**FOR IMMEDIATE RELEASE**

**POTOMAC BANCSHARES, INC. REPORTS 2021 THIRD QUARTER RESULTS**

Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding Company for Bank of Charles Town (BCT), for the quarter ended September 30, 2021, earned $2.212 million or $0.54 per share compared to $1.098 million or $0.27 per share for the quarter ended September 30, 2020, and $1.732 million in the second quarter of 2021 or $0.42 per share.

The quarter ended September 30, 2021 was positively impacted by a $490 thousand negative loan loss provision. Loan recoveries were realized during the quarter from previously charged off loans which occurred several years ago causing the allowance for loan losses to be higher than deemed necessary. Excluding this negative provision net of tax, earnings would have been $1.838 million or $0.44 per share, an increase of 67% over the year ago quarter.

Net income was $5.722 million for the first 9 months of 2021 or $1.38 per share compared to $2.643 million or $0.64 per share for the same period in 2020. Excluding the negative loan loss provision net of tax, earnings would have been $5.348 million for the year or $1.29 per share.

**Selected Highlights**

- Total assets were $700.5 million, an increase of $69.5 million or 11.0% over September 30, 2020.
- Investment securities increased to $82.6 million, a $29.3 million increase since September 30, 2020.
- Loans increased $35.9 million since September 30, 2020, to $512.8 million, a 7.5% increase. Excluding Paycheck Protection Program loans (PPP), loan growth was $64.4 million or 15.2% for the 12-month period ending September 30, 2021. For the first nine months of 2021, loans increased $40.2 million, a 9.0% increase, excluding PPP loans.
- Total deposits grew to $622.5 million, an increase of $67.9 million, a 12.3% increase since September 30, 2020.
- Return on Assets (ROA) for the first nine months of 2021 was 1.13% compared to 0.61% for the same period in 2020. ROA for the quarter was 1.10% up from last year's quarterly ROA of 0.71%, and up from the second quarter 2021 of 1.04%.
- Return on Equity (ROE) for the year was 13.26% compared to 6.61% for 2020. ROE for the quarter was 13.21% compared to 8.07% in the same quarter of the prior year, and up from the second quarter 2021 of 12.28%.

"We are achieving consistent improvement in earnings quarter over quarter while also hitting a new milestone with total assets of $700 million," commented Alice P. Frazier, President and Chief Executive Officer. Frazier continued, "Our focused growth strategy to continually invest in the future by attracting high quality bankers and building specific services for targeted niches has positioned us in outstanding markets driving both asset and earnings growth."

Frazier continued, "We continue to hold significant liquidity on our balance sheet putting pressure on our net interest margin. Since the first round of stimulus deposits, we have questioned the "stickiness" of these deposits so that we could appropriately invest in earning assets. Consensus is building that it will be several years before the money is fully spent, however it will stay in the communities. With that in mind, we continue to strategize on how to prudently deploy the excess liquidity."

“Living up to our mission of “neighbors helping neighbors” during the quarter we launched "Pack the 'Pack" Donations Program in conjunction with the establishment of the BCT Cares Foundation,” commented Frazier. “With the support of BCT customers, employees, vendors, and local community patrons, a total of $43,000 was raised that will be used to fill 8,600 take-home backpacks with food for local food-insecure school children.”

**Q3 2021 Compared to Q3 2020**

- Securities increased to $82.6 million as of September 30, compared to $53.3 million on September 30, 2020.
- Excluding PPP loans, total loan growth was $64.4 million or 15.2% for the twelve-month period ending September 30, 2021.
- Deposit accounts increased by $67.9 million or 12.3% to $622.5 million as of September 30, 2021, compared to $554.6 million as of September 30, 2020. The continued growth in deposits reflects success in our strategic initiatives, new products, stimulus funds, consumer savings, and now to a lesser degree PPP loan proceeds.
- Net interest margin was 3.06% for the quarter ending September 30, 2021, compared to 3.01% for the same period a year ago. Net interest income increased $699 thousand to $5.2 million for the quarter ending September 30, 2021, compared to the quarter ending September 30, 2020. Total PPP interest and fees recorded in the quarter ending September 30, 2021, were $456 thousand compared to $340 thousand in the quarter ending September 30, 2020. The cost of total deposits decreased 28 basis points to 0.29% during the quarter ending September 30, 2021, compared to the same period in 2020 of 0.57%. The loan yield (excluding PPP income) was 32 basis points lower at 4.07% for the quarter ending September 30, 2021, compared to 4.39% for the same period in 2020.
- The allowance for loan losses was 1.06% of total loans outstanding as of September 30, 2021, and 1.09% as of September 30, 2020. Excluding PPP loans, the allowance for loan losses was 1.12% as of September 30, 2021, compared to 1.23% as of September 30, 2020.
- A negative loan loss provision of $490 thousand was recorded in the quarter ending September 30, 2021 compared to a $300 thousand provision in the quarter ending September 30, 2020. Loan recoveries were realized during the quarter from previously charged off loans which occurred several years ago, and these recoveries increased the allowance for loan losses higher than determined is necessary given the current credit quality.
- Non-interest income for the quarter was $1.6 million, a 7.0% increase or $107 thousand over the third quarter of 2020. Deposit service charges continue to rebound from the pandemic increasing 9.2% to $238 thousand. Secondary market mortgage fee income was $416 thousand for the quarter ending September 30, 2021, an increase of $134 thousand over the quarter ending September 30, 2020. Debit card interchange fees were up $88 thousand over the year ago quarter. See Table 3 for additional details.
- Non-interest expense for the quarter ending September 30, 2021, was $4.4 million, an increase of $152 thousand, or 3.5% for the same period in 2020. Increases were primarily driven by salaries and incentives partly mitigated by reductions in group insurance costs and 401K expenses. Advertising and public relations, digital costs, check card expenses, legal, and wealth processing costs were up. Salaries increased primarily due to addition of new bankers and increased incentives due to increased extraordinary earnings and growth. See Table 3 for additional details.
- Non-performing assets as a percentage of total assets including OREO was 0.02% compared to 0.04% for September 30, 2020.
- Net loan recoveries for the third quarter of 2021 were 0.394% compared to net loan recoveries in the same period in 2020 of 0.154%.

- The Tier 1 leverage capital ratio for BCT was 10.15% compared to 9.06% as of September 30, 2020. The subordinated debt raise in the third quarter of 2020 and continued increases in earnings have supported the 11.0% growth in assets over the past year.

**Linked Quarter Q3 2021 Compared to Q2 2021**

- Total assets were up $28.5 million over the quarter ending June 30, 2021, to $700.5, or a 4.2% increase.
- Excluding PPP loans, loans increased $9.0 million, a 1.9% increase. The commercial pipeline continues to be strong heading into the fourth quarter of 2021.
- Deposits increased $24.9 million in the quarter ending September 30, 2021, or 4.2%.
- Net interest margin for the quarter was 3.06% compared to 3.12% in the second quarter of 2021. Both quarters were positively impacted from PPP interest and PPP fee acceleration due to forgiveness. PPP fees and interest recognized in the quarter ending September 30, 2021, were $456 thousand compared to $492 thousand realized during the second quarter of 2021. Excluding the impact from PPP in both quarters, the net interest margin would have been down approximately 13 basis points. A further build up in liquidity during the quarter, along with reductions in both security and loan yields (excluding PPP loans), were partly mitigated by a reduction in deposit costs during the quarter.
- The allowance for loan losses was 1.06% of total loans outstanding as of September 30, 2021, compared to 1.05% of total loans outstanding as of June 30, 2021. Excluding PPP loans, the allowance to loans was 1.12% as of September 30, 2021, and 1.13% as of June 30, 2021.
- Non-interest income was $1.6 million for the three months ended September 30, 2021, down by $40 thousand over the prior quarter, or 2.4%. This decrease is primarily driven by a reduction in secondary market mortgage income. Mortgage originations slowed in August with volumes picking back up in September. Debit card interchange, trust and financial services, and other operating income are consistent with the second quarter of 2021. Service charges on deposits increased for the quarter. See Table 3 for additional details.
- Non-interest expense decreased $51 thousand compared to the quarter ending June 30, 2021. An increase in salary and benefits expense were primarily offset by decreases in net occupancy expenses, and other operating expenses. Included in the second quarter 2021 other operating expenses were one-time expenses associated with celebrating the bank's 150th anniversary as well as an increase in training, and Virginia bank franchise taxes. See Table 3 for additional details.
- Non-performing assets as a percentage of total assets including OREO was 0.02% for both reporting periods.
- Net loan recoveries for the quarter were 0.394% compared to net loan recoveries in the second quarter of 2021 of 0.015%.
- The Tier 1 leverage capital ratio for BCT as of September 30, 2021, was 10.15% compared to 10.20% as of June 30, 2021, both above the regulatory minimum for a well-capitalized bank.

**Paycheck Protection Program (PPP) Update**

- BCT participated in both Round 1 and Round 2 of the PPP loan programs and, as of September 30, 2021, outstanding balances net of fees were $25.3 million. Remaining net fees to be recognized totals $1.1 million.

**Loan Payment Deferrals**

- There were no loans in the loan deferment program under the Cares Act as of September 30, 2021. This is a reduction from the $3.8 million as of June 30, 2021.

**Dividend Announcement**

At our October Board meeting, Potomac Bancshares, Inc. Board of Directors declared a $0.08 per share dividend payable to shareholders of record as of November 2, 2021, for payment on November 9, 2021.

**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 two loan production offices. BCT's offices are in Jefferson and Berkeley Counties (WV), Washington County (MD), and Loudoun and Stafford Counties (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.

**TABLE 1**

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

| | Nine Months Ended | |
|---|---|---|
| | **September 30, 2021** | **September 30, 2020** |
| **Earnings Performance** | | |
| Interest and dividend income | $17,033 | $15,857 |
| Interest expense | 1,836 | 2,717 |
| Net interest income | 15,197 | 13,140 |
| Provision for loan losses | (490) | 1,291 |
| Non-interest income | 4,912 | 4,183 |
| Non-interest expense | 13,191 | 12,648 |
| Income Before Income Tax Expense | 7,408 | 3,384 |
| Income tax expense | 1,686 | 741 |
| Net Income | $5,722 | $2,643 |
| | | |
| Return on average equity | 13.26% | 6.61% |
| Return on average assets | 1.13% | 0.61% |
| Net interest margin | 3.13% | 3.17% |

| | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| **Balance Sheet Highlights** | | |
| Total assets | $700,508 | $630,963 |
| Investment securities | 82,649 | 53,349 |
| Loans held for sale | 3,191 | 2,260 |
| Loans, net of allowance of $5,449 in 2021 and $5,217 in 2020 | 507,377 | 471,694 |
| Deposits | 622,503 | 554,560 |
| Subordinated debt, net of issuance costs | 9,772 | 9,720 |
| Shareholders' equity | $58,822 | $54,117 |

| | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| **Shareholders' Value *(per share)*** | | |
| Earnings per share, basic | $1.38 | $0.64 |
| Earnings per share, diluted | 1.38 | 0.64 |
| Cash dividends declared (per share) | 0.23 | 0.21 |
| Book value at period end (per share) | $14.23 | $13.09 |
| End of period number of shares outstanding | 4,133,811 | 4,133,811 |

| | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| **Safety and Soundness** | | |
| Tier 1 capital ratio (leverage ratio)* | 10.15% | 9.06% |
| Non-performing assets as a percentage of total assets including OREO | 0.02% | 0.04% |
| Allowance for loan losses as a percentage of period end loans | 1.06% | 1.09% |
| Ratio of net recoveries annualized during the period to average loans outstanding during the period | -0.146% | -0.062% |

* The capital ratios presented are preliminary 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.

POTOMAC BANCSHARES

**TABLE 2**

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

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

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | **9/30/2021** | **6/30/2021** | **3/31/2021** | **12/31/2020** | **9/30/2020** |
| **Earnings Performance** | | | | | |
| Interest and dividend income | $5,790 | $5,650 | $5,593 | $5,484 | $5,340 |
| Interest expense | 598 | 602 | 636 | 783 | 847 |
| Net interest income | 5,192 | 5,048 | 4,957 | 4,701 | 4,493 |
| Provision for loan losses | (490) | - | - | 150 | 300 |
| Non-interest income | 1,637 | 1,677 | 1,598 | 1,570 | 1,530 |
| Non-interest expense | 4,437 | 4,488 | 4,266 | 4,664 | 4,285 |
| Income Before Income Tax Expense | 2,882 | 2,237 | 2,289 | 1,457 | 1,438 |
| Income tax expense | 670 | 505 | 511 | 315 | 340 |
| Net Income | $2,212 | $1,732 | $1,778 | $1,142 | $1,098 |
| | | | | | |
| Return on average equity | 13.21% | 12.28% | 12.97% | 8.29% | 8.07% |
| Return on average assets | 1.10% | 1.04% | 1.12% | 0.72% | 0.71% |
| Net interest margin | 3.06% | 3.12% | 3.22% | 3.07% | 3.01% |

| | **9/30/2021** | **6/30/2021** | **3/31/2021** | **12/31/2020** | **9/30/2020** |
|---|---|---|---|---|---|
| **Balance Sheet Highlights** | | | | | |
| Total assets | $700,508 | $671,994 | $661,376 | $620,683 | $630,963 |
| Investment securities | 82,649 | 80,823 | 70,819 | 63,207 | 53,349 |
| Loans held for sale | 3,191 | 1,592 | 3,441 | 2,713 | 2,260 |
| Loans, net of allowance | 507,377 | 510,727 | 494,407 | 488,580 | 471,694 |
| Deposits | 622,503 | 597,572 | 588,510 | 548,542 | 554,560 |
| Subordinated debt, net of issuance costs | 9,772 | 9,759 | 9,747 | 9,734 | 9,720 |
| Shareholders' equity | $58,822 | $56,887 | $55,545 | $54,812 | $54,117 |

| | **9/30/2021** | **6/30/2021** | **3/31/2021** | **12/31/2020** | **9/30/2020** |
|---|---|---|---|---|---|
| **Shareholders' Value *(per share)*** | | | | | |
| Earnings per share, basic | $0.54 | $0.42 | $0.43 | $0.28 | $0.27 |
| Earnings per share, diluted | 0.54 | 0.42 | 0.43 | 0.28 | 0.27 |
| Cash dividends declared (per share) | 0.08 | 0.08 | 0.07 | 0.07 | 0.07 |
| Book value at period end (per share) | $14.23 | $13.76 | $13.44 | $13.26 | $13.09 |
| End of period number of shares outstanding | 4,133,811 | 4,133,811 | 4,133,811 | 4,133,811 | 4,133,811 |

| | **9/30/2021** | **6/30/2021** | **3/31/2021** | **12/31/2020** | **9/30/2020** |
|---|---|---|---|---|---|
| **Safety and Soundness** | | | | | |
| Tier 1 capital ratio (leverage ratio)* | 10.15% | 10.20% | 10.31% | 10.23% | 9.06% |
| Non-performing assets as a percentage of total assets including OREO | 0.02% | 0.02% | 0.02% | 0.02% | 0.04% |
| Allowance for loan losses as a percentage of period end loans | 1.06% | 1.05% | 1.08% | 1.09% | 1.09% |
| Ratio of net recoveries annualized during the period to average loans outstanding during the period | -0.394% | -0.015% | -0.020% | -0.015% | -0.154% |

* The capital ratios presented are preliminary 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.

POTOMAC BANCSHARES

# CONSOLIDATED FINANCIAL HIGHLIGHTS
# POTOMAC BANCSHARES, INC.
## Noninterest Income & Noninterest Expense
## Three Months Ended

**TABLE 3**

*(**Unaudited** - dollars in thousands)*

| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 |
|---|---|---|---|---|---|
| **Noninterest Income:** | | | | | |
| Trust and financial services | $336 | $333 | $341 | $310 | $307 |
| Service charges on deposit accounts | 238 | 205 | 191 | 233 | 218 |
| Secondary market income | 416 | 496 | 434 | 419 | 282 |
| Interchange fees | 489 | 493 | 429 | 404 | 401 |
| Other operating income | 158 | 150 | 203 | 204 | 322 |
| Total Noninterest Income | $1,637 | $1,677 | $1,598 | $1,570 | $1,530 |
| **Noninterest Expenses:** | | | | | |
| Salaries and employee benefits | $2,516 | $2,414 | $2,285 | $2,470 | $2,418 |
| Net occupancy expense of premises | 252 | 287 | 278 | 258 | 244 |
| Furniture and equipment expenses | 292 | 357 | 375 | 401 | 369 |
| Advertising and public relations | 58 | 57 | 56 | 43 | 46 |
| Computer services and communications | 405 | 319 | 314 | 322 | 307 |
| Other professional services | 211 | 236 | 238 | 255 | 205 |
| Foreclosed property expense | 0 | 0 | 0 | 0 | 0 |
| ATM and check card expenses | 197 | 199 | 172 | 195 | 179 |
| Other operating expenses | 506 | 619 | 548 | 720 | 517 |
| Total Noninterest Expenses | $4,437 | $4,488 | $4,266 | $4,664 | $4,285 |