



FOR IMMEDIATE RELEASE

POTOMAC BANCSHARES, INC. REPORTS 2023 THIRD QUARTER RESULTS

CHARLES TOWN, W.V., Nov. 2, 2023 /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, 2023, earned \$1.729 million or \$0.42 per share compared to \$2.084 million or \$0.50 per share for the quarter ended September 30, 2022, and \$1.783 million in the second quarter of 2023 or \$0.43 per share.

The quarter ended September 30, 2023, was impacted by a \$274 thousand loss on sales of securities to remove lower yielding securities and reinvest in higher yielding securities. Excluding this loss, net of tax, the earnings for the third quarter of 2023 would have been \$1.941 million, or \$0.47 per share.

Net income was \$5.554 million for the first nine months of 2023 or \$1.34 per share compared to \$5.358 million or \$1.29 per share for the same period in 2022. Excluding the \$274 thousand loss on sales of securities in the third quarter of 2023, net income for the first nine months of 2023 would have been \$5.766 million, or \$1.39 per share, a 7.8% increase.

Alice P. Frazier, CEO and President commented, "We are pleased to report a new quarter end milestone at the end of September with assets over \$809 million along with a steady increase in earnings over the prior year. The team's efforts to build long-lasting relationships have brought continued deposit growth while managing the increase in the cost of funds. Our loan growth for the quarter is reflective of both our strategy to focus on C&I lending and the current economy. We remain diligent in our credit culture as such credit quality remains very strong. Non-interest income has benefitted from growth in our BCT Wealth Advisor's book of business and the shift to primarily sell mortgage loans to the secondary market."

Frazier continued, "As we evaluated our balance sheet to maximize the net interest margin, we executed upon an opportunity to improve the yield of the bond portfolio. Looking forward, we will continue to look for these prudent opportunities in a "higher for longer" environment to vigilantly manage margin and capital. Speaking on behalf of the Board, I thank our BCT team's commitment to building a high performing presence in the region."

Selected Highlights

- Total assets were \$809.6 million as of Q3 2023 compared to \$772.5 million as of Q3 2022, up 4.8% on an increase of \$37.1 million.
- Return on Assets (ROA) for the first nine months of 2023 was 0.96% compared to 0.98% in the same period in 2022.
- Return on Equity (ROE) for the first nine months of 2023 was 12.02% compared to 12.04% in the first nine months of 2022.
- Net interest income was \$19.2 million for the first nine months of 2023 up from \$17.5 million in the same period in 2022, a 10.0% increase.
- Deposits not covered by FDIC insurance, securities, and other pledged collateral were less than 10% of total deposits as of Q3 2023.

Q3 2023 Compared to Q3 2022

- Loan growth of \$52.3 million was driven by the commercial business line with growth of \$37.4 million, the mortgage business line with growth of \$11.8 million, and the home equity business line with growth of \$4.8 million, offset by a decrease in consumer and other loans of \$1.7 million.

- Non-owner-occupied office property loans were \$45.1 million or 6.9% of the total loan portfolio as of Q3 2023. Most of the office property loans are for main street, small offices.
- Securities portfolio duration as of Q3 2023 was 4.18 compared to 4.17 as of Q3 2022.
 - Net unrealized losses in the AFS portfolio were \$11.9 million as of Q3 2023 and \$11.1 million as of Q3 2022.
- The increase in total deposits of \$27.2 million since Q3 2022 is attributable to a \$33.0 million increase in interest bearing deposits (6.2% growth) offset by a \$5.8 million decrease in non-interest bearing deposits as depositors desired a return on idle cash.
- The Tier 1 leverage capital ratio for BCT was 9.93% as of Q3 2023 compared to 9.98% as of Q3 2022. The tangible equity / tangible assets ratio for the Company improved to 7.75% from 7.47% as of Q3 2022.
- Net interest margin was 3.23% for the current quarter compared to 3.49% in Q3 2022. Excluding PPP income, net interest margin was unchanged at 3.23% for Q3 2023 compared to 3.43% in Q3 2022.
 - Net interest income was down \$36 thousand for the quarter compared to Q3 2022.
 - The earning asset yield increased 77 basis points (bps) compared to Q3 2022 while interest bearing deposit costs increased by 143 bps compared to Q3 2022.
- The allowance for credit losses was 1.04% of total loans outstanding as of Q3 2023 and 1.01% as Q3 2022.
 - There was no provision for credit losses recorded in the current quarter, and \$225 thousand provision was recorded in Q3 2022.
- Non-performing assets as a percentage of total assets was 0.33% as of Q3 2023 compared to 0.01% as of Q3 2022. The increase is a result of one commercial relationship and currently management does not expect a loss. There was no Other Real Estate Owned (OREO) as of Q3 2023 or Q3 2022.
- Non-interest income for the quarter was \$1.6 million, an increase of \$138 thousand or 9.2% compared to Q3 2022 with increases primarily in Wealth and Investments and secondary market income. See Table 3 for additional details.
 - Wealth and Investments continues to add new accounts and additional fee income related to settling estates.
 - Secondary market income was up 24% with the continued shift in strategy to sell more loans in the secondary market as well as increased sale margins compared to 2022.
- Non-interest expense excluding the loss on sales of AFS Securities was \$5.5 million for Q3 2023, an increase of \$502 thousand or 10.0% over Q3 2022. See Table 3 for additional details.
 - The increase was across numerous categories to support growth initiatives and employee training. Categories showing increases included salaries and employee benefits, computer services and on-line banking, other professional services, and other.
 - An increase in FDIC insurance contributed to the increase in other operating expenses.
 - Other professional services increase was driven by increases in recruitment fees, services for internal training curriculum development, and legal.

Linked Quarter Q3 2023 Compared to Q2 2023

- Total asset growth continues to be slower, up \$15.6 million during the quarter to \$809.6 million, or 2%.
- Loans increased \$5.6 million.
- Securities portfolio duration was 4.18 as of Q3 2023 compared to 4.08 as of Q2 2023.
 - Net unrealized losses in the AFS portfolio were \$11.9 million as of Q3 2023 and \$10.6 million as of Q2 2023.

- Deposits increased \$14.6 million compared to Q2 2023. Excluding brokered CDs, core deposit growth was \$20.7 million or 3.0%.
 - Growth of \$24.2 million in interest bearing deposits was partly offset by a decrease in noninterest bearing deposits of \$9.6 million.
 - Brokered CDs were reduced to -0- with maturities of \$6.1 million during the quarter.
- The Tier 1 leverage capital ratio for BCT was 9.93% compared to 10.04% as of Q2 2023. For the Company, the tangible equity / tangible assets ratio was 7.75% compared to 7.86% as of Q2 2023.
- Net interest margin for the quarter was down 5 bps to 3.23% from 3.28% in Q2 2023.
 - The cost of interest-bearing deposits increased 28 bps to 1.83% during Q3 2023. The yield on total earning assets increased 16 bps to 4.62% during the quarter.
- Available Liquidity remains quite strong.
 - Our Federal Reserve balance was \$37.2 million as of Q3 2023 compared to \$27.0 million as of Q2 2023.
 - Available borrowing lines were \$292 million as of Q3 2023 and \$288 million as of Q2 2023.
- The allowance for credit losses was 1.04% of total loans outstanding as of Q3 2023 and 1.05% as of Q2 2023.
 - Given the strong credit quality and nominal growth, there was no provision for credit losses in Q3 2023 and \$191 thousand recorded in Q2 2023.
- Non-performing assets as a percentage of total assets was 0.33% for both quarters.
- Non-interest income and non-interest expenses were relatively flat quarter over quarter. See Table 3 for additional details.

Dividend Announcement

At our October Board meeting, Potomac Bancshares, Inc. Board of Directors declared a quarterly dividend of \$0.10 per share. The dividend is for all shareholders of record on November 2, 2023, and will be paid on November 9, 2023.

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 two loan production offices. BCT's offices are located in Jefferson and Berkeley Counties (WV), Loudoun and Stafford Counties (VA), and Washington County (MD). 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, non-profits, and local municipalities. 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 65 years, BCT Wealth Advisors has provided financial management, investment, trust, and estate services to its clients. In 2023, *American Banker* selected BCT as a "Top 200 Community Bank," an annual listing of the best performing banks in the United States with assets under \$2 billion. BCT was voted "Best of the Best" winner in the 2022 *Journal-News* Readers' Choice Awards in three categories: Bank, Loan Services, and Financial Planning.

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.

Media Contacts

Alice P. Frazier, President & CEO
Potomac Bancshares, Inc. & BCT
304-728-2431

Dean Cognetti, EVP & CFO
Potomac Bancshares, Inc. & BCT
304-728-2434

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

TABLE 1

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

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Earnings Performance		
Interest and dividend income	\$25,756	\$19,275
Interest expense	6,533	1,804
Net interest income	19,223	17,471
Provision for credit losses	222	467
Non-interest income	4,637	4,664
Non-interest expense	16,474	14,781
Income Before Income Tax Expense	7,164	6,887
Income tax expense	1,610	1,529
Net Income	<u>\$5,554</u>	<u>\$5,358</u>
Return on average equity	12.02 %	12.04 %
Return on average assets	0.96 %	0.98 %
Net interest margin	3.36 %	3.29 %
Balance Sheet Highlights		
Total assets	\$809,607	\$772,546
Investment securities	82,575	96,779
Loans held for sale	2,159	255
Loans, net of allowance for credit losses of \$6,768 in 2023 and \$6,025 in 2022	643,921	592,374
Deposits	721,253	694,060
Long term FHLB borrowings	6,000	-
Subordinated debt, net of issuance costs	9,882	9,826
Shareholders' equity	\$62,770	\$57,622
Shareholders' Value (per share)		
Earnings per share, basic	\$1.34	\$1.29
Earnings per share, diluted	1.34	1.29
Cash dividends declared (per share)	0.28	0.26
Book value at period end (per share)	\$15.15	\$13.90
End of period number of shares outstanding	4,144,561	4,144,561
Safety and Soundness		
Tier 1 capital ratio (leverage ratio)*	9.93 %	9.98 %
Tangible Equity/Tangible Assets	7.75 %	7.47 %
Non-performing assets as a percentage of total assets including OREO	0.33 %	0.01 %
Allowance for credit losses as a percentage of period end loans	1.04 %	1.01 %
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.005 %	-0.013 %

* The capital ratio presented is 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.

** Includes \$274K loss on sale of securities.

CONSOLIDATED FINANCIAL HIGHLIGHTS
POTOMAC BANCSHARES, INC.
Quarterly Financial Data

	Three Months Ended				
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Earnings Performance					
Interest and dividend income	\$9,176	\$8,548	\$8,032	\$7,789	\$7,123
Interest expense	2,752	2,272	1,509	987	663
Net interest income	6,424	6,276	6,523	6,802	6,460
Provision for credit losses	-	191	31	165	225
Non-interest income	1,633	1,667	1,337	1,419	1,495
Non-interest expense	5,821 **	5,467	5,186	5,553 ***	5,045
Income Before Income Tax Expense	2,236	2,285	2,643	2,503	2,685
Income tax expense	507	502	601	550	601
Net Income	<u>\$1,729</u>	<u>\$1,783</u>	<u>\$2,042</u>	<u>\$1,953</u>	<u>\$2,084</u>
Return on average equity	11.86 %	11.41 %	13.52 %	14.74 %	13.97 %
Return on average assets	0.93 %	0.91 %	1.09 %	1.13 %	1.10 %
Net interest margin	3.23 %	3.28 %	3.57 %	3.63 %	3.49 %
Balance Sheet Highlights					
Total assets	\$809,607	\$794,015	\$792,332	\$756,050	\$772,546
Investment securities	82,575	85,350	88,605	88,743	96,779
Loans held for sale	2,159	2,086	292	-	255
Loans, net of allowance for credit losses	643,921	638,381	620,436	616,382	592,374
Deposits	721,253	706,660	704,717	665,469	694,060
Long term FHLB borrowings	6,000	6,000	6,000	-	-
Short term overnight borrowings	-	-	-	11,720	-
Subordinated debt, net of issuance costs	9,882	9,868	9,854	9,839	9,826
Shareholders' equity	\$62,770	\$62,441	\$62,416	\$60,460	\$57,622
Shareholders' Value (per share)					
Earnings per share, basic	\$0.42	\$0.43	\$0.49	\$0.47	\$0.50
Earnings per share, diluted	0.42	0.43	0.49	0.47	0.50
Cash dividends declared (per share)	0.10	0.09	0.09	0.09	0.09
Book value at period end (per share)	\$15.15	\$15.07	\$15.06	\$14.59	\$13.90
End of period number of shares outstanding	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Safety and Soundness					
Tier 1 capital ratio (leverage ratio)*	9.93 %	10.04 %	10.25 %	10.08 %	9.98 %
Tangible Equity/Tangible Assets	7.75 %	7.86 %	7.88 %	8.00 %	7.47 %
Non-performing assets as a percentage of total assets including OREO	0.33 %	0.33 %	0.00 %	0.00 %	0.01 %
Allowance for credit losses as a percentage of period end loans	1.04 %	1.05 %	1.05 %	1.00 %	1.01 %
Ratio of net charge offs (recoveries) annualized during the period to average loans outstanding during the period	0.004 %	-0.011 %	-0.009 %	-0.008 %	-0.003 %

* The capital ratio presented is 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.

** Includes \$274k loss on sale of securities.

*** Includes \$367k loss on sale of securities.

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

TABLE 3

(Unaudited - dollars in thousands)

	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>
Noninterest Income:					
Wealth and Investments	\$453	\$425	\$390	\$344	\$370
Service charges on deposit accounts	266	266	230	268	267
Secondary market income	223	232	82	92	180
Interchange fees	515	523	484	511	504
Other operating income	176	221	151	204	174
Total Noninterest Income	<u>\$1,633</u>	<u>\$1,667</u>	<u>\$1,337</u>	<u>\$1,419</u>	<u>\$1,495</u>
Noninterest Expenses:					
Salaries and employee benefits	\$3,083	\$3,061	\$2,863	\$2,823	\$2,921
Net occupancy expense of premises	261	254	259	260	246
Furniture and equipment expenses	349	369	334	342	324
Advertising and public relations	105	133	66	76	84
Computer services and communications	486	454	409	457	401
Other professional services	329	258	289	312	217
ATM and check card expenses	243	275	227	222	225
Loss on sale of AFS securities	274	-	-	367	-
Other operating expenses	691	663	739	694	627
Total Noninterest Expenses	<u>\$5,821</u>	<u>\$5,467</u>	<u>\$5,186</u>	<u>\$5,553</u>	<u>\$5,045</u>

**CONSOLIDATED FINANCIAL HIGHLIGHTS
POTOMAC BANCSHARES, INC.
AVERAGE BALANCE SHEET, INTEREST AND RATES**

TABLE 4

(Unaudited - dollars in thousands)

	Three Months Ended 9/30/2023			Three Months Ended 6/30/2023			Three Months Ended 9/30/2022		
	Average Balance	Interest Income/ Expense	Average Yields/Rate (annualized)	Average Balance	Interest Income/ Expense	Average Yields/Rate (annualized)	Average Balance	Interest Income/ Expense	Average Yields/Rate (annualized)
ASSETS:									
Interest Earning Assets:									
Loans:									
Loans held for sale	\$ 1,856	\$ 30	6.41 %	\$ 3,824	\$ 42	4.41 %	\$ 693	\$ 10	5.72 %
Portfolio loans (1)	648,910	8,063	4.93 %	634,716	7,561	4.78 %	579,020	6,355	4.35 %
Available for sale securities (2)	94,677	545	2.28 %	96,567	542	2.25 %	97,472	438	1.78 %
Federal Reserve	40,476	498	4.88 %	31,099	361	4.66 %	55,621	303	2.16 %
Other interest earning assets	2,311	40	6.87 %	2,237	42	7.53 %	1,830	17	3.69 %
Total Interest Earning Assets	<u>788,230</u>	<u>\$ 9,176</u>	4.62 %	<u>768,443</u>	<u>\$ 8,548</u>	4.46 %	<u>734,636</u>	<u>\$ 7,123</u>	3.85 %
Other Assets	17,485			17,987			18,867		
Total Assets	<u>\$805,715</u>			<u>\$786,430</u>			<u>\$753,503</u>		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Interest-bearing Deposits	\$550,424	\$ 2,535	1.83 %	\$533,088	\$ 2,056	1.55 %	\$517,294	\$ 521	0.40 %
Federal Funds and repurchase agreements	5,232	10	0.76 %	4,468	8	0.72 %	3,787	3	0.31 %
Subordinated debt	9,873	139	5.59 %	9,859	139	5.65 %	9,818	139	5.62 %
FHLB advances	6,011	68	4.49 %	6,000	69	4.61 %	0	-	0.00 %
Total Interest-Bearing Liabilities	<u>571,540</u>	<u>\$ 2,752</u>	1.91 %	<u>553,415</u>	<u>\$ 2,272</u>	1.65 %	<u>530,899</u>	<u>\$ 663</u>	0.50 %
Non-interest-bearing deposits and other liabilities	171,033			170,339			163,425		
Total Liabilities	<u>742,573</u>			<u>723,754</u>			<u>694,324</u>		
Stockholders' Equity	63,142			62,676			59,179		
Total Liabilities and Stockholders' Equity	<u>\$805,715</u>			<u>\$786,430</u>			<u>\$753,503</u>		
Interest Rate Spread			2.71 %			2.81 %			3.35 %
Net Interest Income		\$ 6,424			\$ 6,276		\$ 6,460		
Net Interest Margin			3.23 %			3.28 %			3.49 %

(1) Total loan interest income includes amortization of deferred loan fees, net of deferred loan costs.

(2) Average balances exclude unrealized gains/losses.