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 2018**

FREDERICKSBURG, VA – February 11, 2019 – Virginia Partners Bank (OTCQX: PTRS) (the "Bank") reported net income of $719 thousand for the three months ended December 31, 2018, a 215.6% increase when compared to the net loss of $622 thousand for the same period in 2017. For the twelve months ended December 31, 2018, the Bank reported net income of $2.7 million, a 298.1% increase when compared to net income of $666 thousand for the same period in 2017. Excluding tax-effected merger expense of $280 thousand for the three and twelve months ended December 31, 2018 related to the pending merger of equals with Delmar Bancorp ("Delmar") and The Bank of Delmarva ("Delmarva"), adjusted net income (Non-GAAP) was $999 thousand and $2.9 million for the three and twelve months ended December 31, 2018, respectively. For the three months ended December 31, 2018, the Bank's return on average assets, return on average equity and efficiency ratio was 0.68%, 6.72% and 77.76%, respectively, as compared to -0.65%, -6.72% and 87.49%, respectively, for the same period in 2017. Excluding tax-effected merger expense for the three months ended December 31, 2018, return on average assets (Non-GAAP), return on average equity (Non-GAAP) and efficiency ratio (Non-GAAP) was 0.94%, 9.34% and 69.77%, respectively. For the twelve months ended December 31, 2018, the Bank's return on average assets, return on average equity and efficiency ratio was 0.64%, 6.51% and 76.27%, respectively, as compared to 0.18%, 1.84% and 80.35%, respectively, for the same period in 2017. Excluding tax-effected merger expense for the twelve months ended December 31, 2018, return on average assets (Non-GAAP), return on average equity (Non-GAAP) and efficiency ratio (Non-GAAP) was 0.71%, 7.20% and 74.17%, respectively.

The increase in net income for the three months ended December 31, 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 income tax expense, and partially offset by higher noninterest expense. The increase in net income for the twelve months ended December 31, 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 twelve months ended December 31, 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 twelve months ended December 31, 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 three and twelve months ended December 31, 2018 when compared to the same periods of 2017.

Total assets as of December 31, 2018 were $420.7 million, an increase of $41.2 million or 10.9% from December 31, 2017. Over the same period, gross loans held for investment increased 10.8% to $322.4 million, total deposits increased 5.6% to $330.6 million including growth in non-interest bearing deposits of 20.1% to $56.7 million, and total equity increased 23.6% to $44.3 million. In addition, due to the growth in core deposits, the Bank has been able to reduce its utilization of wholesale time deposits. As of December 31, 2018, wholesale time deposits were $21.7 million, which represents a decrease of 16.9% from December 31, 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 for the fourth quarter and full year 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 (Non-GAAP) for the fourth quarter of 2018 improved by $171 thousand or 20.7% when compared to the third quarter of 2018. A significant portion of our net income improvement quarter over quarter was due to our efforts to reduce noninterest expense. Excluding merger expense, we were able to reduce our total noninterest expense by $137 thousand or 4.6% during the fourth quarter of 2018, as compared to the third quarter of 2018. Although loan production was strong during the fourth quarter of 2018, loan growth was essentially flat due to several large pay-offs which occurred late in the period. Despite this, our total loan growth over the full year 2018 was 10.8%, 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 and increased profitability in 2019."

Harrison continued, "2018 was a very exciting year for our Bank. We have accomplished a number of the objectives identified in our strategic plan. Among our many accomplishments, perhaps the most exciting is the pending merger of equals with Delmar and Delmarva. This transaction will create a strategic partnership between the Bank and Delmarva in which each bank will continue to operate as independent subsidiaries of Delmar. This strategic partnership will allow each bank to leverage the strength of its local community banking franchise and expand the breadth of products and services offered to its existing customer base. This affiliate bank model preserves what is best about community banking, the identities and leadership that make them successful, while achieving scale in a rapidly consolidating industry. We are very excited about the future prospects and increased efficiencies of our combined organization and look forward to maximizing the potential of this combined franchise."

**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.

**Non-GAAP Financial Measures**

The accounting and reporting policies of the Bank conform to generally accepted accounting principles ("GAAP") in the United States of America and prevailing practices in the banking industry. However, management uses certain Non-GAAP financial measures to supplement the evaluation of the Bank's performance. These financial measures include net income, return on average assets, return on average equity and efficiency ratio excluding merger expense. Management believes presentations of these Non-GAAP financial measures provide useful supplemental information that is essential to a proper understanding of the operating results of the Bank's core business. These Non-GAAP financial measures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to Non-GAAP financial measures that may be presented by other companies. Reconciliations of GAAP to Non-GAAP financial measures are included as tables at the end of this earnings release.

**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, including the pending merger of equals of the Bank and Delmar and Delmarva, 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

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 4,274,718 | $ 4,519,670 |
| Federal funds sold | 1,475,000 | 1,077,000 |
| Interest bearing deposits in other banks | 2,000,000 | 2,000,000 |
| Investment securities - taxable | 69,173,081 | 61,808,620 |
| Investment securities - tax-exempt | 7,982,318 | 8,108,932 |
| Loans held for sale | 2,949,999 | - |
| Loans, net of unearned income | 322,352,820 | 290,819,431 |
| Less: Allowance for loan losses | (4,010,192) | (3,604,467) |
| Premises and equipment, net | 3,808,223 | 4,022,676 |
| Accrued interest receivable | 1,013,507 | 902,314 |
| Deferred income taxes, net | 1,593,466 | 1,303,856 |
| Bank owned life insurance | 7,606,796 | 7,386,992 |
| Other assets | 452,170 | 1,131,139 |
| **Total Assets** | **$ 420,671,906** | **$ 379,476,163** |
| **LIABILITIES** | | |
| Non-interest bearing deposits | $ 56,675,694 | $ 47,189,276 |
| Interest bearing demand deposits | 18,085,701 | 19,300,671 |
| Savings and money market deposits | 99,527,490 | 94,174,731 |
| Time deposits - retail | 134,529,931 | 126,249,735 |
| Time deposits - wholesale | 21,745,000 | 26,163,000 |
| Total deposits | 330,563,816 | 313,077,413 |
| FHLB advances | 43,000,000 | 28,500,000 |
| Other borrowings | 1,757,017 | 1,494,228 |
| Accrued expenses and other liabilities | 1,076,240 | 597,906 |
| **Total Liabilities** | **376,397,073** | **343,669,547** |
| **EQUITY** | | |
| Common stock | 20,425,905 | 17,190,145 |
| Capital surplus | 19,216,143 | 16,571,384 |
| Retained earnings | 2,810,211 | 2,028,691 |
| Noncontrolling interest in consolidated subsidiaries | 603,170 | - |
| Accumulated other comprehensive loss | (1,432,909) | (649,912) |
| Net income | 2,652,313 | 666,308 |
| **Total Equity** | **44,274,833** | **35,806,616** |
| **Total Liabilities and Equity** | **$ 420,671,906** | **$ 379,476,163** |

# Virginia Partners Bank

## Statement of Income

### Unaudited

| | For the Quarter Ending December 31, | | For the Twelve Months Ending December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **INTEREST INCOME** | | | | |
| Interest on loans | $ 4,023,304 | $ 3,368,445 | $ 15,095,537 | $ 12,485,037 |
| Fees on loans | 111,073 | 83,735 | 491,743 | 393,617 |
| Interest on federal funds sold | 5,681 | 9,983 | 29,756 | 25,820 |
| Interest on deposits with banks | 21,377 | 11,155 | 67,792 | 45,486 |
| Investment securities - taxable | 454,419 | 364,891 | 1,790,740 | 1,750,814 |
| Investment securities - tax-exempt | 42,377 | 49,487 | 169,506 | 229,350 |
| Total interest income | 4,658,231 | 3,887,696 | 17,645,074 | 14,930,124 |
| **INTEREST EXPENSE** | | | | |
| Interest bearing demand deposits | 10,401 | 9,414 | 38,244 | 34,577 |
| Savings and money market deposits | 163,827 | 99,032 | 597,046 | 367,119 |
| Time deposits - retail | 625,236 | 515,423 | 2,246,603 | 1,803,190 |
| Time deposits - wholesale | 87,450 | 97,247 | 360,503 | 383,648 |
| Total interest expense on deposits | 886,914 | 721,116 | 3,242,396 | 2,588,534 |
| FHLB advances | 186,174 | 101,745 | 502,567 | 461,973 |
| Interest on federal funds purchased | 7,148 | 1,188 | 12,523 | 4,715 |
| Interest on other borrowings | 47,270 | 27,691 | 163,742 | 111,511 |
| Total interest expense | 1,127,506 | 851,740 | 3,921,228 | 3,166,733 |
| **Net interest income** | **3,530,725** | **3,035,956** | **13,723,846** | **11,763,391** |
| Provision for loan losses | 29,000 | 182,500 | 408,600 | 383,345 |
| **Net interest income after provision** | **3,501,725** | **2,853,456** | **13,315,246** | **11,380,046** |
| **NONINTEREST INCOME** | | | | |
| Service charges and fees | 83,297 | 73,815 | 320,920 | 287,185 |
| Securities (losses), net | - | (110,341) | (20,614) | (104,957) |
| Gain on the sale of assets | - | - | - | 46,938 |
| Mortgage banking income | 395,223 | 6,014 | 1,165,883 | 61,186 |
| Earnings on bank owned life insurance policies | 54,517 | 57,236 | 219,805 | 196,117 |
| Other noninterest income | 19,942 | 5,251 | 81,301 | 51,369 |
| Total noninterest income | 552,979 | 31,975 | 1,767,295 | 537,838 |
| **NONINTEREST EXPENSE** | | | | |
| Salaries and employee benefits | 1,628,048 | 1,337,473 | 6,426,228 | 5,118,906 |
| Occupancy and equipment expense | 247,911 | 242,899 | 1,001,123 | 935,124 |
| Professional services | 165,943 | 345,656 | 715,749 | 846,843 |
| Data processing | 300,849 | 362,563 | 1,239,549 | 1,288,797 |
| Promotion and marketing | 17,891 | 26,414 | 184,716 | 152,239 |
| FDIC assessment | 29,000 | 42,000 | 141,400 | 140,614 |
| Merger expense | 326,812 | - | 326,812 | - |
| Other operating expense | 467,626 | 446,068 | 1,829,671 | 1,542,925 |
| Total noninterest expense | 3,184,080 | 2,803,073 | 11,865,248 | 10,025,448 |
| **Consolidated income before income taxes** | **870,624** | **82,358** | **3,217,293** | **1,892,436** |
| Income tax expense | 139,535 | 704,119 | 598,810 | 1,226,128 |
| **Consolidated net income (loss)** | **$ 731,089** | **$ (621,761)** | **$ 2,618,483** | **$ 666,308** |
| Net (income) loss attributable to noncontrolling interest | (12,388) | - | 33,830 | - |
| **Net income (loss)** | **$ 718,701** | **$ (621,761)** | **$ 2,652,313** | **$ 666,308** |

**Reconciliation of Non-GAAP Financial Measures**

| | For the Quarter Ending December 31, | | For the Twelve Months Ending December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Net income (loss) excluding merger expense** | | | | |
| Net income (loss) | $ 718,701 | $ (621,761) | $ 2,652,313 | $ 666,308 |
| Merger expense | 326,812 | - | 326,812 | - |
| Income tax effect of adjustment | (46,865) | - | (46,865) | - |
| Net income (loss) excluding merger expense (Non-GAAP) | $ 998,648 | $ (621,761) | $ 2,932,260 | $ 666,308 |
| | | | | |
| **Return on average assets excluding merger expense (1)** | | | | |
| Return on average assets | 0.68% | -0.65% | 0.64% | 0.18% |
| Effect to adjust for merger expense | 0.26% | 0.00% | 0.07% | 0.00% |
| Return on average assets excluding merger expense (Non-GAAP) | 0.94% | -0.65% | 0.71% | 0.18% |
| | | | | |
| **Return on average equity excluding merger expense (1)** | | | | |
| Return on average equity | 6.72% | -6.72% | 6.51% | 1.84% |
| Effect to adjust for merger expense | 2.62% | 0.00% | 0.69% | 0.00% |
| Return on average equity excluding merger expense (Non-GAAP) | 9.34% | -6.72% | 7.20% | 1.84% |
| | | | | |
| **Efficiency ratio excluding merger expense** | | | | |
| Efficiency ratio | 77.76% | 87.49% | 76.27% | 80.35% |
| Effect to adjust for merger expense | -7.99% | 0.00% | -2.10% | 0.00% |
| Efficiency ratio excluding merger expense (Non-GAAP) | 69.77% | 87.49% | 74.17% | 80.35% |

(1) Annualized for the quarter ending December 31, 2018 and 2017, respectively.