



FOR IMMEDIATE RELEASE

POTOMAC BANCSHARES, INC. REPORTS 2020 THIRD QUARTER RESULTS

CHARLES TOWN, WV, November 3, 2020 / PRNewswire/ - Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding Company for Bank of Charles Town (BCT), for the quarter ended September 30, 2020 earned \$1.098 million or \$0.27 per share compared to \$0.917 million or \$0.22 per share for the quarter ended September 30, 2019, an increase of 19.7%. For the nine months ended September 30, 2020 net income was \$2.643 million or \$0.64 per share compared to \$2.354 million or \$0.57 per share for the same period in 2019, an increase of 12.3%.

Pre-provision pre-tax earnings for Q3 2020 were \$1.738 million, up \$0.471 million, or 37.2% over Q3 2019. For the first 9 months of 2020 pre-provision pre-tax earnings increased \$1.314 million to \$4.675 million or 39.1% over the same period in 2019

“Despite the COVID -19 pandemic, I am very proud of the consistent efforts of the BCT team to execute on our strategic plan to deliver record results for our shareholders,” commented Alice P. Frazier, President and Chief Executive Officer. “In addition to our financial results noted below, we are pleased with the key accomplishments towards our digital transformation including a new intuitive website and an enhanced online and mobile experience using leading technology. It is our goal for customers to have an amazing BCT experience whether digitally or in person.”

BALANCE SHEET HIGHLIGHTS

- Total assets were up to \$630.9 as of September 30, 2020, a \$125.9 million increase or 25% over September 30, 2019.
- Total loans were \$476.9 million which is an increase of \$76.9 million, or 19.2% over September 30, 2019. Excluding PPP loans, total loans grew \$23.1 million since Q3 2019, a 5.8% increase. Loan prepayments and paydowns in both the commercial and mortgage business lines continued during the year driven primarily by borrower liquidity, property sales, and the low interest rate environment.
- The liquidity position is strong with \$129.0 million of cash and unencumbered securities and \$171.3 million in secured borrowing capacity on September 30, 2020.
- Deposits and cash management accounts were \$557.9 million, an increase of \$115.6 million over September 30, 2019, or 26.1%. Noninterest-bearing deposits were \$101.9

million, up 62% over September 30, 2019 primarily attributable to new product initiatives toward non-interest-bearing deposits.

- The Tier 1 leverage capital ratio was 9.06% on September 30, 2020 compared to 10.56% on September 30, 2019. Subsequent to September 30, 2020, the Company down streamed to the bank subsidiary \$7.475 million of the proceeds from the September 14, 2020 subordinated debt issuance, increasing the leverage ratio to 10.28%.

INCOME STATEMENT HIGHLIGHTS

- Net interest income was \$4.493 million for Q3 2020, an increase of 9.6% compared to same period of 2019. Similarly, net interest income increased 8.7% to \$13.140 million for the nine months ended September 30, 2020 compared to \$12.088 million for the nine months ended September 30, 2019.
- The net interest margin was 3.01% for Q3 2020 compared to 3.14% for Q2 2020 and 3.35% for Q3 2019. The net interest margin was negatively impacted by the strong liquidity position, a decrease in the overall loan yield due to prepayments and payoffs, a reduction in the securities portfolio yield, which was partially offset by a continued decrease in the cost of funds. We continue to look for prudent opportunities to invest excess liquidity into higher earning assets.
- Non-interest income includes trust fees, deposit service charges, debit card interchange fees, and secondary market mortgage fees. Non-interest income for Q3 2020 was \$1.530 million, a minor increase compared to Q3 2019 at \$1.510 million. Deposit service charges and interchanges fees were initially hurt by COVID during 2020, however as the economy has improved interchange fees returned and surpassed prior year: Q3 2020 was \$401 thousand compared to \$378 thousand for Q3 2019 while service charges have stalled. Mortgage fees were \$282 thousand for Q3 2020 compared to \$293 thousand for Q3 2020 as the Company elected to retain more mortgage loans for the portfolio. Trust fees have decreased approximately 10.76% to \$307 thousand for Q3 2020 compared to \$344 thousand in Q3 2019, a result of the market volatility. Non-interest income increased \$242 thousand to \$4.183 million for the nine months ended September 30, 2020 compared to \$3.941 million for the same time period in 2019. The majority of the increase is attributable to the 40.21% increase in mortgage fee income of \$945 thousand for the nine months ended September 30, 2020 compared to \$674 thousand for last year. Year to date mortgage production has increased 50.66% to \$83.645 million compared to \$55.520 million the year before. Approximately 38.40% of the production has been retained in the portfolio versus 31.39% the prior year.
- Non-interest expense was \$4.285 million for Q3 2020, a 1.3% decrease compared to \$4.341 million for Q3 2019. Salaries and benefits increased 4.4% to \$2.418 million for Q3 2020 which was offset by decreases in third party contract negotiations, travel expenses and some marketing. Within Q3 2020 there was approximately \$45 thousand

of one-time expenses associated with the online and mobile banking conversion. For the nine months ended September 30, 2020, non-interest expense was \$12.648 million which is a slight decrease over the prior year of \$12.668 million. Increases in salaries and benefits has been offset by the same factors mentioned for Q3 2020.

- As of September 30, 2020, \$1.255 million is remaining in unamortized Paycheck Protection Program (PPP) loan fees.

LOAN PAYMENT DEFERRALS, NON-PERFORMING ASSETS and ALLOWANCE for LOAN LOSSES

- Commercial and consumer loans participating in the loan deferment program totaled \$22.4 million as of September 30, 2020 or 5.29% of the loan portfolio excluding PPP loans. Deferred loans decreased by 64.9% from \$63.8 million or 15.13% reported as of June 30, 2020.
- Non-performing assets as a percentage of total assets including other real estate owned (OREO) was 0.04% as of September 30, 2020 compared to 0.15% as of June 30, 2020, and 0.24% as of September 30, 2019. There was no other real estate owned as of September 30, 2020. In addition, the loans classified as troubled debt restructurings have decreased 18% year to date to \$1.307 million.
- Net loan recoveries for the quarter were 0.154% compared to net loan recoveries in Q2 2020 of 0.012% and net charge offs of 0.041% in Q3 2019. Year to date net loan recoveries were 0.062% compared to net charge offs in 2019 of 0.004%.
- The provision for loan losses in Q3 2020 was \$300 thousand, bringing the allowance to loans (excluding PPP loans) to 1.23% as of September 30, 2020 up from 1.12% as of June 30, 2020.

At our October Board meeting, Potomac Bancshares, Inc. Board of Directors declared a \$0.07 per share dividend payable to shareholders of record as of November 2, 2020 for payment on November 9, 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 both 2020 and 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.

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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CONSOLIDATED FINANCIAL HIGHLIGHTS
POTOMAC BANCSHARES, INC.
Quarterly Financial Data

Three Months Ended

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

	<u>9/30/2020</u>	<u>6/30/2020</u>	<u>3/31/2020</u>	<u>12/31/2019</u>	<u>9/30/2019</u>
Earnings Performance					
Interest and Dividend Income	\$5,340	\$5,297	\$5,220	\$5,193	\$5,103
Interest Expense	847	894	976	989	1,005
Net Interest Income	4,493	4,403	4,244	4,204	4,098
Provision For Loan Losses	300	525	466	132	90
Non-Interest Income	1,530	1,365	1,288	1,531	1,510
Non-Interest Expense	4,285	4,199	4,164	4,508	4,341
Income Before Income Tax Expense	1,438	1,044	902	1,095	1,177
Income Tax Expense	340	218	183	236	260
Net Income	\$1,098	\$826	\$719	\$859	\$917
Return On Average Equity	8.07%	6.21%	5.51%	6.54%	7.07%
Return On Average Assets	0.71%	0.57%	0.56%	0.66%	0.72%
Net Interest Margin	3.01%	3.14%	3.41%	3.38%	3.35%
Balance Sheet Highlights					
Total Assets	\$630,963	\$606,951	\$540,615	\$515,845	\$505,040
Investment Securities	53,349	48,785	49,218	50,604	42,906
Loans held for sale	2,260	770	4,103	2,034	3,269
Loans, Net of allowance	471,694	470,980	414,351	408,744	396,429
Deposits And Cash Management Accounts	557,860	536,492	472,395	451,790	442,246
Subordinated Debt	9,720	-	-	-	-
Shareholders' Equity	\$54,117	\$53,602	\$52,800	\$51,922	\$51,642
Shareholders' Value (per share)					
Earnings Per Share, Basic	\$0.27	\$0.20	\$0.17	\$0.21	\$0.22
Earnings Per Share, Diluted	0.27	0.20	0.17	0.21	0.22
Cash Dividends Declared (per share)	0.07	0.07	0.07	0.07	0.07
Book Value At Period End (per share)	\$13.09	\$12.97	\$12.77	\$12.56	\$12.49
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)*	9.06%	9.38%	10.42%	10.48%	10.56%
Non-Performing Assets As A Percentage Of					
Total Assets Including OREO	0.04%	0.15%	0.18%	0.19%	0.24%
Allowance For Loan Losses As A Percentage Of					
Period End Loans	1.09%	0.99%	1.00%	0.90%	0.90%
Ratio Of Net (Recoveries) Charge-Offs Annualized During The Period					
To Average Loans Outstanding During The Period	-0.154%	-0.012%	-0.011%	0.016%	0.041%

* 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.**

	Nine Months Ended	
	<u>September 30, 2020</u>	<u>September 30, 2019</u>
<i>(Unaudited- dollars in thousands, except per share data)</i>		
Earnings Performance		
Interest and Dividend Income	\$15,857	\$14,882
Interest Expense	<u>2,717</u>	<u>2,794</u>
Net Interest Income	13,140	12,088
Provision For Loan Losses	1,291	342
Non-Interest Income	4,183	3,941
Non-Interest Expense	<u>12,648</u>	<u>12,668</u>
Income Before Income Tax Expense	3,384	3,019
Income Tax Expense	<u>741</u>	<u>665</u>
Net Income	\$2,643	\$2,354
Return On Average Equity	6.61%	6.21%
Return On Average Assets	0.61%	0.63%
Net Interest Margin	3.17%	3.39%
Balance Sheet Highlights		
Total Assets	\$630,963	\$505,040
Investment Securities	53,349	42,906
Loans held for sale	2,260	3,269
Loans, Net of allowance of \$5,217 in 2020 and \$3,601 in 2019	471,694	396,429
Deposits And Cash Management Accounts	557,860	442,246
Subordinated Debt	9,720	0
Shareholders' Equity	\$54,117	\$51,642
Shareholders' Value (per share)		
Earnings Per Share, Basic	\$0.64	\$0.57
Earnings Per Share, Diluted	0.64	0.57
Cash Dividends Declared (per share)	0.21	0.21
Book Value At Period End (per share)	\$13.09	\$12.49
End of period number of shares outstanding	4,133,811	4,133,811
Safety and Soundness		
Tier 1 Capital Ratio (Leverage Ratio)*	9.06%	10.56%
Non-Performing Assets As A Percentage Of Total Assets Including OREO	0.04%	0.24%
Allowance For Loan Losses As A Percentage Of Period End Loans	1.09%	0.90%
Average Loans Outstanding During The Period	-0.062%	0.004%

* 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.