



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

PRESS RELEASE

Virginia Partners Bank Reports Results of Operations for the Fourth Quarter 2017

FREDERICKSBURG, VA – January 31, 2018 – Virginia Partners Bank (OTCQX: PTRS) (the “Bank”) reported its unaudited results for the fourth quarter and year ended December 31, 2017. The Bank reported a net loss of \$622,000 for the fourth quarter 2017, compared to net income of \$311,000 for the fourth quarter 2016. For the twelve months ended December 31, 2017, net income totaled \$666,000, compared to \$1.2 million for the same period in 2016. The period-over-period declines in net income were directly related to the enactment of the “Tax Cuts and Jobs Act” on December 22, 2017. The lower federal corporate income tax rate enacted under the Tax Cuts and Jobs Act caused the Bank to incur additional income tax expense of \$708,397 in the fourth quarter of 2017 due to the revaluation of deferred tax assets. Earnings before income tax expense, however, increased to \$1.9 million for 2017, or 9.8% compared to \$1.7 million for 2016. . The Bank also sold, in anticipation of lower tax rates in 2018, securities in the amount of \$4.5 million, which resulted in a loss of \$111,330.

Assets as of December 31, 2017 were \$379.5 million, an increase of \$7.0 million or 1.9% from December 31, 2016. Over the same period, gross loans increased 13.1% to \$290.8 million, total deposits grew 14.4% to \$313.1 million, and non-interest bearing deposits grew 26.0% to \$47.2 million. All capital ratios continue to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

“While the Tax Cuts and Jobs Act increased tax expense related to deferred tax assets, this was a non-cash expense. The future tax savings, however, will be real and meaningful,” said Lloyd B. Harrison, III, Virginia Partners Bank President & CEO. “Loan growth for the year was very strong, particularly in the second half of the year. We continue to post very good year-over-year growth in non-interest bearing deposits. During the year, we maintained the strategy of balance sheet management employed to maximize the influx of new capital in December 2016. In short, we redeployed investments into loans and replaced borrowings with deposits.”

About Virginia Partners Bank

Virginia Partners Bank, headquartered in 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 and a Loan Production Office in Annapolis.

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, 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 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

As of December 31, 2017 and 2016

Unaudited

	<u>Actual</u> <u>December 31, 2017</u>	<u>Actual</u> <u>December 31, 2016</u>
ASSETS		
Cash and due from banks	4,519,670	7,239,648
Fed Funds sold & repos	1,077,000	2,912,000
Interest bearing deposits with banks	2,000,000	2,000,000
Investment securities - taxable	61,808,620	85,203,314
Investment securities - tax-exempt	8,108,932	8,490,671
Loans, net of unearned income	290,819,431	257,118,051
Less: Allowance for loan losses	(3,604,467)	(3,188,120)
Premises and equipment, net	4,022,676	4,175,217
Accrued interest receivable	902,314	817,960
Deferred income taxes, net	1,303,856	1,747,148
Bank owned life insurance	7,386,992	5,190,875
Other real estate owned	-	-
Other assets	1,131,139	731,261
Total Assets	<u>379,476,163</u>	<u>372,438,025</u>
LIABILITIES		
Non-interest bearing deposits	47,189,276	37,450,185
Interest bearing demand deposits	19,300,671	14,943,842
Savings and money market deposits	94,174,731	91,366,108
Time deposits - retail	121,220,807	108,102,959
Time deposits - wholesale	31,191,928	21,712,000
Total Deposits	<u>313,077,413</u>	<u>273,575,094</u>
FHLB Advances	28,500,000	62,000,000
Other borrowings	1,494,228	1,536,887
Accrued expenses and other liabilities	597,906	635,881
Total Liabilities	<u>343,669,547</u>	<u>337,747,862</u>
EQUITY		
Common stock	17,190,145	17,104,145
Capital surplus	16,571,384	16,474,984
Retained earnings	2,028,691	806,836
Accumulated other comprehensive income	(649,912)	(917,657)
Net income	666,308	1,221,855
Total Equity	<u>35,806,616</u>	<u>34,690,163</u>
Total Liabilities and Equity	<u>379,476,163</u>	<u>372,438,025</u>

Virginia Partners Bank

Statement of Income

As of December 31, 2017 and 2016

Unaudited

	For the Quarter Ending December 31,		For the Twelve Months ending December 31,	
	2017	2016	2017	2016
INTEREST INCOME				
Interest on loans	3,368,445	2,912,388	12,485,037	11,054,685
Fees on loans	83,735	86,984	393,617	276,390
Interest on federal funds sold	9,983	5,413	25,820	29,768
Interest on deposits with banks	11,155	5,298	45,486	75,745
Investment securities - taxable	364,891	273,555	1,750,814	1,086,545
Investment securities - tax-exempt	49,487	44,614	229,350	93,600
Total Interest Income	<u>3,887,696</u>	<u>3,328,252</u>	<u>14,930,124</u>	<u>12,616,733</u>
INTEREST EXPENSE				
Interest bearing demand deposits	9,414	7,855	34,577	29,996
Savings and money market deposits	99,032	86,528	367,119	352,219
Time deposits - retail	499,324	390,911	1,785,346	1,572,506
Time deposits - wholesale	113,346	58,548	401,492	178,339
Total Interest expense on deposits	<u>721,116</u>	<u>543,842</u>	<u>2,588,534</u>	<u>2,133,060</u>
FHLB Advances	101,745	82,124	461,973	290,275
Interest on other borrowings	28,879	28,378	116,226	112,431
Total interest expense	<u>851,740</u>	<u>654,344</u>	<u>3,166,733</u>	<u>2,535,766</u>
Net interest income	<u>3,035,956</u>	<u>2,673,908</u>	<u>11,763,391</u>	<u>10,080,967</u>
Provision for loan losses	182,500	115,500	383,345	162,396
Net interest income after provision	<u>2,853,456</u>	<u>2,558,408</u>	<u>11,380,046</u>	<u>9,918,571</u>
NONINTEREST INCOME				
Service charges and fees	72,229	60,471	273,592	225,555
Securities gains, net	(110,341)	33,690	(104,957)	75,345
Gain (loss) on the sale of assets	-	222	46,938	21,552
Other noninterest income	70,087	84,248	322,265	352,859
Total noninterest income	<u>31,975</u>	<u>178,631</u>	<u>537,838</u>	<u>675,311</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	1,337,473	1,152,379	5,118,906	4,483,526
Occupancy and equipment expense	242,899	261,840	935,124	990,545
Professional services	488,679	324,654	1,517,778	1,220,784
Data processing	214,790	111,391	599,947	460,365
Promotion and marketing	26,414	32,389	152,238	196,386
FDIC assessment	42,000	40,579	140,614	200,768
Other operating expense	450,818	372,386	1,560,841	1,318,218
Total noninterest expense	<u>2,803,073</u>	<u>2,295,618</u>	<u>10,025,448</u>	<u>8,870,592</u>
Income before income taxes	<u>82,358</u>	<u>441,421</u>	<u>1,892,436</u>	<u>1,723,290</u>
Income tax expense	704,119	130,096	1,226,128	501,435
Net income	<u>(621,761)</u>	<u>311,325</u>	<u>666,308</u>	<u>1,221,855</u>