



FOR IMMEDIATE RELEASE

Potomac Bancshares, Inc. Reports 2020 Fourth Quarter And Full Year Results

CHARLES TOWN, W.Va., Feb. 3, 2021 /PRNewswire/ -- Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding Company for Bank of Charles Town (BCT), for the quarter ended December 31, 2020 earned \$1.142 million or \$0.28 per share compared to \$0.859 million or \$0.21 per share for the quarter ended December 31, 2019, an increase of 33.3%. Net income for the year ended December 31, 2020 was \$3.785 million or \$0.92 per share compared to \$3.213 million or \$0.78 per share for the same period in 2019, an increase of 17.9%.

"The resiliency of the BCT team shined as we did not allow historic low interest rates, economic uncertainty or our pandemic response hinder our ability to post record results for 2020," stated Alice P. Frazier, President and CEO. "Core loan and deposit growth through new banking relationships, aggressive decreases in deposit rates and expense management all contributed to our 17.9% growth in earnings despite significantly higher loan loss provisions. In addition to the financial results presented below, we successfully converted to an enhanced digital banking system in the fourth quarter as we execute upon our digital strategy. I am proud of the team's ability to achieve our goals and operational excellence in these challenging times."

Balance Sheet Highlights

- Total assets were up to \$620.7 million as of December 31, 2020, a \$104.8 million increase or 20.3% over December 31, 2019.
- Total investment securities increased \$12.6 million to \$63.2 million as of December 31, 2020 compared to \$50.6 million as of December 31, 2019.
- Total loans were \$494.0 million which is an increase of \$81.5 million, or 19.8% over December 31, 2019. Excluding PPP loans, total loans grew \$34.9 million since December 31, 2019, an 8.5% increase. Commercial loans increased \$21.8 million in Q4 2020, an increase of 8.7% over Q3 2020.
- Deposits and cash management accounts were \$551.5 million, an increase of \$99.7 million over December 31, 2019, or 22.1%. Noninterest-bearing deposits increased \$35.7 million, or 50.9%, to end at \$105.7 million as of December 31, 2020. The increase is primarily attributable to new product initiatives, stimulus funds, and to a minor extent PPP deposits.
- A Federal Home Loan Bank Advance of \$5.0 million with a rate of 2.2% was prepaid mid fourth quarter 2020. The Company incurred \$142 thousand of expense associated with the prepayment penalty.
- The Tier 1 leverage capital ratio for the Bank of Charles Town was 10.23% on December 31, 2020 compared to 10.48% on December 31, 2019. The Company successfully raised \$10 million in subordinated debt in September 2020 and subsequently transferred \$7.5 million to BCT in October 2020.

Income Statement Highlights

- Net interest income was \$4.701 million for Q4 2020, an increase of \$0.497 million, or 11.8% compared to same period of 2019. For the full year, net interest income increased 9.5% to \$17.8 million compared to \$16.3 million for 2019.
- The net interest margin was 3.07% for Q4 2020 compared to 3.38% for Q4 2019. The net interest margin improved 6 basis points up from the 3.01% recorded in the quarter ended September 30, 2020. The net interest margin was impacted on a full year basis in 2020 by the Federal Reserve rate cuts, significant buildup in liquidity, and in Q4 2020 from our subordinated debt issuance in September. The improved margin in Q4 2020 over Q3 2020 resulted from a continued decrease in cost of deposits to 0.45% for Q4 2020 compared to 0.84% for Q4 2019, accelerated amortization from PPP loan forgiveness, and a reduction in liquidity by moving to higher earning assets with growth in securities of \$9.9 million and loans of \$24.2 million (excluding PPP loans). Actions to further reduce deposit costs and to deploy excess liquidity into higher earning assets will continue into 2021.
- Key components of non-interest income include trust fees, deposit service charges, debit card interchange fees, secondary market mortgage fees, earnings on bank owned life insurance (BOLI), and other income.
 - Non-interest income for Q4 2020 was \$1.570 million, an increase of 3.0% compared to Q4 2019 at \$1.524 million. Increases in secondary market income were 11.4% to \$0.419 million, interchange fees were up 19.9% to \$0.404 million, and other operating income was up 42.0% to \$0.159 million. These increases were partly offset by decreases in trust and financial services being down 13.2% to \$0.310 million and service charges on deposits being down 22.8% to \$0.233 million. Market volatility and a restructuring of our trust and financial services business unit resulted in the decline in revenues, however this has been partly offset by a reduction in salaries and benefit expense.
 - Non-interest income for the full year 2020 was \$5.753 million, up \$0.288 million or 5.3% over 2019. Secondary market income was \$1.364 million, an increase of \$0.314 million or 30.0%. Interchange fees were up 8.0% to \$1.495 million. Other operating income was up 95.9% to \$0.664 million and was partly offset by decreases in trust and financial services being down 12.3% to \$1.170 million and service charges on deposits being down 25.0% to \$0.880 million. Deposit service charges including overdraft fees were significantly impacted by COVID in the second quarter. Mortgage loan originations reached record levels driving a 44.9% increase to \$116.9 million compared to \$80.7 million the year before. Approximately 63.6% of the mortgage loan production was sold into the secondary market during 2020 compared to 73.1% in 2019, as part of a strategic initiative to increase portfolio loans.
- Non-interest expense was \$4.664 million for Q4 2020, a 3.6% increase compared to \$4.501 million for Q4 2019. Excluding the one-time expenses associated with the prepayment penalty of \$142 thousand and the digital banking conversion of \$61 thousand, non-interest expenses decreased 0.89% compared to Q4 2019. Increases in salaries and benefits (1.6%), computer services and online banking (26.8%), other professional fees (34.6%), printing and supplies (43.1%), and other operating expenses (27.5%) were partly offset by decreases in net occupancy expense (8.2%), marketing (42.7%), and legal fees (57.9%).
- For the full year 2020, non-interest expense was \$17.3 million, an increase of 0.8% compared to \$17.2 million for the full year 2019. Decreases in third party contract renewals, and better

overhead management offset increases in digital banking implementation costs and related customer communications, salaries and benefits, and a prepayment penalty of \$142 thousand on the early payoff of a \$5.0 million FHLB Advance. Full year one-time costs of the digital banking launch approximated \$131 thousand.

Paycheck Protection Program (PPP)

- As of December 31, 2020, PPP loans outstanding, net were \$46.6 million. Originations in 2020 were 561 loans for \$55 million. The Company began accepting applications for Round 2 of PPP on January 22, 2021.

Loan Payment Deferrals, Non-Performing Assets and Allowance for Loan Losses

- Commercial and consumer loans participating in the loan deferment program under the Cares Act totaled \$20.2 million as of December 31, 2020 or 4.5% of the loan portfolio excluding PPP loans. This is a decrease from \$22.4 million or 5.3% as of September 30, 2020 and \$63.8 million or 15.1% as of June 30, 2020. As of December 31, 2020, \$19.5 million on deferral are commercial loans. The Company monitors monthly the impact of the pandemic to these remaining borrowing relationships and remains confident each will return to normal payments. As of January 25, 2021, total loans on deferral have been reduced to \$14.8 million, and now represent 3.3% of total loans (excluding PPP loans).
- Non-performing assets as a percentage of total assets including other real estate owned (OREO) was 0.02% as of December 31, 2020, down from 0.04% as of September 30, 2020 and 0.19% as of December 31, 2019. There was no other real estate owned as of December 31, 2020.
- Loans identified as troubled debt restructurings reduced 37.2% during 2020 to \$1.0 million at year end.
- Net loan recoveries for the quarter were 0.015% compared to net loan charge offs of 0.016% in Q4 2019. Year to date net loan recoveries were 0.050% compared to net charge offs in 2019 of 0.007%.
- The provision for loan losses in Q4 2020 was \$150 thousand compared to \$132 thousand in Q4 2019. The full year loan loss provision was \$1.441 million compared to \$0.474 million in 2019. The allowance to loans (excluding PPP loans) was 1.20% as of December 31, 2020 compared to 0.90% as of December 31, 2019. The allowance to loans (excluding PPP loans) as of Q3 2020 was 1.23%.

At our January 2021 Board meeting, Potomac Bancshares, Inc. Board of Directors declared a \$0.07 per share dividend payable to shareholders of record as of February 3, 2021 for payment on February 10, 2021.

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 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.

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.

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

Twelve Months Ended

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Earnings Performance		
Interest and Dividend Income	\$21,341	\$20,075
Interest Expense	<u>3,500</u>	<u>3,783</u>
Net Interest Income	17,841	16,292
Provision For Loan Losses	1,441	474
Non-Interest Income	5,753	5,465
Non-Interest Expense	<u>17,312</u>	<u>17,169</u>
Income Before Income Tax Expense	4,841	4,114
Income Tax Expense	<u>1,056</u>	<u>901</u>
Net Income	\$3,785	\$3,213
Return On Average Equity	7.04%	6.30%
Return On Average Assets	0.64%	0.64%
Net Interest Margin	3.14%	3.39%
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Balance Sheet Highlights		
Total Assets	\$620,683	\$515,845
Investment Securities	63,207	50,604
Loans held for sale	2,713	2,034
Loans, Net of allowance of \$5,385 in 2020 and \$3,716 in 2019	488,580	408,744
Deposits And Cash Management Accounts	551,535	451,790
Subordinated Debt	9,734	-
Shareholders' Equity	\$54,812	\$51,922
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shareholders' Value (per share)		
Earnings Per Share, Basic	\$0.92	\$0.78
Earnings Per Share, Diluted	0.92	0.78
Cash Dividends Declared (per share)	0.28	0.28
Book Value At Period End (per share)	\$13.26	\$12.56
End of period number of shares outstanding	4,133,811	4,133,811
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Safety and Soundness		
Tier 1 Capital Ratio (Leverage Ratio)*	10.23%	10.48%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.02%	0.19%
Allowance For Loan Losses As A Percentage Of Period End Loans	1.09%	0.90%
Ratio Of Net (Recoveries) Charge-offs During The Period To Average Loans Outstanding During The Period	-0.050%	0.007%

* 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.

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

Three Months Ended

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

	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>
Earnings Performance					
Interest and Dividend Income	\$5,484	\$5,340	\$5,297	\$5,220	\$5,193
Interest Expense	783	847	894	976	989
Net Interest Income	4,701	4,493	4,403	4,244	4,204
Provision For Loan Losses	150	300	525	466	132
Non-Interest Income	1,570	1,530	1,365	1,288	1,524
Non-Interest Expense	4,664	4,285	4,199	4,164	4,501
Income Before Income Tax Expense	1,457	1,438	1,044	902	1,095
Income Tax Expense	315	340	218	183	236
Net Income	\$1,142	\$1,098	\$826	\$719	\$859
Return On Average Equity	8.29%	8.07%	6.21%	5.51%	6.54%
Return On Average Assets	0.72%	0.71%	0.57%	0.56%	0.66%
Net Interest Margin	3.07%	3.01%	3.14%	3.41%	3.38%
	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>
Balance Sheet Highlights					
Total Assets	\$620,683	\$630,963	\$606,951	\$540,615	\$515,845
Investment Securities	63,207	53,349	48,785	49,218	50,604
Loans held for sale	2,713	2,260	770	4,103	2,034
Loans, Net of allowance	488,580	471,694	470,980	414,351	408,744
Deposits And Cash Management Accounts	551,535	557,860	536,492	472,395	451,790
Subordinated Debt	9,734	9,720	-	-	-
Shareholders' Equity	\$54,812	\$54,117	\$53,602	\$52,800	\$51,922
	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>
Shareholders' Value (per share)					
Earnings Per Share, Basic	\$0.28	\$0.27	\$0.20	\$0.17	\$0.21
Earnings Per Share, Diluted	0.28	0.27	0.20	0.17	0.21
Cash Dividends Declared (per share)	0.07	0.07	0.07	0.07	0.07
Book Value At Period End (per share)	\$13.26	\$13.09	\$12.97	\$12.77	\$12.56
	4,133,81	4,133,81	4,133,81	4,133,81	4,133,81
End of period number of shares outstanding	1	1	1	1	1
	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>
Safety and Soundness					
Tier 1 Capital Ratio (Leverage Ratio)*	10.23%	9.06%	9.38%	10.42%	10.48%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.02%	0.04%	0.15%	0.18%	0.19%
Allowance For Loan Losses As A Percentage Of Period End Loans	1.09%	1.09%	0.99%	1.00%	0.90%
Ratio Of Net (Recoveries) Charge-Offs Annualized During The Period To Average Loans Outstanding During The Period	-0.015%	-0.154%	-0.012%	-0.011%	0.016%

* 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.