



FOR IMMEDIATE RELEASE
November 1, 2018

POTOMAC BANCSHARES, INC. REPORTS 2018 THIRD QUARTER RESULTS

Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended September 30, 2018 earned \$0.817 million or \$0.23 per share compared to \$0.953 million or \$0.29 per share for the quarter ended September 30, 2017.

For the first nine months of 2018 net income was \$2.7 million or \$0.80 per share compared to \$3.4 million or \$1.01 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 in the second quarter of 2017 from the security gain of \$199 thousand, net of tax, the net income for the first nine months of 2017 would have been \$2.5 million or \$0.75 per share. When compared to the adjusted first nine months of 2017, net income for 2018 would have been up \$0.204 million, or 8.1 %. On a per share basis earnings would have been up 6.7%. In addition, the third quarter and full year 2018 were impacted by the additional shares issued in connection with the capital raise. The capital raise was finalized in the third quarter of 2018.

Total assets were \$475.5 million as of September 30, 2018, an increase of 12.6% over 2017. Loans, net of the allowance, were up 4.1% 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 \$46.4 million over 2017, or 12.4%.

Linked Quarter Q3 2018 vs. Q2 2018:

- Loans, net of the allowance, were up \$11.4 million.
- Deposits and cash management accounts were up \$36.9 million.
- The increase in shareholders' equity is impacted primarily by the capital raise. The Company reported during the quarter the completion of a private placement, with a total of 810,810 shares of common stock sold at a purchase price of \$14.80 per share for aggregate proceeds of \$12.0 million before expenses.

Year-To-Date:

- Net interest income grew \$536 thousand. Net interest margin decreased, from 3.59% to 3.46%. Affecting the margin were several factors: the significant increase in deposits in Q3 2018 for which the funds are in the process of being fully deployed into higher yielding assets, and at the same time the loan yield increased 0.03% compared to an increase in deposit costs of 0.08% year over year.
- Non-interest income was up \$308 thousand excluding the BOLI and security gains in 2017. Increases in trust and wealth advisory services (9%), secondary market fees (34%), other fees including change in equity security valuation (2%), and Visa MC fees (11%) drove the increase.
- Non-interest expenses increased \$1.274 million (excluding nonrecurring) primarily attributable to increases in salary and benefits, net occupancy expenses due to headquarter renovations, credit related legal fees, card losses, and other expenses associated with commercial and mortgage banking expansion as well as new branding initiatives.
- Non-performing assets as a percentage of total assets decreased from 0.28% to 0.24%.
- Net charge offs year-to-date were 0.24% compared to -0.06%.

- Return on average equity(core) decreased from 10.46% in 2017 to 9.73% in 2018. Return on average assets (core) declined from 0.90% in 2017 to 0.83% in 2018.

“We are humbled by the embrace received from the Purcellville community as deposit growth surpasses our initial projections,” said Alice P. Frazier, President and CEO. “The recent completion of our common stock offering through which we gained new local shareholders further positions the Company to capitalize on the growth opportunities in our existing and expansion markets. As we execute upon our strategic initiatives, the BCT team continues to demonstrate its commitment to the core value of customer focus which is demonstrated in the growth in loans, deposits, and non-interest income.”

Potomac Bancshares, Inc. Board of Directors declared a 7 cents per share dividend at the October 2018 board meeting for payment on November 1, 2018.

As of September 30, 2018, Potomac Bancshares, Inc. stock was trading at \$15.05. On the same date, book value per share was \$11.78. Should you need information on PTBS, contact President and CEO Alice P. Frazier.

About BCT

Bank of Charles Town, also known as The Community’s Bank, is a wholly owned subsidiary of Potomac Bancshares, Inc., and is a locally owned community bank with eight full service banking offices and one loan production office 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.

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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