



FOR IMMEDIATE RELEASE

Potomac Bancshares, Inc. Reports 2021 First Quarter Results

CHARLES TOWN, W.Va., April 26, 2021 /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, 2021 earned \$1.778 million or \$0.43 per share compared to \$0.719 million or \$0.17 per share for the quarter ended March 31, 2020, an increase of 147.3%.

Selected Highlights

- Total assets were \$661.4 million, an increase of \$120.8 million or 22.3% over March 31, 2020.
- Loans increased \$81.3 million since March 31, 2020 to \$499.8 million, a 19.4% increase. Excluding Paycheck Protection Program loans (PPP), loan growth was \$26.7 million or 6.4% for the 12-month period ending March 31, 2021.
- Total deposits and cash management accounts grew to \$591.5 million, for growth of \$119.1 million, or 25.2% since March 31, 2020.
- Return on assets (ROA) improved for the quarter to 1.12% up from last quarter's 0.72%, and year ago quarter of 0.56%.
- Return on Equity (ROE) moved to 12.97% for the quarter up from 8.29% in fourth quarter 2020, and 5.51% in the year ago quarter.

"As we celebrate our 150th year of service, we are proud to report record financial results, an Outstanding rating on the Community Reinvestment Act (CRA) exam as well as co-founding the Banking on Diversity Fund to address the needs of the minority communities," commented Alice P. Frazier, President and Chief Executive Officer. "Executing on our strategic priorities during a continued challenging environment is a true testament of the commitment of our team and board of directors to the communities who support us."

Q1 2021 Compared to Q1 2020

- Securities increased \$21.6 million to \$70.8 million as of March 31, 2021, compared to \$49.2 million on March 31, 2020.
- Excluding PPP loans, total loan growth was \$26.7 million or 6.4% for the twelve-month period ending March 31, 2021.
- Deposits and cash management accounts increased by \$119.1 million or 25.2% to \$591.5 million as of March 31, 2021 compared to \$472.4 million as of March 31, 2020. The increase is primarily attributable to new product initiatives, stimulus funds, consumer savings, and PPP loan proceeds deposits.
- Net interest margin was down to 3.22% for the quarter ending March 31, 2021 compared to 3.41% for the same period a year ago. The net interest margin has been impacted by the 2020 Federal Reserve rate cuts, significant buildup in liquidity, and the subordinated debt issuance in the third quarter of 2020. The net interest margin improved by 21 basis points over the last 2 quarters because of an aggressive decrease in cost of deposits and the accelerated recognition of PPP fee income as loans were forgiven. The cost of deposits decreased 48 basis points to 0.35% for quarter ending March 31, 2021 compared to 0.83% for the same period in 2020. The loan yield (excluding PPP income) decreased 40 basis points to 4.19% for the quarter ending March 31, 2021 compared to 4.59% for the same period in 2020.
- The allowance for loan losses was 1.08% of total loans outstanding as of March 31, 2021 compared to 1.00% of total loans outstanding as of March 31, 2020.
- A loan loss provision was not recorded in the first quarter of 2021. Management believes the current balance of the allowance for loan losses is adequate for the inherent risks and uncertainties associated with the pandemic. As previously reported, given the uncertainty and duration of the economic impact of the pandemic crisis, the provision for loan losses in Q1 2020 was increased, of which \$300 thousand was due to adjustments in qualitative factors in the Company's incurred loss model.

- Non-interest income increased 24.1%, or \$310 thousand, to \$1.6 million for the quarter ending March 31, 2021 compared to \$1.3 million for the same period in 2020. Secondary market mortgage originations were up 53% over the prior year. In addition, debit card interchange income was positively impacted in the first quarter 2021 as the economy reopened, surpassing pre-pandemic quarterly income. See Table 2 for additional details.
- Non-interest expense for the quarter ending March 31, 2021 was \$4.3 million, an increase of 2.4% or \$102 thousand for the same period in 2020. Expense management practices continued as the company transitioned more of the retail banking staff to part-time status, recognizing the reduction of "in-branch" transactions. The savings were partly offset by increases in net occupancy expense due to seasonal weather-related expenses, FDIC assessments which were offset by the credit in 2020, and computer services driven by growth. See Table 2 for additional details.
- Non-performing assets as a percentage of total assets including OREO was 0.02% compared to 0.18% for Q1 2020.
- Net loan recoveries for the first quarter of 2021 were 0.020% compared to net loan recoveries in the first quarter of 2020 of 0.011%.
- The Tier 1 leverage capital ratio for BCT was 10.31% compared to 10.42% as of March 31, 2020. The subordinated debt raise in the third quarter of 2020 and improved earnings have allowed BCT to support the significant growth in total assets over the past year.

Linked Quarter Q1 2021 Compared to Q4 2020

- Total assets were \$661.4 million, compared to \$620.7 million as of December 31, 2020, growth of \$40.7 million, or 6.6% for the quarter.
- Securities increased \$7.6 million to \$70.8 million as of March 31, 2021.
- Loans grew \$5.9 million during Q1 2021, or 1.2% for the quarter. Excluding PPP loans, portfolio loans decreased \$2.2 million. Commercial and mortgage loan paydowns/payoffs and new loan originations with settlement dates pushed to second quarter 2021 contributed to portfolio balances being slightly down for the quarter.
- Deposits and cash management accounts increased \$39.9 million in the first quarter of 2021, or 7.2%.
- Net interest margin for the first quarter of 2021 was 3.22% compared to 3.07% in the fourth quarter of 2020. While both quarters were positively impacted from the PPP fee acceleration due to forgiveness, \$515 thousand was realized during the first quarter of 2021, a 44% increase compared to fourth quarter 2020. Excluding the impact from PPP in both quarters, the net interest margin improvement would have been 7 basis points. The 10-basis point decrease in deposit costs realized during the first quarter of 2021 outweighed the minimal decreases in securities and loan yields.
- The allowance for loan losses was 1.08% of total loans outstanding as of March 31, 2021 compared to 1.09% of total loans outstanding as of December 31, 2020. Excluding PPP loans, the allowance to loans was 1.21% as of March 31, 2021 and 1.20% as of December 31, 2020.
- Non-interest income was \$1.6 million for the three months ended March 31, 2021, an increase of \$28 thousand over the prior quarter.
- Non-interest expense decreased 8.5% or \$398 thousand to \$4.3 million for the quarter ending March 31, 2021 compared to \$4.7 million for the quarter ending December 31, 2020. During the fourth quarter of 2020, \$203 thousand of one-time costs were incurred consisting of a FHLB prepayment penalty on the early repayment of a borrowing and digital banking conversion costs. An emphasis on expense management provided additional savings throughout many categories.
- Non-performing assets as a percentage of total assets including OREO was 0.02% for both reporting periods.
- Net loan recoveries for the first quarter 2021 were 0.020% compared to net loan recoveries in the fourth quarter of 2020 of 0.015%.
- The Tier 1 leverage capital ratio for BCT in the first quarter 2021 was 10.31% compared to 10.23% in the fourth quarter, both above the regulatory minimum for a well-capitalized bank.



Paycheck Protection Program (PPP) Update

- BCT is participating in Round 2 of the PPP. As of March 31, 2021, BCT has received approval by SBA on \$28.1 million and is expecting to realize approximately \$1.3 million in fees, net of related expenses. Approximately \$27.7 million was funded as of March 31, 2021.
- As of March 31, 2021, the total for Round 1 and Round 2 PPP loans outstanding was \$54.6 million. Remaining net fees to be recognized from Round 1 approximates \$400 thousand.

Loan Payment Deferrals

- Loans participating in the loan deferment program under the Cares Act totaled \$14.2 million as of March 31, 2021 or 3.2% of the loan portfolio, excluding PPP loans. This is a decrease from \$20.2 million or 4.5% as of December 31, 2020. Nearly all of the loans are commercial and the Company monitors monthly the impact of the pandemic on these remaining borrowing relationships and is confident each will return to normal payments. As of April 19, 2021, total deferrals were down to \$10.0 million or 2.2% of the loan portfolio excluding PPP loans.

Dividend Announcement

- Previously announced on April 20, 2021, the Board of Directors declared a \$0.08 per share dividend payable to shareholders of record as of May 4, 2021 for payment on May 11, 2021. We are pleased to reward our shareholders by increasing the dividend by 14.3% in recognition of the Company's results.

About the Company

Founded in 1871 and celebrating its 150th 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 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 All point® 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.



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

Table 1

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

	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>	<u>3/31/2020</u>
Earnings Performance					
Interest and Dividend Income	\$5,593	\$5,484	\$5,340	\$5,297	\$5,220
Interest Expense	636	783	847	894	976
Net Interest Income	4,957	4,701	4,493	4,403	4,244
Provision For Loan Losses	-	150	300	525	466
Non-Interest Income	1,598	1,570	1,530	1,365	1,288
Non-Interest Expense	4,266	4,664	4,285	4,199	4,164
Income Before Income Tax Expense	2,289	1,457	1,438	1,044	902
Income Tax Expense	511	315	340	218	183
Net Income	\$1,778	\$1,142	\$1,098	\$826	\$719
Return On Average Equity	12.97%	8.29%	8.07%	6.21%	5.51%
Return On Average Assets	1.12%	0.72%	0.71%	0.57%	0.56%
Net Interest Margin	3.22%	3.07%	3.01%	3.14%	3.41%
Balance Sheet Highlights					
Total Assets	\$661,376	\$620,683	\$630,963	\$606,951	\$540,615
Investment Securities	70,819	63,207	53,349	48,785	49,218
Loans held for sale	3,441	2,713	2,260	770	4,103
Loans, Net of allowance	494,407	488,580	471,694	470,980	414,351
Deposits And Cash Management Accounts	591,460	551,535	557,860	536,492	472,395
Subordinated Debt	9,747	9,734	9,720	-	-
Shareholders' Equity	\$55,545	\$54,812	\$54,117	\$53,602	\$52,800
Shareholders' Value (per share)					
Earnings Per Share, Basic	\$0.43	\$0.28	\$0.27	\$0.20	\$0.17
Earnings Per Share, Diluted	0.43	0.28	0.27	0.20	0.17
Cash Dividends Declared (per share)	0.07	0.07	0.07	0.07	0.07
Book Value At Period End (per share)	\$13.44	\$13.26	\$13.09	\$12.97	\$12.77
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)*	10.31%	10.23%	9.06%	9.38%	10.42%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.02%	0.02%	0.04%	0.15%	0.18%
Allowance For Loan Losses As A Percentage Of Period End Loans	1.08%	1.09%	1.09%	0.99%	1.00%
Ratio Of Net Recoveries Annualized During The Period To Average Loans Outstanding During The Period	-0.020%	-0.015%	-0.154%	-0.012%	-0.011%

* 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.
Noninterest Income & Noninterest Expense
Three Months Ended

Table 2
(Unaudited- dollars in thousands)

	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>9/30/2020</u>	<u>6/30/2020</u>	<u>3/31/2020</u>
Noninterest Income:					
Trust and financial services	\$341	\$310	\$307	\$274	\$279
Service charges on deposit accounts	191	233	218	163	266
Secondary Market Income	434	419	282	386	277
Interchange fees	429	404	401	368	322
Other operating income	<u>203</u>	<u>204</u>	<u>322</u>	<u>174</u>	<u>144</u>
Total Noninterest Income	<u>\$1,598</u>	<u>\$1,570</u>	<u>\$1,530</u>	<u>\$1,365</u>	<u>\$1,288</u>
Noninterest Expenses:					
Salaries and employee benefits	\$2,285	\$2,470	\$2,418	\$2,454	\$2,386
Net occupancy expense of premises	278	258	244	259	258
Furniture and equipment expenses	375	401	369	346	333
Advertising and public relations	56	43	46	21	46
Computer services and communications	314	322	307	284	262
Professional services	238	255	205	186	213
Foreclosed property expense	-	-	-	(10)	26
ATM and check card expenses	172	195	179	168	174
Other operating expenses	<u>548</u>	<u>720</u>	<u>517</u>	<u>491</u>	<u>466</u>
Total Noninterest Expenses	<u>\$4,266</u>	<u>\$4,664</u>	<u>\$4,285</u>	<u>\$4,199</u>	<u>\$4,164</u>

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