



FOR IMMEDIATE RELEASE
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POTOMAC BANCSHARES, INC. REPORTS 2018 SECOND QUARTER RESULTS

Potomac Bancshares, Inc. (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended June 30, 2018 earned \$1.0 million or \$0.30 per share compared to \$1.1 million or \$0.32 per share for the quarter ended June 30, 2017. The quarter ending June 30, 2017 was impacted by a gain on sale of securities of \$199 thousand, net of tax. Excluding this gain on sale of securities, net income in the second quarter of 2017 would have been \$883 thousand or \$0.26 per share. Earnings for the quarter ended June 30, 2018 were up \$124 thousand or 14% compared to 2017 when excluding the security gain in 2017.

Net income for the first six months of 2018 was \$1.9 million or \$0.57 per share compared to \$2.4 million or \$0.73 per share in 2017. Excluding the impact in the first quarter of 2017 from Bank Owned Life Insurance (BOLI) proceeds of \$670 thousand, net of a beneficiary payment and the related tax benefit on this amount, and the impact from the security gain of \$199 thousand, net of tax, the adjusted 2017 net income is \$1.6 million or \$0.47 per share. The first six months of 2018 reflects an increase in net income of 21% when compared to the adjusted 2017 net income.

Total assets were \$427 million as of June 30, 2018, up 4% over 2017. Loans, net of the allowance, were down slightly over the same period a year ago. Loan growth, while slower than expected, was negatively impacted by several large payoffs in 2018. Deposits and cash management accounts were up \$19.5 million over 2017, or 5.4%.

Linked Quarter:

- Loans, net of the allowance, were up \$598 thousand. While we are experiencing slower than expected loan growth, we have seen slight growth in each of the last three quarters. In addition, a large loan payoff occurred near the end of June.
- Investment securities were up \$5.9 million.
- Deposits and cash management accounts were down \$520 thousand.
- Net interest income was up \$114 thousand. Increases in the security portfolio helped offset some of the slowing loan growth. Net interest margin was up 2bps for the quarter.
- Loan loss provision saw a \$12 thousand increase.
- Non-interest income was up \$201 thousand. Increases as noted in the wealth management business (5%), secondary market lending (70%), and other fees (32%) are the primary drivers of this increase.
- Non-interest expense was up \$163 thousand. As we previously communicated, expansion into Purcellville, VA and the additional staffing have now begun to hit our run rate. These expenses are primarily on the sales side of the Bank.
- Credit quality remained favorable in the quarter with the non-performing asset ratio at 0.32% compared to 0.42% in the prior quarter. A loan with a specific reserve was charged off in the amount of \$608 thousand during the quarter.
- Return on average equity increased from 10.07% in Q1 2018 to 10.97% in Q2 2018. Return on average assets improved from 0.86% in Q1 2018 to 0.94% in Q2 2018.

**Year-To-Date:**

- Growth in net interest income of \$355 thousand. Net interest margin was down 10bps year over year.
- Reduction in loan loss provision of \$36 thousand.
- Non-interest income was up \$223 thousand excluding the BOLI and security gains in 2017. Increases in trust and wealth advisory services (14%), secondary market fees (21%), and other fees (18%) caused the increase.
- Non-interest expenses were up \$486 thousand (excluding nonrecurring) primarily attributable to increases in salary and benefits, net occupancy expenses due to first quarter renovations, legal fees, and other charges for card loss.
- Non-performing assets as a percentage of total assets including OREO decreased from 0.37% to 0.32%.
- Net charge offs year-to-date were 0.33% compared to <0.002%>.

“Given our investments in staffing and expansion we are extremely pleased with our linked quarter growth in earnings and year over year increase in earnings,” said President & CEO Alice P. Frazier. “We are happy to announce that our expansion into Purcellville, Loudoun County, VA, occurred in early July with the opening of our new office. In addition, as we noted last quarter, additional plans are to open a Leesburg, VA loan production office in the third quarter.” CEO Frazier continued, “We are already beginning to see positive results in the mortgage area. We also increased our depth of resources in SBA, USDA, and government contract lending, with additions in 2018 to our lending and marketing functions as previously announced.”

We report that during the quarter we began a private placement offering of up to \$10 million of the Company’s common stock. We anticipate that the offering will conclude in the third quarter of 2018.

Potomac Bancshares, Inc. Board of Directors declared 7 cents per share dividend at the July board meeting. The cash dividend was paid on August 1, 2018.

As of June 30, 2018, Potomac Bancshares, Inc. stock was trading at \$15.45. On the same date, book value per share was \$11.15. Should you need information on PTBS, contact President & CEO Alice P. Frazier. As always, thank you for your support.

About BCT

Bank of Charles Town, also known as The Community’s Bank, is a wholly owned subsidiary of Potomac Bancshares, Inc., and a locally owned community bank with eight offices serving the Eastern Panhandle of West Virginia, Washington County, Maryland and Loudoun County, Virginia. For more information, visit us online at www.mybct.com or speak to our staff by calling 304-725-8431.

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FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

	Three Months Ended		Six Months Ended	
(Unaudited - dollars in thousands, except share and per share data)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Earnings Performance				
Interest and Dividend Income	\$4,229	\$4,018	\$8,342	\$7,823
Interest Expense	<u>578</u>	<u>530</u>	<u>1,154</u>	<u>990</u>
Net Interest Income	3,651	3,488	7,188	6,833
Provision For Loan Losses	78	0	144	180
Non-Interest Income	1,259	1,369	2,317	3,114
Non-Interest Expense	<u>3,538</u>	<u>3,190</u>	<u>6,913</u>	<u>6,352</u>
Income Before Income Tax Expense	1,294	1,667	2,448	3,415
Income Tax Expense	<u>287</u>	<u>585</u>	<u>541</u>	<u>979</u>
Net Income	<u>\$1,007</u>	<u>\$1,082</u>	<u>\$1,907</u>	<u>\$2,436</u>
Return On Average Equity	10.97%	12.43%	10.53%	12.33%
Return On Average Assets	0.94%	1.06%	0.90%	1.06%
Return On Average Equity Core**	10.97%	12.43%	10.53%	10.39%
Return On Average Assets Core**	0.94%	1.06%	0.90%	0.89%
Net Interest Margin***	3.53%	3.57%	3.52%	3.62%
			June 30, 2018	June 30, 2017
Balance Sheet Highlights				
Total Assets			\$427,031	\$411,126
Investment Securities			37,884	22,285
Loans, Net of allowance of \$3,164 in 2018 and \$3,385 in 2017			344,815	345,505
Deposits And Cash Management Accounts			381,918	362,422
Shareholders' Equity			\$37,044	\$35,084
			June 30, 2018	June 30, 2017
			June 30, 2018	June 30, 2017
Shareholders' Value (per share)				
Earnings Per Share, Basic	\$0.30	\$0.32	\$0.57	\$0.73
Earnings Per Share, Diluted	0.30	0.32	0.57	0.73
Earnings Per Share, Basic Core**	0.30	0.32	0.57	0.53
Earnings Per Share, Diluted Core**	0.30	0.32	0.57	0.53
Cash Dividends Declared (per share)	0.070	0.065	0.14	0.13
Book Value At Period End (per share)	\$11.15	\$10.49	\$11.15	\$10.49
End of period number of shares outstanding	3,323,001	3,345,001	3,323,001	3,345,001
			June 30, 2018	June 30, 2017
Safety and Soundness				
Tier 1 Capital Ratio (Leverage Ratio)*			9.20%	8.82%
Non-Performing Assets As A Percentage Of				
Total Assets Including OREO			0.32%	0.37%
Allowance For Loan Losses As A Percentage Of				
Period End Loans			0.91%	0.97%
Ratio Of Net Charge-Offs Annualized During The Period To				
Average Loans Outstanding During The Period			0.33%	(0.002)%

* 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.

** Excludes the impact in the first quarter of 2017 from Bank Owned Life Insurance (BOLI) proceeds of \$670 thousand, net of a beneficiary payment and the related tax benefit on this payment. Excluding this non-recurring income, net income in the first quarter of 2017 would have been \$684 thousand or 20 cents per share compared to "as reported" of \$1.354 million and 40 cents per share.

*** The net interest margin presented is for Bank.