

Potomac Bancshares, Inc. Reports 2017 Second Quarter Results

CHARLES TOWN, W.Va., July 24, 2017 /PRNewswire/ -- Potomac Bancshares, Inc. (OTC-QB: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended June 30, 2017 earned \$1.082 million or \$0.32 per share compared to \$658 thousand or \$0.20 per share for the quarter ended June 30, 2016. The increase in income is impacted by a gain on sale of securities of \$199 thousand, net of tax. Excluding this non-recurring income, net income would have been \$883 thousand or \$0.26 per share.

The core net income increase is driven by several factors. Increases in loan balances (up 12% over 2016) was the primary factor in interest income improving \$459 thousand over the second quarter 2016. Deposits were up 12% over the second quarter 2016. The net interest income increased \$359 thousand. Improved credit quality, as well as a large recovery of a previously charged off loan, resulted in no provision expense for the quarter.

For the first six months of 2017, net income is up \$1.290 million to \$2.436 million or \$0.73 per share compared to \$1.146 million or \$0.34 per share in 2016. 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, the first six months net income would be \$1.766 million or \$0.53 per share compared to \$0.34 per share.

Total assets were \$411.1 million. Loans, net of allowance for loan losses, and total deposits were \$345.5 million and \$362.4 million, respectively.

Given the bank's performance and good capital position, the dividend of \$0.07 per share for the third quarter was approved at the July board meeting. The dividend will be paid on August 1, 2017 to all shareholders of record on July 25, 2017.

As of June 30, 2017 Potomac Bancshares, Inc. stock was trading at \$10.77. On the same date, book value per share was \$10.49.

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 Loudoun County, Virginia. For more information, visit our website at www.mybct.com.

FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<i>(Unaudited- dollars in thousands, except share and per share data)</i>				
Earnings Performance				
Interest and Dividend Income	\$4,018	\$3,559	\$7,823	\$6,946
Interest Expense	<u>530</u>	<u>430</u>	<u>990</u>	<u>854</u>
Net Interest Income	3,488	3,129	6,833	6,092
Provision For Loan Losses	0	204	180	304
Non-Interest Income	1,369	1,139	3,114	2,171
Non-Interest Expense	<u>3,190</u>	<u>3,044</u>	<u>6,352</u>	<u>6,195</u>
Income Before Income Tax Expense	1,667	1,020	3,415	1,764
Income Tax Expense	<u>585</u>	<u>362</u>	<u>979</u>	<u>618</u>
Net Income	<u>\$1,082</u>	<u>\$658</u>	<u>\$2,436</u>	<u>\$1,146</u>
Return On Average Equity	12.43%	8.11%	12.33%	7.11%
Return On Average Assets	1.06%	0.73%	1.06%	0.64%
Return On Average Equity Core**	12.43%	8.11%	10.39%	7.11%
Return On Average Assets Core**	1.06%	0.73%	0.89%	0.64%

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Balance Sheet Highlights		
Total Assets	\$411,126	\$370,590
Investment Securities	22,285	28,362
Loans, Net of allowance of \$3,385 in 2017 and \$2,725 in 2016	345,505	309,297
Deposits And Cash Management Accounts	362,422	324,047
Shareholders' Equity	\$35,084	\$32,674

	Three Months Ended		Six Months Ended	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Shareholders' Value (per share)				
Earnings Per Share, Basic	\$0.32	\$0.20	\$0.73	\$0.34
Earnings Per Share, Diluted	0.32	0.20	0.73	0.34
Cash Dividends Declared (per share)	0.065	0.060	0.13	0.12
Book Value At Period End (per share)	\$10.49	\$9.77	\$10.49	\$9.77
End of period number of shares outstanding	3,345,001	3,345,001	3,345,001	3,345,001
			<u>June 30, 2017</u>	<u>June 30, 2016</u>

Safety and Soundness

Tier 1 Capital Ratio (Leverage Ratio)*	8.82%	9.28%
Non-Performing Assets As A Percentage Of		
Total Assets Including OREO	0.37%	0.44%
Allowance For Loan Losses As A Percentage Of		
Period End Loans	0.97%	0.87%
Ratio Of Net Charge-Offs Annualized During The Period To		
Average Loans Outstanding During The Period	(0.002)%	0.09%

* 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 2017 capital ratio is preliminary.

** 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. Excluding this non-recurring income, net income in the first quarter would have been \$684 thousand or 20 cents per share compared to "as reported" of \$1.354 million and 40 cents per share.

CONTACT: Alice P. Frazier, President & CEO, Potomac Bancshares, Inc. & BCT, 304-728-2431, afrazier@mybct.com; Dean Cognetti, Senior VP/ CFO, Potomac Bancshares, Inc. & BCT, 304-728-2434, dcognetti@mybct.com