



**FOR IMMEDIATE RELEASE**

## **POTOMAC BANCSHARES, INC. REPORTS 2023 FIRST QUARTER RESULTS**

CHARLES TOWN, W.Va., April 24, 2023 /PRNewswire/ -- Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), also known as The Community's Bank, for the quarter ended March 31, 2023, earned \$2.042 million or \$0.49 per share compared to \$1.669 million or \$0.40 for the quarter ended March 31, 2022, and \$1.953 million in the fourth quarter of 2022 or \$0.47 per share.

Alice P. Frazier, CEO and President commented, "Given the economic factors and sudden swift volatility in the financial industry, we are pleased with our first quarter results reflecting an increase in deposits and slight change in loan balances since year end. While we would always like better growth, our team has been actively staying close to our clients in these very uncertain times. Liquidity continues to be in the forefront of our minds, conversations, and actions. Our core deposits have stabilized, and the relationship pricing techniques have worked thus far to retain accounts and to attract a few others. Our loan pipelines, both commercial and mortgage, remain lighter than usual. Our perspective is that we would rather be selective and prudent as the loan spreads continue to be thin against the treasury."

Frazier continued, "As a 152-year-old community bank that has weathered many storms, we remain well capitalized and above minimums required by the regulators. Through the guidance of our Board of Directors and executive team, we operate in a safe and prudent manner utilizing our enterprise risk, model (ERM) to identify areas of elevated risk. The ERM considers critical components of risk, including liquidity and concentration risk. We proudly serve both consumers and businesses without a concentration in any one industry, geography, client, or group of clients. The entire BCT team is passionate about our relationship-based business model focused on building long-term trust with our clients on a one-on-one basis."

### **Selected Highlights**

- Total assets were \$792.3 million as of Q1 2023, compared to \$720.4 million as of Q1 2022, an increase of \$71.9 million or 10.0%. Total assets were up \$36.3 million since Q4 2022, or 4.8%.
- Investment securities were \$88.6 million as of Q1 2023, compared to \$88.4 million as of Q1 2022. All investment securities are classified as available for sale (AFS).
- Loans were \$627.0 million as of Q1 2023, an increase of \$103.4 million, or 19.7% over the \$523.7 million as of Q1 2022.
  - Excluding Paycheck Protection Program Loans (PPP), loan growth was \$111.7 million or 21.7% since Q1 2022.
- Total deposits grew to \$704.7 million as of Q1 2023, up \$69.1 million or 10.9% since Q1 2022, and were up \$39.2 million since Q4 2022, or 5.9%.
  - Deposits not covered by FDIC insurance, securities, and other pledged collateral were less than 15% of total deposits as of Q1 2023.
  - The deposit portfolio is diversified with consumer deposits accounting for approximately 50% of the total portfolio with the remaining 50% comprised of commercial, non-profits, and municipal deposits. The average deposit account balance is approximately \$24,252 as of Q1 2023.
- Pre-tax pre-provision net income excluding PPP fees and interest income was \$2.674 million for the quarter, compared to \$1.872 million for Q1 2022, or a 42.8% increase.

- Net interest income was \$6.5 million for the quarter compared to \$5.2 million in the first quarter of 2022, and \$6.8 million in Q4 2022.
- Tangible capital increased \$1.956 million in Q1 2023.
- Return on Assets (ROA) for the first quarter 2023 was 1.09% compared to 0.95% in the first quarter of 2022, and 1.13% in the linked quarter.
- Return on Equity (ROE) for the first quarter was 13.52% compared to 11.14% in the first quarter of 2022, and 14.74% in the linked quarter.

### **Linked Quarter Q1 2023 Compared to Q4 2022**

- Total assets increased \$36.3 million to \$792.3 million during the quarter compared to \$756.1 million as of Q4 2022, or 4.8%.
- Loans increased \$4.4 million in the quarter, or approximately 1% since Q4 2022. Increases in commercial, mortgage, and home equity were offset by a decrease in retail loans.
  - Non-owner-occupied office property loans were \$45.2 million or 7.2% of the total loan portfolio as of Q1 2023, remaining flat compared to Q4 2022.
- Securities portfolio duration was 4.46 as of Q1 2023, compared to 4.12 as of Q4 2022.
  - Net unrealized losses in the AFS portfolio were \$8.7 million as of Q1 2023, and \$9.7 million as of Q4 2022.
- Deposits were up \$39.2 million in the quarter, a 5.9% increase since Q4 2022. Core deposit growth within the \$39.2 million was \$24.9 million, or approximately 3.7%.
- Total FHLB borrowings as of Q1 2023 were \$6.0 million compared to \$11.7 million as of Q4 2022.
- The Tier 1 leverage capital ratio for BCT was 10.25%, compared to 10.08% as of Q4 2022. Both are above the regulatory minimum for a well-capitalized bank. For the Company, the tangible equity/ tangible assets ratio was 7.88% as of Q1 2023, compared to 8.00% as of Q4 2022.
  - The increase in total capital of \$1.956 million is due to a \$739 thousand increase in other comprehensive income from an increase in fair value of AFS securities, while net income added \$2.042 million to capital for the quarter. Dividends paid of \$373 thousand reduced capital as did CECL adoption of \$452 thousand.
- Net interest margin for the quarter was down 6 basis points(bps) to 3.57% from 3.63% in Q4 2022.
  - The cost of total deposits increased 29 bps to 0.77% during Q1 2023, compared to Q4 2022.
  - The loan yield was 20 bps higher at 4.75% for Q1 2023, compared to Q4 2022.
  - Net interest income decreased \$279 thousand for the quarter compared to Q4 2022. A \$243 thousand increase in interest and dividend income was offset by a \$522 thousand increase in interest expense.
- Available Liquidity.
  - Our Federal Reserve balance was \$42.5 million as of Q1 2023, up from \$3.9 million as of Q4 2022.
  - Available borrowing lines as of Q1 2023, were \$294 million up from \$280 million as of Q4 2022.
- The allowance for credit losses was 1.05% of total loans outstanding as of Q1 2023, and 1.00% as of Q4 2022.
  - The increase in the allowance for credit losses was primarily due to the adoption of CECL, the current expected credit loss accounting standard effective January 1, 2023. The Company recorded the impact of adoption to retained earnings, net of deferred income taxes, as required by the standard. The adjustment recorded at adoption was a \$452 thousand reduction to shareholders' equity and consisted of adjustments to the

allowance for credit losses on loans, as well as an adjustment to the company's reserve for unfunded loan commitments.

- A provision for credit losses of \$31 thousand was recorded in the quarter compared to \$165 thousand in Q4 2022. The Q1 2023 provision was to increase the liability for unfunded commitments.
- Non-performing assets were -0- as of Q1 2023 and Q4 2022.
- Non-interest income decreased \$82 thousand for the quarter due to decreases in service charges on deposit accounts, interchange fees, secondary market income, and other operating income, partly offset by an increase in Wealth and Investments income.
  - Wealth and Investments saw the benefit from additional estate settlement income, and continued growth in new accounts.
  - Other operating income decreased due to less fees, penalties on early withdrawals of CDs, and early loan payoffs. See Table 2 for additional details.
- Non-interest expense was flat compared to Q4 2022, when excluding the Q4 2022 loss on sale of AFS securities. See Table 2 for additional details.

### **Q1 2023 Compared to Q1 2022**

- Excluding PPP loans, the loan growth of \$111.7 million was driven by the commercial business line with growth of \$76.2 million or 21.9%, and mortgage growth of \$33.1 million or 23.3%.
  - Non-owner-occupied office property loans were \$45.2 million or 7.2% of the total loan portfolio as of Q1 2023, compared to \$22.6 million or 4.3% of the total loan portfolio as of Q1 2022.
- Securities portfolio duration as of Q1 2023, was 4.46 compared to 3.87 as of Q1 2022.
  - Net unrealized losses in the AFS portfolio were \$8.7 million as of Q1 2023.
  - Q1 2022 had net unrealized gains of \$5.0 million.
- The \$69.1 million increase in deposit account balances since Q1 2022, is attributable to a \$16.3 million increase in non interest bearing deposits, and a \$52.8 million increase in interest bearing deposits.
  - Core deposit growth within the \$69.1 million was \$54.8 million, or 8.6%.
- The Tier 1 leverage capital ratio for BCT was 10.25% as of Q1 2023, compared to 10.24% as of Q1 2022. The tangible equity / tangible assets ratio for the Company was 7.88% as of Q1 2023, and 8.24% as of Q1 2022.
- Net interest margin was 3.57% for the quarter compared to 3.04% in Q1 2022.
  - Excluding PPP income, net interest margin was unchanged at 3.57% for Q1 2023 compared to 2.93% for Q1 2022.
  - Net interest income increased \$1.4 million for the quarter compared to Q1 2022, or 26.1%. Excluding PPP income, net interest income increased \$1.6 million for the quarter, or 33.2%.
  - The cost of total deposits increased 51 bps to 0.77% during the quarter, compared to Q1 2022.
  - The loan yield (excluding PPP income) was 70 bps higher at 4.75% for the quarter, compared to Q1 2022.
- The allowance for credit losses was 1.05% of total loans outstanding as of Q1 2023 and Q1 2022. Management considers the current balance of the allowance for credit losses adequate.
  - A provision for credit losses of \$31 thousand was recorded in the quarter. There was no provision for credit losses recorded in Q1 2022.
- There were -0- non-performing assets as of Q1 2023 and 0.01% as of Q1 2022.
- Non-interest income for the quarter was \$1.3 million, a decrease of \$338 thousand or 20.2% less than 2022. See Table 2 for additional details.



- The decrease in Q1 2023 compared to Q1 2022 was primarily due to decreases in secondary market income and other operating income.
- The decrease in other operating income is primarily due to Visa incentives recorded in Q1 2022.
- Non-interest expenses increased to \$5.2 million for Q1 2023, an increase of \$488 thousand or 10.4% above Q1 2022. See Table 2 for additional details.
  - The increase in noninterest expense was across a number of categories, partly offset by a reduction in other professional fees and by occupancy expenses.

### **Dividend Announcement**

At our April Board meeting, Potomac Bancshares, Inc. Board of Directors declared a \$0.09 per share dividend payable to shareholders of record as of May 3, 2023, for payment on May 10, 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 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 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 65 years, BCT Wealth Advisors has provided financial management, investment, trust, and estate services to its clients.

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 because of new information, future events or otherwise, except as required by applicable law.



# POTOMAC BANCSHARES

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

Three Months Ended

TABLE 1

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

	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>	<u>6/30/2022</u>	<u>3/31/2022</u>
<b>Earnings Performance</b>					
Interest and dividend income	\$8,032	\$7,789	\$7,123	\$6,421	\$5,731
Interest expense	1,509	987	663	582	559
Net interest income	6,523	6,802	6,460	5,839	5,172
Provision for credit losses	31	165	225	242	-
Non-interest income	1,337	1,419	1,495	1,494	1,675
Non-interest expense	5,186	5,553 **	5,045	5,038	4,698
Income Before Income Tax Expense	2,643	2,503	2,685	2,053	2,149
Income tax expense	601	550	601	448	480
Net Income	<u>\$2,042</u>	<u>\$1,953</u>	<u>\$2,084</u>	<u>\$1,605</u>	<u>\$1,669</u>
Return on average equity	13.52 %	14.74 %	13.97 %	11.00 %	11.14 %
Return on average assets	1.09 %	1.13 %	1.10 %	0.89 %	0.95 %
Net interest margin	3.57 %	3.63 %	3.49 %	3.33 %	3.04 %
<b>Balance Sheet Highlights</b>					
Total assets	\$792,332	\$756,050	\$772,546	\$740,629	\$720,429
Investment securities	88,605	88,743	96,779	83,077	88,351
Loans held for sale	292	-	255	-	457
Loans, net of allowance for credit losses	620,436	616,382	592,374	566,423	518,151
Deposits	704,717	665,469	694,060	662,892	635,582
Long term FHLB borrowings	6,000	-	-	-	-
Short term overnight borrowings	-	11,720	-	-	-
Subordinated debt, net of issuance costs	9,854	9,839	9,826	9,812	9,799
Shareholders' equity	\$62,416	\$60,460	\$57,622	\$57,686	\$59,249
<b>Shareholders' Value (per share)</b>					
Earnings per share, basic	\$0.49	\$0.47	\$0.50	\$0.39	\$0.40
Earnings per share, diluted	0.49	0.47	0.50	0.39	0.40
Cash dividends declared (per share)	0.09	0.09	0.09	0.09	0.08
Book value at period end (per share)	\$15.06	\$14.59	\$13.90	\$13.92	\$14.30
End of period number of shares outstanding	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
<b>Safety and Soundness</b>					
Tier 1 capital ratio (leverage ratio)*	10.25 %	10.08 %	9.98 %	10.18 %	10.24 %
Tangible Equity/Tangible Assets	7.88 %	8.00 %	7.47 %	7.80 %	8.24 %
Non-performing assets as a percentage of total assets including OREO	0.00 %	0.00 %	0.01 %	0.01 %	0.01 %
Allowance for credit losses as a percentage of period end loans	1.05 %	1.00 %	1.01 %	1.01 %	1.05 %
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.009 %	-0.008 %	-0.003 %	-0.033 %	-0.002 %

\* The capital ratio presented is 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.

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



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

**TABLE 2**

*(Unaudited - dollars in thousands)*

	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>	<u>6/30/2022</u>	<u>3/31/2022</u>
<b>Noninterest Income:</b>					
Wealth and Investments	\$390	\$344	\$370	\$379	\$413
Service charges on deposit accounts	230	268	267	253	243
Secondary market income	82	92	180	134	221
Interchange fees	484	511	504	517	459
Other operating income	151	204	174	211	339
Total Noninterest Income	<u>\$1,337</u>	<u>\$1,419</u>	<u>\$1,495</u>	<u>\$1,494</u>	<u>\$1,675</u>
<b>Noninterest Expenses:</b>					
Salaries and employee benefits	\$2,863	\$2,823	\$2,921	\$2,815	\$2,628
Net occupancy expense of premises	259	260	246	251	321
Furniture and equipment expenses	334	342	324	356	323
Advertising and public relations	66	76	84	75	61
Computer services and communications	409	457	401	390	352
Other professional services	289	312	217	269	283
ATM and check card expenses	227	222	225	214	205
Loss on sale of AFS securities	-	367	-	-	-
Other operating expenses	739	694	627	668	525
Total Noninterest Expenses	<u>\$5,186</u>	<u>\$5,553</u>	<u>\$5,045</u>	<u>\$5,038</u>	<u>\$4,698</u>



# POTOMAC BANCSHARES

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

**TABLE 3**

(Unaudited - dollars in thousands)

	Three Months Ended			Three Months Ended			Three Months Ended		
		3/31/2023		12/31/2022		3/31/2022			
	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)
<b>ASSETS:</b>									
Interest Earning Assets:									
Loans:									
Loans held for sale	\$ 559	\$ 9	6.53 %	\$ 550	\$ 8	5.78 %	\$ 684	\$ 5	2.96 %
Portfolio loans (1)	625,192	7,316	4.75 %	611,564	7,011	4.55 %	519,310	5,348	4.18 %
Available for sale securities (2)	97,790	551	2.29 %	106,843	567	2.11 %	86,255	328	1.54 %
Federal Reserve	14,055	125	3.61 %	23,237	179	3.06 %	80,466	37	0.19 %
Other interest earning assets	2,696	31	4.66 %	1,886	24	5.05 %	2,860	13	1.84 %
Total Interest Earning Assets	740,292	\$ 8,032	4.40 %	744,080	\$ 7,789	4.15 %	689,575	\$ 5,731	3.37 %
Other Assets	17,836			15,945			22,991		
Total Assets	\$758,128			\$760,025			\$712,566		
<b>Liabilities and Stockholders' Equity</b>									
Interest-bearing liabilities:									
Interest-bearing Deposits	\$506,352	\$ 1,266	1.01 %	\$517,256	\$ 824	0.63 %	\$482,335	\$ 409	0.34 %
Federal Funds and repurchase agreements	3,842	7	0.74 %	3,893	6	0.62 %	11,060	12	0.44 %
Subordinated debt	9,845	139	5.73 %	9,831	139	5.60 %	9,791	138	5.72 %
FHLB advances	8,858	97	4.44 %	1,650	18	4.33 %	-	-	0.00 %
Total Interest-Bearing Liabilities	528,897	\$ 1,509	1.16 %	532,630	\$ 987	0.74 %	503,186	\$ 559	0.45 %
Non-interest-bearing deposits and other liabilities	167,982			169,068			148,613		
Total Liabilities	696,879			701,698			651,799		
Stockholders' Equity	61,249			58,327			60,767		
Total Liabilities and Stockholders' Equity	\$758,128			\$760,025			\$712,566		
<b>Interest Rate Spread</b>			3.24 %			3.41 %			2.92 %
<b>Net Interest Income</b>		\$ 6,523			\$ 6,802			\$ 5,172	
<b>Net Interest Margin</b>			3.57 %			3.63 %			3.04 %

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

(2) Average balances exclude unrealized gains/losses.

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