



**FOR IMMEDIATE RELEASE**

**POTOMAC BANCSHARES, INC. REPORTS 2020 SECOND QUARTER RESULTS**

Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended June 30, 2020 earned \$0.826 million or \$0.20 per share compared to \$0.818 million or \$0.20 per share for the quarter ended June 30, 2019. Net income was \$1.545 million or \$0.37 per share for the six months of 2020 compared to \$1.437 million or \$0.35 per share for the same period in 2019, an increase of 7.5%.

"The resilience and resourcefulness of our employees to help our customers and the communities we serve continues to be amazing during the COVID-19 pandemic," commented Alice P. Frazier, President and Chief Executive Officer. "The tireless effort to assist 538 businesses with the PPP loan program, creative solutions to remain open as an essential business, the adjustment of employees to shift and remote work all the while executing on our strategic initiatives to improve the digital experience significantly improved our customers' ability to transact business during this pandemic. In early July we returned our lobby hours to "normal", although foot traffic is significantly reduced in all offices. We will use this time to study our customers' behaviors and adjust accordingly."

Frazier continued, "We are pleased to present our 2020 second quarter results which demonstrates the commitment of our employees during these challenging times. In addition, we crossed the \$600 million mark in total assets reaching an all-time high."

- Total assets were \$606.9 million, an increase of \$96.4 million or 18.9% over June 30, 2019. Total loans increased \$85.9 million to \$475.7 million, or 22% over June 30, 2019. Excluding PPP loans, growth was \$32.7 million, an 8.4% increase. Deposits and cash management accounts were \$536.5 million, an increase of \$88.6 million over 2019, or 19.8%. Excluding deposits from PPP loans, the increase was \$73.0 million or 16%.
- Pre-provision pre-tax earnings for Q2 2020 increased \$0.412 million to \$1.569 million, or 36% over Q2 2019. For the first 6 months of 2020 pre-provision pre-tax earnings increased \$0.843 million to \$2.937 million or 40% over Q2 2019, reflective of continued execution on our strategic initiatives.
- Net interest margin dropped 0.26% during Q2 compared to Q1 2020. Factors impacting the margin included the 1.5% decrease in Federal Funds Rates, excess liquidity, which was mitigated by decreases in cost of funds.
- The liquidity position is strong with \$106.6 million of cash and unencumbered securities and \$163.5 million in secured borrowing capacity at June 30, 2020.
- Non-interest income was flat as increases in secondary market mortgage income (42%) and other income (92%) were offset by decreases in trust and financial services (19%), and service charges on deposits (43%).

- Non-interest expense decreased \$91 thousand in Q2 2020 compared to Q2 2019, or 2.1%. Increases in salary and benefits were offset by decreases in data processing costs, communications expense, advertising and public relations, and debit card expenses. Emphasis on third party contract renewals during Q4 2019 are providing significant savings in 2020.
- The Tier 1 leverage capital ratio was 9.38% compared to 10.56% in Q2 2019 with the decrease attributable to growth in assets of \$96.4 million.

**Paycheck Protection Program (PPP):**

- As of June 30, 2020, we have processed 538 PPP loans for a total of \$54.5 million. Gross PPP origination fees averaged approximately 3.6% and will be recognized over the life of the loan.

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

- Beginning late Q1 2020, the Company created financial relief programs due to the pandemic crisis for our customers including payment relief. Both commercial and consumer loans participating in the 90-day loan deferment program equaled 16.3% of the total loan portfolio, excluding PPP loans as of June 30, 2020. The company continued to accrue interest on these loans. As of July 31, 2020, approximately \$27.6 million of loans began making payments reducing the amount of loans on payment deferment to 9.8% of total loans outstanding. While the reduction in deferred loans is encouraging, the path to economic recovery is uncertain which may cause further deferrals for certain loans. The Company has increased its efforts in credit risk management by segregating the deferred commercial loans into three categories (high, medium, and low risk) for in-depth monitoring and assessments.
- Non-performing assets as a percentage of total assets including other real estate owned (OREO) was 0.15% as of June 30, 2020 compared to 0.18% as of March 31, 2020 and 0.36% as of June 30, 2019. There were no assets in OREO as of June 30, 2020.
- Net loan recoveries for the quarter were 0.012% compared to net loan recoveries in Q1 2020 of 0.011% and net recoveries of 0.013% in Q2 2019.
- Given the 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. This brings the allowance to loans (excluding PPP loans) to 1.12% as of June 30, 2020. This is up from 1.00% as of March 31, 2020. Evaluation remains ongoing as the company works closely with borrowers to mitigate risk and minimize future losses.

At our July Board meeting, Potomac Bancshares, Inc. Board of Directors declared a \$0.07 per share dividend payable to shareholders of record as of August 4, 2020 for payment on August 11, 2020.

**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 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 [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 as a result of new information, future events or otherwise, except as required by applicable law.

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

Three Months Ended

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

	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>6/30/2019</u>
<b>Earnings Performance</b>					
Interest and Dividend Income	\$5,297	\$5,220	\$5,193	\$5,103	\$5,005
Interest Expense	894	976	989	1,005	931
Net Interest Income	4,403	4,244	4,204	4,098	4,074
Provision For Loan Losses	525	466	132	90	110
Non-Interest Income	1,365	1,288	1,531	1,510	1,373
Non-Interest Expense	<u>4,199</u>	<u>4,164</u>	<u>4,508</u>	<u>4,341</u>	<u>4,290</u>
Income Before Income Tax Expense	1,044	902	1,095	1,177	1,047
Income Tax Expense	218	183	236	260	229
Net Income	\$826	\$719	\$859	\$917	\$818
Return On Average Equity	6.21%	5.51%	6.54%	7.07%	6.48%
Return On Average Assets	0.57%	0.56%	0.66%	0.72%	0.66%
Net Interest Margin **	3.14%	3.40%	3.37%	3.35%	3.41%
	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>6/30/2019</u>
<b>Balance Sheet Highlights</b>					
Total Assets	\$606,951	\$540,615	\$515,845	\$505,040	\$510,557
Investment Securities	48,785	49,218	50,604	42,906	46,602
Loans held for sale	770	4,103	2,034	3,269	938
Loans, Net of allowance	470,980	414,351	408,744	396,429	386,308
Deposits And Cash Management Accounts	536,492	472,395	451,790	442,246	447,917
Shareholders' Equity	\$53,602	\$52,800	\$51,922	\$51,642	\$51,022
	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>6/30/2019</u>
<b>Shareholders' Value (per share)</b>					
Earnings Per Share, Basic	\$0.20	\$0.17	\$0.21	\$0.22	\$0.20
Earnings Per Share, Diluted	0.20	0.17	0.21	0.22	0.20
Cash Dividends Declared (per share)	0.07	0.07	0.07	0.07	0.07
Book Value At Period End (per share)	\$12.97	\$12.77	\$12.56	\$12.49	\$12.34
End of period number of shares outstanding	4,133,811	4,133,811	4,133,811	4,133,811	4,133,811
	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>6/30/2019</u>
<b>Safety and Soundness</b>					
Tier 1 Capital Ratio (Leverage Ratio)*	9.38%	10.42%	10.48%	10.56%	10.56%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.15%	0.18%	0.19%	0.24%	0.36%
Allowance For Loan Losses As A Percentage Of Period End Loans	0.99%	1.00%	0.90%	0.90%	0.91%
Ratio Of Net (Recoveries) Charge-Offs Annualized During The Period To Average Loans Outstanding During The Period	-0.012%	-0.011%	0.016%	0.041%	-0.013%

\* 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 net interest margin presented is for the bank.

## FINANCIAL HIGHLIGHTS POTOMAC BANCSHARES, INC.

	<b>Six Months Ended</b>	
	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>
<i>(Unaudited - dollars in thousands, except per share data)</i>		
<b>Earnings Performance</b>		
Interest and Dividend Income	\$10,517	\$9,779
Interest Expense	1,870	1,789
Net Interest Income	8,647	7,990
Provision For Loan Losses	991	252
Non-Interest Income	2,653	2,431
Non-Interest Expense	<u>8,363</u>	<u>8,327</u>
Income Before Income Tax Expense	1,946	1,842
Income Tax Expense	401	405
Net Income	<u>\$1,545</u>	<u>\$1,437</u>
Return On Average Equity	5.86%	5.76%
Return On Average Assets	0.56%	0.59%
Net Interest Margin**	3.26%	3.40%
	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>
<b>Balance Sheet Highlights</b>		
Total Assets	\$606,951	\$510,557
Investment Securities	48,785	46,602
Loans held for sale	770	938
Loans, Net of allowance of \$4,732 in 2020 and \$3,551 in 2019	470,980	386,308
Deposits And Cash Management Accounts	536,492	447,917
Shareholders' Equity	\$53,602	\$51,022
	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>
<b>Shareholders' Value (per share)</b>		
Earnings Per Share, Basic	\$0.37	\$0.35
Earnings Per Share, Diluted	0.37	0.35
Cash Dividends Declared (per share)	0.14	0.14
Book Value At Period End (per share)	\$12.97	\$12.34
End of period number of shares outstanding	4,133,811	4,133,811
	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>
<b>Safety and Soundness</b>		
Tier 1 Capital Ratio (Leverage Ratio)*	9.38%	10.56%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.15%	0.36%
Allowance For Loan Losses As A Percentage Of Period End Loans	0.99%	0.91%
Ratio Of Net Recoveries Annualized During The Period To Average Loans Outstanding During The Period	-0.01%	-0.02%

\* 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 net interest margin presented is for Bank.