

# Investor Presentation Potomac Bancshares, Inc.

August 9, 2017

**BCT**  
Bank of Charles Town

*We Simplify Your  
Financial Life*



# FORWARD – LOOKING STATEMENTS

## A Warning about Forward-Looking Information

This presentation contains statements that are based on other than historical data and that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others: (1) Statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of the Company and its subsidiaries (collectively “we,” “our,” or “us”); and (2) Statements preceded by, followed by or that include the words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “projects,” or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing the Company’s or the Bank’s views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied. Factors that might cause such differences include, but are not limited to: (1) The ability of the Company and the Bank to successfully execute its business plans, manage its risks, and achieve its objectives; (2) Changes in local, national and international political and economic conditions; (3) Changes in financial market conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation reduced rates of business formation and growth, commercial and residential real estate development and real estate prices; (4) Changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition; (5) Changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees; (6) Continuing consolidation in the financial services industry; (7) Legal claims against the Company; (8) Increased competitive challenges and expanding product and pricing pressures among financial institutions; (9) The ability of the Company and the Bank to develop new banking products, the cost of such development, the acceptance of such new products by the Company’s and Bank’s clientele and the impact of these new products on the Company’s and Bank’s profitability; (10) Technological changes and the Company’s implementation of new technologies, including how the cost of implementation impacts the Company’s profitability; (11) The Company’s ability to develop and maintain secure and reliable information technology systems; (12) Legislation or regulatory changes which adversely affect the Company’s operations or business; (13) The Company’s ability to comply with applicable laws and regulations, and the cost of such compliance; and (14) Except to the extent required by law, the Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.



# CORPORATE PROFILE

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- Potomac Bancshares, Inc. is a growing profitable community bank located in the Tri-State region of West Virginia, Virginia, and Maryland
- Experienced Leadership Team with committed, diversified Board of Directors

Exchange	OTC Pink
Ticker	PTBS
Common Shares Outstanding	3,345,001
Market Capitalization	\$39.9 Million
Tangible Book Value Per Share (6/30/17)	\$10.49
Closing Price (8/4/17)	\$11.93
Book Value Multiple (8/4/17)	114%



# 147 YEARS STRONG

A few short years after the end of the Civil War, a group comprised of 38 far-sighted Jefferson County, West Virginia farmers, orchardists, and business leaders saw the need for a bank to serve as a principal stabilizing influence on Jefferson County. They pooled some of their financial resources and started Bank of Charles Town.

**1871** | Charter issued on February 20 and the bank opened on April 4 at the corner of West Washington and Lawrence Streets.

**1907** | Operated at 231 West Washington Street from 1907 through 1938. The letters BANK can still be seen at the top of the one-time American Legion building.

**1938** | Moved to the southeast corner of Washington and George Streets and became the first Jefferson County bank to offer trust services.

**1966** | Moved into its new facility at 111 East Washington Street with 31 employees and 10 million dollars in assets.

**1983** | Bank of Harpers Ferry merged with Bank of Charles Town, resulting in combined assets in excess of 59 million dollars.

**1985** | Third location opened at the intersection of Routes 9 and 480.

**1999** | Main office was renovated and expanded.

**2001** | Branding was updated and a new logo featuring a large BCT was unveiled. Also began operations on Tuscarora Pike in Berkeley County, WV.

**2002** | Established a full service branch in Hedgesville, WV.

**2008** | 7,000 square foot addition to the main office in Charles Town, named the Donald S. Smith Financial Center. Also increased drive thru capacity.

**2013** | A loan production office was opened in Middleburg, VA at The Noble House on West Washington Street.

**2014** | A full service branch was opened in Hagerstown, MD on Frederick Street.

**2016** | Expanded services in Middleburg, VA and moved to a new building within walking distance of Downtown Middleburg, just off of The Plains Road.

**Today** | BCT has grown to over \$400 million in assets and employs over 100 associates in the tri-state region. Although we have changed over the years, we still embrace the principles that got us where we are today. At BCT our goal is to Simplify Your Financial Life!



# BCT BUSINESS LINES

## Commercial Banking

- 7 Banking Offices
- Commercial Banking
  - Treasury Management
  - Lending
- Retail Banking

## One Financial Center

- Full Trust Services
- Investment Brokerage through



## Mortgage Banking

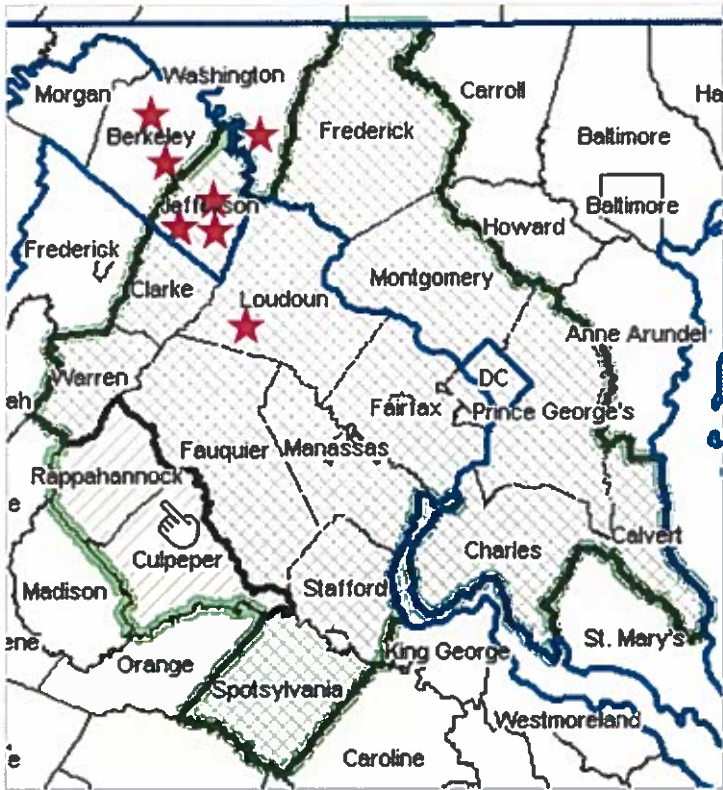
- Secondary Market through broker relationships
- Portfolio Lending

Securities offered through LPL Financial, member FINRA / SIPC. Insurance products offered through LPL Financial or its licensed affiliates. BCT and BCT Investments are not registered broker/dealers and are not affiliated with LPL Financial. Investment Advisory Services offered through LPL Financial, a Registered Investment Advisor. The LPL Financial Registered Representatives associated with this site may only discuss and/or transact securities business with residents of the following states: FL, MD, NC, PA, VA and WV.

Not FDIC Insured | Not Bank Guaranteed | May Lose Value Not a Bank Deposit | Not Insured by Any Federal Government Agency



# BCT Banking Office Map



- 4 Banking Offices are located suburbs of Washington DC MSA
- 3 Banking Offices are located in adjoining counties

# Experienced Leadership Team

Name	Position	# Years at PTBS	# Years in Banking	Previous Experience
Alice P. Frazier	President & CEO	< 1 year	26	EVP & COO – CFNL & MBRG
Dean Cognetti	SVP & CFO	6	30	SVP / M&A Manager with BB&T, Comptroller with One Valley Bank
Joshua E. Householder	SVP, Commercial Banking	14	14	Senior banking officer with 14 years in the market with BCT
Tim Lewis	SVP, Retail & Operations	15	39	One Valley Bank & other community banks in Eastern Panhandle
John Beatty	SVP, Trust & Investments	1.5 years	31	Regional Trust Manager, Market President at BBT; Various leadership positions at One Valley Bank
Kevin Haymaker	SVP, Credit Adm. and Mortgage and Retail Division Manager	9	37	Senior Banking Officer with 30 years in the market, including F&M Frederick and 1 <sup>st</sup> American.
Diane Armstrong	VP/Human Resources Director	13	13	Senior Human Resource Executive with 23 years experience
Susan Riston	VP/Senior Auditor	32	32	BCT in numerous functions over 32 year career. Majority of time devoted to managing the Audit and Compliance Departments

# STRONG BRANCH GROWTH RATES

Street Address	City	State	2016 Deposits (\$000)	2015 Deposits (\$000)	2011 Deposits (\$000)	2015-2016 Growth Rate (%)	2011-2016 Growth Rate (%)
1101 Frederick St	Hagerstown	MD	19,602	10,641	NA	84.21	NA
111 E Washington St	Charles Town	WV	189,255	168,693	164,185	12.19	15.27
115 The Plains Rd	Middleburg	VA	2,770	1,508	NA	83.69	NA
119 Cowardly Lion Dr	Hedgesville	WV	18,645	16,332	15,031	14.16	24.04
1366 W Washington St	Harpers Ferry	WV	31,769	29,750	24,961	6.79	27.27
5480 Charles Town Rd	Kearneysville	WV	19,858	18,462	19,365	7.56	2.55
9738 Tuscarora Pike	Martinsburg	WV	38,838	32,727	35,186	18.67	10.38





# MARKET SHARE BY COUNTY

Continued growth in markets

County	Rank	2016 Number of Branches	2016 Total Deposits in Market (\$000)	2016 Total Market Share (%)	2016 Total Deposits for Institutions in Market (\$000)	2015 Total Deposits in Market (\$000)	2015 Total Market Share (%)
Jefferson, WV	1	3	240,882	30.49	789,929	216,905	27.97
Berkeley, WV	7	2	57,483	4.56	1,260,590	49,059	3.90
Washington, MD	11	1	19,602	.90	2,169,524	10,641	.52
Loudoun, VA	19	1	2,770	.5	6,132,661	1,508	.03

# FULL EMPLOYMENT IN MARKET AREA

Location	5/31/2017
Jefferson County, WV	2.4%
Berkeley County, WV	2.9%
Frederick County, MD	3.4%
Washington County, MD	4.3%
Frederick County, VA	3.3%
Clarke County, VA	3.6%
Loudoun County, VA	3.2%

**Continued growth in new jobs in:**

**Berkeley County, WV**

- WVU Medicine, 375 new professional jobs coming (2018-2019)
- Proctor & Gamble new mfg. plant, 700 full time jobs (4Q 2017)

**Jefferson County, WV**

- Roxul Inc., 150 jobs
- TeMa, 30 jobs
- Randox, 50 jobs

**Loudoun County, VA** historical high growth rates drive low levels of unemployment



# MARKET DEMOGRAPHICS

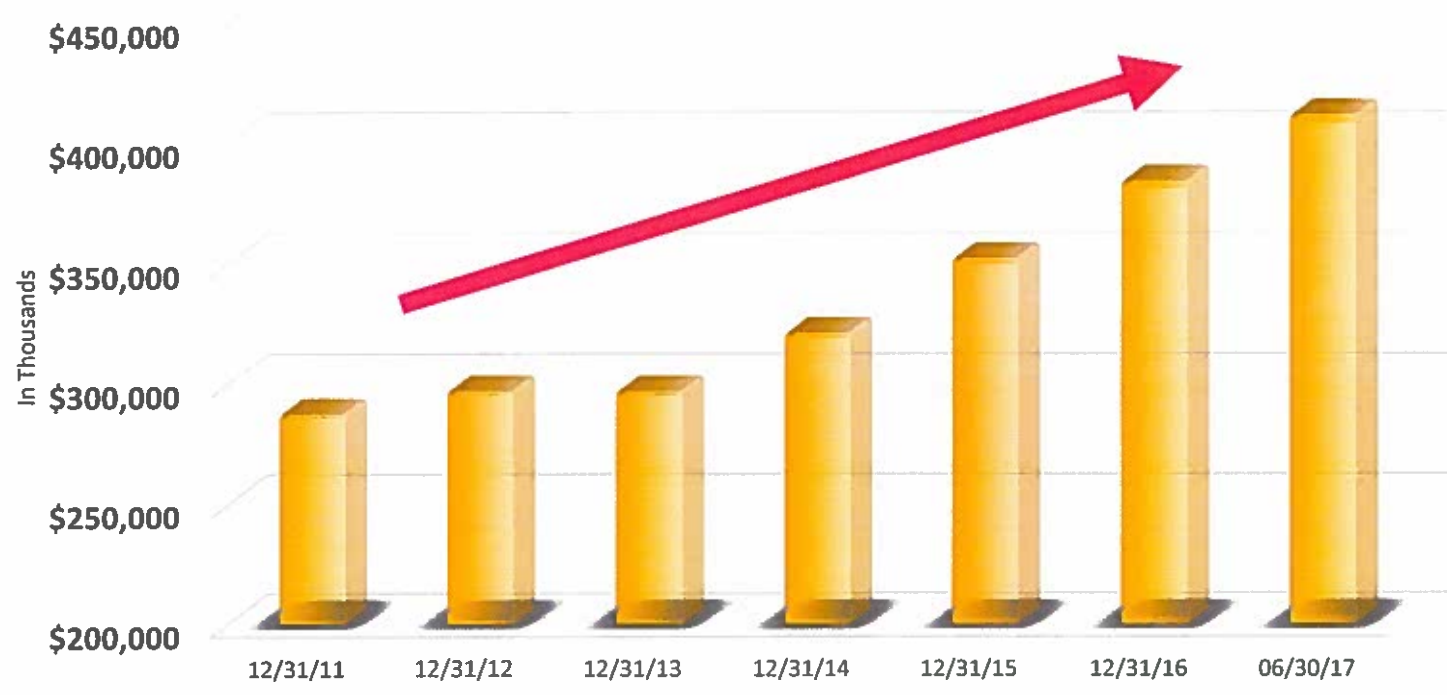
County	Market Rank	Number of Branches	Company Deposits in Market (\$000)	Deposit Market Share (%)	Total Population 2017 (Actual)	Population Change 2010-2017 (%)	Projected Population Change 2017-2022 (%)	Median HH Income 2017 (\$)	Projected HH Income Change 2017-2022 (%)
Jefferson,WV	1	3	240,882	30.49	57,468	7.42	4.05	67,889	2.10
Berkeley,WV	7	2	57,483	4.56	114,259	9.69	4.83	60,933	5.99
Washington,MD	11	1	19,602	0.90	149,913	1.68	1.97	57,779	3.79
Loudoun,VA	20	1	2,770	0.05	392,258	25.60	9.97	125,178	3.35

# FINANCIAL HIGHLIGHTS (000s, EXCEPT PER SHARE DATA)

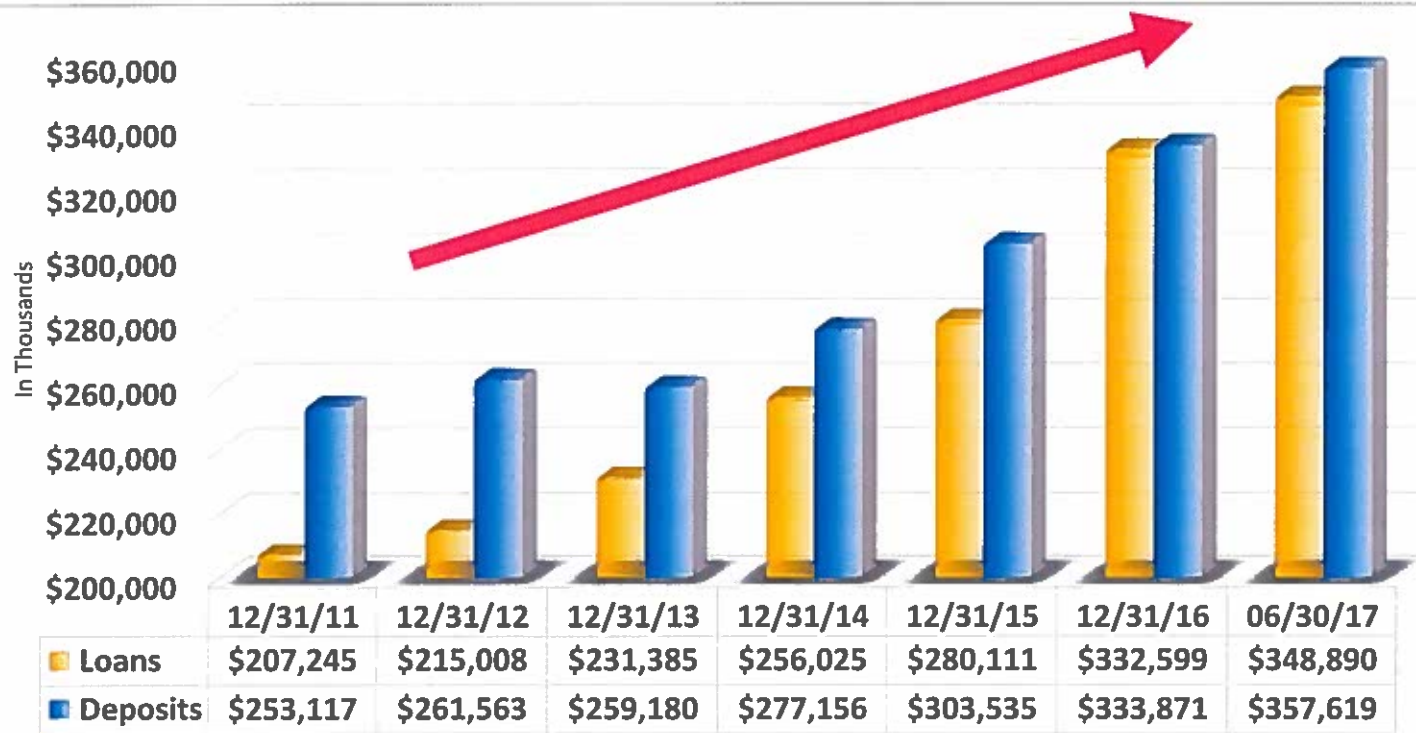
	2011	2012	2013	2014	2015	2016	YTD 6/30/17
<b>Balance Sheet</b>							
Total Assets	\$287,393	\$296,811	\$296,694	\$320,919	\$351,757	\$383,706	\$411,126
Total Loans	\$207,245	\$215,008	\$231,385	\$256,025	\$280,111	\$332,599	\$348,890
Total Deposits and Sweeps	\$256,532	\$266,402	\$260,955	\$279,196	\$308,674	\$339,983	\$362,422
<b>Capital</b>							
Leverage Ratio	8.56%	9.15%	10.11%	10.70%	9.76%	9.27%	9.09%
<b>Earnings and Performance</b>							
Net Income(excludes \$670 in 2017)	\$<1,010>	\$1,639	\$2,328	\$2,159	\$2,580	\$2,218	\$1,766
EPS (excludes \$0.20 in 2017)	\$<.30>	\$.48	\$.69	\$.64	\$.76	\$.66	\$.53
Loan Loss Provision	\$3,343	\$881	\$<300>	\$814	\$60	\$928	\$180
ROA (excludes nonrecurring income in 2017)	<0.34>%	0.56%	0.79%	0.70%	0.78%	0.60%	0.89%
ROE (excludes nonrecurring income in 2017)	<3.72>%	6.18%	8.30%	7.06%	8.32%	6.77%	10.39%
Net Interest Margin	3.56%	3.78%	3.71%	3.14%	3.61%	3.60%	3.61%
Efficiency Ratio(excludes nonrecurring income in 2017)	70.12%	69.79%	72.15%	72.96%	73.42%	75.10%	68.01%
<b>Asset Quality</b>							
Non-Performing Assets as a Percentage of Total Assets Excluding TDR	4.74%	2.97%	2.02%	2.00%	0.70%	0.49%	0.37%
Allowance for Loan Losses as a Percentage of Period End Loans	2.16%	1.69%	1.35%	1.04%	0.91%	0.96%	0.97%
Net Charge-Offs to Average Loans During the Period	1.84%	0.82%	0.10%	0.52%	0.07%	.09%	<0.002>%
Certain ratios above as Reported BY S&P Global Market Intelligence							



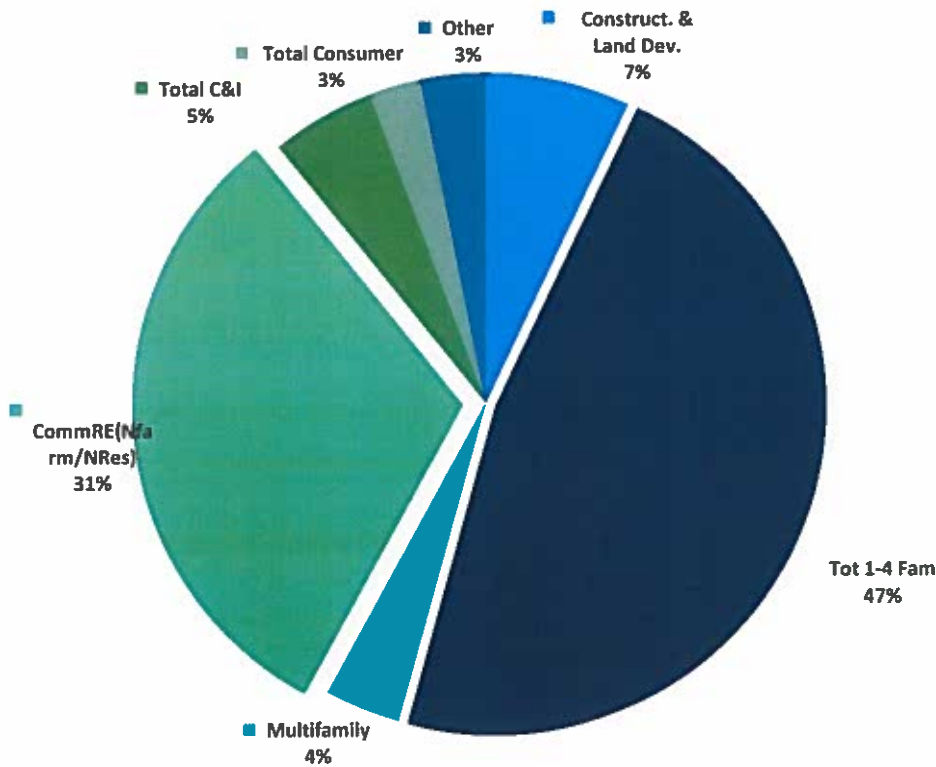
# GROWING BALANCE SHEET – TOTAL ASSETS



# LOAN AND DEPOSIT GROWTH



# LOAN PORTFOLIO COMPOSITION



- Average loan yield = 4.45%
- Diversified portfolio

# LOAN CONCENTRATIONS

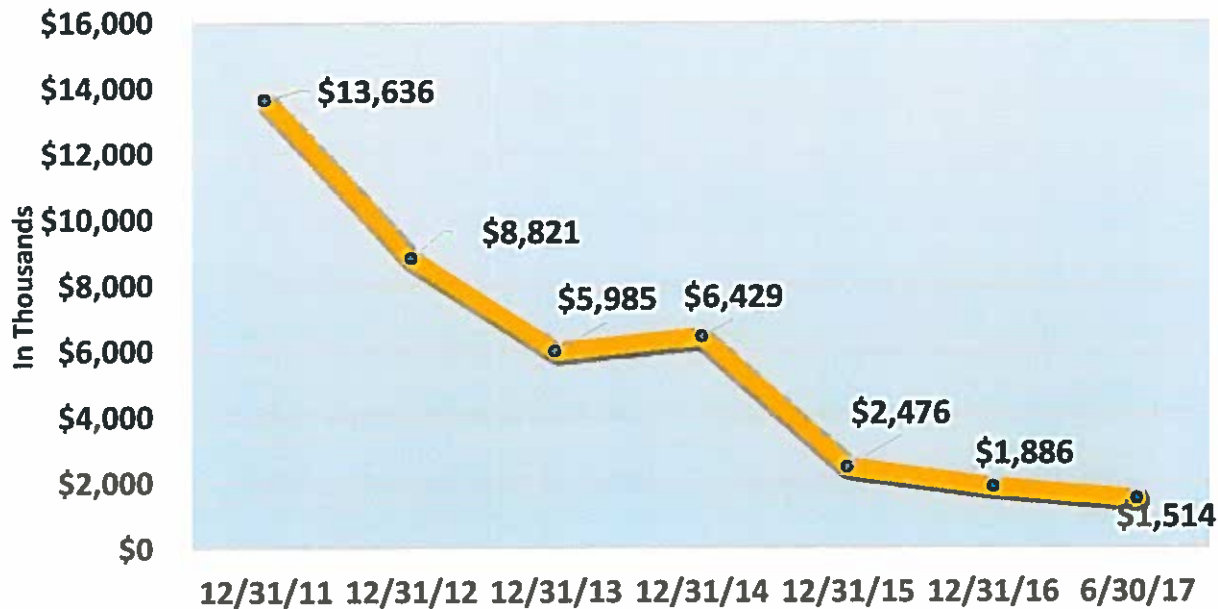
	2361 - Construction	2372 - Land Subdivision	493 - Warehousing & Storage	531110 - Lessors of Residential RE	531120 - Lessors of Commercial RE	531130 - Storage Units	531190 - Lessors of Other RE	5311 - Lessors of RE	6211 - Offices of Physicians	6212 - Dentists	6213 - Other Health Practitioners	6214 - Freestanding Emergency Centers	6215 - Diagnostic Imaging Centers	621 - Doctors, Dentists, & Other Health Practitioners	7211 - Hotels	8131 - Religious Organizations	No Code - Individual Investment
% of Capital	23.9%	17.0%	16.0%	80.2%	93.6%	10.2%	5.2%	189.1%	8.6%	11.0%	2.6%	4.3%	9.7%	36.2%	45.0%	20.2%	22.6%
% of Commercial Loans	4.5%	3.2%	3.0%	15.0%	17.5%	1.9%	1.0%	35.4%	1.6%	2.1%	0.5%	0.8%	1.8%	6.8%	8.4%	3.8%	4.2%





# IMPROVING ASSET QUALITY

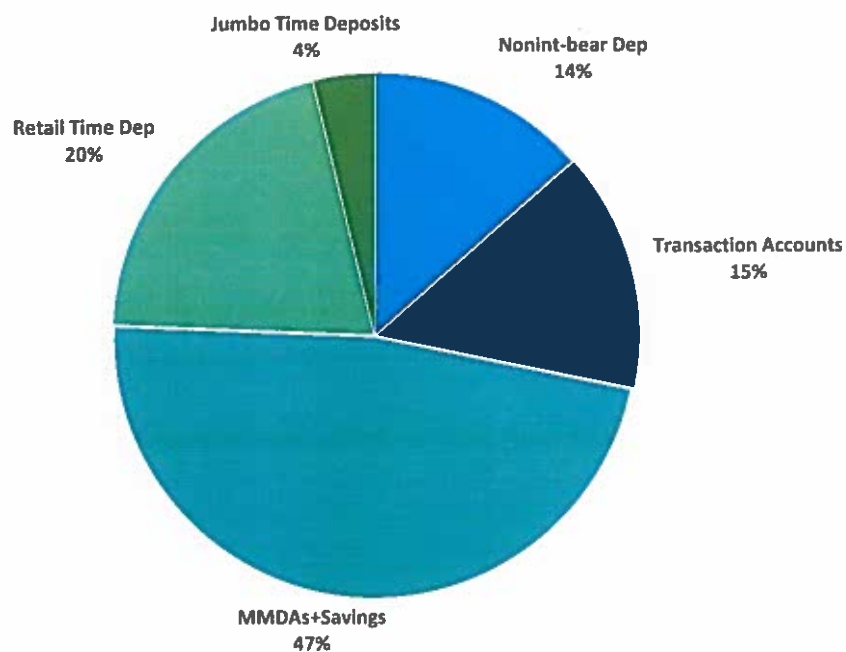
**Non Performing Assets**  
(Non-accrual loans and OREO)



Enhanced credit underwriting and administration have led to improved credit quality :

- All loans with TBE greater than \$2.5 million is approved by the Board of Directors
- ALLL to Gross Loans = 0.97% as of 6/30/17
- NPAs to Assets decreased to 1.57% as 6/30/17

# DEPOSIT COMPOSITION



- Average cost of funding = 0.54%
- 29% of deposits are transaction accounts
- Deposit fee income approximates 1.8% of total demand deposits
- Non-maturity deposits average life exceeds 10 years

# ONE FINANCIAL CENTER

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Total Assets from Trust and BCT Investments (000s):

6/30/16	6/30/17	Percent Change
\$150,219	\$158,623	6%

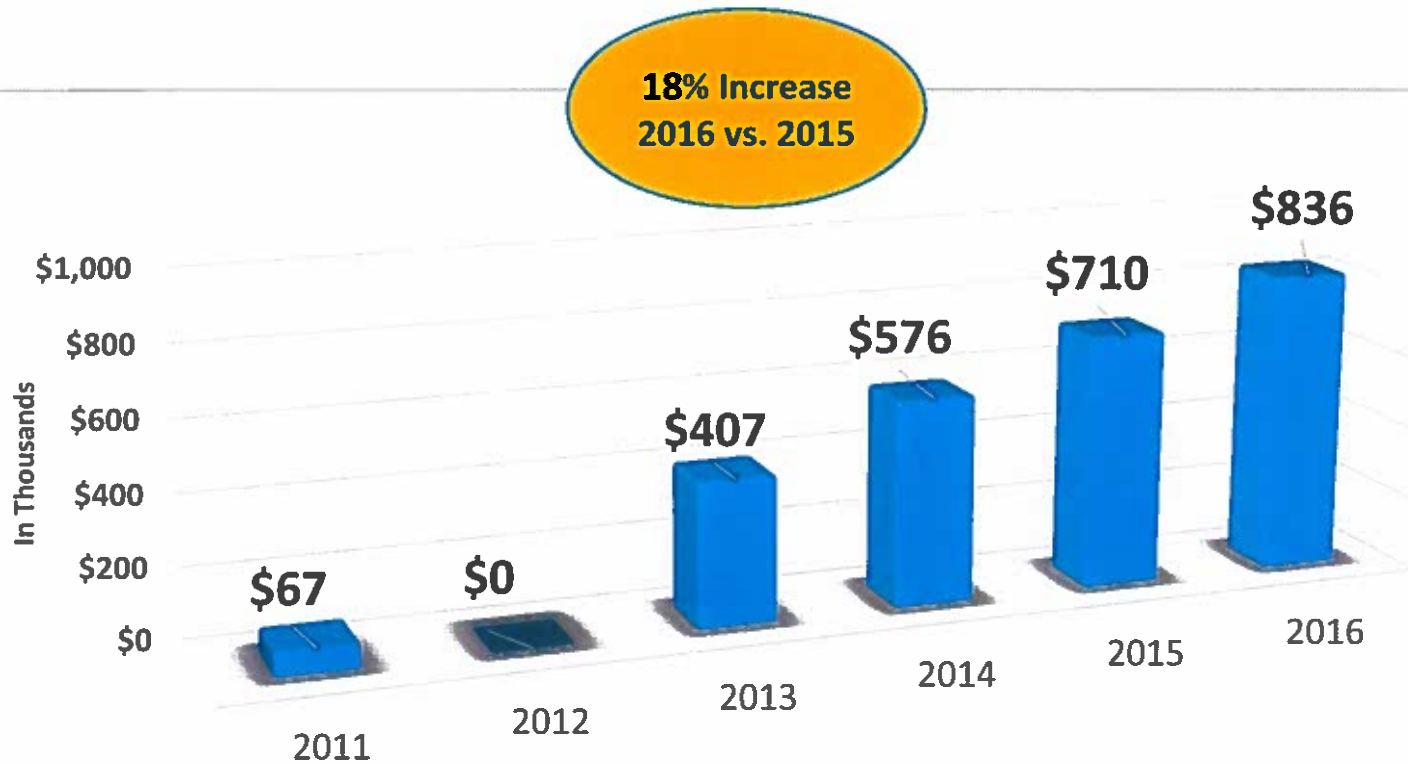
2017 YTD 6/30 Non-Interest Income:

- \$.559M (23% of bank's core non-interest income)

2016 Non-Interest Income:

- \$1,173M (27% of bank's core non-interest income)

# DIVIDENDS TO OUR SHAREHOLDERS



# STRATEGIC INITIATIVES

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## *Organic growth*

- Deepen market share in Loudoun County, VA; Berkeley County, WV and Washington County, MD
- Build new markets around seasoned bankers with a focus on Washington DC Metro MSA and adjoining counties
- Enhance and expand mortgage banking to improve fee income

## *Focus on profitability*

## *Opportunistic M&A*

# INVESTMENT SUMMARY

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- *Bank well positioned for growth*
  - Opportunity for organic growth in existing and new markets
  - Opportunistic M&A
- *Strong, experienced leadership team*
  - Conservative culture
  - Focused on service quality for clients as differentiator
- *Attractive Valuation*
  - Stable net interest margin, improving profitability
  - Price to Book multiple approximately 1.10x

**BCT**  
Bank of Charles Town

*We Simplify Your  
Financial Life*

**Potomac Bancshares, Inc.**



# APPENDIX



# MAJOR EMPLOYERS

## Jefferson County, WV

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- PNGI Charles Town Gaming
- Jefferson County Board of Education
- Shepherd University
- American Public University System
- Jefferson Medical Center
- Wal-Mart Stores, Inc.
- Royal Vendors, Inc.
- Department of the Interior (National Park Service)
- Jefferson County Commission
- Food Lion LLC

# MAJOR EMPLOYERS

## Berkeley County, WV

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- Berkeley County Board of Education: 2,300
- US Department of Veterans Affairs: 1,569
- Quad Graphics Inc.: 1,357
- WV Air National Guard: 1,230
- Berkeley Medical Center: 900
- Enterprise Computing Center (IRS): 900
- Macy's Corporate Services Inc.: 700
- Bureau Alcohol, Tobacco & Firearms: 614
- Regional Education Service Agency (RESA) VIII: 450
- FedEx Smartpost Inc.: 360

# MAJOR EMPLOYERS

## Loudoun County, VA

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- Loudoun County Public Schools: 10,000+
- Loudoun County Govt Public Administration: 1,000-4,999
- Verizon Business Information: 1,000-4,999
- US Dept. of Homeland Security: 1,000-4,999
- Orbital Sciences Corporation Dulles Manufacturing: 1,000-4,999
- United Air Lines Inc. Sterling Transportation & Warehousing: 1,000-4,999
- M C Dean Inc. Dulles Construction: 1,000-4,999
- Inova Loudoun Hospital Leesburg Health Care & Social Assistance: 1,000-4,999
- Raytheon Company Dulles Engineering Services: 1,000-4,999
- US Postal Service: 1,000-4,999

# MAJOR EMPLOYERS

## Washington County, MD

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- Meritus Medical Center: 2,740
- Citi: 2,300
- First Data: 2,183
- Volvo Group Trucks: 1,300
- FedEx Ground: 900
- Hagerstown Community College: 890
- Bowman Group, LLC (The): 745
- Merkle Response Management Group: 545
- ARC of Washington County: 500
- Direct Mail Processors: 500