



Potomac Bancshares, Inc. Reports 2019 First Quarter Results

CHARLES TOWN, W.Va., May 3, 2019 Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended March 31, 2019 earned \$0.619 million or \$0.15 per share compared to \$0.900 million or \$0.27 per share for the quarter ended March 31, 2018.

Earnings per share in 2019 were impacted by the additional common shares issued in connection with the capital raise that was finalized in the third quarter of 2018. In addition, our 2018 strategic expansion initiatives contributed to the decrease in net income as the efforts are now approaching the first full year of production. The first quarter of 2019 was also impacted by the ramp up of our new Leesburg, Virginia branch office which opened in April.

Total assets were \$496.4 million as of March 31, 2019, an increase of \$64.2 million from \$432.2 million as of March 31, 2018, or 14.9% in growth. Loans, net of allowance for loan losses, were up \$28.7 million, or 8.4% over the year ago period. Deposits and cash management accounts produced growth of \$54.1 million or 14.1%.

"We continue to execute on our strategic plan including expansion efforts in growth markets and our team is producing positive results across all markets in loan and deposit growth. As with these expansion efforts along with initiatives we detailed in 2018, costs are incurred quicker than corresponding revenue is produced. We are only approaching the first full year of some of our initiatives being implemented and are pleased by the results," stated President and CEO Alice Frazier. Frazier continued, "We recently opened our Leesburg, Loudoun County branch office, consistent with our strategy."

CEO Frazier added, "During the quarter, we welcomed two highly successful business leaders to our Board of Directors to represent Loudoun County, Virginia and Washington County, Maryland. In addition, we established an Eastern Panhandle Advisory Board comprised of business leaders from Berkeley and Jefferson Counties in West Virginia. We look forward to their guidance and contributions going forward."

Quarter Q1 2019 vs. Q4 2018 (references to margin and capital are for the bank):

- Loan growth was \$12.3 million, or 13.6% on an annualized basis.
- Investment securities were flat for the quarter.
- Deposits and cash management accounts were up \$9.1 million, or 8.5% annualized.
- Net interest income decreased \$23 thousand.
- Net interest margin for the quarter was 3.39% up slightly from 3.34% in the prior quarter. The continued growth in higher yielding assets is now beginning to increase at a more moderate pace over the last several quarters from the slower pace in the first half of 2018. This has

allowed lower earning assets to be redeployed to higher yielding loans using inflows from the deposit growth and the capital raise.

- Loan loss provision was down \$26 thousand.
- Non-interest income was down \$115 thousand primarily due to decreases in interchange fees, other fees, and timing on title company income.
- Non-interest expense decreased by \$48 thousand primarily from timing of director and committee fees, other professional fees, and other real estate owned expenses, offset by increases in furniture fixtures and equipment and printing and supplies.
- Non-performing assets as a percentage of total assets including OREO was 0.38% compared to 0.18% as of March 31, 2019 and December 31, 2018, respectively. The increase was attributable primarily to one credit.
- The Tier 1 leverage capital ratio was 10.75% compared to 10.61% as of last quarter.

"We are pleased to also report continued growth in our digital trends marking our efforts towards non-interest bearing deposit relationships. The first quarter of 2019 continued to see impressive results. Enrolled users in online banking were up 9% annualized, companies enrolled in online banking cash management were up 88% annualized, and mobile banking customers were up 20% annualized," stated CEO Frazier.

Q1 2019 Compared to Q1 2018:

- Loan growth was \$28.7 million.
- Investment securities were up \$16.6 million.
- Deposits and cash management accounts were up \$54.1 million.
- Growth in net interest income of \$379 thousand.
- Net interest margin was 3.39% in the first quarter of 2019 compared to the year ago period of 3.51%. An overall increase in the earning asset yield of 6bps was offset by an overall increase in funding costs of approximately 19bps.
- Increase in loan loss provision of \$76 thousand.
- Non-interest income was flat at \$1.058 million.
- Non-interest expenses were up \$.662 million primarily attributable to increases in salary and benefits, net occupancy expenses, and furniture fixtures and equipment expenses to support expansion and business line initiatives.
- Non-performing assets as a percentage of total assets including OREO were down slightly to 0.38% from 0.42% as of March 31, 2019 and March 31, 2018, respectively.
- The allowance for loan losses was 0.91% compared to 1.06% in the year ago period. The disciplined approach to credit along with the conscious decision to move certain credits out of the bank has allowed the allowance level to maintain consistency and be reflective of the current growth and quality trends.

Potomac Bancshares, Inc. Board of Directors declared a \$0.07 per share dividend in April for payment on May 1, 2019.

As of March 31, 2019 Potomac, Bancshares, Inc. stock was trading at \$14.10 with a book value per share of \$12.12.



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 branch office facilities, 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 and 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.

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.

	Three Months Ended	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
<i>(Unaudited- dollars in thousands, except per share data)</i>		
Earnings Performance		
Interest and Dividend Income	\$4,774	\$4,113
Interest Expense	858	576
Net Interest Income	3,916	3,537
Provision For Loan Losses	142	66
Non-Interest Income	1,058	1,058
Non-Interest Expense	4,037	3,375
Income Before Income Tax Expense	795	1,154
Income Tax Expense	176	254
Net Income	\$619	\$900
Return On Average Equity	5.03%	10.07%
Return On Average Assets	0.52%	0.86%
Net Interest Margin **	3.39%	3.51%
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Balance Sheet Highlights		
Total Assets	\$496,441	\$432,177
Investment Securities	48,560	31,998
Loans, Net of allowance of \$3,428 in 2019 and \$3,690 in 2018	372,964	344,217
Deposits And Cash Management Accounts	436,507	382,438
Shareholders' Equity	\$50,087	\$36,321
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Shareholders' Value (per share)		
Earnings Per Share, Basic	\$0.15	\$0.27
Earnings Per Share, Diluted	0.15	0.27
Cash Dividends Declared (per share)	0.0700	0.0700
Book Value At Period End (per share)	\$12.12	\$10.93
End of period number of shares outstanding	4,133,811	3,323,001
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Safety and Soundness		
Tier 1 Capital Ratio (Leverage Ratio)*	10.75%	9.15%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.38%	0.42%
Allowance For Loan Losses As A Percentage Of Period End Loans	0.91%	1.06%
Ratio Of Net (Recoveries) Charge-Offs Annualized During The Period To Average Loans Outstanding During The Period	-0.019%	-0.039%

* 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 the bank.