

Potomac Bancshares, Inc. Reports 2017 Third Quarter Results

CHARLES TOWN, W.Va., Oct. 27, 2017 /PRNewswire/ -- Potomac Bancshares, Inc. (OTC-QB: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended September 30, 2017 earned \$953 thousand or \$0.29 per share compared to \$485 thousand or \$0.14 per share for the quarter ended September 30, 2016.

Total assets were \$422.2 million as of September 30, 2017, up from \$375.3 million as of September 30, 2016, or 12.5%. Loans, net of allowance for loan losses, were up 10.7%, or \$33.1 million over the year ago period, while deposits and cash management accounts grew \$40.6 million or 12.2%. The net income growth for the quarter compared to the prior year is attributed to growth in net interest income of \$366 thousand, a reduction in loan loss provision of \$261 thousand, an increase in non-interest income, and a reduction in non-interest expenses. The third quarter 2016 was impacted by the sale of an old parcel of foreclosed property and the additional valuation write-down of a non-performing loan. The combination of these items created a lower than expected net income for the third quarter of 2016 as the net of tax impact from these two items was approximately \$125 thousand.

Linked Quarter:

- Increase in net interest income of \$70 thousand. While loans saw an increase from Q1 to Q2, loans were down from Q2 to Q3. The decrease in loans for Q3 was due to several payoffs along with a slowing in business loan growth. Therefore, correspondingly the growth in net interest income slowed in Q3.
- The decrease in non-interest income of \$269 thousand is primarily due to a gain on sale of securities in Q2 as noted in the prior quarter earnings release.
- An increase in non-interest expenses of \$57 thousand is due to various initiatives.

Year-To-Date:

For the first nine months of 2017, net income is up \$1.758 million to \$3.389 million or \$1.01 per share compared to \$1.631 million or \$0.49 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 nine months net income would be \$2.719 million or \$0.81 per share compared to \$0.49 per share in 2016.

- Fueling the core earnings growth are increases in net interest income of \$1.1 million over the first nine months of 2016 driven by both higher loan and deposit balances.
- Improvement in credit quality continues including recoveries of previously charged off loans. This has resulted in no loan loss provision expense for the previous two quarters. As communicated in 2016, we expected to continue to collect on the principal balance of loans that had been charged off several years ago with the timing being less predictable.

Potomac Bancshares Inc. Board of Directors declared 7 cents per share dividend at the October 10, 2017 board meeting. The dividend will be available to all shareholders of record on October 25, 2017. The cash dividend will be paid on November 1, 2017.

As previously communicated, Alice P. Frazier was named President and CEO of Potomac Bancshares, Inc. and BCT, effective July 5, 2017. Ms. Frazier brings 26 years of banking experience to PTBS, having most recently served as the Executive Vice President and Chief Operating Officer of Cardinal Financial Corporation (CFNL) in McLean, Virginia. Ms. Frazier is the immediate past Chair of the Virginia Association of Community Banks and has held various leadership roles within the Independent Community Bankers Association.

Additionally, in August Ms. Frazier was elected to both the Boards of BCT and Potomac Bancshares, Inc. President and CEO Frazier notes, "The company is rich with a 146-year history of serving our clients, communities, and our shareholders, with a well-trained and talented team."

As of September 30, 2017, Potomac Bancshares, Inc. stock was trading at \$12.57. On the same date, book value per share was \$10.69. During the quarter, Potomac Bancshares, Inc. repurchased 22,000 shares of Potomac stock. Should you need information on PTBS, feel free to contact President and CEO Alice P. Frazier at 304-728-2431. 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 Loudoun County, Virginia. For more information, visit our website at www.mybct.com.

FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(Unaudited- dollars in thousands, except share and per share data)</i>				
Earnings Performance				
Interest and Dividend Income	\$4,108	\$3,640	\$11,931	\$10,586
Interest Expense	<u>550</u>	<u>448</u>	<u>1,540</u>	<u>1,302</u>
Net Interest Income	3,558	3,192	10,391	9,284
Provision For Loan Losses	0	261	180	565
Non-Interest Income	1,100	1,082	4,214	3,253

Non-Interest Expense	<u>3,247</u>	<u>3,281</u>	<u>9,599</u>	<u>9,476</u>
Income Before Income Tax Expense	1,411	732	4,826	2,496
Income Tax Expense	<u>458</u>	<u>247</u>	<u>1,437</u>	<u>865</u>
Net Income	<u>\$953</u>	<u>\$485</u>	<u>\$3,389</u>	<u>\$1,631</u>
Return On Average Equity	10.60%	5.84%	12.38%	6.68%
Return On Average Assets	0.91%	0.52%	1.06%	0.60%
Return On Average Equity Core**	10.60%	5.84%	10.46%	6.68%
Return On Average Assets Core**	0.91%	0.52%	0.90%	0.60%

September 30, 2017 **September 30, 2016**

Balance Sheet Highlights

Total Assets	\$422,203	\$375,314
Investment Securities	24,215	26,208
Loans Held For Sale	240	8,536
Loans, Net of allowance of \$3,533 in 2017 and \$2,944 in 2016	342,065	308,994
Deposits And Cash Management Accounts	372,468	331,821
Shareholders' Equity	\$35,517	\$32,893

Three Months Ended**Nine Months Ended**

September 30, 2017 **September 30, 2016** **September 30, 2017** **September 30, 2016**

Shareholders' Value (per share)

Earnings Per Share, Basic	\$0.29	\$0.14	\$1.01	\$0.49
Earnings Per Share, Diluted	0.29	0.14	1.01	0.49
Cash Dividends Declared (per share)	0.070	0.065	0.20	0.19
Book Value At Period End (per share)	\$10.69	\$9.83	\$10.69	\$9.83
End of period number of shares outstanding	3,323,001	3,345,001	3,323,001	3,345,001

September 30, 2017 **September 30, 2016**

Safety and Soundness

Tier 1 Capital Ratio (Leverage Ratio)*	8.88%	9.13%
Non-Performing Assets As A Percentage Of		
Total Assets Including OREO	0.28%	0.53%
Allowance For Loan Losses As A Percentage Of		
Period End Loans	1.02%	0.94%
Ratio Of Net Charge-Offs Annualized During The Period To		
Average Loans Outstanding During The Period	-0.06%	0.08%

* 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.

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