



**PRESS RELEASE  
FOR IMMEDIATE RELEASE**

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**POTOMAC BANCSHARES, INC. RELEASES 2016 FOURTH QUARTER AND FULL  
YEAR RESULTS**

Potomac Bancshares, Inc. (OTC-QB: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended December 31, 2016 earned \$587 thousand or 18 cents per share compared to \$752 thousand or 22 cents per share for the quarter ended December 31, 2015. Overall, earnings for the year were \$2.218 million or 66 cents per share compared to earnings in 2015 of \$2.580 million or 76 cents per share. Total loans increased \$52.5 million from December 31, 2015 to December 31, 2016, an increase of 19%. Deposits and cash management accounts increased \$31.3 million or 10% over the same period.

The net income for the quarter bounced back from the third quarter of 2016, which was impacted by the sale of an old parcel of foreclosed property and the additional valuation write-down of a non-performing loan. The net income for the fourth quarter of 2016 is below the fourth quarter of 2015, as 2015 was positively impacted by the payment on a non-performing loan. In addition, the loan loss provision in the fourth quarter of 2016 compared to the same period in 2015 was up \$400 thousand. The increase in loan volume has required an increase in the provision for loan losses. We continue to expect to collect on the principal balance of loans that had been charged off several years ago. As noted in our prior quarter earnings release, these collection efforts continue; however, the timing is less predictable. Credit quality ratios compare favorably to the year ago period.

At the January Board meeting, based on the bank's performance and good capital position, a dividend of 6.5 cents per share was approved to all shareholders of record on January 24, 2017. This cash dividend was paid on February 1, 2017.

On January 22, 2017, we were saddened by the passing of our long time President and CEO, Robert F. Baronner, Jr., at age 58, after a long battle with cancer. Mr. Baronner served as President, CEO, and a member of the Board of Directors of Potomac Bancshares, Inc. and BCT since January 2001. He was devoted to the Bank, its customers, shareholders, and employees. We will continue to honor his legacy by upholding our Core Values, our Monster Service Principles in the way we conduct business with our customers and giving back to the local communities we serve.

Should you need information on PTBS, feel free to contact Acting President, Arch A. Moore III at 304-728-2497. As always, thank you for your support.

Bank of Charles Town, a wholly owned subsidiary of Potomac Bancshares, Inc., is a locally owned community bank with seven convenient offices serving the Eastern Panhandle of West Virginia, Washington County, Maryland and Middleburg, Virginia. For more information, visit our website at [www.mybct.com](http://www.mybct.com) or speak to our staff by calling 304-725-8431.

# FINANCIAL HIGHLIGHTS

## POTOMAC BANCSHARES, INC.

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

	Three Months Ended		Twelve Months Ended	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<b>Earnings Performance</b>			
Interest and Dividend Income	\$3,748	\$3,313	\$14,334	\$12,812
Interest Expense	<u>461</u>	<u>419</u>	<u>1,763</u>	<u>1,511</u>
Net Interest Income	3,287	2,894	12,571	11,301
Provision For (Recovery Of) Loan Losses	363	(37)	928	60
Non-Interest Income	1,135	1,283	4,388	4,507
Non-Interest Expense	<u>3,169</u>	<u>3,050</u>	<u>12,645</u>	<u>11,821</u>
Income Before Income Tax Expense	890	1,164	3,386	3,927
Income Tax Expense	<u>303</u>	<u>412</u>	<u>1,168</u>	<u>1,347</u>
Net Income	<u>\$587</u>	<u>\$752</u>	<u>\$2,218</u>	<u>\$2,580</u>
Annualized Return On Average Equity	7.02%	9.45%	6.77%	8.32%
Annualized Return On Average Assets	0.61%	0.86%	0.60%	0.78%

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b>Balance Sheet Highlights</b>		
Total Assets	\$383,464	\$351,757
Investment Securities	23,411	34,369
Loans Held For Sale	0	294
Loans, Net of allowance of \$3,202 in 2016 and \$2,548 in 2015	329,397	277,563
Deposits And Cash Management Accounts	339,983	308,674
Shareholders' Equity	\$33,183	\$31,833

	Three Months Ended		Twelve Months Ended	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<b>Shareholders' Value (per share)</b>			
Earnings Per Share, Basic	\$0.18	\$0.22	\$0.66	\$0.76
Earnings Per Share, Diluted	0.18	0.22	0.66	0.76
Cash Dividends Declared (per share)	0.0650	0.0525	0.25	0.21
Book Value At Period End (per share)	\$9.92	\$9.52	\$9.92	\$9.52
End of period number of shares outstanding	3,345,001	3,345,001	3,345,001	3,345,001

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b>Safety and Soundness</b>		
Tier 1 Capital Ratio (Leverage Ratio)*	8.98%	9.48%
Non-Performing Assets As A Percentage Of		
Total Assets Including OREO	0.49%	0.70%
Allowance For Loan Losses As A Percentage Of		
Period End Loans	0.96%	0.91%
Ratio Of Net Charge-Offs Annualized During The Period To		
Average Loans Outstanding During The Period	0.09%	0.07%

\* 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.