



## Potomac Bancshares, Inc. Reports 2018 Fourth and Full Year Results

CHARLES TOWN, W.Va., Feb. 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 December 31, 2018 earned \$0.668 million or \$0.16 per share compared to \$0.422 million or \$0.13 per share for the quarter ended December 31, 2017. The results for the fourth quarter of 2017 include an increase in tax expense of \$314 thousand related to tax reform, or a \$0.09 per share impact.

Earnings for the year were \$3.392 million or \$0.94 per share compared to earnings in 2017 of \$3.811 million or \$1.14 per share. 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, or \$0.20 per share, the full year 2017 would have been \$3.141 million or \$0.94 per share. Earnings per share in 2018 were also impacted by the additional shares issued in connection with the capital raise that was finalized in the third quarter of 2018, and the reduction in the corporate tax rate to 21%.

Total assets were \$484.5 million as of December 31, 2018, up from \$425.4 million as of December 31, 2017, or 13.9% growth. Loans, net of allowance for loan losses, were up 5.1%, or \$17.5 million over the year ago period. Deposits and cash management accounts grew \$51.4 million or 13.7%.

"We are pleased to report an 8.0% increase in core earnings after investments in the expansion of our geographic footprint, hiring key positions in commercial and mortgage banking as well as new branding initiatives," stated President and CEO Alice Frazier. "While our strategic initiatives contributed to the year's growth, we continue to see quality growth in new relationships across all of our markets. The overall deposit growth drove a 70% increase in net new accounts for the year, delivering increased fee income as well as digital banking usage, indicative of core transaction accounts. While our disciplined approach to credit quality of the existing and new loans reduced our non-performing assets throughout the year, it also impacted the overall loan portfolio growth." Frazier continued, "Moving forward with our growth plans, we plan to open a full-service banking office in Leesburg, Virginia early in the second quarter of 2019, pending regulatory approvals."

### **Quarter Q4 2018 vs. Q3 2018 (references to yields and margin are for the bank):**

- Total assets increased \$9.0 million.
- Investment securities were up \$10.9 million.
- Loans, net of the allowance, grew \$4.4 million.
- The allowance for loan losses was 0.90% compared to 0.86% in the prior quarter. The loan loss provision was \$168 thousand for the quarter. This keeps pace with our growth and repositioning of the loan portfolio. Non-performing assets as a percentage of total assets decreased from 0.24% to 0.18%.
- Deposits and cash management accounts were up \$8.6 million.

- Net interest income grew \$200 thousand during the quarter. The net interest margin remained at 3.34% for each quarter. The continued redeployment of deposit inflows in the second half of the year into higher earning assets has benefitted the margin.
- Non-interest expenses increased \$200 thousand, primarily by one time increases in salary and benefits, timing of director and committee fees, other professional fees, and other real estate owned expense.

**Year-To-Date (references to yields and margin are for the bank):**

- Total assets increased \$59.0 million over 2017.
- Investment securities were up \$17.3 million.
- Loans, net of the allowance, grew \$17.5 million.
- Deposits and cash management accounts were up \$51.4 million.
- Net interest income grew \$876 thousand. Net interest margin decreased from 3.55% in 2017 to 3.43% in 2018, driven primarily by the significant increase in deposit accounts.
- Non-interest income increased \$401 thousand excluding the non-recurring BOLI proceeds and security gains in 2017. The increase was primarily due to growth in trust and wealth advisory services, secondary market mortgage income, and debit card interchange fees.
- Non-interest expense increased \$1.773 million compared to 2017, excluding nonrecurring expenses associated with BOLI in 2017. The increase in non-interest expense was primarily attributable to overall growth and expansion within the company to include salary and benefits, net occupancy expenses, public relations and new business development, printing and supplies, credit related legal fees, and computer services. Expenses associated with commercial and mortgage banking expansion including the new branch and loan production office in Loudoun County, Virginia, as well as new branding initiatives contributed to the previously mentioned items.
- Net charge offs (recoveries) year-to-date were 0.18% compared to (0.06)% for the prior year. Charge offs in 2018 were largely associated with one credit.

Potomac Bancshares, Inc. Board of Directors declared a \$0.07 per share dividend at the January 2019 board meeting for payment on February 1, 2019.

As of December 31, 2018, Potomac Bancshares, Inc. stock was trading at \$14.10 with a book value per share of \$11.98.

**About the Company**

Founded in 1871, Bank of Charles Town, also known as BCT – The Community's Bank, is a wholly owned subsidiary of Potomac Bancshares, Inc. (OTC: PTBS). The Company conducts operations through its main office and seven branch office facilities 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 55,000 ATMs in addition to online and mobile banking for businesses, individuals, 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. Since the early 1920's, BCT Wealth Advisors has provided financial management, investment, trust, and estate services to its clients.

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.

**FINANCIAL HIGHLIGHTS  
POTOMAC BANCSHARES, INC.**

Three Months Ended

Twelve Months Ended

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>Earnings Performance</b>				
Interest and Dividend Income	\$4,770	\$4,174	\$17,565	\$16,105
Interest Expense	<u>831</u>	<u>575</u>	<u>2,699</u>	<u>2,115</u>
Net Interest Income	3,939	3,599	14,866	13,990
Provision For Loan Losses	168	0	312	180
Non-Interest Income	1,173	1,080	4,675	5,294
Non-Interest Expense	<u>4,085</u>	<u>3,586</u>	<u>14,883</u>	<u>13,185</u>
Income Before Income Tax Expense	859	1,093	4,346	5,919
Income Tax Expense	<u>191</u>	<u>671</u>	<u>954</u>	<u>2,108</u>
Net Income	\$668	\$422	\$3,392	\$3,811
Return On Average Equity	5.39%	4.66%	8.40%	10.87%
Return On Average Assets	0.55%	0.39%	0.76%	0.93%
Return On Average Equity Core**	5.39%	4.66%	8.40%	8.96%
Return On Average Assets Core**	0.55%	0.39%	0.76%	0.76%
Net Interest Margin***	3.34%	3.45%	3.43%	3.55%

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>Balance Sheet Highlights</b>		
Total Assets	\$484,482	\$425,434
Investment Securities	48,595	31,316
Loans, Net of allowance of \$3,269 in 2018 and \$3,590 in 2017	360,688	343,178
Deposits And Cash Management Accounts	427,414	375,984
Shareholders' Equity	\$49,524	\$35,819

	Three Months Ended		Twelve Months Ended	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>Shareholders' Value (per share)</b>				
Earnings Per Share, Basic	\$0.16	\$0.13	\$0.94	\$1.14
Earnings Per Share, Diluted	0.16	0.13	0.94	1.14
Earnings Per Share, Basic Core**	0.16	0.13	0.94	0.94
Earnings Per Share, Diluted Core**	0.16	0.13	0.94	0.94
Cash Dividends Declared (per share)	0.070	0.070	0.28	0.27
Book Value At Period End (per share)	\$11.98	\$10.78	\$11.98	\$10.78
End of period number of shares outstanding	4,133,811	3,323,001	4,133,811	3,323,001

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>Safety and Soundness</b>		
Tier 1 Capital Ratio (Leverage Ratio)*	10.61%	8.79%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.18%	0.42%
Allowance For Loan Losses As A Percentage Of Period End Loans	0.90%	1.04%
Ratio Of Net Charge-Offs (Recoveries) Annualized During The Period To Average Loans Outstanding During The Period	0.18%	(0.06)%

\* 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.

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

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