

**FOR IMMEDIATE RELEASE****Potomac Bancshares, Inc. Reports 2021 Second Quarter Results**

CHARLES TOWN, W.Va., July 27, 2021 /PRNewswire/ -- Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding Company for Bank of Charles Town (BCT), for the quarter ended June 30, 2021, earned \$1.732 million or \$0.42 per share compared to \$0.826 million or \$0.20 per share for the quarter ended June 30, 2020, and \$1.778 million in the first quarter of 2021 or \$0.43 per share. Net income was \$3.510 million for the first six months of 2021 or \$0.85 per share compared to \$1.545 million or \$0.37 per share for the same period in 2020.

**Selected Highlights**

- Total assets were \$672.0 million, an increase of \$65.0 million or 10.7% over June 30, 2020.
- Investment securities increased to \$80.8 million, a \$32.0 million increase or 65.7% since June 30, 2020.
- Loans increased \$40.4 million since June 30, 2020, to \$516.2 million, an 8.5% increase. Excluding Paycheck Protection Program loans (PPP), loan growth was \$56.0 million or 13.3% for the 12-month period ending June 30, 2021. Loans grew \$16.3 million during Q2 2021, or 3.3% for the quarter. Excluding PPP loans, loans increased \$31.2 million for the first 6 months of 2021, a 7.0% increase year-to-date.
- Total deposits and cash management accounts grew to \$601.1 million, for growth of \$64.6 million, a 12.0% increase since June 30, 2020.
- Return on Assets (ROA) for the first six months of 2021 was 1.08% compared to 0.56% for the same period in 2020. ROA for the quarter was 1.04% up from last year's quarterly ROA of 0.57%, and down slightly from the prior quarter of 1.12%.
- Return on Equity (ROE) for the year was 12.62% compared to 5.86% for 2020. ROE for the quarter was 12.28% compared to 6.21% in the same quarter of the prior year, and down slightly from the first quarter 2021 of 12.97%.

"We are proud of our 2021 second quarter and full year results that demonstrate consistent profitability improvement while we continue to simultaneously invest in strategic initiatives that will drive long term profitability in the future," commented Alice P. Frazier, President and Chief Executive Officer.

Frazier continued, "We are three years into our expansion into Virginia and other strategic initiatives. Through the team's efforts, we are pleased to report we are approximately twelve months ahead of our growth forecast in both loans and deposits. It is the strong resolve and commitment of our employees and board of directors to growing our communities and creating sustainable shareholder value that drives our results."

During the quarter, the following strategic investments occurred:

- Opened a Loan Production Office in Fredericksburg, Virginia. This office is in the same facility as the University of Mary Washington Center for Economic Development as well as the Rappahannock Economic Development Corporation (REDCO).
- In conjunction with the opening of our Loan Production office in Fredericksburg, we added a team of three bankers with over 50 years of combined Small Business Administration (SBA) lending experience. The team will serve DC, Maryland, Virginia, and West Virginia.
- The BCT Investments division added three licensed investment representatives bringing our customers knowledgeable advice and increased access to our brokerage capabilities.

## Q2 2021 Compared to Q2 2020

- Securities increased \$32.0 million to \$80.8 million as of June 30, 2021, compared to \$48.8 million on June 30, 2020.
- Excluding PPP loans, total loan growth was \$56.0 million or 13.3% for the twelve-month period ending June 30, 2021. During this period there was a net reduction in PPP loans as forgiveness payoffs were greater than new PPP production.
- Deposits and cash management accounts increased by \$64.6 million or 12.0% to \$601.1 million as of June 30, 2021, compared to \$536.5 million as of June 30, 2020. The increase over the past year has been due to new product initiatives, stimulus funds, consumer savings, and PPP loan proceeds.
- Net interest margin was 3.12% for the quarter ending June 30, 2021, compared to 3.14% for the same period a year ago. The net interest margin continues to be impacted by the 2020 Federal Reserve rate cuts, significant buildup in liquidity, and the subordinated debt issuance in the third quarter of 2020. A focused effort to decrease cost of deposits plus the recognition of PPP fee income as loans were forgiven in Q2 2021 offset reductions in securities yield and loan yields (excluding PPP). The cost of deposits was 36 basis points lower at 0.31% during the quarter compared to the same period in 2020. The loan yield (excluding PPP income) was 28 basis points lower at 4.16% for the quarter ending June 30, 2021, compared to 4.44% for the same period in 2020.
- The allowance for loan losses was 1.05% of total loans outstanding as of June 30, 2021, compared to 0.99% of total loans outstanding as of June 30, 2020. Excluding PPP loans, the allowance for loan losses was 1.13% compared to 1.12% as of June 30, 2020.
- A loan loss provision was not recorded in the second quarter of 2021 compared to \$525 thousand in Q2 2020. Management believes the current balance of the allowance for loan losses is adequate for the inherent risks and uncertainties associated with the current environment. As previously reported, given the uncertainty and duration of the economic impact of the pandemic crisis, the provision for loan losses in Q2 2020 was \$525 thousand, of which \$375 thousand was due to Covid-19 adjustments to the qualitative factors within the Company's incurred loss model.
- Non-interest income for the quarter was \$1.7 million, a 22.9% increase or \$312 thousand over the second quarter of 2020. Both new business production and market conditions contributed to the 21.5% increase in trust and financial services. Deposit service charges continue to rebound from the pandemic. Secondary market mortgage fee income has continued to experience favorable market rate conditions driving purchase money financing, replacing refinance volume during the quarter. Debit card interchange fees achieved record levels during the quarter with a 34.0% increase. See Table 3 for additional details.
- Non-interest expense for the quarter ending June 30, 2021, was \$4.5 million, an increase of \$289 thousand, or 6.9% for the same period in 2020. Increases were primarily driven by occupancy expenses, advertising and public relations, computer services, other professional services, check card expense, and other operating expenses. Occupancy was up due to nonrecurring maintenance of \$42 thousand. Other operating expense was up in several areas primarily centered in contributions (this included a one-time expense) and Virginia bank franchise taxes related to growth. See Table 3 for additional details.
- Non-performing assets as a percentage of total assets including OREO was 0.02% compared to 0.15% for Q2 2020.
- Net loan recoveries for the second quarter of 2021 were 0.015% compared to net loan recoveries in the same period in 2020 of 0.012%.
- The Tier 1 leverage capital ratio for BCT was 10.20% compared to 9.38% as of June 30, 2020. The subordinated debt raises in the third quarter of 2020 and continued increases in earnings have supported the 10.7% growth in assets over the past year.

### Linked Quarter Q2 2021 Compared to Q1 2021

- Total assets were up \$10.6 million over Q1 to \$672.0, or a 1.6% increase.
- Securities increased \$10.0 million to \$80.8 million as of June 30, 2021.
- Loans grew \$16.3 million during Q2 2021, or 3.3% for the quarter. Excluding PPP loans, loans increased \$33.4 million, a 7.5% increase. The loan growth is primarily attributable to new commercial loan relationships. Given the rapid and large increase in home values, the Company has opted to sell most of its mortgage loan production while retaining the one-time construction-perm loans which will fund the remainder of the year. The commercial pipeline continues to be strong although there continues to be uncertainty with the economy and the current state of the pandemic that it becomes more difficult to estimate with certainty if future loans go to settlement.
- Deposits and cash management accounts increased \$9.6 million in Q2 of 2021, or 1.6%, or 6.4% annualized.
- Net interest margin for the quarter was 3.12% compared to 3.22% in the first quarter of 2021. While both quarters were positively impacted from the PPP interest and PPP fee acceleration due to forgiveness, PPP fees recognized in Q2 were \$364 thousand compared to \$515 thousand realized during the first quarter of 2021. Excluding the impact from PPP in both quarters, the net interest margin would have been down slightly by approximately 2 basis points. The decrease of 3 basis points in loan yield (excluding PPP) for the quarter was mitigated by achieving an additional 4 basis points reduction in deposit costs during the quarter, along with deploying excess overnight balances into higher yield securities.
- The allowance for loan losses was 1.05% of total loans outstanding as of June 30, 2021, compared to 1.08% of total loans outstanding as of March 31, 2021. Excluding PPP loans, the allowance to loans was 1.13% as of June 30, 2021, and 1.21% as of March 31, 2021.
- Non-interest income was \$1.7 million for the three months ended June 30, 2021, an increase of \$79 thousand over the prior quarter, or 4.9%. Secondary market income, debit card interchange, and service charges on deposits were up over the first quarter. Trust and financial services are consistent with the first quarter. These items offset a decrease in other operating income. Secondary market mortgage originations increased 31.6% over the first quarter producing a record high of \$28.5 million in loan originations compared to \$21.7 million in the first quarter. See Table 3 for additional details.
- Non-interest expense increased \$222 thousand, or 5.2% compared to the quarter ending March 31, 2021. Increases were primarily in salaries and employee benefits, debit card transaction expenses, and other operating expenses. Salaries and benefits increased due to new hires for the SBA initiative, incentive expenses and increased commissions due to increased mortgage volume. Debit card transaction expense increased due to volume increases as noted with the corresponding increase in debit card interchange income. Other operating expense included one-time expenses associated with celebrating the bank's 150<sup>th</sup> anniversary as well as an increase in travel, training, Virginia bank franchise taxes and FDIC insurance. See Table 3 for additional details.
- Non-performing assets as a percentage of total assets including OREO was 0.02% for both reporting periods.
- Net loan recoveries for the quarter were 0.015% compared to net loan recoveries in the first quarter of 2021 of 0.020%.
- The Tier 1 leverage capital ratio for BCT as of June 30, 2021, was 10.20% compared to 10.31% in the first quarter, both above the regulatory minimum for a well-capitalized bank.

### **Paycheck Protection Program (PPP) Update**

- BCT participated in both Round 1 and Round 2 of the PPP loan programs and, as of June 30, 2021, outstanding balances net of fees were \$37.6 million. Remaining net fees to be recognized totals \$1.5 million.

### **Loan Payment Deferrals**

- Two loans remaining in the loan deferment program under the Cares Act totaled \$3.8 million as of June 30, 2021, or less than 1% of the loan portfolio, excluding PPP loans. This is a decrease from \$14.2 million and 3.2% of the loan portfolio, excluding PPP loans as of March 31, 2021.

### **Dividend Announcement**

- At our July Board meeting, the Board of Directors declared a \$0.08 per share dividend payable to shareholders of record as of August 4, 2021, for payment on August 11, 2021.

### **About the Company**

Founded in 1871 and celebrating its 150<sup>th</sup> anniversary year, 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, an additional eight branch offices, and two loan production offices. BCT's offices are in Jefferson and Berkeley Counties (WV), Washington County (MD), and Loudoun and Stafford Counties (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 and 2020, 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 [www.mybct.bank](http://www.mybct.bank).

### **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 because of new information, future events or otherwise, except as required by applicable law.



**CONSOLIDATED FINANCIAL HIGHLIGHTS  
POTOMAC BANCSHARES, INC.**

**TABLE 1**

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

	<b>Six Months Ended</b>	
	<b><u>June 30, 2021</u></b>	<b><u>June 30, 2020</u></b>
<b>Earnings Performance</b>		
Interest and dividend income	\$11,243	\$10,517
Interest expense	<u>1,238</u>	<u>1,870</u>
Net interest income	10,005	8,647
Provision for loan losses	-	991
Non-interest income	3,275	2,653
Non-interest expense	<u>8,754</u>	<u>8,363</u>
Income Before Income Tax Expense	4,526	1,946
Income tax expense	<u>1,016</u>	<u>401</u>
Net Income	\$3,510	\$1,545
Return on average equity	12.62%	5.86%
Return on average assets	1.08%	0.56%
Net interest margin	3.17%	3.27%
<b>Balance Sheet Highlights</b>		
Total assets	\$671,994	\$606,951
Investment securities	80,823	48,785
Loans held for sale	1,592	770
Loans, net of allowance of \$5,428 in 2021 and \$4,732 in 2020	510,727	470,980
Deposits and cash management accounts	601,093	536,492
Subordinated debt, net of issuance costs	9,759	-
Shareholders' equity	\$56,887	\$53,602
<b>Shareholders' Value (per share)</b>		
Earnings per share, basic	\$0.85	\$0.37
Earnings per share, diluted	0.85	0.37
Cash dividends declared (per share)	0.15	0.14
Book value at period end (per share)	\$13.76	\$12.97
End of period number of shares outstanding	4,133,811	4,133,811
<b>Safety and Soundness</b>		
Tier 1 capital ratio (leverage ratio)*	10.20%	9.38%
Non-performing assets as a percentage of total assets including OREO	0.02%	0.15%
Allowance for loan losses as a percentage of period end loans	1.05%	0.99%
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.017%	-0.011%

\* The capital ratios presented are preliminary 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.

**CONSOLIDATED FINANCIAL HIGHLIGHTS**  
**POTOMAC BANCSHARES, INC.**  
**Quarterly Financial Data**  
**Three Months Ended**

**TABLE 2**

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

	<u>6/30/2021</u>	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>
<b>Earnings Performance</b>					
Interest and dividend income	\$5,650	\$5,593	\$5,484	\$5,340	\$5,297
Interest expense	602	636	783	847	894
Net interest income	5,048	4,957	4,701	4,493	4,403
Provision for loan losses	-	-	150	300	525
Non-interest income	1,677	1,598	1,570	1,530	1,365
Non-interest expense	4,488	4,266	4,664	4,285	4,199
Income Before Income Tax Expense	2,237	2,289	1,457	1,438	1,044
Income tax expense	505	511	315	340	218
Net Income	\$1,732	\$1,778	\$1,142	\$1,098	\$826
Return on average equity	12.28%	12.97%	8.29%	8.07%	6.21%
Return on average assets	1.04%	1.12%	0.72%	0.71%	0.57%
Net interest margin	3.12%	3.22%	3.07%	3.01%	3.14%
<b>Balance Sheet Highlights</b>					
Total assets	\$671,994	\$661,376	\$620,683	\$630,963	\$606,951
Investment securities	80,823	70,819	63,207	53,349	48,785
Loans held for sale	1,592	3,441	2,713	2,260	770
Loans, net of allowance	510,727	494,407	488,580	471,694	470,980
Deposits and cash management accounts	601,093	591,460	551,535	557,860	536,492
Subordinated debt, net of issuance costs	9,759	9,747	9,734	9,720	-
Shareholders' equity	\$56,887	\$55,545	\$54,812	\$54,117	\$53,602
<b>Shareholders' Value (per share)</b>					
Earnings per share, basic	\$0.42	\$0.43	\$0.28	\$0.27	\$0.20
Earnings per share, diluted	0.42	0.43	0.28	0.27	0.20
Cash dividends declared (per share)	0.08	0.07	0.07	0.07	0.07
Book value at period end (per share)	\$13.76	\$13.44	\$13.26	\$13.09	\$12.97
End of period number of shares outstanding	4,133,811	4,133,811	4,133,811	4,133,811	4,133,811
<b>Safety and Soundness</b>					
Tier 1 capital ratio (leverage ratio)*	10.20%	10.31%	10.23%	9.06%	9.38%
Non-performing assets as a percentage of total assets including OREO	0.02%	0.02%	0.02%	0.04%	0.15%
Allowance for loan losses as a percentage of period end loans	1.05%	1.08%	1.09%	1.09%	0.99%
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.015%	-0.020%	-0.015%	-0.154%	-0.012%

\* The capital ratios presented are preliminary 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.



**POTOMAC BANCSHARES, INC.**  
**Noninterest Income & Noninterest Expense**  
**Three Months Ended**

**TABLE 3**  
*(Unaudited- dollars in thousands)*

	<u>6/30/2021</u>	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>
<b>Noninterest Income:</b>					
Trust and financial services	\$333	\$341	\$310	\$307	\$274
Service charges on deposit accounts	205	191	233	218	163
Secondary market income	496	434	419	282	386
Interchange fees	493	429	404	401	368
Other operating income	<u>150</u>	<u>203</u>	<u>204</u>	<u>322</u>	<u>174</u>
Total Noninterest Income	\$1,677	\$1,598	\$1,570	\$1,530	\$1,365
<b>Noninterest Expenses:</b>					
Salaries and employee benefits	\$2,414	\$2,285	\$2,470	\$2,418	\$2,454
Net occupancy expense of premises	287	278	258	244	259
Furniture and equipment expenses	357	375	401	369	346
Advertising and public relations	57	56	43	46	21
Computer services and communications	319	314	322	307	284
Other professional services	236	238	255	205	186
Foreclosed property expense	0	0	0	0	-10
ATM and check card expenses	199	172	195	179	168
Other operating expenses	<u>619</u>	<u>548</u>	<u>720</u>	<u>517</u>	<u>491</u>
Total Noninterest Expenses	\$4,488	\$4,266	\$4,664	\$4,285	\$4,199

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