

Potomac Bancshares, Inc. Reports 2017 Fourth Quarter and Full Year Results

CHARLES TOWN, W.Va., Feb. 12, 2018 /PRNewswire/ -- Potomac Bancshares, Inc. (OTC-QB: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended December 31, 2017 earned \$422 thousand or \$0.13 per share compared to \$587 thousand or \$0.18 per share for the quarter ended December 31, 2016. Earnings for the year were \$3.811 million or \$1.14 per share compared to earnings in 2016 of \$2.218 million or \$0.66 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, the full year net income would be \$3.141 million or \$0.94 per share compared to \$0.66 per share in 2016.

The results for the fourth quarter include an increase in tax expense of \$314 thousand related to tax reform, or a \$0.09 per share impact. The provision for income taxes was \$671 thousand for the fourth quarter, compared to \$303 thousand for the same quarter in 2016.

Total assets were \$425.4 million as of December 31, 2017, up from \$383.5 million as of December 31, 2016, or 10.9% growth. Loans, net of allowance for loan losses, were up 4.2%, or \$13.8 million over the year ago period. Deposits and cash management accounts grew \$36.0 million or 10.6%. The decline in net income for the fourth quarter of 2017 compared to the prior year is attributed to the impact from tax reform and an increase in non-interest expense primarily due to filling open positions, and expansion of hiring in our Loudoun County, VA market. These items were offset by positive variances in net interest income, and loan loss provision. The loan loss provision in the fourth quarter of 2016 and the full year 2016 were due to growth in the loan portfolio. Slower loan growth in 2017, coupled with several large loan recoveries from previously charged off loans, reduced our loan loss provision for the full year 2017.

"While the year started off with deep sadness with the loss of our longtime CEO Robert F. Baronner, Jr. in January, the bank regained its footing as the year progressed and produced outstanding results," said President and Chief Executive Officer Alice P. Frazier. "Although the quarter was down due to tax reform, staffing and other initiatives, we had a strong year. Earning asset level growth from the second half of 2016 and first half of 2017, deposit growth over 10% in 2017, and overhead expense control for a good part of the year helped drive earnings. Several recoveries on previously charged off loans were also a factor that allowed our loan loss provision to be down from prior year."

Linked Quarter:

- Increase in net interest income of \$41 thousand.
- Loans were up \$1.1 million, which reversed the decline in Q3. Investment securities were up \$7.1 million, and deposits and cash management accounts were up \$3.5 million.
- Non-interest income was flat for the quarter.
- Non-interest expense grew in the quarter to support hiring additional staff, various personnel initiatives, and other growth initiatives.

Full Year:

- Growth in net interest income of \$1.419 million over 2016 was attributed to the loan growth in 2017 and 2016 of \$13.8 million and \$51.8 million, respectively, coupled with deposit and cash management account growth of \$36.0 million and \$31.3 million the last two years, respectively.
- 2017 reflects net loan recoveries of \$209 thousand primarily attributable to previously charged off loans from several years ago. As previously communicated, we expected to collect on several of these older credits with the timing being less predictable.
- Non-interest income was up \$906 thousand. BOLI proceeds, security gains, and interchange fees were the largest drivers of the increase, partly offset by reductions in secondary market fees and service charges.
- Non-interest expenses were up \$540 thousand most notably in salaries and benefits as it related to incentive compensation, other professional fees, interchange expenses, and partly offset by decreases in equipment expense, travel, miscellaneous charge offs, other real estate expenses, and other real estate owned write-downs.
- Non-performing assets as a percentage of total assets including OREO improved to 0.42% at December 31, 2017 from 0.49% at December 31, 2016.

Potomac Bancshares Inc. Board of Directors declared 7 cents per share dividend at the January 9, 2018 board meeting. The cash dividend was paid on February 1, 2018.

As of December 31, 2017 Potomac Bancshares, Inc. stock was trading at \$14.25. On the same date, book value per share was \$10.78.

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		Twelve Months Ended	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<i>(Unaudited- dollars in thousands, except share and per share data)</i>				
Earnings Performance				
Interest and Dividend Income	\$4,174	\$3,748	\$16,105	\$14,334
Interest Expense	<u>575</u>	<u>461</u>	<u>2,115</u>	<u>1,763</u>
Net Interest Income	3,599	3,287	13,990	12,571
Provision For Loan Losses	0	363	180	928
Non-Interest Income	1,080	1,135	5,294	4,388
Non-Interest Expense	<u>3,586</u>	<u>3,169</u>	<u>13,185</u>	<u>12,645</u>
Income Before Income Tax Expense	1,093	890	5,919	3,386
Income Tax Expense	<u>671</u>	<u>303</u>	<u>2,108</u>	<u>1,168</u>
Net Income	<u>\$422</u>	<u>\$587</u>	<u>\$3,811</u>	<u>\$2,218</u>
Return On Average Equity	4.66%	7.02%	10.87%	6.77%
Return On Average Assets	0.39%	0.61%	0.93%	0.60%
Return On Average Equity Core**	4.66%	7.02%	8.96%	6.77%
Return On Average Assets Core**	0.39%	0.61%	0.76%	0.60%

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Balance Sheet Highlights		
Total Assets	\$425,434	\$383,464
Investment Securities	31,316	23,411
Loans, Net of allowance of \$3,590 in 2017 and \$3,202 in 2016	343,178	329,397
Deposits And Cash Management Accounts	375,984	339,983
Shareholders' Equity	\$35,819	\$33,183

	Three Months Ended		Twelve Months Ended	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Shareholders' Value (per share)				
Earnings Per Share, Basic	\$0.13	\$0.18	\$1.14	\$0.66
Earnings Per Share, Diluted	0.13	0.18	1.14	0.66
Cash Dividends Declared (per share)	0.070	0.065	0.27	0.25
Book Value At Period End (per share)	\$10.78	\$9.92	\$10.78	\$9.92
End of period number of shares outstanding	3,323,001	3,345,001	3,323,001	3,345,001

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Safety and Soundness		
Tier 1 Capital Ratio (Leverage Ratio)*	8.79%	8.98%
Non-Performing Assets As A Percentage Of		
Total Assets Including OREO	0.42%	0.49%
Allowance For Loan Losses As A Percentage Of		
Period End Loans	1.04%	0.96%
Ratio Of Net (Recoveries) Charge-Offs During The Period To		
Average Loans Outstanding During The Period	-0.06%	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.

** 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.

7/13/2020

<https://www.mybct.com/assets/files/pzO0SrG9/2017 4th quarter & Full year financial results.html>

CONTACT: Alice P. Frazier, President & CEO, Potomac Bancshares, Inc. & BCT, 304-728-2431 or Dean Cognetti, Senior VP & CFO, Potomac Bancshares, Inc. & BCT, 304-728-2434