BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2009

John Marshall Bank
(Exact name of registrant as specified in its charter)

Virginia	74-3125891
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
6601 Little River Turnpike, Suite 400, Alexandria, Virginia	22312
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: 703-584-0840

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act: Common Stock $5.00 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Section 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant; (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the outstanding common stock held by nonaffiliates as of June 30, 2009 was approximately $37.1 million.

As of the close of business on March 23, 2010, 3,707,710 shares of the Bank's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Bank's definitive Proxy Statement for the Annual Meeting of Shareholders, to be held on May 11, 2010 are incorporated by reference in part III hereof.

PART I

Item 1. Business

John Marshall Bank (the "Bank") was incorporated in 2005 under Virginia law, under the name "Security One Bank," to conduct a general commercial and consumer banking business, and commenced operations in April 2006. On February 21, 2008, Security One Bank entered into a Stock Purchase Agreement with a group of individuals, led by John Maxwell, who would become new officers and directors of the Bank. Pursuant to that agreement, such individuals would purchase a significant equity interest in the Bank, and the Bank would effect an offering of an aggregate of 2.2 million additional shares of common stock to significantly expand its capital base. In June 2008, the regulatory approvals necessary to consummate the purchase of shares under the Stock Purchase Agreement were received and the sale of shares pursuant to the Stock Purchase Agreement and offering became effective. In July 2008, the Bank's name was changed to its current corporate title.

The Bank is a member of the Federal Reserve System, and its deposits are insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation to the maximum extent provided by law. The Bank currently has three full service banking offices, its main office located at 5860 Columbia Pike, Falls Church, Virginia, a branch office located at 842 South King Street, Leesburg, Virginia, and a branch office located at 2300 Wilson Boulevard, Arlington, Virginia. The Bank also has two limited service branches - one located in Gaithersburg, Maryland, and the other located in Washington, DC. Both offices are staffed by senior experienced lending and customer relationship officers, and provide limited services to commercial customers, thus enabling the Bank to serve the District of Columbia/suburban Maryland market. In addition, the Bank maintains a regional nonbranch office located in Fairfax, Virginia. The Bank maintains administrative and executive offices at 6601 Little River Turnpike, Alexandria, Virginia. The Bank expects that it will establish non-branch offices and limited or full service branches in other attractive markets in the Washington D.C. metropolitan area, as the level of business requires, or as the ability to hire experienced officers with profitable books of business arises.

The Bank seeks to provide a high level of personal service and a sophisticated menu of products to individuals and small to medium-sized businesses. While we offer a full range of services to a wide array of depositors and borrowers, the Bank focuses on small to medium-sized businesses, professionals and the individual retail customer as our primary target market. The Bank believes that as financial institutions grow and are merged with or acquired by larger institutions with headquarters that are far away from the local customer base, the local business and individual is further removed from the point of decision-making. The Bank attempts to place the customer contact and the ultimate decision on products and credits as close together as possible.

The Northern Virginia/Metropolitan Washington, D.C. Market [1]

A key factor in our ability to achieve our strategic goals and create shareholder value is the attractiveness of the market. The market in which we operate and where we plan to establish additional offices has seen considerable population and economic growth in the past several decades, and we expect such favorable growth to continue in the long term. Our primary service area includes Arlington, Fairfax and Loudoun counties in Virginia, and Montgomery County in Maryland, markets that we believe have the most profitable banking opportunities in the Washington, D.C. region.

Our primary service area has experienced significant consolidation in the banking market over the past ten years. Current market and banking trends combine to provide an opportunity for the Bank to execute a focused strategy of offering personal and customized services and attract underserved and dissatisfied individual, small business and non-profit corporation clients.

The Washington metropolitan region is the nation's 4th largest regional economy. It has a highly educated and skilled workforce, ranking 1st in percent of population 25 years or older with graduate or professional degrees, and 1st in the number of workers in the professional services, information technology, education and research sectors. The Washington region is also home to 6 of the top 8 counties in the nation with the highest per capita college degrees.

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[1] Sources of economic data: Bureau of Labor Statistics, George Mason University Center for Regional Analysis, and the Greater Washington Board of Trade.

Federal government spending in the Washington region reached over $130 billion in 2008 and represents a third of the region's Gross Regional Product. The presence of the federal workforce, its contractors and subcontractors, and the economic activity that it generates, insulates the area from the full brunt of national economic downturns. The current recession, which began in December 2007, has resulted in 8.4 million national job losses through January 2010. By comparison, job losses in the Washington area started in December 2008, a year after job losses began nationally, and have totaled only 25,000. The Washington region's unemployment rate was 6.9% in January, 2010, compared to the national rate of 9.7%, and was the lowest among all major metropolitan areas in the U.S.

Although the Washington region's economy contracted slightly in 2009 (the first time in over 20 years), 2009 ended with a strengthening housing market and positive job growth. Average housing sales prices began moving up in the Washington region during the last quarter of 2009 and the inventory of unsold homes has dropped to normal levels in most jurisdictions. The pace of the economic recovery is expected to be slow in 2010; however, due to an expected continued increase in federal government spending in the Washington area, local growth is expected to accelerate at a faster pace once the national economic recovery begins.

Business Strategy and Products

The Bank's goal is to enhance its franchise by achieving significant growth in assets and profitability while maintaining asset quality and individualized customer service. Management's strategic goals have the following primary components:

- **Expand in high growth markets.** The areas in which the Bank operates and into which it proposes to expand are characterized by high concentrations of small to medium-sized businesses and professionals. We will look for opportunities to expand our franchise in these markets on a selective and opportunistic basis. We will seek additional branching opportunities, centered around experienced lending officers with a significant portfolio of commercial customers. We plan to increase our market share by branching selectively, by establishing and marketing niche products to service our small and medium-sized business customers.

- **Hire experienced commercial banking officers.** The branching strategy will revolve around the hiring of highly experienced local banking professionals with successful track records and established customer relationships with small to medium-sized businesses and affluent households. We anticipate that these officers will be able to attract customers with which they have built relationships over the years, enhancing our franchise. We expect to hire one or more officers for a specific location, and as compelling growth opportunities arise, establish a branch office to support business generation.

- **Target small to medium-sized businesses in our communities.** The Northern Virginia/Washington, D.C. banking market has been characterized by significant consolidation among financial institutions. While many of the large banks operating in this market are now targeting the small and medium-sized business market, current and former customers of the Bank's officers have said that the corporate service culture and operational infrastructure at large banks, where automation and 800 numbers take the place of personalized and time-sensitive service, often do not provide satisfactory customer experiences. Personnel turnover restrains the ability of large banks to develop banking relationships that add value to a customer's business. This atmosphere provides an excellent opportunity for the Bank, a community-oriented bank delivering a wide array of personalized products through an integrated and responsive sales and service approach.

Lending Services

The Bank offers a wide array of lending services to its customers, including commercial loans, lines of credit, personal loans, auto loans and financing arrangements for personal equipment and business equipment. Loan terms, including interest rates, loan-to-value ratios, and maturities, are tailored as much as possible to meet the needs of the borrower. A special effort is made to keep loan products as flexible as possible within the guidelines of prudent banking practices in terms of interest rate risk and credit risk.

When considering loan requests, the primary factors taken into consideration are the cash flow and financial condition of the borrower, the value of the underlying collateral, if applicable, and the character and integrity of the borrower. These factors are evaluated in a number of ways including an analysis of financial statements, credit reviews, trade reviews, and visits to the borrower's place of business. We have implemented comprehensive loan policies and procedures to provide our loan officers with term, collateral, loan-to-value and pricing guidelines. The policy and sound credit analysis, together with thorough review by the Asset-Liability Committee, have resulted in a profitable loan portfolio with minimal delinquencies or problem loans.

Our aim is to build and maintain a commercial loan portfolio consisting of term loans, demand loans, lines of credit and commercial real estate loans provided to primarily locally-based borrowers. These types of loans are generally considered to have a higher degree of risk of default or loss than other types of loans, such as well underwritten, prime residential real estate loans, because repayment may be affected by general economic conditions, interest rates, the quality of management of the business, and other factors which may cause a borrower to be unable to repay its obligations. Traditional installment loans and personal lines of credit will be available on a selective basis. General economic conditions can directly affect the quality of a small and mid-sized business loan portfolio. We attempt to manage the loan portfolio to avoid high concentrations of similar industry and/or collateral pools, although this cannot be assured.

Loan business is generated primarily through referrals and direct-calling efforts. Referrals of loan business come from directors, shareholders, current customers and professionals such as lawyers, accountants and financial intermediaries.

At December 31, 2009, the Bank's statutory lending limit to any single borrower was approximately $4.7 million, subject to certain exceptions provided under applicable law. As of December 31, 2009, the Bank's credit exposure to its largest borrower was $4.5 million. The Bank does not have any dependency on one or a few of its major customers.

Commercial Loans. Commercial loans are written for any prudent business purpose, including the financing of plant and equipment, the carrying of accounts receivable, contract administration, and the acquisition and construction of real estate projects. Special attention is paid to the commercial real estate market, which is particularly active in the Northern Virginia market area. The Bank's commercial loan portfolio reflects a diverse group of borrowers with no concentration in any borrower, or group of borrowers.

The lending activities in which we engage carry the risk that the borrowers will be unable to perform on their obligations. As such, interest rate policies of the Federal Reserve Board and general economic conditions, nationally and in our primary market area, will have a significant impact on our results of operations. To the extent that economic conditions deteriorate, business and individual borrowers may be less able to meet their obligations to the Bank in full, in a timely manner, resulting in decreased earnings or losses to the Bank. To the extent that loans are secured by real estate, adverse conditions in the real estate market may reduce the ability of the borrower to generate the necessary cash flow for repayment of the loan, and reduce our ability to collect the full amount of the loan upon a default. To the extent that the Bank makes fixed rate loans, general increases in interest rates will tend to reduce our spread as the interest rates we must pay for deposits increase while interest income is flat. Economic conditions and interest rates may also adversely affect the value of property pledged as security for loans.

We constantly strive to mitigate risks in the event of unforeseen threats to the loan portfolio as a result of an economic downturn or other negative influences. Plans for mitigating inherent risks in managing loan assets include carefully enforcing loan policies and procedures, evaluating each borrower's industry and business plan during the underwriting process, identifying and monitoring primary and alternative sources for repayment and obtaining collateral that is margined to minimize loss in the event of liquidation.

Commercial real estate loans will generally be owner occupied or managed transactions with a principal reliance on the borrower's ability to repay, as well as prudent guidelines for assessing real estate values. The Bank has not made commercial loans for the purpose of construction of residential real estate developments. Risks inherent in managing a commercial real estate portfolio relate to either sudden or gradual drops in property values as a result of a general or local economic downturn. A decline in real estate values can cause loan-to-value margins to increase and diminish the Bank's equity cushion on both an individual and portfolio basis. The Bank attempts to mitigate commercial real estate lending risks by carefully underwriting each loan of this type to address the perceived risks in the individual transaction. Generally, the Bank requires a loan-to-value ratio of 75% of the lower of an appraisal or cost. A borrower's ability to repay is carefully analyzed and policy calls for an ongoing cash flow to debt service requirement of 1.1:1.0. An approved list of commercial real estate appraisers selected on the basis of consistent standards has been established. Each appraisal is scrutinized in an effort to ensure current comparable market values.

As noted above, commercial real estate loans are generally made on owner occupied or managed properties where there is both a reliance on the borrower's financial health and the ability of the borrower and the business to repay. The Bank generally requires personal guarantees on all loans as a matter of policy; exceptions to policy are documented. Most borrowers will be required to forward annual corporate, partnership and personal financial statements to comply with Bank policy and enforced through loan covenants. Interest rate risks to the Bank are mitigated by using either floating interest rates or by fixing rates for a short period of time, generally less than five years. While loan amortizations may be approved for up to 360 months, loans generally have a call provision (maturity date) of 5-10 years or less. Specific and non-specific provisions for loan loss reserves are generally set based upon a methodology developed by management and approved by the board of directors and described more fully in the Bank's Critical Accounting Policies included herein.

Commercial term loans are used to provide funds for equipment and general corporate needs. This loan category is designed to support borrowers who have a proven ability to service debt over a term generally not to exceed 60 months. The Bank generally requires a first lien position on all collateral and guarantees from owners having at least a 20% interest in the involved business. Interest rates on commercial term loans are generally floating, adjust within 3 to 5 years, or are fixed for a term not to exceed five years. Management carefully monitors industry and collateral concentrations to avoid loan exposures to a large group of similar industries and/or similar collateral. Commercial loans are evaluated for historical and projected cash flow attributes, balance sheet strength, and primary and alternate resources of personal guarantors. Commercial term loan documents require borrowers to forward regular financial information on both the business and on personal guarantors. Loan covenants require at least annual submission of complete financial information and in certain cases this information is required more frequently, depending on the degree to which the Bank requires information for monitoring a borrower's financial condition and compliance with loan covenants. Examples of properly margined collateral for loans, as required by Bank policy, would be a 75% advance on the lesser of appraisal or recent sales price on commercial property, 80% or less advance on eligible accounts receivables, 50% or less advance on eligible inventory and an 80% advance on appraised residential property. Collateral borrowing certificates may be required to monitor certain collateral categories on a monthly or quarterly basis. Key person life insurance is required as appropriate and as necessary to mitigate the risk of loss of a primary owner or manager.

Commercial lines of credit are used to finance a business borrower's short-term credit needs and/or to finance a percentage of eligible receivables and inventory. In addition to the risks inherent in term loan facilities, line of credit borrowers typically require additional monitoring to protect the lender against increasing loan volumes and diminishing collateral values. Commercial lines of credit are generally revolving in nature and require close scrutiny. The Bank generally requires an annual out of debt period (for seasonal borrowers) or regular financial information (monthly or quarterly financial statements, borrowing base certificates, etc.) for borrowers with more growth and greater permanent working capital financing needs. Advances against collateral are generally in the same percentages as in term loan lending. Lines of credit and term loans to the same borrowers are generally cross-defaulted and cross-collateralized. Industry and collateral concentration, general and specific reserve allocation and risk rating disciplines are the same as those used in managing the commercial term loan portfolio. Interest rate charges on this group of loans generally float at a factor at or above the prime lending rate, subject in many cases to a minimum rate. Generally, personal guarantees are required on these loans.

As part of its internal loan review process management reviews all loans 30-days delinquent, loans on the Watch List, loans rated special mention, substandard, or doubtful, and other loans of concern at least quarterly. Loan reviews are reported to the board of directors with any adversely rated changes specifically mentioned. All other loans with their respective risk ratings are reported monthly to the Bank's Board of Directors. The Audit Committee coordinates periodic documentation and internal control reviews by outside vendors to complement loan reviews.

Under guidance by the federal banking regulators, banks which have concentrations in construction, land development or commercial real estate loans would be expected to maintain higher levels of risk management and, potentially, higher levels of capital. It is possible that we may be required to maintain higher levels of capital than we would otherwise be expected to maintain as a result of our levels of construction, development and commercial real estate loans, which may adversely affect shareholder returns, or require us to obtain additional capital sooner that we otherwise would. Excluded from the scope of this guidance are loans secured by non-farm nonresidential properties where the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or affiliate of the party, who owns the property.

Mortgage Lending. The Bank originates, funds, and services conforming and non-conforming 1-4 family residential mortgage loans for its own portfolio. Such loans are generally made at no more than the lesser of 80% loan to collateral value or cost. Mortgage loans are underwritten with full documentation, including verification of income and assets. Although the mortgage loans the Bank originates often carry amortization periods of up to 30 years, interest rate risk is controlled through balloon payments or interest rate adjustments of generally five years or less. It should be noted that prior to 2008 the Bank purchased various conforming and non-conforming residential mortgage loans from various mortgage loan originators, some of which were at 100% of the purchase price with 35% of the Bank's exposure covered by mortgage insurance. The practice of purchasing mortgage loans from others was terminated in late 2007.

Other Loans. Loans are considered for any worthwhile personal or business purpose on a case-by-case basis, such as the financing of equipment, receivables, contract administration expenses, land acquisition and development, and automobile financing. Consumer credit facilities are underwritten to focus on the borrower's credit record, length of employment and cash flow to debt service. Car, residential real estate and similar loans generally require advances of the lesser of 80% loan to collateral value or cost.

A loan loss reserve, currently amounting to approximately 1.10% of the entire portfolio, has been established. Specific loan reserves are established to increase overall reserves based on increased credit and/or collateral risks on an individual loan basis. At December 31, 2009, specific reserves have been assigned or made for specific credits. A risk rating system is used to proactively determine loss exposure and provide a measurement system to assist in setting general and specific reserve allocations.

We seek to mitigate overall risk in the loan portfolio by monitoring and controlling concentrations. Due to market demands and opportunities, and management background and experience, our focus is on commercial lending in our local market. The Bank has a significant portion of its loan portfolio in loans to developers, contractors and real estate investors. We manage this risk by having appropriate underwriting standards and monitoring procedures to ensure that each such loan is structured and monitored appropriately. We seek to diversify our commercial real estate loans by product type, ownership and geography to avoid undue concentrations in any one product type or sub-market. We also actively seek to diversify our loan portfolio by targeting commercial and industrial loan opportunities, particularly in the government contractor and professional services industries.

Investment Activities

The investment policy of the Bank is an integral part of its overall asset/liability management program. The investment policy is to establish a portfolio which will provide liquidity necessary to facilitate funding of loans and to cover deposit fluctuations while at the same time achieving a satisfactory return on the funds invested. The Bank seeks to maximize earnings from its investment portfolio consistent with the safety and liquidity of those investment assets.

The securities in which the Bank may invest are subject to regulation and are limited to securities which are considered investment grade securities. In addition, the Bank's internal investment policy restricts investments to the following categories: U.S. Treasury securities; obligations of U.S. government agencies; investment grade obligations of U.S. private corporations; mortgage-backed securities, including securities issued by Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; or securities of states and political subdivisions.

The Bank also invests in FDIC insured deposits of other banks and credit unions through its participation in QwickRate®, a national certificate of deposit listing service. All certificates of deposit purchased through QwickRate® are purchased in increments below the FDIC insurance maximum and are purchased from FDIC insured banks, savings and loans, and credit unions that are classified as being well capitalized by their applicable federal regulatory agency.

Sources of Funds

Deposits. Deposits obtained through bank offices have traditionally been the principal source of the Bank's funds for use in lending and for other general business purposes. In order to serve the needs of its customers, the Bank offers several types of deposit accounts, including standard savings, checking, and NOW accounts, and certificates of deposit. In addition, the Bank offers the Certificate of Deposit Account Registry Service (CDARS®) to its customers as a way to obtain full FDIC insurance coverage on certificates of deposit. CDARS® is a service provided by Promontory Interfinancial Network LLC. It is a network of participating financial institutions that places deposits into certificates of deposit issued by banks in the network. Deposits are placed in increments of less than the FDIC insurance maximum so that all funds are eligible for full FDIC insurance. Funds are matched on a dollar-for-dollar basis so that the equivalent of the original deposit becomes a funding source for the Bank. CDARS® deposits generally represent funds from significant customers of the Bank who desire insurance coverage above the current FDIC maximum.

The Bank utilizes a national certificate of deposit listing service called QwickRate®, a network consisting of over 2,000 institutional subscribers. QwickRate® provides the Bank with a funding alternative that can be used to obtain on-time liquidity and as a source of contingency funding. All certificates of deposit obtained through QwickRate® are in increments below the FDIC insurance maximum and are obtained from institutional investors, including banks, savings and loans, credit unions and corporations.

The Bank also utilizes brokered deposits as a source of deposit funding. Brokered deposits represent deposits acquired through deposit brokers that, for a fee, facilitate the placement of deposits with insured institutions for third parties. The Bank uses brokered deposits as a supplemental funding source generally to bridge receipt of traditional customer deposits to fund loans.

Bills have been introduced in past Congresses which would effectively permit banks to pay interest on checking and demand deposit accounts established by businesses, a practice which is currently prohibited by regulation. If the legislation effectively permitting the payment of interest on business demand deposits is enacted, of which there can be no assurance, it is likely that we may be required to pay interest on some portion of our non-interest bearing deposits in order to compete against other banks. As a significant portion of our deposits are non-interest bearing demand deposits established by businesses, payment of interest on these deposits could have a significant negative impact on our net income, net interest income, interest margin, return on assets and equity, and other indices of financial performance. We expect that other banks would be faced with similar negative impacts. We also expect that the primary focus of competition would continue to be based on other factors, such as quality of service.

Borrowing. The Bank utilizes short-term borrowings from customers under agreements to repurchase. These transactions, which are secured by a portion of the Bank's investment securities portfolio, are offered to significant commercial demand deposit customers and are considered a core funding source of the Bank. Short-term borrowings also include Federal funds purchased, which are unsecured overnight borrowings from other banks, and are generally used to accommodate short-term liquidity needs.

While the Bank has not placed significant reliance on borrowings as a source of liquidity, we have established various borrowing arrangements with the Federal Home Loan Bank of Atlanta and the Federal Reserve Bank of Richmond in order to provide management with additional sources of liquidity and funding, thereby increasing flexibility. Management believes that the Bank currently has adequate liquidity available to respond to current liquidity demands.

Community Reinvestment Act

The Bank is committed to serving the banking needs of the entire community, including low and moderate income areas, and is a supporter of the Community Reinvestment Act ("CRA"). There are several ways in which the Bank attempts to fulfill this commitment, including funding small business loans, financing of affordable housing projects, and becoming involved with local groups that support community outreach programs.

The Bank encourages its directors and officers to participate in community, civic and charitable organizations. Management and members of the Board of Directors periodically review the various CRA activities of the Bank, including its credit granting process and its involvement with community leaders on a personal level.

Competition

In attracting deposits and making loans, the Bank encounters competition from other institutions, including larger commercial banking organizations, savings banks, credit unions, other financial institutions and non-bank financial service companies serving our market area. Financial and non-financial institutions not located in the market are also able to reach persons and entities based in the market through mass marketing, the internet, telemarketing, and other means. The principal methods of competition include the level of loan interest rates, interest rates paid on deposits, efforts to obtain deposits, range of services provided and the quality of these services. The Bank's competitors include a number of major financial companies whose substantially greater resources may afford them a marketplace advantage by enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns. In light of the deregulation of the financial service industry and the absence of interest rate controls on deposits, we anticipate continuing competition from all of these institutions in the future. Additionally, as a result of legislation which reduced restrictions on interstate banking and widened the array of companies that may own banks, the Bank faces additional competition from institutions outside our market and outside the traditional range of bank holding companies which may take advantage of such legislation to acquire or establish banks or branches in our market. There can be no assurance that we will be able to successfully meet these competitive challenges.

In addition to offering competitive rates for its banking products and services, the Bank's strategy for meeting competition has been to concentrate on specific segments of the market for financial services, particularly small business and individuals, by offering such customers customized and personalized banking services.

Employees

At March 23, 2010, the Bank employed forty-three (43) persons on a full time equivalent basis, three (3) of which are executive officers. None of the Bank's employees are represented by any collective bargaining group, and the Bank believes that its employee relations are good. The Bank provides a benefit program, which includes health and dental insurance, a 401k plan, life and long-term disability insurance for substantially all full time employees and an incentive stock option plan for key employees and directors of the Bank.

Supervision and Regulation

The Bank, as a Virginia chartered commercial bank which is a member of the Federal Reserve System (a "state member bank") and whose accounts are insured by the Deposit Insurance Fund of the FDIC up to the maximum legal limits of the FDIC, will be subject to regulation, supervision and regular examination by the Bureau of Financial Institutions and the Federal Reserve Board. The regulations of these various agencies govern most aspects of the Bank's business, including required reserves against deposits, loans, investments, mergers and acquisitions, borrowing, dividends and location and number of branch offices. The laws and regulations governing the Bank generally have been promulgated to protect depositors and the deposit insurance funds, and not for the purpose of protecting shareholders.

Competition among commercial banks, savings and loan associations, and credit unions has increased following enactment of legislation that greatly expanded the ability of banks and bank holding companies to engage in interstate banking or acquisition activities. As a result of federal and state legislation, banks in the Washington, D.C./Maryland/Virginia area can, subject to limited restrictions, acquire or merge with a bank in another of the jurisdictions, and can branch *de novo* in any of the jurisdictions. The Graham Leach Bliley Act allows a wider array of companies to own banks, which could result in companies with resources substantially in excess of those of the Bank entering into competition with the Bank.

Banking is a business that depends on interest rate differentials. In general, the differences between the interest paid by a bank on its deposits and its other borrowings and the interest received by a bank on loans extended to its customers and securities held in its investment portfolio constitute the major portion of the Bank's earnings. Thus, the earnings and growth of the Bank will be subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly, as it relates to monetary policy, the Federal Reserve Board, which regulates the supply of money through various means including open market dealings in United States government securities. The nature and timing of changes in such policies and their impact on the Bank cannot be predicted.

Branching and Interstate Banking. The federal banking agencies are authorized to approve an interstate bank merger transaction without regard to whether such transaction is prohibited by the law of any state, unless the home state of one of the banks has opted out of the interstate bank merger provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act") by adopting a law after the date of enactment of the Riegle-Neal Act and prior to June 1, 1997 which applies equally to all out-of-state banks and expressly prohibits merger transactions involving out-of-state banks. Interstate acquisitions of branches are permitted only if the law of the state in which the branch is located permits such acquisitions. Such interstate bank mergers and branch acquisitions are also subject to the nationwide and statewide insured deposit concentration limitations described in the Riegle-Neal Act.

The Riegle-Neal Act authorizes the federal banking agencies to approve interstate branching *de novo* by national and state banks in states that specifically allow for such branching. The District of Columbia, Maryland and Virginia have all enacted laws that permit interstate acquisitions of banks and bank branches and permit out-of-state banks to establish *de novo* branches.

Patriot Act and Bank Secrecy Act. Under the Bank Secrecy Act ("BSA"), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report cash transactions involving more than $10,000 to the United States Treasury. In addition, financial institutions are required to file suspicious activity reports for transactions that involve more than $5,000 and which the financial institution knows, suspects or has reason to suspect, involves illegal funds, are designed to evade the requirements of the BSA or have no lawful purpose. Under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act, commonly referred to as the "USA Patriot Act" or the "Patriot Act," financial institutions are subject to prohibitions against specified financial transactions and account relationships, as well as enhanced due diligence standards intended to detect, and prevent, the use of the United States financial system for money laundering and terrorist financing activities. The Patriot Act requires financial institutions, including banks, to establish anti-money laundering programs, including employee training and independent audit requirements, meet minimum standards specified by the act, follow minimum standards for customer identification and maintenance of customer identification records, and regularly compare customer lists against lists of suspected terrorists, terrorist organizations and money launderers. The costs or other effects of the compliance burdens imposed by the Patriot Act or future anti-terrorist, homeland security or anti-money laundering legislation or regulations cannot be predicted with certainty.

Capital Adequacy Guidelines. The Federal Reserve Board has adopted risk-based capital adequacy guidelines pursuant to which it assesses the adequacy of capital in examining and supervising banks and bank holding companies and in analyzing bank regulatory applications. Risk-based capital requirements determine the adequacy of capital based on the risk inherent in various classes of assets and off-balance sheet items. Regulatory agencies may require the Bank to maintain a higher level of capital during its early years of operation as a condition of approval of its charter, deposit insurance or Federal Reserve membership applications.

State member banks are expected to meet a minimum ratio of total qualifying capital (the sum of core capital (Tier 1) and supplementary capital (Tier 2)) to risk weighted assets of 8%. At least half of this amount (4%) should be in the form of core capital. Tier 1 Capital generally consists of the sum of common shareholders' equity and perpetual preferred stock (subject in the case of the latter to limitations on the kind and amount of such stock which may be included as Tier 1 Capital), less goodwill, without adjustment for changes in the market value of securities classified as "available for sale" in accordance with FAS 115. Tier 2 Capital consists of the following: hybrid capital instruments; perpetual preferred stock which is not otherwise eligible to be included as Tier 1 Capital; term subordinated debt and intermediate-term preferred stock; and, subject to limitations, general allowances for loan losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics, with the categories ranging from 0% (requiring no risk-based capital) for assets such as cash, to 100% for the bulk of assets which are typically held by a bank, including certain multi-family residential and commercial real estate loans, commercial business loans and consumer loans. Residential first mortgage loans on one to four family residential real estate and certain seasoned multi-family residential real estate loans, which are not 90 days or more past-due or non-performing and which have been made in accordance with prudent underwriting standards are assigned a 50% level in the risk-weighing system, as are certain privately-issued mortgage-backed securities representing indirect ownership of such loans. Off-balance sheet items also are adjusted to take into account certain risk characteristics.

In addition to the risk-based capital requirements, the Federal Reserve Board has established a minimum 3.0% Leverage Capital Ratio (Tier 1 Capital to total adjusted assets) requirement for the most highly-rated banks, with an additional cushion of at least 100 to 200 basis points for all other banks, which effectively increases the minimum Leverage Capital Ratio for such other banks to 4.0% - 5.0% or more. The highest-rated banks are those that are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and, in general, those which are considered strong banking organizations. A bank having less than the minimum Leverage Capital Ratio requirement shall, within 60 days of the date as of which it fails to comply with such requirement, submit a reasonable plan describing the means and timing by which the bank shall achieve its minimum Leverage Capital Ratio requirement. A bank which fails to file such plan is deemed to be operating in an unsafe and unsound manner, and could subject the bank to a cease-and-desist order. Any insured depository institution with a Leverage Capital Ratio that is less than 2.0% is deemed to be operating in an unsafe or unsound condition pursuant to Section 8(a) of the Federal Deposit Insurance Act (the "FDIA") and is subject to potential termination of deposit insurance. However, such an institution will not be subject to an enforcement proceeding solely on account of its capital ratios, if it has entered into and is in compliance with a written agreement to increase its Leverage Capital Ratio and to take such other action as may be necessary for the institution to be operated in a safe and sound manner. The capital regulations also provide, among other things, for the issuance of a capital directive, which is a final order issued to a bank that fails to maintain minimum capital or to restore its capital to the minimum capital requirement within a specified time period.

The capital ratios described above are the minimum levels that the federal banking regulators expect. In respect of institutions with high concentrations of loans in areas deemed to be higher risk, or during periods of significant economic stress, regulators may require an institution to maintain a higher level of capital, and/or to maintain more stringent risk management measures, than those required by these regulations.

Prompt Corrective Action. Under Section 38 of the FDIA, each federal banking agency is required to implement a system of prompt corrective action for institutions which it regulates. The federal banking agencies have promulgated substantially similar regulations to implement the system of prompt corrective action established by Section 38 of the FDIA. Under the regulations, a bank shall be deemed to be: (i) "well capitalized" if it has a Total Risk Based Capital Ratio of 10.0% or more, a Tier 1 Risk Based Capital Ratio of 6.0% or more, a Leverage Capital Ratio of 5.0% or more and is not subject to any written capital order or directive; (ii) "adequately capitalized" if it has a Total Risk Based Capital Ratio of 8.0% or more, a Tier 1 Risk Based Capital Ratio of 4.0% or more and a Tier 1 Leverage Capital Ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of "well capitalized;" (iii) "undercapitalized" if it has a Total Risk Based Capital Ratio that is less than 8.0%, a Tier 1 Risk based Capital Ratio that is less than 4.0% or a Leverage Capital Ratio that is less than 4.0% (3.0% under certain circumstances); (iv) "significantly undercapitalized" if it has a Total Risk Based Capital Ratio that is less than 6.0%, a Tier 1 Risk Based Capital Ratio that is less than 3.0% or a Leverage Capital Ratio that is less than 3.0%; and (v) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%.

An institution generally must file a written capital restoration plan which meets specified requirements with an appropriate federal banking agency within 45 days of the date the institution receives notice or is deemed to have notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. A federal banking agency must provide the institution with written notice of approval or disapproval within 60 days after receiving a capital restoration plan, subject to extensions by the applicable agency.

An institution which is required to submit a capital restoration plan must concurrently submit a performance guaranty by each company that controls the institution. Such guaranty shall be limited to the lesser of (i) an amount equal to 5.0% of the institution's total assets at the time the institution was notified or deemed to have notice that it was undercapitalized or (ii) the amount necessary at such time to restore the relevant capital measures of the institution to the levels required for the institution to be classified as adequately capitalized. Such a guaranty shall expire after the federal banking agency notifies the institution that it has remained adequately capitalized for each of four consecutive calendar quarters. An institution which fails to submit a written capital restoration plan within the requisite period, including any required performance guaranty, or fails in any material respect to implement a capital restoration plan, shall be subject to the restrictions under Section 38 of the FDIA which are applicable to significantly undercapitalized institutions.

A "critically undercapitalized institution" is to be placed in conservatorship or receivership within 90 days unless the FDIC formally determines that forbearance from such action would better protect the deposit insurance fund. Unless the FDIC or other appropriate federal banking regulatory agency makes specific further findings and certifies that the institution is viable and is not expected to fail, an institution that remains critically undercapitalized on average during the fourth calendar quarter after the date it becomes critically undercapitalized must be placed in receivership. The general rule is that the FDIC will be appointed as receiver within 90 days after a bank becomes critically undercapitalized unless extremely good cause is shown and an extension is agreed to by the federal regulators. In general, good cause is defined as capital which has been raised and is imminently available for infusion into the bank except for certain technical requirements which may delay the infusion for a period of time beyond the 90 day time period.

Immediately upon becoming undercapitalized, an institution becomes subject to the provisions of Section 38 of the FDIA, which (i) restrict payment of capital distributions and management fees; (ii) require that the appropriate federal banking agency monitor the condition of the institution and its efforts to restore its capital; (iii) require submission of a capital restoration plan; (iv) restrict the growth of the institution's assets; and (v) require prior approval of certain expansion proposals. The appropriate federal banking agency for an undercapitalized institution also may take any number of discretionary supervisory actions if the agency determines that any of these actions is necessary to resolve the problems of the institution at the least possible long-term cost to the deposit insurance fund, subject in certain cases to specified procedures. These discretionary supervisory actions include: requiring the institution to raise additional capital; restricting transactions with affiliates; requiring divestiture of the institution or the sale of the institution to a willing purchaser; and any other supervisory action that the agency deems appropriate. These and additional mandatory and permissive supervisory actions may be taken with respect to significantly undercapitalized and critically undercapitalized institutions.

Additionally, under Section 11(c)(5) of the FDIA, a conservator or receiver may be appointed for an institution where: (i) an institution's obligations exceed its assets; (ii) there is substantial dissipation of the institution's assets or earnings as a result of any violation of law or any unsafe or unsound practice; (iii) the institution is in an unsafe or unsound condition; (iv) there is a willful violation of a cease-and-desist order; (v) the institution is unable to pay its obligations in the ordinary course of business; (vi) losses or threatened losses deplete all or substantially all of an institution's capital, and there is no reasonable prospect of becoming "adequately capitalized" without assistance; (vii) there is any violation of law or unsafe or unsound practice or condition that is likely to cause insolvency or substantial dissipation of assets or earnings, weaken the institution's condition, or otherwise seriously prejudice the interests of depositors or the insurance fund; (viii) an institution ceases to be insured; (ix) the institution is undercapitalized and has no reasonable prospect that it will become adequately capitalized, fails to become adequately capitalized when required to do so, or fails to submit or materially implement a capital restoration plan; or (x) the institution is critically undercapitalized or otherwise has substantially insufficient capital.

Regulatory Enforcement Authority. Federal banking law grants substantial enforcement powers to federal banking regulators. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including the filing of misleading or untimely reports with regulatory authorities.

A result of the volatility and instability in the financial system during 2008, the Congress, the bank regulatory authorities and other government agencies have called for or proposed additional regulation and restrictions on the activities, practices and operations of banks and their holding companies. While many of these proposals relate to institutions that have accepted investments from, or sold troubled assets to, the Department of the Treasury or other government agencies, or otherwise participate in government programs intended to promote financial stabilization, the Congress and the federal banking agencies have broad authority to require all banks and holding companies to adhere to more rigorous or costly operating procedures, corporate governance procedures, or to engage in activities or practices which they would not otherwise elect. Any such requirement could adversely affect the Bank's business and results of operations. The Bank did not accept an investment by the Treasury Department in its preferred stock or warrants to purchase common stock, and except for the temporary increases in deposit insurance for customer accounts, has not participated in any of the programs adopted by the Treasury Department, FDIC or Federal Reserve.

FDIC Insurance Premiums. The FDIC maintains a risk-based assessment system for determining deposit insurance premiums. Four risk categories (I-IV), each subject to different premium rates, are established, based upon an institution's status as well capitalized, adequately capitalized or undercapitalized, and the institution's supervisory rating. During 2008, all insured depository institutions paid deposit insurance premiums ranging between 5 and 7 basis points on an institution's assessment base for institution's in risk category I (well capitalized institutions perceived as posing the least risk to the insurance fund), and 10, 28 and 40 basis points for institutions in risk categories II, III and IV. The levels of rates are subject to periodic adjustment by the FDIC. Until 2010, institutions less than five years old which are in risk category I will have their actual rate determined in the same manner as other institutions, i.e. based upon various financial characteristics of the institution. However, commencing in 2010, institutions, such as the Bank, established for less than 5 years in category I will be assessed at the maximum rate applicable to institutions in risk category I. Depository institutions will also pay premiums for the increased coverage provided by the FDIC.

Commencing in 2009, the premium rates increased by 7 basis points in each category for the first quarter of 2009. For the second quarter of 2009 and beyond, the FDIC has established further changes in rates, and introduced three adjustments that can be made to an institution's initial base assessment rate: (1) a potential decrease for long-term unsecured debt, including senior and subordinated debt and, for small institutions, a portion of Tier 1 capital; (2) a potential increase for secured liabilities above a threshold amount; and (3) for non-Risk Category I institutions, a potential increase for brokered deposits above a threshold amount. The schedule for base assessment rates and potential adjustment is set forth in the following table.

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV
Initial Base Assessment Rate	12 – 16	22	32	45
Unsecured Debt Adjustment (added)	(5) to 0	(5) to 0	(5) to 0	(5) to 0
Secured Liability Adjustment (added)	0 to 8	0 to 11	0 to 16	0 to 22.5
Brokered Deposit Adjustment (added)	N/A	0 to 10	0 to 10	0 to 10
Total Base Assessment Rate	7 to 24.0	17 to 43.0	27 to 58.0	43 to 77.5

The FDIC also imposed a special FDIC insurance assessment of 5 basis points on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009, but no more than 10 basis points times the institution's assessment base for the second quarter of 2009, which was collected on September 30, 2009. In addition, during the fourth quarter of 2009, the FDIC required that insured depository institutions pre-pay estimated FDIC insurance assessments through 2012. This prepayment, in the amount of $930 thousand, was collected on December 30, 2009. Additional special assessments may be imposed by the FDIC in the future.

Additionally, the Bank has elected to participate in the FDIC program whereby noninterest bearing transaction account deposits will be insured without limitation through June 30, 2010. Until December 31, 2009, the Bank was required to pay an additional premium to the FDIC of 10 basis points on the amount of balances in noninterest bearing transaction accounts that exceed the existing deposit insurance limit of $250,000. During 2010, the fee will be 15 to 25 basis points, depending on the institution's risk category.

Item 1A. Risk Factors

An investment in our common stock involves various risks. The following is a summary of certain risks identified by us as affecting our business. You should carefully consider the risk factors listed below, as well as other cautionary statements made in this report, and risks and uncertainties which we may identify in our other reports and documents filed with the Board of Governors of the Federal Reserve System or other public announcements. These risk factors may cause our future earnings to be lower or our financial condition to be less favorable than we expect. In addition, other risks of which we are not aware, which relate to the banking and financial services industries in general, or which we do not believe are material, may cause earnings to be lower, or hurt our future financial condition. You should read this section together with the other information in this report.

The Bank has only recently achieved quarterly profitability, and there can be no assurance that that the Bank will be able to maintain or increase its level of profitability.

The Bank commenced operations in April 2006, and has only achieved profitability on a quarterly basis in the third quarter of 2009, during which it earned approximately $28 thousand. For the full year 2009, the Bank had a loss of $1.0 million, including earnings of approximately $102 thousand in the fourth quarter of 2009. As of December 31, 2009, the Bank had accumulated approximately $8.0 million in losses, including losses incurred during the period following the consummation of the Stock Purchase Agreement and expansion of staff and business locations. While we expect that the new offices, officers and banking relationships will provide the Bank with significant business development opportunities, there can be no assurance that any of these relationships will materialize, or that the Bank will be able to profitably manage these relationships. The increase in staff and physical locations anticipated in connection with the new relationships has resulted in an increase in operating expenses. There can be no assurance that the Bank will be able to maintain profitability, or continue to grow in a profitable manner.

An active public market for our common stock does not exist, and therefore shareholders may not be able to easily sell their common stock.

An active public market for the common stock does not currently exist, and there are no market makers for the common stock. While the common stock will be freely transferable by most shareholders, we cannot be sure that an active or established trading market will ever develop, or if one develops, that it will continue, or whether the price of the common stock will be higher or lower than the price at which the Bank has sold stock. The common stock is not being listed on any exchange or organized market, and there is no current intention to effect such a listing in the near future. There can be no assurance that trading in the over-the-counter market or through brokers or market makers will develop. As a result, an investment in the common stock may be relatively illiquid.

A substantial portion of the Bank's loans are and will continue to be real estate related loans in the Northern Virginia/Washington, D.C. metropolitan area, and substantially all of our loans are and will be made to borrowers in that area. Adverse changes in the real estate market or economy in this area could lead to higher levels of problem loans and charge-offs, and adversely affect our earnings and financial condition.

The Bank makes loans primarily to borrowers in the Northern Virginia/Washington, D.C. market area, and has a substantial portion of its loans secured by real estate. These concentrations expose us to the risk that adverse developments in the real estate market, or in the general economic conditions in the Northern Virginia/Washington, D.C. metropolitan area, or the continuation of such adverse developments, could increase the levels of nonperforming loans and charge offs, and reduce loan demand and deposit growth. In that event, we would likely experience lower earnings or losses. Additionally, if economic conditions in the area deteriorate, or there is significant volatility or weakness in the economy or any significant sector of the area's economy, our ability to develop our business relationships may be diminished, the quality and collectability of our loans may be adversely affected, the value of collateral may decline and loan demand may be reduced.

Our concentrations of loans may create a greater risk of loan defaults and losses.

A substantial portion of our loans are secured by real estate in the Northern Virginia/Washington, DC market area, and substantially all of our loans are to borrowers in that area. We also have a significant amount of real estate construction loans and land related loans for residential and commercial developments. At December 31, 2009, 72% of our loans were secured by real estate, primarily commercial real estate. Management believes that the commercial real estate concentration risk is mitigated by diversification among the types and characteristics of real estate collateral properties, sound underwriting practices, and ongoing portfolio monitoring and market analysis. Of these loans, $32.1 million, or 15% of total portfolio loans, were construction and land development loans. An additional $57.1 million, or 27% of total portfolio loans, were commercial and industrial loans which are not primarily secured by real estate. These categories of loans generally have a higher risk of default than other types of loans, such as single family residential mortgage loans. The repayments of these loans often depends on the successful operation of a business or the sale or development of the underlying property and as a result, are more likely to be adversely affected by adverse conditions in the real estate market or the economy in general. While we believe that our loan portfolio is well diversified in terms of borrowers and industries, these concentrations expose us to the risk that adverse developments in the real estate market, or in the general economic conditions in the Northern Virginia/Washington, DC market area, could increase the levels of nonperforming loans and charge-offs, and reduce loan demand. In that event, we would likely experience lower earnings or losses. Additionally, if, for any reason, economic conditions in our market area deteriorate, or there is significant volatility or weakness in the economy or any significant sector of the area's economy, our ability to develop our business relationships may be diminished, the quality and collectability of our loans may be adversely affected, the value of collateral may decline and loan demand may be reduced.

Under guidance from the banking agencies, we may be required to maintain higher levels of capital than we would otherwise be expected to maintain, and to employ greater risk management efforts, as a result of our real estate concentrations.

Commercial, commercial real estate and construction loans tend to have larger balances than single family mortgages loans and other consumer loans. Because the loan portfolio contains a significant number of commercial and commercial real estate and construction loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in nonperforming assets. An increase in nonperforming loans could result in: a loss of earnings from these loans, an increase in the provision for loan losses, or an increase in loan charge-offs, which could have an adverse impact on our results of operations and financial condition. Further, under guidance adopted by the federal banking regulators, banks which have concentrations in construction, land development or commercial real estate loans (other than loans for majority owner occupied properties) would be expected to maintain higher levels of risk management and, potentially, higher levels of capital. It is possible that we may be required to maintain higher levels of capital than we would otherwise be expected to maintain as a result of our levels of construction, development and commercial real estate loans, which may require us to obtain additional capital sooner than we would otherwise seek it, which may reduce shareholder returns.

Lack of seasoning of our loan portfolio could increase the risk of credit defaults in the future.

Due to the rapid growth of the Bank, a large portion of the loans in our loan portfolio and of our lending relationships is of relatively recent origin. In general, loans do not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as "seasoning." As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio. Because a large portion of our loan portfolio is relatively new, the current level of delinquencies and defaults may not be representative of the level that will prevail when the portfolio becomes more seasoned, which may be higher than current levels. If delinquencies and defaults increase, we may be required to increase our provision for loan losses, which would adversely affect our results of operations and financial condition.

The Bank's financial condition and results of operations would be adversely affected if the allowance for loan losses is not sufficient to absorb actual losses or if the Bank is required to increase its allowance for loan losses.

Experience in the banking industry indicates that a portion of our loans will become delinquent, and that some may only be partially repaid or may never be repaid at all. Despite our underwriting criteria, we may experience losses for reasons beyond our control, such as general economic conditions. Although we believe that our allowance for loan losses is maintained at a level adequate to absorb any inherent losses in our loan portfolio, these estimates of loan losses are necessarily subjective and their accuracy depends on the outcome of future events. Further, despite our underwriting criteria and historical experience, we may be particularly susceptible to losses due to: (1) the geographic concentration of our loans, (2) the concentration of higher risk loans, such as commercial real estate, and commercial and industrial loans, and (3) the relative lack of seasoning of certain of our loans. Additionally, federal and state banking regulators, as an integral part of their supervisory function, periodically review our allowance for loan losses. These regulatory agencies may require us to increase our provision for loan losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. If we need to make significant and unanticipated increases in our loss allowance in the future, our results of operations would be materially adversely affected at that time.

While we strive to carefully monitor credit quality and to identify loans that may become nonperforming, at any time there are loans included in the portfolio that will result in losses, but that have not been identified as nonperforming or potential problem loans. We cannot be sure that we will be able to identify deteriorating loans before they become nonperforming assets, or that we will be able to limit losses on those loans that are identified. As a result, future additions to the allowance may be necessary.

Changes in interest rates and other factors beyond our control may adversely affect our earnings and financial condition.

Our operating income and net income depend to a great extent on our net interest margin, i.e., the difference between the interest yields we receive on loans, securities and other interest bearing assets and the interest rates we pay on interest bearing deposits and other liabilities. Net interest margin is affected by changes in market interest rates, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest bearing liabilities mature or reprice more quickly than interest earning assets in a period, an increase in market rates of interest could reduce net interest income. Similarly, when interest earning assets mature or reprice more quickly than interest bearing liabilities, falling interest rates could reduce net interest income. These rates are highly sensitive to many factors beyond our control, including inflation, unemployment, money supply, international events, events in world financial markets, competition, general economic conditions and monetary and fiscal policies of various governmental and regulatory authorities, including the Federal Reserve Board.

We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing, and balances of the different types of interest-earning assets and interest-bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our net interest margin and results of operations. Changes in the market interest rates for types of products and services in our market also may vary significantly from location to location and over time based upon competition and local or regional economic factors. Our interest rate management process depends upon a number of assumptions which may not prove to be accurate. There can be no assurance that we will be able to successfully manage our interest rate risk.

We have no current plans to pay cash dividends.

The amount of dividends that a bank may pay is limited by state and federal laws and regulations. Even if we have earnings in an amount sufficient to pay cash dividends, our Board of Directors currently intends to retain earnings for the purpose of financing growth. State and federal laws and regulations limit the amount of dividends that the Bank may pay. Under Virginia law, the Bank may not pay dividends until it has restored any deficit in its initial capital. Even if the Bank has earnings in an amount sufficient to pay dividends, the Board of Directors may decide to retain earnings for the purpose of financing growth. No assurance can be given that the Bank's earnings, if any, will ever permit the payment of any dividends to shareholders.

There is no assurance that the Bank will be able to compete successfully with others for its business.

The Bank will compete for loans, deposits, and investment dollars with other banks and other kinds of financial institutions and enterprises, such as securities firms, insurance companies, savings and loan associations, credit unions, mortgage brokers, and private lenders, many of which have substantially greater resources. Institutions much larger than the Bank dominate the Bank's primary market. Recent legislation expanding the array of firms that can own banks may result in increased competition for the Bank. The differences in resources and regulations may make it harder for the Bank to compete profitably, reduce the rates that it can earn on loans and investments, increase the rates it must offer on deposits and other funds, and adversely affect the Bank's overall financial condition and earnings.

The loss of the services of any key employees could adversely affect investor returns.

The Bank's business is service oriented, and the success of the Bank in the future will depend to a large extent upon the services of John R. Maxwell, the Chief Executive Officer, and other senior officers. The loss of the services of Mr. Maxwell or other senior officers could adversely affect our business.

The ability to recover money damages from the directors and officers of the Bank is limited by the Articles of Incorporation.

The Articles of Incorporation of the Bank provide that to the full extent permitted by Virginia law, an officer or director of the Bank will not be liable to the Bank or its shareholders for monetary damages. This could result in monetary loss to the Bank and its shareholders as a result of the breaches of its officers or directors without the ability to obtain compensation for that loss from the officers or directors.

Substantial regulatory limitations on changes of control and anti-takeover provisions of Virginia law may make it more difficult for you to receive a change in control premium.

With certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than 10% (5% if the acquiror is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our company without prior notice or application to and the approval of the Federal Reserve. There are comparable prior approval requirements for changes in control under Virginia law. Also, Virginia corporate law contains several provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors, and may make it more difficult or expensive for a third party to acquire a majority of our outstanding common stock.

Government regulation will significantly affect the Bank's business, and may result in higher costs and lower shareholder returns.

The banking industry is heavily regulated. Banking regulations are primarily intended to protect the federal deposit insurance funds and depositors, not shareholders. The Bank is regulated and supervised by the Virginia Bureau of Financial Institutions, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation. The burden imposed by federal and state regulations puts banks at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies and leasing companies. Changes in the laws, regulations and regulatory practices affecting the banking industry may increase our costs of doing business or otherwise adversely affect us and create competitive advantages for others. Regulations affecting banks and financial services companies undergo continuous change, and we cannot predict the ultimate effect of these changes, which could have a material adverse effect on our profitability or financial condition.

Federal economic and monetary policy may also affect our ability to attract deposits and other funding sources, make loans and investments, and achieve satisfactory interest spreads. Additionally, potential changes in applicable law, if enacted, including those that would permit banks to pay interest on checking and demand deposit accounts established by businesses, could have a significant negative effect on net interest income, net income, net interest margin, return on assets and return on equity.

A result of the volatility and instability in the financial system during 2008 and 2009, the Congress, the bank regulatory authorities and other government agencies have called for or proposed additional regulation and restrictions on the activities, practices and operations of banks and their holding companies. While many of these proposals relate to institutions that have accepted investments from, or sold troubled assets to, the Department of the Treasury or other government agencies, or otherwise participate in government programs intended to promote financial stabilization, the Congress and the federal banking agencies have broad authority to require all banks and holding companies to adhere to more rigorous or costly operating procedures, corporate governance procedures, or to engage in activities or practices which they would not otherwise elect. Any such requirement could adversely affect the Bank's business and results of operations. We cannot predict the actual effects of the Emergency Economic Stabilization Act of 2008, or EESA, the American Recovery and Reinvestment Act of 2009, or ARRA, the proposed regulatory reform measures and various governmental, regulatory, monetary and fiscal initiatives which have been and may be enacted on the financial markets, on the Bank. The terms and costs of these activities, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions could materially and adversely affect our business, financial condition, results of operations, and the trading prices of our securities.

We expect to face increased regulation of our industry, including as a result of EESA, the ARRA and related initiatives by the federal government. Compliance with such regulations may increase our costs and limit our ability to pursue business opportunities. The Bank did not accept an investment by the Treasury Department in its preferred stock, and except for the temporary increases in deposit insurance for customer accounts, has not participated in any of the programs adopted by the Treasury Department, FDIC or Federal Reserve.

Item 1B. Unresolved Staff Comments. Not applicable.

Item 2. Properties

The main office of the Bank is located at 5860 Columbia Pike, Falls Church, Virginia, in 3,393 square feet in a strip shopping center. The Bank leases the space under a ten (10) year lease, which commenced in January 2006, at an annual rent of $118,755, subject to annual increases of 2.50% per year plus additional rent related to common area fees and taxes. The Bank has two 5-year renewal options.

The Leesburg branch of the Bank is located at 830 South King Street, Leesburg, Virginia and consists of 2,780 square feet in a 2,780 square foot building. The property is occupied under a ten (10) year lease, which commenced September 2008, at an annual rent of $97,300, subject to annual increases of 3.00%, plus additional rent relating to common area fees and taxes. The Bank has two 5-year renewal options.

The Arlington branch of the Bank is located at 2300 Wilson Boulevard, Arlington, Virginia and consists of 1,633 square feet in a 197,356 square foot building. The property is occupied under a five (5) year lease, which commenced January 2009 at an annual rent of $66,974, subject to annual increases of 3.00%, plus additional rent relating to common area fees and taxes. The Bank has two 5-year renewal options.

The Gaithersburg branch of the Bank is located at 12165 Darnestown Road, Gaithersburg, Maryland and consists of approximately 200 square feet in a 5,300 square foot office building. The office space is occupied under a month-to-month sublease, which commenced June 2008 at a monthly rent of $1,200. The sublease is cancellable by either party with thirty (30) days advance notice.

The District of Columbia branch of the Bank is located at 4315 50th Street, NW, Washington, DC and consists of an approximately 120 square foot office suite. The office space is occupied under a one (1) year sublease, which commenced in February 2010 at a monthly rent of $500, with an option to renew for an additional year subject to an increase in the rent of 5.00%.

The Fairfax non-branch regional office is located at 10600 Arrowhead Drive, Fairfax, Virginia and consists of an approximately 150 square office suite. The office space is occupied under a one (1) year sublease agreement which commenced in March 2009 at a monthly rent of $700.

The Bank leases 5,939 square feet of office space located at 6601 Little River Turnpike, Alexandria, Virginia, for its executive offices and operating departments. The property is occupied under a six (6) year lease, which commenced April 2007. The current annual rent is $155,166, subject to annual increases of 2.75%, plus additional rent related to increased operating expenses after the first year. The Bank has one 5-year renewal option and also has an option to terminate the lease in March 2011.

The Bank believes that its existing facilities are adequate to conduct the Bank's business.

Item 3. Legal Proceedings

From time to time the Bank is a participant in various legal proceedings incidental to its business. The Bank is not a defendant in any currently pending legal proceedings. In the opinion of management, the outcome of legal proceedings which are currently pending will not have a material effect on the financial position of the Bank.

Item 4. (Removed and Reserved)

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market for Common Stock. The Bank's common stock is not traded on any organized exchange. As of March 23, 2010, no market makers made a market in the common stock in the over the counter "bulletin board" market or in the pink sheets on a regular basis. The common stock has traded only sporadically in transactions facilitated by the bank's online trading board, a service provided by the Bank's transfer agent, Transfer Online. Since the trading board was established in May 2009, approximately 15,000 shares have traded in a price range of $9.50 to $11.00 per share. The most recent trade known to the Bank occurred in March, 2010 at $10.00 per share. No assurance can be given that an active or established trading market will develop in the foreseeable future.

At March 23, 2010, there were 3,707,710 shares of the Bank's common stock outstanding, held by approximately 780 shareholders of record. Additionally, there were outstanding options to purchase 74,354 shares of common stock. For additional information regarding the Bank's outstanding stock options, please refer to "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Securities Authorized for Issuance Under Equity Compensation Plans" under Item 12 of Part III to this report and Note 16 to the Audited Financial Statements in Item 8 for the year ended December 31, 2009.

Dividends. The Bank has not paid any dividends to date. The payment of dividends will depend primarily upon the Bank's earnings, financial condition, and need for funds, as well as governmental policies and regulations applicable to it. It is not anticipated that any dividends will be paid in the foreseeable future. Even if the Bank has earnings in an amount sufficient to pay dividends, the Board of Directors may determine to retain earnings for the purpose of funding the growth of the Bank.

Regulations of the Federal Reserve Board and Virginia law place limits on the amount of dividends the Bank may pay without prior approval. Prior regulatory approval from the Federal Reserve is required to pay dividends which exceed the Bank's net profits for the current year plus its retained net profits for the preceding two calendar years, less required transfers to surplus. Under Virginia law, the Bank may not pay dividends until it has restored any deficit in its initial capital. State and federal bank regulatory agencies also have authority to prohibit a bank from paying dividends if such payment is deemed to be an unsafe or unsound practice. Compliance with minimum capital requirements, as presently in effect, or as they may be amended from time to time, could limit the amount of dividends that the Bank may pay. As a depository institution, the deposits of which are insured by the FDIC, the Bank may not pay dividends or distribute any of its capital assets while it remains in default on any assessment due the FDIC. The Bank currently is not in default under any of its obligations to the FDIC.

Issuer Purchases of Common Stock. No shares of the Bank's common stock were purchased by or on behalf of the Bank during the fourth quarter of 2009.

Recent Sales of Unregistered Securities. In April 2006, the Bank issued an aggregate of 1.5 million shares of common stock without registration under the Securities Act of 1933, in reliance upon the exemption for bank securities provided in Section 3(a)(2) of that act. The price at which the shares were sold was $10.00 per share in cash, for aggregate gross proceeds to the Bank of $15,000,000.

In June 2008, the Bank issued an aggregate of 2.2 million shares of common stock without registration under the Securities Act of 1933, in reliance upon the exemption for bank securities provided in Section 3(a)(2) of that act. The price at which the shares were sold was $10.00 per share in cash, for aggregate gross proceeds to the Bank of $22,000,000.

No person or entity underwrote either offering of the Bank's common stock, either on a firm or best efforts basis, which was effected pursuant to the efforts of certain of the directors and officers of the Bank. Koonce Securities, Inc., a registered broker-dealer, provided limited assistance to the Bank in connection with the offering consummated in 2006, in order to effect sales of shares in compliance with the securities laws of the jurisdictions in which the offering was made. For its services in connection with the offering, Koonce received $25,000, plus reimbursement of its actual out-of-pocket expenses.

Item 6. Selected Financial Data

As the Bank is a smaller reporting company, it is not required to provide this information. Please refer to Item 8 - Financial Statements and Supplementary Data.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This management's discussion and analysis and other portions of this report, contain forward-looking statements within the meaning of the Securities and Exchange Act of 1934, as amended, including statements of goals, intentions, and expectations as to future trends, plans, events or results of Bank operations and policies and regarding general economic conditions. In some cases, forward-looking statements can be identified by use of words such as "may," "will," "anticipates," "believes," "expects," "plans," "estimates," "potential," "continue," "should," and similar words or phrases. These statements are based upon current and anticipated economic conditions, nationally and in the Bank's market, interest rates and interest rate policy, competitive factors, and other conditions which by their nature, are not susceptible to accurate forecast, and are subject to significant uncertainty. Because of these uncertainties and the assumptions on which this discussion and the forward-looking statements are based, actual future operations and results may differ materially from those indicated herein. Readers are cautioned against placing undue reliance on any such forward-looking statements. The Bank's past results are not necessarily indicative of future performance.

General

The following presents management's discussion and analysis of the financial condition and results of operations of John Marshall Bank (the "Bank") as of the dates and for the periods indicated. This discussion should be read in conjunction with the Bank's Audited Financial Statements and the Notes thereto in Item 8 of this report, and other financial data appearing elsewhere in this report. The Bank is a Virginia state-chartered bank that commenced operations in April 2006. The Bank pursues a traditional community banking strategy, offering a full range of business and consumer banking services through three full service branches, two limited service branches, and one loan production office.

Headquartered in Falls Church, Virginia, John Marshall Bank serves the Northern Virginia suburbs of Washington, D.C., including Arlington, Fairfax, Fauquier, Loudoun, and Prince William Counties and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park. Its service area also covers Washington, D.C. and the nearby Maryland counties of Montgomery and Prince George's. The Bank's customer base includes small-to-medium sized businesses including firms that have contracts with the U.S. government, associations, retailers and industrial businesses, commercial real estate and real estate construction firms, professionals and their firms, business executives, investors and consumers.

Critical Accounting Policies

The Bank's financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The financial information contained within our statements is, to a significant extent, financial information that is based on measures of the financial effects of transactions and events that have already occurred. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or relieving a liability. In addition, GAAP itself may change from one previously acceptable method to another method. Although the economics of our transactions would be the same, the timing of events that would impact our transactions could change.

Allowance for Loan Losses

The estimates used in management's assessment of the adequacy of the allowance for loan losses require that management make assumptions about matters that are uncertain at the time of estimation. Differences in these assumptions and differences between the estimated and actual losses could have a material effect.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of the historical experience of the Bank and peer institutions, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. 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 nonclassified loans and is based on historical loss experience adjusted for qualitative factors. 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.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. 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. Impairment is measured on a loan-by-loan basis for commercial, construction, and mortgage loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

For further information regarding the allowance for loan losses see Notes 1 and 4 to the Audited Financial Statements in Item 8 and the discussion in this report under the caption "Asset Quality – Provision and Allowance for Loan Losses."

Stock-Based Compensation

At December 31, 2009, the Bank had one stock-based compensation plan, which is described more fully in Note 16 to the Audited Financial Statements in Item 8. The Bank accounts for this plan under applicable accounting guidance, which requires recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform services (usually the vesting period). The Bank recorded no stock-based compensation costs in 2009. Stock-based compensation costs included in salaries and benefits expense totaled $69,632 for the year 2008.

Financial Performance Overview

The Bank achieved significant growth in assets and loans in 2009, summarized as follows:

Dollars in thousands	December 31, 2009	December 31, 2008	$ Change	% Change
Loans, net of allowance for loan losses	$205,929	$117,235	$88,694	75.7%
Assets	234,643	136,407	98,236	72.0%

This growth in loans and assets was funded by significant increases in deposits and borrowed funds:

Dollars in thousands	December 31, 2009	December 31, 2008	$ Change	% Change
Deposits	$186,339	$95,421	$90,918	95.3%
Federal Home Loan Bank advances	12,900	3,000	9,900	330.0%

Loans are the Bank's major asset and as a result the major contributor to interest income. Following is a summary of the Bank's loan portfolio composition as of December 31, 2009, compared to December 31, 2008:

Dollars in thousands	December 31, 2009	December 31, 2008	$ Change	% Change
Mortgage loans on real estate				
Residential 1-4 family	$14,561	$16,466	$(1,905)	-11.6%
Commercial	100,464	53,457	47,007	87.9%
Construction	32,067	12,747	19,320	151.6%
Residential equity loans	3,326	1,713	1,613	94.2%
Total mortgage loans on real estate	$150,418	$84,383	$66,035	78.3%
Commercial loans	57,099	33,443	23,656	70.7%
Consumer installment loans	1,017	844	173	20.5%
Total Loans	$208,534	$118,670	$89,864	75.7%

Loan growth was concentrated in commercial real estate mortgage loans, which rose $47.0 million during the year to $100.5 million as of December 31, 2009. Commercial loans represented the second largest increase, rising $23.7 million to $57.1 million as of December 31, 2009. Growth slowed in residential mortgage and consumer loans as the Bank continued to shift its focus to small business and commercial real estate lending during the year.

While loans are the Bank's major asset, deposits are the Bank's major source of funding, and as a result the major contributor to interest expense. Following is a summary of the Bank's deposit composition as of December 31, 2009, compared to December 31, 2008:

Dollars in thousands	December 31, 2009	December 31, 2008	$ Change	% Change
Non-interest bearing demand deposits	$20,898	$9,856	$11,042	112.0%
Interest bearing demand deposits	2,325	2,889	(564)	-19.5%
Savings & money market deposits	75,881	20,425	55,456	271.5%
Certificates of deposit	51,224	43,753	7,471	17.1%
QwickRate® Certificates of deposit	11,380	2,630	8,750	332.7%
CDARS®	17,549	6,372	11,177	175.4%
Brokered deposits	7,082	9,496	(2,414)	-25.4%
Total Deposits	$186,339	$95,421	$90,918	95.3%

QwickRate® is a non-brokered certificate of deposit listing service provided by QwickRate, Inc. The service provides the Bank with as-needed access to institutional investors such as banks, credit unions and larger corporations who are seeking investments in FDIC insured deposits. QwickRate® certificates of deposit are typically issued in denominations of $250,000 or less directly to investors with no third-party broker involved.

CDARS® is the Certificate of Deposit Account Registry Service® offered by Promontory Interfinancial Network LLC. It is a network of participating financial institutions that places deposits into certificates of deposit issued by banks in the network. Deposits are placed in increments of less than the FDIC insurance maximum so that all funds are eligible for full FDIC insurance. Funds are matched on a dollar-for-dollar basis so that the equivalent of the original deposit becomes a funding source for the Bank. CDARS® deposits generally represent funds from significant customers of the Bank who desire insurance coverage above the current FDIC maximum.

Brokered deposits (other than CDARs deposits) represent deposits acquired through deposit brokers that facilitate the placement of deposits with insured institutions for third parties. The Bank uses brokered deposits as a supplemental funding source generally to bridge receipt of traditional customer deposits to fund loans.

Return on Average Assets and Average Equity

The following table shows the return on average assets and average equity for the period shown.

	Year Ended December 31,		
	2009	**2008**	**2007**
Return on Average Equity	(3.57)%	(16.01)%	(14,87)%
Return on Average Assets	(0.57)%	(4.01)%	(6.66)%
Ratio of Average Equity to Average Assets	15.94%	25.03%	44.75%

For the year ended December 31, 2009, the Bank reported a loss of $1.0 million, representing a 78.5% decrease from the prior year loss of $3.4 million. Net interest income increased $4.1 million, or 146.1%, from $2.8 million in 2008, to $6.9 million in 2009, and non-interest income increased $261 thousand, or 386.0%, from $68 thousand in 2008, to $329 thousand in 2009. The provision for loan losses increased $287 thousand, and non-interest expense rose 32.5%, from $5.2 million in 2008 to $6.9 million in 2009. The increase in non-interest income is primarily attributed to a gain on the sale of securities of $247 thousand realized during 2009. Without the gain on the sale of securities, non-interest income would have increased by 20.4% during 2009, from $68 thousand to $81 thousand. The primary factors behind increased earnings in 2009 was the increase in net interest income stemming from the $90 million increase in the loan portfolio during the year, and the resulting increase in the Bank's net interest margin from 3.41% during 2008 to 3.90% in 2009. The increase in non-interest expense is primarily attributed to an increase in salaries & benefits, which increased from $3.0 million in 2008 to $3.8 million in 2009, and an increase in occupancy expenses, which increased from $291 thousand in 2008 to $643 thousand in 2009. The increase in salaries & benefits was due primarily to the hiring of new employees required to support the growth in loans and deposits experienced in 2009 and to staff new branch locations. The increase in occupancy expenses was due to expenses associated with two new full service branches which opened in late 2008 and early 2009.

Stockholders' equity decreased by $1.1 million in 2009, or 3.7%, from $30.1 million at December 31, 2008 to $29.0 million at December 31, 2009, resulting from a loss of $1.0 million, and a $147 thousand decrease in other comprehensive income related to the investment securities portfolio. The total number of common shares outstanding increased in 2009 by 7,710, representing common shares issued in connection with the exercise of stock options by a former director of the Bank.

Total assets increased by $98.2 million in 2009, or 72.0%, from $136.4 million at December 31, 2008 to $234.6 million at December 31, 2009. The increase in total assets is primarily attributed to an increase in the loan portfolio by 75.7% during 2009, from $118.7 million at December 31, 2008 to $208.5 million at December 31, 2009. The Bank's loan portfolio represents its largest asset and contributor to interest income. The Bank's investment securities portfolio represents its second largest asset and contributor to interest income and is generally maintained as a primary source of liquidity, in addition to providing collateral for the Bank's customer repurchase agreements and public deposits. In 2009, the investment portfolio, including stock held in the Federal Home Loan Bank of Atlanta (FHLB) and the Federal Reserve, increased by $13.1 million, or 123.5%, from $10.7 million at December 31, 2008, to $23.8 million at December 31, 2009, with growth concentrated in mortgage-backed securities issued by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), and government agency bonds.

The increase in assets during 2009 was funded primarily by a $90.9 million increase in total deposits, or 95.3%, from $95.4 million at December 31, 2008 to $186.3 million at December 31, 2009; and a $9.9 million increase in borrowings from the FHLB, from $3.0 million at December 31, 2008 to $12.9 million at December 31, 2009.

Net Interest Income

Net interest income is the excess of interest earned on loans and investments over the interest paid on deposits and borrowings, and is the Bank's primary revenue source. Net interest income is thereby affected by overall balance sheet growth, changes in interest rates and changes in the mix of investments, loans, deposits and borrowings.

Following is a summary of changes in net interest income and net interest margin for 2009 compared to 2008:

Dollars in thousands	2009	2008	$ Change	% Change
Interest and dividend income	$9,954	$4,558	$5,396	118.4%
Total interest expense	3,097	1,772	1,325	74.8%
Net interest income	$6,857	$2,786	$4,071	146.1%
Net interest margin	3.90%	3.41%	n/a	14.4%

Beginning in September 2007, the Federal Open Market Committee (FOMC) began reducing the fed funds target by 500 basis points, from 5.25% to a historically low .25% by the end of 2008. The fed funds target rate remained at .25% throughout 2009. As a result of lower market rates, the cost of interest-bearing liabilities decreased from 3.20% in 2008 to 2.26% in 2009. Due to strong loan growth during this period, a greater proportion of the Bank's assets were invested in higher yielding assets during 2009. As a result, the Bank's yield on interest-earning assets increased from 5.58% in 2008 to 5.66% in 2009. The combination of a higher yield on interest earning assets, and a lower cost of funds, caused the Bank's interest rate spread to increase from 2.38% in 2008 to 3.40% in 2009. The overall net interest margin increased from 3.41% in 2008 to 3.90% in 2009.

Competition for deposits is strong, with many local competitors offering deposit rates higher than national averages. The FOMC has reduced market rates as far as it can in an attempt to stimulate economic growth and encourage borrowing. With local competition for both loans and deposits expected to remain strong, the Bank anticipates pressure on interest margins throughout the foreseeable future.

The following table shows the average balance sheets for each of the years ended December 31, 2009, 2008 and 2007. In addition, the amounts of interest earned on interest-earning assets, with related yields, and interest expense on interest-bearing liabilities, with related rates, are shown. Loans placed on a non-accrual status are included in the average balances. Net loan fees and late charges included in interest income on loans totaled $107.2 thousand in 2009 and $103.6 thousand in 2008.

	2009			2008			2007		
(Dollars in thousands)	Average Balance	Interest Income-Expense	Average Yields /Rates	Average Balance	Interest Income-Expense	Average Yields /Rates	Average Balance	Interest Income-Expense	Average Yields /Rates
Assets									
Securities (1)	$ 17,816	$ 638	3.58%	$ 7,648	$ 321	4.20%	$ 4,382	$ 231	5.27%
Loans, net of unearned income	154,108	9,295	6.03%	60,443	3,929	6.50%	11,408	831	7.28%
Interest-bearing deposits in other banks	1,170	17	1.45%	3,558	91	2.56%	5	--	6.06%
Federal funds sold	2,815	4	0.14%	9,985	217	2.17%	10,347	525	5.07%
Total interest-earning assets	$175,909	$9,954	5.66%	$81,634	$4,558	5.58%	$26,142	$1,587	6.07%
Other assets	8,282			3,367			2,391		
Total assets	$184,191			$85,001			$28,533		
Liabilities & Stockholders' Equity									
Interest-bearing deposits									
NOW accounts	$2,495	$17	0.68%	$1,908	$25	1.31%	$1,481	$29	1.96%
Money market accounts	51,997	1,053	2.03%	7,902	177	2.24%	3,552	120	3.38%
Savings accounts	8,163	84	1.03%	15,202	498	3.28%	2,567	130	5.06%
Time deposits	62,251	1,788	2.87%	27,344	1,030	3.77%	4,681	223	4.76%

(Dollars in thousands)	2009 Average Balance	2009 Interest Income-Expense	2009 Average Yields /Rates	2008 Average Balance	2008 Interest Income-Expense	2008 Average Yields /Rates	2007 Average Balance	2007 Interest Income-Expense	2007 Average Yields /Rates
Total interest-bearing deposits	$124,906	$2,942	2.36%	$52,356	$1,730	3.30%	$12,281	$502	4.09%
Securities sold under agreement to repurchase and federal funds purchased	$7,065	$56	0.79%	$2,529	37	1.46%	$438	$17	3.88%
Other borrowed funds	5,190	99	1.91%	572	5	0.87%	--	--	--
Total interest-bearing liabilities	$137,161	$3,097	2.26%	$55,457	$1,772	3.20%	$12,719	$519	4.08%
Demand deposits and other liabilities	17,663			8,265			3,047		
Total liabilities	$154,824			$63,722			$15,766		
Stockholders' equity	$29,367			$21,279			12,767		
Total liabilities and stockholders' equity	$184,191			$85,001			$28,533		
Interest rate spread			3.40%			2.38%			1.99%
Net interest income and margin		$6,857	3.90%		$2,786	3.41%		$1,068	4.09%

(1) Yields on securities available-for-sale have been calculated on the basis of historical cost and do not give effect to changes in the fair value of those securities, which are reflected as a component of stockholders' equity.

Interest income and expense are affected by changes in interest rates, by changes in the volumes of earning assets and interest-bearing liabilities, and by changes in the mix of these assets and liabilities. The following rate-volume variance analysis shows the year-to-year changes in the components of net interest income.

	2009 compared to 2008			2008 compared to 2007		
	Increase/(Decrease) Due to		Total Increase/ (Decrease)	Increase/(Decrease Due to		Total Increase/ (Decrease)
(Dollars in thousands)	**Volume**	**Rate**		**Volume**	**Rate**	
Interest Income						
Loans	$5,649	$(283)	$5,366	$3,572	$(473)	$3,099
Securities	364	(47)	317	172	(82)	90
Interest bearing deposits in other banks	(35)	(39)	(74)	215	(125)	90
Federal funds sold	(10)	(203)	(213)	(18)	(290)	(308)
Total interest income	$5,968	$(572)	$5,396	$3,941	$(970)	$2,971
Interest Expense						
Interest-bearing deposits:						
NOW accounts	$ 4	$ (12)	$ (8)	$ 8	$ (12)	$ (4)
Money market accounts	893	(17)	876	147	(90)	57
Savings accounts	(72)	(342)	(414)	640	(272)	368
Time deposits	1,003	(245)	758	1,080	(273)	807
Total interest-bearing deposits	$1,828	$(616)	$1,212	$1,875	$(647)	$1,228
Securities sold under agreement to repurchase and federal funds purchased	36	(17)	19	81	(61)	20
Other borrowed funds	88	6	94	-	5	5
Total interest expense	$1,952	$(627)	$1,325	$1,956	$(703)	$1,253
Change in Net Interest Income	**$4,016**	**$55**	**$4,071**	**$1,985**	**$(267)**	**$1,718**

Interest Rate Risk Management

The Bank uses an interest income simulation model to measure and monitor interest rate risk. Upward interest rate shocks of 100, 200, 300 and 400 basis points are applied to the Bank's current mix of investments, loans, deposits and other funding sources. Downward interest rate shocks are not currently considered due to the historically low level of current interest rates. The resulting percentage change in the Bank's net interest income and the Bank's Net Portfolio Value (defined as the market value of assets minus the market value of liabilities) is compared to the Bank's established policy limits. Following is a summary of the results of the Bank's rate shock analysis as of December 31, 2009, compared to policy limits.

	Rates up 100 basis points	Rates up 200 basis points	Rates up 300 basis points	Rates up 400 basis points	Bank Policy Limit (+- 200 basis points)
Annual % Change Net Interest Income	+.26%	+1.15%	+2.48%	+3.85%	+-15.00%
Annual % Change Net Portfolio Value	-4.69%	-10.29%	-16.78%	-21.19%	+-20.00%

Based on this analysis the Bank is minimally exposed to interest rate increases of up to 400 basis points as of December 31, 2009 and is positioned to benefit from rising interest rates with respect to net interest income. The negative effect on Net Portfolio Value is within policy limits. Also, it should be noted that Bank's Net Portfolio Value as of December 31, 2009 was calculated to be $34.0 million, compared to total shareholder's equity of $29.0 million. Under the +400 basis point rate shock scenario, the Bank's Net Portfolio Value would fall to $26.6 million or just $2.3 million below total shareholder's equity as of December 31, 2009.

Certain shortcomings are inherent in this method of analysis. For example, although certain assets and liabilities may have similar maturities or repricing periods, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the loan. Further, in the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from those assumed. Finally, the ability of many borrowers to service their debt may decrease in the event of a significant interest rate increase.

Non-Interest Income

The Bank's non-interest income sources include service charges and other related fees on deposit accounts and net gains or losses from the sale of investments, loans and other real estate owned.

Following is a summary of the Bank's non-interest income in 2009 compared to 2008:

Dollars in thousands	2009	2008	$ Change	% Change
Service charges on deposit accounts	$124.7	$65.2	$59.5	91.3%
Other service charges and fees	31.7	15.8	15.9	100.6%
Gain on sale of securities available for sale	247.3	-	247.3	n/m
Loss on other real estate	(85.3)	(90.4)	5.1	-5.6%
Gain on sale of loans	12.7	73.6	(60.9)	-82.7%
Other operating income	(2.3)	3.5	(1.2)	-34.3%
Total noninterest income	$328.7	$67.7	$261	385.5%

Service charges on deposit accounts include monthly deposit account maintenance charges, overdraft fees, returned check fees, account analysis, stop payment fees, and ATM fees and charges. Other service charges and fees include wire transfer fees, check order fees, and other transaction related fees.

In 2009, non-interest income results also include a loss on other real estate owned of $85 thousand, a $247 thousand gain on sale of securities, and a $13 thousand gain on the sale of the guaranteed portion of Small Business Administration (SBA) loans originated in 2007 and 2008. The Bank is no longer actively originating SBA guaranteed loans and the gain on the sale of the guaranteed portion of SBA loans is not expected to be a recurring source of fee income. The $247 thousand gain on sale of securities realized during 2009 resulted from a restructuring of the Bank's mortgage backed debt securities portfolio described below under Investment Securities.

Non-Interest Expense

Following is a summary of the Bank's non-interest expense in 2009 compared to 2008:

Dollars in thousands	2009	2008	$ Change	% Change
Salaries and employee benefits	$3,774.2	$3,007.2	$767.0	25.5%
Occupancy expense of premises	643.5	291.0	352.5	121.1%
Furniture and equipment expenses	361.3	221.5	139.8	63.1%

Dollars in thousands	2009	2008	$ Change	% Change
Advertising and marketing expenses	150.5	118.9	31.6	26.6%
Data processing expenses	455.3	344.1	111.2	32.3%
FDIC insurance	310.0	57.8	252.2	436.3%
Professional fees	276.6	375.2	(98.6)	-26.3%
State franchise tax	231.5	315.6	(84.1)	-26.6%
Other operating expenses	678.7	463.2	215.5	46.5%
Total non-interest expenses	$6,881.6	$5,194.5	$1,687.1	32.5%

During 2009, the Bank experienced a significant increase in salaries and benefits expense attributed to the related opening of two new branches in Leesburg and Arlington, Virginia. The Bank anticipates that salaries and benefits expense will continue to be the largest single factor in increased non-interest expenses in future periods due to expected branch expansion and overall growth.

The increase in occupancy, furniture and equipment expenses, and advertising and marketing expense is primarily attributed to the opening of the two new branches. The increase in data processing expenses is consistent with overall growth in the number of loan and deposit accounts processed, and is expected to continue to increase with future growth in the Bank's loan and deposit accounts.

FDIC insurance premiums increased significantly in 2009 due in part to a continued increase in insured deposits, but primarily due to recent increases in FDIC insurance premiums rates. The FDIC imposed a one-time assessment of 5 basis points on the Bank's assets minus Tier 1 capital as of June 30, 2009 during the third quarter of 2009, which considerably increased the amount of FDIC insurance premium paid by the Bank in 2009. Refer to "Business – Supervision and Regulation" for additional information regarding FDIC insurance premiums.

State franchise taxes are computed on the basis of stockholder equity. Due in part to continued but decreasing losses in 2009, and the resulting effect on stockholder equity, this expense declined in 2009 compared to 2008.

The increase in professional fees and other operating expenses, which include legal fees, internal and external audit fees, other consulting fees, insurance, telecommunications, supplies and postage, is consistent with the Bank's growth in 2009 and the related enhancements required to maintain an effective risk management and control environment to support the Bank's growth. The Bank expects these professional fees and other operating expenses will continue to increase in future periods due to continued overall growth and branch expansion.

Income Taxes

The Bank has not recorded a provision for income taxes due to operating losses. As of December 31, 2009, the Bank had net operating loss carryforwards of approximately $4.8 million, which can be offset against future taxable income. The carryforwards expire through 2028. The full realization of the tax benefits associated with these carryforwards depends on the recognition of ordinary income during the carryforward period. For further information regarding the provisions for income taxes see Note 6 to the Audited Financial Statements in Item 8.

Asset Quality - Provision and Allowance for Loan Losses

The Bank makes provisions for loan losses in amounts deemed necessary to maintain the allowance for loan losses at an appropriate level. The provision for loan losses is determined based upon management's estimate of the amount required to maintain an adequate allowance for loan losses reflective of the risks in the Bank's loan portfolio. The Bank's provision for loan losses in 2009 and 2008 was $1.4 million and $1.1 million, respectively. The increase in the provision for loan losses in 2009 as compared to the amount in 2008 relates primarily to the amount of loan growth for each year and management's evaluation of the loan portfolio as described below. During 2009, average loans net of fees increased by $94.7 million, and period end loans net of fees increased $89.7 million over period end loans at December 31, 2008. At December 31, 2009, the allowance for loan losses was $2.3 million or 1.10% of total loans.

The Bank prepares a quarterly analysis of the allowance for loan losses, with the objective of quantifying portfolio risk into a dollar amount of inherent losses. The determination of the allowance for loan losses is based on historical peer group loss factors and six qualitative factors for each category and type of loan along with any specific allowance for adversely classified loans within each category. Each factor is assigned a percentage weight and that total weight is applied to each loan category. Factors are different for each category. Qualitative factors include: levels and trends in delinquencies, nonaccrual and watch list loans; trends in volumes and terms of loans; effects of any changes in lending policies, the experience, ability and depth of management; national and local economic trends and conditions; and concentrations of credit. The total allowance required thus changes as the percentage weight assigned to each factor is increased or decreased due to the particular circumstance; as the various types and categories of loans change as a percentage of total loans; and as specific allowances are required due to increases in adversely classified loans. See Notes 1 and 4 to the Audited Financial Statements in Item 8 for additional information regarding the determination of the provision and allowance for loan losses.

The Bank follows applicable guidance within the FASB Accounting Standards Certification (ASC). This guidance requires that losses be accrued when they are probable of occurring and can be estimated. It also requires that impaired loans, within its scope, be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. The Bank excludes smaller balance and homogeneous loans, which are collectively evaluated for impairment, from impairment reporting. Therefore, the Bank has designated consumer and residential mortgage loans to be excluded for this purpose. From the remaining loan portfolio, loans rated as substandard or worse, classified as nonaccrual, and troubled debt restructurings may be evaluated for impairment.

Loans are evaluated for nonaccrual status when principal or interest is delinquent for 90 days or more and are placed on nonaccrual status when a loan is specifically determined to be impaired. Any unpaid interest previously accrued on those loans is reversed from income. Any interest payments subsequently received are recognized as income unless, in management’s opinion, a potential for loss remains. Interest payments received on loans, where management believes a potential for loss remains, are applied as a reduction of the loan principal balance.

Management believes that the allowance for loan losses is adequate. There can be no assurance, however, that adjustments to the provision for loan losses will not be required in the future. Changes in the economic assumptions underlying management’s estimates and judgments; adverse developments in the economy, on a national basis or in the Bank’s market area; or changes in the circumstances of particular borrowers are criteria that could change and make adjustments to the provision for loan losses necessary.

The following table presents a summary of the provision and allowance for loan losses for the years December 31, 2009, 2008 and 2007:

(Dollars in thousands)	**2009**	**2008**	**2007**
Allowance, beginning of period	$1,303.6	$330.0	$51.6
Charge-Offs			
Real estate loans	$ 134.6	$ --	$ 1.6
Commercial loans	219.8	77.1	--
Consumer loans	20.5	19.0	5.7
Total charge-offs	$ 374.9	$ 96.2	$ 7.3
Recoveries			
Real estate loans	$ --	$ --	$ --
Commercial loans	7.6	--	--
Consumer loans	2.5	5.0	--
Total recoveries	$ 10.1	$ 5.0	$ --
Net charge-offs	$ 364.7	$ 91.2	$7.3
Provision for loan losses	**$1,352.1**	**$1,064.8**	**285.7**
Allowance, end of period	$2,291.0	$1,303.6	$330.0
Ratio of net charges-offs to average total loans outstanding during period	0.23%	0.15%	.06%

The allowance for loan losses includes specific and additional allowances for impaired loans and a general allowance applicable to all loan categories; however, management has allocated the allowance to provide an indication of the relative risk characteristics of the loan portfolio. The allocation is an estimate and should not be interpreted as an indication that charge-offs will occur in these amounts, or that the allocation indicates future trends, and does not restrict the usage of the allowance for any specific loan or category. The allocation of the allowance at December 31 for the years indicated and the ratio of related outstanding loan balances to total loans are as follows:

Allocation of Allowance for Loan Losses

(Dollars in thousands)	***December 31***					
	2009	***% of***	***2008***	***% of***	***2007***	***% of***
Commercial	$ 743	32%	$ 410	29%	$ 108	28%
Commercial Real Estate, including Construction	1,226	54%	648	55%	48	17%
Home Equity Loans	48	2%	30	1%	8	2%
Residential Mortgages	265	12%	201	14%	[illegible]	49%
Loans to individuals for household, family and other personal expenditures	9	--%	15	1%	19	4%
	$2,291	100%	$1,304	100%	$330	100%

See Notes 1 and 4 to the Audited Financial Statements in Item 8 for additional information regarding the provision and allowance for loan losses.

Non-Performing Assets

Non-performing assets consist of non-accrual loans, restructured loans, and other real estate owned (foreclosed properties). The level of non-performing assets increased by $1.7 million, from $835 thousand at December 31, 2008, to $2.5 million at December 31, 2009. Non-performing assets as of December 31, 2009 consisted of $834 thousand in non-accrual commercial loans, $1.5 million in restructured mortgage loans, and $190 thousand in Other Real Estate Owned, consisting of one single family residence and one residential building lot. Subsequent to December 31, 2009, the single family residence was sold at above its carrying value. The percentage of non-performing assets to total assets increased from .61% as of December 31, 2008 to 1.07% as of December 31, 2009. The increase in non-performing assets was due primarily to the restructuring of five mortgages totaling $1.5 million during 2009, all of which have mortgage insurance coverage equal to 35% of the Bank's credit exposure. The Bank has established specific loan loss reserves on all non-accrual and restructured loans equal to the estimated collateral deficiency (if any), plus the cost of sale of the underlying collateral, less the estimated mortgage insurance coverage, as applicable. As of December 31, 2009 and December 31, 2008, the Bank had no loans 90 days or more past due that were still accruing interest.

Loans are placed in non-accrual status when in the opinion of management the collection of additional interest is unlikely or a specific loan meets the criteria for non-accrual status established by regulatory authorities. No interest is taken into income on non-accrual loans. A loan remains on non-accrual status until the loan is current as to both principal and interest or the borrower demonstrates the ability to pay and remain current, or both.

Foreclosed real properties include properties that have been substantively repossessed or acquired in complete or partial satisfaction of debt. Such properties, which are held for resale, are carried at the lower of cost or fair value, including a reduction for the estimated selling expenses, or principal balance of the related loan.

The following table summarizes the Bank's non-performing assets as of December 31, 2009, 2008 and 2007:

(Dollars in thousands)	**December 31,**		
	2009	**2008**	**2007**
Non-accrual loans	$834	$570	$ --
Restructured loans	1,491	--	--
Total non-performing loans	$2,325	$570	$ --
Other real estate owned	190	265	269
Total non-performing assets	$2,515	$835	$269
Loans past due 90 days and still accruing	--	--	--
Total non-performing assets and past due loans	**$2,515**	**$835**	**$269**
Allowance for loan losses to total loans	1.10%	1.10%	1.16%

(Dollars in thousands)	December 31, 2009	2008	2007
Allowance for loan losses to non-performing loans	98.5%	228.8%	n/m
Non-performing loans and past due loans to total loans	1.12%	.48%	0.94%
Non-performing assets and past due loans to total assets	**1.07%**	**0.61%**	**.61%**

No interest income was recognized on nonaccrual loans during 2009. The amount of interest that would have been recognized in income on nonaccrual loans, if the loans had been current and outstanding during the entire year, was $18 thousand.

At December 31, 2009, there were no loans which were currently performing in accordance with their terms, but as to which information known to the Bank caused it to have serious doubts about the ability of the borrower to comply with the loan as currently written, and would result in the loan being disclosed in the above table.

Loan Portfolio

The Bank makes real estate mortgage, commercial and industrial, and consumer loans. The real estate mortgage loans are secured by the underlying property; generally have a maximum loan to value ratio of 60-80%; and, generally have a term of five to ten years, with amortizations of up to 30 years. The commercial and industrial loans consist of secured and unsecured loans. The unsecured commercial loans are made based on the financial strength of the borrower and usually require personal guarantees from the principals of the business. The collateral for the secured commercial loans may be equipment, accounts receivable, real estate, marketable securities or deposits in the Bank. These loans typically have a maximum loan to value ratio of 70-80% and a term of one to five years. The consumer loan category consists of secured and unsecured loans. The unsecured consumer loans are made based on the financial strength of the individual borrower. The collateral for secured consumer loans may be marketable securities, automobiles, or deposits in the Bank. The usual term for these loans is three to five years.

The following table sets forth the distribution of the Bank’s loan portfolio at the dates indicated by category of loan and the percentage of loans in each category to total loans.

Dollars in thousands	December 31, 2009		2008		2007	
Mortgage loans on real estate:						
Residential 1-4 family	$14,561	7%	$16,466	14%	$14,037	49%
Commercial	100,464	48%	53,457	45%	3,437	12%
Construction	32,067	15%	12,747	11%	3,415	12%
Residential equity loans	3,326	2%	1,713	1%	682	2%
Total mortgage loans on real estate	$150,418	72%	$84,383	71%	$21,571	75%
Commercial loans	57,099	27%	33,443	28%	5,873	21%
Loans to individuals for household, family and other personal expenditures	1,017	1%	844	1%	1,115	4%
Total loans	$208,534	100%	$118,670	100%	$28,559	100%
Less: Allowance for loan losses	(2,291)		(1,304)		(330)	
Net deferred loan fees	(314)		(131)		(2)	
Net loans	$205,929		$117,235		$28,227	

As of December 31, 2009, the real estate loan portfolio constituted 72% of the total loan portfolio. While this exceeds the 10% threshold for determining a concentration of credit risk within an industry, we do not consider this to be a concentration with adverse risk characteristics given the diversity of borrowers within the real estate portfolio and other sources of repayment. An industry for this purpose is defined as a group of counterparties that are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The loan portfolio does not include concentrations of credit risk in loan products that permit the deferral of principal payments or payments that are smaller than normal interest accruals (negative amortization); loans with high loan-to-values ratios; and loans, such as option adjustable-rate mortgages, that may expose the borrower to future increases in repayments that are in excess of increases that would result solely from increases in market interest rates.

Under recent guidance by the federal banking regulators, banks which have concentrations in construction, land development or commercial real estate loans would be expected to maintain higher levels of risk management and, potentially, higher levels of capital. It is possible that we may be required to maintain higher levels of capital than we would otherwise be expected to maintain as a result of our levels of construction, development and commercial real estate loans, which may require us to obtain additional capital. Excluded from the scope of this guidance are loans secured by non-farm nonresidential properties where the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or affiliate of the party, who owns the property.

The following table presents information pertaining to maturity and repricing characteristics of selected loans:

At December 31, 2009 *(Dollars in thousands)*	**Residential 1-4 Family Mortgage**	**Residential Equity Loans**	**Real Estate-Construction**	**Commercial Real Estate**	**Commercial**	**Consumer**	**Total**
Variable:							
Within 1 year	$--	$2,452	$15,827	$954	$28,831	$--	$48,063
1-to-5 years	2,183	--	5,391	39,766	7,012	37	54,389
After 5 years	745	299	2,043	7,159	2,163	--	12,409
Total	$2,928	$2,751	$23,261	$47,878	$38,006	$37	$114,861
Fixed Rate:							
Within 1 year	$326	$--	$1,547	$3,016	$3,249	$433	$8,571
1-to-5 years	4,528	533	7,259	36,376	11,956	547	61,199
After 5 years	6,780	42	--	13,194	3,888	--	23,904
Total	$11,633	$575	$8,806	$52,586	$19,093	$980	$93,673
Total Loans	**$14,561**	**$3,326**	**$32,067**	**$100,464**	**$57,099**	**$1,017**	**$208,534**

Investment Securities

The investment portfolio is used as a source of interest income, credit risk diversification and liquidity, as well as to manage rate sensitivity and provide collateral for secured public funds, repurchase agreements and other short-term borrowings. During the first half of 2009, the Bank restructured its mortgage backed debt securities portfolio in response to historically low mortgage rates and the rapid rate of principal prepayments on the portfolio. $7.9 million in mortgage backed securities were sold at a gain of $235 thousand. Funds were reinvested into mortgage backed securities that were classified as held to maturity to protect the Bank's capital from rising mortgage rates. Securities in the investment portfolio classified as securities available for sale may be sold in response to changes in market interest rates, changes in the securities' prepayment risk, increased loan demand, general liquidity needs, and other similar factors, and are carried at estimated fair value. The Bank currently classifies $13.1 million of securities portfolio as available for sale and $8.8 million as held to maturity. All mortgage backed securities in the Bank's portfolio consist of conventional mortgage loan pools packaged and sold by Fannie Mae or Freddie Mac.

The following table provides information regarding the composition of the available for sale and held to maturity securities portfolio as of the dates indicated:

	December 31,					
	2009		**2008**		**2007**	
(Dollars in thousands)	Fair Value	Percent of total	Fair Value	Percent of total	Fair Value	Percent of total
Available-for-sale:						
U.S. Government Agency obligations	$7,072	53.8%	$3,065	32.1%	$5,030	100.0%
Mortgage backed debt securities	6,074	46.2%	6,448	67.9%	--	--%
	$13,146	**100.0%**	**$9,513**	**100.0%**	**$5,030**	**100.0%**

	December 31,					
	2009		2008		2007	
(Dollars in thousands)	Book Value	Percent of total	Book Value	Percent of total	Book Value	Percent of total
Held to Maturity:						
Mortgage backed debt securities	$8,949	100.0%	$ --	--%	$ --	--%
	$8,949	**100.0%**	**$ --**	**--%**	**$ --**	**--%**

The following table details the maturities and weighted average yields for U.S. Government Agency obligations and mortgage backed debt available for sale and held to maturity securities as of December 31, 2009:

	December 31, 2009	
(Dollars in thousands)	***Book Value***	***Weighted Average Yield***
Available-for-sale:		
Maturing within one year	$ 2,066	2.00%
Maturing after one through five	2,500	2.96%
Maturing after five through ten years	4,626	4.23%
Maturing after ten years	3,927	4.29%
	$13,119	**3.10%**

	December 31, 2009	
(Dollars in thousands)	***Book Value***	***Weighted Average Yield***
Held to maturity:		
Maturing after ten years	$ 8,949	3.65%

The Bank had no investments that were obligations of the issuer, or payable from or secured by a source of revenue or taxing authority of the issuer, whose aggregate book value exceeded 10% of shareholders' equity at December 31, 2009.

See Note 2 to the Audited Financial Statements for additional information regarding the securities portfolio.

Deposits

The principal sources of funds for the Bank are core deposits (demand deposits, interest-bearing transaction accounts, money market accounts, savings deposits and certificates of deposit) from the Bank's market area. The Bank's deposit base includes transaction accounts, time and savings accounts and other accounts that customers use for cash management purposes and which provide the Bank with a source of fee income and cross-marketing opportunities as well as a low-cost source of funds. Time and savings accounts, including money market deposit accounts, also provide a relatively stable low-cost source of funding. Please refer to the average balance tables under "Net Interest Income" for information regarding the average balance of deposits, and average rates paid.

Approximately 46.8% of the Bank's deposits at December 31, 2009 are made up of time deposits (including CDARS®, QwickRate® and brokered deposits), which are generally the most expensive form of deposit because of their fixed rate and term, as compared to 65.3% at December 31, 2008. The percentage of the Bank's time deposits to total deposits declined during 2009, as the Bank continued to emphasize growth of core money market and demand deposit accounts. Time deposits in denominations of $100,000 or more can be more volatile and more expensive than time deposits of less than $100,000. However, because the Bank focuses on relationship banking, and most of these deposits are obtained from the local community, historical experience has been that large time deposits have not been significantly more volatile or expensive than smaller denomination certificates.

The following tables provide a summary of the Bank's deposit base at the dates indicated and the maturity distribution of certificates of deposit of $100,000 or more as of December 31, 2009.

Deposit Composition

	December 31,					
	2009		2008		2007	
(Dollars in thousands)	**Balance**	**% of Total Deposits**	**Balance**	**% of Total Deposits**	**Balance**	**% of Total Deposits**
Noninterest-bearing demand deposits	$ 20,898	11.2%	$ 9,856	10.3%	$ 4,741	15.0%
Interest-bearing demand deposits:						
NOW accounts	2,324	1.2%	2,889	3.0%	1,054	3.3%
Money market accounts	67,690	36.4%	14,707	15.4%	1,853	5.9%
Savings accounts	8,191	4.4%	5,718	6.0%	16,262	51.4%
Certificates of deposit:						
$100,000 or more	55,196	29.6%	35,026	36.7%	2,368	7.5%
Less than $100,000	7,408	4.0%	11,357	11.9%	3,518	11.1%
CDARS(1)	17,549	9.4%	6,372	6.7%	611	1.9%
Brokered Deposits(2)	7,083	3.8%	9,496	10.0%	1,247	3.9%
Total deposits	$186,339	100.0%	$95,421	100.0%	$31,654	100.0%

(1) CDARS® is the Certificate of Deposit Account Registry Service® offered by Promontory Interfinancial Network LLC. It is a network of participating financial institutions that places deposits into certificates of deposit issued by banks in the network. Deposits are placed in increments of less than the FDIC insurance maximum so that all funds are eligible for full FDIC insurance. Funds are matched on a dollar-for-dollar basis so that the equivalent of the original deposit becomes a funding source for the Bank. CDARS® deposits generally represent funds from significant customers of the Bank who desire insurance coverage above the current $250,000 FDIC maximum. At December 31, 2009, CDARS in denominations of less than $100,000 equal $1.0 million. CDARS of $100,000 or more equal $16.5 million.

(2) Brokered deposits represent deposits purchased from deposit brokers that facilitate the placement of deposits with insured institutions for third parties. The Bank uses brokered deposits as a supplemental funding source generally to bridge receipt of traditional customer deposits to fund loans.

Maturities of Certificates of Deposit - $100,000 or More (1)

(Dollars in thousands)	**December 31, 2009**
Maturing in:	
3 months or less	$12,421
Over 3 months through 6 months	10,048
Over 6 months through 12 months	33,803
Over 12 months	8,983
	$65,255

(1) Includes brokered CD's

Borrowings

Short-term borrowings are primarily overnight advances from a secured credit facility from the FHLB, and securities sold to customers under agreements to repurchase. The secured transactions with customers are provided to significant commercial demand deposit customers and are considered a core funding source of the Bank. Short-term borrowings also include Federal funds purchased, which are unsecured overnight borrowings from other banks, and are generally used to accommodate short-term liquidity needs. Fixed rate term borrowings consist of advances from the secured credit facility from the FHLB referenced above, with maturities of 1-4 years.

The following table provides information on the balances and interest rates on total borrowings for the years ended December 31, 2009, 2008 and 2007.

Dollars in thousands

At December 31,	2009	2008	2007
Securities sold under agreement to repurchase	$5,658	$7,219	$554
Federal funds purchased	160	178	--
FHLB short-term borrowings	9,900	3,000	--
FHLB fixed rate term borrowings	3,000	--	--
Total	$18,718	$10,397	$554
Weighted interest rate at year end	1.09%	.98%	.71%
Averages balances for the year ended December 31,	**2009**	**2008**	**2007**
Securities sold under agreement to repurchase	$6,904	$2,444	$438
Federal funds purchased	161	85	--
FHLB short-term borrowings	1,817	572	--
FHLB fixed rate term borrowings	3,373	--	--
Total average balance for year	$12,255	$3,101	$438
Weighted average interest rate during year	**2009**	**2008**	**2007**
Securities sold under agreement to repurchase	.80%	1.50%	3.85%
Federal funds purchased	.70%	1.07%	n/a
FHLB short-term borrowings	.81%	0.84%	n/a
FHLB fixed rate term borrowings	2.48%	--	--
Total weighted average interest rate for year	1.26%	1.37%	3.85%
Maximum month-end balance during year	**2009**	**2008**	**2007**
Securities sold under agreement to repurchase	$9,176	$7,219	$1,468
Federal funds purchased	806	482	--
FHLB short-term borrowings	3,000	4,000	--
FHLB fixed rate term borrowings	9,900	--	--
Total maximum month-end balance during year	$22,882	$11,701	$1,468

FHLB advances are secured by collateral consisting of a blanket lien on qualifying loans in the Bank's residential and commercial mortgage loan portfolios. For more information about the Bank's FHLB advances see Note 10 to the Bank's Audited Financial Statements in Item 8.

Liquidity

The Bank's principal source of liquidity and funding is its deposit base. The level of deposits necessary to support the Bank's lending and investment activities is determined through monitoring loan demand. Considerations in managing the Bank's liquidity position include, but are not limited to, scheduled cash flows from existing loans and investment securities, anticipated deposit activity including the maturity of time deposits, and projected needs from anticipated extensions of credit. The Bank's liquidity position is frequently monitored by management to maintain a level of liquidity conducive to efficiently meet current needs and is evaluated for both current and longer term needs as part of the asset/liability management process.

The Bank measures total liquidity through cash and cash equivalents, securities available-for-sale, less securities pledged as collateral for repurchase agreements, public deposits and other purposes, and less any outstanding federal funds purchased and borrowings or deposits maturing within 30-days, including an assumption for estimated runoff of non-maturity deposits. In measuring liquidity, the Bank also includes the capacity to borrow funds from the FHLB, secured by the Bank's commercial and residential loan portfolios. These liquidity sources decreased by 14.7 million, from $21.6 million at December 31, 2008, to $6.9 million at December 31, 2009. The decline in liquidity during 2009 is attributed to the use of liquid funds to increase the Bank's loan and investment securities portfolios, which contributed to the Bank's increased net interest income during 2009. Additional sources of liquidity available to the Bank include the capacity to borrow funds through short-term lines of credit with correspondent banks. As of December 31, 2009, the Bank had $17.8 million available borrowing capacity from its correspondent banks, and approximately $16.0 million available borrowing capacity from the FHLB. In addition, the Bank has entered into a collateral arrangement with the Federal Reserve Bank of Richmond, pledging certain commercial loans as collateral for discount window borrowings as a contingent liquidity source. As of December 31, 2009, the total amount available for borrowing under the Federal Reserve facility was approximately $30.0 million.

Capital

The assessment of capital adequacy depends on a number of factors such as asset quality, liquidity, earnings performance, changing competitive conditions and economic forces, and the overall level of growth. The adequacy of the Bank's current and future capital is monitored by management on an ongoing basis. Management seeks to maintain a capital structure that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses. The Bank has established a capital plan that provides for maintaining its well capitalized status under all regulatory measurements. The Bank's continued growth will likely require the bank to seek additional capital. The Bank believes that it will have access to additional capital when it becomes necessary to raise capital in order to maintain its well capitalized regulatory status.

In June 2008, the Bank completed a capital offering which raised $21.8 million net of offering costs. The Bank sold 2.2 million shares of common stock at a price of $10.00 per share. Funds have been used to support loan growth and for general corporate purposes.

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 additional 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 amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). The Bank met all capital adequacy requirements to which it is subject as of December 31, 2009. See Note 17 to the Audited Financial Statements in Item 8 for a table depicting compliance with regulatory capital requirements.

Off-Balance Sheet Arrangements

The Bank enters into certain off-balance sheet arrangements in the normal course of business to meet the financing needs of its customers. These off-balance sheet arrangements include commitments to extend credit, standby letters of credit and financial guarantees which would impact the Bank's liquidity and capital resources to the extent customers accept and or use these commitments. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. With the exception of these off-balance sheet arrangements, the Bank has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Bank's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources, that is material to the Bank or to investors. For further information, see Note 13 to the Audited Financial Statements in Item 8 for further discussion of the nature, business purpose and elements of risk involved with these off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

As the Bank is a smaller reporting company, it is not required to provide this information. Please refer to "Interest Rate Risk Management" in Item 7 for a discussion of the Bank's management of interest rate risk.

Item 8. Financial Statements and Supplementary Data.

Yount Hyde & Barbour
Certified Public Accountants
and Consultants

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders
John Marshall Bank
Alexandria, Virginia

We have audited the accompanying balance sheets of John Marshall Bank as of December 31, 2009 and 2008, and the related statements of operations, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John Marshall Bank as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
March 23, 2010

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JOHN MARSHALL BANK

Balance Sheets
December 31, 2009 and 2008

Assets	2009	2008
Cash and due from banks	$ 1,315,672	$ 2,422,271
Interest-bearing deposits in banks	6,723	3,993,837
Securities available for sale	13,146,195	9,513,019
Securities held to maturity, fair value of $8,839,952 in 2009	8,948,589	- -
Restricted securities	1,740,700	1,152,600
Loans, net of allowance for loan losses of $2,290,955 in 2009 and $1,303,601 in 2008	205,929,445	117,234,688
Bank premises and equipment, net	1,516,290	1,237,857
Accrued interest receivable	672,710	388,667
Other real estate	190,032	265,073
Other assets	1,176,756	198,801
	$ 234,643,112	$ 136,406,813
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing demand deposits	$ 20,897,947	$ 9,855,468
Interest bearing demand deposits	70,015,682	17,596,279
Savings deposits	8,190,846	5,717,890
Time deposits	87,234,859	62,251,314
Total deposits	$ 186,339,334	$ 95,420,951
Repurchase agreements	5,657,532	7,218,611
Federal funds purchased	160,000	178,000
Federal Home Loan Bank advances	12,900,000	3,000,000
Accrued interest payable	71,880	19,653
Other liabilities	543,915	481,665
Total liabilities	$ 205,672,661	$ 106,318,880
Shareholders' Equity		
Preferred stock, par value $5 per share; authorized 1,000,000 shares; none issued	$ - -	$ - -
Common stock, nonvoting, par value $5 per share; authorized 1,000,000 shares; none issued	- -	- -
Common stock, voting, par value $5 per share; authorized 10,000,000 shares; issued and outstanding, 3,707,710 shares in 2009 and 3,700,000 in 2008	18,538,550	18,500,000
Additional paid-in capital	18,444,277	18,405,727
Retained deficit	(7,986,217)	(6,938,257)
Accumulated other comprehensive income (loss)	(26,159)	120,463
Total shareholders' equity	$ 28,970,451	$ 30,087,933
	$ 234,643,112	$ 136,406,813

See Notes to Financial Statements.

JOHN MARSHALL BANK

Statements of Operations
Years Ended December 31, 2009 and 2008

	2009	2008
Interest and Dividend Income		
Interest and fees on loans	$ 9,294,752	$ 3,930,148
Interest on investment securities - taxable	582,838	278,410
Dividends	55,571	42,549
Interest on federal funds sold	4,485	216,763
Interest on deposits in banks	16,517	90,560
Total interest and dividend income	$ 9,954,163	$ 4,558,430
Interest Expense		
Deposits	$ 2,942,440	$ 1,729,957
Federal Home Loan Bank advances	98,312	4,804
Other short-term borrowings	56,463	37,672
Total interest expense	$ 3,097,215	$ 1,772,433
Net interest income	$ 6,856,948	$ 2,785,997
Provision for loan losses	1,352,063	1,064,768
Net interest income after provision for loan losses	$ 5,504,885	$ 1,721,229
Noninterest Income		
Service charges on deposit accounts	$ 124,655	$ 65,160
Other service charges and fees	31,685	15,773
Gain on sale of securities available for sale	247,288	- -
Loss on other real estate	(85,330)	(90,408)
Other operating income	10,424	77,117
Total noninterest income	$ 328,722	$ 67,642
Noninterest Expenses		
Salaries and employee benefits	$ 3,774,199	$ 3,007,158
Occupancy expense of premises	643,472	291,016
Furniture and equipment expenses	361,314	221,464
Other operating expenses	2,102,582	1,674,896
Total noninterest expenses	$ 6,881,567	$ 5,194,534
Loss before income taxes	$ (1,047,960)	$ (3,405,663)
Income tax expense	- -	- -
Net loss	$ (1,047,960)	$ (3,405,663)
Loss Per Share, basic and diluted	$ (0.28)	$ (1.30)

See Notes to Financial Statements.

JOHN MARSHALL BANK

Statements of Changes in Shareholders' Equity
Years Ended December 31, 2009 and 2008

	Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2007	$ 7,500,000	$ 7,499,663	$ (3,532,594)	$ 19,298		$ 11,486,367
Comprehensive loss:						
Net loss	--	--	(3,405,663)	--	$ (3,405,663)	(3,405,663)
Unrealized gains on available for sale securities	--	--	--	101,165	101,165	101,165
Total comprehensive loss					$ (3,304,498)	
Issuance of common stock	11,000,000	10,836,432	--	--		21,836,432
Share-based compensation	--	69,632	--	--		69,632
Balance, December 31, 2008	$ 18,500,000	$ 18,405,727	$ (6,938,257)	$ 120,463		$ 30,087,933
Comprehensive loss:						
Net loss	--	--	(1,047,960)	--	$ (1,047,960)	(1,047,960)
Other comprehensive loss:						
Unrealized gains on available for sale securities	--	--	--	--	$ 100,666	--
Reclassification adjustment for gains included in net loss	--	--	--	--	(247,288)	--
Total other comprehensive loss	--	--	--	(146,622)	$ (146,622)	(146,622)
Total comprehensive loss					$ (1,194,582)	
Issuance of common stock	38,550	38,550	--	--		77,100
Balance, December 31, 2009	$ 18,538,550	$ 18,444,277	$ (7,986,217)	$ (26,159)		$ 28,970,451

See Notes to Financial Statements.

JOHN MARSHALL BANK

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Net loss	$ (1,047,960)	$ (3,405,663)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation	313,968	174,656
Provision for loan losses	1,352,063	1,064,768
(Gain) on sale of available for sale securities	(247,288)	- -
Stock-based compensation	- -	69,632
Net (amortization) accretion of securities, net	59,881	(25,344)
Loss on other real estate	85,330	90,408
Changes in assets and liabilities:		
(Increase) in accrued interest receivable	(284,043)	(218,564)
(Increase) in other assets	(977,955)	(107,184)
Increase in accrued interest payable	52,227	17,032
Increase in other liabilities	62,250	205,713
Net cash (used in) operating activities	$ (631,527)	$ (2,134,546)
Cash Flows from Investing Activities		
Decrease in federal funds sold	$ - -	$ 5,664,000
(Increase) decrease in interest bearing deposits in banks	3,987,114	(3,986,716)
Net (increase) in loans	(90,509,581)	(90,580,590)
Purchase of available for sale securities	(41,976,289)	(46,388,766)
Proceeds from sales of securities available for sale	8,930,630	- -
Proceeds from maturities, calls and principal repayments of available for sale securities	19,913,436	42,086,418
Proceeds from maturities, calls and principal repayments of held to maturity securities	591,243	- -
Net (purchase) of restricted securities	(588,100)	(729,450)
Proceeds from sale of other real estate	452,472	421,462
Purchases of bank premises and equipment	(592,401)	(694,969)
Net cash (used in) investing activities	$ (99,791,476)	$ (94,208,611)
Cash Flows from Financing Activities		
Net increase in deposits	$ 90,918,383	$ 63,767,175
Net proceeds from FHLB advances	9,900,000	3,000,000
Increase (decrease) in federal funds purchased	(18,000)	178,000
Increase (decrease) in repurchase agreements	(1,561,079)	6,664,726
Issuance of common stock	77,100	21,836,432
Net cash provided by financing activities	$ 99,316,404	$ 95,446,333

See Notes to Financial Statements.

JOHN MARSHALL BANK

Statements of Cash Flows
(Continued)
Years Ended December 31, 2009 and 2008

	2009	2008
(Decrease) in cash and cash equivalents	$ (1,106,599)	$ (896,824)
Cash and Cash Equivalents		
Beginning	2,422,271	3,319,095
Ending	$ 1,315,672	$ 2,422,271
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 3,044,988	$ 1,755,401
Income taxes	$ - -	$ - -
Supplemental Disclosure of Noncash Transactions		
Other real estate acquired in settlement of loans	$ 462,761	$ 507,705
Unrealized gain (loss) on securities available for sale	$ (146,622)	$ 101,165
Transfer of securities from available for sale to held to maturity classification	$ 9,340,081	$ - -

See Notes to Financial Statements.

Notes to Financial Statements

JOHN MARSHALL BANK

Note 1. Nature of Banking Activities and Significant Accounting Policies

The accounting and reporting policies of John Marshall Bank conform to generally accepted accounting principles in the United States of America and reflect practices of the banking industry. The policies are summarized below.

Nature of Banking Activities

John Marshall Bank (the Bank) is a corporation formed on April 5, 2005 under the laws of the Commonwealth of Virginia and was chartered on February 9, 2006, under the State Corporation Commission – Bureau of Financial Institutions. The Bank is a member of the Federal Reserve and is subject to the rules and regulations of the Virginia State Banking Commission, the Federal Reserve and the Federal Deposit Insurance Corporation. The Bank opened for business on April 17, 2006 and provides banking services to its customers primarily in the Northern Virginia area.

Significant Accounting Policies

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 foreclosed real estate and deferred tax assets, other-than-temporary impairment of securities, and the fair value of financial instruments.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks, all of which mature within ninety days.

Interest-Bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity, including equity securities with readily determinable fair value, 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. 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.

Effective April 1, 2009, the Bank adopted new accounting guidance related to recognition and presentation of other-than-temporary impairment. This recent accounting guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for other-than-temporary impairment losses on debt and equity securities. The recent guidance replaced the “intent and ability” indication in prior guidance by specifying that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security and it is more likely than not the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow analyses.

Prior to the adoption of the recent accounting guidance related to other-than-temporary impairment, management considered, in determining whether other-than-temporary impairment existed, (a) the length of time and extent to which the fair value had been less than the cost, (b) the financial condition and near-term prospects of the issuer, and (c) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank Stock

The Bank, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in the capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

Loans

The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans in the Northern Virginia 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 fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Other personal loans are typically charged off no later than 180 days past due. In all cases, loans are placed on nonaccrual or charged off at an earlier date 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 these loans 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 established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. 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 nonclassified loans and is based on historical loss experience adjusted for qualitative factors. 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.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. 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. Impairment is measured on a loan-by-loan basis for commercial, construction, and mortgage loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

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.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed on the straight-line method over the useful lives of the assets, ranging from three to fifteen years, or the expected term of leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized.

Other Real Estate

Real estate acquired by foreclosure is carried at the lower of cost or fair market value, less estimated costs of disposal. Subsequent to foreclosure, valuations are periodically performed by management. Revenue and expenses from operations and changes in the valuation allowance are included in the statement of operations.

Transfers of Financial Assets

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

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

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 sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Bank pays state franchise tax in lieu of state income taxes.

Earnings Per Share

Basic earnings per share represents income available to common shareholders 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 stock options and are determined using the treasury stock method. Options totaling 99,004 and 156,823 were excluded from the calculation of diluted earnings per share for the years ended December 31, 2009 and 2008, respectively, because their impact would have been anti-dilutive. Potential common shares did not have an impact on net loss.

Basic and diluted loss per share have been computed based on 3,704,330 and 2,624,044 weighted average shares outstanding for the years ended December 31, 2009 and 2008, respectively.

Advertising Costs

The Bank follows the policy of charging the production costs of advertising to expense as incurred.

Share-Based Compensation

Share compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity instruments issued. The share compensation accounting guidance requires that compensation cost for all share-based awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options. Share-based compensation costs included in salaries and benefits expense totaled $0 for 2009 and $69,632 for 2008.

Recent Accounting Pronouncements

The Bank has adopted accounting guidance related to U.S. generally accepted accounting principles (GAAP) - Financial Accounting Standards Board (FASB) Accounting Standards Certification (ASC) 105, Generally Accepted Accounting Principles. This guidance establishes FASB ASC as the source of authoritative U.S. GAAP recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. FASB ASC supersedes all existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in FASB ASC has become nonauthoritative. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP or any requirements of the SEC.

The Bank adopted new guidance impacting FASB Topic 805: Business Combinations (Topic 805) on January 1, 2009. This guidance requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. The adoption of the new guidance did not have a material impact on the Bank's financial statements.

In April 2009, the FASB issued new guidance impacting FASB Topic 820: Fair Value Measurements and Disclosures (Topic 820). This interpretation provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This also includes guidance on identifying circumstances that indicate a transaction is not orderly and requires additional disclosures of valuation inputs and techniques in interim periods and defines the major security types that are required to be disclosed. This guidance was effective for interim and annual periods ending after June 15, 2009, and should be applied prospectively. The adoption of the standard did not have a material impact on the Bank's financial statements.

In April 2009, the FASB issued new guidance impacting FASB Topic 320-10: Investments – Debt and Equity Securities. This guidance amends GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This guidance was effective for interim and annual periods ending after June 15, 2009, with earlier adoption permitted for periods ending after March 15, 2009. The Bank did not have any cumulative effect adjustment related to the adoption of this guidance.

In May 2009, the FASB issued new guidance impacting FASB Topic 855: Subsequent Events. This update provides guidance on management's assessment of subsequent events that occur after the balance sheet date through the date that the financial statements are issued. This guidance is generally consistent with current accounting practice. This guidance was effective for periods ending after June 15, 2009 and had no impact on the Bank's financial statements.

In August 2009, the FASB issued new guidance impacting Topic 820. This guidance is intended to reduce ambiguity in financial reporting when measuring the fair value of liabilities. This guidance was effective for the first reporting period after issuance and had no impact on the Bank's financial statements.

In October 2009, the SEC issued Release No. 33-99072, Internal control over Financial reporting in Exchange Act Periodic Reports of Non-Accelerated Filers. Release No. 33-99072 delays the requirement for non-accelerated filers to include an attestation report of their independent auditor on internal control over financial reporting with their annual report until the fiscal year ending on or after June 15, 2010.

In June 2009, the FASB issued new guidance relating to the accounting for transfers of financial assets. The new guidance, which was issued as SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140, was adopted into Codification in December 2009 through the issuance of Accounting Standards Updated (ASU) 2009-16. The new standard provides guidance to improve the relevance, representational faithfulness, and comparability of the information that an entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The Bank will adopt the new guidance in 2010 and is evaluating the impact it will have, if any, on its financial statements.

In June 2009, the FASB issued new guidance relating to the variable interest entities. The new guidance, which was issued as SFAS No. 167, Amendments to FASB Interpretation No. 46(R), was adopted into Codification in December 2009. The objective of the guidance is to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. SFAS No. 167 is effective as of January 1, 2010. The Bank does not expect the adoption of the new guidance to have a material impact on its financial statements.

In September 2009, the FASB issued new guidance impacting Topic 820. This creates a practical expedient to measure the fair value of an alternative investment that does not have a readily determinable fair value. This guidance also requires certain additional disclosures. This guidance was effective for interim and annual periods ending after December 15, 2009. The adoption of the new guidance did not have a material impact on the Bank's financial statements.

In January 2010, the FASB issued ASU 2010-01, Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash – a consensus of the FASB Emerging Issues Task Force. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend. ASU 2010-01 was effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. The adoption of ASU 2010-01 did not have a material impact on the Bank's financial statements.

In January 2010, the FASB issued ASU 2010-04, Accounting for Various Topics – Technical Corrections to SEC Paragraphs. ASU 2010-04 makes technical corrections to existing SEC guidance including the following topics: accounting for subsequent investments, termination of an interest rate swap, issuance of financial statements - subsequent events, use of residential method to value acquired assets other than goodwill, adjustments in assets and liabilities for holding gains and losses, and selections of discount rate used for measuring defined benefit obligation. The Bank does not expect the adoption of ASU 2010-04 to have a material impact on its financial statements.

In January 2010, the FASB issued ASU 2010-05, Compensation – Stock Compensation (Topic 718): Escrowed Share Arrangements and the Presumption of Compensation. ASU 2010-05 updates existing guidance to address the SEC staff's views on overcoming the presumption that for certain shareholders escrowed share arrangements represent compensation. The Bank does not expect the adoption of ASU 2010-05 to have a material impact on its financial statements.

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends Subtopic 820-10 to clarify existing disclosures, require new disclosures, and includes conforming amendments to guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Bank does not expect the adoption of ASU 2010-06 to have a material impact on its financial statements.

In February 2010, the FASB issued ASU 2010-08, Technical Corrections to Various Topics. ASU 2010-08 clarifies guidance on embedded derivatives and hedging. ASU 2010-08 is effective for interim and annual periods beginning after December 15, 2009. The Bank does not expect the adoption of ASU 2010-08 to have a material impact on its financial statements.

Note 2. Securities

The amortized cost and fair values of securities available for sale and held to maturity as of December 31, 2009 and 2008 are as follows:

	Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	2009			
U.S government and federal agencies	$ 7,074,792	$ 35,765	$ (38,498)	$ 7,072,059
Mortgage-backed	6,043,954	56,865	(26,683)	6,074,136
	$ 13,118,746	$ 92,630	$ (65,181)	$ 13,146,195
	2008			
U.S government and federal agencies	$ 2,998,482	$ 65,898	$ --	$ 3,064,380
Mortgage-backed	6,329,210	119,429	--	6,448,639
	$ 9,327,692	$ 185,327	$ --	$ 9,513,019

	Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	2009			
Mortgage-backed	$ 8,948,589	$ --	$ (108,637)	$ 8,839,952

During 2009, the Bank transferred mortgage-backed securities with a fair value of $9,340,081 from the available for sale to the held to maturity classification. The unrealized holding loss at the time of the transfer remained in accumulated other comprehensive loss and is being amortized to income by the interest method over the remaining lives of the securities.

The amortized cost and fair value of securities available for sale and held to maturity as of December 31, 2009, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid without any penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,065,411	$ 2,066,590	$ --	$ --
Due after one year through five years	2,500,000	2,521,859	--	--
Due after five years through ten years	4,626,000	4,585,375	--	--
Due after ten years	3,927,335	3,972,371	8,948,589	8,839,952
	$ 13,118,746	$ 13,146,195	$ 8,948,589	$ 8,839,952

For the year ended December 31, 2009, proceeds from sales of securities available for sale amounted to $8,930,630. Gross realized gains were $247,288. There were no sales during the year ended December 31, 2008.

The following table shows the gross unrealized losses and fair value of the Bank's investments with unrealized losses that are not deemed to be other-than-temporarily impaired aggregated by category and length of time that individual securities have been in a continuous loss position at December 31, 2009.

	Less Than 12 Months	
	Gross Unrealized Losses	**Fair Value**
U.S government and federal agencies	$ 38,498	$ 2,961,503
Mortgage-backed	135,320	12,046,753
	$ 173,818	$ 15,008,256

U.S. Government and Federal Agencies

The unrealized losses on the six investments in direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Bank does not intend to sell the investments and it is not more likely than not that the Bank will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

Mortgage-Backed Securities

The unrealized losses on the Bank's investment in ten federal agency mortgage-backed securities were caused by interests rate increases. The contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Bank's investments. Because the decline in market value is attributable to change in interest rates and not credit quality, and because the Bank does not intend to sell the investments and it is not more likely than not that the Bank will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

All securities in an unrealized loss position at December 31, 2009 had been in a loss position for less than 12 months. There were no investments in unrealized loss position as of December 31, 2008.

Securities having a book value of $20,116,553 and $8,288,788 at December 31, 2009 and 2008 were pledged to secure public deposits and for other purposes required by law.

Note 3. Loans

A summary of the balances of loans follows:

	December 31, 2009	December 31, 2008
	(in thousands)	
Mortgage loans on real estate:		
Residential 1-4 family	$ 14,561	$ 16,466
Commerical	100,464	53,457
Construction	32,067	12,747
Second mortgages	575	343
Equity lines of credit	2,751	1,370
Total mortgage loans on real estate	$ 150,418	$ 84,383
Commerical loans	57,099	33,443
Consumer installment loans	1,017	844
Total loans	$ 208,534	$ 118,670
Less: Allowance for loan losses	(2,291)	(1,304)
Net deferred loan fees	(314)	(131)
Loans, net	$ 205,929	$ 117,235

Note 4. Allowance for Loan Losses

Changes in the allowance for loan losses are as follows:

	Years Ended December 31, 2009	Years Ended December 31, 2008
Balance at beginning of year	$ 1,303,601	$ 330,022
Provision for loan losses	1,352,063	1,064,768
Loans charged-off	(374,851)	(96,196)
Recoveries on loans previously charged-off	10,142	5,007
Balance, ending	$ 2,290,955	$ 1,303,601

The following is a summary of information pertaining to impaired loans:

	2009	2008
Impaired loans without a valuation allowance	$ 1,439,727	$ - -
Impaired loans with a valuation allowance	885,705	502,737
Total impaired loans	$ 2,325,432	$ 502,737
Valuation allowance related to impaired loans	$ 301,179	$ 43,223
Nonaccrual loans excluded from impaired loans	- -	538,503
Total loans past-due ninety days or more and still accruing	- -	- -
Average investment in impaired loans	1,470,110	414,369
Interest income recognized on impaired loans	- -	- -

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. At December 31, 2009, the Bank had $1,491,511 in residential mortgages that were modified in troubled debt restructurings and impaired.

Note 5. Bank Premises and Equipment

The major classes of bank premises and equipment and the total accumulated depreciation are as follows:

	December 31,	
	2009	2008
Leasehold improvements	$ 850,893	$ 393,875
Furniture and equipment	1,350,413	950,175
Construction in progress	- -	264,855
	$ 2,201,306	$ 1,608,905
Less accumulated depreciation	(685,016)	(371,048)
Bank premises and equipment, net	$ 1,516,290	$ 1,237,857

Depreciation expense was $313,968 and $174,656 for the years ended December 31, 2009 and 2008, respectively.

Pursuant to the terms of noncancelable lease agreements at December 31, 2009, pertaining to Bank premises and equipment, future minimum rent commitments under various operating leases are as follows:

2010	$ 511,354
2011	524,198
2012	537,409
2013	421,963
2014	321,166
2015 and thereafter	657,055
	$ 2,973,145

The leases contain options to extend for periods from five to ten years. The cost of such rental is not included above.

Total rent expense amounted to $486,999 and $230,989 for the years ended December 31, 2009 and 2008, respectively.

Note 6. Income Taxes

The Bank files income tax returns in the U.S. federal jurisdiction, the Commonwealth of Virginia and the state of Maryland. With few exceptions, the Bank is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2006.

Net deferred tax assets consist of the following components as of December 31, 2009 and 2008:

	2009	2008
Deferred tax assets:		
Net operating loss carryforward	$ 1,642,199	$ 1,688,785
Allowance for loan losses	743,322	409,227
Start-up costs	153,528	168,881
Other	118,347	49,798
	$ 2,657,396	$ 2,316,691
Deferred tax liabilities:		
Depreciation	$ 47,426	$ 31,803
Net deferred tax assets	$ 2,609,970	$ 2,284,888
Less: Valuation allowance	(2,609,970)	(2,284,888)
	$ - -	$ - -

The provision for income taxes charged to operations for the years ended December 31, 2009 and 2008, consists of the following:

	2009	2008
Current tax expense	$ - -	$ - -
Deferred tax benefit	(325,082)	(1,099,888)
Change in valuation allowance	325,082	1,099,888
	$ - -	$ - -

The Bank has net operating loss carryforwards of approximately $4,830,000, which can be offset against future taxable income. The carryforwards expire through 2028. The full realization of the tax benefits associated with these carryforwards depends on the recognition of ordinary income during the carryforward period.

Note 7. Fund Restrictions and Reserve Balance

The Bank must maintain a reserve against its deposits in accordance with Regulation D of the Federal Reserve Act. For the final weekly reporting period in the years ended December 31, 2009 and 2008, the aggregate amounts of daily average required balances were approximately $30,000.

Note 8. Related Party Transactions

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal shareholders, executive officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. At December 31, 2009 and 2008, these loans totaled $628,151 and $970,839, respectively. During 2009, total principal additions were $66,598 and total principal payments were $409,286. Principal payments include loan balances for individuals no longer considered related parties. Deposits of directors and executive officers totaled $18,227,000 and $14,300,000 at December 31, 2009 and 2008, respectively.

Note 9. Deposits

The aggregate amount of certificates of deposit with a minimum denomination of $100,000 was $65,255,448 and $50,696,419 at December 31, 2009 and 2008, respectively.

At December 31, 2009, the scheduled maturities of time deposits (including brokered deposits) are as follows:

2010	$ 72,578,757
2011	8,026,363
2012	2,384,894
2013	1,847,191
2014	2,397,654
	$ 87,234,859

At December 31, 2009 and 2008, overdraft demand deposits reclassified to loans totaled $1,102 and $36,410, respectively. The Bank obtains certain deposits through the efforts of third-party brokers. At December 31, 2009 and 2008, brokered deposits totaled $7,082,522 and $9,496,053, respectively, and were included in time deposits on the Bank's balance sheets.

Note 10. Federal Home Loan Bank Advances and Other Borrowings

The Bank has entered into various note agreements with the FHLB. At December 31, 2009, the Bank had entered into short-term note agreements for $9,900,000 maturing through September 22, 2010 at a weighted interest rate of 0.36%. The Bank also has $3,000,000 in fixed-rate term borrowings at a weighted rate of 2.71%. These advances mature $1,000,000 in 2011, $1,000,000 in 2012 and $1,000,000 in 2014. These advances are secured by a blanket floating lien on all real estate mortgage loans secured by 1 to 4 family residential properties, unpledged U.S. Government and agencies and mortgage-backed securities and any other real estate related collateral. Total collateral under the blanket lien amounted to approximately $31,200,000 as of December 31, 2009.

The Bank has a federal funds line of credit with correspondent banks available for overnight borrowing of $18,000,000. $160,000 was drawn on this line at December 31, 2009.

Securities sold under agreements to repurchase amounted to $5,657,532 at December 31, 2009, mature on a daily basis and are secured by U.S. government securities. The weighted average interest rate on these agreements was 0.69% at December 31, 2009.

Note 11. Other Expenses

Other expenses in the statements of income include the following components:

	Years Ended December 31, 2009	2008
Advertising expense	$ 150,538	$ 118,904
Data processing	455,277	344,134
FDIC insurance	309,987	57,775
Professional fees	276,649	375,215
State franchise tax	231,476	315,623
Other operating expense	678,655	463,245
Total other expenses	$ 2,102,582	$ 1,674,896

Note 12. Commitments and Contingencies

In the normal course of business, there are outstanding various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions. See Note 13 with respect to financial instruments with off-balance-sheet risk.

Note 13. Financial Instruments With Off-Balance-Sheet Risk

The Bank is party to 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, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

A summary of the contract or notional amount of the Bank's exposure to off-balance-sheet risk as of December 31, 2009 and 2008 is as follows:

	2009	2008
Commitments to grant loans	$ 49,978,000	$ 25,363,000
Unfunded commitments under lines of credit	1,708,000	1,353,000
Standby letters of credit	952,000	603,000

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. 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 Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

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 ultimately may not be drawn upon to the total extent to which the Bank is committed. The Bank generally holds collateral supporting these lines including general business assets and accounts receivable.

Standby letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Note 14. Fair Value Measurements

Determination of Fair Value

The Bank 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 FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are not quoted market prices for the Bank'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 a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

Cash and Cash Equivalents and Interest-Bearing Deposits in Banks

The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Fair values of other interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

Securities

Where quoted prices are available in an active market, the Bank classifies the securities within Level 1 of the valuation hierarchy. Level 1 securities include highly-liquid government bonds and exchange-traded equities.

If quoted market prices are not available, the Bank estimates fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include U.S. government agency obligations, corporate bonds, and other securities. Mortgage-backed securities are included in Level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, the Bank will classify those securities in Level 3.

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), 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, commercial real estate and investment property mortgage loans, commercial and industrial loans) are estimated using discounted cash flow analyses, using market interest rates for comparable loans. 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, passbook 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 market interest rates on comparable instruments 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 ninety days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on current market rates and similar types of borrowing arrangements. Current market rates for debt with similar terms, and remaining maturities are used to estimate fair value of long-term debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

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 instruments are based on fees currently charged to enter into similar agreements, taking in to account the remaining terms of the agreements and the counterparties' credit standing. Those items were deemed immaterial.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements Using		
Description	Balance as of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	$ 13,146,195	$ --	$ 13,146,195	$ --

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances the Bank makes adjustment to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The following table presents the Bank's assets carried on the balance sheet by caption and by level in the fair value hierarchy at December 31, 2009, for which a nonrecurring change in fair value has been recorded:

		Fair Value Measurements Using		
Description	Balance as of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans, net of valuation allowance	$ 584,526	$ --	$ 584,526	$ --

In accordance with the provisions of the loan impairment guidance, individual loans with a carrying amount of $1,408,163 were written down to their fair value of $1,088,705 resulting in an impairment charge of $319,458, which was included in earnings for the period. Loans applicable to write downs of impaired loans are estimated using the present value of expected cash flows or the appraised value of the underlying collateral discounted as necessary due to management's estimates of changes in economic conditions.

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

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)		*(In Thousands)*	
Financial assets:				
Cash and short-term investments	$ 1,322	$ 1,322	$ 6,416	$ 6,416
Securities available-for-sale	13,146	13,146	9,513	9,513
Securities held to maturity	8,949	8,840	- -	- -
Loans, net	205,929	207,856	117,235	118,603
Accrued interest receivable	673	673	389	389
Financial liabilities:				
Deposits	$ 186,339	$ 183,405	$ 95,421	$ 94,570
FHLB advances and other debt	18,718	18,819	10,397	10,397
Accrued interest payable	72	72	20	20

The Bank assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Bank's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to repay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Bank's overall interest rate risk.

Note 15. Concentration Risk

The Bank maintains its cash accounts in several correspondent banks. As of December 31, 2009, deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) were insignificant.

Note 16. Stock Compensation Plan

The Bank has granted stock options under the September 2006 Stock Option Plan (the Plan) to directors and employees to advance the interests of the Bank by encouraging stock ownership. During 2008, the Plan was amended to increase the maximum number of shares available for grant from 225,000 shares to 555,000 shares. Under the Plan, shares may be granted at not less than 100 percent of the fair market value at the grant date. As of December 31, 2009, 472,936 shares are available to grant in future periods under the Plan. All options have a 10 year term from date of grant.

As part of the Bank’s change in control agreement, all outstanding options at February 2008 became immediately vested and exercisable. No options have been granted since the change in control.

A summary of the status of the Plan is presented below:

	2009		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at beginning of year	156,823	$ 10.00	
Granted	- -	- -	
Exercised	(7,710)	10.00	
Forfeited	(74,759)	10.00	
Outstanding at end of year	74,354	10.00	6.72 years

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2008
Dividend yield	0.00%
Expected life	6.5 years
Expected volatility	15.0%
Risk-free interest rate	3.89%

The expected volatility is based on historical volatility of peer banks. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on the average of the contractual life and vesting schedule. The dividend yield assumption is based on the Bank's history and expectation of dividend payouts.

Note 17. Minimum Regulatory Capital Requirements

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 - possibly additional 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 assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The 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 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 to average assets (as defined). Management believes, as of December 31, 2009 and 2008, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2009, the most recent notification from the Federal Reserve Bank categorized the

Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the institution 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 the notification that management believes have changed the Bank's category. The 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	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Dollars in Thousands)			
As of December 31, 2009:						
Total Capital (to Risk Weighted Assets)	$ 31,343	14.0%	$ 17,874	8.0%	$ 22,343	10.0%
Tier 1 Capital (to Risk Weighted Assets)	$ 28,997	13.0%	$ 8,937	4.0%	$ 13,406	6.0%
Tier 1 Capital (to Average Assets)	$ 28,997	13.6%	$ 8,550	4.0%	$ 10,688	5.0%
As of December 31, 2008:						
Total Capital (to Risk Weighted Assets)	$ 31,304	25.6%	$ 9,767	8.0%	$ 12,209	10.0%
Tier 1 Capital (to Risk Weighted Assets)	$ 29,968	24.5%	$ 4,884	4.0%	$ 7,325	6.0%
Tier 1 Capital (to Average Assets)	$ 29,968	24.8%	$ 4,843	4.0%	$ 6,054	5.0%

Note 18. Restrictions on Dividends

The Bank is subject to certain restrictions on the amount of dividend that it may pay without prior regulatory approval. At December 31, 2009 and 2008, no amounts were available for the payment of dividends.

Note 19. 401(k) Plan

Effective August 1, 2006, the Bank adopted a contributory 401(k) savings plan (the Plan) covering substantially all employees. Eligible employees may elect to defer a portion of their compensation to the Plan. The Board of Directors may elect to approve to match a portion of each employee's contribution. No contributions were made by the Bank for the years ended December 31, 2009 and 2008.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A(T). Controls and Procedures.

Disclosure Controls and Procedures. The Bank's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated, as of the last day of the period covered by this report, the effectiveness of the design and operation of the Bank's disclosure controls and procedures, as defined in Rule 15d-15 under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting. This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Bank's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under Item 10 is hereby incorporated herein by reference from the material under the captions " Proposal 1 - Election of Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Bank's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2010.

Code of Ethics. The Bank has adopted a Code of Ethics (the "Code of Conduct") that applies to all Directors, officers and employees of the Bank. The Bank will provide a copy of the Code of Conduct without charge upon written request directed to Carl E. Dodson, John Marshall Bank, 6601 Little River Turnpike, Suite 110, Alexandria, VA 22312.

There have been no material changes in the procedures by which shareholders may recommend nominees to the Bank's Board of Directors since the most recent disclosure thereof.

Item 11. Executive Compensation

The information required under Item 11 is hereby incorporated herein by reference from the material under the captions "Proposal 1 - Election of Directors – Executive Compensation" and "Director Compensation" and "Meetings, Committees, Leadership Structure and Procedures of the Board of Directors" in the Bank's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2010.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities Authorized for Issuance Under Equity Compensation Plans. See Item 11 of this annual report for Equity Compensation Plan Information. The following table sets forth information regarding outstanding options to purchase common stock granted under the Bank's compensation plans as of December 31, 2009:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	74,354	$10.00	472,936

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans not approved by security holders	--	--	--
Total	74,354	$10.00	472,936

(1) Consists of the Bank's 2006 Stock Option Plan. For additional information, see Note 16 to the Audited Financial Statements in Item 8.

The other information required by Item 12 is hereby incorporated herein by reference to the material under the caption "Voting Securities and Principal Holders" in the Bank's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2010.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is hereby incorporated herein by reference to the material under the caption "Proposal 1 - Election of Directors – Certain Relationships and Related Transactions" in the Bank's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2010.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 is hereby incorporated herein by reference to the material under the caption "Proposal 2 – Ratification of the Appointment of the Independent Registered Public Accounting Firm" and "Proposal 1 – Election of Directors – Meetings, Committees, Leadership Structure and Procedures of the Board of Directors – Audit Committee" in the Bank's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2010.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following financial statements are included in this annual report:

Report of Independent Registered Public Accounting Firm
Balance Sheets at December 31, 2009 and 2008
Statements of Operations for the years ended December 31, 2009 and 2008
Statements of Changes in Shareholders' Equity for the years ended December 31, 2009 and 2008
Statements of Cash Flows for the years ended December 31, 2009 and 2008
Notes to Financial Statements

(b) Exhibits

3.1	Articles of Incorporation of the Bank, with all amendments thereto (1)
3.2	Bylaws of the Bank (1)
4	Specimen certificate for the common stock, $5.00 par value (1)
10.1	John Marshall Bank, 2006 Stock Option Plan, as amended (1)
11	Statement re: Computation of per share earnings
31.1	Certification of John R. Maxwell, President and Chief Executive Officer
31.2	Certification of Carl E. Dodson, Executive Vice President and Chief Operating Officer (Principal Financial Officer)
32.1	Certification of John R. Maxwell, Chairman and Chief Executive Officer
32.2	Certification of Carl E. Dodson, Executive Vice President and Chief Operating Officer (Principal Financial Officer)

(1) Incorporated by reference to exhibit of same number to Bank's Registration Statement on Form 10 filed with the Board of Governors of the Federal Reserve System.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/
John R. Maxwell
Chairman and Chief Executive Officer

March 23, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Position	Date
/s/ Philip W. Allin	Director and Treasurer	March 23, 2010
/s/ Philip R. Chase	Director	March 23, 2010
/s/ Jean Edelman	Director	March 23, 2010
/s/ Michael T. Foster	Director	March 23, 2010
/s/ Subhash K. Garg	Director	March 23, 2010
/s/ Ronald J. Gordon	Director	March 23, 2010
/s/ Jonathan C. Kinney	Director and Secretary	March 23, 2010
/s/ O. Leland Mahan	Director	March 23, 2010
/s/ John R. Maxwell	Chairman and Chief Executive Officer Principal Executive Officer	March 23, 2010
/s/ Lim P. Nguonly	Director	March 23, 2010
/s/ William Soza	Director	March 23, 2010
/s/ Carl E. Dodson	Executive Vice President Chief Operating Officer, Principal Financial and Accounting Officer	March 23, 2010