



Dear Fellow Shareholders,

We are pleased to announce our mid-year 2019 financial results which include a record high in total assets as well as strong growth in loans, deposits and fee income.

A year ago, we initiated the BCT\$500 challenge as a goal for asset growth. It is rewarding to report that over the past twelve months each BCT team member has contributed to over \$83 million of asset growth, bringing our total assets to \$511 million at June 30, 2019.

While the market is highly competitive, our commercial banking team continues to attract new business relationships who appreciate their BCT experience. We remain diligently focused on credit quality and structure as we face an interest rate yield curve that is not rewarding banks for taking risks. Thus far in 2019, total loans have increased \$26 million, a 14.2% annualized growth rate, as the team engages in strategically targeted industries across our markets.

In April we celebrated the opening of our banking office in Leesburg, Virginia, our ninth location overall. To date, the expansion into Loudoun County has exceeded our deposit growth expectations. It is more important to note that our deposit balances and customer relationships are increasing across all markets with \$22 million in deposit growth, bringing the June 30, 2019 overall total to \$446 million.

We continue to benefit from diversified fee income sources that contributes approximately 20% to our overall revenues. Early results are positive for our mortgage strategic opportunity, as we have doubled our year-to-date fee income to \$381,000 compared to last year.

The team continues to lay the groundwork for long term growth with a number of fundamental initiatives around customer experience, expense management and technology. Simple and effective small business lending is critical to efficiency and the customer experience. We developed a streamlined process that allows for quick decisioning and funding that will parlay into an online lending experience in the future. In addition, several vendor contracts have been re-negotiated this year for additional savings both near and far term.

In June, we were excited to announce our presenting sponsorship with the Mountain State Apple Harvest Festival. Our heritage of orchardists and farmers as BCT founders is a natural tie to this four-day celebration of agriculture, which is celebrating its 40th anniversary this year.

The BCT team continues to actively pursue our strategic growth initiatives while remaining true to our mission of relationship banking and a high-quality customer experience. Your continued support and loyalty as a shareholder, customer and BCT advocate is appreciated by the Board of Directors, senior management and employees.

All the best,

A handwritten signature in black ink that reads 'Alicia'.

Alice P. Frazier
President & CEO
304-725-8431



POTOMAC BANCSHARES, INC. REPORTS 2019 SECOND QUARTER RESULTS

Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended June 30, 2019 earned \$0.818 million or \$0.20 per share compared to \$1.007 million or \$0.30 per share for the quarter ended June 30, 2018.

For the first six months of 2019 net income was \$1.437 million or \$0.35 per share compared to \$1.907 million or \$0.57 per share in 2018. Both the additional common shares issued in connection with the capital raise finalized in the third quarter of 2018, and our strategic expansion initiatives still in the early stages of execution contributed to the decrease in net income.

“As detailed below the second quarter of 2019 saw a 32% increase in net income over the first quarter of 2019. While 2019 earnings on a year to date basis are below 2018, we continue to invest our 2018 capital proceeds and execute on our strategic plan including the opening of our Leesburg, VA branch in April,” stated President and CEO Alice Frazier. Frazier continued, “We are extremely pleased with the pace of our strategic expansion initiatives with the results being increases in total assets, loans, deposits, and improved operating leverage in the quarter”.

Total assets were \$510.6 million as of June 30, 2019, up 19.6% over June 30, 2018. Loans, net of the allowance, were up \$41.5 million or 12.0% over the same period a year ago. Deposits and cash management accounts were up \$66 million over 2018, or 17.3%.

Q2 2019 vs. Q1 2019 (references to margin and capital are for the bank only):

- Loan growth was \$13.3 million.
- Investment securities were down approximately \$2 million as securities were called late in the quarter.
- Deposits and cash management accounts were up \$11.4 million.
- Net interest income increased \$158 thousand.
- Net interest margin for the quarter was 3.41% up slightly from 3.39% in the prior quarter.
- Loan loss provision was down \$32 thousand as recoveries exceeded charge-offs.
- Non-interest income was up \$315 thousand primarily due to increases in trust and financial services (15%), service charges on deposit accounts (9%), secondary market loan fees (146%), and interchange fees (19%).
- Non-interest expense was up \$253 thousand primarily from salaries and benefits, legal fees, communications, and debit card expense.
- Non-performing assets as a percentage of total assets including OREO was 0.36% compared to 0.38% as of June 30, 2019 and March 31, 2019, respectively.
- The Tier 1 leverage capital ratio was 10.56% compared to 10.75% as of last quarter.

Q2 2019 Compared to Q2 2018:

- Loans were up \$41.5 million over June 30, 2018, or 12%.
- Investment securities were up \$8.7 million, over prior year quarter.
- Deposits and cash management accounts were up \$66.0 million, or 17.3%.
- Net interest income increased \$423 thousand.
- Net interest margin was 3.41% in the quarter compared to the year ago period of 3.53%. Although we saw an overall increase in our earning asset yield of 10bps, the total cost on deposits increased 17bps.
- Loan loss provision increased \$32 thousand year over year, accounting for growth.
- Non-interest income was up \$114 thousand. Growth was noted in trust and financial services (4%), secondary market fees (133%), interchange fees (7%), and service charges on deposit accounts (6%), partly offset by a decrease in other operating income.
- Non-interest expenses were up \$752 thousand primarily attributable to increases in salary and benefits, net occupancy expenses, furniture fixtures and equipment expenses, and other operating expenses, generally to support strategic expansion initiatives.
- Non-performing assets as a percentage of total assets including OREO was 0.36% compared to 0.32% as of June 30, 2018.
- The allowance for loan losses was 0.91% for both periods.

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



POTOMAC BANCSHARES, INC. FINANCIAL HIGHLIGHTS

	Three Months Ended		Six Months Ended	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<i>(Unaudited - dollars in thousands, except per share data)</i>				
Earnings Performance				
Interest and Dividend Income	\$5,005	\$4,229	\$9,779	\$8,342
Interest Expense	<u>931</u>	<u>578</u>	<u>1,789</u>	<u>1,154</u>
Net Interest Income	4,074	3,651	7,990	7,188
Provision For Loan Losses	110	78	252	144
Non-Interest Income	1,373	1,259	2,431	2,317
Non-Interest Expense	<u>4,290</u>	<u>3,538</u>	<u>8,327</u>	<u>6,913</u>
Income Before Income Tax Expense	1,047	1,294	1,842	2,448
Income Tax Expense	<u>229</u>	<u>287</u>	<u>405</u>	<u>541</u>
Net Income	<u>\$818</u>	<u>\$1,007</u>	<u>\$1,437</u>	<u>\$1,907</u>
Return On Average Equity	6.48%	10.97%	5.76%	10.53%
Return On Average Assets	0.66%	0.94%	0.59%	0.90%
Net Interest Margin**	3.41%	3.53%	3.40%	3.52%
			<u>June 30, 2019</u>	<u>June 30, 2018</u>
Balance Sheet Highlights				
Total Assets			\$510,557	\$427,031
Investment Securities			46,602	37,884
Loans held for sale			938	-
Loans, Net of allowance of \$3,551 in 2019 and \$3,164 in 2018			386,308	344,815
Deposits And Cash Management Accounts			447,917	381,918
Shareholders' Equity			\$51,022	\$37,044
			<u>June 30, 2019</u>	<u>June 30, 2018</u>
Shareholders' Value (per share)				
Earnings Per Share, Basic	\$0.20	\$0.30	\$0.35	\$0.57
Earnings Per Share, Diluted	0.20	0.30	0.35	0.57
Cash Dividends Declared (per share)	0.070	0.070	0.14	0.14
Book Value At Period End (per share)	\$12.34	\$11.15	\$12.34	\$11.15
End of period number of shares outstanding	4,133,811	3,323,001	4,133,811	3,323,001
			<u>June 30, 2019</u>	<u>June 30, 2018</u>
Safety and Soundness				
Tier 1 Capital Ratio (Leverage Ratio)*			10.56%	9.20%
Non-Performing Assets As A Percentage Of				
Total Assets Including OREO			0.36%	0.32%
Allowance For Loan Losses As A Percentage Of				
Period End Loans			0.91%	0.91%
Ratio Of Net (Recoveries) Charge-Offs Annualized During The Period To				
Average Loans Outstanding During The Period			-0.02%	0.33%

* 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 2019 leverage ratio is preliminary.

** The net interest margin presented is for Bank.



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, nine 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.

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.