

The Customer Experience

2017 MESSAGE TO SHAREHOLDERS



Bank *of* The James

FINANCIAL GROUP, INC.

IN MEMORIAM

Donald M. Giles
Director, Leader, Friend

Donald M. Giles, Chairman of the Board of Moore and Giles, Inc. and a longtime member of the Board of Directors of Bank of the James, passed away in January 2018. Mr. Giles was a founding board member for the bank and served from 1999 to 2016. He served as Chair for the board's Investment Committee as well as a member of the Executive, Loan, and Nominating committees for the board. His contributions, leadership and commitment to the bank's Board of Directors were invaluable and he is greatly missed by his colleagues at Bank of the James.

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PRESIDENT’S LETTER

To Our Shareholders, Customers and Communities,

The 2017 financial results for Bank of the James Financial Group, Inc. reflect the expertise, enthusiasm and commitment of our Bank of the James team, and strong support from the communities we serve. Our focus on relationships with clients, understanding their banking needs, and providing them with customized financial solutions generated growth throughout our organization.

Continuing on the path of our strategic plan of the past several years, we once again reported Company record net loans, driven by expanded commercial lending. In 2017, the Bank closed more commercial loans than any other year in our history, with double-digit growth in both commercial and construction lending compared with 2016. In turn, loan growth and higher interest-earning assets supported ongoing growth of interest income.

Our emphasis on building and maintaining full-service relationships with clients was a major factor in achieving record deposit levels, led by strong growth in noninterest bearing demand deposits frequently linked to business banking relationships. Customer support for our line of cash management services used by commercial customers – often part of a banking relationship – continued to expand and make meaningful contributions to noninterest income. Fee income from residential mortgage originations as well as investment division revenue also made positive contributions to our noninterest income.

Investment Supports Growth

Investments in market expansion, enhanced technology, and growing our talented team of bankers helped produce positive results we anticipated. As we continued on our path of growth, we continued our focus on underwriting in an effort to maintain credit quality. Our investment in growing the Company and widening our market reach throughout Region 2000, including our new Appomattox office and the Charlottesville, Harrisonburg, and Roanoke markets, enhanced our value to shareholders. In 2017, the Company was once again ranked among the 200 top performing community bank holding companies, banks, and thrifts in the nation by *American Banker*.

We entered 2018 with a robust commercial loan pipeline and numerous client relationship opportunities, giving us confidence that we will continue building on the momentum of 2017. Providing a superior customer experience continues to demonstrate its value throughout our organization, driving new business opportunities, supporting customer satisfaction and loyalty, and generating positive operating results.

Focus on Consistent Pre-Tax Earnings

The Company’s net income for the 12 months ended December 31, 2017 was \$2.92 million or \$0.67 per diluted share, down 11% compared with \$3.29 million or \$0.75 per diluted share for the 12 months ended December 31, 2016. Earnings for the year ended December 31, 2017 included a one-time income tax expense related to a reduction in the value of the Bank’s deferred tax asset of \$871,000 resulting from the reduction in corporate income tax rates in the Tax Cuts and Jobs Act.

Notable in 2017 is that pre-tax income was up 11% to \$5.36 million compared with \$4.81 million in 2016, reflecting the strength of the Company’s financial performance. The one-time impact from the tax law change was something many companies experienced. We anticipate the lower corporate tax rate will impact the Company positively going forward.

Total interest income of \$23.67 million in 2017 rose 10% compared to \$21.57 million the year before, most of which was due to greater income received on loans. Net interest income in 2017 increased to \$20.67 million from \$19.22 million in 2016, primarily reflecting increased total interest income, partially offset by increased total interest expense primarily related to the Company’s issuance of 4% notes in January 2017, along with growth in time deposits and related interest. The Company used a portion of the proceeds from the notes to maintain the Bank’s capital strength and allow us to further grow our business.

Net interest income after the provision for loan losses increased to \$19.68 million from \$17.61 million a year earlier, reflecting higher interest income and a significantly lower provision for loan losses. We feel confident in the continuing high quality of the Company’s loan portfolio.

Even in a competitive lending environment and continued low interest rates, we made quality loans and kept our net interest margin relatively stable year-over-year. A benefit of increased commercial lending is that many of these loans carry adjustable rates. If interest rates rise, loans will re-price, enabling us to keep pace with interest rates and protect our margins while still offering fair and competitive rates.

Fees from residential mortgage originations, gains on the sale of mortgages, and income from our business-related cash management products and investment revenue played important roles in driving higher noninterest income, which increased to \$4.86 million in 2017 compared with \$4.80 million in 2016. Residential mortgage originations accelerated in the second half of 2017, reflecting increased home buying activity and the productivity of our customer-focused team of mortgage bankers in all of the markets we serve.

Loan, Deposit Growth Reflects Customer Demand

The Bank enjoyed continued growth of commercial lending and banking services as local businesses invested in growth and operations, an active construction lending market for residential and commercial properties, and brisk residential mortgage originations. Loans, net of allowance for loan losses, grew to a record \$491.02 million in 2017, over 6% from 2016.

The Company’s commercial loan portfolio, primarily commercial and industrial (C&I) loans, increased 10% to \$96.89 million at December 31, 2017 from \$87.86 million at December 31, 2016. We are pleased with the continuing diversity of our commercial loan portfolio, which reflects a range of loan types that include operating capital, equipment, and facilities loans, with contributions from all the Company’s served markets.

Owner occupied real estate loans, led by commercial real estate (CRE) lending, increased 5% year-over-year to \$146.91 million, non-owner occupied real estate (primarily commercial and investment property) increased by \$1.48 million to \$145.13 million, and total construction loans grew by \$9.90 million to \$20.43 million.

Construction lending was particularly active throughout 2017. There has been strong market demand for new single-and multi-family homes, and a variety of exciting commercial construction projects that reflect the vibrancy of businesses, educational institutions, and nonprofit organizations throughout the central and southern Virginia region.

Our commitment to relationship banking had a positive impact on deposits, particularly direct deposit accounts linked to additional services such as commercial lending and cash management. Total deposits of \$567.49 million at December 31, 2017 were up 8% from \$523.11 million at December 31, 2016. A strong indication of increased commercial banking relationship activity was approximately 20% year-over-year growth of noninterest bearing deposits.

Core deposits (noninterest and interest bearing demand and money market accounts), which provide an attractively priced source of loan funding for the Company, comprised nearly 70% of total deposits. Time deposits and CDs increased year-over-year. We focus on time deposits as part of a client’s overall investment and financial management relationship with Bank of the James.

Building Value, Maintaining Strength

We had another year of asset growth, with Company record total assets of \$626.34 million at December 31, 2017. We were very pleased that earning assets, including loans held for investment, were the primary contributor to asset growth.

Asset quality remained strong, with a nonperforming loans to total loans ratio of 0.87%. Total nonperforming assets, inclusive of OREO, were \$6.96 million at December 31, 2017 compared with \$4.92 million a year earlier. The increase in nonperforming loans year-over-year included \$1.8 million of impaired loans related to four customer relationships, and the loans charged down to the estimated net realizable value of their underlying collateral. In spite of a lower allowance for loan losses, we believe that we entered the new year with a cleaner balance sheet.

The Company grew measures of shareholder value. Total stockholders’ equity was \$51.67 million, up 5% compared with \$49.42 million at December 31, 2016, retained earnings grew 18% to \$12.03 million from \$10.16 million, and

tangible book value per share increased to \$11.80 from \$11.29. We enhanced total return to shareholders with quarterly cash dividends. The Bank's regulatory capital ratios continued to exceed accepted regulatory standards for a well-capitalized institution.

We are proud to be an active member of the communities we serve, providing financial solutions for our customers and supporting a variety of charitable and civic activities through contributions and volunteering. Our contributions include youth enrichment, education, community service, arts and culture, health and human services, and civic activities that promote the wellness, stability, growth and economic development of the region.

This personal commitment to the people, businesses, civic and charitable organizations is an integral part of our business philosophy and important to our mission. The economic climate appears favorable, and we believe that as we continue to execute our strategic plan, there are positive things to come. We are so pleased with the strong commitment of our Bank of the James team to provide a superior customer experience to our customers, each and every day.

I would like to pay tribute to two of our board members who are no longer with us. In November of 2017, Leon M. Clark, a long standing advisory board member for our Amherst office, passed away. Mr. Clark was a valuable member of our regional advisory board and a devoted advocate for our bank. In January of 2018, Donald M. Giles passed away after a brief illness. Mr. Giles was a founding member of the Board of Directors and served on the board in many capacities from 1999 to his retirement from the board in 2016. His steadfast service as a board member has surely made Bank of the James a stronger organization. Both of these remarkable gentlemen will be missed and we extend our sympathies to their families.

We appreciate the ongoing support of our shareholders and the strong guidance from our Board of Directors. Our entire employee team expresses thanks for the opportunity to serve our customers as we build value for you, our shareholders.

Sincerely,



Robert R. Chapman III
President and CEO

OUR CUSTOMERS SAY IT BEST.



The
**Customer
Experience**

THE ARC OF
CENTRAL VIRGINIA
LYNCHBURG, VIRGINIA

Treasury Services including Business Online Banking, Remote Check Deposit, ACH, Online Wire Manager, Business Bill Pay, Lockbox, Positive Pay, Merchant Card Processing and Business Credit Cards helps companies run their businesses more effectively. It's a way for businesses and nonprofit organizations to operate smoothly and efficiently.

"Providing outstanding customer service is very important to us. Our Business Client Service Team is located right here in our region and team members know our clients as friends and neighbors," says Kirstin M. McHenry, Vice President and Treasury Sales Manager for Bank of the James. "We have many non-profit organizations and businesses here in our region and all of them receive the highest level of attention. We have the services to give them the most efficient solutions to meet their needs, and we are as passionate about their mission as they are."

That was certainly true for Robin T. Baker, Executive Director of the Arc of Central Virginia. This organization provides services to people with intellectual and developmental disabilities, day and in-home support for caregivers, transitional services, and summer camps for youngsters with developmental disabilities.

"We have so much happening with our program participants, their caregivers, and our dedicated employees," says Robin. "I have worked in other markets and with other banks, and Bank of the James provides the professionalism and sensitivity to our needs that helps us accomplish our mission. In my years of service, I've never had a banking relationship that is more personal, efficient and responsive. That is something we have come to rely on at Bank of the James."

Robin T. Baker, Executive Director, The Arc of Central Virginia (left)
Kirstin M. McHenry, VP and Treasury Sales Manager, Bank of the James (right)

The Customer Experience

BANK OF THE JAMES
MORTGAGE
FOREST, VIRGINIA

When Bryant and Riley Gaines made the move from North Carolina to Virginia, the busy couple (Bryant is an assistant baseball coach at Liberty University and Riley is a nurse anesthetist) rented while they considered their first home purchase. When they decided to purchase a newly constructed home, they chose Bank of the James and Vice President and Mortgage Loan Originator Debbie Grishaw for their mortgage financing.

"One of my co-workers had a great mortgage experience and recommended Bank of the James," Bryant explains. "We were first time homebuyers and we appreciated the personal approach Debbie took, answering our questions, guiding us through the mortgage process, and giving us a high level of comfort from beginning to end. Debbie was so accessible."

Debbie Grishaw was delighted to do what she loves – building a personal relationship with her clients, using her experience to help find the right mortgage, and making the process as efficient and stress-free as possible.

"Whether you're an experienced homeowner or a first-time buyer, the mortgage process can be daunting," she explains. "Online or big-bank solutions that seem simple at first can turn into a process with seemingly endless paperwork, red tape and delays. It is still the personal attention that takes the hassle out of the mortgage process. That's the difference our Bank of the James Mortgage team makes. The service is what generates return clients and positive referrals."

Debbie M. Grishaw, VP and Mortgage Loan Originator, Bank of the James Mortgage

Special Financing By



A Division of Bank of the James



The Customer Experience

BMS DIRECT, INC.
LYNCHBURG, VIRGINIA

The motto of BMS Direct, Inc., “Whatever it takes,” says it all about this company’s commitment to service, quality, and strong customer relationships. Providing market solutions throughout a multi-state area in billing, list maintenance, invoice processing, mailing services and more, BMS and Bank of the James have been a business and philosophical fit for years.

“Having a personal relationship with a bank that understands and cares about our business and our success is so important to us,” says James E. LaPrade, President and second-generation owner. “We consider our customers to be partners, and we appreciate a bank that treats us as a valued partner and provides specific solutions. You never feel like you’re just a number.”

Bank of the James provides BMS with a range of lending, finance, deposit, treasury services and investment services. Kenneth L. Harvey, Senior Vice President, BOTJ Investment Services, says:

“We welcome the concept of a partnership with clients like BMS Direct where we can bring to the table a range of capabilities that you might expect from a big bank, and the expertise and personal attention of a consultant and advisor.”

Securities are offered through Infinex Investments, Inc. Member FINRA/SPIC. BOTJ Investment Services is a division of Bank of the James. Infinex Investments, Inc. is not affiliated with either entity. Investment products are not a deposit, not FDIC insured, not insured by any federal government agency, not guaranteed by the bank and may go down in value.

James E. LaPrade, President, BMS Direct, Inc. (right)
Kenneth L. Harvey, Senior Vice President, BOTJ Investment Services and Infinex Investments, Inc.



The Customer Experience

MARTIN HORN, INC.
CHARLOTTESVILLE, VIRGINIA

"Bank of the James has the capacity and products to meet our banking requirements. With a local presence and a real interest in the Charlottesville community and in our business, their experienced, responsive people make local decisions and provide advice," says John D. (Jack) Horn, President of Martin Horn, Inc. Located in Charlottesville, Virginia, this company provides general contracting, project management, environmentally sound design, and construction services throughout central Virginia. "We appreciate the range of capabilities, including the latest online tools. They have worked with us to meet our needs, and not just sell products. Bank of the James is just the right size bank for us."

Jared R. Feury, Market President for Bank of the James explains:

"Several years ago, Martin Horn, Inc. was looking for sophisticated, personal, and attentive services that matched their needs. We focused on meeting their requirements, and you can only do this with the right products and expert advice. Taking the time to understand our clients' needs, especially with small business owners, leads to long-lasting business and personal banking relationships."

John D. (Jack) Horn, President, Martin Horn, Inc. (right)

Jared R. Feury, Market President, Charlottesville-Bank of the James (left)



The Customer Experience

MERIWETHER GODSEY, INC.
LYNCHBURG, VIRGINIA

Meriwether Godsey provides premier contract dining, catering, and restaurant services to clients from Massachusetts to North Carolina, from its Lynchburg, Virginia headquarters. When Bob Lemon joined the Company as Chief Financial Officer several years ago, he reviewed his company's banking relationship by analyzing services, products, pricing and performance.

"It was clear that Bank of the James wanted to work with us," says Lemon. "From offering quality service and resources, coupled with a desire to understand our business needs, the Bank of the James team supports our business and cares about everything from corporate objectives to routine transactions. At Meriwether Godsey, we provide a quality, innovative dining experience with a focus on local sourcing and healthfulness. Our company's success depends on client satisfaction and staying a step ahead. We've always felt that Bank of the James shares this same philosophy."

Allen C. Puckett, Senior Vice President and Commercial Loan Officer with Bank of the James, explains:

"Although we knew Bob, Rie Godsey (Founder) and Leslie Phillips (CEO), we still had to prove how our bank could bring a new dimension to Meriwether Godsey's business. We offered a great range of services and fair pricing, and it has been an outstanding partnership ever since. Being quick to respond to their needs and providing value fits perfectly with their philosophy of interacting with their customers for a great all-around experience."

Robert (Bob) A. Lemon, Jr., Chief Financial Officer, Meriwether Godsey, Inc. (left)
Allen C. Puckett, SVP and Commercial Loan Officer, Bank of the James (right)



The Customer Experience

MOMENTUM
EARTHWORKS, INC.
HARRISONBURG, VIRGINIA

"It is important to provide a great customer experience, time and again," says Thomas D. Rea, Bank of the James Market President. "Our definition of success is when we are able to help our customers achieve their goals and long term financial prosperity. As a local financial institution, we know the markets that we serve. The combination of our local presence and the offering of sophisticated financial products and services are a winning combination."

For Hans C. Harman, President of Momentum Earthworks, Inc., a civil construction and excavation company in Harrisonburg, Virginia, having a go-to financial advisor is key to complimenting its operating accounts, deposits, cash management, and lending services needs.

"Bank of the James offers a local feel and presence, combined with the advanced products and services we need to serve our customers," says Mr. Harmon. "We transitioned to Bank of the James from other banks, and consolidated our operations with the bank because they cared about our business, found us the right solutions, and showed us how we could benefit from a full service relationship with them. It's all about how they provided solutions for our business needs, and not about what they wanted to sell us. At Bank of the James, we know we have a partner who shares our interests and our values."

Hans C. Harman, President, Momentum Earthworks, Inc. (right)
Thomas D. Rea, Market President, Harrisonburg/Shenandoah Valley–Bank of the James (left)



The Customer Experience

SAFEHOUSE SIGNS, INC.
ROANOKE, VIRGINIA

"Understanding your client – their needs, their requirements, and their unique strengths – is what differentiates the Bank of the James customer experience from a strictly by-the-numbers approach," says Bradford K. Harris, Bank of the James Market President. "Taking the time to first listen and then maintaining open lines of communication throughout the loan process is often what generates solutions and, in turn, builds a long-lasting client relationship."

When Kevin Hudson, an experienced business leader and chief operating officer, had the opportunity to purchase an established company, he turned to Brad Harris and Bank of the James to structure the financing.

"I initially worked with banks I'd done business with in the past. Structuring the financing was turning into an experience of bureaucracy, inflexible formulas, and a focus on selling rather than solutions."

"When I turned to Brad and Bank of the James, they looked at the entire picture – the financials, of course, and also my experience in building and leading successful companies. They truly wanted to help, and developed a financing solution that enabled me to purchase a great company."

Today, Hudson is the proud owner of Safehouse Signs, Inc., a growing business that provides facility, road, job site signs and more for businesses in healthcare, transportation, traffic, public utilities, aerospace and a host of other industries. His positive experience has led to a full service business relationship with Bank of the James to help keep his company following the route of success.

Kevin D. Hudson, Owner, Safehouse Signs, Inc. (left)

Bradford K. Harris, Market President, Roanoke/Roanoke Valley–Bank of the James (right)

The Customer Experience

SERVICE PRINTING
OF LYNCHBURG, INC.
LYNCHBURG, VIRGINIA

C. Lynette Callands, Vice President and Branch Manager, has been committed to customer service at Bank of the James since the bank opened its doors in 1999. Her philosophy for success is listening to her customers and finding the right financial solutions for each and every one.

"It isn't about selling just products," she explains. "It's about finding the right product or service for their particular needs and identifying opportunities and solutions to help our customers manage their finances."

Allen G. Layne, President of Service Printing in Lynchburg and a Bank of the James business and personal client, sums it up by saying:

"We've been with Bank of the James since its inception. The combination of personal attention and great customer service makes me feel like a friend and a valued customer. It's the reason I have both my personal and business accounts with the bank. Bank of the James treats us like family members and that is important to me and our business."

Allen G. Layne, President, Service Printing of Lynchburg, Inc. (left)
C. Lynette Callands, VP and Branch Manager, Main Street Office, Bank of the James (right)

A RICH HISTORY OF SERVING CUSTOMERS, SHAREHOLDERS AND COMMUNITY

Bank of the James, a wholly owned subsidiary of Bank of the James Financial Group, Inc. (NASDAQ: BOTJ) serves the greater Lynchburg, Virginia Metropolitan Statistical Area, commonly called Region 2000, as well as Appomattox, and Charlottesville, Harrisonburg and Roanoke, Virginia. Its market reach today covers a region of more than 5,000 square miles with a population of more than 800,000, includes three of Virginia’s 10 largest metropolitan areas, and features a diverse range of businesses, educational institutions and not-for-profits.

The bank opened for business on July 22, 1999 with a commitment to serving the community by providing access to dedicated, experienced professionals, building value for its shareholders, and giving back through community involvement. From a start-up team of 12 employees and 10 directors, the Company today has more than 140 employees, a 13 member Board of Directors, and over 40 business and community leaders who comprise its regional advisory boards.

Consistent investment in reaching out to new markets, expanding its team of expert bankers, implementing new technology and enhancing its range of business banking solutions has positioned the Company to continue on a path of growth. The Bank operates 13 full service locations, three limited service branches, two loan production offices, and an investment/insurance services division. Bank of the James Mortgage, a division of Bank of the James, has mortgage origination capabilities throughout the Company’s served markets. The bank’s Investment Services division is based in downtown Lynchburg, serving customers from its centralized location.

The Company’s executive team and Board of Directors believes a bank can be profitable and benefit the communities, individuals and businesses it serves. Indeed, over the past 18 years, the Company has demonstrated that serving the interests of customers, providing a satisfying work experience for employees, generating profitability and value for shareholders, and generously giving back to the community go hand-in-hand.

MISSION STATEMENT

To be the pre-eminent financial institution through superior customer service.

VISION

Bank of the James will be the financial institution of choice.

Bank of the James, Bank of the James Financial Group, Inc., BOTJ Investment Services, and BOTJ Insurance, Inc. are Equal Opportunity Employers. All personnel actions, including but not limited to compensation, benefits, training and other terms and conditions of employment will be administered without regard to race, color, religion, sex, national origin, physical and/or mental disability, genetic information, age, gender identity, sexual orientation, or protected veteran status.

Bank of the James is an Equal Housing Lender.

Bank of the James is a member of the Federal Deposit Insurance Corporation.

EXECUTIVE MANAGEMENT TEAM

Robert R. Chapman III President and Chief Executive Officer	Angelia R. Johnson Executive Vice President and Retail Branch Administrator	Michael A. Syrek Executive Vice President and Senior Loan Officer
Brian E. Cash President Bank of the James Mortgage	J. Todd Scruggs Executive Vice President and Chief Financial Officer	Harry P. “Chip” Umberger Executive Vice President and Senior Credit Officer
Brandon P. Farmer Executive Vice President and Senior Operations Officer		

REGIONAL MARKET PRESIDENTS

Jared R. Feury Market President Charlottesville	Bradford K. Harris Market President Roanoke/Roanoke Valley	Thomas D. Rea Market President Harrisonburg/Shenandoah Valley
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BOTJ INVESTMENT SERVICES

KENNETH L. HARVEY
Senior Vice President

BOARD OF DIRECTORS

The continued support and guidance of our Board of Directors has been critical to the success of Bank of the James. Their collective expertise and experience serves as an exceptional resource, offering insight and a connection to the markets we serve.

Lewis C. Addison Retired Chief Financial Officer Centra Health, Inc.	James F. Daly President Daly Seven, Inc.	Dr. Augustus A. Petticolas, Jr. Dentist Vice Chairman, Board of Directors Bank of the James
John R. Alford, Jr. Vice President and Partner Caskie & Frost, P.C.	Julie P. Doyle President and Executive Director The Education & Research Foundation, Inc.	Thomas W. Pettyjohn, Jr. Retired Investment Advisor Chairman, Board of Directors Bank of the James
William C. Bryant III President and Auctioneer The Counts Realty and Auction Group	Watt R. Foster, Jr. President and Chief Executive Officer Foster Fuels, Inc.	J. Todd Scruggs Executive Vice President and Chief Financial Officer Bank of the James
Robert R. Chapman III President and Chief Executive Officer Bank of the James	Phillip C. Jamerson Co-Owner and Chief Executive Officer Jamerson-Lewis Construction	Secretary-Treasurer Bank of the James Financial Group, Inc.
President Bank of the James Financial Group, Inc.	Lydia K. Langley Owner Langley Rentals	
A. Douglas Dalton III Operations Manager English Construction Co., Inc.		

COMMUNITY ADVISORY BOARDS

The Community Advisory Boards of Bank of the James are comprised of exceptional and prominent businessmen and businesswomen that live and work in the communities we serve. These board members assist our bank in the development of personal and business relationships within their markets and are community advocates for the bank.

ALTAVISTA ADVISORY BOARD

Rita T. English Retired Business Owner	Madeline C. Key Retired Educator Campbell County School System	Muriel D. Payne President Altavista Transfer Company, Inc.
Ralph M. Farmer Retired Ralph M. Farmer Painting & Wallpaper	J. Michael Kinlaw President Kinlaw Insurance Agency	Aubrey J. Rosser, Jr. Attorney At Law Aubrey J. Rosser, Jr., Attorney At Law
Kenneth D. Hutcherson Retired Cattle Farmer Hutcherson Farms	Walter L. Maddy Self Employed	Evelyn B. Vaden Owner Evelyn Vaden Accounting Services
Robert L. Jennings Retired Banker First National Bank of Altavista	Michael E. Mattox Owner and President E & S Market	Donald G. Wilkerson Apprenticeship Coordinator Campbell County Schools

AMHERST ADVISORY BOARD

Leif Aagaard, Jr. Vice President BMS Direct	J. Paul Kilgore, Jr. Real Estate Broker Montague Miller and Company Realtors	Rachel E. Thompson Owner, Managing Member Lily’s Properties, LLC
Thomas P. Green Owner Sam Green Vault Corp. Discount Portable Restrooms and Septic Service	Ruth E. Martineau Owner, Community Maps Co-owner, Martineau, Inc.	Harold W. Woody Retired Banker
Calvin M. Kennon, Jr. President/General Manager Specialty Exterminating	Kerry D. Scott President, Narrow Gate Tack, Inc. Program Manager, MAS Labor H-2A, LLC Managing Partner, Scott Family Investments, LLC	

COMMUNITY ADVISORY BOARDS

BEDFORD ADVISORY BOARD

Anthony D. Bailey, DDS General Dentist PeaksView Dental	Dr. Paul H. Lilly Retired Colonel United States Air Force	Dr. H. Paul Rhodes Retired Radiologist Bedford Memorial Hospital
T. Henry Clark IV Attorney At Law T. Henry Clarke IV, Attorney At Law	James A. Mercadante General Manager Cintas Corporation	Kevin H. Turner President Century 21-All Services
W. Courtney Holdren Commercial and Personal Insurance Sales Executive Bankers Insurance	Michael C. Moldenhauer Retired President Sam Moore Furniture	Sue Hillsman Woods Owner Hillsman Properties
Michael T. Laughon President Laughon and Johnson, Inc.	Michael F. Moorman Retired Chairman and CEO Peebles Department Stores, Inc.	

LYNCHBURG ADVISORY BOARD

Joe D. Aboid President JTL, Inc.	Terry L. Marsh President Lewis Marsh & Associates, Inc.	Daniel R. Taylor Owner Kidd’s Services
Paul R. Denham President and CEO Southern Air, Inc.	Edgar J. T. Perrow, Jr., P.E. Associate Principal Woodard & Curran Ward IV Representative Lynchburg City Council	Randall T. Trost, P.C. Attorney At Law Randall J. Trost, P.C. Attorneys At Law
Robert L. Driskill, MD President Oakwood Radiotherapy, PLLC	Roy A. Roberson, Jr. Owner Roberson Financial Services	Edward R. Turner Owner/Agent New York Life Insurance
Robert H. Hiller President Commercial Glass & Plastics, Inc.		

BANKING OFFICES

ALTAVISTA	1110 Main Street • Altavista, VA 24517 (434) 369-7300
AMHERST	164 S. Main Street • Post Office Box 474 • Amherst, VA 24521 (434) 946-9777
APPOMATTOX	1745 Confederate Boulevard • Appomattox, VA 24522 (434) 352-5500
BEDFORD	1405 Ole Dominion Boulevard • Bedford, VA 24523 (540) 587-8646
CHARLOTTESVILLE	Charlottesville Corporate Office Loan Production Office 1430 Rolkin Court, Suite 203 • Charlottesville, VA 22911 (434) 995-5418 5th Street Station Office 225 Merchant Walk Avenue • Charlottesville, VA 22902 (434) 202-0424 Westminster Canterbury of the Blue Ridge Office 250 Pantops Mountain Road • Charlottesville, VA 22911 (434) 972-2844 <i>Open for residents and employees of Westminster Canterbury</i>
FOREST	17000 Forest Road, Suite A • Forest, VA 24551 (434) 534-8080
HARRISONBURG	1391 South High Street • Harrisonburg, VA 22801 (540) 437-9886
LYNCHBURG	Main Office 828 Main Street • Lynchburg, VA 24504 (434) 846-2000 or Toll Free: 1-877-266-0765 Boonsboro Office 4935 Boonsboro Road • Lynchburg, VA 24503 (434) 384-8588 Church Street Office 615 Church Street • Lynchburg, VA 24504 (434) 846-7285 Fort Avenue Office 5204 Fort Avenue • Lynchburg, VA 24502 (434) 237-1144 Westminster Canterbury Office 501 VES Road • Lynchburg, VA 24503 (434) 386-3450 <i>Open for residents and employees of Westminster Canterbury</i>

MADISON HEIGHTS	4698 S. Amherst Highway • Madison Heights, VA 24572 (434) 846-8887
ROANOKE	3562 Electric Road • Roanoke, VA 24018 (540) 989-2026

MORTGAGE OFFICES

ALTAVISTA	1110 Main Street • Altavista, VA 24517 (434) 369-7300
BLACKSBURG	2001 S. Main Street • Colony Park, Unit 107 • Blacksburg, VA 24060 (540) 953-7023
CHARLOTTESVILLE	1430 Rolkin Court, Suite 203 • Charlottesville, VA 22911 (434) 995-5418
FOREST <i>(headquarters)</i>	17000 Forest Road, Suite B • Forest, VA 24551 (434) 534-8090
HARRISONBURG	1391 South High Street • Harrisonburg, VA 22801 (540) 437-9886
ROANOKE	3562 Electric Road • Roanoke, VA 24018 (540) 989-2026

INSURANCE AND INVESTMENT SERVICES

BOTJ INSURANCE, INC.	615 Church Street • Lynchburg, VA 24504 (434) 846-2646 • Toll free: 1-888-384-6990
BOTJ INVESTMENT SERVICES	615 Church Street • Lynchburg, VA 24504 (434) 846-2279 • Toll free: 1-888-384-6990

FREE STANDING ATMs

LYNCHBURG	Lynchburg Community Market 1219 Main Street • Lynchburg, VA 24504 The American Legion – Post 16 1301 Greenview Drive • Lynchburg, VA 24502 The Cavalier Store 2920 Rivermont Avenue • Lynchburg, VA 24503 <i>Free standing machines are cash dispensing only.</i>
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PRODUCTS AND SERVICES

DEPOSIT SERVICES	<ul style="list-style-type: none">• Jefferson Checking• Express Checking for Students• 50 Plus Checking• Interest Checking• James River Checking• Blue Ridge Money Market Checking• Health Savings Account• Statement Savings	<ul style="list-style-type: none">• Peaks Savings• Minor Savings• Christmas Clubs• Certificates of Deposit• Traditional and Roth IRAs• IRA Direct Rollovers/Transfers• Community Market IRA
E-BANKING SERVICES	<ul style="list-style-type: none">• Online Banking and Online Billpay• Mobile Money• Popmoney® Person to Person Payments	<ul style="list-style-type: none">• eStatements• Text and Email Alerts• Transfer Now• Card Valet®
ADDITIONAL DEPOSIT SERVICES	<ul style="list-style-type: none">• VISA Debit/Check Cards• ATM Cards• Overdraft Protection• UChoose Rewards®• ATMs/24-Hour Banking• TeleBanc – Telephone Banking• Visa Credit Card	<ul style="list-style-type: none">• American Express Travelers Cheques• Notary Service• Coin Counting• Cashier’s Checks• Safe Deposit Boxes• Foreign Currency Exchange• Savings Bond Redemption
PERSONAL LOANS AND LINES OF CREDIT	<ul style="list-style-type: none">• Auto and Personal Installment Loans• Home Equity Loans• Home Equity Lines of Credit	<ul style="list-style-type: none">• Consumer Mortgage Loans• Overdraft Checking Lines of Credit
BUSINESS ACCOUNTS AND SERVICES	<ul style="list-style-type: none">• Business Economy Checking• Business Advantage Checking• Business Checking Analysis• Business Interest Checking• Business Lines of Credit• Interest on Lawyer’s Trust Accounts (IOLTA)• Commercial Real Estate Loans	<ul style="list-style-type: none">• Commercial Construction Loans• Business Installment Loans• Business Expansion Loans• Business Equipment Loans• Business Acquisition Financing• Operating Lines of Credit• Letters of Credit
BUSINESS CASH MANAGEMENT SOLUTIONS	<ul style="list-style-type: none">• Business Online Banking with Bill Pay• Email Text Alerts• Automated Clearing House (ACH) Manager• Payroll Direct Deposit• Positive Pay – Check and ACH	<ul style="list-style-type: none">• Wire Transfer Management – Incoming and Outgoing• Remote Check Deposit• Lines of Credit Sweep Accounts• Zero or Minimum Balance Accounts• Lock Box

ADDITIONAL BUSINESS SERVICES	<ul style="list-style-type: none">• Business VISA Credit Card• Merchant Credit Card Processing Services• Business Visa Debit Card UChoose™ Rewards Program• Mobile Banking	<ul style="list-style-type: none">• Business Online Payroll• Corporate Christmas Club Accounts• Health Savings Accounts• Night Depository• Check Fraud Protection
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MORTGAGE LOANS	<ul style="list-style-type: none">• Conventional Fixed Rate Mortgages• Conventional Adjustable Rate Mortgages• Federal Housing Authority Loans - FHA• US Department of Agriculture Loans – USDA	<ul style="list-style-type: none">• Veterans Administration Loans - VA• Jumbo Loans• Reverse Mortgages• To Be Determined (TBD) Approvals
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INSURANCE PRODUCTS	<ul style="list-style-type: none">• Fixed Annuities• Estate Planning and Insurance Reviews• Term and Permanent Life Insurance <p>The insurance product is not a deposit or other obligation of, or guaranteed by, the bank or an affiliate of the bank. The insurance product is not insured by the FDIC or any other U.S. government agency, the bank, or an affiliate of the bank. The insurance product, if applicable, has investment risk, including the possible loss of value. Insurance products are underwritten by a third party insurance company.</p>	<ul style="list-style-type: none">• Long Term Care Insurance• Group Employee Benefits
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INVESTMENT SERVICES	<p>Securities are offered through Infinex Investments, Inc. Member FINRA/SPIC. BOTJ Investment Services is a division of Bank of the James. Infinex Investments, Inc. is not affiliated with either entity. Investment products are not a deposit, not FDIC insured, not insured by any federal government agency, not guaranteed by the bank and may go down in value.</p>
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Deposit accounts, credit cards, loans and lines of credit are subject to credit approval and verification. Please note that Bank of the James is not engaged in rendering of tax, investment or legal advice. Service charges and fees could reduce earnings. Member FDIC and Equal Housing Lender.

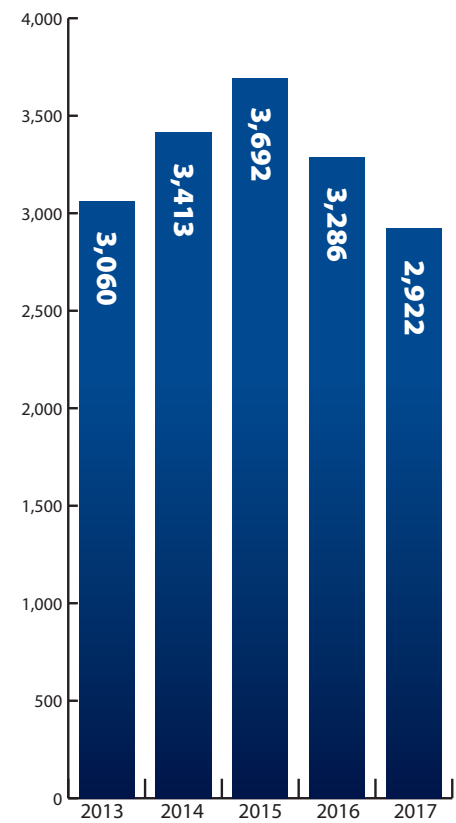
CORPORATE AND SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS	Bank of the James Financial Group, Inc. 828 Main Street • Lynchburg, Virginia 24504 Telephone: 434-846-2000 Toll Free: 1-877-266-0765
INDEPENDENT PUBLIC ACCOUNTANTS	Yount, Hyde & Barbour, P.C. 50 South Cameron Street • Post Office Box 2560 • Winchester, Virginia 22601 Telephone: 540-662-3417 www.yhbcpa.com
GENERAL COUNSEL	Woods Rogers, PLC 828 Main Street, 19th Floor • Lynchburg, Virginia 24504 Post Office Box 958 • Lynchburg, Virginia 24505 Telephone: 434-846-9000 www.woodsrogers.com
STOCK EXCHANGE LISTING	Bank of the James Financial Group, Inc. common stock is listed on the NASDAQ Capital Market under the symbol BOTJ. There were approximately 1,481 active shareholders of record of Bank of the James Financial Group, Inc. on December 31, 2017.
ANNUAL MEETING	The Annual Meeting of Shareholders will be held on Tuesday, May 15, 2018 at 4:00 p.m. at Boonsboro Country Club, 1709 BCC Drive, Lynchburg, Virginia 24503. All shareholders are cordially invited to attend.
INVESTOR INQUIRIES	Financial analysts and portfolio managers may contact: J. Todd Scruggs Executive Vice President and Chief Financial Officer Telephone: 434-846-2000 or 1-877-266-0765 tscruggs@bankofthejames.com
NEWS AND MEDIA INQUIRIES	News and media representatives should contact: Vickie D. Spencer Vice President and Community Relations Director Telephone: 434-846-2000 or 1-877-266-0765 vspencer@bankofthejames.com Requests for printed materials including annual reports, proxy statements, 10-K and 10-Q reports: visit our investor relations feature under www.bankofthejames.bank or visit www.sec.gov.

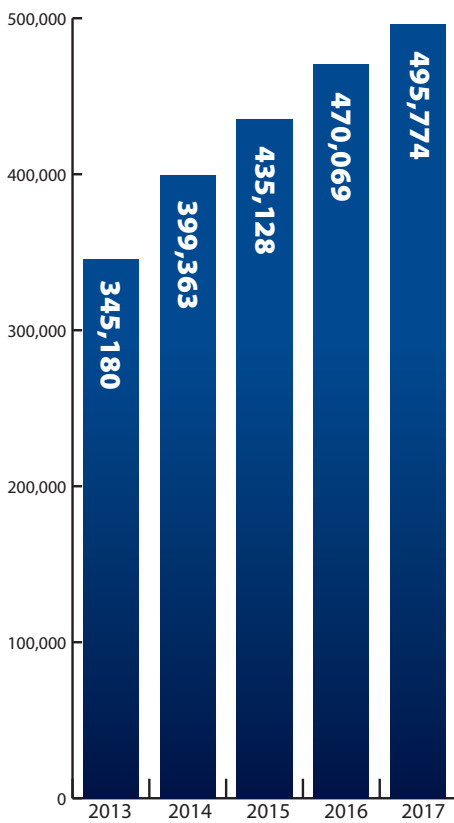
STOCK TRANSFER AGENT	Shareholders requesting information on stock transfers, lost certificates, dividends, change of address and other shareholder matters should contact: Broadridge Corporate Issuer Solutions, Inc. Post Office Box 1342 Brentwood, New York 11717 Telephone: 1-877-830-4936 Email: shareholder@broadridge.com www.shareholder.broadridge.com
ANNUAL REPORT	Bank of the James Financial Group, Inc. files a Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 with the Securities & Exchange Commission each year. The annual report includes the audited consolidated financial statements of Bank of the James Financial Group, Inc. and other information. A copy of the annual report accompanies this Message to Shareholders, and additional copies are available at www.bankofthejames.bank. Management is responsible for the accuracy and reliability of the financial statements presented in the annual report. Management is also responsible for the consistency of all presentations and financial information in that report. Yount, Hyde & Barbour, P.C. audited the Company’s 2017 and 2016 year-end financial statements.
INTERNET ADDRESS	Additional information regarding Bank of the James Financial Group, Inc. and Bank of the James is available on the internet at www.bankofthejames.bank.

COMPARISON CHARTS 2013-2017

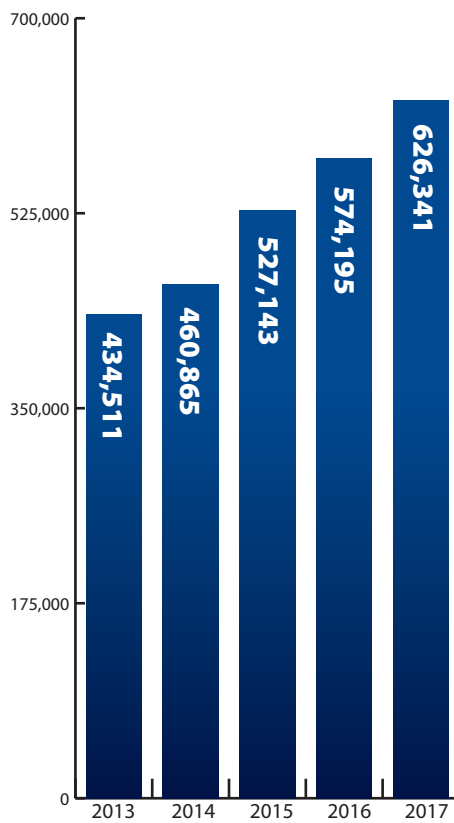
Net Income
(in \$ thousands)



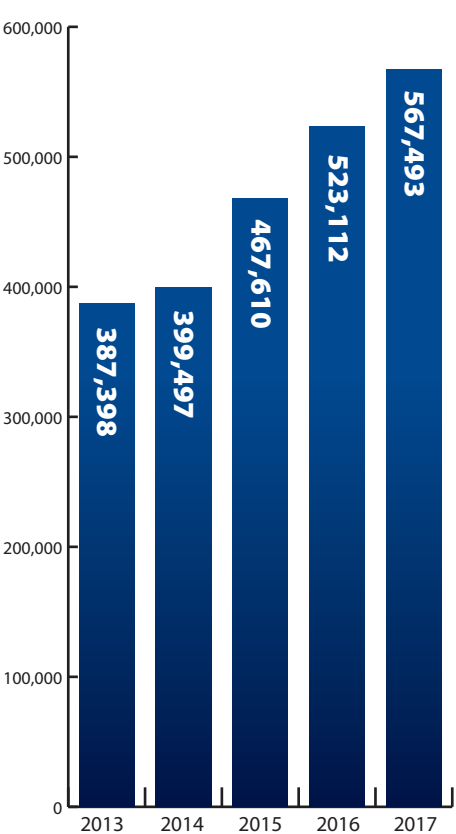
Loans
(in \$ thousands)



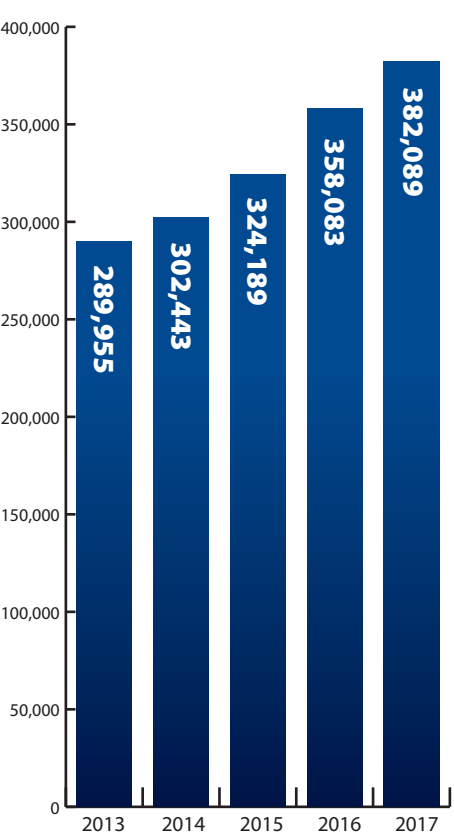
Assets
(in \$ thousands)



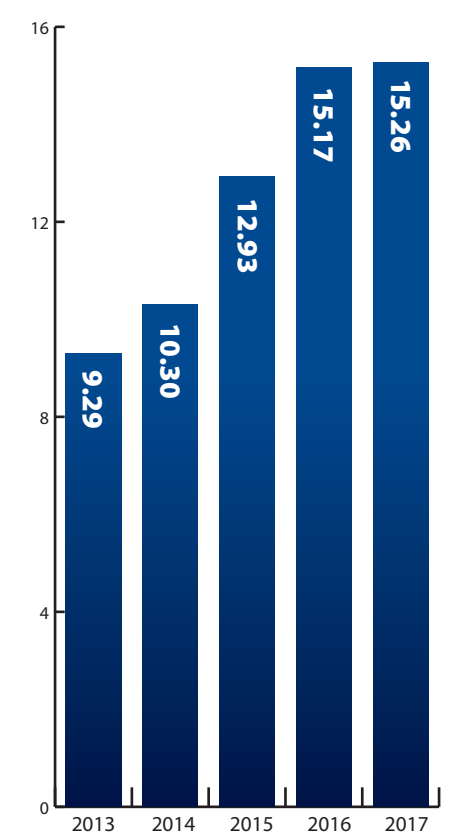
Deposits
(in \$ thousands)



Core Deposits
(in \$ thousands)



Closing Stock Prices (in \$)
(on last trading day of calendar year)



CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "estimate," "expect," "intend," "anticipate," "plan" and similar expressions and variations thereof identify certain of such forward-looking statements which speak only as of the dates on which they were made. Bank of the James Financial Group, Inc. (the "Company") undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Such factors include, but are not limited to competition, general economic conditions, potential changes in interest rates, and changes in the value of real estate securing loans made by Bank of the James (the "Bank"), a subsidiary the Company. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the Company's filings with the Securities and Exchange Commission and previously filed by the Bank (as predecessor of the Company) with the Federal Reserve Board.

OUR CUSTOMER SERVICE LOCATIONS



www.bankofthejames.bank