



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

## PRESS RELEASE

### Virginia Partners Bank Reports Results of Operations for the Second Quarter 2018

FREDERICKSBURG, VA – July 24, 2018 – Virginia Partners Bank (OTCQX: PTRS) (the “Bank”) reported net income of \$613 thousand for the three months ended June 30, 2018, a 58.4% increase when compared to net income of \$387 thousand for the same period in 2017. For the six months ended June 30, 2018, the Bank reported net income of \$1.1 million, a 33.8% increase when compared to net income of \$827 thousand for the same period in 2017. The increase in net income for the three and six months ended June 30, 2018, as compared to the same periods 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 six months ended June 30, 2018 were directly impacted 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 six months ended June 30, 2018 were positively impacted 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 three and six months ended June 30, 2018 when compared to the same periods of 2017.

Total assets as of June 30, 2018 were \$417.3 million, an increase of \$44.1 million or 11.8% from June 30, 2017. Over the same period, gross loans held for investment increased 17.9% to \$315.8 million, total deposits increased 17.4% to \$349.3 million including growth in non-interest bearing deposits of 24.6% to \$53.3 million, and total equity increased 13.2% to \$41.1 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 June 30, 2018, wholesale time deposits and FHLB Advances were \$24.0 million and \$23.0 million, respectively, which represent decreases of 24.5% and 37.8%, respectively, from June 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 half 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 second quarter of 2018 improved by \$121 thousand or 24.5% when compared to the first quarter of 2018 and was primarily driven by higher net interest income and partially offset by a higher provision for loan losses. Building upon our momentum from the first quarter of 2018, we generated loan and deposit growth of 5.7% and 2.2%, respectively, during the second quarter of 2018, which outpaced our internal targets. Given the growth activity we are seeing in our existing markets and our emphasis on total relationship banking, we believe that we are well positioned to deliver solid growth throughout the second half of 2018. Bank-wide, we are 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](http://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

	June 30, 2018	June 30, 2017
<b>ASSETS</b>		
Cash and due from banks	\$ 4,843,510	\$ 5,743,914
Federal funds sold	-	2,565,000
Interest bearing deposits in other banks	2,000,000	2,000,000
Investment securities - taxable	74,310,778	72,705,517
Investment securities - tax-exempt	7,953,355	11,260,360
Loans held for sale	1,719,978	-
Loans, net of unearned income	315,818,250	267,811,229
Less: Allowance for loan losses	(3,914,848)	(3,302,465)
Premises and equipment, net	3,920,617	4,060,064
Accrued interest receivable	948,646	796,995
Deferred income taxes, net	1,533,598	1,554,354
Bank owned life insurance	7,496,825	7,269,996
Other assets	689,779	776,556
<b>Total Assets</b>	<b><u>\$ 417,320,488</u></b>	<b><u>\$ 373,241,520</u></b>
<b>LIABILITIES</b>		
Non-interest bearing deposits	\$ 53,256,674	\$ 42,729,439
Interest bearing demand deposits	18,985,673	16,814,700
Savings and money market deposits	121,346,954	87,487,758
Time deposits - retail	131,757,287	118,877,965
Time deposits - wholesale	23,982,000	31,750,000
Total deposits	<u>349,328,588</u>	<u>297,659,862</u>
FHLB Advances	23,000,000	37,000,000
Federal funds purchased	1,604,000	-
Other borrowings	1,478,337	1,515,835
Accrued expenses and other liabilities	815,938	748,074
<b>Total Liabilities</b>	<b><u>376,226,863</u></b>	<b><u>336,923,771</u></b>
<b>EQUITY</b>		
Common stock	19,785,905	17,104,145
Capital surplus	18,562,728	16,479,906
Retained earnings	2,810,211	2,028,691
Noncontrolling interest in consolidated subsidiaries	600,198	-
Accumulated other comprehensive loss	(1,771,562)	(121,983)
Net income	1,106,145	826,990
<b>Total Equity</b>	<b><u>41,093,625</u></b>	<b><u>36,317,749</u></b>
<b>Total Liabilities and Equity</b>	<b><u>\$ 417,320,488</u></b>	<b><u>\$ 373,241,520</u></b>

# Virginia Partners Bank

## Statement of Income

### Unaudited

	For the Quarter Ending		For the Six Months Ending	
	June 30,		June 30,	
	2018	2017	2018	2017
<b>INTEREST INCOME</b>				
Interest on loans	\$ 3,683,080	\$ 2,984,717	\$ 7,140,792	\$ 5,922,001
Fees on loans	120,766	118,765	249,135	185,139
Interest on federal funds sold	13,036	3,481	21,181	9,081
Interest on deposits with banks	13,647	10,116	25,888	20,758
Investment securities - taxable	481,890	476,694	871,560	970,206
Investment securities - tax-exempt	42,376	64,091	84,753	117,746
Total interest income	4,354,795	3,657,864	8,393,309	7,224,931
<b>INTEREST EXPENSE</b>				
Interest bearing demand deposits	9,328	8,139	18,070	16,167
Savings and money market deposits	152,765	89,403	273,256	176,412
Time deposits - retail	535,604	418,623	1,049,342	799,628
Time deposits - wholesale	92,904	118,529	184,152	179,340
Total interest expense on deposits	790,601	634,694	1,524,820	1,171,547
FHLB Advances	97,108	111,677	196,873	245,951
Warehouse line	9,561	-	16,618	-
Interest on other borrowings	27,689	28,928	56,826	57,866
Total interest expense	924,959	775,299	1,795,137	1,475,364
<b>Net interest income</b>	<b>3,429,836</b>	<b>2,882,565</b>	<b>6,598,172</b>	<b>5,749,567</b>
Provision for loan losses	213,000	34,845	313,000	90,845
<b>Net interest income after provision</b>	<b>3,216,836</b>	<b>2,847,720</b>	<b>6,285,172</b>	<b>5,658,722</b>
<b>NONINTEREST INCOME</b>				
Service charges and fees	82,385	74,740	152,713	142,075
Securities (losses) gains, net	(12,500)	1,898	(12,500)	5,384
(Loss) gain on the sale of assets	-	(1,520)	-	47,934
Mortgage banking income	251,544	3,515	445,153	31,197
Earnings on bank owned life insurance policies	55,381	39,979	109,833	79,122
Other noninterest income	11,143	12,247	29,072	16,494
Total noninterest income	387,953	130,859	724,271	322,206
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	1,575,184	1,286,693	3,121,689	2,537,812
Occupancy and equipment expense	243,109	222,912	505,946	459,940
Professional services	193,330	183,490	380,738	318,880
Data processing	299,634	296,918	605,250	627,291
Promotion and marketing	57,975	46,275	115,950	95,550
FDIC assessment	32,000	43,558	77,400	54,114
Other operating expense	463,773	361,269	879,919	721,100
Total noninterest expense	2,865,005	2,441,115	5,686,892	4,814,687
<b>Consolidated income before income taxes</b>	<b>739,784</b>	<b>537,464</b>	<b>1,322,551</b>	<b>1,166,241</b>
Income tax expense	139,822	150,209	253,207	339,251
<b>Consolidated net income</b>	<b>\$ 599,962</b>	<b>\$ 387,255</b>	<b>\$ 1,069,344</b>	<b>\$ 826,990</b>
Net loss attributable to noncontrolling interest	13,514	-	36,801	-
<b>Net income</b>	<b>\$ 613,476</b>	<b>\$ 387,255</b>	<b>\$ 1,106,145</b>	<b>\$ 826,990</b>