



Dear Shareholders:

You are cordially invited to attend the 2011 Annual Meeting of Shareholders of Bank of the James Financial Group, Inc. (“Financial”), which will be held on May 17, 2011 at 4:00 p.m., at Boonsboro Country Club, 1709 BCC Drive (501 North), Lynchburg, Virginia 24503 (the “Meeting”).

The attached Notice of 2011 Annual Meeting of Shareholders describes the formal business to be transacted at the Meeting. In addition to the formal business, management will provide a report on the operations of Financial. You will have an opportunity to ask questions of management, the board, and Financial’s independent auditors.

Your vote is important. Whether or not you plan to attend in person, it is important that your shares be represented at the Meeting. You may vote your shares via a toll-free telephone number, via the internet, or you may complete, sign, date, and mail the enclosed proxy card to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. A postage-paid return envelope is enclosed for your convenience. Instructions for all three methods of voting are contained with the proxy card. If you decide to attend the Meeting and vote in person, or if you wish to revoke your proxy for any reason prior to the vote at the Meeting, you may do so, and your proxy will have no further effect. We began mailing these proxy materials to you on or about April 11, 2011.

The directors and management of Financial appreciate your continued support and look forward to seeing you at the Meeting.

Sincerely,

/s/ Robert R. Chapman III
Robert R. Chapman III
President

Lynchburg, Virginia
April 11, 2011

**RECENT REGULATORY CHANGES HAVE MADE OBTAINING A QUORUM MORE
DIFFICULT. PLEASE VOTE YOUR SHARES.**

BANK OF THE JAMES FINANCIAL GROUP, INC.
828 Main Street
Lynchburg, VA 24504

NOTICE OF 2011 ANNUAL MEETING OF SHAREHOLDERS
To Be Held On May 17, 2011 at 4:00 p.m.

NOTICE IS HEREBY GIVEN that pursuant to its Bylaws and call of its directors, the 2011 Annual Meeting (the "Meeting") of the holders of shares of common stock ("Common Stock") of Bank of the James Financial Group, Inc. ("Financial") will be held at Boonsboro Country Club, 1709 BCC Drive (501 North) Lynchburg, Virginia 24503 on May 17, 2011 at 4:00 p.m. local time.

The purposes of the Meeting are to consider and act upon the following proposals:

1. Election of Directors. To elect three (3) Group Two directors to serve a term of three (3) years each.
2. Ratification of Selection of Auditors. To ratify the selection by Financial of Yount, Hyde & Barbour, P.C., independent public accountants to audit the financial statements of Financial for the fiscal year ending on December 31, 2011.
3. Other Business. To act upon such other matters as may properly come before the Meeting or any adjournment or postponement thereof. Management is not aware of any other business, other than procedural matters incident to the conduct of the Meeting.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement regarding the matters proposed to be acted upon at the Meeting.

Holders of shares of Common Stock of record at the close of business on March 25, 2011, will be entitled to vote at the Meeting or any postponements or adjournments thereof.

A copy of Financial's Annual Report for the year ended December 31, 2010, a Proxy Statement, and a proxy card accompany this notice.

Regardless of whether you plan to attend the Meeting, we urge you to vote your shares via a toll-free telephone number, via the internet, or by completing, signing, dating, and mailing the enclosed proxy card in the enclosed envelope to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. You can revoke a proxy at any time before its exercise at the Meeting by following the instructions set forth in the proxy statement.

Lynchburg, Virginia
April 11, 2011

BY ORDER OF THE BOARD OF DIRECTORS

/s/ J. Todd Scruggs
J. Todd Scruggs, Secretary

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 17, 2011.

This Notice of 2011 Annual Meeting of Shareholders and Proxy Statement and the 2010 Annual Report to Shareholders are available on the internet at the following website: <http://www.proxyvote.com>

BANK OF THE JAMES FINANCIAL GROUP, INC.

2011 PROXY STATEMENT

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BANK OF THE JAMES FINANCIAL GROUP, INC.
828 Main Street
Lynchburg, VA 24504
PROXY STATEMENT
2011 ANNUAL MEETING OF SHAREHOLDERS
May 17, 2011 at 4:00 p.m.

GENERAL INFORMATION

Introduction

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Bank of the James Financial Group, Inc. (the “Company” or “Financial”) to be used at the 2011 Annual Meeting of Shareholders of the Company. The Company is the holding company for Bank of the James (the “Bank”).

Date, Time and Place of the Meeting

The solicitation of the enclosed proxy is made by and on behalf of the Board of Directors of Financial to be used at the Meeting of Shareholders to be held on May 17, 2011 at 4:00 p.m. local time at Boonsboro Country Club, 1709 BCC Drive (501 North), Lynchburg, Virginia 24503, and any adjournment or postponement thereof (the “Meeting”).

Record Date and Mailing Date

The close of business March 25, 2011 (the “Record Date”) is the record date for the determination of shareholders entitled to notice of and to vote at the meeting. We first mailed this Proxy Statement and the enclosed proxy card shareholders on or about April 11, 2011.

Voting Rights of Shareholders

On the Record Date, there were 3,323,743 shares of Common Stock issued and outstanding. Financial has no other class of stock outstanding. Each outstanding share of Common Stock is entitled to one vote on all matters to be acted upon at the Meeting. Only shareholders of record at the close of business on March 25, 2011 are entitled to notice and to vote at the Meeting or any adjournment thereof.

As of the Record Date, to the knowledge of Financial’s management, no person owned beneficially more than 5% of Financial’s outstanding Common Stock. As of the Record Date, directors and executive officers of Financial and their affiliates, as a group, owned of record and beneficially, inclusive of options that have vested or will vest within 60 days of May 17, 2011, a total of 535,104 shares of Common Stock, or approximately 15.52% of the shares of Common Stock deemed outstanding on such date. Directors and executive officers of Financial have indicated an intention to vote their shares of Common Stock “FOR” the nominees set forth herein and “FOR” the ratification of Yount, Hyde & Barbour.

If you hold your shares in a bank or brokerage account, you will receive instructions from your bank or broker that you must follow for your shares to be voted. Please follow those instructions carefully to assure that your shares are voted in accordance with your wishes on the matters presented in this Proxy Statement.

Quorum

A quorum of shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of outstanding shares of common stock entitled to vote are represented in person or by proxy at the Meeting, a quorum will exist. We will include broker non-votes, as defined below, and proxies marked as abstentions to determine the number of shares present at the Meeting. In the event that there are not sufficient votes for a quorum, or to approve or ratify any matter being presented at the time of the Meeting, the Meeting may be adjourned in order to permit further solicitation of proxies.

VOTING AT THE ANNUAL MEETING

Proposals to be Considered

At the Meeting, the shareholders will be asked to elect three (3) persons to serve as Group Two directors for a term of three years each. The persons nominated to serve as Group Two Directors, as well as the continuing directors, are described beginning on page 4. **The Board of Directors recommends a vote “FOR” each of the nominees.**

At the Meeting, the shareholders will be asked to ratify the appointment of Yount, Hyde & Barbour, P.C as the independent auditors of Financial for fiscal year 2011. **The Board of Directors recommends a vote “FOR” approval of this proposal.**

At the meeting, the shareholders will take action on such other matters as properly may come before the Meeting or any postponement or adjournment thereof.

Procedures for Voting By Proxy; Revocation of Proxies

If you properly execute, deliver and do not revoke your proxy, the persons appointed as proxies will vote your shares according to the instructions you have specified on the proxy card. If you sign and return your proxy card but do not specify how the persons appointed as proxies are to vote your shares, your proxy will be voted FOR the election of the director nominees, FOR the ratification of the appointment of Yount, Hyde & Barbour, P.C., and in the best judgment of the persons appointed as proxies as to all other matters properly brought before the meeting. If any nominee for the election to the Board of Directors named in this Proxy Statement becomes unavailable for election for any reason, the proxy will be voted for a substitute nominee selected by the Board of Directors.

Any shareholder who executes a proxy has the power to revoke it at any time before it is voted by giving written notice of revocation to Financial, by executing and delivering a substitute proxy to Financial, or by attending the Meeting and voting in person. If a shareholder desires to revoke a proxy by written notice, such notice should be mailed or delivered, so that it is received on or prior to the Meeting date, to J. Todd Scruggs, Secretary, Bank of the James Financial Group, Inc., 828 Main Street, Lynchburg, Virginia 24504.

Vote Required

Proposal 1 Election of Directors. Directors are elected by a plurality of the votes of the shares represented in person or proxy at the Meeting. Thus, in the election of directors, those receiving the greatest number of votes will be elected even if they do not receive a majority. With regard to the election of directors set forth in Proposal One, the proxy being provided by the Board enables a shareholder to vote for the election of the nominees proposed by the board, to withhold authority to vote for the nominees being proposed, or to vote for the election of certain nominees. Only shares that are voted in favor of a nominee will be counted toward that nominee's achievement of a plurality. Accordingly, abstentions and broker non-votes will have no impact on the outcome of the proposals.

Proposal 2: Ratification of the Appointment of Independent Registered Accounting Firm. The affirmative vote of a majority of the shares cast without regard to broker non-votes and proxies marked as "abstain" at the Meeting is required for a matter to be deemed approved by the shareholders. Accordingly, abstentions and broker non-votes will have no impact on the outcome of this proposal.

Effect of Broker Non-Votes and Abstentions

Brokers who hold shares for the accounts of their clients may vote these shares either as directed by their clients or in their own discretion if permitted by the exchange or other organization of which they are members. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. A broker non-vote does not count as a vote in favor of or against a particular proposal for which the broker has no discretionary voting authority. In addition, if a shareholder abstains from voting on a particular proposal, the abstention does not count in favor of or against the proposal.

If your broker holds shares that you own in "street name," under applicable rules the broker may not vote your shares on Proposal 1 without receiving instructions from you. The broker may vote your shares on Proposal 2 even if the broker does not receive instructions from you.

How to Vote Your Shares

Shareholders of Financial are requested to vote their shares via a toll-free telephone number, via the internet at the following address: <http://www.proxyvote.com>, by completing, dating, and signing the form of proxy and returning it promptly to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717 in the enclosed envelope, or by dialing 1-800-690-6903 and following the instructions. If a proxy is properly executed and returned in time for voting, it will be voted as indicated thereon.

Principal Executive Office

The principal executive offices of Financial are located at 828 Main Street, Lynchburg, Virginia 24504.

SOLICITATION OF PROXIES

The cost of soliciting proxies for the Meeting will be borne by Financial. In addition to solicitation by mail, Financial will request banks, brokers and other custodians, nominees and fiduciaries to send proxy materials to the beneficial owners and to secure their voting instructions, if necessary. Certain officers and regular employees of our wholly-owned subsidiary Bank of the James (the "Bank"), without additional compensation, may solicit proxies personally, by telephone, facsimile, or otherwise, from some shareholders if proxies are not received promptly. We may also reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to the beneficial owners of shares of Common Stock.

Financial has retained StockTrans, Inc. ("StockTrans") to oversee the mechanics of the solicitation of this proxy. StockTrans will prepare the mailing labels, place the proxy materials in envelopes, mail the proxy materials to shareholders of record, receive the proxies from the shareholders, tally the proxy votes, and present the final numbers to Financial.

PROPOSAL ONE - ELECTION OF DIRECTORS

Financial's Bylaws provide that the board of directors is to be composed of no less than five and no more than twenty-five directors. The Articles of Incorporation further provide that the board of directors shall be divided into three groups (Groups One, Two, and Three), as nearly equal in number as possible with staggered terms. Financial's board of directors currently consists of 12 persons. Each of the directors also serves as a director of the Bank, Financial's wholly-owned subsidiary.

Under Virginia law, the terms of the incumbent nominees expire at the Meeting, provided, however, that all directors continue to serve until their successors have been duly elected and qualified.

Nominees

The following are nominees for election to the Board of Directors:

Nominee	Group	Term to Expire
Robert R. Chapman III	Two	2014
Donna Schewel Clark	Two	2014
Augustus A. Petticolas, Jr.	Two	2014

Each of the nominees is currently a director of Financial and is serving until the Meeting. Each nominee has agreed to serve if elected.

Nominees and Continuing Directors

Set forth below is certain information concerning the nominees and the continuing directors.

Nominees	Age (1)	Position with Bank of the James Financial Group, Inc.	Director Since (2)	Term Expires
Robert R. Chapman III	48	President, President and Chief Executive Officer of the Bank and Director	1998	2011
Donna Schewel Clark	60	Director	1998	2011
Augustus A. Petticolos, Jr.	62	Director	2005	2011
Continuing Directors				
Lewis C. Addison, Jr.	59	Director	2006	2012
John R. Alford, Jr.	50	Director	2009	2012
William C. Bryant III	46	Director	2005	2012
James F. Daly	53	Director	2007	2013
Watt R. Foster, Jr.	51	Director	2005	2013
Donald M. Giles	69	Director	1998	2013
Thomas W. Pettyjohn, Jr.	64	Chairman	1998	2013
J. Todd Scruggs	43	Secretary-Treasurer of Financial, Executive Vice President and Chief Financial Officer of Bank of the James and Director	2006	2012

(1) As of March 18, 2011.

(2) All of the directors of Financial also serve as members of the board of directors of Bank of the James. For all years prior to 2004, all directorships were with the Bank only.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS MATTERS

General

The Boards of Financial and the Bank are identical in membership. The business and affairs of Financial are managed under the direction of the board of directors in accordance with the Virginia Stock Corporation Act, Financial's Articles of Incorporation, and Financial's Bylaws. Members of the board of directors are kept informed of Financial's business through discussions with management, by reviewing materials provided to them, and by participating in meetings of the board of directors and its committees.

Independence of Directors

The board of directors is comprised of a majority of directors who qualify as independent based on the definition of "independent director" as defined by Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market ("NASDAQ"). The following table lists Financial's current directors, directors

who served in 2010, and nominees for election that the board has determined are “independent” under the foregoing criteria:

Lewis C. Addison
John R. Alford, Jr.
William C. Bryant III
Donna Schewel Clark

James F. Daly
Donald M. Giles
Watt R. Foster, Jr.

Augustus A. Petticolos, Jr.
Thomas W. Pettyjohn, Jr.
Richard R. Zechini

The board of directors has determined that Robert R. Chapman III and J. Todd Scruggs do not qualify as independent directors because they currently serve as executive officers of Financial and the Bank.

Director Qualifications

The board of directors believes that it is necessary for each of the Company’s directors to possess many qualities and skills. The Nominating Committee seeks candidates who possess the background, skills and expertise to make a significant contribution to the Board and to the Company and its shareholders. When searching for new candidates, the Nominating Committee considers the evolving needs of the Board of Directors and searches for candidates that fill any current or anticipated future gaps. Among other things, the Nominating Committee specifically considers the following:

- Business experience and expertise;
- Character;
- Particular goals and needs of Financial for additional competencies or characteristics;
- Educational background; and
- Share ownership

The Nominating Committee also considers such other criteria as may be relevant at the time and looks for candidates that will complement the existing Board composition. Under our governing documents, no individual may be nominated for election or elected as a director if on the date of election, the individual would be age 70 or older. The Nominating Committee does not have a formal policy with respect to diversity; however the Board of Directors and the Nominating Committee believe that it is essential that the Board members represent diverse viewpoints. In considering candidates for the Board of Directors, the Nominating Committee considers the entirety of each candidate’s credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual’s contributions to the Board of Directors are also considered. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective directors.

Our Board members bring a wealth of leadership experience, community ties, and knowledge of Region 2000 to the Board of Directors. In considering the directors’ and director nominees’ individual experience, qualifications, attributes and skills, the Board has concluded that the appropriate experience, qualifications, attributes and skills are represented for the Board as a whole and for each of the Board’s committees.

The Board has concluded that each director and nominee possesses the personal traits and characteristics described above. Each director has demonstrated business and financial acumen, an ability to exercise sound judgment, compatibility with other directors, as well as a commitment to service to the Company and our Board. In addition to the information below regarding each director’s and nominee’s specific experience, qualifications, attributes and skills that led our Board to the conclusion that he/she should serve as a director, we also believe that all of our directors and director nominees have a reputation for integrity, honesty, and adherence to high ethical standards.

There are no family relationships among any directors, director nominees and executive officers.

DIRECTOR AND OFFICER BIOGRAPHICAL INFORMATION

The following discusses the backgrounds and qualifications of our director nominees and the directors continuing in office. Unless otherwise indicated, each of the following persons has held his or her present position for the last five years.

Nominees to the Board

Robert R. Chapman III, 48, serves as the President of Financial and the President and Chief Executive Officer of the Bank. He has been a resident of Lynchburg for sixteen years and has been the President of Financial since January 2004 and President and CEO of the Bank since January 2003. Mr. Chapman was a co-organizer of Bank of the James in 1999. Previously, Mr. Chapman was Vice President and Branch Manager and a Commercial Account Manager at Crestar Bank for 15 years. Mr. Chapman is a graduate of Virginia Military Institute where he received a bachelor's degree in Economics. Following graduation, Mr. Chapman served as First Lieutenant in the United States Army. Mr. Chapman graduated from the Stonier Graduate School of Banking. He has served as a board member of Lynch's Landing, board member of the Court Appointed Special Advocates Program, board member of the Lynchburg Regional Chamber of Commerce, the Chairman of the United Way of Central Virginia, is currently President of the Lynchburg City Schools Education Foundation, and also serves on the board of Amazement Square and the Centra Foundation, is a member of First Presbyterian Church and The Lynchburg Morning Rotary Club. In addition to his extensive experience in bank administration, asset/liability management, residential and commercial real estate lending, and business and industry lending, Mr. Chapman has experience in the day-to-day management of the Bank and knowledge of our business and operations.

Donna Schewel Clark, 60, is a native of Lynchburg, and has lived in Lynchburg much of her life. She has been Secretary and General Counsel of Schewel Furniture Company, Inc. since 1993. Ms. Clark received a bachelor's degree in English Literature from Goucher College, a Masters of Arts from Brown University, and J.D. from the Marshall-Wythe School of Law, College of William and Mary. Ms. Clark currently serves as vice chair of the Board of Directors of New Vistas School, chair of the Board of Administration of Agudath Sholom Congregation and chair of the Campaign for Equal Justice of the Virginia Legal Aid Society. Ms. Clark provides the board with legal experience, particularly in the area of business law, as well as experience in liability management and consumer financing.

Dr. Augustus A. Petticolas, Jr., 62, has practiced dentistry in Lynchburg since 1976. He is a graduate of Livingstone College in Salisbury, North Carolina and holds a bachelor's degree in English with a minor in Biological Sciences and French. He earned his Doctor of Dental Surgery degree at the University of Maryland. Dr. Petticolas is involved in numerous community endeavors and is a founding board member of the Free Clinic of Central Virginia, Inc. In addition, he currently serves as a board director for the Greater Lynchburg Community Trust, Centra Health, Inc. and Centra Health Foundation. He joined the Board of Directors of Bank of the James in 2005. In July, 2008, Governor Tim Kaine appointed Dr. Petticolas to serve a four-year term on the Virginia Board of Dentistry. Dr. Petticolas brings business experience, knowledge of project management, and leadership skills to the Board.

Directors Continuing in Office

Lewis C. Addison, 59, is a Senior Vice President and CFO for Centra Health and has been associated with Centra Health since 1979. He holds a bachelor's degree in Business with a Major in Accounting from Virginia Polytechnic Institute and State University. He is a member of the American Institute of Certified Public Accountants, the Virginia Society of Certified Public Accountants and is a Past President of the Virginia Chapter of Healthcare Financial Management Association. He currently serves as Treasurer for Centra Health, and as a Board member and Treasurer for the Centra Health Foundation. In addition, Mr. Addison is a board member for the Bedford Memorial Hospital and the Southside Community Hospital. He is a board member and Treasurer for CCRC, Inc. (The Summit) and previously served as Chairman of the Finance Committee for Amherst Baptist Church. Mr. Addison has extensive experience in complex financial matters and serves as Financial's audit committee financial expert under SEC guidelines.

John R Alford, Jr., 50, is a shareholder with Caskie & Frost, P.C., a law firm based in Lynchburg. In his practice, Mr. Alford provides advice to corporations and other business entities in matters of corporate law, commercial transactions, and real estate and to individual clients in matters including estate planning, estate administration, and real estate matters. He received a bachelor's degree in Economics from the University of Virginia and a J.D. from Washington & Lee University School of Law. Prior to joining the Board of Directors of Financial, Mr. Alford was a member of the Bank's Lynchburg Advisory Board. Mr. Alford is a board member of the Greater Lynchburg Community Trust, a Trustee for James River Day School and a former Chairman and Board Member for the Alliance for Families & Children. Mr. Alford provides the board with valuable experience and perspective gained in the legal profession as well as strong business contacts.

William C. Bryant III, 46, is the President of and Auctioneer for Ted Counts Realty and Auction Company. He holds a B.S. in Business Management from LaSalle University. Mr. Bryant received a certificate in Real Estate Appraisal from the International College of Real Estate Appraisal in Columbia, Tennessee and is a graduate of the Mosley Flint School of Real Estate in Roanoke, Virginia. In addition, he is a graduate of the Mendenhall School of Auctioneering in High Point, North Carolina, and obtained CAI designation through Indiana University, the Certified Auctioneers Institute in Bloomington, Indiana. Mr. Bryant is a member of the National Association of Realtors, the Virginia Association of Realtors, the National Association of Auctioneers and the Virginia Association of Auctioneers. He serves on the boards of the Lynchburg Regional Chamber of Commerce and the Commonwealth of Virginia Auctioneers Regulator Board, is a member of the Lynchburg Board of Realtors, the Organization of Professional Real Estate Appraisers and the National Association of Real Estate Appraisers. Mr. Bryant provides executive experience, broad ties to the business community and significant experience in valuing assets in a broad range of categories, including real estate, heavy equipment, and livestock.

James F. Daly, 53, is the Vice President of Daly Seven, Inc., a company engaged primarily in hotel development and management. Mr. Daly has served in this capacity since 1980. He is graduate of Virginia Polytechnic Institute and State University where he received a bachelor's degree in Business Management. He currently serves on the advisory board for the Boys and Girls Club of Lynchburg. Mr. Daly provides experience in commercial real estate management, commercial real estate financing, construction project management, and business operations.

Watt R. Foster, Jr., 51, is a native of Brookneal. Mr. Foster is the President and Chief Executive Officer of Foster Fuels, Inc., a company engaged primarily in the sale of petroleum and propane products and related products as well as the provision of emergency fuel delivery throughout the United States. He is also owner of Phelps Creek Angus Farm, a 500 head cow-calf operation location in Campbell County. Mr. Foster received a bachelor's degree in Business Management from James Madison University. Mr. Foster is a member of the Staunton River Chapter of the Masonic Lodge and is an elder at Hat Creek Presbyterian Church in Brookneal, Virginia. Mr. Foster also served on the board for Dixie Youth Girls

Softball. Mr. Foster provides the board with a strong knowledge of business, including the operation of wide ranging, complex operations, and real estate purchase and development.

Donald M. Giles, 69, is a native of Lynchburg and has lived in Lynchburg most of his life. Mr. Giles served as President of Moore & Giles, Inc., a Lynchburg company specializing in design and marketing of leather products for international and domestic sales distribution. He currently serves as Chairman of the Board of Moore & Giles. Mr. Giles received a bachelor's degree in History from Virginia Military Institute, where he lettered in football and track. He has over 40 years of experience working in industry and business in the Lynchburg community. Mr. Giles has served as a member of the Alumni Board and the Athletic Council for VMI, as President of the VMI Keydet Club and a member of the VMI Development Board. Mr. Giles also has served on the Boards of Craddock Terry Inc., the Craddock Terry Foundation and the Boonsboro Country Club. He currently serves on the Board of Trustees at Randolph College. He also has served as an elder at the First Presbyterian Church and is a former Superintendent of Sunday Schools. Mr. Giles was also previously a member of the local advisory board for Investors Savings Bank. Mr. Giles provides the board with extensive experience in business management, marketing, and sales.

Thomas W. Pettyjohn, Jr., 64, is the Chairman of the Board of Financial. Mr. Pettyjohn grew up in Amherst County and has been a resident of Lynchburg since 1972. Mr. Pettyjohn received a bachelor's degree in History and a J.D. from Washington & Lee University. He is currently a principal of Davidson & Garrard, Inc., an investment advisory firm in Lynchburg. Mr. Pettyjohn has an extensive banking background, having worked at Central Fidelity National Bank for many years. While at Central Fidelity, Mr. Pettyjohn held the titles of Executive Vice President and Division Manager of Residential Real Estate, Executive Vice President and Division Manager of Commercial Banking/Western Division, Vice President and In-House Counsel of Central Fidelity Bank's predecessor, Fidelity American Bankshares, Inc., and statewide Manager for Indirect Lending. At the time of his retirement from Central Fidelity, Mr. Pettyjohn was Executive Vice President of Real Estate Administration for the Mortgage Division. Mr. Pettyjohn is currently on the Board of Directors and chairman of the finance committee of Amazement Square Children's Museum. He has served as the President of the Board of Directors of Boonsboro Country Club, an elder and deacon of First Presbyterian Church and continues to serve as chairman of the board of the First Presbyterian Weekday School. Mr. Pettyjohn has extensive experience in and knowledge of banking and law, including real estate, lending, commercial banking and financial matters and brings this valuable experience to the Board.

J. Todd Scruggs, 43, has lived in Lynchburg for most of his life. Mr. Scruggs is the Secretary-Treasurer of Financial and Executive Vice President and Chief Financial Officer of the Bank. Mr. Scruggs was a co-organizer of the Bank and has served as its Chief Financial Officer since its formation in 1999. Prior to serving as an organizer for the Bank, Mr. Scruggs worked at Crestar Investment Group, where he was a Financial Consultant and an Investment Representative. Prior to that, Mr. Scruggs was a tax specialist and financial analyst for Ericsson GE Mobile Communications and Assistant to the Vice President of Finance and Controller of Old Dominion Box Company, Inc. Mr. Scruggs has a Bachelor of Science in commerce from the University of Virginia McIntire School of Commerce. Mr. Scruggs also graduated from the University of South Carolina School of Graduate Bank Investment Management. Mr. Scruggs is Secretary of both Financial and the Bank. He currently serves on the board of Central Virginia Community College Education Foundation, serves on the board of the Interfaith Outreach Association and is involved with the Alliance for Families and Children's Ways to Work Program. He has served on the board and been the treasurer of the Virginia School of the Arts and served on the board of the E.C. Glass Foundation. Mr. Scruggs has experience in preparing and reviewing complex financial information, investment, asset/liability management, and regulatory matters.

Executive Officers Who Are Not Directors

The following sets forth biographical information and the business experience of each non-director executive officer of the Bank.

Harry P. Umberger, 45, has served as Executive Vice President and Senior Credit Officer of the Bank since December 2007. From 2003 to 2007, Mr. Umberger served as Senior Vice President and Senior Credit Officer of the Bank. He joined the Bank in 2001 as a Vice President and Commercial Lender. Mr. Umberger started his banking career in 1990 with Sovran Bank. He had also worked with two other Region 2000 community banks prior to joining Bank of the James. Mr. Umberger has a Bachelor of Arts degree from Hampden-Sydney College with majors in both Economics and Spanish. He is also a graduate of the Virginia Banker's School of Bank Management. Mr. Umberger currently serves on the Strategic and Facilities Master Plan Steering Committee for Campbell County Schools. He also serves on the schools' Local Advisory Committee for the Gifted. Mr. Umberger coaches youth sports with both the Timbrook Youth Basketball League and the Timbrook Little League.

Board Leadership and Risk Oversight

Robert R. Chapman III serves as Financial's Chief Executive Officer and Thomas W. Pettyjohn, Jr., an independent director, serves as the Chairman of the Board. The Company has determined that splitting the role of Chairman of the Board and Chief Executive Officer is appropriate for the Company, because the Board believes it is prudent to have an independent director set the agenda for board meetings instead of an inside director. The board feels this arrangement allows the directors to appropriately exercise their oversight role.

The Board of Directors is actively involved in oversight of risks that could affect Financial and the Bank. This oversight is conducted primarily through committees of the Board, as disclosed in the descriptions of each of the committees below, but the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within Financial and the Bank.

Code of Ethics

Financial has adopted a code of ethics that applies to Financial's directors, executive officers (including the principal financial officer, principal accounting officer or controller, or persons performing similar functions), and senior officers. The code of ethics has been posted under the "Investor Relations" section on Financial's website: www.bankofthejames.com. Any waiver or substantial amendments of the code of ethics applicable to our directors and executive officers also will be disclosed on our website.

Meeting Attendance

Board and Committee Meeting Attendance

The board of directors of Financial held three (3) meetings during 2010. During 2010, with the exception of Mr. Foster (67%) each of the directors attended at least 75% of the meetings of the board of Financial and the committees of Financial on which they serve. In calculating attendance, the Company did not include meetings of the board of directors of the Bank or its committees. The board of directors of the Bank, which consists of all members of the board of directors of Financial, met 12 times during 2010.

Director Fees

Our outside directors serve and are compensated as both directors of Financial and the Bank. In the year ended December 31 2010, Financial or the Bank, as applicable, paid the outside directors the following standard fees:

Description	Amount (1)
Attendance at meeting of the Board of Directors of Financial or the Bank, Chairman of the Board	\$1,000
Attendance at meeting of the Board of Directors of Financial or the Bank	600
Attendance at committee meetings of Financial or the Bank	400

- (1) Although directors serve and are compensated as directors of both Financial and the Bank, the directors do not receive additional compensation when a) the boards of Financial and the Bank meet on the same day; and b) when a committee of Financial and its corresponding committee of the Bank meet on the same day.

In 2011, the Directors will be paid \$700 per board meeting (\$1,100 for the Chairman of the Board) and \$400 per committee meeting. Members of the board of directors do not receive any compensation except as set forth herein and were not eligible to receive option grants under the now-expired 1999 Stock Option Plan. In 2010, total fees paid to non-employee directors was approximately \$141,600.

The following table contains information regarding the compensation awarded or paid to, or earned by, Financial's directors during 2010 fiscal year.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Lewis C. Addison	\$ 10,000	-	-	-	\$ 10,000
John R. Alford, Jr.	14,800	-	-	-	14,800
William C. Bryant III	12,600	-	-	-	12,600
Robert R. Chapman III (1)	-	-	-	-	-
Donna S. Clark	15,400	-	-	-	15,400
James F. Daly	12,800	-	-	-	12,800
Watt R. Foster, Jr.	5,200	-	-	-	5,200
Donald M. Giles	15,400	-	-	-	15,400
Augustus A. Petticolas, Jr.	16,400	-	-	-	16,400
Thomas W. Pettyjohn, Jr.	24,800	-	-	-	24,800
J. Todd Scruggs (1)	-	-	-	-	-
Richard R. Zechini (2)	14,200	-	-	-	14,200
Total	\$ 141,600				\$ 141,600

(1) Messrs. Chapman and Scruggs are employee-directors and do not receive additional compensation for service on the boards of Financial or the Bank or committees thereof.

(2) Dr. Zechini is not eligible for reelection under Financial's bylaws and is retiring from the board of directors immediately following the 2011 Meeting of Shareholders.

Attendance at Meetings of Shareholders

Financial encourages each member of the board of directors to attend the Meeting of Shareholders. All of Financial's directors attended the 2010 Meeting of Shareholders of Financial.

COMMITTEES OF THE BOARD OF DIRECTORS OF FINANCIAL

The board of directors of Financial has the following four standing committees to assist the board in the discharge of its duties: Executive Committee, Audit Committee, Nominating Committee, and Compensation Committee. The Bank has corresponding committees and, in addition, has standing Loan and Investment Committees to assist it in the discharge of its duties.

The board of directors of Financial has adopted charters for its Audit Committee, Nominating Committee, and Compensation Committee to define the duties and responsibilities of those committees. These charters are available on the investor relations page of our website (www.bankofthejames.com) under "Governance Documents." If you would prefer to receive a copy via mail at no cost to you, please contact J. Todd Scruggs, Secretary of Financial.

Members of Board Committees

The following table sets forth the membership during the year ended December 31, 2010 of each of Financial's standing committees:

<u>Committee</u>	<u>Members</u>
Audit Committee	Lewis C. Addison (1) William C. Bryant III Donna Schewel Clark—Chair Augustus A. Petticolas Jr. Richard R. Zechini
Executive Committee	Robert R. Chapman III Donna Schewel Clark Donald M. Giles Augustus A. Petticolas Jr. Thomas W. Pettyjohn Jr.—Chair
Nominating Committee	Lewis Carter Addison Donna Schewel Clark Donald M. Giles Augustus A. Petticolas Jr. Richard R. Zechini—Chair
Compensation	Donna Schewel Clark James F. Daly Thomas W. Pettyjohn Jr.—Chair

(1) Audit Committee Financial Expert

Executive Committee

The Executive Committee reviews extraordinary confidential issues, and serves as a forum for discussing executive decisions. The Executive Committee has all the powers of the board in the management and the conduct of the business and affairs of the company in the intervals between meetings of the full board, except that the Executive Committee may not increase the number of directors, fill vacancies on the board, remove directors, approve an amendment to the articles of incorporation or bylaws, approve a plan of merger or consolidation, or take other actions that cannot by law be delegated by the board. For the year ended December 31, 2010, the Executive Committee of each of Financial and the Bank had ten (10) meetings.

Audit Committee

Financial's Audit Committee has been established in accordance with § 3(a)(58)(A) of the Securities Exchange Act. The Audit Committee reviews and approves compliance policies and procedures and assists and monitors general audits performed by federal and state agencies. The Audit Committee is responsible for the selection and recommendation of the independent accounting firm for the annual audit. The Audit Committee of Financial reviews and accepts the reports of Financial's independent auditors, internal auditor, and federal and state examiners. As part of its oversight of Financial's financial statements, the Audit Committee reviews and discusses with management and Financial's independent registered public accountants, all annual and quarterly financial statements and disclosures prior to their issuance.

In addition, the Audit Committee reviews key initiatives and programs aimed at maintaining the effectiveness of Financial's internal and disclosure control structure. As part of this process, the Audit Committee continues to monitor the scope and adequacy of Financial's internal auditing program. For the year ended December 31, 2010, the Audit Committees of Financial and the Bank had four (4) meetings.

Financial's board has determined that Lewis C. Addison is an "audit committee financial expert" as that term is defined by the Securities and Exchange Commission rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

The Board has determined that Mr. Addison and each other member of the Audit Committee qualify as independent based on the definition of "independent director" under the applicable NASDAQ rules and applicable Securities and Exchange Commission regulations. Each member of the Audit Committee is able to read and understand financial statements, including Financial's balance sheet, income statement, and cash flow statement.

Nominating Committee

The Nominating Committee reviews and recommends candidates for nomination to the board for expired or otherwise vacant seats. For the year ended December 31, 2010 the Nominating Committee had one (1) meeting.

All members of the Nominating Committee are independent based on the definition of "independent director" under the applicable NASDAQ rules and applicable Securities and Exchange Commission regulations. Currently, Financial does not consider candidates recommended by shareholders. This policy is based, among other things, on the fact that Financial has been an operating entity for less than eight years and Financial's sole business at this time is the ownership of the Bank and its subsidiaries. One-half of the incumbent directors were organizers of the Bank. Financial believes it to be beneficial for the board of directors to be comprised of individuals with the types of expertise and scope currently represented on the board, and during these critical early years of the Bank and Financial, the Nominating Committee is best positioned to identify such individuals. As discussed above, the

Nominating Committee considers share ownership, business experience and expertise, character, particular goals and needs of Financial for additional competencies or characteristics, educational background, and board experience in evaluating potential nominees.

Compensation Committee

The Compensation Committees of Financial and the Bank, as applicable, review, recommend, and approve compensation for its employees. Each member of the Compensation Committee is an “independent director” under the applicable NASDAQ rules and applicable Securities and Exchange Commission regulations. For the year ended December 31, 2010, the Compensation Committee of the Bank had one (1) meeting but because Financial does not compensate its employees or officers directly, the Compensation Committee of Financial did not meet.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information as of March 18, 2011 regarding the number of shares of Common Stock of Financial beneficially owned by (1) each director, (2) each executive officer, and (3) directors and executive officers as a group. The address of each director and executive officer is c/o Bank of the James Financial Group, Inc., 828 Main Street, Lynchburg, VA 24504.

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	Common Stock Owned Beneficially (#) (1)	Percentage of Class (%) (2)
Lewis C. Addison Director	11,000	*
John R. Alford, Jr. (3) Director	5,822	*
William C. Bryant III (4) Director	16,951	*
Robert R. Chapman III (5) Director, President	132,814	3.92
Donna S. Clark (6) Director	41,226	1.24
James F. Daly (7) Director	41,577	1.21
Watt R. Foster, Jr. (8) Director	76,081	2.21
Donald M. Giles (9) Director	62,945	1.83
Augustus A. Petticolas, Jr. Director	2,140	*
Thomas W. Pettyjohn, Jr. (10) Director	7,405	*
J. Todd Scruggs (11) Director, Secretary, EVP and CFO of the Bank	72,385	2.10
Richard R. Zechini (12) Director	48,424	1.40
Harry P. Umberger (13) EVP and Senior Credit Officer of the Bank	16,334	*
Officers and Directors as a group (14)	535,104	15.52%

* Less than 1%

(1) For purposes of this table, beneficial ownership has been determined in accordance with the provision of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he has the right to acquire beneficial ownership within sixty days. Beneficial ownership also includes any shares held in the name of an individual's spouse, minor children or other relatives living in the individual's home. Share totals include the 10% stock dividend declared on May 18, 2010, as well as all prior stock dividends declared by Financial.

(2) The ownership percentage of each individual is calculated based on the total of 3,446,820 shares, which is comprised of shares of common stock that were outstanding as of March 18, 2011, plus the number of shares that can be issued to the individual within sixty days of March 18, 2011 upon the exercise of stock options held by the individual. Shares of common stock that are subject to exercisable stock options are deemed to be

outstanding for the purpose of computing the percentage of outstanding common stock owned by any person or group but are not deemed outstanding for the purpose of computing the percentage of common stock owned by any other person or group.

- (3) Includes beneficial ownership of 1,100 shares held by Mr. Alford's wife.
- (4) Includes beneficial ownership of 12,099 shares held by Mr. Bryant as a joint tenant with his wife.
- (5) Includes 63,328 shares purchasable upon exercise of options exercisable within 60 days of March 18, 2011.
- (6) Includes beneficial ownership of aggregate of 5,766 shares held by Ms. Clark's minor children.
- (7) Includes beneficial ownership of 38,607 shares held in a revocable trust of which Mr. Daly and his wife are co-trustees.
- (8) Includes beneficial ownership of 55,329 shares held by Mr. Foster as a joint tenant with his wife and an aggregate of 5,766 shares held by Mr. Foster's children.
- (9) Includes 9,159 shares owned by Mr. Giles' wife and 26,236 shares held in a revocable trust of which Mr. Giles is beneficiary and trustee.
- (10) Includes 200 shares owned by Mr. Pettyjohn's wife.
- (11) Includes 43,415 shares purchasable upon exercise of options exercisable within 60 days of March 18, 2011 and 144 shares owned by Mr. Scruggs' wife.
- (12) Includes beneficial ownership of 4,051 shares held in trust for which Dr. Zechini serves as trustee and 9,694 shares held by Mr. Zechini as a joint tenant with his wife.
- (13) Includes 16,334 shares purchasable upon exercise of options exercisable within 60 days of March 18, 2011.
- (14) See notes 1 through 13.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Executive Compensation

Each of Financial and the Bank's Compensation Committees review officer and employee compensation and employee benefit plans and makes recommendations to the Boards concerning such matters. Each Committee's membership is determined by the Committee's respective Board.

The Compensation Committees review and approve the goals of Financial and the Bank, as applicable, relevant to compensation, evaluate the performance of the President and Chief Executive Officer in light of these goals, and make a recommendation on the President and Chief Executive Officer's compensation, including equity or other compensation, to the respective full board of directors which determines the appropriate compensation for the following year.

Compensation of senior management is determined by the President and Chief Executive Officer with direction from the Compensation Committee staying within the targeted overall compensation budgeted by the Bank.

The compensation of senior management is a mix of i) base salary; ii) commissions on loan and investment sales for certain members of senior management; iii) retirement, insurance, and health benefits; iv) perquisites and other benefits; and v) for certain members of senior management, participation in a Salary Continuation Agreement. Formerly, members of senior management along with other employees participated in Financial's 1999 stock option plan which expired in 2009.

The primary objective of Financial's compensation programs is to provide competitive compensation to attract, retain and motivate qualified employees who will contribute to the long-term success of Financial. Compensation is designed to be competitive with the Bank's peers and to enhance long-term value to the Company's shareholders. In furtherance of this objective, the Compensation Committee regularly evaluates the compensation provided to the Bank's executive officers to ensure that it remains competitive in relation to the compensation paid to similarly situated executive officers at other financial institutions of comparable size and performance. In addition, Financial endeavors to ensure that the compensation provided to Financial's executive officers is internally equitable based upon the skill requirements and responsibilities associated with each executive position. Financial does not believe that the current compensation structure incents any employee to take undue risk.

Although neither Financial nor the bank has adopted a bonus plan, the board of directors has the discretion to award bonuses to employees based on the individual and company performance.

The officers of Financial presently are serving without compensation from Financial. They are, however, compensated by the Bank for services rendered as officers of the Bank. The table below summarizes certain information with respect to compensation paid by the Bank to certain employees of the Bank who performed policy-making duties for Financial for services rendered in all respects for the fiscal year ended December 31, 2010.

Summary Compensation Table—2010

Name and Principal Position	Annual Compensation			Long Term Compensation Awards	
	Year	Salary (\$)	Bonus (\$)	Options/SARS (#)(1)	All Other Compensation (\$)
Robert R. Chapman III (2) President of Financial and CEO and President of the Bank	2010	\$215,000	\$ 16,125	-	\$ 39,531
	2009	\$200,000	\$ -	-	\$ 18,470
J. Todd Scruggs (3) Secretary-Treasurer of Financial and EVP and CFO of the Bank	2010	\$180,199	\$ 13,515	-	\$ 20,647
	2009	\$170,000	\$ -	-	\$ 11,927
Harry P. Umberger (4) EVP - SCO of the Bank	2010	\$147,000	\$11,025	-	\$ 16,690
	2009	\$140,000	\$ -	-	\$ 1,177

(1) The 1999 Stock Option Plan, as amended, expired in 2009.

(2) “All Other Compensation” consists entirely of matching contributions made under the Bank’s 401(k) plan, life insurance premiums, and club dues, and \$34,272 and \$12,939 expensed by the Bank under Mr. Chapman’s Salary Continuation Agreement in 2010 and 2009, respectively.

(3) “All Other Compensation” consists entirely of matching contributions made under the Bank’s 401(k) plan, life insurance premiums, and club dues, and \$15,484 and \$5,846 expensed by the Bank under Mr. Scruggs’ Salary Continuation Agreement in 2010 and 2009, respectively.

(4) “All Other Compensation” consists entirely of matching contributions made under the Bank’s 401(k) plan, life insurance premiums, and \$16,281 and \$0 expensed by the Bank under Mr. Umberger’s Salary Continuation Agreement in 2010 and 2009, respectively.

Stock Option Plan

The 1999 Stock Option Plan, as amended, expired in 2009.

Outstanding Equity Awards at Fiscal Year End

The following table provides information as of December 31, 2010 regarding Financial’s stock based awards under Financial’s stock option plan. The named executive officers have no other outstanding equity awards.

Name and Date of Grant	Number of Securities Underlying Unexercised Options (#)(1)		Option Exercise Price Per Share (\$) (1)	Option Expiration Date
	Exercisable (#)	Unexercisable		
Robert R. Chapman III				
12/13/2001	11,530	-	\$ 3.90	12/13/2011
12/12/2002	14,412	-	5.20	12/12/2012
12/17/2003	17,295	-	7.73	12/17/2013
12/9/2004	7,862	-	9.55	12/9/2014
12/5/2005	12,229	-	11.45	12/5/2015
J. Todd Scruggs				
12/13/2001	5,766	-	\$ 3.90	12/13/2011
12/12/2002	8,648	-	5.20	12/12/2012
12/17/2003	11,530	-	7.73	12/17/2013
12/9/2004	5,242	-	9.55	12/9/2014
12/5/2005	12,229	-	11.45	12/5/2015
Harry P. Umberger				
12/13/2001	1,440	-	\$ 3.90	12/13/2011
12/12/2002	4,323	-	5.20	12/12/2012
12/17/2003	5,766	-	7.73	12/17/2013
12/9/2004	1,311	-	9.55	12/9/2014
12/5/2005	3,494	-	11.45	12/5/2015

(1) Share totals and exercise price are adjusted to reflect the 10% stock dividend declared on May 18, 2010 and paid on July 23, 2010, as well as all prior stock dividends declared by Financial.

Option Exercises During 2010

Name	Number of Shares Acquired on Exercise (#) (1)	Value Realized on Exercise (\$)
Robert R. Chapman III	11,530	30,900
J. Todd Scruggs	5,766	15,453

(1) Share totals and exercise price are adjusted to reflect the 10% stock dividend declared on May 18, 2010 and paid on July 23, 2010 as well as all prior stock dividends declared by Financial.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information concerning Financial's equity compensation plans at December 31, 2010. All figures have been adjusted to reflect the 10% stock dividend declared on May 18, 2010 and paid on July 23, 2010 as well as all prior stock dividends declared by Financial.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in First Column)
Equity compensation plans approved by shareholders - 1999 Stock Option Plan of Bank of the James Financial Group, Inc.	284,906	\$ 8.42	
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
Total	284,906	\$ 8.42	

Executive Compensation Arrangements

Employment Agreements

None of our employees have employment agreements.

Salary Continuation Agreements

On August 6, 2008, the Bank entered into Salary Continuation Agreements with each of Robert R. Chapman III, President of the Bank, J. Todd Scruggs, Executive Vice President and Chief Financial Officer of the Bank, and Harry P. Umberger, Executive Vice President and Senior Credit Officer of the Bank. With the aid of a compensation consultant we determined the salary continuation agreement benefits by projecting the executive's final pay at retirement, assuming retirement at age 65. Certain other executive officers in addition to the named executive officers have also entered into salary continuation benefits.

The Salary Continuation Agreements provide each of the participating employees with supplemental benefits upon retirement, termination of employment, death, disability or a change of control of the Bank, in certain prescribed circumstances.

Robert R. Chapman III. Mr. Chapman's Salary Continuation Agreement provides for a lump sum payment of \$1,662,382 (the "Benefit Level") payable within 90 days following the date on which he attains age 65 or the date of his death if he is employed by the Bank at the time of his death. If Mr. Chapman's employment terminates other than for cause, death, disability, or change of control prior to his reaching age 65, Mr. Chapman shall be paid a lump sum equal to the vested portion of the Account Value (as defined in the Salary Continuation Agreement) as of the plan year preceding such termination date. This amount is payable within 90 days following the date on which his employment terminates. If Mr. Chapman becomes disabled prior to his reaching age 65, he shall receive a lump sum payment equal to 100% of the Account Value as of the end of the plan year preceding his disability, with interest credited on such amount at an annual rate of 6% until Mr. Chapman reaches age 65. This amount shall be paid within 90 days following the date on which Mr. Chapman reaches age 65. If Mr. Chapman's employment with the Bank terminates within 24 months following a Change of Control (as defined in the Salary Continuation Agreement), Mr. Chapman shall be paid a lump sum equal to the vested portion of the Benefit Level. This payment shall be made within 90 days of the date on which Mr. Chapman's employment terminates.

J. Todd Scruggs. Mr. Scruggs' Salary Continuation Agreement provides for annual payments of \$119,500 payable in equal monthly installments for 15 years beginning within 90 days following the date on which he attains age 65 or the date of his death if he is employed by the Bank at the time of his death. If Mr. Scruggs' employment terminates other than for cause, death, disability, or change of control prior to his reaching age 65, Mr. Scruggs shall be paid a lump sum equal to the vested portion of the Account Value (as defined in the Salary Continuation Agreement) as of the plan year preceding such termination date. This amount is payable within 90 days following the date on which his employment terminates. If Mr. Scruggs becomes disabled prior to his reaching age 65, he shall receive a lump sum payment equal to 100% of the Account Value as of the end of the plan year preceding his disability, with interest credited on such amount at an annual rate of 6% until Mr. Scruggs reaches age 65. This amount shall be paid within 90 days following the date on which Mr. Scruggs reaches age 65. If Mr. Scruggs' employment with the Bank terminates within 24 months following a Change of Control (as defined in the Salary Continuation Agreement), Mr. Scruggs shall be paid a lump sum equal to the vested portion of the Benefit Level (as defined in the Salary Continuation Agreement). This payment shall be made within 90 days from the date on which Mr. Scruggs' employment terminates.

Harry P. Umberger. Mr. Umberger's Salary Continuation Agreement provides for annual payments of \$90,300 payable in equal monthly installments for 15 years beginning within 90 days following the date on which he attains age 65 or the date of his death if he is employed by the Bank at the time of his death. If Mr. Umberger's employment terminates other than for cause, death, disability, or change of control prior to his reaching age 65, Mr. Umberger shall receive an amount equal to the vested portion of the Account Value (as defined in the Salary Continuation Agreement) as of the plan year preceding such termination date in equal monthly installments for 15 years. These payments shall begin within 90 days following the date on which his employment terminates. If Mr. Umberger becomes disabled prior to his reaching age 65, he shall receive an amount equal to 100% of the Account Value as of the end of the plan year preceding his disability, with interest credited on such amount at an annual rate of 6% until Mr. Umberger reaches age 65 in equal monthly installments for 15 years. These payments shall begin within 90 days following the date on which Mr. Umberger reaches age 65. If Mr. Umberger's employment with the Bank terminates within 24 months following a Change of Control (as defined in the Salary Continuation Agreement), Mr. Umberger shall receive an amount equal to the vested portion of the Account Value in equal monthly installments for 15 years. These payments shall begin within 90 days from the date on which Mr. Umberger's employment terminates.

TRANSACTIONS WITH RELATED PARTIES

Loans and Extensions of Credit. Some of the directors and officers of Financial and the Bank are at present, as in the past, customers of the Bank, and the Bank has had, and expects to have in the future, banking transactions in the ordinary course of its business with directors, officers, principal shareholders and their associates, on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others. These transactions do not involve more than the normal risk of collectibility or present other unfavorable features. All related party banking transactions occur in the ordinary course of business and must be made on substantially the same terms, including interest rates and security for loans, as those prevailing at the time for comparable transactions with unrelated parties.

Other Transactions. The Bank entered into a lease agreement in October 2003 pursuant to which it currently leases approximately 29,623 square feet of office space at 828 Main Street, Lynchburg, Virginia. The property is owned by Jamesview Investments, LLC, a Virginia limited liability Company. Mr. Bryant, a director, owns 50% of Jamesview Investments, LLC. The lease term commenced on August 1, 2004 and will expire on July 31, 2014, provided that the Bank has the option to exercise two five year renewal options. From January through July 2010, the Bank paid \$11,666.67 per month. Effective August 1, 2010 the Bank began leasing an additional 12,969 square feet and the rent increased to \$22,998.67 per month. The lease payments totaled \$196,662 and \$137,085 in 2010 and 2009, respectively.

On March 30, 2009, Financial completed a private placement of unregistered debt securities pursuant to which it issued notes (the "Notes") in a total amount of \$7,000,000. The Notes bear interest at the rate of 6% per year with interest payable quarterly in arrears. The first interest payment was due on July 1, 2009. No principal payments are due until the Notes mature on April 1, 2012 (the "Maturity Date"). On the Maturity Date the principal and all accrued but unpaid interest on the Notes will be due and payable. Three members of the Board of Directors and the spouse of one member of the Board of Directors purchased Notes in the following amounts: James F. Daly (\$1,000,000); the wife of Donald M. Giles (\$500,000); Donna S. Clark (\$100,000), and Richard R. Zechini (\$100,000). As a result of these purchases, those directors received interest payments in the year ended December 31, 2010 totaling \$60,000, \$30,000, \$6,000 and \$6,000, respectively. As a result of these purchases, those directors received interest payments in the year ended December 31, 2009 totaling \$30,000, \$15,000, \$3,000 and \$3,000, respectively. Each of the related parties above purchased the Notes on the same terms as all other purchasers of Notes.

Approval Process. All related party transactions must be on terms equivalent to those that prevail in arms-length transactions with third parties. While specific review or approval procedures for related person transactions are not in writing, the disinterested members of the board of directors approve all related party transactions.

There are no legal proceedings to which any director, officer, principal shareholder or associate is a party that would be material and adverse to the Bank.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed the audited consolidated financial statements with management and with Yount, Hyde & Barbour, P.C. ("YHB"), the independent auditors for the year ended December 31, 2010. Management represented to the Audit Committee that Financial's financial statements were prepared in accordance with the standards of the Public Company Accounting Oversight Board (United States), and the Audit Committee has reviewed and discussed the financial statements with management and the independent auditors. The discussions with YHB also included the matters required

by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Accounting Oversight Board in Rule 3200T.

YHB provided to the Audit Committee the written disclosures and the letter regarding its independence as required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Committee concerning independence, and discussed with the auditors the auditor's independence from the company and its management.

Based on the discussions with management and YHB, the Audit Committee's review of the representations of management and the report of YHB, the Audit Committee recommended to the board of directors that the audited financial statements be included in Financial's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission for the year ended December 31, 2010.

Submitted by the Audit Committee of Financial's board of directors.

Donna S. Clark—Chair
Lewis C. Addison
William C. Bryant III
Augustus A. Petticolas, Jr.
Richard R. Zechini

INDEPENDENT PUBLIC ACCOUNTANT

Yount, Hyde & Barbour, P.C. ("YHB") served as independent auditors for Financial for 2009 and 2010. Representatives from YHB are expected to be present at the Meeting with the opportunity to make a statement and to answer any questions you may have.

YHB has advised Financial that neither it nor any of its members have any direct financial interest or material indirect financial interest in the securities of Financial or in connection with Financial and/or the Bank in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

Fees Paid to Independent Auditors for 2010 and 2009 Fiscal Years

For the fiscal years ended December 31, 2010 and 2009, YHB audited the financial statements included in Financial's Annual Report on Form 10-K, reviewed Financial's quarterly reports on Form 10-Q, and provided certain tax services including tax compliance, tax advice, and tax planning.

The following table presents the aggregate fees paid or to be paid by Financial and the Bank for professional services rendered by YHB for the years 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Audit Fees	\$ 56,570	\$ 57,110
Audit Related Fees	-	8,000
Tax Fees	5,250	4,252
Total	<u>\$ 61,820</u>	<u>\$ 69,362</u>

Audit Related Fees

No fees for audit related services were incurred in 2010. In 2009, Financial incurred \$8,000 related to the audit of Financial's 401(k) plan.

All Other Fees

Other than that set forth above, YHB did not bill Financial or the Bank for any other fees during either of the past two (2) years.

Audit Committee Pre-Approval Policies and Procedures

It is the policy of the Audit Committee that Financial's independent auditor may provide only those services that have been pre-approved by the Audit Committee. Unless a type of service to be provided by the independent auditor has received general pre-approval, it requires specific pre-approval by the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee or a related engagement letter specifically provides for a different period. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval. The Audit Committee pre-approved all services provided by YHB in 2010 and 2009.

Requests or applications to provide services that require specific approval by the Audit Committee must be submitted to the Audit Committee by both the independent auditor and the Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the Securities and Exchange Commission's rules on auditor independence.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based upon a review of beneficial ownership reporting Forms 3 and 4 furnished to Financial under Rule 16a-3(e) of the SEC, and upon appropriate written representations, we believe that all reports of initial and subsequent changes in beneficial ownership of Financial's securities as required pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), were filed with the Commission on a timely basis during 2010 by all persons who were directors or executive officers of Financial at any time during the year, except that Mr. Alford inadvertently failed to file two Form 4s representing two transactions on a timely basis, Mr. Bryant inadvertently filed one Form 4 representing one transaction on a timely basis, Mr. Chapman inadvertently filed one Form 4 representing one transaction on a timely basis, and Dr. Zechini inadvertently filed one Form 4 representing one transaction on a timely basis.

Required Vote

Directors are elected by a plurality of the votes of the shares represented in person or proxy at the Meeting. Thus, in the election of directors, those receiving the greatest number of votes will be elected even if they do not receive a majority. With regard to the election of directors set forth in Proposal One, the proxy being provided by the Board enables a shareholder to vote for the election of the nominees proposed by the board, to withhold authority to vote for the nominees being proposed, or to vote for the election of certain nominees. Only shares that are voted in favor of a nominee will be counted toward that nominee's achievement of a plurality. Accordingly, abstentions and broker non-votes will have no impact on the outcome of the proposals.

<p>The Board of Directors unanimously recommends that the shareholders vote "FOR" the nominees for election as directors of Bank of the James Financial Group, Inc.</p>
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**PROPOSAL TWO -
RATIFICATION OF INDEPENDENT AUDITORS**

The Audit Committee of the board of Financial has appointed, subject to ratification by the shareholders, Yount, Hyde & Barbour, P.C., Winchester, Virginia (“YHB”) as independent public accountants to audit the books of Financial for the fiscal year ending December 31, 2011.

The board has determined that it would be desirable to request the shareholders to ratify the board’s selection of YHB as independent public accountants to audit the books and accounts of Financial for the fiscal year ending December 31, 2011.

Required Vote

The affirmative vote of the holders of a majority of votes cast without regard to broker-non-votes and proxies marked “abstain” at the Meeting is required to ratify the selection of Yount, Hyde & Barbour, P.C. as independent auditors for the year ending December 31, 2011.

<p>The Board of Directors unanimously recommends a vote “FOR” the ratification of the appointment of Yount, Hyde & Barbour, P.C. as independent auditors for the fiscal year ending December 31, 2011.</p>

DATE OF RECEIPT OF SHAREHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

All shareholder proposals intended to be presented at the 2011 Meeting of Shareholders must be received by Financial at its principal office for inclusion in Financial’s proxy statement and form of proxy relating to that meeting no later than January 1, 2011. If such proposal complies with all the requirements of Rule 14a-8 of the Exchange Act, it will be included in the Proxy Statement and set forth in the proxy card issued for the next Meeting of Shareholders. It is urged that any such proposals be sent by certified mail, return receipt requested.

COMMUNICATIONS WITH MEMBERS OF THE BOARD

Shareholders may communicate with the board of directors by mailing written communications to the attention of J. Todd Scruggs, Secretary to the board of directors at the principal office of Financial at 828 Main St., Lynchburg, VA 24504. All such communications are reviewed by the Secretary to the board and submitted to the board of directors unless they are deemed non-substantive.

OTHER MATTERS THAT MAY COME BEFORE THE MEETING

The board of directors is not aware of any matters to be presented for action at the Meeting other than as set forth herein. However, if any other matters properly come before the Meeting, or any adjournment thereof, the person or persons voting the proxies will vote them in accordance with their best judgment.

WHERE YOU CAN FIND MORE INFORMATION INCLUDING ANNUAL REPORT AND FINANCIAL STATEMENTS

A copy of Financial's Annual Report to Shareholders for the year ended December 31, 2010 has been furnished to the shareholders. Financial's Annual Report on Form 10-K for the year ended December 31, 2010 is available without charge to any shareholder requesting the same. Additional copies of the Annual Report to Shareholders and copies of the Annual Report on Form 10-K may be obtained from Financial's website (www.bankofthejames.com) or by written request to J. Todd Scruggs, Secretary of the board of directors at 828 Main Street, Lynchburg, VA 24504. The Form 10-K is not a part of the proxy solicitation materials.

Lynchburg, Virginia
April 11, 2011

BY ORDER OF THE BOARD OF DIRECTORS

/s/ J. Todd Scruggs
J. Todd Scruggs, Secretary



BANK OF THE JAMES FINANCIAL GROUP, INC.
 c/o STOCKTRANS, A BROADRIDGE COMPANY
 44 W. LANCASTER AVE
 ARDMORE, PA 19003

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR the following:	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.
1. Election of Directors Nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
01 Robert R. Chapman III 02 Donna Schewel Clark 03 Augustus Petticolas, Jr				

The Board of Directors recommends you vote FOR the following proposal:	For	Against	Abstain
2 To ratify the appointment of Yount, Hyde & Barbour, P.C. as independent auditors for the year ending December 31, 2011.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

For address change/comments, mark here. (see reverse for instructions)	Yes	No	<input type="checkbox"/>
Please indicate if you plan to attend this meeting	<input type="checkbox"/>	<input type="checkbox"/>	

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date

Signature (Joint Owners)	Date

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Annual Report, Notice & Proxy Statement is/ are available at www.proxyvote.com.

BANK OF THE JAMES FINANCIAL GROUP, INC.
Annual Meeting of Shareholders
May 17, 2011 4:00 PM
This proxy is solicited by the Board of Directors

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS. The undersigned hereby appoints RICHARD R. ZECHINI and J. TODD SCRUGGS, or either one of them, as proxies, each with full power of substitution, to act for the undersigned with respect to all shares of Common Stock of Bank of the James Financial Group, Inc. held of record by the undersigned on March 25, 2011 at the Annual Meeting of Shareholders to be held on May 17, 2011 at 4:00 p.m. or any postponement or adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED. SIGNED PROXIES RETURNED WITHOUT SPECIFIC VOTING DIRECTIONS WILL BE VOTED IN ACCORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATIONS. DISCRETIONARY AUTHORITY IS HEREBY CONFERRED AS TO ALL OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING.

Address change/comments:

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(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side

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