



## Potomac Bancshares, Inc. Reports 2019 Third Quarter Results

CHARLES TOWN, W.Va., Nov. 4, 2019 /PRNewswire/ -- Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended September 30, 2019 earned \$0.917 million or \$0.22 per share compared to \$.817 million or \$0.23 per share for the quarter ended September 30, 2018. Net income increased 12% over 2018, however the 2018 capital raise caused the per share earnings to be slightly less.

For the first nine months of 2019 net income was \$2.354 million or \$0.57 per share compared to \$2.724 million or \$0.80 per share in 2018. The strategic expansion initiatives beginning in 2018 along with the common stock capital raise in 2018 impacted earnings on a full year basis compared to 2019. Year to date 2019, total loans have increased 13.2% annualized, to \$396.4 million. Total deposits and cash management accounts have increased 4.6% annualized, to \$442.2 million.

"During the third quarter we were successful in many areas, including total assets up \$29.5 million over the year ago period or 6.2%", commented Alice Frazier, President and CEO. CEO Frazier continued, "The commercial lending team had one of their most successful quarters this year and in the past two years. I am proud of the team's ability to source quality commercial relationships in a highly competitive market. In addition, BCT Residential Lending recorded three record high months during the quarter, driven primarily by purchase money mortgage business. Most notable and gratifying during the quarter was the naming to *American Banker's* "Best Banks to Work for" 2019. The strategies to ensure a positive employee experience continue to make an impact."

### Linked Quarter Q3 2019 vs. Q2 2019 (reference to margin is for the bank only):

- Total assets were \$505 million.
- Loans were up \$10.1 million, or 10.5% annualized.
- Deposits and cash management accounts were down \$5.7 million, largely a result of short-term deposit outflows.
- Net interest margin for the quarter was 3.35% down from 3.41% in the prior quarter, primarily attributable to an increase in cost of funds.
- Non-interest income was up \$137 thousand primarily due to increases in service charges on deposit accounts (11%), secondary market loan fees (8%), interchange fees (4%), and other operating income (88%).
- Non-interest expense increased \$51 thousand, a result of several nonrecurring expenses.
- Non-performing assets as a percentage of total assets including OREO was 0.24% compared to 0.36% as of September 30, 2019 and June 30, 2019, respectively.



### **Q3 2019 Compared to Q3 2018 (reference to margin is for the bank only):**

- Total assets increased \$29.5 million, or 6.2% year over year.
- Loans increased \$40.2 million, or 11% to \$396.4 million.
- Deposits and cash management accounts increased \$23.4 million, or 6%.
- Net interest income increased \$359 thousand for a 10% improvement.
- Net interest margin was 3.35% in the quarter compared to the year ago period of 3.34%.
- Non-interest income increased 27.4%, or \$325 thousand. Growth was noted in trust and financial services (15%), secondary market fees (97%), interchange fees (16%), and service charges on deposit accounts (8%), and other operating income (80%).
- Non-interest expenses were up \$456 thousand primarily attributable to increases in salary and benefits, net occupancy expenses, communication expenses, and other operating expenses, generally to support strategic expansion initiatives, partly offset by a decrease in FDIC assessment.
- Non-performing assets as a percentage of total assets including OREO was 0.24% for both periods.
- The allowance for loan losses was 0.90% and 0.86% as of September 30, 2019 and September 30, 2018, respectively.

Potomac Bancshares, Inc. Board of Directors in October declared a \$0.07 per share dividend payable to shareholders of record as of October 25, 2019 for payment on November 1, 2019.

### **About the Company**

Founded in 1871, BCT - Bank of Charles Town, also known as The Community's Bank, is a wholly owned subsidiary of Potomac Bancshares, Inc. (OTC: PTBS). The Company conducts operations through its main office, eight additional branch offices, and one loan production office in Jefferson and Berkeley Counties (WV), Washington County (MD), and Loudoun County (VA). The Bank provides various banking products and services including free access to over 55,000 ATMs through the Allpoint® network plus online and mobile banking for individuals, businesses, and local governments. The Bank also offers commercial lines and term loans, residential and commercial construction, commercial real estate loans and agricultural loans. The Residential Lending division offers secondary market and portfolio mortgage loans, one-time close construction to perm loans, as well as home equity loans and lines of credit. For over 60 years, BCT Wealth Advisors has provided financial management, investment, trust, and estate services to its clients. In 2019, the Bank was named a "Best Bank to Work For" by *American Banker*. In 2018, *Forbes* named BCT a "Best in State Bank" for West Virginia.

The Company's shares are quoted on the OTC Pink Sheet marketplace under the symbol "PTBS." For more information about Potomac Bancshares, Inc. and the Bank, please visit our website at <https://www.mybct.com>.



### **Forward Looking Statements**

Certain statements made in this press release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations, or beliefs about events or results or otherwise are not statements of historical facts, such as statements about the Company's growth strategy and deployment of capital. Although the Company believes that its expectations with respect to such forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the Company will not differ materially from those expressed or implied by such forward-looking statements. 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, except as required by applicable law.

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# POTOMAC BANCSHARES

## FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

*(Unaudited- dollars in thousands, except per share data)*

	Three Months Ended		Nine Months Ended	
	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
<b>Earnings Performance</b>				
Interest and Dividend Income	\$5,103	\$4,453	\$14,882	\$12,795
Interest Expense	<u>1,005</u>	<u>714</u>	<u>2,794</u>	<u>1,868</u>
Net Interest Income	4,098	3,739	12,088	10,927
Provision For Loan Losses	90	0	342	144
Non-Interest Income	1,510	1,185	3,941	3,502
Non-Interest Expense	<u>4,341</u>	<u>3,885</u>	<u>12,668</u>	<u>10,798</u>
Income Before Income Tax Expense	1,177	1,039	3,019	3,487
Income Tax Expense	<u>260</u>	<u>222</u>	<u>665</u>	<u>763</u>
Net Income	\$917	\$817	\$2,354	\$2,724
Return On Average Equity	7.07%	8.28%	6.21%	9.73%
Return On Average Assets	0.72%	0.71%	0.63%	0.83%
Net Interest Margin**	3.35%	3.34%	3.38%	3.46%
			<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
<b>Balance Sheet Highlights</b>				
Total Assets			\$505,040	\$475,499
Investment Securities			42,906	37,696
Loans held for sale			3,269	-
Loans, Net of allowance of \$3,601 in 2019 and \$3,105 in 2018			396,429	356,242
Deposits And Cash Management Accounts			442,246	418,841
Shareholders' Equity			\$51,642	\$48,684
	Three Months Ended		Nine Months Ended	
	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
<b>Shareholders' Value (per share)</b>				
Earnings Per Share, Basic	\$0.22	\$0.23	\$0.57	\$0.80
Earnings Per Share, Diluted	0.22	0.23	0.57	0.80
Cash Dividends Declared (per share)	0.070	0.070	0.21	0.21
Book Value At Period End (per share)	\$12.49	\$11.78	\$12.49	\$11.78
End of period number of shares outstanding	4,133,811	4,133,811	4,133,811	4,133,811
			<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
<b>Safety and Soundness</b>				
Tier 1 Capital Ratio (Leverage Ratio)*			10.56%	10.96%
Non-Performing Assets As A Percentage Of Total Assets Including OREO			0.24%	0.24%
Allowance For Loan Losses As A Percentage Of Period End Loans			0.90%	0.86%
Ratio Of Net Charge-Offs Annualized During The Period To Average Loans Outstanding During The Period			0.004%	0.24%
* The capital ratios presented are for Bank of Charles Town. When computing capital ratios, the net of unrealized holding gains (losses) on securities available for sale and the unfunded liability for pension and other post-retirement benefits, all computed net of tax, are added back to these shareholders' equity figures.				
** The net interest margin presented is for Bank.				