

BLUE RIDGE BANKSHARES, INC.

Parent of



CELEBRATING

120 YEARS

1893-2013

2012
Annual Report

To Our Shareholders

I would like to say thank you to all employees, officers, and directors, both past and present, as we celebrate our 120th anniversary. Their hard work and dedication to the bank is the primary reason we have been successful for so long. I would also like to thank our shareholders for your confidence in the bank, and last but certainly not least, our customers. This is certainly a milestone not many companies are able to achieve.

The financial crisis that began in 2007 continues to have an effect on the U. S. economy. Many banks have failed over this period of time, and others are still struggling to regain profitability. This has resulted in perhaps the most significant regulatory changes the banking industry has seen in the past 70 years. The Dodd-Frank Act and the Consumer Credit Protection Act have created tremendous additional expenses on banks as we move forward. Blue Ridge Bank was certainly not the cause of the new regulations, but the cost of complying will certainly have an effect on our bottom line as we move forward.

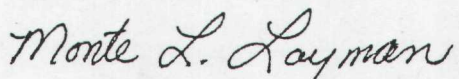
Our Charlottesville Office continues to progress very well after a little over a year of operation. We moved into a more visible location during the past year at 1807 Seminole Trail. This location also provides additional space as we continue to grow in the Charlottesville/Albemarle County market.

Blue Ridge Bank and Blue Ridge Bankshares continue to outperform many of its peers. Strong asset quality has been a big driving source of our success. Total assets for year-end 2012 was \$208,228,537, which represents an increase of 4% over 2011. Net year-end income was \$1,516,362, which was an increase of 31% over 2011. Return on average assets increased from .66% in 2011 to .74% in 2012, while return on average equity increased from 7.84% to 8.44%. The book value per common share increased from \$13.74 in 2011 to \$14.85 in 2012.

We are optimistic about 2013. The inroads we have made in Charlottesville over the past year and our strong asset quality should have us positioned for another strong year.

As always, I encourage you to contact me with any questions, concerns, or suggestions that you have regarding the Company. Please 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
President/CEO

BLUE RIDGE BANKSHARES, INC.
FINANCIAL HIGHLIGHTS

For The Year

	2012	2011
Net income	\$ 1,516,362	\$ 1,158,497
Net income available to common stockholders	1,318,942	1,075,372
Common stock dividends declared	282,574	263,636
Earnings per common share	1.40	1.14
Dividends per common share	0.300	0.280

At Year End

Total assets	\$ 208,228,537	\$ 199,839,773
Total investments	56,372,941	63,096,827
Net loans	136,138,597	125,026,877
Deposits	168,737,648	163,439,704
Total stockholders' equity	18,494,435	17,437,711
Common stockholders' equity	13,994,435	12,937,711
Book value per common share	14.85	13.74
Number of common stock shares outstanding	942,221	941,913

Key Ratios

Return on average assets	0.74%	0.66%
Return on average equity	8.44%	7.84%
Return on average common equity	9.79%	8.58%
Total stockholders' equity to assets	8.88%	8.73%
Common stockholders' equity to assets	6.72%	6.47%
Increase in assets	4.20%	32.45%
Increase (decrease) in earnings per common share	22.81%	(4.20)%
Increase in book value per share	8.10%	6.68%

Financial Statements

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

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Blue Ridge Bankshares, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Bankshares, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 18, 2013

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2012 and 2011

ASSETS	2012	2011
Cash and due from banks (Note 2)	\$ 3,672,032	\$ 3,344,344
Federal funds sold	3,648,000	-
Investment securities		
Securities available for sale (at fair value) (Note 3)	41,956,697	48,524,538
Securities held to maturity (fair value of \$13,568,540 in 2012, \$13,132,367 in 2011) (Note 3)	12,817,744	12,917,989
Restricted investments	1,598,500	1,654,300
Total Investment Securities	56,372,941	63,096,827
Loans held for sale (Note 4)	10,792,727	9,609,881
Loans held for investment (Note 4)	127,127,540	116,873,834
Allowance for loan losses (Note 4)	(1,781,670)	(1,456,838)
Net Loans Held for Investment	125,345,870	115,416,996
Bank premises and equipment, net (Note 5)	1,987,953	2,016,038
Bank owned life insurance (Note 1)	2,215,300	2,143,800
Goodwill (Note 11)	555,000	555,000
Other assets	3,638,714	3,656,887
Total Assets	\$ 208,228,537	\$ 199,839,773
LIABILITIES		
Deposits		
Demand deposits		
Noninterest bearing	\$ 21,570,207	\$ 20,320,970
Interest bearing	39,423,482	39,641,003
Savings deposits	9,615,540	8,222,923
Time deposits (Note 6)	98,128,419	95,254,808
Total Deposits	168,737,648	163,439,704
Federal funds purchased	-	752,000
Other borrowed funds (Note 7)	20,334,123	17,592,857
Other liabilities	662,331	617,501
Total liabilities	189,734,102	182,402,062
STOCKHOLDERS' EQUITY		
Preferred stock, \$50 par value, authorized - 250,000 shares; outstanding - 4,500 shares (Note 8)	225,000	225,000
Common stock, no par value, authorized - 5,000,000 shares; outstanding - 942,221 and 941,913, respectively (Note 9)	938,573	935,339
Contributed equity	4,275,000	4,275,000
Retained earnings	12,954,501	11,918,132
Accumulated other comprehensive income	101,361	84,240
Total Stockholders' Equity	18,494,435	17,437,711
Total Liabilities and Stockholders' Equity	\$ 208,228,537	\$ 199,839,773

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

BLUE RIDGE BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
INTEREST INCOME		
Interest and fees on loans held for investment	\$ 6,667,519	\$ 5,773,166
Interest and fees on loans held for sale	219,864	246,397
Interest on federal funds sold	3,477	5,363
Interest and dividends on taxable investment securities	1,088,945	510,463
Interest and dividends on nontaxable investment securities	301,336	231,274
Total Interest Income	<u>8,281,141</u>	<u>6,766,663</u>
INTEREST EXPENSE		
Interest on savings and interest bearing demand deposits	143,023	206,673
Interest on time deposits	1,121,925	1,000,972
Interest on borrowed funds	512,142	550,480
Total Interest Expense	<u>1,777,090</u>	<u>1,758,125</u>
Net Interest Income	<u>6,504,051</u>	<u>5,008,538</u>
PROVISION FOR LOAN LOSSES	<u>670,000</u>	<u>325,000</u>
Net Interest Income after Provision for Loan Losses	<u>5,834,051</u>	<u>4,683,538</u>
OTHER INCOME		
Service charges on deposit accounts	315,926	310,101
Earnings on investment in life insurance	71,500	73,300
Securities gains	30,437	66,445
Other than temporary impairment losses	(102,802)	(150,000)
Loss on disposal of assets	(112,561)	-
Other noninterest income	420,510	295,474
Total Other Income	<u>623,010</u>	<u>595,320</u>
OTHER EXPENSES		
Salaries and employee benefits	2,036,776	1,650,095
Occupancy and equipment expenses	495,673	370,997
Data processing	311,264	311,173
Audits and examinations	123,547	72,931
Advertising expense	141,106	65,500
Directors fees	109,800	98,350
Debit card expenses	107,543	109,723
Deposit assessments	130,837	109,426
Loss on other real estate owned	65,655	87,036
Other noninterest expense	855,686	898,894
Total Other Expenses	<u>4,377,887</u>	<u>3,774,125</u>
Income before Income Taxes	<u>2,079,174</u>	<u>1,504,733</u>
INCOME TAX EXPENSE (Note 14)	<u>562,812</u>	<u>346,236</u>
Net Income	<u>1,516,362</u>	<u>1,158,497</u>
Dividends to Preferred Stockholders	(197,420)	(83,125)
Net Income Available to Common Stockholders	<u>\$ 1,318,942</u>	<u>\$ 1,075,372</u>
Earnings per Share	<u>\$ 1.40</u>	<u>\$ 1.14</u>
Weighted Average Shares Outstanding	<u>941,939</u>	<u>941,586</u>

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

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Net Income	\$ 1,516,362	\$ 1,158,497
Other comprehensive income:		
Gross unrealized gains arising during the period	56,377	65,513
Adjustment for income tax expense	<u>(19,168)</u>	<u>(22,274)</u>
	37,209	43,239
Less:		
Reclassification adjustment for gains included in net income	(30,437)	(66,445)
Adjustment for income tax expense	<u>10,349</u>	<u>22,591</u>
	(20,088)	(43,854)
Other comprehensive income (loss), net of tax	<u>17,121</u>	<u>(615)</u>
Comprehensive income	<u>\$ 1,533,483</u>	<u>\$ 1,157,882</u>

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

December 31, 2012 and 2011

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
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
Comprehensive Net Income					
Net income	-	-	1,516,362	-	1,516,362
Changes in unrealized gains on securities available for sale, net of deferred income tax liability of \$8,820	-	-	-	17,121	17,121
Total Comprehensive Income	-	-	-	-	1,533,483
Issuance of common stock (308 shares)	-	3,234	-	-	3,234
Preferred stock dividends	-	-	(197,420)	-	(197,420)
Common stock dividends	-	-	(282,573)	-	(282,573)
Balance, December 31, 2012	<u>\$ 4,500,000</u>	<u>\$ 938,573</u>	<u>\$ 12,954,501</u>	<u>\$ 101,361</u>	<u>\$ 18,494,435</u>

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,516,362	\$ 1,158,497
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	670,000	325,000
Deferred income taxes	(60,361)	(45,086)
Net (increase) decrease in loans held for sale	(1,182,846)	9,288,066
Loss on disposition of assets	112,561	-
Securities gains	(30,437)	(66,445)
Gain on sale of other real estate owned	(20,322)	-
Other than temporary impairment losses	102,802	150,000
Depreciation	222,101	223,000
Investment amortization expense, net	789,577	267,250
Amortization of debt refinancing fees	12,694	-
(Increase) Decrease in other assets	313,600	(572,269)
Increase (Decrease) in accrued expenses	17,250	(111,517)
Purchase of goodwill	-	(555,000)
Increase in carrying value of life insurance investments	(71,500)	(73,300)
Total adjustments	<u>875,119</u>	<u>8,829,699</u>
Net Cash Provided by Operating Activities	<u>2,391,481</u>	<u>9,988,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(22,277,424)	(38,852,793)
Purchases of securities held to maturity	(783,215)	(8,303,752)
Proceeds from calls, maturities, sales, paydowns and maturities of securities available for sale	28,084,238	5,866,998
Proceeds from calls, maturities, sales, paydowns and maturities of securities held for investment	808,486	2,678,341
Increase in federal funds sold	(3,648,000)	-
Net increase in loans held for investment	(10,598,874)	(10,078,453)
Net cash received from assumption of liabilities	-	51,440,532
Purchase of bank premises and equipment	(306,577)	(321,537)
Investment in limited liability companies	(275,000)	(100,000)
Nonincome distributions from limited liability companies	51,436	-
(Increase) Decrease in restricted investments	<u>55,800</u>	<u>36,900</u>
Net Cash (Used in) Provided by Investing Activities	<u>(8,889,130)</u>	<u>2,366,236</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in demand and savings deposits	2,424,333	(1,040,826)
Net change in time deposits	2,873,611	(2,300,937)
Federal Home Loan Bank advances	69,857,000	10,000,000
Federal Home Loan Bank repayments	(66,671,428)	(20,521,429)
Payment of debt refinancing fees	(457,000)	-
Increase (Decrease) in federal funds purchased	(752,000)	(1,392,000)
Preferred stock dividends paid	(169,840)	(26,875)
Common stock dividends paid	(282,573)	(263,636)
Issuance of preferred stock	-	4,500,000
Issuance of common stock	<u>3,234</u>	<u>8,693</u>
Net Cash Provided by (Used in) Financing Activities	<u>6,825,337</u>	<u>(11,037,010)</u>
CASH AND CASH EQUIVALENTS		
Net increase in cash and cash equivalents	327,688	1,317,422
Cash and Cash Equivalents, Beginning of Year	<u>3,344,344</u>	<u>2,026,922</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,672,032</u>	<u>\$ 3,344,344</u>

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

BLUE RIDGE BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	\$ 1,786,675	\$ 1,746,748
Income taxes paid	275,000	683,952
Preferred stock dividends accrued, not paid	28,670	56,250
Real estate acquired by foreclosure	140,000	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

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS December 31, 2012

Note 1. Nature of Operations and Significant Accounting Policies:

Nature of Operations:

Blue Ridge Bankshares, Inc. ("Company") through Blue Ridge Bank, Inc. ("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.

Consolidation Policy:

The consolidated financial statements include the accounts of Blue Ridge Bankshares, Inc. and its wholly-owned subsidiaries, Blue Ridge Bank, Inc., 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.

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.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS December 31, 2012

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

Loans (Continued):

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, 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, 2012 and 2011.

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.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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

Bank Owned Life Insurance:

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

Advertising Costs:

Advertising costs are expensed as incurred.

Bank Premises and Equipment:

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

Income Taxes:

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

Earnings Per Share:

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

Financial Instruments:

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

Reclassified Amounts:

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

Subsequent Events:

Subsequent events have been evaluated through March 18, 2013, 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, 2012 and 2011 was \$275,000.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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, 2012				
<u>Available for Sale</u>				
Mortgage backed securities	\$ 40,931,965	\$ 281,110	\$ 112,131	\$ 41,100,944
Equity securities	860,751	42,237	47,235	855,753
	<u>41,792,716</u>	<u>323,347</u>	<u>159,366</u>	<u>41,956,697</u>
<u>Held to Maturity</u>				
State and municipal	12,804,115	753,220	2,500	13,554,835
Mortgage backed securities	13,629	76	-	13,705
	<u>12,817,744</u>	<u>753,296</u>	<u>2,500</u>	<u>13,568,540</u>
Total Investment Securities	<u>\$ 54,610,460</u>	<u>\$ 1,076,643</u>	<u>\$ 161,866</u>	<u>\$ 55,525,237</u>
December 31, 2011				
<u>Available for Sale</u>				
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
	<u>48,396,906</u>	<u>345,121</u>	<u>217,489</u>	<u>48,524,538</u>
<u>Held to Maturity</u>				
State and municipal	12,885,890	305,052	91,581	13,099,361
Mortgage backed securities	32,099	907	-	33,006
	<u>12,917,989</u>	<u>305,959</u>	<u>91,581</u>	<u>13,132,367</u>
Total Investment Securities	<u>\$ 61,314,895</u>	<u>\$ 651,080</u>	<u>\$ 309,070</u>	<u>\$ 61,656,905</u>

Proceeds from sales, calls and maturities of available for sale securities during 2012 and 2011 were \$28,084,238 and \$5,866,998, resulting in gains of \$30,437 and \$66,445 for 2012 and 2011, respectively.

During 2012 and 2011, held to maturity securities with book values of \$808,486 and \$2,678,341, 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, 2012, 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.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 3. Investment Securities (Continued):

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing:				
Within one year	\$ -	\$ -	\$ 320,010	\$ 320,010
After one year through five years	557,645	576,159	864,223	881,226
After five years through ten years	5,518,878	5,498,275	4,642,391	4,943,299
After ten years	34,855,442	35,026,510	6,991,120	7,424,005
	40,931,965	41,100,944	12,817,744	13,568,540
Equity investments with no maturity	860,751	855,753	-	-
Total	<u>\$ 41,792,716</u>	<u>\$ 41,956,697</u>	<u>\$ 12,817,744</u>	<u>\$ 13,568,540</u>

Investment securities with an approximate fair value of \$6,141,000 and \$7,600,000, at December 31, 2012 and 2011, 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.

Information pertaining to securities with gross unrealized losses at December 31, 2012 and 2011 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

	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	\$ 497,500	\$ (2,500)	\$ -	\$ -	\$ 497,500	\$ (2,500)
Mortgage backed	17,871,375	(89,545)	1,465,030	(22,586)	19,336,405	(112,131)
Equity securities	267,789	(39,593)	85,174	(7,642)	352,963	(47,235)
Total	<u>\$ 18,636,664</u>	<u>\$ (131,638)</u>	<u>\$ 1,550,204</u>	<u>\$ (30,228)</u>	<u>\$ 20,186,868</u>	<u>\$ (161,866)</u>

2011

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	<u>\$ 25,791,905</u>	<u>\$ (203,965)</u>	<u>\$ 1,431,742</u>	<u>\$ (105,105)</u>	<u>\$ 27,223,647</u>	<u>\$ (309,070)</u>

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 3. Investment Securities (Continued):

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, 2012, the Company had securities which have depreciated .7% 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, 2012 and 2011 (in thousands):

	<u>Individually Evaluated for Impairment</u>	<u>Collectively Evaluated for Impairment</u>	<u>Total</u>
December 31, 2012			
Residential loans	\$ 2,876	\$ 48,740	\$ 51,616
Commercial real estate loans			
Non owner-occupied & multi-family	3,085	22,755	25,840
Owner-occupied & farmland	1,798	17,957	19,755
Construction loans			
Residential construction loans	-	569	569
Commercial construction & raw land loans	-	7,744	7,744
Home equity loans	23	2,220	2,243
Consumer loans	-	1,832	1,832
Commercial/farm loans	-	7,710	7,710
Municipal/other loans	1,133	9,003	10,136
Unearned income on loans	-	(317)	(317)
Total	<u>\$ 8,915</u>	<u>\$ 118,213</u>	<u>\$ 127,128</u>

Unearned income on loans at December 31, 2012 is the result of deferred loan fees of \$487,046 and deferred loan costs of \$170,227.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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

	<u>Individually Evaluated for Impairment</u>	<u>Collectively Evaluated for Impairment</u>	<u>Total</u>
December 31, 2011			
Residential loans	\$ 1,449	\$ 45,446	\$ 46,895
Commercial real estate loans			
Non owner-occupied & multi-family	2,302	21,289	23,591
Owner-occupied & farmland	1,850	10,507	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	1,196	7,949	9,145
Unearned income on loans	-	(315)	(315)
Total	<u>\$ 8,235</u>	<u>\$ 108,639</u>	<u>\$ 116,874</u>

The segments of the Bank'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 municipal loan portfolio; (iv) the consumer loan portfolio; and, (v) the residential loan portfolio.

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

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

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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

Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

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

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

The 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, 2012 and 2011.

	<u>Impaired Loans with Specific Allowance</u>		<u>Impaired Loans with No Specific Allowance</u>	<u>Total Impaired Loans</u>		<u>Interest Income Recognized While Impaired</u>
	<u>Recorded Investment</u>	<u>Related Allowance</u>	<u>Recorded Investment</u>	<u>Average Recorded Investment</u>	<u>Unpaid Principal Balance</u>	
December 31, 2012						
Residential Loans	\$ -	\$ -	\$ 355,543	\$ 355,543	\$ 355,543	\$ 17,381
Home Equity Loans	-	-	23,416	23,416	23,416	373
Commercial/Farm Loans	-	-	11,209	11,209	11,209	1,688
Total impaired loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,168</u>	<u>\$ 390,168</u>	<u>\$ 390,168</u>	<u>\$ 19,442</u>

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans		Interest Income Recognized While Impaired
	Recorded Investment	Related Allowance	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	
December 31, 2011						
Residential Loans	\$ -	\$ -	\$ 72,668	\$ 72,668	\$ 72,668	\$ 5,912
Commercial Real Estate	406,408	100,000	-	409,066	406,408	13,116
Consumer Loans	-	-	5,856	5,856	5,856	1,066
Commercial/Farm Loans	-	-	1,667	1,667	1,667	490
Total impaired loans	\$ 406,408	\$ 100,000	\$ 80,191	\$ 489,257	\$ 486,599	\$ 20,583

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

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

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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

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, 2012 and 2011 (in thousands):

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
December 31, 2012					
Commercial real estate loans					
Non owner-occupied & multi-family	\$ 21,952	\$ 2,970	\$ 918	\$ -	\$ 25,840
Owner-occupied & farmland	18,018	804	933	-	19,755
Construction loans					
Residential construction loans	569	-	-	-	569
Commercial construction & raw land loans	7,494	236	14	-	7,744
Commercial/farm loans	7,654	12	-	44	7,710
Municipal/other loans	9,002	1,134	-	-	10,136
	<u>\$ 64,689</u>	<u>\$ 5,156</u>	<u>\$ 1,865</u>	<u>\$ 44</u>	<u>\$ 71,754</u>
Less: Unearned revenue	(219)	-	-	-	(219)
Total	<u>\$ 64,470</u>	<u>\$ 5,156</u>	<u>\$ 1,865</u>	<u>\$ 44</u>	<u>\$ 71,535</u>
	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
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
	<u>\$ 58,502</u>	<u>\$ 3,481</u>	<u>\$ 2,947</u>	<u>\$ 460</u>	<u>\$ 65,390</u>
Less: Unearned revenue	(222)	-	-	-	(222)
Total	<u>\$ 58,280</u>	<u>\$ 3,481</u>	<u>\$ 2,947</u>	<u>\$ 460</u>	<u>\$ 65,168</u>

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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

The following table presents (in thousands) the classes of the loan portfolio for which loan performance is the primary credit quality indicator as of December 31, 2012 and 2011:

	<u>Residential Loans</u>	<u>Home Equity Loans</u>	<u>Consumer Loans</u>	<u>Total</u>
December 31, 2012				
Performing loans	\$ 51,261	\$ 2,220	\$ 1,832	\$ 55,313
Non-performing loans	355	23	-	378
	<u>\$ 51,616</u>	<u>\$ 2,243</u>	<u>\$ 1,832</u>	<u>\$ 55,691</u>
Less: Unearned revenue	-	-	(98)	(98)
Total	<u>\$ 51,616</u>	<u>\$ 2,243</u>	<u>\$ 1,734</u>	<u>\$ 55,593</u>
	<u>Residential Loans</u>	<u>Home Equity Loans</u>	<u>Consumer Loans</u>	<u>Total</u>
December 31, 2011				
Performing loans	\$ 46,822	\$ 2,582	\$ 2,313	\$ 51,717
Non-performing loans	73	9	-	82
	<u>\$ 46,895</u>	<u>\$ 2,591</u>	<u>\$ 2,313</u>	<u>\$ 51,799</u>
Less: Unearned revenue	-	-	(93)	(93)
Total	<u>\$ 46,895</u>	<u>\$ 2,591</u>	<u>\$ 2,220</u>	<u>\$ 51,706</u>

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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

An allowance for loan and lease losses ("ALLL") is maintained to absorb losses from the loan portfolio. The ALLL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans. Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2012 and 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
December 31, 2012							
Residential loans	\$ 50,414	\$ 826	\$ 21	\$ -	\$ 847	\$ 355	\$ 51,616
Commercial real estate loans							
Non owner-occupied/multi-family	25,840	-	-	-	-	-	25,840
Owner-occupied & farmland	19,755	-	-	-	-	-	19,755
Construction loans							
Residential construction loans	569	-	-	-	-	-	569
Commercial construction & raw land loans	7,744	-	-	-	-	-	7,744
Home equity loans	2,211	9	-	-	9	23	2,243
Consumer loans	1,827	5	-	-	5	-	1,832
Commercial/farm loans	7,681	-	-	18	18	11	7,710
Municipal/other loans	10,136	-	-	-	-	-	10,136
Unearned income on loans	(317)	-	-	-	-	-	(317)
Total	\$ 125,860	\$ 840	\$ 21	\$ 18	\$ 879	\$ 389	\$ 127,128
 December 31, 2011							
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.

(Continued)

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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

“Pass” rated credits are segregated from “Criticized” credits for the application of qualitative factors. Management has identified a number of qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The qualitative factors are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources. The Bank’s qualitative factors consist of: national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; levels of and trends in the Bank’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.

The following tables summarize the primary segments of the ALLL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of December 31, 2012 and 2011. Activity in the allowance is presented for the each of the twelve months ended December 31, 2012 and 2011 (in thousands):

	<u>Commercial</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential</u>	<u>Municipal</u>	<u>Unallocated</u>	<u>Total</u>
ALLL Balance at							
December 31, 2011	\$ 262	\$ 665	\$ 56	\$ 158	\$ 304	\$ 12	\$ 1,457
Charge-offs	(14)	(267)	(39)	(41)	-	-	(361)
Recoveries	-	-	16	-	-	-	16
Provision	36	353	10	243	40	(12)	670
ALLL Balance at							
December 31, 2012	<u>\$ 284</u>	<u>\$ 751</u>	<u>\$ 43</u>	<u>\$ 360</u>	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 1,782</u>
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	\$ 284	\$ 751	\$ 43	\$ 360	\$ 344	\$ -	\$ 1,782

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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

	Commercial	Commercial Real Estate	Consumer	Residential	Municipal	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 years ended December 31, 2012 and 2011 (in thousands):

	2012	2011
Balance, beginning	\$ 1,457	\$ 1,294
Charge-offs	(361)	(172)
Recoveries	16	10
Provision	670	325
Balance, ending	\$ 1,782	\$ 1,457

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, 2012 loans with a carrying amount of \$48.4 million were pledged to secure short-term and long-term borrowings with the Federal Home Loan Bank.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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

Loans held for sale consists of the Bank's commitment to purchase up to \$15,000,000 in residential mortgage loan fundings originated primarily in Virginia and North Carolina by another financial institution. The Bank reviews loan documentation for each specific mortgage prior to funding to ensure it conforms to the terms of the agreement. The mortgages funded through this program must have already obtained a purchase commitment (takeout) from another financial institution as part of the conditions of the Bank's funding. The Bank 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 \$10,792,727 and \$9,609,881 at December 31, 2012 and 2011, respectively.

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

The Bank had a loan with a balance of approximately \$897,000 and \$953,000 at December 31, 2012 and 2011 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, 2012 and 2011.

Note 5. Bank Premises and Equipment

Bank premises and equipment are summarized as follows:

	2012	2011
Buildings and land	\$ 2,157,796	\$ 2,247,037
Furniture, fixtures and equipment	1,846,545	1,674,024
Software	220,015	270,491
Total Cost	4,224,356	4,191,552
Less: Accumulated depreciation	2,236,403	2,175,514
Total, net of depreciation	\$ 1,987,953	\$ 2,016,038

Depreciation expense for 2012 and 2011 was \$222,101 and \$223,000, respectively.

Note 6. Time Deposits

The aggregate amounts of certificates of deposit, with a minimum denomination of \$100,000 were \$52,269,000 and \$41,248,000 at December 31, 2012 and 2011, respectively.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 6. Time Deposits (Continued)

Time deposits include brokered deposits purchased through the Certificate of Deposit Account Registry Service (CDARS). The balance of these time deposits was approximately \$26,580,000 and \$9,591,000 at December 31, 2012 and 2011, respectively. As long as the Bank maintains its current rating through CDARS rating service, it may purchase deposits up to 15% of its assets as of the most recent quarter end. At December 31, 2012, the Bank could have purchased up to approximately \$31,000,000 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, 2012, the scheduled maturities of time deposits are as follows:

	<u>Maturities</u>
2013	\$ 49,985,273
2014	14,508,835
2015	12,101,367
2016	13,748,972
2017	6,002,488
2018 and beyond	1,781,484
Total	<u>\$ 98,128,419</u>

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, 2012, the Bank had borrowings from FHLB that totaled \$20,778,429. The interest rate on the borrowings range from .32% to 3.94% depending on structure and maturity. The borrowings at year-end also required the Bank to own \$1,233,500 of FHLB's stock. This amount is included with restricted investments on the consolidated balance sheets.

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

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 7. Borrowings (Continued)

The principal on FHLB borrowings matures as follows:

	<u>Maturities</u>
2013	\$ 8,021,428
2014	128,571
2015	171,430
2016	-
2017	-
2018 and beyond	12,457,000
Total principal	<u>20,778,429</u>
Capitalized refinancing fees	<u>(444,306)</u>
Borrowings, net	<u>\$ 20,334,123</u>

At December 31, 2011, the Bank had fixed rate advances from the Federal Home Loan Bank of Atlanta (FHLB) totaling \$17,592,857.

In addition the Bank has established lines of credit for federal funds purchases of \$5,000,000 with its correspondent bank of which \$752,000 was borrowed as of December 31, 2011.

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 was 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, 2012, the dividend rate was 1.72%. 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 942,221 and 941,913 shares were issued and outstanding at December 31, 2012 and 2011, respectively.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 10. Other Real Estate Owned (Foreclosed Assets)

The Bank had the following amounts in Other Real Estate Owned at December 31, 2012 and 2011:

Real Estate Held	Estimated Realizable Value	
	2012	2011
Land	\$ 140,000	\$ 80,000
1-4 family	300,000	416,623
Total	<u>\$ 440,000</u>	<u>\$ 496,623</u>

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 2012 and 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.

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 Bank 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.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS December 31, 2012

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.

The following table represents the estimates of fair value of financial instruments as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and short-term investments	\$ 3,672,032	\$ 3,672,032	\$ 3,344,344	\$ 3,344,344
Federal funds sold	3,648,000	3,648,000	-	-
Investment Securities	56,372,941	57,124,197	63,096,827	63,311,205
Loans held for sale	10,792,727	10,792,727	9,609,881	9,609,881
Net loans held for investment	125,345,870	132,812,000	115,416,996	123,133,171
Accrued interest receivable	697,128	697,128	611,229	611,229
Bank-owned life insurance	2,215,300	2,215,300	2,143,800	2,143,800
Financial Liabilities				
Deposits	168,737,648	170,474,000	163,439,704	165,839,000
Other borrowed funds	20,334,123	20,999,000	17,592,857	18,465,000
Federal funds purchased	-	-	752,000	752,000
Accrued interest payable	184,428	184,428	150,130	150,130

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.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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

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.

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.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 13. Fair Value Measurements (Continued)

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

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

Fair values of assets and liabilities measured on a recurring basis at December 31, 2012 and 2011 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2012				
Available for-sale securities	\$ 41,956,697	\$ -	\$ 41,956,697	\$ -
Bank-owned life insurance	2,215,300	-	2,215,300	-
Total	\$ 44,171,997	\$ -	\$ 44,171,997	\$ -
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	\$ -

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 13. Fair Value Measurements (Continued)

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

December 31, 2012:

Total gains included in earnings for the year	\$ <u>30,437</u>
Change in unrealized gains or losses relating to assets still held at year end	\$ <u>25,941</u>

December 31, 2011:

Total gains included in earnings for the year	\$ <u>66,445</u>
Change in unrealized gains or losses relating to assets still held at year end	\$ <u>(932)</u>

Fair values of assets measured on a non-recurring basis at December 31, 2012 and 2011 are as follows:

<u>Fair Value Measurements at Reporting Date Using</u>				
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
December 31, 2012				
Other real estate owned	\$ 440,000	\$ -	\$ -	\$ 440,000
Impaired loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>440,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>440,000</u>
December 31, 2011				
Other real estate owned	\$ 496,623	\$ -	\$ -	\$ 496,623
Impaired loans	<u>306,408</u>	<u>-</u>	<u>-</u>	<u>306,408</u>
Total	\$ <u>803,031</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>803,031</u>

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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:

	2012	2011
Income taxes computed at the applicable federal income tax rate	\$ 706,919	\$ 511,610
Tax exempt municipal income	(142,309)	(126,933)
Income from life insurance	(24,310)	(24,922)
Other, net	22,512	(13,519)
Income Tax Expense	<u>\$ 562,812</u>	<u>\$ 346,236</u>

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

	2012	2011
Current tax expense	\$ 623,173	\$ 391,322
Deferred tax expense	(60,361)	(45,086)
Income Tax Expense	<u>\$ 562,812</u>	<u>\$ 346,236</u>

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:

	2012	2011
Deferred tax assets	\$ 865,522	\$ 763,964
Deferred tax liabilities	(419,299)	(358,397)
Net Deferred Tax Asset	<u>\$ 446,223</u>	<u>\$ 405,567</u>

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 2009 to 2012 are 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, 2012 and 2011, total expenses attributable to this plan were \$97,321 and \$81,487, respectively.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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 \$14,461,000 and \$7,516,000 as of December 31, 2012 and 2011, 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 \$275,000 for its interest in a Small Business Investment Company (SBIC). The Bank funded \$725,000 of its \$1,000,000 investment prior to December 31, 2012, and anticipates capital calls for the remaining amount to occur during the next one to two years. Additionally and subsequent to year-end, the Bank entered into a commitment for an additional \$1,000,000 investment in another SBIC fund. This amount is expected to fund over the next three to four years. Management does not anticipate any loss resulting from these commitments.

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 began operations in May 2012. The lease term commenced May 1, 2012 and continues for seven years with two optional five year extensions. Base annual rent, including utilities, is \$81,400, or \$6,783 per month, increasing at 2% annually. This lease replaced a lease at the original branch location that terminated December 31, 2012 and had a base annual rent of \$24,000, or \$2,000 per month.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 18. Lease Commitments (Continued)

At December 31, 2012, the aggregate future minimum rental commitments (base rents) under this noncancellable operating lease are as follows:

For the year ending December 31,	Annual Payments
2013	\$ 117,700
2014	117,700
2015	117,700
2016	117,700
2017	117,700
Thereafter	114,583
Total	<u>\$ 703,083</u>

Rent expense for 2012 and 2011 was \$138,510 and \$50,334, 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.

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:

	2012	2011
Total loans, beginning of year	\$ 1,625,000	\$ 605,000
Advances	1,557,000	1,237,000
Curtailments	(1,492,000)	(217,000)
Total loans, end of year	<u>\$ 1,690,000</u>	<u>\$ 1,625,000</u>

The Bank held related party deposits of approximately \$3,277,000 and \$1,511,000 at December 31, 2012 and 2011, respectively.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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, 2013, Blue Ridge Bank could pay dividends to Blue Ridge Bankshares, Inc. of approximately \$3,181,000 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, 2012, that the Bank meets all capital adequacy requirements to which it is subject.

The Bank is considered well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, 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.

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 21. Regulatory Matters (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2012						
Total risk based capital						
(To risk rated assets)						
Blue Ridge Bankshares	\$ 20,074	16.64%	\$ 9,649	8%	N/A	N/A
Blue Ridge Bank	\$ 18,224	15.24%	\$ 9,567	8%	\$ 11,959	10%
Tier I capital						
(To risk rated assets)						
Blue Ridge Bankshares	\$ 18,292	15.17%	\$ 4,825	4%	N/A	N/A
Blue Ridge Bank	\$ 16,726	13.99%	\$ 4,784	4%	\$ 7,175	6%
Tier I capital						
(To average assets)						
Blue Ridge Bankshares	\$ 18,292	8.97%	\$ 8,161	4%	N/A	N/A
Blue Ridge Bank	\$ 16,726	8.06%	\$ 8,305	4%	\$ 10,381	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, 2011						
Total risk based capital						
(To risk rated assets)						
Blue Ridge Bankshares	\$ 18,140	16.15%	\$ 8,984	8%	N/A	N/A
Page Valley 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
Page Valley 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
Page Valley Bank	\$ 15,840	9.18%	\$ 6,902	4%	\$ 8,628	5%

BLUE RIDGE BANKSHARES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

Note 22. New Accounting Standards

The following is a discussion of accounting pronouncements that have and/or may impact the presentation of the Company's financial statements:

ASU No. 2011-02: *Receivables (Topic J I 0): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt*. The Update clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. The amendments to the Codification in the Update are effective for annual periods ending on or after December 15, 2012. Adoption of this Update did not have a material effect on the Company's consolidated financial statements.

ASU No. 2011-05: *Presentation of Comprehensive Income*. The provisions of ASU No. 2011-05 allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The statement(s) are required to be presented with equal prominence as the other primary financial statements. ASU No. 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity but does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The provisions of ASU No. 2011-05 were effective for fiscal years beginning on or after December 15, 2012, with retrospective application required.

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

William W. Stokes
Chief Financial Officer
Bio-Cat, Inc.

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



Blue Ridge Bank

Officers and Employees

CORPORATE

Bookkeeping/Data Processing
Cynthia D. Fravel, Vice President
Kimberly D. Dinges
Pamela G. Miller
Patricia B. Painter
Alice B. Beahm

Compliance
Donna S. Dofflemyer
Ashley N. Marshall

Credit Administration
Julie A. Catron, Assistant Vice President
Crystal D. Alger
Melissa A. Deeds

Retail Investments
Adam J. Powell, Investment Advisor

Management and Administration
Monte L. Layman, President/CEO
Benjamin T. Horne, IV, Executive Vice President/CLO
Brian K. Plum, Executive Vice President/CFO
Ann M. Mann, Vice President/Retail Operations Officer
Sharon S. Lamb, Assistant Cashier
Sharon D. Nauman

LURAY

Juanita A. Woodward, Office Manager
Dianna C. Keeney, Assistant Vice President
Jonathan B. Comer, Commercial Lender
Kimberly F. Good, Loan Officer
Mark P. Milam, Mortgage Loan Officer
Cheryl E. Petefish, Loan Officer
Brandy L. Rothgeb
Jill M. Taylor
Lisa M. Turner
Betty J. White

SHENANDOAH

Timothy W. Bailey, Assistant Vice President
Rebecca K. Dovel
Haley M. Jenkins

MCGAHEYSVILLE

Crystal L. Breeden Burkner
Darlene M. Turner
Brittney D. Hinegardner

CHARLOTTESVILLE

Kelly A. Potter, Vice President – Commercial Lending
Laura S. Breeden, Branch Manager
Lisa S. Engstler
Georgette T. Grant