

Potomac Bancshares, Inc. Reports 2018 First Quarter Results

CHARLES TOWN, W.Va., April 30, 2018 /PRNewswire/ -- Potomac Bancshares, Inc. (OTC-QB: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended March 31, 2018 earned \$900 thousand or \$0.27 per share compared to \$1.354 million or \$0.40 per share for the quarter ended March 31, 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, net income would have been \$684 thousand or \$0.20 cents per share. The increase in net income in the first quarter of 2018 compared to 2017 excluding the impact from BOLI would have been \$216 thousand or a \$0.07 per share increase over 2017.

Total assets were up \$23.4 million over the first quarter of 2017 or 6%. Loans were up 2% over the same period a year ago. Deposits and cash management accounts were \$23.5 million greater than 2017 or up 6.5%. While the first quarter loan growth was slower than expected, positive variances over the year ago quarter in net interest income, loan loss provision, and non-interest income excluding non-recurring income, were partly offset by a non-interest expense increase as continued growth and staffing plans were rolled out. In addition, the first quarter of 2018 was positively impacted by the reduction in the corporate tax rate to 21%. Credit quality remained favorable in the quarter with the non-performing asset ratio at 0.42%.

Linked Quarter:

- Loans, net were up \$1.04 million. Loans have shown an increase in each of the last two quarters. Investment securities were up \$682 thousand, and deposits and cash management accounts were up \$6.4 million.
- Decrease in net interest income of \$62 thousand.
- Non-interest income was down slightly from \$1.080 million to \$1.058 million.
- Non-interest expense was down \$211 thousand. The fourth quarter of 2017 included expense for annual incentives and various initiatives to support future growth plans including corresponding staffing initiatives and expenses.

Q1 2018 Compared to Q1 2017:

- Growth in net interest income of \$192 thousand.
- Reduction in loan loss provision of \$114 thousand.
- Non-interest income was up \$31 thousand on a recurring basis. Increases in trust and wealth advisory services and Visa / MC fees were partly offset by lower service charges on deposit accounts.
- Non-interest expenses were up \$288 thousand on a recurring basis primarily attributable to increases in salary and benefits, net occupancy expenses due to our recently completed main office renovation, legal fees, and other professional fees.
- Non-performing assets as a percentage of total assets including OREO remained relatively flat at 0.42% compared to 0.41% as of March 31, 2018 and March 31, 2017, respectively.

"As announced last quarter we are moving ahead with our plans with expansion into Purcellville, Loudoun County, VA. We are on track to open late second quarter or early third quarter. We are excited to have a team of bankers very familiar with the Purcellville market," said CEO Frazier. "In addition, we are moving forward with the launch of a loan production office in Leesburg, VA. Hiring is underway with the addition of two experienced mortgage bankers with over 20 years' experience in the Loudoun market. These new hires joined BCT in April and will eventually be situated in Leesburg, VA. This initiative is designed to help grow both mortgage fee income and business lending. Both initiatives are part of our strategy for continued expansion in growth markets," said CEO Frazier.

A dividend of \$0.07 per share for the second quarter was approved at the April board meeting. The dividend will be paid on May 1, 2018 to all shareholders of record on April 23, 2018.

As of March 31, 2018 Potomac Bancshares, Inc. stock was trading at \$15.30. On the same date, book value per share was \$10.93. Should you need information on PTBS, feel free to contact President & CEO Alice P. Frazier. 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 <http://www.mybct.com/>.

FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

	Three Months Ended	
	March 31, 2018	March 31, 2017
<i>(Unaudited- dollars in thousands, except share and per share data)</i>		
Earnings Performance		
Interest and Dividend Income	\$4,113	\$3,805
Interest Expense	<u>576</u>	<u>460</u>
Net Interest Income	3,537	3,345
Provision For Loan Losses	66	180
Non-Interest Income	1,058	1,745
Non-Interest Expense	<u>3,375</u>	<u>3,162</u>
Income Before Income Tax Expense	1,154	1,748

Income Tax Expense	<u>254</u>	<u>394</u>
Net Income	<u>\$900</u>	<u>\$1,354</u>
Return On Average Equity	10.07%	10.22%
Return On Average Assets	0.86%	0.89%
Return On Average Equity Core**	10.07%	8.23%
Return On Average Assets Core**	0.86%	0.71%

March 31, 2018March 31, 2017**Balance Sheet Highlights**

Total Assets	\$432,177	\$408,798
Investment Securities	31,998	23,385
Loans, Net of allowance of \$3,690 in 2018 and \$3,328 in 2017	344,217	338,205
Deposits And Cash Management Accounts	382,438	358,952
Shareholders' Equity	\$36,321	\$34,337

Three Months EndedMarch 31, 2018March 31, 2017**Shareholders' Value (per share)**

Earnings Per Share, Basic	\$0.27	\$0.40
Earnings Per Share, Diluted	0.27	0.40
Earnings Per Share, Basic Core**	0.27	0.20
Earnings Per Share, Diluted Core**	0.27	0.20
Cash Dividends Declared (per share)	0.0700	0.0650
Book Value At Period End (per share)	\$10.93	\$10.27
End of period number of shares outstanding	3,323,001	3,345,001

March 31, 2018March 31, 2017**Safety and Soundness**

Tier 1 Capital Ratio (Leverage Ratio)*	9.15%	9.12%
Non-Performing Assets As A Percentage Of		
Total Assets Including OREO	0.42%	0.41%
Allowance For Loan Losses As A Percentage Of		
Period End Loans	1.06%	0.97%
Ratio Of Net (Recoveries) Charge-Offs Annualized During The Period To		
Average Loans Outstanding During The Period	-0.039%	0.065%

* 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 capital ratios are 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 of 2017 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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