



VIRGINIA PARTNERS BANK®
MARYLAND PARTNERS BANK®
(A Division of Virginia Partners Bank)

PRESS RELEASE

Virginia Partners Bank Reports Results of Operations for the Third Quarter 2018

FREDERICKSBURG, VA – October 23, 2018 – Virginia Partners Bank (OTCQX: PTRS) (the “Bank”) reported net income of \$827 thousand for the three months ended September 30, 2018, a 79.5% increase when compared to net income of \$461 thousand for the same period in 2017. For the nine months ended September 30, 2018, the Bank reported net income of \$1.9 million, a 50.1% increase when compared to net income of \$1.3 million for the same period in 2017. The increase in net income for the three months ended September 30, 2018, as compared to the same period in 2017, was driven by increases in net interest income, due primarily to loan and deposit growth, and noninterest income, lower provision for loan losses, and partially offset by higher noninterest expense and income tax expense. The increase in net income for the nine months ended September 30, 2018, as compared to the same period in 2017, was driven by increases in net interest income, due primarily to loan and deposit growth, and noninterest income, lower income tax expense, and partially offset by higher provision for loan losses and noninterest expense. The Bank’s results of operations for the three and nine months ended September 30, 2018 were directly affected by the inclusion of Johnson Mortgage Company, LLC, which the Bank acquired a 51% ownership interest in effective January 1, 2018. In addition, the Bank’s results of operations for the three and nine months ended September 30, 2018 were positively affected by the enactment of the “Tax Cuts and Jobs Act” on December 22, 2017. The Tax Cuts and Jobs Act, which permanently lowered the federal corporate income tax rate from 35% to 21%, resulted in the Bank incurring less income tax expense in the nine months ended September 30, 2018 when compared to the same period of 2017.

Total assets as of September 30, 2018 were \$420.1 million, an increase of \$39.6 million or 10.4% from September 30, 2017. Over the same period, gross loans held for investment increased 16.9% to \$322.7 million, total deposits increased 10.9% to \$344.5 million including growth in non-interest bearing deposits of 21.2% to \$55.9 million, and total equity increased 13.3% to \$41.6 million. In addition, due to the strong growth in core deposits, the Bank has been able to reduce its utilization of wholesale time deposits and FHLB advances. As of September 30, 2018, wholesale time deposits and FHLB advances were \$21.7 million and \$25.1 million, respectively, which represent decreases of 16.9% and 19.0%, respectively, from September 30, 2017. All of the Bank’s capital ratios continue to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

“I am pleased with our Bank’s results during the first nine months of 2018 and the continued bank-wide focus to grow our core community banking business and improve profitability,” said Lloyd B. Harrison, III, Virginia Partners Bank President & CEO. “Net income for the third quarter of 2018 improved by \$214 thousand or 34.9% when compared to the second quarter of 2018. During the third quarter of 2018 we generated loan growth of 2.2% bringing our total loan growth over the first nine months of 2018 to 11.0%, which outpaced our internal targets. We are very excited about the growth activity we are seeing in our existing markets and our current pipeline of opportunities. We believe this growth activity, combined with our emphasis on total relationship banking, positions us to deliver solid growth throughout the balance of 2018. We remain committed to the continued evaluation and implementation of strategies that focus on achieving scale in the community bank space, reducing noninterest expenses and increasing profitability going forward, which we believe will be the keys to our long term success and increasing shareholder value.”

About Virginia Partners Bank

Virginia Partners Bank, headquartered in Fredericksburg, Virginia, was founded in 2008 and has three branches in Fredericksburg, Virginia. In Maryland, the Bank trades under the name Maryland Partners Bank (a division of Virginia Partners Bank), and operates a full service branch and commercial banking office in La Plata, Maryland and a Loan Production Office in Annapolis, Maryland. Virginia Partners Bank also owns a controlling stake in Johnson Mortgage Company, LLC, which is a residential mortgage company headquartered in Newport News, Virginia, with a branch office in Williamsburg, Virginia. For more information, visit www.vapartnersbank.com.

For further information, please contact Lloyd B. Harrison, III, President & CEO, at 540-899-2234.

Cautionary Statement Regarding Forward-Looking Statements

This earnings release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact and are based on assumptions and describe future plans, strategies, and expectations of management, and are inherently subject to risks and uncertainties. These statements are generally identifiable by use of words such as “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” “may,” “will” or similar expressions. Forward-looking statements in this earnings release may include, without limitation, statements regarding anticipated future financial performance, funding sources including loan portfolio composition, deposit and loan growth, adequacy of the allowance for loan losses and future provisions for loan losses, investment securities portfolio composition and future performance, strategic business initiatives and future tax savings or other effects of the Tax Cuts and Jobs Act. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, the effects of or changes in: management’s efforts to maintain asset quality and control operating expenses; the quality, composition and growth of the loan and investment securities portfolios; interest rates; and general economic and financial market conditions. These risks and uncertainties should be considered in evaluating forward-looking statements contained herein. We have based our forward-looking statements on management’s beliefs, assumptions, expectations and projections based on information available as of the date of this earnings release. You should not place undue reliance on such statements, because the beliefs, assumptions, expectations and projections about future events on which they are based may, and often do, differ materially from actual events and, in many cases, are outside of our control. We undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

Virginia Partners Bank

Balance Sheet Unaudited

	September 30, 2018	September 30, 2017
ASSETS		
Cash and due from banks	\$ 3,715,184	\$ 4,021,612
Federal funds sold	-	1,553,000
Interest bearing deposits in other banks	2,000,000	2,000,000
Investment securities - taxable	70,614,369	73,942,501
Investment securities - tax-exempt	7,821,264	11,579,369
Loans held for sale	2,407,007	-
Loans, net of unearned income	322,735,098	276,052,442
Less: Allowance for loan losses	(3,981,591)	(3,416,518)
Premises and equipment, net	3,853,254	4,021,772
Accrued interest receivable	1,102,253	982,103
Deferred income taxes, net	1,628,417	1,608,822
Bank owned life insurance	7,552,280	7,329,756
Other assets	612,244	747,500
Total Assets	<u>\$ 420,059,779</u>	<u>\$ 380,422,359</u>
LIABILITIES		
Non-interest bearing deposits	\$ 55,896,213	\$ 46,103,566
Interest bearing demand deposits	17,476,157	17,499,659
Savings and money market deposits	114,068,148	90,836,210
Time deposits - retail	135,329,731	129,949,032
Time deposits - wholesale	21,745,000	26,163,000
Total deposits	<u>344,515,249</u>	<u>310,551,467</u>
FHLB advances	25,100,000	31,000,000
Federal funds purchased	5,931,000	-
Other borrowings	1,682,476	1,505,080
Accrued expenses and other liabilities	1,269,369	690,502
Total Liabilities	<u>378,498,094</u>	<u>343,747,049</u>
EQUITY		
Common stock	19,785,905	17,104,145
Capital surplus	18,569,435	16,482,120
Retained earnings	2,810,211	2,028,691
Noncontrolling interest in consolidated subsidiaries	590,781	-
Accumulated other comprehensive loss	(2,128,259)	(227,716)
Net income	1,933,612	1,288,070
Total Equity	<u>41,561,685</u>	<u>36,675,310</u>
Total Liabilities and Equity	<u>\$ 420,059,779</u>	<u>\$ 380,422,359</u>

Virginia Partners Bank

Statement of Income

Unaudited

	For the Quarter Ending		For the Nine Months	
	September 30,		Ending	
	2018	2017	2018	2017
INTEREST INCOME				
Interest on loans	\$ 3,931,441	\$ 3,194,592	\$ 11,072,233	\$ 9,116,592
Fees on loans	131,535	124,743	380,670	309,882
Interest on federal funds sold	2,894	6,756	24,075	15,838
Interest on deposits with banks	20,527	13,572	46,415	34,331
Investment securities - taxable	464,761	415,716	1,336,321	1,385,922
Investment securities - tax-exempt	42,376	62,117	127,129	179,863
Total interest income	4,593,534	3,817,496	12,986,843	11,042,428
INTEREST EXPENSE				
Interest bearing demand deposits	9,773	8,996	27,843	25,163
Savings and money market deposits	159,963	91,675	433,219	268,087
Time deposits - retail	572,024	488,139	1,621,367	1,287,768
Time deposits - wholesale	88,901	107,061	273,053	286,400
Total interest expense on deposits	830,661	695,871	2,355,482	1,867,418
FHLB advances	119,520	114,276	316,393	360,228
Interest on federal funds purchased	3,591	1,694	5,375	3,527
Interest on other borrowings	44,813	27,788	116,472	83,821
Total interest expense	998,585	839,629	2,793,722	2,314,994
Net interest income	3,594,949	2,977,867	10,193,121	8,727,434
Provision for loan losses	66,600	110,000	379,600	200,845
Net interest income after provision	3,528,349	2,867,867	9,813,521	8,526,589
NONINTEREST INCOME				
Service charges and fees	84,910	71,294	237,623	213,370
Securities (losses) gains, net	(8,114)	-	(20,614)	5,384
(Loss) gain on the sale of assets	-	(996)	-	46,938
Mortgage banking income	325,507	23,974	770,660	55,172
Earnings on bank owned life insurance policies	55,455	59,760	165,288	138,881
Other noninterest income	32,287	29,625	61,359	46,118
Total noninterest income	490,045	183,657	1,214,316	505,863
NONINTEREST EXPENSE				
Salaries and employee benefits	1,676,491	1,243,622	4,798,180	3,781,434
Occupancy and equipment expense	247,266	232,285	753,212	692,225
Professional services	169,068	182,308	549,806	501,187
Data processing	333,450	298,943	938,700	926,233
Promotion and marketing	50,875	30,274	166,825	125,824
FDIC assessment	35,000	44,500	112,400	98,614
Other operating expense	482,126	375,755	1,362,045	1,096,856
Total noninterest expense	2,994,276	2,407,687	8,681,168	7,222,373
Consolidated income before income taxes	1,024,118	643,837	2,346,669	1,810,079
Income tax expense	206,068	182,758	459,275	522,009
Consolidated net income	\$ 818,050	\$ 461,079	\$ 1,887,394	\$ 1,288,070
Net loss attributable to noncontrolling interest	9,417	-	46,218	-
Net income	\$ 827,467	\$ 461,079	\$ 1,933,612	\$ 1,288,070