



Potomac Bancshares, Inc. Reports 2020 First Quarter Results

CHARLES TOWN, W.Va., April 28, 2020 /PRNewswire/ -- Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended March 31, 2020 earned \$0.719 million or \$0.17 per share compared to \$0.619 million or \$0.15 per share for the quarter ended March 31, 2019. This is a net income increase of 16% over the prior year.

Total assets were \$540.6 million, an increase of \$44.2 million or 8.9% over Q1 2019. Loans increased \$42.2 million during the quarter to \$418.5 million as of March 31, 2020, or 11.2% over the same period in 2019. Total deposits and cash management accounts grew to \$472.4 million, for growth of \$35.9 million, or 8.2% since March 31, 2019.

"The pandemic health crisis has left few untouched whether financially burdened or health compromised. Our thoughts and prayers are with all of those affected and those on the front lines serving others," commented Alice Frazier, President and Chief Executive Officer. "It is hard to adequately describe the extraordinary level of additional commitment and teamwork the BCT team has demonstrated since early March. The character of a company becomes evident in times like these and it is my belief that the strength of the BCT team is a solid representation of our 149 years of enduring resilience."

"We are pleased to present our 2020 first quarter results which demonstrates the health of our balance sheet, underlying earnings capacity and the forward progress of our growth strategies," further commented Frazier.

- Total assets finished the quarter at \$540.6 million, an increase of \$25 million since December 31, 2019. Total deposits and cash management accounts have grown \$20.6 million since year end with generally all branches contributing to the growth.
- Pre-provision, pre-tax earnings for 1Q 2020 increased 46% over 1Q 2019 indicating the positive trajectory of the growth strategies. The 1.5% decrease in Federal Funds Rates will have an impact on the net interest margin going forward however that has been mitigated somewhat by decreases in deposit rates.
- The Company's liquidity position is strong with \$67 million of cash and unencumbered securities and approximately \$200 million in secured borrowing capacity at March 31, 2019.
- Commercial loan originations were \$29 million driving net commercial loan growth of \$14.1 million for the quarter.
- Mortgage lending continues to meet new highs of production as a result of the low interest rate environment with over \$11 million alone in March. For the quarter, the team produced \$22.0 million in originations compared to \$11.2 million for the same quarter in the prior year.

Loan Payment Deferrals, Allowance for Loan Losses, PPP:

- The pandemic crisis created a need for financial relief programs for our customers including payment relief. The amount of loans approved for payment relief has stabilized at approximately 7% of consumer and 17.5% commercial loans as of April 20, 2020.
- Given the current uncertainty and duration of the economic impact of the pandemic crisis, the provision for loan losses in Q1 2020 increased to \$466 thousand, of which \$300 thousand was due to adjustments in the qualitative factors in the Company's incurred loss model. The Company will continue to evaluate the adequacy of the allowance for loan losses as more economic data becomes available and as changes within the loan portfolios become known.
- As an SBA preferred lender, the Company participated in the Paycheck Protection Program (PPP). The Company processed 270 loans for small businesses impacting 4,064 employees. The loans totaled \$40.3 million with an average loan size of \$149 thousand.
- The Company is considering pledging all its PPP loans to the Federal Reserve and utilizing the PPP Lending Facility.

Linked Quarter Q1 2020 vs. Q4 2019 (reference to margin is for the bank only):

- Total assets were \$540.6 million, compared to \$515.8 million as of December 31, 2019, growth of 4.8% for the quarter.
- Loans grew \$6.1 million during Q1 2020, or 1.5% for the quarter.
- Deposits and cash management accounts were up \$20.6 million in Q1 2020, or 4.6% for the quarter.
- Net interest margin for Q1 2020 was 3.40% compared to 3.37% in Q4 2019. An increase in yield on securities and a slight reduction in deposit costs were offset by a slight drop in loan yield.
- The allowance for loan losses was 1.00% of loans outstanding as of March 31, 2020 compared to 0.90% of total loans outstanding as of December 31, 2019.
- Non-interest income was \$1.3 million for Q1 2020, a decrease of \$243 thousand over the prior quarter. This decrease is primarily attributable to decreases in trust and financial services income from market fluctuations and decreases in service charges on deposits as well as interchange income as a result of the "Stay At Home" orders.
- Non-interest expense was down \$344 thousand. Decreases were realized in salaries and employee benefits, occupancy, data processing costs, advertising and public relations, other professional fees, director and committee fees, legal fees, and other operating expenses. During Q4 2019, the Company finalized core processing and other third-party contract negotiations for significant savings beginning Q1 2020.
- Non-performing assets as a percentage of total assets including OREO was 0.18% as of March 31, 2020 compared to 0.19% as of December 31, 2019.
- Net loan recoveries for the quarter were 0.011% compared to net charge offs in Q4 2019 of 0.016%.
- The Tier 1 leverage capital ratio was 10.42% compared to 10.48% as of last quarter, meaningfully above the regulatory minimum for a well-capitalized bank.

Q1 2020 Compared to Q1 2019(reference to margin is for the bank only):

- Net interest income grew \$328 thousand, or 8.4% to \$4.2 million for Q1 2020 compared to \$3.9 million for Q1 2019. Net interest margin generally was flat at 3.40% and 3.39%, respectively.
- Loan loss provision was \$324 thousand higher in Q1 2020 compared to Q1 2019 for the reasons mentioned above.
- Non-interest income increased \$230 thousand to \$1.3 million for Q1 2020, an increase of 22%. The increase was primarily due to growth in secondary market mortgage income (152% over the same period in the prior year). Additional increases in interchange fees, other operating income, were partly offset by a decrease in trust and financial services income.
- Non-interest expense increased \$127 thousand in Q1 2020 compared to Q1 2019, or a 3% increase. The increase in salary and benefits and communications expense, was partly offset by reductions in data processing costs.
- Net recoveries were 0.011% for Q1 2020 compared to net recoveries in Q1 2019 of 0.019%.
- The Tier 1 leverage capital ratio was 10.42% compared to 10.75% in Q1 2019 with the decrease attributable to growth in assets of \$44.2 million.

For additional information regarding the Company's first quarter 2020 results and COVID-19 response, please review the shareholder meeting materials from April 28, 2020 at <https://www.mybct.com/about-us/investor-relations>.

On April 21, 2020 Potomac Bancshares, Inc. Board of Directors declared a \$0.07 per share dividend payable to shareholders of record as of May 4, 2020 for payment on May 11, 2020. This decision was reached after careful review. Many individuals benefit and have come to rely on our dividend.



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, an additional eight branch offices, and one loan production office. BCT's offices are located 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.



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

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

	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Earnings Performance					
Interest and Dividend Income	\$5,220	\$5,193	\$5,103	\$5,005	\$4,774
Interest Expense	976	989	1,005	931	858
Net Interest Income	4,244	4,204	4,098	4,074	3,916
Provision For Loan Losses	466	132	90	110	142
Non-Interest Income	1,288	1,531	1,510	1,373	1,058
Non-Interest Expense	4,164	4,508	4,341	4,290	4,037
Income Before Income Tax Expense	902	1,095	1,177	1,047	795
Income Tax Expense	183	236	260	229	176
Net Income	\$719	\$859	\$917	\$818	\$619
Return On Average Equity	5.51%	6.54%	7.07%	6.48%	5.03%
Return On Average Assets	0.56%	0.66%	0.72%	0.66%	0.52%
Net Interest Margin **	3.40%	3.37%	3.35%	3.41%	3.39%
Balance Sheet Highlights					
Total Assets	\$540,615	\$515,845	\$505,040	\$510,557	\$496,441
Investment Securities	49,218	50,604	42,906	46,602	48,560
Loans held for sale	4,103	2,034	3,269	938	1,816
Loans, Net of allowance	414,351	408,744	396,429	386,308	372,964
Deposits And Cash Management Accounts	472,395	451,790	442,246	447,917	436,507
Shareholders' Equity	\$52,800	\$51,922	\$51,642	\$51,022	\$50,087
Shareholders' Value (per share)					
Earnings Per Share, Basic	\$0.17	\$0.21	\$0.22	\$0.20	\$0.15
Earnings Per Share, Diluted	0.17	0.21	0.22	0.20	0.15
Cash Dividends Declared (per share)	0.07	0.07	0.07	0.07	0.07
Book Value At Period End (per share)	\$12.77	\$12.56	\$12.49	\$12.34	\$12.12
End of period number of shares outstanding	4,133,811	4,133,811	4,133,811	4,133,811	4,133,811
Safety and Soundness					
Tier 1 Capital Ratio (Leverage Ratio)*	10.42%	10.48%	10.56%	10.56%	10.75%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.18%	0.19%	0.24%	0.36%	0.38%
Allowance For Loan Losses As A Percentage Of Period End Loans	1.00%	0.90%	0.90%	0.91%	0.91%
Ratio Of Net (Recoveries) Charge-Offs Annualized During The Period To Average Loans Outstanding During The Period	-0.011%	0.016%	0.041%	-0.013%	-0.019%

* 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 ratio for 03/31/2020 is preliminary.

** The net interest margin presented is for the bank.

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