial & Industrial	Commercial Construction	Consumer Residential	Consumer Nonresidential	Consumer Construction	Unallocated	Total
Allowance for credit losses:								
Ending Balance:								
Individually evaluated for impairment	\$ 686,667	\$ 590,355	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,277,022
Collectively evaluated for impairment	3,315,175	851,983	301,494	281,965	98,612	23,327	89,028	4,961,584
	<u>\$ 4,001,842</u>	<u>\$1,442,338</u>	<u>\$ 301,494</u>	<u>\$ 281,965</u>	<u>\$ 98,612</u>	<u>\$ 23,327</u>	<u>\$ 89,028</u>	<u>\$ 6,238,606</u>
Financing receivables:								
Ending Balance:								
Individually evaluated for impairment	\$ 4,875,051	\$ 4,048,385	\$ --	\$ 110,262	\$ --	\$ --	\$ --	\$ 9,033,698
Collectively evaluated for impairment	371,551,330	85,453,933	49,833,719	84,353,599	19,127,221	3,855,706	--	614,175,508
	<u>\$ 376,426,381</u>	<u>\$ 89,502,318</u>	<u>\$ 49,833,719</u>	<u>\$ 84,463,861</u>	<u>\$ 19,127,221</u>	<u>\$ 3,855,706</u>	<u>\$ --</u>	<u>\$ 623,209,206</u>
2014								
	Commercial Real Estate	Commercial & Industrial	Commercial Construction	Consumer Residential	Consumer Nonresidential	Consumer Construction	Unallocated	Total
Allowance for credit losses:								
Ending Balance:								
Individually evaluated for impairment	\$ 281,120	\$ 474,993	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 756,113
Collectively evaluated for impairment	3,440,214	801,363	233,751	204,790	66,204	--	62,234	4,808,556
	<u>\$ 3,721,334</u>	<u>\$ 1,276,356</u>	<u>\$ 233,751</u>	<u>\$ 204,790</u>	<u>\$ 66,204</u>	<u>\$ --</u>	<u>\$ 62,234</u>	<u>\$ 5,564,669</u>
Financing receivables:								
Ending Balance:								
Individually evaluated for impairment	\$ 3,318,469	\$ 2,606,878	\$ --	\$ 121,805	\$ --	\$ --	\$ --	\$ 6,047,152
Collectively evaluated for impairment	321,722,257	79,767,058	24,160,267	66,105,977	11,615,337	--	--	503,370,896
	<u>\$ 325,040,726</u>	<u>\$ 82,373,936</u>	<u>\$ 24,160,267</u>	<u>\$ 66,227,782</u>	<u>\$ 11,615,337</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 509,418,048</u>



Impaired loans by class as of December 31, 2015 and 2014 are summarized as follows:

2015					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Commercial real estate	\$ 1,144,670	\$ 1,187,663	\$ 686,667	\$ 1,196,200	\$ 64,722
Commercial and industrial	1,024,744	1,024,743	590,355	1,444,976	58,431
Commercial construction	--	--	--	--	--
Consumer residential	--	--	--	--	--
Consumer nonresidential	--	--	--	--	--
Consumer construction	--	--	--	--	--
	<u>\$ 2,169,414</u>	<u>\$ 2,212,406</u>	<u>\$ 1,277,022</u>	<u>\$ 2,641,176</u>	<u>\$ 123,153</u>
With no related allowance:					
Commercial real estate	\$ 3,730,381	\$ 3,730,381	\$ --	\$ 3,644,452	\$ 188,026
Commercial and industrial	3,023,641	3,037,842	--	3,690,837	112,221
Commercial construction	--	--	--	--	--
Consumer residential	110,262	116,737	--	116,737	--
Consumer nonresidential	--	--	--	--	--
Consumer construction	--	--	--	--	--
	<u>\$ 6,864,284</u>	<u>\$ 6,884,960</u>	<u>\$ --</u>	<u>\$ 7,452,026</u>	<u>\$ 300,247</u>

2014					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Commercial real estate	\$ 770,365	\$ 803,708	\$ 281,120	\$ 818,694	\$ 26,617
Commercial and industrial	473,839	474,992	474,993	487,896	19,525
Commercial construction	--	--	--	--	--
Consumer residential	--	--	--	--	--
Consumer nonresidential	--	--	--	--	--
Consumer construction	--	--	--	--	--
	<u>\$ 1,244,204</u>	<u>\$ 1,278,700</u>	<u>\$ 756,113</u>	<u>\$ 1,306,590</u>	<u>\$ 46,142</u>
With no related allowance:					
Commercial real estate	\$ 2,548,104	\$ 2,553,086	\$ --	\$ 2,568,511	\$ 133,485
Commercial and industrial	2,133,039	2,179,073	--	2,438,442	96,112
Commercial construction	--	--	--	--	--
Consumer residential	121,805	121,805	--	122,835	6,710
Consumer nonresidential	--	--	--	--	--
Consumer construction	--	--	--	--	--
	<u>\$ 4,802,948</u>	<u>\$ 4,853,964</u>	<u>\$ --</u>	<u>\$ 5,129,788</u>	<u>\$ 236,307</u>

No additional funds are committed to be advanced in connection with the impaired loans. There were no nonaccrual loans excluded from the impaired loan disclosure.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass: Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions below and smaller, homogeneous loans not assessed on an individual basis.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the enhanced possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful include those loans which have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, based on currently known facts, conditions and values, improbable.

Loss: Loans classified as loss include those loans which are considered uncollectible and of such little value that their continuance as loans is not warranted. Even though partial recovery may be achieved in the future, it is neither practical nor desirable to defer writing off these loans.

Based on the most recent analysis performed, the risk category of loans by class of loans was as follows as of December 31, 2015 and 2014:

AS OF DECEMBER 31, 2015							
	Commercial Real Estate	Commercial & Industrial	Commercial Construction	Consumer Residential	Consumer Nonresidential	Consumer Construction	Total
Grade:							
Pass	\$ 369,211,680	\$ 82,337,794	\$ 49,833,719	\$ 84,353,599	\$ 19,127,221	\$ 3,855,706	\$ 608,719,719
Special mention	3,536,698	4,363,035	--	--	--	--	7,899,733
Substandard	3,678,003	2,801,489	--	110,262	--	--	6,589,754
Doubtful	--	--	--	--	--	--	--
Loss	--	--	--	--	--	--	--
Total	\$ 376,426,381	\$ 89,502,318	\$ 49,833,719	\$ 84,463,861	\$ 19,127,221	\$ 3,855,706	\$ 623,209,206

AS OF DECEMBER 31, 2014							
	Commercial Real Estate	Commercial & Industrial	Commercial Construction	Consumer Residential	Consumer Nonresidential	Consumer Construction	Total
Grade:							
Pass	\$ 317,316,585	\$ 77,206,789	\$ 24,160,267	\$ 66,105,977	\$ 11,615,337	\$ --	\$ 496,404,955
Special mention	4,405,672	2,560,269	--	--	--	--	6,965,941
Substandard	3,318,469	2,606,878	--	121,805	--	--	6,047,152
Doubtful	--	--	--	--	--	--	--
Loss	--	--	--	--	--	--	--
Total	\$ 325,040,726	\$ 82,373,936	\$ 24,160,267	\$ 66,227,782	\$ 11,615,337	\$ --	\$ 509,418,048

Past due and nonaccrual loans presented by loan class were as follows as of December 31, 2015 and 2014:

AS OF DECEMBER 31, 2015								
	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total loans	90 days past due and still accruing	Nonaccruals
Commercial real estate	\$ 445,418	\$ --	\$ --	\$ 445,418	\$ 375,980,963	\$ 376,426,381	\$ --	\$ 1,144,670
Commercial and Industrial	1,791,576	--	--	1,791,576	87,710,742	89,502,318	--	1,303,841
Commercial construction	--	--	--	--	49,833,719	49,833,719	--	--
Consumer residential	162,716	--	--	162,716	84,301,145	84,463,861	--	110,262
Consumer nonresidential	--	9,860	--	9,860	19,117,361	19,127,221	--	--
Consumer construction	--	--	--	--	3,855,706	3,855,706	--	--
Total	\$ 2,399,710	\$ 9,860	\$ --	\$ 2,409,570	\$ 620,799,636	\$ 623,209,206	\$ --	\$ 2,558,773

AS OF DECEMBER 31, 2014								
	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total loans	90 days past due and still accruing	Nonaccruals
Commercial real estate	106,645	\$ 190,942	\$ --	\$ 297,587	\$324,743,139	\$ 325,040,726	\$ --	\$ 266,852
Commercial and Industrial	--	232,514	922,684	1,155,198	81,218,738	82,373,936	40,447	1,172,285
Commercial construction	--	--	--	--	24,160,267	24,160,267	--	--
Consumer residential	--	99,647	121,805	221,452	66,006,330	66,227,782	--	121,805
Consumer nonresidential	2,030	2,726	--	4,756	11,610,581	11,615,337	--	--
Consumer construction	--	--	--	--	--	--	--	--
Total	\$ 108,675	\$ 525,829	\$ 1,044,489	\$ 1,678,993	\$507,739,055	\$ 509,418,048	\$ 40,447	\$ 1,560,942

There were overdrafts of \$79,819 and \$1,218,892 at December 31, 2015 and 2014 which have been reclassified from deposits to loans. At December 31, 2015 and 2014, loans with a carrying value of \$92,764,019 and \$34,979,641 were pledged to the Federal Home Loan Bank of Atlanta.



There were no troubled debt restructuring that subsequently defaulted during the year ended December 31, 2015. During the year ended December 31, 2014, there was one troubled debt restructuring that subsequently defaulted for \$10,107 in the consumer nonresidential loan category. **A summary of activity in troubled debt restructurings presented by loan class follows for the year ended December 31, 2015:**

FOR THE YEAR ENDED DECEMBER 31, 2015			
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial real estate	2	\$ 3,494,920	\$ 3,567,476
Commercial and industrial	2	861,288	861,288
Commercial construction		--	--
Consumer residential		--	--
Consumer nonresidential		--	--
Consumer construction		--	--
<i>Total</i>	<i>4</i>	<i>\$ 4,356,208</i>	<i>\$ 4,428,764</i>

FOR THE YEAR ENDED DECEMBER 31, 2014			
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial real estate	1	\$ 76,860	\$ 76,860
Commercial and industrial	1	293,259	293,259
Commercial construction	--	--	--
Consumer residential	1	--	--
Consumer nonresidential	--	10,107	10,107
Consumer construction	--	--	--
<i>Total</i>	<i>3</i>	<i>\$ 380,226</i>	<i>\$ 380,226</i>

As of December 31, 2015 and 2014, the Company has a recorded investment in troubled debt restructurings of \$5,074,007 and 1,794,962, respectively.

The concessions made in troubled debt restructurings were extensions of the maturity dates or reductions in the stated interest rate for the remaining original life of the debt.



Note 5 Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	2015	2014
Leasehold improvements	\$ 2,331,233	\$ 2,323,813
Furniture, fixtures and equipment	2,833,725	2,553,972
Computer software	253,637	209,939
	5,418,596	5,087,724
Less: accumulated depreciation	3,906,696	3,343,117
	<u>\$ 1,511,900</u>	<u>\$ 1,744,607</u>

For the years ended December 31, 2015 and 2014, depreciation expense was \$563,579 and \$535,251, respectively.

As of December 31, 2015, the Company has a non-cancellable lease agreement for the operating headquarters. The lease states that if the Company holds possession of the premises after the expiration date, the Company shall become a tenant on a month-to-month basis. The monthly rental payment shall continue as provided unless notice is given. The lease expires December 31, 2017.

In January 2008, the Company entered into a non-cancellable lease agreement to operate a branch in Manassas, Virginia. The lease expires December 31, 2017. The lease contains an option to extend for two five-year periods.

In December 2010, the Company entered into a five-year lease agreement to operate a branch in Reston, Virginia. The lease, which is cancellable with penalty, expires December 31, 2020. The lease contains an option to extend for two five-year periods.

In October 2012, the Company assumed the remaining term of a non-cancellable 10-year lease agreement to operate a branch in Arlington, Virginia. The lease expires on July 31, 2018. The lease contains an option to extend for two five-year periods. As part of the acquisition accounting, the Company recorded a liability for the terms of the lease relative to the market terms at the time of the acquisition. The liability is accreted against rent expense over the remaining lease term.

In May 2013, the Company entered into a 10-year lease agreement to operate a branch in Springfield, Virginia. The lease, which is cancellable with penalty, expires August 31, 2023. The lease contains an option to extend for two five-year periods.

Total rent expense for the years ended December 31, 2015 and 2014 amounted to \$981,577 and \$983,007, respectively.

The minimum base rent for the remainder of the leases are as follows:

2016	1,097,743
2017	999,715
2018	256,935
2019	89,762
2020	92,231
Thereafter	\$ 258,235
	<u>\$ 2,794,621</u>

Note 6 Time Deposits

Remaining maturities on certificates of deposit are as follows:

2016	122,732,703
2017	40,780,588
2018	39,886,963
2019	5,377,802
2020	3,160,396
\$	211,938,452



Total time deposits of \$250,000 and greater were \$50,884,076 and \$52,459,472 at December 31, 2015 and 2014, respectively.

Note 7 Deposit Concentrations

At December 31, 2015 and 2014, the Company had one customer relationship, whose related balance on deposit exceeded 5% of outstanding deposits. This customer relationship comprises 8% of outstanding deposits at December 31, 2015 and 10% of outstanding deposits at December 31, 2014.

Brokered deposits totaled \$98,959,198 and \$76,972,714 at December 31, 2015 and 2014, respectively.

Note 8 Federal Home Loan Bank (FHLB) Advances and Other Borrowings

FHLB advances at December 31, 2015 consist of the following:

	Amount	Weighted Average Rule
Daily rate advances maturing: 2016	\$ 33,150,000	\$ 0.49%
Fixed rate advances maturing: 2017	2,500,000	1.33%
<i>Total FHLB advances</i>	\$ 35,650,000	\$ 0.55%

At December 31, 2015, advances are collateralized by securities with a market value of \$5,144,064, 1-4 family residential loans with a book value of \$2,916,873, multi-family residential loan with a book value of \$7,756,334, home equity lines of credit with a book value of \$10,711,014 and commercial real estate loans with book value of \$71,379,798. The remaining lendable collateral value at December 31, 2015 totaled \$34,233,408.

The Company has unsecured lines of credit with correspondent banks totaling \$37,000,000 and \$22,000,000 at December 31, 2015 and 2014, available for overnight borrowing. At December 31, 2015 and 2014, these lines of credit with correspondent banks were not drawn upon.

Note 9 Related Party Transactions

Officers, directors and their affiliates had borrowings of \$3,447,180 and \$1,181,159 at December 31, 2015 and 2014 with the Company. During the years ended December 31, 2015 and 2014, total principal additions were \$2,669,976 and \$247,146 and total principal payments were \$403,955 and \$1,983,976, respectively.

Related party deposits amounted to \$20,523,012 and \$27,887,131 at December 31, 2015 and 2014, respectively.

Note 10 Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2015 and 2014 are presented below:

	2015	2014
Deferred Tax Assets		
Allowance for loan losses	\$ 2,071,280	\$ 1,804,757
Net operating loss carryforward	475,031	503,251
Bank premises and equipment and deferred rent	391,382	362,015
Unrealized loss on securities available for sale	316,267	207,935
Directors - nonqualified stock options	272,368	181,843
Organizational and start-up expenses	122,554	140,274
Acquisition accounting adjustments	111,388	119,927
Non-accrual loan interest	43,154	18,196
	<u>\$ 3,803,424</u>	<u>\$ 3,338,198</u>
Deferred Tax Liabilities:		
Deferred loan fees	\$ (118,807)	\$ (127,798)
	<u>\$ (118,807)</u>	<u>\$ (127,798)</u>
<i>Net Deferred Tax Assets</i>	<u>\$ 3,684,617</u>	<u>\$ 3,210,400</u>

As part of the 2012 acquisition, the Company acquired approximately \$1.7 million of unused net operating carryforwards. The Company may utilize the carryforwards, subject to certain limitations, through 2032.

The income tax expense charged to operations for the years ended December 31, 2015 and 2014 consists of the following:

	2015	2014
Current tax expense	\$ 3,225,682	\$ 2,356,318
Deferred tax benefit	(365,885)	(193,905)
	<u>\$ 2,859,797</u>	<u>\$ 2,162,413</u>

Income tax expense (benefit) differed from amounts computed by applying the U.S. federal income tax rate of 34% to income, excluding bargain purchase gain, before income tax expense as a result of the following:

	2015	2014
Computed "expected" tax expense	\$ 2,814,815	\$ 2,140,606
Increase (decrease) in income taxes resulting from:		
Non-deductible expense	157,448	105,468
Tax free income	(110,649)	(67,779)
Other	(1,817)	(15,882)
	<u>\$ 2,859,797</u>	<u>\$ 2,162,413</u>

The Company files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Company is no longer subject to U.S. federal examination by tax authorities for years prior to 2012.

Note 11 Financial Instruments with Off-Balance Sheet Risk

The Company is party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At December 31, 2015 and 2014, the following financial instruments were outstanding which contract amounts represent credit risk:

	2015	2014
Commitments to grant loans	\$ 6,716,250	\$ 23,978,293
Unused commitments to fund loans and lines of credit	128,093,674	96,679,991
Commercial and standby letters of credit	\$ 2,131,978	\$ 974,762

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments, if deemed necessary.

The Company maintains its cash accounts with the Federal Reserve and correspondent banks. The total amount of cash on deposit in correspondent banks exceeding the federally insured limits was \$1,235 and \$75,924 at December 31, 2015 and 2014, respectively.



Note 12 Minimum Regulatory Capital Requirements

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. A financial institution's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. As a part of the new requirements, the Common Equity Tier 1 Capital ratio is calculated and utilized in the assessment of capital for all institutions. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Capital amounts and ratios for December 31, 2014

are calculated using Basel I rules, which were effective until January 1, 2015. Management believes as of December 31, 2015, the Company meets all capital adequacy requirement to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2015 and 2014, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Federal and state banking regulations place certain restrictions on dividends paid by the Company. The total amount of dividends which may be paid at any date is generally limited to retained earnings of the Company.

The Bank's actual capital amounts and ratios are also presented in the table.

	ACTUAL		MINIMUM CAPITAL REQUIREMENT		WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO

As of December 31, 2015:

(Amounts in thousands)

Total Risk Based Capital (to Risk Weighted Assets)	\$ 79,485	12.20%	\$ 52,102	8.00%	\$ 65,127	10.00%
Tier 1 Capital (to Risk Weighted Assets)	\$ 73,246	11.25%	\$ 39,076	6.00%	\$ 52,102	8.00%
Common Tier 1 (CET 1)	\$ 73,246	11.25%	\$ 29,307	4.50%	\$ 42,333	6.50%
Tier 1 Capital (to Average Assets)	\$ 73,246	10.82%	\$ 27,083	4.00%	\$ 33,854	5.00%

As of December 31, 2014:

Total Risk Based Capital (to Risk Weighted Assets)	\$ 69,622	13.62%	\$ 40,884	8.00%	\$ 51,105	10.00%
Tier 1 Capital (to Risk Weighted Assets)	\$ 64,057	12.53%	\$ 20,442	4.00%	\$ 30,663	6.00%
Tier 1 Capital (to Average Assets)	\$ 64,057	10.96%	\$ 23,381	4.00%	\$ 29,226	5.00%

Note 13 Stock-Based Compensation Plan

The Company's 2008 Stock Option Plan (the Plan), which is shareholder-approved, was adopted to advance the interests of the Company by providing selected key employees of the Company, their affiliates, and directors with the opportunity to acquire shares of common stock. The Plan granted options to purchase 3,000 shares of common stock to each of the 21 organizing shareholders of the Company, who had funds at risk during the Company's organizational period and assumed the financial risk that the Company would not open. These shares immediately vested upon grant.

The maximum number of shares with respect to which awards may be made is 931,250 shares of common stock, subject to adjustment for certain corporate events. On June 26, 2014, the shareholders approved an amendment to the Amended and Restated 2008 Stock Plan to increase the number of shares authorized for issuance under the Plan by 437,500 shares. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant, generally vest annually over three years of continuous service and have ten year contractual terms. At December 31, 2015, 24,655 shares were available to grant under the Plan.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option-pricing model for determining fair value. The model employs the following assumptions:

- » **Dividend yield** — calculated as the ratio of historical dividends paid per share of common stock to the stock price on the date of grant;
- » **Expected life (term of options)** — based on the average contractual life and vesting schedule for the respective options;
- » **Expected volatility** — based on the monthly historical volatility of the stock price of similar banks over the expected life of the options;
- » **Risk-free interest rate** — based upon the U.S. Treasury bill rate in effect at date of grant for bonds with a maturity equal to the expected life of the options.

	2015	2014
Dividend yield	--	--
Expected life (in years)	6.5	6.4 - 6.6
Expected volatility	25%	15% - 25%
Risk-free interest rate	1.73%	2.02%

A summary of option activity under the Plan as of December 31, 2015, and changes during the year then ended is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (1)
Outstanding at January 1, 2015	1,055,436	\$ 10.32	7.27	\$ 2,140,469
Granted	249,637	13.39		
Exercised	(2,437)	10.94		
Forfeited or expired	(3,833)	12.10		
Outstanding at December 31, 2015	1,298,803	\$ 10.91	6.82	\$ 8,236,569
Exercisable at December 31, 2015	787,552	\$ 10.10	5.67	\$ 5,631,846

(1) The aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all option holders exercised their options on December 31, 2015. This amount changes based on changes in the market value of the Company's stock.

The weighted average grant date fair value of options granted during the years ended December 31, 2015 and 2014 was \$3.93 and \$3.26, respectively.

The compensation cost that has been charged to income for the plan was \$705,000 and \$481,000 for 2015 and 2014, respectively. As of December 31, 2015, there was unamortized compensation expense of \$1,219,074 that will be amortized over 30 months. Tax benefits recognized for qualified stock options during 2015 and 2014 totaled \$90,526 and \$65,387.

Stock option information has been retroactively adjusted for the five-for-four stock split declared in March 2015.

Note 14 Fair Value Measurements

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Fair Value Measurements and Disclosures topic of FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

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

Level 1: Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2: Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3: Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities available for sale: Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2).



The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014:

		Fair Value Measurements at December 31, 2015 Using:			
Description	Balance as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Available-for-sales					
Securities of U.S. government and federal agencies	\$ 1,483,938	\$ --	\$ 1,483,938	\$ --	
Securities of state and local municipalities tax exempt	1,728,365	--	1,728,365	--	
Securities of state and local municipalities taxable	1,308,000	--	1,308,000	--	
Corporate securities	1,940,870	--	1,940,870	--	
Certificates of deposit	992,411	--	992,411	--	
SBA pass-through securities	371,144	--	371,144	--	
Mortgage-backed securities	37,159,780	--	37,159,780	--	
Collateralized mortgage obligations	20,563,012	--	20,563,012	--	
Total Available-for-sale Securities	\$ 65,547,520	\$ --	\$ 65,547,520	\$ --	

		Fair Value Measurements at December 31, 2014 Using:			
Description	Balance as of December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Available-for-sales					
Securities of U.S. government and federal agencies	\$ 4,167,725	\$ --	\$ 4,167,725	\$ --	
Securities of state and local municipalities	1,289,825	--	1,289,825	--	
Certificates of deposit	2,244,551	--	2,244,551	--	
SBA pass-through securities	429,082	--	429,082	--	
Mortgage-backed securities	25,022,584	--	25,022,584	--	
Collateralized mortgage obligations	29,543,631	--	29,543,631	--	
Total Available-for-Sale Securities	\$ 62,697,398	\$ --	\$ 62,697,398	\$ --	



Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements:

Impaired Loans: Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan or the fair value of the collateral. Fair value is measured based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable.

The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). However, if the collateral is a house or building in the process of construction, has the value derived by discounting comparable sales due to lack of similar properties, or is discounted by the Company due to marketability, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Impaired loans allocated to the Allowance for Loan Losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Statements of Income.

The following table summarizes the Company's assets that were measured at fair value on a nonrecurring basis during the period:

		Fair Value Measurements at December 31, 2015 Using		
Description	Balance as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans, net of valuation allowance	\$ 892,392	\$ --	\$ --	\$ 892,392

		Fair Value Measurements at December 31, 2014 Using		
Description	Balance as of December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans, net of valuation allowance	\$ 488,091	\$ --	\$ --	\$ 488,091

The following table displays quantitative information about Level 3 Fair Value Measurements for December 31, 2015 and 2014:

Quantitative information about Level 3 Fair Value Measurements for December 31, 2015				
Assets	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired Loans	\$ 434,389	Business asset value	Liquidation costs	5% - 100%
	\$ 458,003	Discounted appraised value	Market discount	10% - 12%

Quantitative information about Level 3 Fair Value Measurements for December 31, 2014				
Assets	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired Loans	\$ 130,016	Business asset value	Liquidation costs	20 - 75%
	\$ 358,075	Discounted appraised value	Market discount	7%
			Liquidation costs	20%

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and Due from Banks and Federal Funds Sold

The carrying amounts of cash and due from banks and federal funds sold approximate their fair value.

Securities

Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or third party vendor pricing models.

Interest-Bearing Deposits at Other Financial Institutions

The carrying amounts of interest-bearing deposits at other financial institutions payable on demand, consisting of money market deposits, approximate fair value. Fair value of fixed-rate certificates of deposit is estimated based on discounted cash flow analyses using the remaining maturity of the underlying accounts and interest rates currently offered on certificates of deposit with similar original maturities.

Restricted Stock

The carrying amount of Federal Reserve Bank stock, Federal Home Loan Bank stock and Community Bankers' Bank Stock approximates fair value based on redemption provisions.

Loans Receivable

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one to four family residential), credit-card loans and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for business real estate and business loans are estimated using a discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Bank Owned Life Insurance

Bank owned life insurance represents insurance policies on senior officers of the Company. The cash values of the policies are estimated using information provided by insurance carriers. These policies are carried at their cash surrender values, which approximates fair values.

Accrued Interest

The carrying amount of accrued interest approximates fair value.

Deposits

The carrying amounts of deposit liabilities payable on demand, consisting of NOW accounts, money market deposits, and saving deposits approximate fair value. Fair value of fixed-rate certificates of deposit is estimated based on discounted cash flow analyses using the remaining maturity of the underlying accounts and interest rates currently offered on certificates of deposit with similar original maturities.

FHLB Advances

The fair value of FHLB advances is estimated based on discounted cash flow analysis using the remaining maturity of the underlying accounts and interest rates currently offered of advance with similar original maturities.

Off-Balance Sheet Financial Instruments

At December 31, 2015 and 2014, the fair values of loan commitments and standby letters of credit are immaterial. Therefore, they have not been included in the following table.



		Fair Value Measurements at December 31, 2015 Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash and due from banks	\$ 5,257,136	\$ 5,257,136	\$ --	\$ --
Interest-bearing deposits at other institutions	23,442,934	23,442,934	--	--
Securities held-to-maturity	2,246,992	--	2,244,390	--
Securities available for sale	65,547,520	--	65,547,520	--
Restricted stock	4,048,000	--	4,048,000	--
Loans, net	617,320,037	--	--	619,338,000
Bank owned life insurance	10,524,789	--	10,524,789	--
Accrued interest receivable	1,908,487		1,908,487	
Financial Liabilities:				
Checking, savings and money market accounts	\$ 414,701,339	\$ --	\$ 414,701,339	\$ --
Time deposits	211,938,452	--	211,798,000	--
FHLB advances	35,650,000	--	35,428,000	--
Accrued interest payable	132,743	--	132,743	--

		Fair Value Measurements at December 31, 2014 Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash and due from banks	\$ 5,066,808	\$ 5,066,808	\$ --	\$ --
Fed funds sold	13,895	13,895	--	--
Interest-bearing deposits at other institutions	10,915,209	10,915,209	--	--
Securities available for sale	62,697,398	--	62,697,398	--
Restricted stock	3,887,250	--	3,887,250	--
Loans, net	504,372,951	--	--	507,417,000
Bank owned life insurance	10,199,352	--	10,199,352	--
Accrued interest receivable	1,576,142		1,576,142	
Financial Liabilities:				
Checking, savings and money market accounts	\$ 305,480,915	\$ --	\$ 305,480,915	\$ --
Time deposits	198,739,453	--	199,457,000	--
FHLB advances	32,500,000	--	32,520,000	--
Accrued interest payable	153,062	--	153,062	--

Note 15 Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of stock which then shared in the earnings of the Company.

Earnings per share has been retroactively adjusted for the five-for-four stock split declared in March 2015.

The following shows the weighted average number of shares used in computing earnings per share and the effect of weighted average number of shares of dilutive potential common stock. Dilutive potential common stock has no effect on income available to common shareholders.

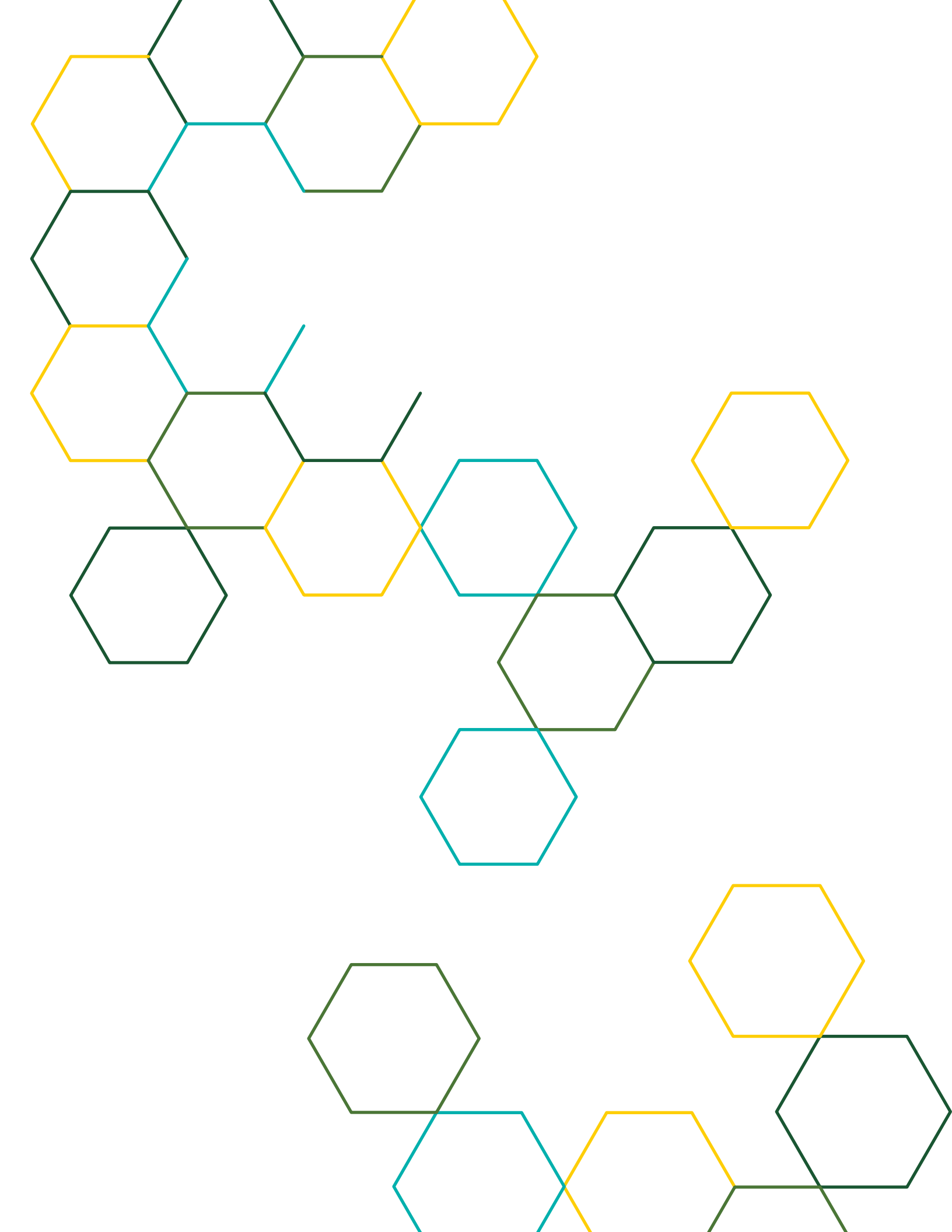
There were 249,637 and 329,450 shares, respectively, excluded from 2015 and 2014 the calculation because their effects were anti-dilutive.

	2015	2014
Net income	\$ 5,419,071	\$ 4,133,488
Weighted average number of shares	6,488,525	6,480,601
Options effect of dilutive securities	289,777	100,601
Weighted average diluted shares	6,778,302	6,581,203
Basic EPS	\$ 0.84	\$ 0.64
Diluted EPS	\$ 0.80	\$ 0.63

Note 16 Subsequent Events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 10, 2016, the date the financial statements were available to be issued.









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