Bank of the James Announces First Quarter 2019 Financial Results and Declaration of Dividend

Commercial Loan Growth, Strong Mortgage Production, Record First Quarter EPS

LYNCHBURG, Va., April 26, 2019 -- Bank of the James Financial Group, Inc. (the "Company") (NASDAQ:BOTJ), the parent company of Bank of the James, a full-service commercial and retail bank serving Region 2000 (Greater Lynchburg MSA), and the Charlottesville, Harrisonburg, and Roanoke, Virginia markets, today announced unaudited results for the three months ended March 31, 2019.

Net income for the three months ended March 31, 2019 was $1.23 million or $0.28 per diluted share, compared with $1.12 million or $0.26 per diluted share for the three months ended March 31, 2018. The first quarter 2019 net income and earnings per share were the highest first quarter earnings in the Company's 20-year operating history.

Robert R. Chapman III, President and CEO, commented: "The first three months of 2019 reflect the execution of our strategic plan towards geographical expansion and year-over-year earnings growth. Our expanded regional markets continue to drive new business opportunities with solid activity in residential mortgage origination, insurance and investments, commercial banking and deposit growth. We look forward to subsequent quarters as our highly motivated team members continue the mission of value creation for our shareholders."

Highlights

- Led by growth in commercial lending, loans receivable, net of allowance for loan losses, were a Company-record $535.96 million at March 31, 2019, up from $530.02 million at December 31, 2018 and up 7% from $501.88 million a year earlier.
- Owner-occupied commercial real estate loan totals at March 31, 2019 rose 9% from a year earlier, while non-owner-occupied commercial real estate loans rose 36% and commercial & industrial (C&I) loans increased 8% compared with totals at March 31, 2018.
- Total interest income rose 18% and net interest income before the provision for loan losses was up 15% from the first quarter of 2018, driven primarily by increased interest generated through loan growth and interest expense management.
- Total noninterest income, including increased fee income from treasury services, income from the Company's insurance and investments business and gains on sale of residential mortgages, rose to $1.22 million in the first quarter of 2019 compared with $1.19 million in the first quarter of 2018.
- Deposits increased to $616.74 million at March 31, 2019, led by growth in noninterest bearing demand deposits linked to commercial banking relationships. Core deposits (noninterest-bearing demand, NOW, savings and money market accounts) comprised 69% of the Company's total deposits.
- Total assets were a Company-record $684.39 million at March 31, 2019.
- The Company maintained strong asset quality, with a ratio of nonperforming loans to total loans of 0.67% at March 31, 2019.
- Measures of shareholder value included a $2 million increase in total stockholders' equity to $57.18 million at March 31, 2019 from $55.14 million at December 31, 2018, and tangible book

value per share rose to $13.06, up from $12.59 at December 31, 2018 and $11.80 at March 31, 2018.
- Based on the results achieved in the first quarter of 2019, on April 23, 2019 the Company's board of directors approved a $0.06 per share dividend payable to stockholders of record on June 7, 2019, to be paid on June 21, 2019.

First Quarter Operational Review

Total interest income was $7.23 million in the first quarter of 2019, up from $6.16 million a year earlier, primarily reflecting loan growth and adjustable rate loans that repriced to reflect rising interest rates. Interest expense increased year-over-year, which reflected a larger deposit base and rate increases in demand and time deposits. Interest rates paid on total interest-bearing deposits in the first quarter of 2019 were 0.82% compared with 0.64% a year earlier.

"While growing our deposit base has resulted in higher interest expense, customer deposits continue to represent the most cost-effective source of funding for loans, particularly as the cost of borrowed funds has risen during the past year," noted Chapman. "As in past quarters, we funded a growing loan portfolio without the use of borrowed funds. Our plan this year includes adding new offices with an emphasis on gathering deposits. In 2019, the Company anticipates opening three new full-service locations and relocating a full-service office to a more accessible location."

Net interest income in the first quarter of 2019 was $6.13 million, up 15% compared with the first quarter of 2018. Net interest income after provision for loan losses in the first quarter of 2019 was $5.92 million compared with $5.31 million in the first quarter of 2018, reflecting a modest year-over-year increase in the Company's loan loss provision to reflect loan growth.

Commercial lending growth, increased rates, and an expanded interest rate spread contributed to the net interest margin increasing to 3.92% in the first quarter of 2019 compared with 3.65% a year earlier. The average rate spread for the three months ended March 31, 2019 was 3.77%, up from 3.54% for the three months ended March 31, 2018. Average rates on total earning assets rose to 4.62% compared with 4.22% for the three months ended March 31, 2018.

Noninterest income, including gains from the sale of residential mortgages to the secondary market, revenue contributions from BOTJ Investment Services, and income from the Bank's line of treasury management services for commercial customers was $1.22 million in the first quarter of 2019 compared with $1.19 million in the first quarter of 2018.

Noninterest expense for the three months ended March 31, 2019 was $5.60 million compared with $5.10 million a year earlier. The increase primarily reflected increased personnel expenses from an expanded team of producing individuals, and higher occupancy costs related to new offices to support expanded business activity. Other real estate owned (OREO) expenses also increased slightly as a result of a write-down related to one of the properties in the OREO portfolio.

"Consistent with prior quarters, the strategic investments made are focused on generating growth, productivity and efficient delivery of services to customers," explained Chapman. "Even with growth initiatives that impact performance in the short term, we are focused on continual productivity and efficiency improvement."

In first quarter 2019, Return on Average Assets (ROAA) improved to 0.74% from 0.72% a year earlier, and Return on Average Equity (ROAE) was 8.73%, up from 8.62% a year earlier. The Company's efficiency ratio improved to 76.19% in the first quarter of 2019 compared with 78.21% a year earlier.

Balance Sheet Review: Steady Growth, Sound Quality

Total assets were $684.39 million at March 31, 2019. The primary driver of asset growth continues to be loans held for investment, net of the allowance for loan losses, which totaled $535.96 million. Loans held-for-sale were $2.60 million. Fair value of securities available-for-sale was $53.50 million compared with $52.73 million at December 31, 2018.

The Company's commercial loan portfolio continued to provide balanced performance and year-over-year growth. Non-owner occupied commercial real estate (primarily commercial and investment property), was $80.12 million at March 31 compared with $58.95 million a year earlier. Owner-occupied commercial real estate was $107.70 million, up 9% from a year ago. Residential mortgages were $114.32 million at March 31, 2019, up 3% from a year earlier, with most of the growth coming from jumbo adjustable rate mortgages. Construction and land loans and home equity were slightly down year-over-year. Consumer loans and farm and agriculture loans, while relatively small segments of the portfolio, increased by double digits.

Total deposits at March 31, 2019 were a Company-record $616.74. During the past year, the majority of deposit growth has been core deposits, and particularly noninterest bearing demand deposits, which were $93.62 million at March 31, 2019, up 12% from $83.96 million at March 31, 2018.

Asset quality remained strong, with a ratio of nonperforming loans to total loans of 0.67% at March 31, 2019. The allowance for loan losses to total loans was 0.86% at March 31, 2019, unchanged from December 31, 2018, and the allowance for loan losses to nonperforming loans was 129%.

The Company continued growing stockholder value. Total stockholders' equity was $57.18 million March 31, 2019, up from $55.14 million at December 31, 2018. Retained earnings increased to $17.49 million in the first quarter of 2019 from $16.52 million at year-end 2018. Tangible book value per share was $13.06 at March 31, 2019. The Bank's regulatory capital ratios continued to exceed accepted regulatory standards for a well-capitalized institution.

About the Company

Bank of the James, a wholly owned subsidiary of Bank of the James Financial Group, Inc. opened for business in July 1999 and is headquartered in Lynchburg, Virginia. The bank currently services customers in Virginia from offices located in Altavista, Amherst, Appomattox, Bedford, Blacksburg, Charlottesville, Forest, Harrisonburg, Lynchburg, Madison Heights, and Roanoke. The bank offers full investment and insurance services through its BOTJ Investment Services division and BOTJ Insurance, Inc. subsidiary. The bank provides mortgage loan origination through Bank of the James Mortgage, a division of Bank of the James. Bank of the James Financial Group, Inc. common stock is listed under the symbol "BOTJ" on the NASDAQ Stock Market, LLC. Additional information on the Company is available at www.bankofthejames.bank.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "estimate," "expect," "intend," "anticipate," "plan" and similar expressions and variations thereof identify certain of such forward-looking statements which speak only as of the dates on which they were made. Bank of the James Financial Group, Inc. (the "Company") undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Such factors include, but are not limited to, competition, general economic conditions, potential changes in interest rates, and changes in the value of real estate securing loans made by Bank of the James (the "Bank"), a subsidiary of the Company. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the Company's filings with the Securities and Exchange Commission and previously filed by the Bank (as predecessor of the Company) with the Federal Reserve Board.

CONTACT: J. Todd Scruggs, Executive Vice President and Chief Financial Officer (434) 846-2000.
tscruggs@bankofthejames.com