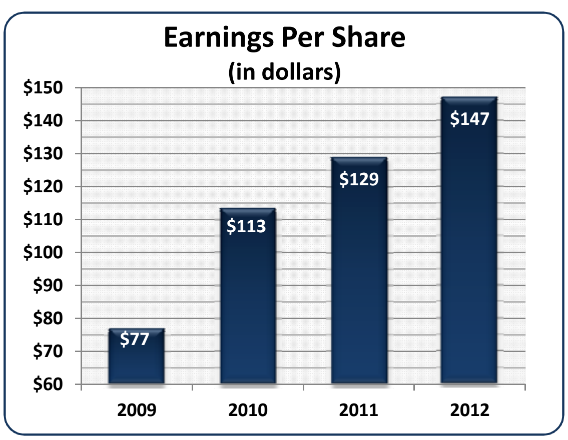
Chain Bridge
BANCORP, INC.

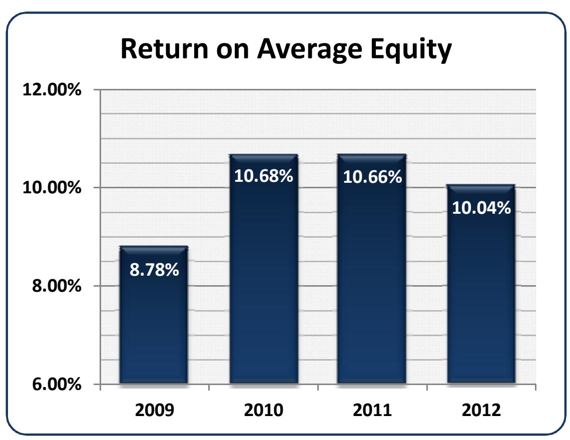
2012 Annual Report

Chain Bridge Bancorp, Inc.
and
Chain Bridge Bank, National Association
Consolidated Financial Highlights
McLean, VA

For the Periods Ending December 31, 2012 and 2011

	2012	2011
Performance Measures and Yields		
Consolidated net income (in thousands)	$ 2,956	$ 2,403
Return on average assets (ROAA)	0.87 %	1.08 %
Return on average equity (ROAE)	10.04 %	10.66 %
Net interest margin	3.26 %	4.09 %
Asset Quality (%)		
Non-performing assets / assets	0.00 %	0.08 %
Loan loss reserves / gross loans	1.70 %	1.78 %
Reserves / non-performing assets	N.M.	642.22 %
Net charge-offs / average loans	0.23 %	0.08 %
Capitalization		
Total equity capital (in thousands)	$ 30,874	$ 26,809
Percent change in total equity capital	15.20 %	33.70 %
Tangible equity (in thousands)	$ 30,874	$ 26,809
Tier 1 capital (in thousands)	$ 26,761	$ 23,721
Equity as a percentage of total assets (%)	10.56 %	9.18 %
Total risk-based capital ratio (%)	16.81 %	15.86 %
Tier 1 risk-based ratio (%)	15.66 %	14.89 %
Chain Bridge Bancorp, Inc. Share Information		
Number of shares outstanding	20,158	20,086
Book value per share (dollars)	$ 1,532	$ 1,335
Percent change in book value per share	14.75 %	23.68 %
Net income per share (dollars)	$ 146.92	$ 128.82
Percent change in net income per share	14.05 %	13.60 %





Chain Bridge
BANCORP, INC.

March 1, 2013

Dear Fellow Shareholder:

Chain Bridge Bancorp, Inc. earned $2.956 million in 2012, up $553 thousand or 23%, from $2.403 million in 2011. Earnings per share were $147 in 2012, up from $129 in 2011. Return on average equity was 10.04% compared to 10.66% in 2011.

Loan demand was strong during the year. Loans grew 34%, from $86.6 million at year end 2011, to $116.3 million at year end 2012. Closed-end residential real estate loans grew $22.9 million while commercial real estate loans rose $4.1 million. The Bank's securities portfolio decreased slightly, by $2.8 million, to $158.5 million at year-end.

Average assets of the Company grew $118 million, or 53%, to $341 million in 2012 compared to $223 million in 2011. The bulk of the growth in average assets was due to a temporary, seasonal rise in client deposit balances. Prior to year-end, clients drew down the bulk of these seasonal deposit balances, so year-over-year assets increased only slightly, to $292 million at year end 2012.

Asset Quality and Capital

The Bank's asset quality remained exceptional. No loans were past-due at December 31, 2012 and the Bank reported no repossessed assets or non-performing loans. The Bank charged-off one commercial loan in 2012.

At year-end 2012, the Company's tier 1 risk-based capital ratio stood at 17.08% and its equity-to-assets ratio stood at 10.56. In July, 2012, *MSN Money* ranked Chain Bridge Bank as one of the 359 safest banks in the country (out of more than 7,300). In December 2012, the Bank again earned the highest 5-Star rating from BauerFinancial, Inc., the nation's leading independent bank rating firm.

Net Interest Income, Yields and Non-Interest Income

Net interest income increased by $2.0 million as average earning assets grew $116 million to $330 million. Liquidity was maintained to fund draw-downs of balances in seasonal deposit accounts, so excess funds were invested in low yielding, liquid investments and cash.

Investments in shorter term assets resulted in a decline in the yield on earning assets of 97 basis points to 3.49 percent. Deposit growth was primarily in non-interest bearing accounts, so the Bank's overall cost of funds declined to 0.24 percent. The net interest margin declined 78 basis points to 3.26 percent.

Non-interest income, excluding securities gains and losses, increased $258 thousand during the year to $668 thousand. Service charge income grew $170 thousand as transaction activity in seasonal accounts was strong.

New Residential Mortgage Division

During the year, the Bank invested considerable resources in establishing a full service residential mortgage division. In addition to purchasing an office condominium to house the division, the Bank hired six specialists who collectively have over 100 years experience in residential mortgage lending. The division has state-of-the art systems, two loan originators, an underwriter, a processor, a closer and an administrative assistant, all under one roof.

Due to legal, regulatory, and start-up costs, the division incurred a loss of $158 thousand and was a drag on net income in 2012. Management expects that if interest rates remain low and the demand for mortgages remains high that the division will add to net income in 2013.

Outlook for the Year Ahead

The Federal Reserve Board's policy of zero short term interest rates is causing the "spread" income of all banks, large and small, to compress. Management is responding to the compression by keeping operating expenses low and by seeking to increase the Bank's sources of non-interest income. Given the fast uptake of remote banking in recent years, management is more likely to seek growth via online, mobile and other remote channels rather through a costly branch strategy. Management expects to make a significant investment in mobile banking and mobile deposit technology in 2013.

Stockholder's Equity and Book Value Per Share

Over the past two years, stockholder's equity has increased by over $10 million, from $20.1 million in 2010 to $26.8 million in 2011 to $30.9 million at year end 2012. About $2.1 million of the increase was due to the small stock offering the Company held in 2011. The remaining nearly $8 million increase was due to retained earnings and to increases in the value of the Bank's bond portfolio. On a per share basis, book value increased from $1,079 in 2010 to $1,335 in 2011 to $1,532 at year end 2012 which equates to a two year compound annual growth rate of 19.16%.

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We again thank the officers and employees, as well as the shareholders, board members and advisory board members for their efforts. We also thank our clients for preferring Chain Bridge Bank. Few Banks anywhere are blessed to have such a loyal clientele, staff and network.

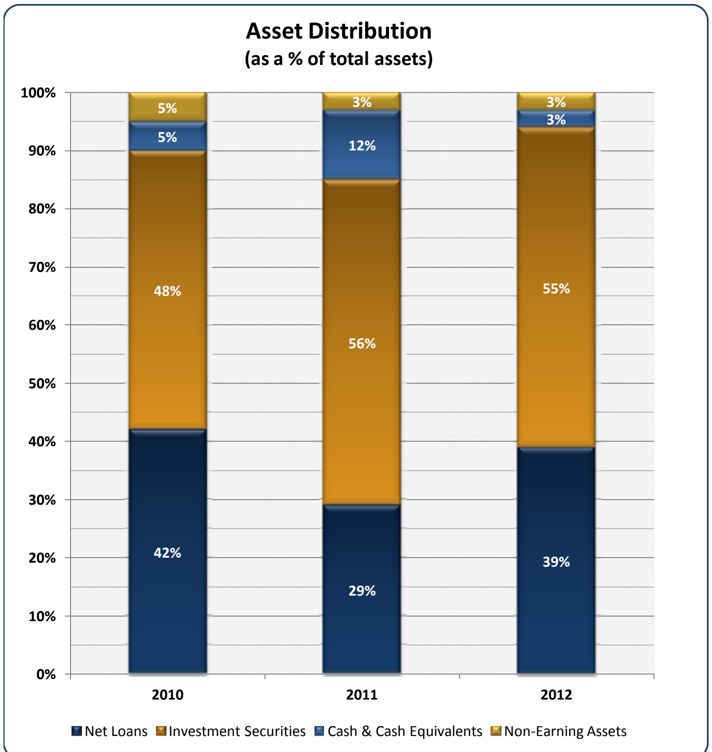
Sincerely,

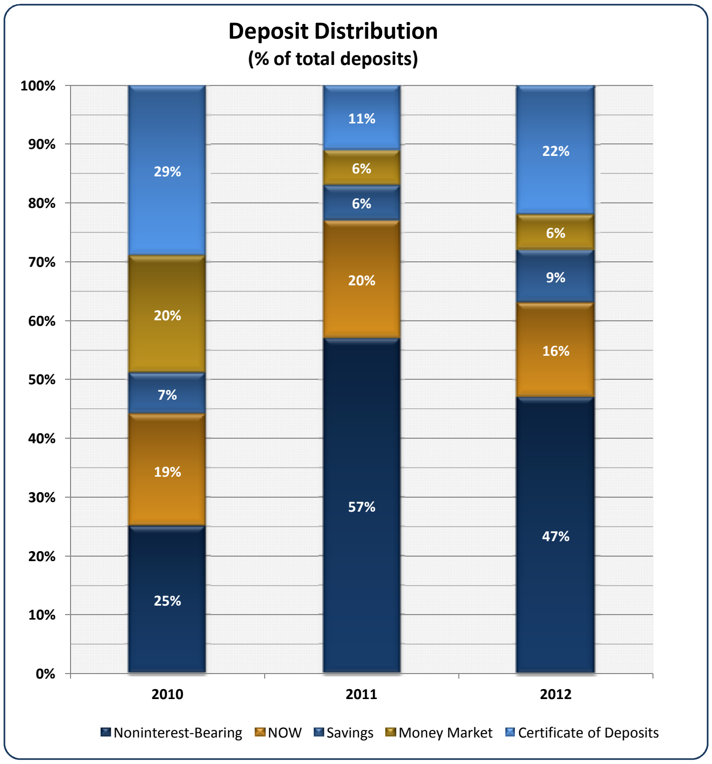
Peter G. Fitzgerald
Chairman of the Board

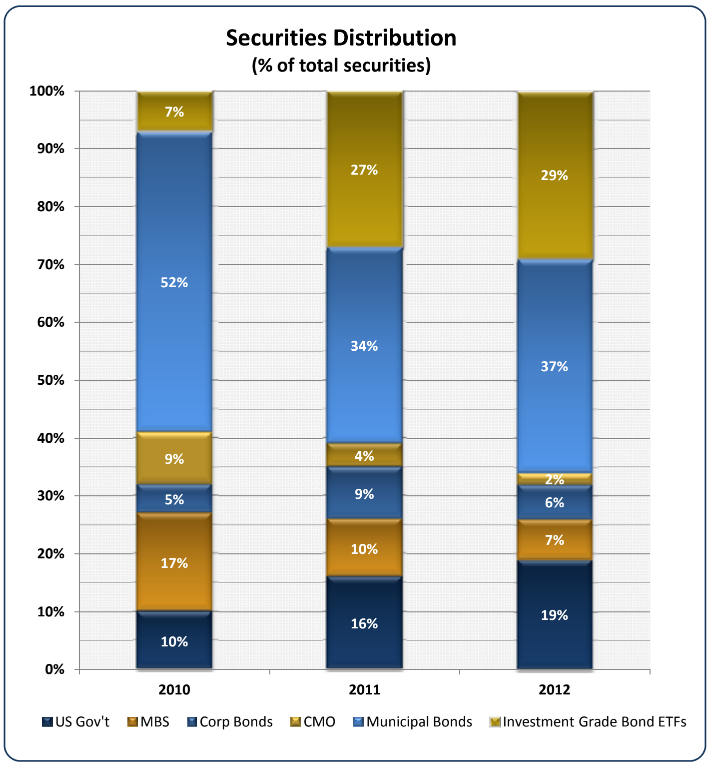
John J. Brough
Chief Executive Officer

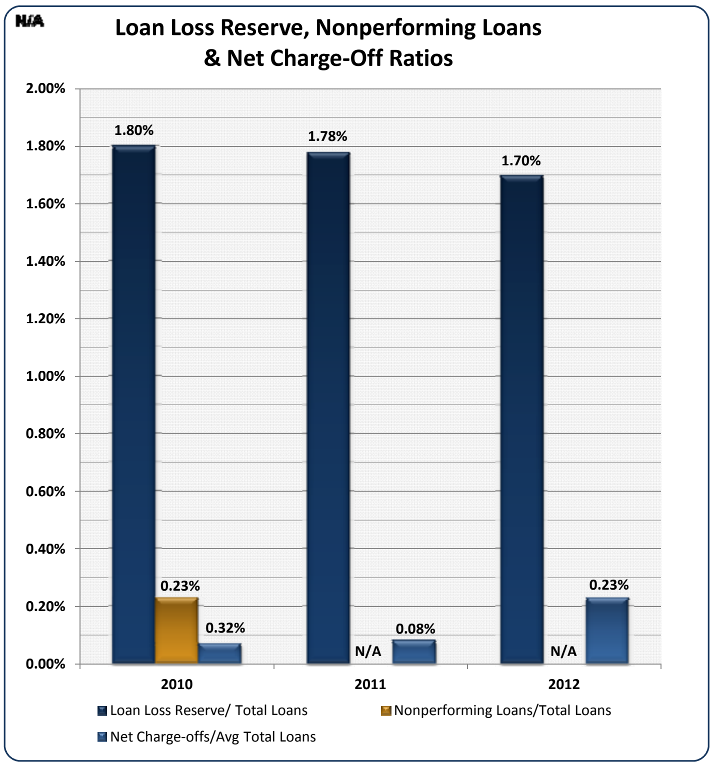
PGF/JJB/hn
Enclosures

Balance Sheet Information

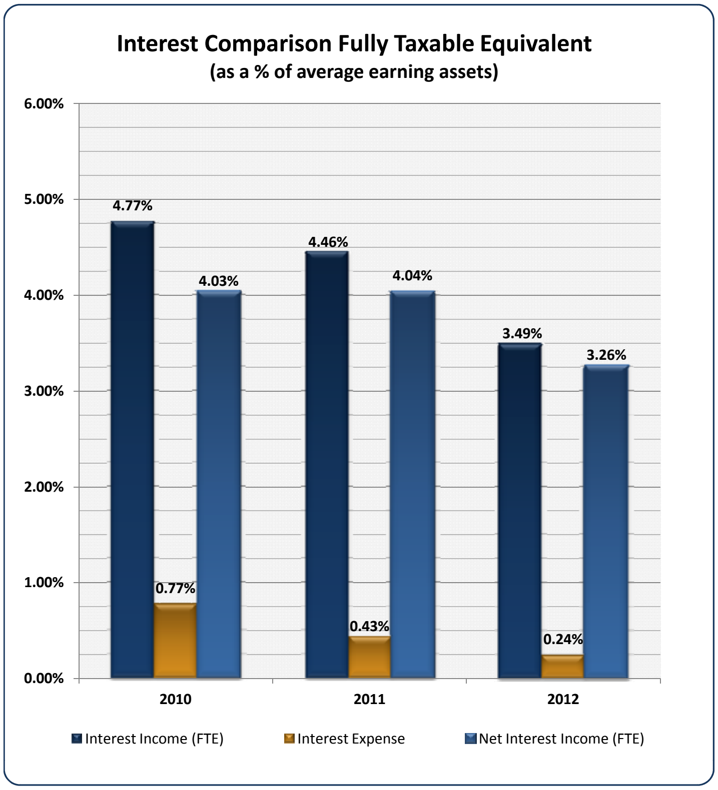


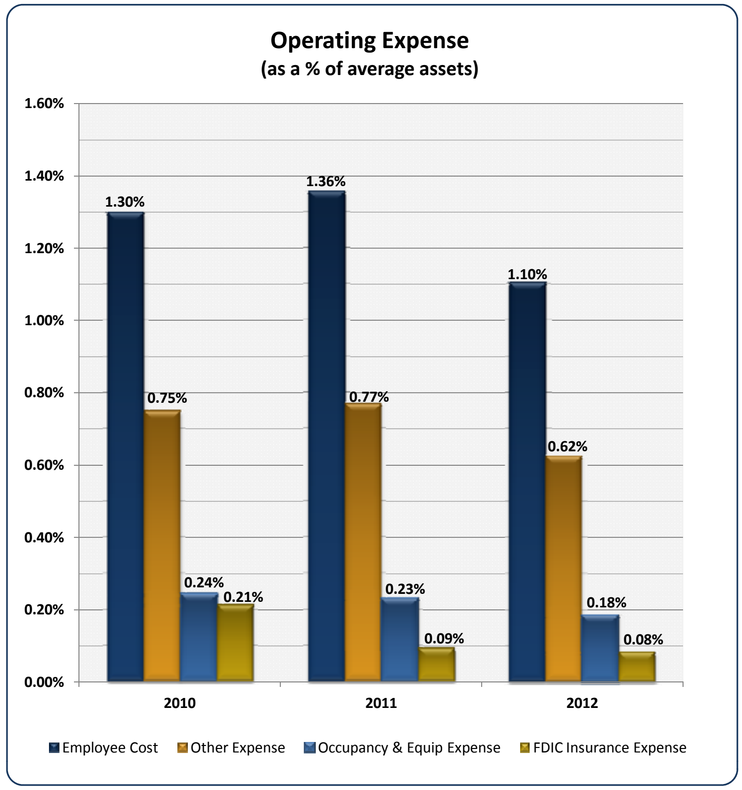


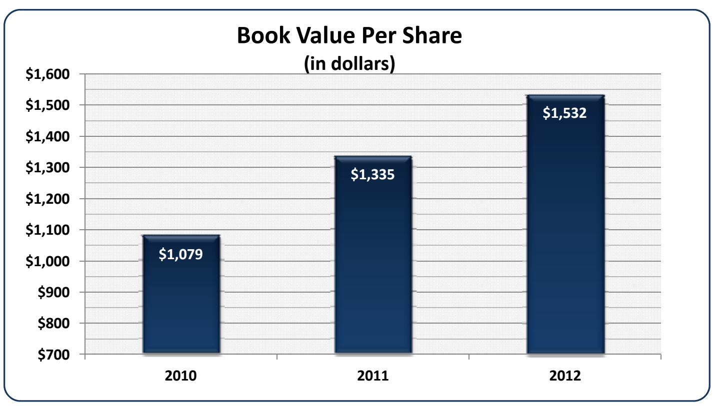


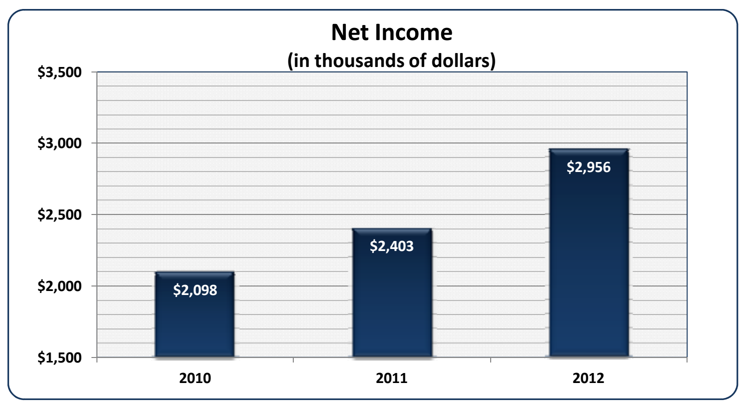


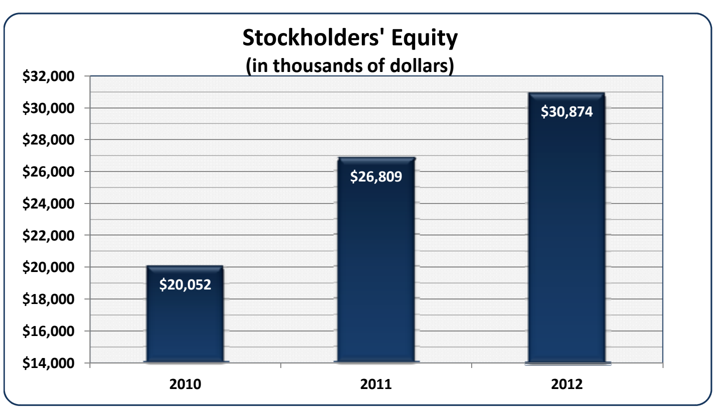
Income Statement and Equity Information

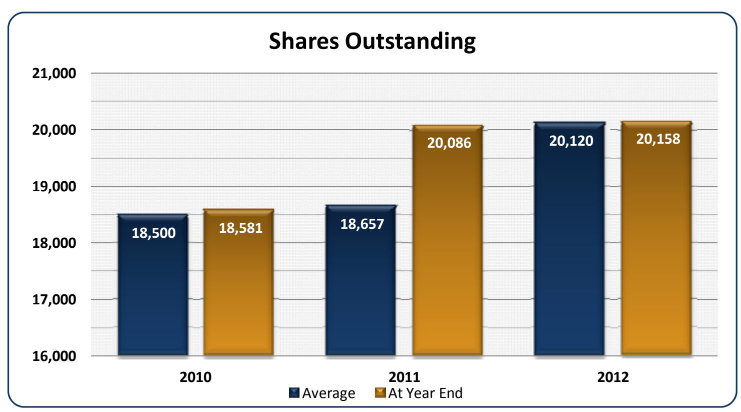












Chain Bridge Bancorp, Inc.
and Subsidiary

McLean, Virginia

Consolidated Financial Report

December 31, 2012

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Yount
Hyde &
Barbour
Certified Public Accountants
and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Chain Bridge Bancorp, Inc.
McLean, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Chain Bridge Bancorp, Inc. and Subsidiary which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 consolidated 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chain Bridge Bancorp, Inc. and Subsidiary 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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
March 5, 2013

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Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets

	December 31, 2012	December 31, 2011
Assets		
Cash and due from banks	$ 8,191,682	$ 35,973,941
Federal funds sold	8,000	8,000
Securities available for sale, at fair market value	158,527,679	161,361,863
Restricted securities, at cost	1,770,400	1,229,000
Loans held for sale	1,025,546	- -
Loans, net of allowance for loan losses of $1,959,628 in 2012 and $1,541,323 in 2011	113,306,641	85,049,849
Premises and equipment, net of accumulated depreciation of $1,805,975 in 2012 and $1,435,150 in 2011	8,132,604	6,657,501
Accrued interest receivable	1,270,637	1,276,618
Other assets	260,153	541,792
Total assets	$ 292,493,342	$ 292,098,566
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest bearing	$ 119,138,871	$ 149,435,759
Savings, interest-bearing checking and money market accounts	80,241,382	83,482,888
Time, $100,000 and over	48,060,466	22,102,747
Other time	6,951,375	7,997,455
Total deposits	254,392,095	263,018,849
Securities sold under agreements to repurchase	797,848	151,261
Short term borrowings	2,500,000	- -
Accrued interest payable	148,087	196,558
Accrued expenses and other liabilities	3,781,118	1,923,294
Total liabilities	$ 261,619,148	$ 265,289,963
Stockholders' Equity		
Preferred stock $1 par value, authorized 10,000 shares, no shares issued and outstanding	$ - -	$ - -
Common stock $1 par value, authorized 50,000 shares, 20,158 and 20,086 shares issued and outstanding	20,158	20,086
Additional paid-in capital	20,899,422	20,815,002
Retained earnings	5,841,852	2,885,905
Accumulated other comprehensive income	4,112,762	3,087,610
Total stockholders' equity	$ 30,874,194	$ 26,808,603
Total liabilities and stockholders' equity	$ 292,493,342	$ 292,098,566

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Income
For the Years Ended December 31, 2012 and 2011

	2012	2011
Interest and Dividend Income		
Interest and fees on loans	$ 4,984,740	$ 4,531,422
Interest on securities, taxable	4,494,534	3,314,693
Interest on securities, tax-exempt	1,223,633	1,033,921
Dividends	50,802	37,982
Interest on interest bearing deposits in banks	102,787	43,383
Interest on federal funds sold and resell agreements	14	41
Total interest and dividend income	$ 10,856,510	$ 8,961,442
Interest Expense		
Interest on deposits	$ 709,938	$ 857,318
Interest on repurchase agreements	692	1,154
Interest on FHLB advance	7,228	3,904
Interest on short term borrowings	31,857	- -
Total interest expense	$ 749,715	$ 862,376
Net Interest Income	$ 10,106,795	$ 8,099,066
Provision for Loan Losses	643,240	159,984
Net interest income after provision for loan losses	$ 9,463,555	$ 7,939,082
Noninterest Income		
Service charges on deposit accounts	$ 236,810	$ 103,322
Other income	181,099	126,108
Brokered fees on mortgage banking activities	53,010	- -
Gain on sale of mortgage loans	4,144	- -
Gain on sale of securities	118,944	224,799
Other than temporary impairment loss on securities	- -	(279,300)
Mutual funds distributions	416,412	235,901
Rent income	193,147	180,822
Total noninterest income	$ 1,203,566	$ 591,652
Noninterest Expenses		
Salaries and employee benefits	$ 3,767,838	$ 3,028,391
Occupancy and equipment expenses	627,336	510,313
Professional services	573,567	433,890
Communication and data processing expenses	623,744	535,241
Virginia bank franchise tax	240,000	192,000
FDIC assessments	281,636	202,515
Other operating expenses	694,376	555,892
Total noninterest expenses	$ 6,808,497	$ 5,458,242
Net income before taxes	$ 3,858,624	$ 3,072,492
Income tax expense	902,677	669,135
Net income	$ 2,955,947	$ 2,403,357
Earnings per common share, basic	$ 146.92	$ 128.82
Earnings per common share, diluted	$ 146.31	$ 127.90

See Notes to Consolidated Financial Statements.

CHAIN BRIDGE BANCORP, INC

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2012 and 2011

	2012	2011
Net income	$ 2,955,947	$ 2,403,357
Other comprehensive income:		
Unrealized holding gains on securities available for sale (net of tax of $568,551 and $1,112,193)	1,103,655	2,158,969
Reclassification adjustment (net of income taxes of ($40,441) and $18,531)	(78,503)	35,970
Other comprehensive income, net of tax	$ 1,025,152	$ 2,194,939
Comprehensive income	$ 3,981,099	$ 4,598,296

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Net income	$ 2,955,947	$ 2,403,357
Reconciliation of net income to net cash provided by operating activities:		
Premium amortization on investment securities	383,660	166,607
Depreciation and amortization	370,825	333,537
Provision for loan losses	643,240	159,984
(Gain) on securities	(118,944)	(224,799)
Loss on other than temporary impairment on securities	- -	279,300
(Gain) on sale of mortgage loans	(4,144)	- -
(Origination) of loans held for sale	(1,481,500)	- -
Proceeds from sale of loans	460,098	- -
Equity based compensation	72,492	80,832
Deferred tax (benefit) expense	(78,411)	3,117
Changes in assets and liabilities:		
(Increase) in accrued interest and other assets	(240,488)	(71,158)
Increase in accrued expenses and other liabilities	1,887,764	216,190
Net cash provided by operating activities	$ 4,850,539	$ 3,346,967
Cash Flows from Investing Activities		
Purchases of securities available for sale	$ (97,341,917)	$ (95,168,327)
Proceeds from calls and sales of securities available for sale	101,464,647	26,448,644
(Purchase) redemption of restricted securities	(541,400)	257,400
Decrease in interest-bearing FDIC insured deposits in banks	- -	50,000
Net (increase) in loans	(28,900,032)	(6,333,602)
Purchases of premises and equipment	(1,845,928)	(194,467)
Net cash (used in) investing activities	$ (27,164,630)	$ (74,940,352)
Cash Flows from Financing Activities		
Net (decrease) increase in demand, savings, interest-bearing checking and money market deposits	$ (33,538,394)	$ 121,817,135
Net increase (decrease) in time deposits	24,911,639	(14,377,006)
Net (decrease) in Federal Home Loan Bank advance	- -	(10,210,000)
Net increase in short-term borrowings	2,500,000	- -
Net increase (decrease) in securities sold under agreements to repurchase	646,587	(1,926,375)
Proceeds from stock issuance	12,000	2,077,500
Net cash (used in) provided by financing activities	$ (5,468,168)	$ 97,381,254
Net (decrease) increase in cash and cash equivalents	$ (27,782,259)	$ 25,787,869
Cash and cash equivalents, beginning of period	35,981,941	10,194,072
Cash and cash equivalents, end of period	$ 8,199,682	$ 35,981,941
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 798,186	$ 838,368
Cash payments for taxes	$ 868,395	$ 578,766
Supplemental Disclosures of Noncash Investing Activities		
Fair value adjustment for securities	$ 1,553,262	$ 3,325,663

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2012 and 2011

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2010	$ 18,581	$ 18,658,175	$ 482,548	$ 892,671	$ 20,051,975
Net income	- -	- -	2,403,357	- -	2,403,357
Other comprehensive income	- -	- -	- -	2,194,939	2,194,939
Vesting of restricted stock	120	(120)	- -	- -	- -
Issuance of common stock	1,385	2,076,115	- -	- -	2,077,500
Equity based compensation	- -	80,832	- -	- -	80,832
Balance at December 31, 2011	$ 20,086	$ 20,815,002	$ 2,885,905	$ 3,087,610	$ 26,808,603
Net income	- -	- -	2,955,947	- -	2,955,947
Other comprehensive income	- -	- -	- -	1,025,152	1,025,152
Vesting of restricted stock	64	(64)	- -	- -	- -
Issuance of common stock	8	11,992	- -	- -	12,000
Equity based compensation	- -	72,492	- -	- -	72,492
Balance at December 31, 2012	$ 20,158	$ 20,899,422	$ 5,841,852	$ 4,112,762	$ 30,874,194

See Notes to Consolidated Financial Statements.

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Note 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

Chain Bridge Bancorp, Inc., a Virginia corporation (the Company) is the holding company for Chain Bridge Bank, National Association (the Bank), a national banking association organized under the laws of the United States and headquartered in McLean, Virginia.

The Bank commenced regular operations on August 6, 2007 and is a member of the Federal Deposit Insurance Corporation. It is subject to the regulations of the Federal Deposit Insurance Corporation and the United States Office of the Comptroller of the Currency. Consequently, it undergoes periodic examinations by these regulatory authorities.

The Company provides a variety of financial services to small businesses and individuals through its offices in McLean, Virginia. The Company's primary deposit products are noninterest-bearing checking, interest-bearing checking and time deposits and its primary lending products are consumer, commercial, and commercial real estate loans.

Significant Accounting Policies

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

Principles of Consolidation

The consolidated financial statements include the accounts of Chain Bridge Bancorp, Inc. and its wholly-owned subsidiary, Chain Bridge Bank, N.A. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Reclassification

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation.

Cash and Cash Equivalents

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

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The Company classifies all securities as available for sale. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Impairment of securities occurs when the fair value of a security is less than its amortized cost. For debt securities, impairment is considered other-than-temporary and recognized in its entirety in net income if either (1) the Company intends to sell the security or (2) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If, however, the Company does not intend to sell the security and it is not more than likely that the Company will be required to sell the security before recovery, management must determine what portion of the impairment is attributable to a credit loss, which occurs when the amortized cost of the security exceeds the present value of the cash flows expected to be collected from the security. If there is no credit loss, there is no other-than-temporary impairment. If there is a credit loss, other-than-temporary impairment exists and the credit loss must be recognized in net income and the remaining portion of impairment must be recognized in other comprehensive income.

For equity securities, impairment is considered to be other-than-temporary based on the Company's ability and intent to hold the investment until a recovery of fair value. Other-than-temporary impairment of an equity security results in a write-down that must be included in income. The Company regularly reviews each security for other-than-temporary impairment based on criteria that include the extent to which cost exceeds market price, the duration of that market decline, the financial health of and specific prospects for the issuer, the Company's best estimate of the present value of cash flows expected to be collected from debt securities, the Company's intention with regard to holding the security to maturity and the likelihood that the Company would be required to sell the security before recovery.

The Company uses certain correspondent banks for overnight borrowing and other purposes. The Company is required to maintain an investment in the capital stock of these correspondent banks. The Company's investment in these correspondent stocks is recorded at cost based on the redemption provisions of these entities. The Company's restricted stock balance includes investments in the capital stock of Federal Reserve Bank of Richmond, Virginia, Federal Home Loan Bank of Atlanta, Georgia, Community Bankers' Bank of Midlothian, Virginia and Pacific Coast Bankers' Bancshares of San Francisco, California.

Loans Held for Sale

Loans held for sale are carried at the lower cost or market, determined in the aggregate. Market value considers commitment agreements with investors and prevailing market prices. Loans originated by the Company's mortgage banking unit and held for sale to outside investors, are made on a pre-sold basis with servicing rights released. Gains and losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans

The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout the Washington, D.C. metropolitan area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for the allowance for loan losses and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees and certain direct costs are deferred and the net amount is amortized as an adjustment of the related loan's yield.

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

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

Allowance for Loan Losses

The allowance for loan losses is maintained at a level adequate to absorb losses deemed probable by management and is established through a provision for loan losses charged to earnings. The adequacy of the allowance is determined by management's review of the following: the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, the adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and the prevailing economic conditions. This review, done on a regular basis, is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Loans deemed uncollectible are charged against the allowance. Subsequent recoveries, if any, and provisions for loan losses are added to the allowance.

During these reviews, particular risk characteristics associated with a segment of the loan portfolio are also considered. These characteristics are detailed below:

- Commercial real estate and commercial loans that are not secured by real estate carry risks associated with the successful operation of a business and the repayment of these loans may depend on the profitability and cash flows of the business. Additional risk relates to the value of collateral other than real estate where depreciation occurs and the appraisal is less precise.
- Residential real estate (closed-end) loans carry risks associated with the continued credit-worthiness of the borrower and changes in the value of the collateral.
- Other consumer loans carry risks associated with the continued credit-worthiness of the borrower and the value of the collateral, such as home equity lines of credit and automobiles which may depreciate more rapidly than other assets. In addition, these loans may be unsecured. Consumer loans are more likely than real estate loans to be immediately affected in an adverse manner by job loss, divorce, illness or personal bankruptcy.

The primary tool used in managing and controlling problem loans is a watch list report. The report is a listing of all loans or commitments that are considered problem loans. The report is controlled by the Chief Credit Officer and the President. It is a primary responsibility of the loan officer to manage the credit risk within their loan portfolio. As such, they are proactive rather than reactive when considering adding a loan to the watch list report. Occurrence of any of the following criteria is a basis for adding a loan (other than consumer and residential mortgage loans) to the watch list report.

- Loans classified as substandard, doubtful or loss by bank examiners, external loan review, Chief Credit Officer or President based upon financial trends of the business.
- Loans on nonaccrual status.
- Loans more than 30 days delinquent.
- Loans renewed or extended without the capacity to repay the principal.
- Loans judgmentally selected by executive management or the Board of Directors due to unexpected changes or events which could have a potentially adverse effect on the borrower's ability to repay.

The following guidance has been given as an aid to loan officers in detecting problem loans.

- Financial Statement Analysis – As customer financial statements are received, they are immediately analyzed for any significant changes in the financial position or operating results.
- Delayed Financial Statements – If we are having problems getting financial statements from a customer, a problem may be developing.
- Delinquent Principal or Interest – Delinquencies are often the first indication of a problem. We carefully review each loan as soon as it becomes past due.
- Lack of Cooperation – It is in the borrower's best interest to cooperate with the Bank. We suspect a problem if the customer becomes uncooperative.
- Other – The following are additional warning signs which could mean a problem loan situation is developing: illness or death of a principal or key employee, overdrafts, family difficulties, unexpected renewals or unanticipated new borrowing, a too high or too low inventory level in comparison to industry standards, irresponsible behavior on the part of a borrower, trade payables begin to increase abnormally and cancellation of insurance.

The allowance consists of specific, general and unallocated components. The specific component relates to loans (other than consumer and residential mortgage loans) that are classified as doubtful or substandard. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified and special mention loans and is based on historical loss experience adjusted for qualitative factors including the economic environment, concentration and growth trends and the nature and volume of the loan portfolio. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects that margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Characteristics of the Bank's risk classification grades are as follows:

- Pass – Pass rated loans are to persons or business entities with an acceptable financial condition, appropriate collateral margins, appropriate cash flow to service the existing loan, and an appropriate leverage ratio. Borrower has paid all obligations as agreed and it is expected that this type of payment history will continue. Acceptable personal guarantors support the loan as needed.
- Special Mention – Special Mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.
- Substandard – Substandard assets are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected.
- Doubtful – Doubtful assets have all the weaknesses inherent in assets classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- Loss – Loans in this category are considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

The impairment of a loan occurs when it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impairment is measured as the difference between the recorded investment in the loan and the evaluation of the present value of expected future cash flows or the observable market price of the loan. Loans that are collateral dependent (loans where repayment is expected to be provided solely by the underlying collateral) and for which management has determined foreclosure is probable are measured for impairment based on the fair value of the collateral. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

Troubled Debt Restructurings

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

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives range from 3 to 8 years for furniture, fixtures and equipment, 10 years for improvements, and 40 years for buildings.

Foreclosed Properties

Assets acquired through, or in lieu of, loan foreclosure are held for sale. They are initially recorded at the assets' fair market value at the date of foreclosure less estimated selling costs thus establishing a new cost basis. Subsequent to foreclosure, valuations of the assets are periodically performed by management. Adjustments are made to the lower of the carrying amount or fair market value of the assets less selling costs. Revenue and expenses from operations and valuation changes are included in net expenses from foreclosed assets. The Bank had no foreclosed assets during the periods ended December 31, 2012 and 2011.

Rate Lock Commitments

The Company enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment and closing and sale of the loan generally ranges from 30 to 120 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. As a result, the Company is not exposed to losses and will not realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is very high due to their similarity.

The market value of rate lock commitments and best efforts contracts is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. The Company determines the fair value of rate lock commitments and best efforts contracts. No gain or loss occurs on the rate lock commitments.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss carryforwards, and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statements of income. The Company did not record a liability for unrecognized tax benefits at December 31, 2012 or 2011.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares relate solely to outstanding restricted stock. For the years ended December 31, 2012 and 2011, the weighted average number of shares outstanding for calculating basic earnings per share was 20,120 and 18,657, respectively. For the years ended December 31, 2012 and 2011, the weighted average number of shares outstanding for calculating diluted earnings per share was 20,204 and 18,791, respectively.

Advertising Costs

The Company follows the policy of charging the production costs of advertising to expense as incurred. The Company expensed $34,844 and $23,349 for advertising costs for the years ended December 31, 2012 and 2011, respectively.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board's Accounting Standards Codification, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are not quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

Stock-Based Compensation

The Company recognizes the compensation cost relating to share-based payment transactions on the consolidated financial statements. That cost is measured based on the fair value of the equity instrument issued. The cost is recognized based on the period of time the employee is required to provide services for the award and other vesting requirements.

Recent Accounting Pronouncements

In April 2011, the FASB issued ASU 2011-03, “Transfers and Servicing (Topic 860) – Reconsideration of Effective Control for Repurchase Agreements.” The amendments in this ASU 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 ASU were effective for fiscal years beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” This ASU is the result of joint efforts by the FASB and International Accounting Standards Board (IASB) to develop a single, converged fair value framework on how (not when) to measure fair value and what disclosures to provide about fair value measurements. The ASU is largely consistent with existing fair value measurement principles in U.S. GAAP (Topic 820), with many of the amendments made to eliminate unnecessary wording differences between U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments were effective for fiscal years beginning after December 15, 2011 with prospective application.

The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220) – Presentation of Comprehensive Income." The new guidance amends disclosure requirements for the presentation of comprehensive income. The amended guidance eliminates the option to present components of other comprehensive income ("OCI") as part of the statement of changes in shareholders' equity. All changes in OCI must be presented either in a single continuous statement of comprehensive income or in two separate but consecutive financial statements. The guidance does not change the items that must be reported in OCI. The Company adopted this guidance effective 2012, and has elected to present two separate but consecutive financial statements.

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities." This ASU requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company does not expect the adoption of ASU 2011-11 to have a material impact on its consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The amendments in this ASU clarify the scope for derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and securities lending transactions that are either offset or subject to netting arrangements. An entity is required to apply the amendments for fiscal years beginning on or after January 1, 2013. The Company does not expect the adoption of ASU 2013-01 to have a material impact on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The amendments in this ASU require an entity to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income. In addition, the amendments require a cross-reference to other disclosures currently required for other reclassification items to be reclassified directly to net income in their entirety in the same reporting period. Non-public companies should apply these amendments for fiscal years beginning on or after December 15, 2013. The Company is currently assessing the impact that ASU 2011-03 will have on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-03, "Financial Instruments (Topic 825): Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities." The amendments in this ASU clarify that requirement to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3) does not apply to non-public entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. The ASU is effective upon issuance. The Company adopted this guidance effective 2012.

Note 2. Securities

Amortized cost and fair value of securities available for sale as of December 31, 2012 and 2011 are as follows:

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities of U.S. government and federal agencies	$ 27,488,135	$ 1,197,450	$ (156,585)	$ 28,529,000
Mortgage backed securities	12,148,895	697,565	- -	12,846,460
Corporate bonds	9,070,605	346,534	(7,170)	9,409,969
Collateralized mortgage obligations	3,169,331	210,723	- -	3,380,054
State and municipal securities	55,665,518	2,637,925	(45,284)	58,258,159
Mutual and exchange-traded funds	44,753,738	1,350,299	- -	46,104,037
Total	$ 152,296,222	$ 6,440,496	$ (209,039)	$ 158,527,679

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities of U.S. government and federal agencies	$ 24,940,683	$ 939,833	$ (25,448)	$ 25,855,068
Mortgage backed securities	14,884,640	872,051	- -	15,756,691
Corporate bonds	13,721,676	221,347	(257,093)	13,685,930
FDIC-insured bonds	500,130	6,595	- -	506,725
Collateralized mortgage obligations	5,588,078	255,096	(19,706)	5,823,468
State and municipal securities	53,050,704	2,467,333	(186,955)	55,331,082
Mutual and exchange-traded funds	43,997,757	463,011	(57,869)	44,402,899
Total	$ 156,683,668	$ 5,225,266	$ (547,071)	$ 161,361,863

At December 31, 2012 and 2011, securities with a carrying value of $26,577,564 and $13,493,183 were pledged to secure public deposits, repurchase agreements, and a line of credit with the Federal Reserve Bank and Community Bankers' Bank.

Proceeds from redemptions and sales of securities totaled $101,464,647 and $26,448,644 for 2012 and 2011, respectively. Gross gains on securities for 2012 and 2011 totaled $118,944 and $224,799, respectively. Other than temporary impairment on securities transactions resulted in a loss of $279,300 in 2011.

There were no held to maturity securities at December 31, 2012 or 2011.

The amortized cost and fair value of securities by contractual maturity at December 31, 2012 follows:

	Amortized Cost	Fair Value
Within one year	$ 6,706,833	$ 6,819,237
After one year through five years	28,742,127	29,992,464
After five years through ten years	39,630,563	41,676,219
Over ten years	32,462,961	33,935,722
Mutual and exchange-traded funds	44,753,738	46,104,037
Total	$ 152,296,222	$ 158,527,679

At December 31, 2012 and 2011, investments in an unrealized loss position that were temporarily impaired follows:

	December 31, 2012				
	Less Than Twelve Months		Over Twelve Months		
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities of U.S. government and federal agencies	$ (156,585)	$ 5,110,940	$ - -	$ - -	$ (156,585)
Corporate bonds	(7,170)	1,040,718	- -	- -	(7,170)
State and municipal securities	(25,037)	1,772,565	(20,247)	1,527,691	(45,284)
Total	$ (188,792)	$ 7,924,223	$ (20,247)	$ 1,527,691	$ (209,039)

	December 31, 2011				
	Less Than Twelve Months		Over Twelve Months		
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities of U.S. government and federal agencies	$ (25,448)	$ 6,124,552	$ - -	$ - -	$ (25,448)
Corporate bonds	(257,093)	7,680,970	- -	- -	(257,093)
Collateralized mortgage obligations	(19,706)	1,030,048	- -	- -	(19,706)
State and municipal securities	(120,010)	6,902,096	(66,945)	668,350	(186,955)
Mutual and exchange-traded funds	(57,869)	13,964,758	- -	- -	(57,869)
Total	$ (480,126)	$ 35,702,424	$ (66,945)	$ 668,350	$ (547,071)

At December 31, 2012 and 2011, 19 and 51 debt securities had unrealized losses with aggregate depreciation of 2.20 and 1.50 percent, respectively, from the Company's amortized cost basis. These unrealized losses related principally to interest rate movements and not the credit-worthiness of the issuer. 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 industry analysts' reports. As of December 31, 2012 and 2011, management determined that the unrealized losses in the investment portfolio were temporary. Management does not expect to be required to sell these securities before such time that they recover in value. Management will continue to monitor the securities in a loss position for future impairment.

The Company completes reviews for other-than-temporary impairment at least quarterly. The methodology and significant inputs used to measure the amount of impairment include: securities with unrealized losses (the differences between fair values and the amortized book values) that are greater than 10%, securities that are not rated as investment grade by a national rating agency that have problematic credit profiles and securities on non-accrual or deferred status.

As of December 31, 2011, the Company had one other-than-temporarily impairment security which was a municipal debt security and subsequently recovered $90,846 during 2012.

Note 3. Loans

A summary of the balances of loans follows:

	December 31, 2012	December 31, 2011
Commercial real estate	$ 37,411,526	$ 33,323,890
Commercial	9,623,809	10,106,298
Residential real estate closed-end	52,457,735	30,642,554
Other consumer loans	15,773,199	12,518,430
	$ 115,266,269	$ 86,591,172
Less allowance for loan losses	(1,959,629)	(1,541,323)
Loans, net	$ 113,306,641	$ 85,049,849

Overdrafts totaling $998 and $2,478 at December 31, 2012 and 2011, respectively, were reclassified from deposits to loans.

The following table presents the activity in the allowance for loan losses and the recorded investment in loans and impairment method by portfolio segment as of December 31, 2012 and 2011:

	December 31, 2012				
	Commercial Real Estate	Commercial	Residential Real Estate Closed-End	Other Consumer Loans	Total
Allowance for Loan Losses:					
Beginning of Year	$ 530,000	$ 253,000	$ 501,000	$ 257,323	$ 1,541,323
Provisions	(8,000)	262,936	333,000	55,304	643,240
Charge-offs	- -	(298,435)	- -	- -	(298,435)
Recoveries	- -	73,500	- -	- -	73,500
End of Year	$ 522,000	$ 291,001	$ 834,000	$ 312,628	$ 1,959,629
Reserves:					
Specific	$ - -	$ - -	$ - -	$ - -	$ - -
General	522,000	291,001	834,000	312,468	1,959,628
	$ 522,000	$ 291,001	$ 834,000	$ 312,468	$ 1,959,628
Evaluated for Impairment:					
Individually	$ - -	$ - -	$ - -	$ 3,201	$ 3,201
Collectively	37,411,526	9,623,809	52,457,735	15,769,998	115,263,068
	$ 37,411,526	$ 9,623,809	$ 52,457,735	$ 15,773,199	$ 115,266,269

	December 31, 2011				
	Commercial Real Estate	Commercial	Residential Real Estate Closed-End	Other Consumer Loans	Total
Allowance for Loan Losses:					
Beginning of Year	$ 433,000	$ 280,000	$ 398,000	$ 336,180	$ 1,447,180
Provisions	97,000	38,841	103,000	(78,857)	159,984
Charge-offs	- -	(74,356)	- -	(41,929)	(116,286)
Recoveries	- -	8,516	- -	41,929	50,445
End of Year	$ 530,000	$ 253,000	$ 501,000	$ 257,323	$ 1,541,323
Reserves:					
Specific	$ - -	$ - -	$ - -	$ 1,161	$ 1,161
General	530,000	253,000	501,000	254,162	1,538,162
	$ 530,000	$ 253,000	$ 501,000	$ 257,323	$ 1,541,323
Evaluated for Impairment:					
Individually	$ - -	$ - -	$ - -	$ 61,042	$ 61,042
Collectively	33,323,890	10,106,298	30,642,554	12,457,388	86,530,130
	$ 33,323,890	$ 10,106,298	$ 30,642,554	$ 12,518,430	$ 86,591,172

Based on the most recent analysis performed, the risk category of loans by class of loans was as follows as of December 31, 2012 and 2011:

	December 31, 2012					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 35,259,634	$ 1,231,227	$ 920,665	$ - -	$ - -	$ 37,411,526
Commercial	9,561,731	- -	62,078	- -	- -	9,623,809
Residential real estate closed-end	52,457,735	- -	- -	- -	- -	52,457,735
Other consumer loans	15,473,015	- -	300,184	- -		15,773,199
	$ 112,752,115	$ 1,231,227	$ 1,282,927	$ - -	$ - -	$ 115,266,269

	December 31, 2011					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 31,874,735	$ 508,754	$ 940,401	$ - -	$ - -	$ 33,323,890
Commercial	10,021,827	- -	84,471	- -	- -	10,106,298
Residential real estate closed-end	30,642,554	- -	- -	- -	- -	30,642,554
Other consumer loans	11,957,213	- -	561,217	- -	- -	12,518,430
	$ 84,496,329	$ 508,754	$ 1,586,089	$ - -	$ - -	$ 86,591,172

There was one individually impaired consumer loan as of December 31, 2012 with a balance of $3,201. Information relating to individually impaired loans presented by class of loans was as follows as of December 31, 2011:

	December 31, 2011				
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance Recorded:					
Commercial real estate	$ --	$ --	$ --	$ --	$ --
Commercial	--	--	--	--	--
Residential real estate closed-end	--	--	--	--	--
Other consumer loans	--	--	--	--	--
	$ --	$ --	$ --	$ --	$ --
	Unpaid Principal Balance	**Recorded Investment**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
With An Allowance Recorded:					
Commercial real estate	$ --	$ --	$ --	$ --	$ --
Commercial	--	--	--	--	--
Residential real estate closed-end	--	--	--	--	--
Other consumer loans	61,042	61,042	1,161	63,350	1,919
	$ 61,042	$ 61,042	$ 1,161	$ 63,350	$ 1,919

There were no nonaccrual loans excluded from impaired loan disclosure and no loans 90 days past due and still accruing at December 31, 2012 and 2011. The Bank had no past due loans at December 31, 2012.

There were no loan modifications as TDRs during the year ended December 31, 2012.

No loan modifications classified as TDRs subsequently defaulted during 2012.

Note 4. Premises and Equipment

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

	December 31,	
	2012	2011
Land	$ 1,585,513	$ 1,240,000
Building	6,540,184	5,144,911
Furniture, fixtures and equipment	1,016,130	917,202
Leasehold improvements	796,752	790,538
	$ 9,938,579	$ 8,092,650
Less accumulated depreciation	1,805,975	1,435,150
Ending balance	$ 8,132,604	$ 6,657,501

For 2012 and 2011, depreciation expense was $370,825 and $333,537, respectively.

The Company leases additional office space for operations support. The lease has a term of three years and is classified as an operating lease. The lease calls for annual payments of $60,036 through March 2014, subject to annual adjustments. Rent expense for the year ended December 31, 2012 and 2011 was $67,445 and $45,572.

Note 5. Related Party Transactions

Officers, directors and their affiliates had credit outstanding of $6,317,463 and $5,004,249 at December 31, 2012 and 2011, respectively, with the Bank. During 2012, total principal additions were $1,544,055 and total principal payments were $230,841. These transactions occurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with unrelated persons.

Deposits from related parties held by the Company at December 31, 2012 and 2011 amounted to $10,033,903 and $9,943,110, respectively.

Note 6. Deposits

Remaining maturities on certificates of deposit are as follows:

2013	$ 34,883,207
2014	12,539,582
2015	1,447,650
2016	5,136,421
2017	1,004,981
	$ 55,011,841

Brokered deposits totaled $18,611,189 and $1,582,744 at December 31, 2012 and 2011, respectively. Brokered deposits are placed through the Certificate of Deposit Account Registry Service or CDARS.

The Company had one customer with individual deposit balances exceeding five percent of total deposits as of December 31, 2012. The total deposit balances related to this customer as of December 31, 2012 were $22,968,446 or 9.65 percent of total deposits.

Note 7. Borrowings

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to $797,848 and $151,261 at December 31, 2012 and 2011, respectively, and mature on a daily basis and are secured by municipal securities with a fair value of $1,091,580 and $558,535. The weighted average interest rate on these agreements was 0.20 and 0.25 percent at December 31, 2012 and 2011, respectively.

Federal Home Loan Bank Advance

The Company has a secured line of credit with the Federal Home Loan Bank totaling $33,270,849. At December 31, 2012, the Company had no outstanding advances. The line has a variable rate and is secured by 1-4 family residential real estate loans and home equity lines of credit within the Company’s loan portfolio. The line is renewed annually in September.

Short Term Borrowings

At December 31, 2012, the Company had an unsecured line of credit with a correspondent bank totaling $4,000,000 with $2,500,000 outstanding. The line matures December 19, 2013 and contains certain covenants regarding the Company’s return on average assets, risk-based capital and payment of dividends.

Note 8. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2012 and 2011 are presented below:

	December 31, 2012	December 31, 2011
Deferred Tax Assets		
Allowance for loan losses	$ 613,535	$ 496,323
Organizational and start-up expenses	167,328	184,788
Deferred loan fees	11,249	20,519
Depreciation	29,986	10,165
Restricted stock	9,708	8,992
Other	1,653	34,261
	$ 833,458	$ 755,047
Deferred Tax Liabilities		
Securities available for sale	$ 2,118,695	$ 1,590,587
Net deferred tax liability	$ (1,285,237)	$ (835,540)

The provision for income taxes charged to operations for the years ended December 31, 2012 and 2011, consists of the following:

	December 31, 2012	December 31, 2011
Current tax expense	$ 981,088	$ 666,018
Deferred tax (benefit) expense	(78,411)	3,117
	$ 902,677	$ 669,135

The reasons for the difference between the Company's reported income tax expense and the amount computed by multiplying the statetory rate are as follows:

	December 31, 2012	December 31, 2011
Computed tax at applicable rate	$ 1,311,932	$ 1,044,647
Tax-exempt income	(427,232)	(361,389)
Other	17,977	(14,123)
	$ 902,677	$ 669,135

The Company files income tax returns in the U.S. federal jurisdiction and the Commonwealth of Virginia. With few exceptions, the Company is no longer subject to federal or state tax examinations for years prior to 2009.

Note 9. Financial Instruments With Off-Balance-Sheet Risk

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

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

At December 31, 2012 and 2011, the following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31, 2012	December 31, 2011
Commitments to grant loans	$ 10,602,000	$ 11,595,000
Unfunded commitments under lines of credit	27,231,000	24,267,000
Standby letters of credit	201,000	201,000

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

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

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

The Company maintains its cash accounts in several correspondent banks. The total amount by which cash on deposit in those banks and federal funds sold exceeded the federally insured limits at December 31, 2012 and 2011 was $651,075 and $744,609, respectively.

The Company is required to maintain average balances with the Federal Reserve Bank. At December 31, 2012, this balance was $9,529,000.

Note 10. Minimum Regulatory Capital Requirements

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. A financial institution's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require financial institutions to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2012, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2012, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum Total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

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

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
December 31, 2012	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Amounts in Thousands)			
Total Risk-Based Capital						
Company	$ 28,721	16.81%	$ 13,671	8.00%	N/A	N/A
Bank	$ 31,159	18.23%	$ 13,671	8.00%	$ 17,089	10.00%
Tier 1 Risk-Based Capital						
Company	$ 26,761	15.66%	$ 6,835	4.00%	N/A	N/A
Bank	$ 29,199	17.09%	$ 6,835	4.00%	$ 10,253	6.00%
Tier 1 Leverage Ratio						
Company	$ 26,761	7.96%	$ 13,447	4.00%	N/A	N/A
Bank	$ 29,199	8.69%	$ 13,447	4.00%	$ 16,809	5.00%
December 31, 2011						
Total Risk-Based Capital						
Company	$ 25,262	15.86%	$ 12,743	8.00%	N/A	N/A
Bank	$ 24,947	15.66%	$ 12,743	8.00%	$ 15,928	10.00%
Tier 1 Risk-Based Capital						
Company	$ 23,721	14.89%	$ 6,371	4.00%	N/A	N/A
Bank	$ 23,406	14.69%	$ 6,371	4.00%	$ 9,557	6.00%
Tier 1 Leverage Ratio						
Company	$ 23,721	8.84%	$ 10,731	4.00%	N/A	N/A
Bank	$ 23,406	8.72%	$ 10,731	4.00%	$ 13,414	5.00%

Note 11. Restricted Stock Plan

The Company’s 2007 Restricted Stock Plan (the 2007 Plan) was adopted by the Compensation Committee and the Board of Directors in August 2007 and approved by the stockholders at the Annual Meeting of Stockholders held May 20, 2008. The 2007 Plan has a 5 year term from the date of approval.

The Company has decided to make restricted stock available to its executives and officers pursuant to the 2007 Plan. Grants to date have been made in two pieces: (1) a service based component, which requires only continued employment for a specified period of time, which to date have had three or five year vesting periods, and (2) a performance based component, where the right to receive the shares is subject to the achievement of selected performance measures by the Company. No senior executive officer may receive a non-performance based award unless the officer is simultaneously granted a performance based award of at least equal size.

Grants are approved by the Human Resources Committee on an annual basis, and periodically for certain key new officer hires during the year. The Compensation Committee awards grants based on a number of criteria including the relative rank of the executive within the Company and his or her specific contributions to the success of the Company. The Company believes the restricted stock grants serve to enhance stockholder value by aligning the interest of executives and officers with those of the stockholders and also by helping to retain personnel through the extended vesting period of the options. Directors and advisory directors who are not full time employees are not eligible to receive awards under the 2007 Plan.

The 2007 Plan provides for the grant of an aggregate of 750 shares of restricted stock to full-time executive officers or other key employees. The number of shares issuable under the 2007 Plan and outstanding awards is subject to adjustment in the event of any stock split, reverse stock split, stock dividend, split up or combination or shares, reclassification, reorganization, merger, consolidation or similar event which changes the number or kind of outstanding shares, without the receipt of consideration by the Company. Shares subject to awards which are forfeited or not earned may be reissued. Of the 750 shares of restricted stock subject to the Plan, 604 have been awarded to date, and 146 will remain available for future awards which expire in May 2013. The following table presents the activity for the Plan for 2012:

	Shares	Weighted Average Grant Date Fair Value
Nonvested, beginning of period	141	$ 1,138
Vested	(64)	1,110
Granted	30	1,513
Forfeited	(8)	- -
Nonvested, end of period	99	

Compensation expense attributable to the Plan was $72,492 and $80,832 for 2012 and 2011, respectively. As of December 31, 2012, the total compensation cost related to nonvested awards not yet recognized was $81,115. This compensation cost will be recognized over the remaining vesting period of the awards.

Awards issued pursuant to the 2007 Plan may be issued immediately upon grant, subject to forfeiture in the event that their service or performance requirement is not met, in which case the recipient has all rights as a stockholder during the vesting or performance period, or may be issued only upon satisfaction of the service or performance condition. All grants to date provide that no shares are issued until the service or performance condition is satisfied.

Note 12. 401(k) Plan

The Company has a 401(k) Plan whereby substantially all employees participate in the plan. Employees may contribute portions of their compensation subject to limits based on federal tax laws. The Company may make discretionary matching contributions to the plan. For 2012 and 2011, expense attributable to the plan amounted to $75,352 and $51,531, respectively.

Note 13. Fair Value Measurements

Fair Value Hierarchy

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

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

Securities Available for Sale

Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity then the security would fall to the lowest level of the hierarchy (Level 3).

The Company's investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third party portfolio accounting service vendor for valuation of its securities portfolio. The vendor's primary source for security valuation is Interactive Data Corporation ("IDC"), which evaluates securities based on market data. IDC utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary modes, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance and rating to incorporate additional spreads to the industry benchmark curves.

The following table presents the balances of financial assets measured at fair value on a recurring basis:

		Fair Value Measurements Using		
Description	**Balances**	**Level 1**	**Level 2**	**Level 3**
Assets:				
As of December 31, 2012:				
Available for sale securities:				
U.S. government and federal agencies	$ 28,529,000	$ - -	$ 28,529,000	$ - -
Mortgage backed securities	12,846,460	- -	12,846,460	- -
Corporate bonds	9,409,969	- -	9,409,969	- -
FDIC-insured bonds	- -	- -	- -	- -
Collateralized mortgage obligations	3,380,054	- -	3,380,054	- -
State and municipal securities	58,258,159	- -	58,258,159	- -
Mutual and exchange-traded funds	46,104,037	46,104,037	- -	- -
Total	$ 158,527,679	$ 46,104,037	$ 112,423,642	$ - -
As of December 31, 2011:				
Available for sale securities:				
U.S. government and federal agencies	$ 25,855,068	$ - -	$ 25,855,068	$ - -
Mortgage backed securities	15,756,691	- -	15,756,691	- -
Corporate bonds	13,685,930	- -	13,685,930	- -
FDIC-insured bonds	506,725	- -	506,725	- -
Collateralized mortgage obligations	5,823,468	- -	5,823,468	- -
State and municipal securities	55,331,082	- -	55,331,082	- -
Mutual and exchange-traded funds	44,402,899	44,402,899	- -	- -
Total	$ 161,361,863	$ 44,402,899	$ 116,958,964	$ - -

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

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

Impaired Loans

Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan or the fair value of the collateral. Fair value is measured based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property using an income approach or is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Impaired loans allocated to the allowance for loan losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the consolidated statements of income. Impaired loans were immaterial as of December 31, 2012.

The following table presents the balances of assets measured at fair value on a nonrecurring basis as of December 31, 2011:

		Fair Value Measurements Using		
Description	**Balances**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
As of December 31, 2011:				
Impaired loans, net of valuation allowance	$ 59,881	$ - -	$ - -	$ 59,881

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values.

Interest-Bearing Deposits in Banks

The carrying amounts of interest-bearing deposits maturing within ninety days approximate their fair values. Fair values of other interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

Securities

Fair values for securities, are based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans Receivable

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

Deposit Liabilities

The fair values disclosed for demand deposits (for example, interest and noninterest checking, savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Borrowings

The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within one year approximate their fair values. Fair values of other borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

Off-Balance Sheet Credit-Related Instruments

Fair values for off-balance-sheet, credit-related financial instrument are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. These fees were not deemed significant at December 31, 2012 and 2011 have not been included in the disclosure.

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments are as follows:

	December 31, 2012		December 31, 2011	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 8,200	$ 8,200	$ 35,982	$ 35,982
Securities available for sale	158,528	158,528	161,362	161,362
Loans, net	115,266	115,723	85,050	85,167
Accrued interest receivable	1,271	1,271	1,277	1,277
Financial liabilities:				
Deposits	$ 254,392	$ 253,737	$ 263,019	$ 262,134
Repurchase agreements	798	798	151	151
FHLB advance	2,500	2,500	- -	- -
Accrued interest payable	148	148	197	197

Note 14. Subsequent Events

The Company evaluates subsequent events that have occurred after the balance sheet date but before the financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. The Company evaluated subsequent events through March 5, 2013.

Based on the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment to or disclosure in the financial statements.

Note 15. Condensed Financial Statements of Parent Company

Financial information pertaining only to Chain Bridge Bancorp, Inc. is as follows:

	December 31,	
Balance Sheets	**2012**	**2011**
Assets		
Cash	$ 64,296	$ 314,781
Investment in common stock of Chain Bridge Bank	33,311,778	26,493,822
Total assets	$ 33,376,074	$ 26,808,603
Liabilities and Stockholders' Equity		
Short-term borrowings	$ 2,500,000	$ - -
Other liabilities	1,880	- -
Total liabilities	$ 2,501,880	$ - -
Stockholders' equity	30,874,194	26,808,603
Total liabilities and stockholders' equity	$ 33,376,074	$ 26,808,603

	December 31,	
Statements of Income	**2012**	**2011**
Operating Expenses		
Interest expense and fees on borrowings	$ 36,857	$ - -
Equity based compensation	72,492	80,832
(Loss) before undistributed net income of Chain Bridge Bank	$ (109,349)	$ (80,832)
Undistributed net income of Chain Bridge Bank	3,065,296	2,484,189
Net income	$ 2,955,947	$ 2,403,357

Notes to Consolidated Financial Statements

Statements of Cash Flows	December 31, 2012	2011
Cash Flows from Operating Activities		
Net income	$ 2,955,947	$ 2,403,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed net (income) of Chain Bridge Bank	(3,065,296)	(2,484,189)
Equity based compensation	72,492	80,832
Increase in other liabilities	74,372	80,832
Net cash provided by operating activities	$ 37,515	$ 80,832
Cash Flows from Investing Activities		
Investment in Chain Bridge Bank	$ (2,800,000)	$ (2,100,000)
Net cash (used in) investing activities	$ (2,800,000)	$ (2,100,000)
Cash Flows from Financing Activities		
Net proceeds from common stock issued	$ 12,000	$ - -
Increase in short term borrowings	$ 2,500,000	$ 2,077,500
Net cash provided by financing activities	$ 2,512,000	$ 2,077,500
Net (decrease) increase in cash and cash equivalents	$ (250,485)	$ 58,332
Cash and cash equivalents at beginning of period	314,781	256,449
Cash and cash equivalents at end of period	$ 64,296	$ 314,781

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