



## FOR IMMEDIATE RELEASE

### POTOMAC BANCSHARES, INC. REPORTS 2022 FOURTH QUARTER AND FULL YEAR RESULTS NOTING RECORD LOAN GROWTH

CHARLES TOWN, W.Va., Feb. 7, 2023 /PR Newswire/ Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended December 31, 2022 earned \$1.953 million or \$0.47 per share compared to \$1.848 million or \$0.45 for the quarter ended December 31, 2021, and \$2.084 million in the third quarter of 2022 or \$0.50 per share.

The quarter ended December 31, 2022 was impacted by a \$367 thousand loss on sales of securities to remove lower yielding securities as interest rates moved significantly higher over the past year. Excluding this loss, net of tax, the earnings for the fourth quarter of 2022 would have been \$2.239 million, or \$0.54 per share.

Net income was \$7.311 million for the full year 2022 or \$1.77 per share compared to \$7.570 million or \$1.83 per share in 2021. Excluding the \$367 thousand loss on sales of securities in the fourth quarter of 2022, net income for the full year 2022 would have been \$7.598 million, or \$1.83 per share.

The full year 2021 was positively impacted by a \$490 thousand negative loan loss provision in the third quarter of 2021. Loan recoveries were realized during the third quarter of 2021 from previously charged off loans causing the allowance for loan losses to be higher than deemed necessary. Excluding this negative provision, net of tax, full year earnings in 2021 would have been \$7.196 million, or \$1.74 per share.

"As we reflect upon 2022, the Board of Directors and I are extremely proud of the BCT team's commitment to executing upon our purpose to "Simplify Our Client's Financial Life" which resulted in 20.4% loan growth without compromising our disciplined credit culture, 14.7% non-interest bearing deposit growth of quality accounts, and 5.9% wealth management fee income growth despite a 19% decline in the market," stated Alice P. Frazier, President and CEO. "The slower mortgage market gave us an opportunity to improve our mortgage platform by expanding our products and reducing our overhead costs. Our investments in technology to enhance our client experience as well as insights about our clients reaps new opportunities for growth."

Frazier further commented, "The current economic environment is driving increased competition for deposits as well as concerns regarding a potential recession. We believe strongly in our relationship pricing model for providing our clients the best return for their savings as a means of managing increased funding costs. Our credit quality remains pristine and our bankers remain in close contact with our clients monitoring for any signs of stress."

#### Selected Highlights

- Total assets were \$756.1 million as of December 31, 2022, compared to \$711.4 million as of December 31, 2021, an increase of \$44.7 million or 6.3%.
- Loans were \$622.6 million as of December 31, 2022, an increase for the year of \$105.6 million, or 20.4% over the \$517.0 million as of December 31, 2021. Excluding PPP loans, loan growth was \$120.2 million or 23.9% for the full year.

- Total deposits grew to \$665.5 million as of December 31, 2022, an increase of \$36.4 million or 5.8% for the year.
- Pre-tax pre-provision net income excluding Paycheck Protection Program loan (PPP) fees and interest income was \$9.320 million for the full year 2022, compared to \$7.222 million for 2021, or a 29.1% increase.
- Net interest income was \$24.3 million, up 17.9%, or \$3.7 million for the full year, compared to \$20.6 million in 2021. Net interest income, excluding PPP income, was up 27.3%, or \$5.1 million for the full year compared to 2021.
- Net interest margin was 3.38% for 2022, compared to 3.13% for 2021. Net interest margin improved to 3.63% in the current quarter compared to 3.49% in the linked quarter.
- Return on Assets (ROA) for 2022 was 0.99% compared to 1.12% in 2021. On a linked quarter basis ROA improved to 1.13% from 1.10%.
- Return on Equity (ROE) for 2022 was 12.35% compared to 13.18% in 2021. On a linked quarter basis ROE was 14.74% compared to 13.97%.

The following strategic events occurred during the quarter:

- First Recipient of Federal Home Loan Bank of Pittsburgh (FHLB) Diversity, Equity, and Inclusion Award for our Banking on Diversity minority business loan program.
- Through our ongoing Small Business Administration (SBA) efforts, BCT ranked 3rd in West Virginia and 5th in Virginia among similarly sized Banks.
- BCTCares Foundation's second annual "Pack The 'Pack" program raised \$56,000 to fund local backpack charities fulfilling its mission to feed the food insecure within the communities we serve.

#### **Q4 2022 Compared to Q4 2021**

- Total loans, excluding PPP loans, increased to \$622.6 million, a 23.9% increase in 2022. Increases in the commercial business line with a net increase of \$83.2 million, or 24.6%, the mortgage portfolio with a net increase of \$33.9 million, or 24.4%, and home equity with a net increase of \$4.6 million or 24.6% drove the overall increase.
- Deposit balances increased \$36.4 million, or 5.8%, with noninterest-bearing deposits contributing \$20.7 million, or 14.7%, and interest-bearing deposits of \$15.7 million, or 3.2%.
- The Tier 1 leverage capital ratio for BCT was 10.08% as of December 31, 2022, compared to 10.18% as of December 31, 2021. The tangible equity / tangible assets ratio for the Company was 8.00% as of December 31, 2022, and 8.54% as of December 31, 2021.
- Net interest margin was 3.63% for the quarter compared to 3.13% in 2021. Excluding PPP income, net interest margin was 3.62% for the quarter compared to 2.94% in 2021.
  - Net interest income increased \$1.4 million for the quarter compared to Q4 2021. Excluding PPP income, net interest income increased \$1.9 million to \$6.8 million for the quarter compared to \$4.9 million in 2021, or a 38.0% increase.
- A loan loss provision of \$165 thousand was recorded in the quarter driven by the growth in the loan portfolio. There was no loan loss provision recorded in Q4 2021.
- Non-interest income for the quarter was \$1.4 million, a decrease of \$497 thousand or 25.9% less than 2021. See Table 3 for additional details.

- Decreases in Trust and financial services, secondary market income, and other operating income, were partly offset by increases in service charges on deposit accounts and interchange fees. Continuing into Q4, higher mortgage interest rates and lack of housing inventory pressured our mortgage volume. Other operating income was down in the quarter compared to Q4 2021 which had nonrecurring other loan recoveries of \$204 thousand, \$52 thousand from Boli death proceeds, and an increase in penalty from early payoffs on loans.
- Non-interest expense increased to \$5.6 million for the quarter, an increase of \$623 thousand or 12.6% above Q 4 2021. See Table 3 for additional details.
  - Increases in computer services and communication, other professional fees, other operating expenses, and loss on sale of securities were partly offset by decreases in salaries and employee benefits. The decrease in salaries and benefits is due to additional incentive accruals of \$290 thousand recognizing business unit achievements in Q4 2021, partly offset by continued investments in growth and raising the minimum hourly wage in late fourth quarter of 2021.
- The allowance for loan losses was 1.00% of total loans outstanding as of December 31, 2022, and 1.06% as of December 31, 2021. Excluding PPP loans, the allowance for loan losses was 1.00% as of December 31, 2022, compared to 1.10% as of December 31, 2021. Management considers the current balance of the allowance for loan losses adequate for the inherent risks and uncertainties associated with the current environment.
- There were no non-performing assets as December 31, 2022, and 0.01% as of December 31, 2021.
- Net loan recoveries in the quarter were 0.008% compared to net loan recoveries in 2021 of 0.043%.

#### **Linked Quarter Q4 2022 Compared to Q3 2022**

- Total assets decreased \$16.5 million to \$756.1 million during the quarter compared to \$772.5 million as of September 30, 2022, or 2.1%.
- Loans increased \$24.2 million in the quarter, a 4.0% increase since September 30, 2022. The primary drivers of this growth were commercial loans \$15.4 million, or 3.8%, mortgage portfolio loans \$6.9 million or 4.1%, and home equity \$2.3 million or 10.7%. This growth was partly offset by a decrease in retail loans.
- The securities portfolio duration was 4.12 compared to 4.16 at the end of Q3 2022.
- Deposits were down \$28.6 million in the quarter, a 4.1% decrease since September 30, 2022. Noninterest bearing deposits decreased \$3.7 million or 2.3%, and interest-bearing deposits decreased \$24.9 million or 4.7%. Along with the usual balance fluctuations of certain account types we continued to see pricing pressures from online offers for CDs and Money Markets.
- Short term borrowings were \$11.7 million compared to -0- as of September 30, 2022.
- The Tier 1 leverage capital ratio for BCT was 10.08%, compared to 9.98% as of September 30, 2022, 2022. Both are above the regulatory minimum for a well-capitalized bank. Tangible equity/ tangible assets ratio for the Company was 8.00% compared to 7.47% as of September 30, 2022. The total capital of \$60.46 million reflects an increase of \$2.84 million from \$57.62 million as of September 30, 2022. The increase in total capital is due to a \$1.26 million increase in other comprehensive income from an increase in fair value of available-for-sale investment securities, an increase in pension, partly offset by a decrease in other post-retirement benefits. Net income added \$1.95 million to capital for the quarter, and dividends paid of \$373 thousand reduced capital.

- Net interest margin for the quarter was up 14 bps to 3.63% from 3.49% in the third quarter. Excluding the impact from PPP in the quarter, the net interest margin was 3.62% compared to 3.43% in the third quarter.
  - Earning asset yields moved higher in the securities portfolio, loans, and overnight funds, offset with a 23-basis point increase in interest bearing deposit costs during the quarter moving from 40-basis points to 63-basis points.
  - Excluding PPP income, net interest income increased \$439 thousand, compared to an increase of \$801 for Q3.
- A loan loss provision of \$165 thousand was recorded in the quarter compared to \$225 thousand in Q3 2022.
- Non-interest income was down \$76 thousand for the quarter. Decreases in Trust and financial services and secondary market income primarily drove the decrease. Trust and financial services had less estate settlements in Q4 2022 compared to Q3 2022. Secondary market income was down as higher interest rates and low housing inventory slowed volumes. See Table 3 for additional details.
- Non-interest expense increased \$508 thousand. Securities losses accounted for \$367 thousand of this amount. Increases in computer services, other professional fees, and other operating expense were partly offset by a decrease in salaries and employee benefits. Salaries and benefits in Q3 2022 were higher due to a temporary increase in our summer intern program aligned around our future talent engagement efforts.
- The allowance for loan losses was 1.00% of total loans outstanding for the quarter and 1.01% for Q3 2022.
- There were no non-performing assets as of December 31, 2022, and 0.01% as of September 30, 2022.
- Net loan recoveries in the quarter were 0.008% compared to 0.003% in Q3 2022.

#### **Final Paycheck Protection Program (PPP) Update**

- BCT participated in Round 1 and Round 2 of the PPP loan programs. Net fees recognized in 2022 totaled \$702 thousand, and \$2.1 million in 2021.

#### **Dividend Announcement**

At our January Board meeting, Potomac Bancshares, Inc. Board of Directors declared a \$0.09 per share dividend payable to shareholders of record as of February 3, 2023, for payment on February 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. In 2021, 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](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.

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# CONSOLIDATED FINANCIAL HIGHLIGHTS

## POTOMAC BANCSHARES, INC.

**TABLE 1**

|  | <b>Twelve Months Ended</b>      |                                 |
|--|---------------------------------|---------------------------------|
|  | <u><b>December 31, 2022</b></u> | <u><b>December 31, 2021</b></u> |
| <i>( Unaudited - dollars in thousands, except per share data)</i>                        |                                 |                                 |
| <b>Earnings Performance</b>  |                                 |                                 |
| Interest and dividend income   | \$27,064                        | \$23,005                        |
| Interest expense   | 2,791                           | 2,423                           |
| Net interest income  | <u>24,273</u>                   | <u>20,582</u>                   |
| Provision for loan losses  | 632                             | (490)                           |
| Non-interest income  | 6,083                           | 6,820                           |
| Non-interest expense   | <u>20,334 **</u>                | <u>18,113 **</u>                |
| Income Before Income Tax Expense   | 9,390                           | 9,779                           |
| Income tax expense   | <u>2,079</u>                    | <u>2,209</u>                    |
| Net Income   | <u><u>\$7,311</u></u>           | <u><u>\$7,570</u></u>           |
| <br>   |                                 |                                 |
| Return on average equity   | 12.35%                          | 13.18%                          |
| Return on average assets   | 0.99%                           | 1.12%                           |
| Net interest margin  | 3.38%                           | 3.13%                           |
|  | <u><b>December 31, 2022</b></u> | <u><b>December 31, 2021</b></u> |
| <b>Balance Sheet Highlights</b>  |                                 |                                 |
| Total assets   | \$756,050                       | \$711,388                       |
| Investment securities  | 88,743                          | 82,284                          |
| Loans held for sale  | -                               | 528                             |
| Loans, net of allowance of \$6,202 in 2022 and \$5,504 in 2021                           | 616,382                         | 511,474                         |
| Deposits   | 665,469                         | 629,086                         |
| Short term FHLB overnight borrowings   | 11,720                          | -                               |
| Subordinated debt, net of issuance costs   | 9,839                           | 9,785                           |
| Shareholders' equity   | \$60,460                        | \$60,770                        |
|  | <u><b>December 31, 2022</b></u> | <u><b>December 31, 2021</b></u> |
| <b>Shareholders' Value (per share)</b>   |                                 |                                 |
| Earnings per share, basic  | \$1.77                          | \$1.83                          |
| Earnings per share, diluted  | 1.77                            | 1.83                            |
| Cash dividends declared (per share)  | 0.35                            | 0.31                            |
| Book value at period end (per share)   | \$14.59                         | \$14.70                         |
| End of period number of shares outstanding   | 4,144,561                       | 4,133,811                       |
|  | <u><b>December 31, 2022</b></u> | <u><b>December 31, 2021</b></u> |
| <b>Safety and Soundness</b>  |                                 |                                 |
| Tier 1 capital ratio (leverage ratio)*   | 10.08%                          | 10.18%                          |
| Tangible Equity/Tangible Assets  | 8.00%                           | 8.54%                           |
| Non-performing assets as a percentage of total assets including OREO                     | 0.00%                           | 0.01%                           |
| Allowance for loan losses as a percentage of period end loans                            | 1.00%                           | 1.06%                           |
| Ratio of net recoveries during the period to average loans outstanding during the period | -0.011%                         | -0.120%                         |

\* 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 \$367k loss on sale of securities in 2022 and \$8k gain on sale of securities in 2021.

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

TABLE 2

|   | Three Months Ended |                |                |                |                |
|---|--------------------|----------------|----------------|----------------|----------------|
|   | 12/31/2022         | 9/30/2022      | 6/30/2022      | 3/31/2022      | 12/31/2021     |
| <i>( Unaudited - dollars in thousands, except per share data)</i>                                   |                    |                |                |                |                |
| <b>Earnings Performance</b>   |                    |                |                |                |                |
| Interest and dividend income  | \$7,789            | \$7,123        | \$6,421        | \$5,731        | \$5,972        |
| Interest expense  | 987                | 663            | 582            | 559            | 587            |
| Net interest income   | 6,802              | 6,460          | 5,839          | 5,172          | 5,385          |
| Provision for loan losses   | 165                | 225            | 242            | -              | -              |
| Non-interest income   | 1,419              | 1,495          | 1,494          | 1,675          | 1,916          |
| Non-interest expense  | 5,553 **           | 5,045          | 5,038          | 4,698          | 4,930          |
| Income Before Income Tax Expense  | 2,503              | 2,685          | 2,053          | 2,149          | 2,371          |
| Income tax expense  | 550                | 601            | 448            | 480            | 523            |
| Net Income  | <u>\$1,953</u>     | <u>\$2,084</u> | <u>\$1,605</u> | <u>\$1,669</u> | <u>\$1,848</u> |
| Return on average equity  | 14.74%             | 13.97%         | 11.00%         | 11.14%         | 11.26%         |
| Return on average assets  | 1.13%              | 1.10%          | 0.89%          | 0.95%          | 0.95%          |
| Net interest margin   | 3.63%              | 3.49%          | 3.33%          | 3.04%          | 3.13%          |
|   | 12/31/2022         | 9/30/2022      | 6/30/2022      | 3/31/2022      | 12/31/2021     |
| <b>Balance Sheet Highlights</b>   |                    |                |                |                |                |
| Total assets  | \$756,050          | \$772,546      | \$740,629      | \$720,429      | \$711,388      |
| Investment securities   | 88,743             | 96,779         | 83,077         | 88,351         | 82,284         |
| Loans held for sale   | -                  | 255            | -              | 457            | 528            |
| Loans, net of allowance   | 616,382            | 592,374        | 566,423        | 518,151        | 511,474        |
| Deposits  | 665,469            | 694,060        | 662,892        | 635,582        | 629,086        |
| Short term FHLB overnight borrowings  | 11,720             | -              | -              | -              | -              |
| Subordinated debt, net of issuance costs  | 9,839              | 9,826          | 9,812          | 9,799          | 9,785          |
| Shareholders' equity  | \$60,460           | \$57,622       | \$57,686       | \$59,249       | \$60,770       |
|   | 12/31/2022         | 9/30/2022      | 6/30/2022      | 3/31/2022      | 12/31/2021     |
| <b>Shareholders' Value (per share)</b>  |                    |                |                |                |                |
| Earnings per share, basic   | \$0.47             | \$0.50         | \$0.39         | \$0.40         | \$0.45         |
| Earnings per share, diluted   | 0.47               | 0.50           | 0.39           | 0.40           | 0.45           |
| Cash dividends declared (per share)   | 0.09               | 0.09           | 0.09           | 0.08           | 0.08           |
| Book value at period end (per share)  | \$14.59            | \$13.90        | \$13.92        | \$14.30        | \$14.70        |
| End of period number of shares outstanding  | 4,144,561          | 4,144,561      | 4,144,561      | 4,144,561      | 4,133,811      |
|   | 12/31/2022         | 9/30/2022      | 6/30/2022      | 3/31/2022      | 12/31/2021     |
| <b>Safety and Soundness</b>   |                    |                |                |                |                |
| Tier 1 capital ratio (leverage ratio)*  | 10.08%             | 9.98%          | 10.18%         | 10.24%         | 10.18%         |
| Tangible Equity/Tangible Assets   | 8.00%              | 7.47%          | 7.80%          | 8.24%          | 8.54%          |
| Non-performing assets as a percentage of total assets including OREO                                | 0.00%              | 0.01%          | 0.01%          | 0.01%          | 0.01%          |
| Allowance for loan losses as a percentage of period end loans                                       | 1.00%              | 1.01%          | 1.01%          | 1.05%          | 1.06%          |
| Ratio of net recoveries annualized during the period to average loans outstanding during the period | -0.008%            | -0.003%        | -0.033%        | -0.002%        | -0.043%        |

\* 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 \$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>12/31/2022</u> | <u>9/30/2022</u> | <u>6/30/2022</u> | <u>3/31/2022</u> | <u>12/31/2021</u> |
|--------------------------------------|-------------------|------------------|------------------|------------------|-------------------|
| <b>Noninterest Income:</b>           |                   |                  |                  |                  |                   |
| Trust and financial services         | \$344             | \$370            | \$379            | \$413            | \$412             |
| Service charges on deposit accounts  | 268               | 267              | 253              | 243              | 248               |
| Secondary market income              | 92                | 180              | 134              | 221              | 290               |
| Interchange fees                     | 511               | 504              | 517              | 459              | 495               |
| Other operating income               | 204               | 174              | 211              | 339              | 471               |
| Total Noninterest Income             | <u>\$1,419</u>    | <u>\$1,495</u>   | <u>\$1,494</u>   | <u>\$1,675</u>   | <u>\$1,916</u>    |
| <b>Noninterest Expenses:</b>         |                   |                  |                  |                  |                   |
| Salaries and employee benefits       | \$2,823           | \$2,921          | \$2,815          | \$2,628          | \$2,880           |
| Net occupancy expense of premises    | 260               | 246              | 251              | 321              | 250               |
| Furniture and equipment expenses     | 342               | 324              | 356              | 323              | 339               |
| Advertising and public relations     | 76                | 84               | 75               | 61               | 68                |
| Computer services and communications | 457               | 401              | 390              | 352              | 351               |
| Other professional services          | 312               | 217              | 269              | 283              | 249               |
| Foreclosed property expense          | -                 | -                | -                | -                | -                 |
| ATM and check card expenses          | 222               | 225              | 214              | 205              | 228               |
| Loss on sale of AFS securities       | 367               | -                | -                | -                | -                 |
| Other operating expenses             | 694               | 627              | 668              | 525              | 565               |
| Total Noninterest Expenses           | <u>\$5,553</u>    | <u>\$5,045</u>   | <u>\$5,038</u>   | <u>\$4,698</u>   | <u>\$4,930</u>    |