To Our Shareholders

The past year was certainly not devoid of activity for Blue Ridge Bankshares, Inc and Blue Ridge Bank. Several significant actions were taken that, in the opinion of your Board of Directors and management team, will add measurable value to your investment for years to come.

Perhaps the most significant and visible alteration in 2011 was the October name change to Blue Ridge Bank. This decision was not made lightly, as the Bank carried "Page Valley" in its name since its 1893 inception. However, the transition to Blue Ridge Bank provides a name with much broader geographic appeal, which is important given the growth of the Bank outside of its Page County roots. The Bank is as committed as it has ever been to continuing to serve customers in its formative market.

The Bank also made a major move with the November acquisition of a bank branch in Charlottesville. This market provides the Bank the opportunity to offer services in a vibrant, diverse, and growing community. We were very fortunate to acquire Benjamin Horne, IV, to lead our Charlottesville efforts. Ben joined us as Executive Vice-President & Chief Lending Officer, and he brings a wealth of experience, contacts and knowledge. Additionally, we retained the existing employees at the branch, who bring an intimate knowledge of the current relationships at that location and of the community. We believe this combination will generate significant business for us and help ensure the success of our presence in Charlottesville.

Also, you will note in the financial statements that the Bank participated in the Small Business Lending Fund program in 2011. Participation in this program required the issuance of preferred stock to the US Department of Treasury. Your Board and management viewed participation in this program as an efficient and cost-effective way to raise additional capital for continued managed balance sheet growth, without diluting common shareholders.

Despite all of the 2011 activity and expenses related to the Charlottesville acquisition, the Company posted its largest net income ever while continuing to increase dividends to stockholders. This accomplishment was also attained in the face of shaky global and domestic economies and a regulatory environment that is increasingly hostile to the banking industry as a whole, and community banks in particular. While there are no guarantees for the future, our hope is to continue to provide you with a meaningful return on your investment in the Company.

As always, I encourage you to contact me with any questions, concerns, or suggestions that you have regarding the Company. Please also remember the best way to add value to your investment is to conduct your financial business with and refer others to Blue Ridge Bank.

Sincerely,

Monte L. Layman

Monte L. Layman
President/CEO

BLUE RIDGE BANKSHARES, INC.
FINANCIAL HIGHLIGHTS

		2011		2010
For The Year				
Net income	$	1,158,497	$	1,121,282
Net income available to common stockholders		1,075,372		1,121,282
Common stock dividends declared		263,636		238,957
Earnings per common share		1.14		1.19
Dividend per common share		0.280		0.254
At Year End				
Total assets	$	199,839,773	$	150,877,411
Total investments		63,096,827		24,874,258
Net loans		125,026,877		117,545,638
Deposits		163,439,704		107,828,460
Total stockholders' equity		17,437,711		12,117,897
Common stockholders' equity		12,937,711		12,117,897
Book value per common share		13.74		12.88
Number of common stock shares outstanding		941,913		941,056
Key Ratios				
Return on average assets		0.66%		0.79%
Return on average equity		7.84%		9.62%
Return on average common equity		8.58%		9.62%
Total stockholders' equity to assets		8.73%		8.03%
Common stockholders' equity to assets		6.47%		8.03%
Increase in assets		32.45%		13.59%
Increase (decrease) in earnings per common share		(4.20)%		7.89%
Increase in book value per share		6.68%		8.42%

Financial Statements

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

December 31, 2011

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Blue Ridge Bankshares, Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, cash flows, and comprehensive income for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Bankshares, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 27, 2012

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED BALANCE SHEETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and due from banks (Note 2)	$ 3,344,344	$ 2,026,922
Investment securities		
Securities available for sale (at fair value) (Note 3)	48,524,538	15,880,940
Securities held to maturity (fair value of $13,132,366 in 2011, $7,307,121 in 2010) (Note 3)	12,917,989	7,302,118
Restricted investments	1,654,300	1,691,200
Total Investment Securities	63,096,827	24,874,258
Loans held for sale (Note 4)	9,609,881	18,897,947
Loans held for investment (Note 4)	116,873,834	99,941,476
Allowance for loan losses (Note 4)	(1,456,838)	(1,293,785)
Net Loans Held for Investment	115,416,996	98,647,691
Bank premises and equipment, net (Note 5)	2,016,038	1,917,501
Bank-owned life insurance (Note 1)	2,143,800	2,070,500
Goodwill (Note 11)	555,000	-
Other assets	3,656,887	2,442,592
Total Assets	$ 199,839,773	$ 150,877,411
LIABILITIES		
Deposits		
Demand deposits		
Noninterest bearing	$ 20,320,970	$ 19,336,879
Interest bearing	39,641,003	29,781,236
Savings deposits	8,222,923	7,848,645
Time deposits (Note 6)	95,254,808	50,861,700
Total Deposits	163,439,704	107,828,460
Federal funds purchased	752,000	2,144,000
Other borrowed funds (Note 7)	17,592,857	28,114,286
Other liabilities	617,501	672,768
Total Liabilities	182,402,062	138,759,514
STOCKHOLDERS' EQUITY		
Preferred stock, $50 par value, authorized – 250,000 shares; outstanding – 4,500 shares (Note 8)	225,000	-
Common stock, no par value, authorized – 5,000,000 shares; outstanding – 941,913 and 941,056 shares, respectively (Note 9)	935,339	926,646
Contributed equity	4,275,000	-
Retained earnings	11,918,132	11,106,396
Accumulated other comprehensive income	84,240	84,855
Total Stockholders' Equity	17,437,711	12,117,897
Total Liabilities and Stockholders' Equity	$ 199,839,773	$ 150,877,411

The Notes to Financial Statements are
an integral part of these statements.

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME
December 31, 2011 and 2010

	2011	2010
INTEREST INCOME		
Interest and fees on loans held for investment	$ 5,773,166	$ 5,838,640
Interest and fees on loans held for sale	246,397	375,435
Interest on federal funds sold	5,363	4,361
Income on investment securities		
Taxable	510,463	525,214
Nontaxable	231,274	254,010
Total Interest Income	6,766,663	6,997,660
INTEREST EXPENSE		
Interest on savings and interest bearing demand deposits	206,673	398,355
Interest on time deposits	1,000,972	1,170,754
Interest on borrowed funds	550,480	604,044
Total Interest Expense	1,758,125	2,173,153
Net Interest Income	5,008,538	4,824,507
PROVISION FOR LOAN LOSSES	325,000	600,000
Net Interest Income after Provision for Loan Losses	4,683,538	4,224,507
NONINTEREST INCOME		
Service charges on deposit accounts	310,101	447,263
Earnings on investment in life insurance	73,300	80,188
Securities gains	66,445	182,478
Other than temporary impairment losses	(150,000)	-
Other noninterest income	295,474	365,862
Total Noninterest Income	595,320	1,075,791
NONINTEREST EXPENSE		
Salaries and employee benefits	1,650,095	2,103,238
Occupancy and equipment expenses	370,997	404,049
Data processing	311,173	70,647
Printing, stationery and supplies	64,706	60,931
Audits and examinations	72,931	85,200
Advertising expense	65,500	41,321
Directors fees	98,350	88,088
ATM card expenses	109,723	134,534
Communications	83,349	102,295
Deposit assessments	109,426	165,393
Loss on other real estate owned	87,036	-
Other contractual services	210,589	160,515
Other noninterest expense	540,250	444,115
Total Noninterest Expenses	3,774,125	3,860,326
Income before Income Taxes	1,504,733	1,439,972
INCOME TAX EXPENSE (Note 14)	346,236	318,690
Net Income	1,158,497	1,121,282
Dividends to Preferred Stockholders	(83,125)	-
Net Income Available to Common Stockholders	$ 1,075,372	$ 1,121,282
Earnings per Common Share	$ 1.14	$ 1.19
Weighted Average Shares Outstanding	$ 941,586	$ 941,349

The Notes to Financial Statements are an integral part of these statements.

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
December 31, 2011 and 2010

	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2009	$	$ 947,969	$ 10,224,071	$ 31,858	$ 11,203,898
Comprehensive Net Income					
Net Income	-	-	1,121,282	-	1,121,282
Changes in unrealized gains on securities available for sale, net of deferred income tax liability of $27,301	-	-	-	52,997	52,997
Total Comprehensive Income	-	-	-	-	1,174,279
Treasury stock purchased and retired (3,580 shares)	-	(39,821)	-	-	(39,821)
Issuance of stock (1,181 shares)	-	18,498	-	-	18,498
Common stock dividends	-	-	(238,957)	-	(238,957)
Balance, December 31, 2010	-	926,646	11,106,396	84,855	12,117,897
Comprehensive Net Income					
Net Income	-	-	1,158,497	-	1,158,497
Changes in unrealized gains on securities available for sale, net of deferred income tax liability of $317	-	-	-	(615)	(615)
Total Comprehensive Income					1,157,882
Issuance of preferred stock	4,500,000	-	-	-	4,500,000
Issuance of common stock (857 shares)	-	8,693	-	-	8,693
Preferred stock dividends	-	-	(83,125)	-	(83,125)
Common stock dividends	-	-	(263,636)	-	(263,636)
Balance, December 31, 2011	$ 4,500,000	$ 935,339	$ 11,918,132	$ 84,240	$ 17,437,711

The Notes to Financial Statements are an integral part of these statements.

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,158,497	$ 1,121,282
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	325,000	600,000
Deferred income taxes	(45,086)	(278,972)
Securities gains	(66,445)	(182,478)
Other than temporary impairment losses	150,000	-
Depreciation	223,000	203,126
Investment amortization expense, net	267,250	232,737
(Increase) Decrease in other assets	(572,269)	16,673
Increase (Decrease) in accrued expenses	(111,517)	384,590
Purchase of goodwill	(555,000)	-
Increase in carrying value of life insurance investment	(73,300)	(76,502)
Total adjustments	(458,367)	899,174
Net Cash Provided by Operating Activities	700,130	2,020,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(38,852,793)	(14,812,287)
Purchases of securities held to maturity	(8,303,752)	(2,061,632)
Proceeds from calls, maturities, sales and paydowns of securities available for sale	5,866,998	11,656,368
Proceeds from calls, maturities, sales and paydowns of securities held to maturity	2,678,341	2,504,505
Maturity of interest bearing balances with banks	-	100,000
Decrease in federal funds sold	-	193,000
Net increase in loans	(790,387)	(15,830,573)
Net cash received from assumption of liabilities	51,440,532	-
Purchase of bank premises and equipment	(321,537)	(267,850)
Investment in limited liability companies	(100,000)	(200,000)
Surrender of insurance policies	-	741,515
Purchase of insurance policies	-	(500,002)
(Increase) Decrease in restricted investments	36,900	(427,000)
Net Cash Provided by (Used in) Investing Activities	11,654,302	(18,903,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in demand and savings deposits	(1,040,826)	6,758,400
Net change in time deposits	(2,300,937)	(792,800)
Federal Home Loan Bank advances	10,000,000	16,250,000
Federal Home Loan Bank repayments	(20,521,429)	(7,604,762)
Increase (Decrease) in federal funds purchased	(1,392,000)	2,144,000
Preferred stock dividends paid	(26,875)	-
Common stock dividends paid	(263,636)	(238,957)
Purchase of treasury stock	-	(39,821)
Issuance of preferred stock	4,500,000	-
Issuance of common stock	8,693	18,498
Net Cash (Used in) Provided by Financing Activities	(11,037,010)	16,494,558
CASH AND CASH EQUIVALENTS		
Net increase (decrease) in cash and cash equivalents	1,317,422	(388,942)
Cash and Cash Equivalents, Beginning of Year	2,026,922	2,415,864
Cash and Cash Equivalents, End of Year	$ 3,344,344	$ 2,026,922

The Notes to Financial Statements are an integral part of these statements.

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2011 and 2010

	2011	2010
SUPPLEMENTAL INFORMATION		
Interest paid	$ 1,746,748	$ 2,219,627
Income taxes paid	683,952	648,738
Preferred stock dividends accrued, not paid	56,250	-
Real estate acquired by foreclosure	496,623	-
Demand and savings deposits assumed from acquisition of the Charlottesville branch	12,258,962	-
Time deposits assumed from acquisition of the Charlottesville branch	46,694,045	-
Loans assumed from acquisition of the Charlottesville branch	7,512,475	-

The Notes to Financial Statements are
an integral part of these statements.

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2011 and 2010

	2011	2010
Net Income	$ 1,158,497	$ 1,121,282
Other comprehensive income:		
Gross unrealized gains arising during the period	65,513	262,776
Adjustment for income tax expense	(22,274)	(89,344)
	43,239	173,432
Less: Reclassification adjustment for gains included in net income	(66,445)	(182,478)
Adjustment for income tax expense	22,591	62,043
	(43,854)	(120,435)
Other comprehensive income (loss), net of tax	(615)	52,997
Comprehensive income	$ 1,157,882	$ 1,174,279

The Notes to Financial Statements are an integral part of these statements.

Note 1. Nature of Operations and Significant Accounting Policies:

Nature of Operations:
Blue Ridge Bankshares, Inc. ("Company") through Blue Ridge Bank ("Bank") operates under a charter issued by the Commonwealth of Virginia and provides commercial banking services. As a state chartered bank, the Bank is subject to regulation by the Virginia Bureau of Financial Institutions and The Federal Reserve Bank of Richmond. The Bank provides services to customers located primarily in the Piedmont and Shenandoah Valley regions of the Commonwealth of Virginia. Additionally, the Company provides financial advisory services through Page Valley Investments, LLC in the same primary service area as the Bank.

Consolidation Policy:
The consolidated financial statements include the accounts of Blue Ridge Bankshares, Inc. and its wholly-owned subsidiaries, Blue Ridge Bank, Page Valley Investments, LLC, and PVB Properties, LLC. All significant intercompany balances and transactions have been eliminated.

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

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

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

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

(Continued)

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

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

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

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

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

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. Qualitative and environmental factors include external risk factors that management believes affect the overall lending environment of the Company. Environmental factors that management of the Company routinely analyze include levels and trends in delinquencies and impaired loans, levels and trends in charge-offs and recoveries, trends in volume and terms of loans, effects of changes in risk selection and underwriting practices, experience, ability, depth of lending management and staff, national and local economic trends,

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

Allowance for Loan Losses (Continued):
conditions such as unemployment rates, housing statistics, banking industry conditions, and the effect of changes in credit concentrations. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience and consideration of current economic trends, all of which may be susceptible to significant change.

There have been no significant changes to the methods used to determine the allowance for loan losses during the years ended December 31, 2011 and 2010.

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

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

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

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

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

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

(Continued)

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

Subsequent Events:
Subsequent events have been evaluated through March 27, 2012, the date the financial statements were available to be issued.

Note 2. Cash and Due From Banks

The Bank has compensating balance agreements with its correspondent bank and The Federal Reserve Bank of Richmond. The total included in cash and due from banks related to these agreements at December 31, 2011 and 2010 was $275,000.

Note 3. Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2011				
Available for Sale				
U.S. Treasury and Agency	$ 7,250,000	$ 75,164	$ 9,900	$ 7,315,264
Mortgage backed securities	40,213,147	267,592	64,923	40,415,816
Equity securities	933,759	2,365	142,666	793,458
	48,396,906	345,121	217,489	48,524,538
Held to Maturity				
State and municipal	12,885,890	305,052	91,581	13,099,361
Mortgage backed securities	32,099	907	-	33,006
	12,917,989	305,959	91,581	13,132,367
Total Investment Securities	$ 61,314,895	$ 651,080	$ 309,070	$ 61,656,905

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2010				
Available for Sale				
U.S. Treasury and Agency	$ 1,250,000	$ 4,071	$ -	$ 1,254,071
Mortgage backed securities	13,090,541	170,871	47,263	13,214,149
Equity securities	1,413,202	16,186	16,668	1,412,720
	15,753,743	191,128	63,931	15,880,940
Held to Maturity				
State and municipal	6,904,573	78,377	78,197	6,904,753
Mortgage backed securities	397,545	4,823	-	402,368
	7,302,118	83,200	78,197	7,307,121
Total Investment Securities	$ 23,055,861	$ 274,328	$ 142,128	$ 23,188,061

Note 3. Investment Securities (Continued):

Proceeds from sales, calls and maturities of available for sale securities during 2011 and 2010 were \$5,866,998 and \$11,656,368, resulting in gains of \$66,445 and \$182,478 for 2011 and 2010, respectively.

During 2011 and 2010, held to maturity securities with book values of \$2,678,341 and \$2,504,505, respectively, were either called or matured resulting in no gain or loss for both years.

The amortized cost and fair value of investment securities at December 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing:				
Within one year	$ -	$ -	$ 499,958	$ 500,019
After one year through five years	-	-	1,202,965	1,238,662
After five years through ten years	6,316,850	6,313,514	2,215,092	2,254,636
After ten years	41,146,296	41,417,565	8,999,974	9,139,049
	47,463,146	47,731,079	12,917,989	13,132,366
Equity investments with no maturity	933,759	793,459	-	-
Total	$ 48,396,905	$ 48,524,538	$ 12,917,989	$ 13,132,366

Investment securities with a book value and approximate fair value of \$7,600,000 and \$9,400,000, at December 31, 2011 and 2010, respectively, were pledged to secure public deposits and for other purposes required by law and as collateral for the Bank's line of credit with the Federal Home Loan Bank of Atlanta.

Note 3. Investment Securities (Continued):

Information pertaining to securities with gross unrealized losses at December 31, 2011 and 2010 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

2011	**Less than 12 Months**		**12 Months or Greater**		**Total**	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
State and Municipal	$ 4,894,806	$ (91,581)	$ -	$ -	$ 4,894,806	$ (91,581)
Mortgage backed	18,517,616	(48,571)	1,246,556	(16,352)	19,764,172	(64,923)
U.S. Agency	1,990,100	(9,900)	-	-	1,990,100	(9,900)
Equity securities	389,383	(53,913)	185,186	(88,753)	574,569	(142,666)
Total	$ 25,791,905	$ (203,965)	$ 1,431,742	$ (105,105)	$ 27,223,647	$ (309,070)

2010	**Less than 12 Months**		**12 Months or Greater**		**Total**	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
State and Municipal	$ 2,505,597	$ (78,197)	$ -	$ -	$ 2,505,597	$ (78,197)
Mortgage backed	4,691,309	(47,204)	2,573	(59)	4,693,882	(47,263)
U.S. Agency	-	-	-	-	-	-
Equity securities	309,605	(4,777)	53,062	(11,891)	362,667	(16,668)
Total	$ 7,506,511	$ (130,178)	$ 55,635	$ (11,950)	$ 7,562,146	$ (142,128)

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

At December 31, 2011, the Company had securities which have depreciated 1.2% in value from the amortized cost. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability and intent to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Note 4. Loans Receivable and Related Allowance for Loan Losses

The following table summarizes the primary segments of the loan portfolio as of December 31, 2011 and 2010 (in thousands):

	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
December 31, 2011			
Residential loans	$ 283	$ 46,612	$ 46,895
Commercial real estate loans			
Non owner-occupied & multi-family	959	22,632	23,591
Owner-occupied & farmland	940	11,417	12,357
Construction loans			
Residential construction loans	-	1,219	1,219
Commercial construction & raw land loans	1,438	8,642	10,080
Home equity loans	-	2,582	2,582
Consumer loans	-	2,322	2,322
Commercial/farm loans	-	8,998	8,998
Municipal/other loans	-	9,145	9,145
Unearned income on loans	-	(315)	(315)
Total	$ 3,620	$ 113,254	$ 116,874

	Total
December 31, 2010	
Residential loans	$ 44,249
Commercial real estate loans	
Non owner-occupied & multi-family	17,516
Owner-occupied & farmland	13,716
Construction loans	
Residential construction loans	409
Commercial construction & raw land loans	6,100
Home equity loans	1,017
Consumer loans	2,298
Commercial/farm loans	4,625
Municipal/other loans	10,288
Unearned income on loans	(277)
Total	$ 99,941

The segments of the Company's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. In reviewing risk, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (i) the commercial loan portfolio; (ii) the commercial real estate loan portfolio; (iii) the construction loan portfolio; (iv) the consumer loan portfolio; and, (v) the residential loan portfolio.

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

The commercial real estate ("CRE") loan segment is further disaggregated into two classes. Non-owner occupied CRE loans, which include loans secured by non-owner occupied nonfarm nonresidential properties, generally have a greater risk profile than all other CRE loans, which include multifamily structures and owner-occupied commercial structures. The construction loan segment is further disaggregated into two classes. One-to-four family residential construction loans are generally made to individuals for the acquisition of and/or construction on a lot or lots on which a residential dwelling is to be built. Commercial construction loans are generally made to developers or investors for the purpose of acquiring, developing and constructing residential or commercial structures. Construction lending is generally considered to involve a higher degree of credit risk than long-term permanent financing. If the estimate of construction cost proves to be inaccurate, the Company may be compelled to advance additional funds to complete the construction with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. If the Company is forced to foreclose on a project prior to completion, there is no assurance that it will be able to recover all of the unpaid portion of the loan. In addition, the Company may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate period of time. The commercial business segment consists of loans made for the purpose of financing the activities of commercial customers. The residential mortgage loan segment is made up of fixed rate and adjustable rate single-family amortizing term loans, which are primarily first liens. The home equity loan segment consists primarily of home equity loans, which are generally second liens. The consumer loans consist of motor vehicle loans, savings account loans, personal lines of credit, overdraft loans, other types of secured consumer loans, and unsecured personal loans.

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. Commercial loans and commercial real estate loans are reviewed on a regular basis with a focus on larger loans along with loans which have experienced past payment or financial deficiencies. Certain loans including commercial and other loans which are experiencing payment or financial difficulties, loans in industries for which economic trends are negative and loans which are of heightened concern to management are included on the Company's "watch list". Watch list loans, if significant, and larger commercial loans and commercial real estate loans which are 90 days or more past due are selected for impairment testing. These loans are analyzed to determine if they are "impaired", which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Company does not separately evaluate individual consumer and residential mortgage loans for impairment, unless such loans are part of a larger relationship that is impaired, or are classified as a troubled debt restructuring agreement.

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

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

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of December 31, 2011:

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans		Interest Income
	Recorded Investment	Related Allowance	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Recognized While Impaired
December 31, 2011						
Commercial Real Estate	$ 406,408	$ 100,000	$ -	$ 409,066	$ 406,408	$ 13,116
Total impaired loans	$ 406,408	$ 100,000	$ -	$ 409,066	$ 406,408	$ 13,116

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

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process with both internal and external oversight. The Company's loan officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. The loan processing department confirms the appropriate risk grade at origination and monitors all subsequent changes

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

to risk ratings. The Company's Loan Committee reviews risk grades when approving a loan and approves all risk rating changes, except those made within the pass risk ratings. The Company engages an external consultant to conduct loan reviews on a semi-annual basis. Generally, the external consultant reviews relationships greater than $650,000 and all loans over $50,000 that are either in nonaccrual status, over 90 days past due, or that are adversely classified. The external consultant also reviews a sample of new loans during the year. The Company's process requires the review and evaluation of an impaired loan to be updated at least quarterly. Loans in the Special Mention and Substandard categories that are collectively evaluated for impairment are given separate consideration in the determination of the allowance.

The following table presents the classes of the loan portfolio summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard, and Doubtful within the internal risk rating system as of December 31, 2011 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2011					
Commercial real estate loans					
Non owner-occupied & multi-family	$ 22,275	$ 376	$ 940	$ -	$ 23,591
Owner-occupied & farmland	10,544	854	959	-	12,357
Construction loans					
Residential construction loans	1,219	-	-	-	1,219
Commercial construction & raw land loans	7,607	1,019	1,048	406	10,080
Commercial/farm loans	8,908	36	-	54	8,998
Municipal/other loans	7,949	1,196	-	-	9,145
	$ 58,502	$ 3,481	$ 2,947	$ 460	$ 65,390
Less: Unearned revenue	-	-	-	-	(222)
Total	$ 58,502	$ 3,481	$ 2,947	$ 460	$ 65,168

The following table presents (in thousands) the classes of the loan portfolio for which loan performance is the primary credit quality indicator:

	Residential Loans	Home Equity Loans	Consumer Loans	Total
December 31, 2011				
Performing loans	$ 46,822	$ 2,582	$ 2,313	$ 51,717
Non-performing loans	73	-	-	82
	$ 46,895	$ 2,582	$ 2,322	$ 51,799
Less: Unearned revenue	-	-	93	(93)
Total	$ 46,895	$ 2,582	$ 2,415	$ 51,706

An allowance for loan and lease losses ("ALLL") is maintained to absorb losses from the loan portfolio. The ALLL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans.

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2011 (in thousands):

	Current	30-59 Days Past Due	60 - 89 Days Past Due	90 Days+ Past Due	Total Past Due	Non-Accrual	Total Loans
Residential loans	$ 46,594	$ 228	$ -	$ -	$ 228	$ 73	$ 46,895
Commercial real estate loans							
Non owner-occupied/multi-family	23,591	-	-	-	-	-	23,591
Owner-occupied & farmland	12,357	-	-	-	-	-	12,357
Construction loans							
Residential construction loans	1,219	-	-	-	-	-	1,219
Commercial construction & raw land loans	9,674	-	-	-	-	406	10,080
Home equity loans	2,582	-	-	-	-	-	2,582
Consumer loans	2,303	10	-	7	17	2	2,322
Commercial/farm loans	8,992	-	-	-	-	6	8,998
Municipal/other loans	9,145	-	-	-	-	-	9,145
Unearned income on loans	(315)	-	-	-	-	-	(315)
Total	$ 116,142	$ 238	$ -	$ 7	$ 245	$ 487	$ 116,874

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

"Pass" rated credits are segregated from "Criticized" credits for the application of qualitative factors. Management has identified a number of qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The qualitative factors are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources. The Company's qualitative factors consist of: national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; levels of and trends in the Company's borrowers in bankruptcy; trends in volumes and terms of loans; effects of changes in lending policies and strategies; and concentrations of credit from a loan type, industry and/or geographic standpoint.

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

(Continued)

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

The following table summarizes the primary segments of the ALLL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of December 31, 2011. Activity in the allowance is presented for the twelve months ended December 31, 2011 (in thousands):

	Commercial	Commercial Real Estate	Consumer	Residential	Finance Leases	Unallocated	Total
ALLL Balance at December 31, 2010	$ 118	$ 405	$ 97	$ 229	$ 435	$ 10	$ 1,294
Charge-offs	(2)	(109)	(28)	(33)	-	-	(172)
Recoveries	3	-	7	-	-	-	10
Provision	143	369	(20)	(38)	(131)	2	325
ALLL Balance at December 31, 2011	$ 262	$ 665	$ 56	$ 158	$ 304	$ 12	$ 1,457
Individually evaluated for impairment	$ -	$ 100	$ -	$ -	$ -	$ -	$ 100
Collectively evaluated for impairment	$ 262	$ 565	$ 56	$ 158	$ 304	$ 12	$ 1,357

The following is a summary of the changes in the allowance for loan losses for the year ended December 31, 2010 (in thousands):

Balance, beginning	$ 806
Charge-offs	(233)
Recoveries	121
Provision	600
Balance, ending	$ 1,294

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

At December 31, 2011 loans with a carrying amount of $41.5 million were pledged to secure short-term and long-term borrowings with the Federal Home Loan Bank.

Note 4. Loans Receivable and Related Allowance for Loan Losses (Continued)

Nonaccrual loans were approximately $487,000 and $715,000 at December 31, 2011 and 2010, respectively.

Loans held for sale consists of the Bank's commitment to purchase up to $10,000,000 in residential mortgage loan fundings originated primarily in Virginia and North Carolina by another financial institution. The commitment extended up to $20,000,000 at December 31, 2010. The Bank reviews loan documentation for each specific mortgage prior to funding to ensure it conforms to the terms of the agreement. The mortgages funded through this program must have already obtained a purchase commitment (takeout) from another financial institution as part of the conditions of the Bank's funding. The Bank earns Prime less .50% on a daily floating rate plus additional loan fees on all loans held in this category. The balance of loans held for sale was $9,609,881 and $18,897,947 at December 31, 2011 and 2010, respectively.

The Company is not committed to lend additional funds to borrowers whose loans are considered impaired or whose loans have been modified.

The Company had a loan with a balance of approximately $1,000,000 at December 31, 2011 and 2010 that was involved in bankruptcy litigation. The loan was for the benefit of a municipality. Funds advanced for the loan were held in the custody of the company that declared bankruptcy, resulting in the municipality not taking in its direct possession the full note amount. The municipality has continued to make payments on the note and it was current at December 31, 2011 and 2010.

Note 5. Bank Premises and Equipment

Bank premises and equipment are summarized as follows:

	2011	2010
Buildings and land	$ 2,247,037	$ 2,130,621
Furniture, fixtures and equipment	1,674,024	1,825,773
Software	270,491	458,487
	4,191,552	4,414,881
Less – Accumulated depreciation	2,175,514	2,497,380
	$ 2,016,038	$ 1,917,501

Depreciation expense for 2011 and 2010 was $223,000 and $203,126, respectively.

Note 6. Time Deposits

The aggregate amounts of certificates of deposit, with a minimum denomination of $100,000 were $41,248,000 and $18,894,000 at December 31, 2011 and 2010, respectively.

Time deposits include brokered deposits purchased through the Certificate of Deposit Account Registry Service (CDARS). The balance of these time deposits at December 31, 2011 was approximately $9,591,000. As long as the Bank maintains its current rating through CDARS rating service, it may purchase deposits up to 15% of its assets as of the most recent quarter end. At December 31, 2011, the Bank could have purchased up to approximately $30,000,000 in deposits through CDARS. The decision to utilize this funding depends on the Bank's liquidity needs and the pricing of CDARS deposits compared to other potential funding sources.

At December 31, 2011, the scheduled maturities of time deposits are as follows:

2012	$ 52,806,599
2013	14,855,401
2014	6,215,346
2015	4,755,430
2016	13,460,157
2017 and beyond	3,161,875
	$ 95,254,808

Note 7. Borrowings

The Bank has a line of credit from the Federal Home Loan Bank of Atlanta (FHLB) secured by the Bank's real estate loan portfolio and certain pledged securities. The FHLB will lend up to 25% of the Bank's total assets at the prior quarter end, subject to certain eligibility requirements, including adequate collateral. At December 31, 2011, the Bank had borrowings from FHLB that totaled $17,592,857. The interest rate on the borrowings range from 1.82% to 3.94% depending on structure and maturity. The borrowings at year-end also required the Bank to own $1,424,300 of FHLB's stock. This amount is included with restricted investments on the consolidated balance sheets.

The principal on FHLB borrowings matures as follows:

2012	$ 2,271,428
2013	4,521,428
2014	9,671,429
2015	128,572
2016	-
Thereafter	1,000,000
Total FHLB borrowings	$ 17,592,857

At December 31, 2010, the Bank had daily variable rate advances from the Federal Home Loan Bank of Atlanta (FHLB) totaling $1,000,000 and fixed rate advances totaling $27,114,286, for total borrowings of $28,114,286.

(Continued)

Note 7. Borrowings (Continued)

In addition the Bank has established lines of credit for federal funds purchases of $4,000,000 with its correspondent bank of which $752,000 and $2,144,000 was borrowed as of December 31, 2011 and 2010, respectively. Subsequent to December 31, 2011 and prior to the date of the financial statements, the Bank received an increase in its federal funds purchase limit of $1,000,000, which increased the line of credit for federal funds to $5,000,000.

Note 8. Preferred Stock

The Company is authorized to issue 250,000 shares of preferred stock at a par value of $50 per share. On August 18, 2011, the Company issued 4,500 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A to the United States Department of Treasury as part of the Small Business Lending Fund (SBLF) program. The shares were issued at $1,000 per share, which is also the liquidation value, for a total issuance of $4,500,000. The initial dividend on the preferred stock is 5.00%, and future dividend rates are contingent upon the Bank's ability to increase its qualified small business lending, as defined by the US Treasury. As of December 31, 2011, the dividend was 5.00%. If the preferred stock is still outstanding 4.5 years after issuance, the rate, regardless of qualified small business lending growth, will increase to 9%.

Note 9. Common Stock

The Company has 5,000,000 shares of no par value authorized common stock of which 941,913 and 941,056 shares were issued and outstanding at December 31, 2011 and 2010, respectively. In 2010, shareholders approved the transition to a no par stock from stock previously issued at a $5 par value and an increase to 5,000,000 authorized shares. Subsequent to that 2010 meeting, the Board of Directors approved a 5:1 stock split.

Note 10. Other Real Estate Owned (Foreclosed Assets)

The Bank had the following amount in Other Real Estate Owned at December 31, 2011:

Real Estate Held	Estimated Realizable Value
Land	$ 80,000
1-4 family	416,623
Total	$ 496,623

The estimated realizable value is the net amount Bank management expects to realize from the sale of the foreclosed upon real estate. The net realizable amount takes into account realtor commissions and other anticipated costs associated with the disposition of real estate. All properties currently held in Other Real Estate Owned were obtained during 2011. Adjustments to reduce the loan balance to net realizable value at the time the property was acquired were made to the Allowance for Loan Losses. Bank Management continues to monitor the properties for changes in value. Any decline in value would be charged to operations.

(Continued)

Note 10. Other Real Estate Owned (Foreclosed Assets) (Continued)

Expenses associated with the maintenance and upkeep of Other Real Estate Owned are recorded as Other Real Estate Expense. The balance of Other Real Estate Owned is included with Other Assets on the Company's Balance Sheet.

Note 11. Branch Acquisition

The Bank acquired a branch in November 2011 in Albemarle County, VA from the Bank of Hampton Roads. The branch acquisition included the purchase of all deposit relationships, leasehold improvements, personal property and branch cash, select performing loans with no history of serious delinquency, and goodwill. Purchased deposit relationships totaled approximately $58,953,000 and included a Core Deposit Intangible premium of approximately $52,000, which is being amortized over its expected useful life and is included with Other Assets on the Balance Sheet. Short-term liabilities that re-price at least monthly were recorded at face value. Time deposits whose maturity was one month or longer were valued based on the discounted cash flows expected to be paid in future periods. This amount resulted in a liability that was approximately $555,000 greater than the face amounts of the deposits. The premium imbedded in the valuation of the time deposits will be amortized over the deposits expected life and the premium is expected to be fully amortized in approximately five years. The amortization will serve to reduce the contractual interest rates on these deposits to a rate consistent with market conditions when the deposits were assumed.

The Company purchased the branch in an effort to expand its geographic service area by targeting an attractive market with the potential to provide continued balance sheet growth and new opportunities for the Bank. Bank management will evaluate at least annually the recorded value of the goodwill. In the event the asset suffers a decline in value based on criteria established in governing accounting standards, an impairment will be recorded.

Note 12. Disclosures About Fair Value of Financial Instruments

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

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

(Continued)

Note 12. Disclosures About Fair Value of Financial Instruments (Continued)

The following table represents the estimates of fair value of financial instruments as of December 31, 2011 and 2010:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and short-term investments	$ 3,344,344	$ 3,344,344	$ 2,026,922	$ 2,026,922
Investment Securities	63,096,827	63,311,205	24,874,258	24,879,258
Loans held for sale	9,609,881	9,609,881	18,897,947	18,897,947
Net loans held for investment	115,416,996	123,133,171	98,647,691	100,791,691
Accrued interest receivable	611,229	611,229	478,483	478,483
Bank-owned life insurance	2,143,800	2,143,800	2,070,500	2,070,500
Financial Liabilities				
Deposits	163,439,704	165,839,000	107,828,460	109,356,000
Other borrowed funds	17,592,857	18,465,000	28,114,286	28,802,000
Federal funds purchased	752,000	752,000	2,144,000	2,144,000
Accrued interest payable	150,130	150,130	133,865	133,865

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

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

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

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

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

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

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

Note 12. Disclosures About Fair Value of Financial Instruments (Continued)

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

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

Note 13. Fair Value Measurements

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

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

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

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

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

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

Note 13. Fair Value Measurements (Continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2011				
Available for-sale securities	$ 48,524,538	$ -	$ 48,524,538	$ -
Bank-owned life insurance	2,143,800	-	2,143,800	-
Total	$ 50,668,338	$ -	$ 50,668,338	$ -
December 31, 2010				
Available for-sale securities	$ 15,880,940	$ -	$ 15,880,940	$ -
Bank-owned life insurance	2,070,500	-	2,070,500	-
Total	$ 17,951,440	$ -	$ 17,951,440	$ -

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

December 31, 2011:	
Total gains included in earnings for the year	$ 66,445
Change in unrealized gains or losses relating to assets still held at year end	$ (932)
December 31, 2010:	
Total gains included in earnings for the year	$ 182,478
Change in unrealized gains or losses relating to assets still held at year end	$ 80,298

Note 13. Fair Value Measurements (Continued)

Fair values of assets measured on a non-recurring basis at December 31, 2011 and 2010 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2011				
Other real estate owned	$ 496,623	$ -	$ -	$ 496,623
Impaired loans	306,408	-	-	306,408
Total	$ 803,031	$ -	$ -	$ 803,031
December 31, 2010				
Other real estate owned	$ -	$ -	$ -	$ -
Impaired loans	309,443	-	-	309,443
Total	$ 309,443	$ -	$ -	$ 309,443

The following table shows a reconciliation of the beginning and ending balance at December 31, 2011 for Level 3 assets using significant unobservable inputs.

	2011		2010	
	Impaired Loans	**Other Real Estate Owned**	**Impaired Loans**	**Other Real Estate Owned**
Balance, January 1	$ 309,443	$ -	$ 309,443	$ 174,954
Transfers into Level 3	-	623,621	-	-
Gains (losses) included in Net Income	-	(87,036)	-	(23,226)
Collections and sales	(3,035)	(39,962)	-	(151,728)
Balance, December 31	$ 306,408	$ 496,623	$ 309,443	$ -

Note 14. Income Taxes

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

	2011	2010
Income taxes computed at the applicable federal income tax rate	$ 511,610	$ 489,590
Tax exempt municipal income	(126,933)	(145,434)
Income from life insurance	(24,922)	(26,011)
Other, net	(13,519)	545
Income Tax Expense	$ 346,236	$ 318,690

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

	2011	2010
Current tax expense	$ 391,322	$ 597,672
Deferred tax expense	(45,086)	(278,982)
Income Tax Expense	$ 346,236	$ 318,690

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

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

	2011	2010
Deferred tax assets	$ 763,964	$ 595,944
Deferred tax liabilities	(358,397)	(241,907)
Net Deferred Tax Asset	$ 405,567	$ 354,037

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

The federal and Virginia income tax returns of the Company for 2008 to 2011are subject to examination by the Internal Revenue Service and the Virginia Department of Taxation.

Note 15. Employee Benefits

The Bank has a 401(k) Profit Sharing Plan that covers all full-time employees. Employees may make voluntary contributions subject to certain limits based on federal tax laws. The Bank matches 100 percent of an employee's contribution up to five percent of his or her salary. The Bank's Board of Directors may make additional contributions at its discretion. Employees become eligible to participate after one year of continuous service and the benefits vest over a five-year period. For the years ended December 31, 2011 and 2010, total expenses attributable to this plan were $81,487 and $82,291, respectively.

Note 16. Financial Instruments With Off-Balance-Sheet Risk

In the normal course of business, to meet the credit needs of its customers, the Bank has made commitments to extend credit of $7,516,000 and $6,989,000 as of December 31, 2011 and 2010, respectively. These commitments represent a credit risk which is not recognized in the consolidated balance sheet. The Bank uses the same credit policies in making commitments as it does for the loans reflected in the balance sheet. Commitments to extend credit are generally made for a period of one year and interest rates are determined when funds are disbursed. Collateral and other security for the loans are determined on a case-by-case basis. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

Note 17. Commitments and Contingencies

In the ordinary course of business, the Bank has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments include $550,000 for its interest in a Small Business Investment Company (SBIC). The Bank funded $450,000 of its $1,000,000 investment prior to December 31, 2011, and anticipates capital calls for the remaining amount to occur during the next two to three years. Management does not anticipate any loss resulting from these commitments.

(Continued)

Note 18. Lease Commitments

The Bank leases real property in McGaheysville, Virginia for a branch that began operations in March 2003. The lease term commenced March 1, 2003 and continues for fifteen years, with five optional one year extensions. Base annual rent, including utilities, is $36,300 or $3,025 per month, adjusted annually for inflation as listed by the Consumer Price Index.

The Bank leases real property in Albemarle County, Virginia for a branch that was acquired in November 2011. The Bank assumed a lease term that was extended beginning November 1, 2011 for a period of two years. Base annual rent is approximately $24,000, or $2,000 per month. Subsequent to year end, the bank signed a lease for a new location for this branch that would begin May 1, 2012 with payments at $6,800 per month. This lease is subject to regulatory approval, and if approved, will terminate the original lease noted above as of December 31, 2012.

At December 31, 2011, the aggregate future minimum rental commitments (base rents) under this noncancellable operating lease are as follows:

Fiscal Year Ending	Annual Payments
2012	$ 63,504
2013	61,504
2014	39,504
2015	39,504
2016	39,504
Thereafter	46,898
	$ 290,418

Rent expense for 2011 and 2010 was $50,334 and $42,973, respectively.

Note 19. Concentration of Credit Risk

The majority of the Bank's loans are made to customers in the Bank's trade area and a substantial portion of the loans are secured by real estate. Accordingly, the ultimate collectibility of the Bank's loan portfolio is susceptible to changes in local economic conditions including the agribusiness sector and the real estate market. A summary of loans by type is shown in Note 4. Collateral required by the Bank is determined on an individual basis depending on the nature of the loan and the financial condition of the borrower. In addition, investment in state and municipal securities include governmental entities within the Bank's market area.

(Continued)

Note 20. Transactions With Related Parties

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

	2011	2010
Total loans, beginning of year	$ 605,000	713,000
Advances	1,237,000	$ 73,000
Curtailments	(217,000)	(181,000)
Total loans, end of year	$ 1,625,000	$ 605,000

The Bank held related party deposits of approximately $1,445,000 and $1,040,000 at December 31, 2011 and 2010, respectively.

Note 21. Regulatory Matters

The principal source of funds of Blue Ridge Bankshares, Inc. is dividends paid by its subsidiary bank. The various regulatory authorities impose restrictions on dividends paid by a state bank. A state bank cannot pay dividends (without the consent of state banking authorities) in excess of the total net profits (net income less dividends paid) of the current year to date and the combined retained net profits of the previous two years. As of January 1, 2012, Blue Ridge Bank could pay dividends to Blue Ridge Bankshares, Inc. of approximately $3,351,000 without the permission of regulatory authorities. The ability to pay such a dividend would additionally be affected by the subsidiary bank's capital availability.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2011, that the Bank meets all capital adequacy requirements to which it is subject.

(Continued)

Note 21. Regulatory Matters (Continued)

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2011						
Total risk based capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 18,140	16.15%	$ 8,984	8%	N/A	N/A
Blue Ridge Bank	$ 17,233	15.47%	$ 8,909	8%	$ 11,137	10%
Tier I capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 16,747	14.91%	$ 4,492	4%	N/A	N/A
Blue Ridge Bank	$ 15,840	14.22%	$ 4,455	4%	$ 6,682	6%
Tier I capital						
(To average assets)						
Blue Ridge Bankshares	$ 16,747	9.55%	$ 7,014	4%	N/A	N/A
Blue Ridge Bank	$ 15,840	9.18%	$ 6,902	4%	$ 8,628	5%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2010						
Total risk based capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 13,327	13.64%	$ 7,819	8%	N/A	N/A
Page Valley Bank	$ 11,911	12.37%	$ 7,705	8%	$ 9,631	10%
Tier I capital						
(To risk rated assets)						
Blue Ridge Bankshares	$ 12,033	12.31%	$ 3,909	4%	N/A	N/A
Page Valley Bank	$ 10,706	11.12%	$ 3,852	4%	$ 5,778	6%
Tier I capital						
(To average assets)						
Blue Ridge Bankshares	$ 12,033	8.46%	$ 5,689	4%	N/A	N/A
Page Valley Bank	$ 10,706	7.39%	$ 5,794	4%	$ 7,242	5%

(Continued)

Note 22. New Accounting Standards

In July 2010, FASB issued ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2011. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2011. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The adoption of this ASU did not have a material effect on the Company's results of operations or financial position. The Company has presented the necessary disclosures in Note 4 herein.

In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring . The amendments in this Update provide additional guidance or clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amendments in this Update are effective for the first interim or annual reporting period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. The Company has presented the necessary disclosures in Note 4 herein.

In April 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The main objective in developing this Update is to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The amendments in this Update apply to all entities, both public and nonpublic. The amendments affect all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The guidance in this Update is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

(Continued)

Note 22. New Accounting Standards (Continued)

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments in this update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. The amendments in this Update improve the comparability, clarity, consistency, and transparency of financial reporting and increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of U.S. GAAP and IFRS, the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. All entities that report items of comprehensive income, in any period presented, will be affected by the changes in this Update. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The amendments in this Update should be applied retrospectively, and early adoption is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In September 2011, the FASB issued ASU 2011-08, Intangibles – Goodwill and Other Topics (Topic 350), Testing Goodwill for Impairment. The objective of this update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under the amendments in this Update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The amendments in this Update apply to all entities, both public and nonpublic, that have goodwill reported in their financial statements and are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. This ASU is not expected to have a significant impact on the Company's financial statements.

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Note 22. New Accounting Standards (Continued)

Other accounting standards that have been issued or proposed by the FASB or other standard–setting bodies are not currently applicable to the Company or are not expected to have a significant impact on the Company's financial position, results of operations and cash flows.

Board of Directors

Larry Dees
Certified Public Accountant

John H. Graves
President/CEO
Luray Caverns Corporation

Monte L. Layman
President/CEO
Blue Ridge Bank

James E. Gander II
Farmer

Robert S. Janney
Attorney at Law

Richard L. Masincup
Retired Tax Auditor

Nancy K. Racer
Secretary/Treasurer
Luray Copy Service, Inc

Malcolm R. Sullivan, Jr.
Chief Executive Officer
Sullivan Mechanical Contractors, Inc.

Blue Ridge Bank
Since 1893

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Dianna C. Keeney, Assistant Vice President
Jonathan B. Comer, Business Development Officer
Kimberly F. Good, Loan Officer
Cheryl E. Petefish, Loan Officer
Rebecca K. Dovel
Haley M. Somers
Jill M. Taylor
Lisa M. Turner

Bookkeeping/Data Processing
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Melissa A. Deeds
Kimberly D. Dinges
Patricia B. Painter
Alice B. Beahm

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Brandy L. Jones

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