



**FOR IMMEDIATE RELEASE**

**POTOMAC BANCSHARES, INC. REPORTS 2019 FOURTH QUARTER AND FULL YEAR RESULTS**

Charles Town, WV, (February 3, 2020) / PR Newswire / - Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended December 31, 2019 earned \$0.859 million or \$0.21 per share compared to \$.668 million or \$0.16 per share for the quarter ended December 31, 2018. This is a net income increase of 29% over the fourth quarter of 2018.

Net income was \$3.213 million or \$0.78 per share for the year ended December 31, 2019 compared to \$3.392 million or \$0.94 per share for the same time period in 2018. Total assets were \$515.8 million, an increase of \$31.4 million or 6.5%. Total loans increased \$48.1 million, 13.3%, to \$408.7 million at December 31, 2019. Total deposits and cash management accounts increased \$24.4 million, or 5.7%, to \$451.8 million.

"We are pleased to present our 2019 fourth quarter and full year results with each department contributing a number of significant achievements this past year," commented Alice Frazier, President and CEO. "Crossing the \$500 million mark in total assets during 2019 demonstrates our growth strategies are working. Commercial loan growth exceeded all goals for the year and set the stage for better profitability in 2020." CEO Frazier continued, "While deposit growth lagged, our focus on non-interest-bearing deposits and quality relationships minimized the increase of cost of deposits during a time of fierce competition. Mortgage banking exceeded a lofty goal of \$1 million in secondary market fee income while also producing \$21 million in loans for the portfolio. Wealth Advisors and BCT Investments continued to add new relationships with recurring fee income."

Linked Quarter Q4 2019 vs. Q3 2019 (reference to margin is for the bank only):

- Total assets were \$515.8 million, a record high compared to \$505.0 million as of September 30, 2019, or growth of 8.6% annualized.
- Loans grew \$12.3 million during Q4 2019, or 12.4% annualized.
- Deposits and cash management accounts increased \$9.5 million in Q4 2019, or 8.6% annualized.
- Net interest margin for Q4 2019 was 3.37% compared to 3.35% in Q3 2019. Continued investment of excess funds into both loans and securities, coupled with a stabilizing cost of funds allowed the margin to increase slightly during the quarter despite the effects of another Federal Reserve rate decrease.
- Non-interest income was \$1.5 million for Q4 2019, an increase of \$21 thousand over prior quarter. Increases in trust and wealth advisory services, and secondary market fees were slightly offset by decreases in service charges on deposits, interchange fees, and other operating income.



- Non-interest expense increased \$167 thousand largely due to one-time expenses in salaries and benefits and other operating expense that were offset by decreases in occupancy expense, advertising and public relations, and interchange expense. The increase in salaries and benefits is largely due to increased incentives, mortgage commissions due to volume, and vacation carry over accrual.
- Non-performing assets as a percentage of total assets including OREO was 0.19% as of December 31, 2019 compared to 0.24% as of September 30, 2019.
- Net charge-offs for the quarter were 0.016% compared to 0.041% in Q3.

Year-To-Date (reference to margin is for the bank only):

- Net interest income grew \$1.426 million, or 10%. Net interest margin decreased slightly from 3.43% in 2018 to 3.38% in 2019. Generally, the margin has been stable throughout the year.
- Non-interest income increased \$791 thousand to \$5.5 million for the year ended December 31, 2019, an increase of 17%. The increase was primarily due to growth in secondary market mortgage income (132%), trust and wealth advisory services (10%), debit card interchange fees (5%), and service charges on deposit accounts (4%), partly offset by a reduction in other operating income of (10%).
- Non-interest expense increased \$2.287 million compared to 2018. The increase in non-interest expense was attributable to the strategic growth initiatives which began in mid-2018 and primarily affected salary and benefits, net occupancy expenses and furniture fixtures & equipment. The foundations for growth have been laid including an emphasis on third party contract renewals during the fourth quarter for future operating leverage.
- Net charge-offs in 2019 were 0.007% compared to 0.18% for the prior year. Charge offs in 2018 were largely associated with one credit.

On January 21, 2020 Potomac Bancshares, Inc. Board of Directors declared a \$0.07 per share dividend payable to shareholders of record as of February 3, 2020 for payment on February 10, 2020.

### **About the Company**

Founded in 1871, BCT - Bank of Charles Town, also known as The Community's Bank, is a wholly owned subsidiary of Potomac Bancshares, Inc. (OTC: PTBS). The Company conducts operations through its main office, eight additional branch offices, and one loan production office. BCT's offices are in Jefferson and Berkeley Counties (WV), Washington County (MD), and Loudoun County (VA). The Bank provides various banking products and services including free access to over 55,000 ATMs through the Allpoint® network plus online and mobile banking for individuals, businesses, and local governments. The Bank also offers commercial lines and term loans, residential and commercial construction, commercial real estate loans and agricultural



loans. The Residential Lending division offers secondary market and portfolio mortgage loans, one-time close construction to perm loans, as well as home equity loans and lines of credit. For over 60 years, BCT Wealth Advisors has provided financial management, investment, trust, and estate services to its clients. In 2019, the Bank was named a “Best Bank to Work For” by American Banker. In 2018, Forbes named BCT a “Best in State Bank” for Maryland.

The Company’s shares are quoted on the OTC Pink Sheet marketplace under the symbol “PTBS.” For more information about Potomac Bancshares, Inc. and the Bank, please visit our website at <https://www.mybct.com>.

### **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.

### **Contact**

Alice P. Frazier  
President & CEO  
Potomac Bancshares, Inc. & BCT  
304-728-2431

Dean Cognetti  
EVP & CFO  
Potomac Bancshares, Inc. & BCT  
304-728-2434



# POTOMAC BANCSHARES

## FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

	Twelve Months Ended	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<i>( Unaudited - dollars in thousands, except per share data)</i>		
<b>Earnings Performance</b>		
Interest and Dividend Income	\$20,075	\$17,565
Interest Expense	<u>3,783</u>	<u>2,699</u>
Net Interest Income	16,292	14,866
Provision For Loan Losses	474	312
Non-Interest Income	5,472	4,681
Non-Interest Expense	<u>17,176</u>	<u>14,889</u>
Income Before Income Tax Expense	4,114	4,346
Income Tax Expense	<u>901</u>	<u>954</u>
Net Income	<u>\$3,213</u>	<u>\$3,392</u>
Return On Average Equity	6.30%	8.40%
Return On Average Assets	0.64%	0.76%
Net Interest Margin**	3.38%	3.43%
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Balance Sheet Highlights</b>		
Total Assets	\$515,845	\$484,482
Investment Securities	50,604	48,595
Loans held for sale	2,034	323
Loans, Net of allowance of \$3,716 in 2019 and \$3,269 in 2018	408,744	360,688
Deposits And Cash Management Accounts	451,790	427,414
Shareholders' Equity	\$51,922	\$49,524
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Shareholders' Value (per share)</b>		
Earnings Per Share, Basic	\$0.78	\$0.94
Earnings Per Share, Diluted	0.78	0.94
Cash Dividends Declared (per share)	0.28	0.28
Book Value At Period End (per share)	\$12.56	\$11.98
End of period number of shares outstanding	4,133,811	4,133,811
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Safety and Soundness</b>		
Tier 1 Capital Ratio (Leverage Ratio)*	10.48%	10.61%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.19%	0.18%
Allowance For Loan Losses As A Percentage Of Period End Loans	0.90%	0.90%
Ratio Of Net Charge-Offs Annualized During The Period To Average Loans Outstanding During The Period	0.007%	0.18%

\* 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 net interest margin presented is for Bank.



# POTOMAC BANCSHARES

## FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

### Quarterly Financial Data

Three Months Ended

(Unaudited - dollars in thousands, except per share data)

	<u>12/31/19</u>	<u>9/30/2019</u>	<u>6/30/19</u>	<u>3/31/19</u>	<u>12/31/18</u>
<b>Earnings Performance</b>					
Interest and Dividend Income	\$5,193	\$5,103	\$5,005	\$4,774	\$4,770
Interest Expense	<u>989</u>	<u>1,005</u>	<u>931</u>	<u>858</u>	<u>831</u>
Net Interest Income	4,204	4,098	4,074	3,916	3,939
Provision For Loan Losses	132	90	110	142	168
Non-Interest Income	1,531	1,510	1,373	1,058	1,179
Non-Interest Expense	<u>4,508</u>	<u>4,341</u>	<u>4,290</u>	<u>4,037</u>	<u>4,091</u>
Income Before Income Tax Expense	1,095	1,177	1,047	795	859
Income Tax Expense	<u>236</u>	<u>260</u>	<u>229</u>	<u>176</u>	<u>191</u>
Net Income	<u>\$859</u>	<u>\$917</u>	<u>\$818</u>	<u>\$619</u>	<u>\$668</u>
Return On Average Equity	6.54%	7.07%	6.48%	5.03%	5.39%
Return On Average Assets	0.66%	0.72%	0.66%	0.52%	0.55%
Net Interest Margin **	3.37%	3.35%	3.41%	3.39%	3.34%
	<u>12/31/19</u>	<u>9/30/2019</u>	<u>6/30/19</u>	<u>3/31/19</u>	<u>12/31/18</u>
<b>Balance Sheet Highlights</b>					
Total Assets	\$515,845	\$505,040	\$510,557	\$496,441	\$484,482
Investment Securities	50,604	42,906	46,602	48,560	48,595
Loans held for sale	2,034	3,269	938	1,816	323
Loans, Net of allowance	408,744	396,429	386,308	372,964	360,688
Deposits And Cash Management Accounts	451,790	442,246	447,917	436,507	427,414
Shareholders' Equity	\$51,922	\$51,642	\$51,022	\$50,087	\$49,524
	<u>12/31/19</u>	<u>9/30/2019</u>	<u>6/30/19</u>	<u>3/31/19</u>	<u>12/31/18</u>
<b>Shareholders' Value (per share)</b>					
Earnings Per Share, Basic	\$0.21	\$0.22	\$0.20	\$0.15	\$0.16
Earnings Per Share, Diluted	0.21	0.22	0.20	0.15	0.16
Cash Dividends Declared (per share)	0.0700	0.0700	0.0700	0.0700	0.0700
Book Value At Period End (per share)	\$12.56	\$12.49	\$12.34	\$12.12	\$11.98
End of period number of shares outstanding	4,133,811	4,133,811	4,133,811	4,133,811	4,133,811
	<u>12/31/19</u>	<u>9/30/2019</u>	<u>6/30/19</u>	<u>3/31/19</u>	<u>12/31/18</u>
<b>Safety and Soundness</b>					
Tier 1 Capital Ratio (Leverage Ratio)*	10.48%	10.56%	10.56%	10.75%	10.61%
Non-Performing Assets As A Percentage Of					
Total Assets Including OREO	0.19%	0.24%	0.36%	0.38%	0.18%
Allowance For Loan Losses As A Percentage Of					
Period End Loans	0.90%	0.90%	0.91%	0.91%	0.90%
Ratio Of Net Charge-Offs (Recoveries) Annualized During The Period To					
Average Loans Outstanding During The Period	0.016%	0.041%	-0.013%	-0.019%	0.005%

\* 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 net interest margin presented is for the bank.