

Virginia Partners Bank (Private; Fredericksburg, VA) Enters Agreement to Issue Capital to Private Investor Kenneth Lehman

Initial Investment: Approximately \$8.6 Million

Sandler O'Neill + Partners, L.P. served as financial advisor to Virginia Partners Bank in connection with this transaction.

About the Transaction:

FREDERICKSBURG, Va., October 19, 2016 – Virginia Partners Bank (the “Bank”) today announced that it has entered an agreement to raise \$8.6 million in equity, before expenses, through the sale of 929,152 shares of common stock, to Kenneth R. Lehman, a private and seasoned bank investor. The Bank plans to use the additional capital for general corporate purposes, including to increase regulatory capital and fund organic growth initiatives.

“This significant investment is important for our strategy. It will put considerable capital strength on the balance sheet, and will position us to continue organic growth, including expansion into other markets, and to take advantage of opportunistic acquisitions,” said Lloyd Harrison, President and Chief Executive Officer of Virginia Partners Bank. “In today’s banking environment, scale matters, and capital is the fuel that allows us to grow.”

Harrison added, “Mr. Lehman is a very talented businessman, with a deep understanding of, and support for, community banking. His experience as a community bank investor makes him an ideal partner for us, and we are delighted that he will be joining us as a director after the transaction closes.”

The Agreement has been unanimously approved by the board of directors of the Bank.

In addition to the common shares, the Bank will issue Mr. Lehman warrants to purchase up to an additional 929,152 shares of common stock, with an exercise price equal to 90% of the Bank’s tangible common equity per share as of the most recent quarter-end preceding the date of exercise. The warrants will be exercisable during certain periods that meet certain regulatory capital conditions in the applicable warrant agreement.

Initially, 50% of both the shares issued at the closing of the transaction and the shares issuable upon exercise, if any, of the warrants will be subject to a voting agreement between the Bank and Mr. Lehman. The voting agreement will provide that Mr. Lehman will vote the shares subject to the agreement in the same manner and the same proportion as all other shares of Bank common stock are voted. The voting agreement will further provide that the number of shares subject to the agreement will be reduced in certain circumstances.

The transaction is subject to customary closing conditions, including the receipt of regulatory approvals, and is expected to close during December 2016.

About Virginia Partners Bank:

Virginia Partners Bank is a commercial bank organized for the purpose of serving the banking needs of small and medium sized business and their owners and employees, real estate investors and developers, and professionals and their practices. Virginia Partners Bank has three branches in Fredericksburg, Virginia and one branch in La Plata, Maryland. As of June 30, 2016, Virginia Partners Bank had total assets of approximately \$323 million. For more information, visit www.vapartnersbank.com.

This announcement is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities.

(1) Source: SNL Financial; financial data not pro forma for the transaction

(2) Nonperforming assets defined as nonaccrual loans and leases, renegotiated loans and leases, and real estate owned

Financial Highlights (as of June 30, 2016)¹

(Dollars in thousands)

Total Assets	\$323,334
Total Loans	\$239,743
Total Deposits	\$269,932
Total Equity	\$27,232
Tang. Common Equity / Tang. Assets	8.42%
NPA ² / Assets	0.23%
LTM Net Interest Margin	3.30%

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