



POTOMAC BANCSHARES, INC. REPORTS 2022 SECOND QUARTER RESULTS

CHARLES TOWN, W.V., Aug. 2, 2022 /PRNewswire/ -- Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended June 30, 2022, earned \$1.605 million or \$0.39 per share compared to \$1.732 million or \$0.42 for the quarter ended June 30, 2021, and \$1.669 million in the first quarter of 2022 or \$0.40 per share.

Net income was \$3.274 million for the first six months of 2022 or \$0.79 per share compared to \$3.510 million or \$0.85 per share for the same period in 2021.

Selected Highlights

- Total assets were \$739.4 million as of June 30, 2022, compared to \$672.0 million as of June 30, 2021, an increase of \$67.4 million or 10.0%.
- Pre-tax pre-provision net income excluding PPP fees and interest income, was \$3.873 million for the six months ending June 30, 2022, compared to \$3.383 million for the six months ending June 30, 2021, or a 14.5% increase.
- Loans were \$572.2 million as of June 30, 2022, up \$56.0 million over the \$516.2 million as of June 30, 2021, a 10.8% increase. Excluding Paycheck Protection Program loans (PPP), loan growth was \$91.4 million or 19.1% since June 30, 2021. Loan growth excluding PPP loans in the first six months of 2022 was \$67.6 million or 13.5% growth since December 31, 2021.
- Credit quality remains pristine with non-performing assets at 0.01% of total assets.
- Total deposits grew to \$662.9 million as of June 30, 2022, an increase of \$65.3 million or 10.9% over the June 30, 2021, total of \$597.6 million. Deposits increased \$33.8 million, or 5.4% since December 31, 2021.
- Net interest income increased \$1.0 million, or 10.1%, to \$11.0 million for the six months ending June 30, 2022, compared to \$10.0 million for the same period in 2021. Excluding PPP income, net interest income increased \$1.6 million, or 17.8%, to \$10.5 million for the six months ending June 30, 2022, compared to \$8.9 for the same period in 2021.
- Net interest margin was 3.19% for the six months ending June 30, 2022, compared to 3.17% for the six months ending June 30, 2021. Net interest margin increased to 3.33% for the second quarter 2022 compared to 3.04% for the linked prior quarter.
- Return on Assets (ROA) for the six months ending June 30, 2022, was 0.92% compared to 1.08% for the six months ending June 30, 2021.
- Return on Equity (ROE) for the six months ending June 30, 2022, was 11.07% compared to 12.62% for the six months ending June 30, 2021.

"The best way to congratulate our entire BCT team this year is to highlight the results of their hard work," stated Alice P. Frazier, President and CEO. "Our assets have organically grown by 10%, our loans and deposits each grew nearly 11%, and our fee income continues to grow. Our goal remains consistent even during times of market turmoil: to stay focused on our employees, customers, and communities to create shareholder value. Most gratifying is knowing how we continue to positively impact the communities we serve."

Q2 2022 Compared to Q2 2021

- Excluding PPP loans, total loans increased to \$570.0 million as of June 30, 2022, compared to \$478.6 million as of June 30, 2021, a 19.1% increase. An increase in the commercial business line with net growth of \$73.2 million or 23.8%, and mortgage portfolio loans with a net increase of \$18.3 million drove the overall loan portfolio increase.

- Deposit accounts increased to \$662.9 million as of June 30, 2022, increasing \$65.3 million or 10.9% over June 30, 2021. Noninterest-bearing deposits grew \$25.2 million since June 30, 2021, or 19.0% while interest bearing deposits were up \$40.1 million or 8.6% over June 30, 2021.
- The Tier 1 leverage capital ratio for BCT was 10.18% as of June 30, 2022, compared to 10.20% as of June 30, 2021. The tangible equity / tangible assets ratio for the Company was 7.80% as of June 30, 2022, and 8.47% as of June 30, 2021.
- Net interest margin was 3.33% for the three months ending June 30, 2022, compared to 3.12% for the three months ending June 30, 2021. Excluding PPP income net interest margin was 3.19% for the three months ending June 30, 2022, compared to 3.05% for the three months ending June 30, 2021.
 - Excluding PPP income, net interest income increased \$987 thousand to \$5.5 million for the three months ending June 30, 2022, compared to \$4.6 million for the three months ending June 30, 2021.
 - Total PPP interest and fees recorded in the quarter ending June 30, 2022, were \$295 thousand compared to \$492 thousand in the quarter ending June 30, 2021.
- A loan loss provision of \$242 thousand was recorded in the quarter ending June 30, 2022, driven by the growth in the loan portfolio. There was no loan loss provision recorded in the quarter ending June 30, 2021.
- Non-interest income for the quarter ending June 30, 2022, decreased \$183 thousand or 10.9% over the quarter ending June 30, 2021. See Table 2 for additional details.
 - Increases in Trust and financial services, service charges on deposit accounts, interchange fees, and other operating income were offset by a 73% reduction in secondary market income. Trust and financial services increased 13.8% due to continued growth in new investment management relationships. Other operating income was up \$61 thousand primarily from an increase in bank owned life insurance income (BOLI) from additional purchases in Q3 2021, and an increase in pre-payment penalties from early payoffs on loans.
 - The decrease in secondary market income was partly mitigated by our increased portfolio lending with 82% of total mortgage originations in Q2 2022 going to portfolio compared to 29% in Q2 2021. In 2021, with extremely low interest rates we directed more mortgages to the secondary market taking the fee income as opposed to holding a low-rate loan. While total mortgage originations for the 6 months ending June 30, 2022, compared to the same period in 2021 are down only 18.1%, we opted in 2022 to retain a greater portion of mortgage loans in our portfolio to deploy the excess liquidity into higher yields.
- Non-interest expense increased to \$5.0 million for the quarter ending June 30, 2022, an increase of \$550 thousand or 12.2% above the quarter ending June 30, 2021. Year over year increase in salaries and benefits are the primary driver of this increase. Continued investments in growth include the hiring of our SBA team in May 2021, additional commercial bankers in Northern Virginia in 2022, and raising the minimum hourly wage in late fourth quarter of 2021 in response to the competitive workforce environment all contributed to the increase. See Table 2 for additional details.
- The allowance for loan losses was 1.01% of total loans outstanding as of June 30, 2022, and 1.05% as of June 30, 2021. Excluding PPP loans, the allowance for loan losses was 1.02% as of June 30, 2022, compared to 1.13% as of June 30, 2021. Management considers the current balance of the allowance for loan losses adequate for the inherent risks and uncertainties associated with the current environment.
- Non-performing assets as a percentage of total assets including OREO was 0.01% as of June 30, 2022, compared to 0.02% as of June 30, 2021.
- Net loan recoveries for Q2 2022 were 0.033% compared to net loan recoveries in the same period in 2021 of 0.015%.

Linked Quarter Q2 2022 Compared to Q1 2022

- Total assets increased \$20.2 million to \$739.4 million as of June 30, 2022, compared to March 31, 2022, or 11.2% annualized growth.

- Excluding PPP loans, loans increased \$54.7 million in the quarter ending June 30, 2022, or a 10.6% increase since March 31, 2022. Commercial loans increased \$33.1 million, or 9.5% and portfolio mortgage loans increased \$22.0 million, or 15.5%.
- Deposits increased \$27.3 million in the quarter ending June 30, 2022, or a 4.3% increase since March 31, 2022. Noninterest bearing deposits increased \$8.3 million, or 5.5% in the quarter ending June 30, 2022, and interest-bearing deposits grew \$19.0 million, or 3.9% in the quarter ending June 30, 2022.
- The Tier 1 leverage capital ratio for BCT was 10.18% as of June 30, 2022, compared to 10.24% as of March 31, 2022. Both are above the regulatory minimum for a well-capitalized bank. Tangible equity/ tangible assets ratio (non-regulatory measure) for the Company was 7.80% as of June 30, 2022, and 8.24% as of March 31, 2022. The total capital of \$57.686 million as of June 30, 2022, reflects a decrease of \$1.563 million from \$59.249 million as of March 31, 2022. The decrease in total capital during the second quarter of 2022 is primarily due to a \$2.795 million decrease in other comprehensive income due to changes in fair value of available-for-sale investment securities, dividends paid of \$373 thousand, and offset by net income of \$1.605 million for the quarter.
- Net interest margin for the quarter was up 29 bps to 3.33% from 3.04% for the quarter ending March 31, 2022. PPP interest and fee income positively impacted both quarters. Excluding the impact from PPP in the second quarter 2022 and first quarter 2022, the net interest margin was 3.19% compared to 2.93%, respectively.
 - Excluding PPP income, net interest income increased \$648 thousand to \$5.5 million for the quarter, compared to \$4.9 million for the quarter ending March 31, 2022.
 - Total PPP interest and fees recorded in the quarter ending June 30, 2022, were \$295 thousand compared to \$276 thousand in the quarter ending March 31, 2022.
- A loan loss provision of \$242 thousand was recorded in the quarter ending June 30, 2022, driven by the growth in the portfolio. There was no loan loss provision recorded in the quarter ending March 31, 2022.
- Non-interest income was down \$181 thousand to \$5.0 million for the quarter ending June 30, 2022, or 10.8% compared to the quarter ending March 31, 2022. See Table 2 for additional details.
 - Increases in interchange fees, and service charges on deposits were offset by decreases in trust and financial services, secondary market income, and other operating income. Other operating income was down primarily from Visa incentives in the first quarter partly offset by an increase in pre-payment penalties from early payoff on loans. Secondary market income was down as more mortgage loans, 82% of originations in Q2 2022 were directed to the portfolio compared to 50% in Q1 2022.
- Non-interest expense for the quarter was \$5.0 million, an increase of \$340 thousand compared to the three months ending March 31, 2022. Increases in salaries and benefits, and other operating expenses primarily drove the increase. Incentive expenses increased as certain business units had higher production in Q2 2022. Other operating expenses were up across several categories. Included are \$59 thousand of nonrecurring expenses. See Table 2 for additional details.
- The allowance for loan losses was 1.01% of total loans outstanding as of June 30, 2022, and 1.05% as of March 31, 2022. Excluding PPP loans, the allowance to loans was 1.02% as of June 30, 2022, and 1.07% as of March 31, 2022.
- Non-performing assets as a percentage of total assets including OREO was 0.01% as of June 30, 2022, and March 31, 2022.
- Net loan recoveries in the quarter ending June 30, 2022, were 0.033% compared to 0.002% in the quarter ending March 31, 2022.

Paycheck Protection Program (PPP) Update

- BCT participated in Round 1 and Round 2 of the PPP loan programs and, as of June 30, 2022, outstanding balances net of fees were \$2.2 million. Remaining net fees to be recognized totals \$134 thousand.



Dividend Announcement

At our July Board meeting, Potomac Bancshares, Inc. Board of Directors declared a \$0.09 per share dividend payable to shareholders of record as of August 4, 2022, for payment on August 11, 2022.

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.

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.



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

TABLE 1

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

	Six Months Ended	
	June 30, 2022	June 30, 2021
Earnings Performance		
Interest and dividend income	\$12,152	\$11,243
Interest expense	1,141	1,238
Net interest income	11,011	10,005
Provision for loan losses	242	-
Non-interest income	3,169	3,275
Non-interest expense	9,736	8,754
Income Before Income Tax Expense	4,202	4,526
Income tax expense	928	1,016
Net Income	<u>\$3,274</u>	<u>\$3,510</u>
Return on average equity	11.07 %	12.62 %
Return on average assets	0.92 %	1.08 %
Net interest margin	3.19 %	3.17 %
Balance Sheet Highlights		
Total assets	\$739,411	\$671,994
Investment securities	83,077	80,823
Loans held for sale	-	1,592
Loans, net of allowance of \$5,795 in 2022 and \$5,428 in 2021	566,423	510,727
Deposits	662,892	597,573
Subordinated debt, net of issuance costs	9,812	9,759
Shareholders' equity	\$57,686	\$56,887
Shareholders' Value (per share)		
Earnings per share, basic	\$0.79	\$0.85
Earnings per share, diluted	0.79	0.85
Cash dividends declared (per share)	0.17	0.15
Book value at period end (per share)	\$13.92	\$13.76
End of period number of shares outstanding	4,144,561	4,133,811
Safety and Soundness		
Tier 1 capital ratio (leverage ratio)*	10.18 %	10.20 %
Tangible Equity/Tangible Assets	7.80 %	8.47 %
Non-performing assets as a percentage of total assets including OREO	0.01 %	0.02 %
Allowance for loan losses as a percentage of period end loans	1.01 %	1.05 %
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.018 %	-0.017 %

* 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.

**CONSOLIDATED FINANCIAL HIGHLIGHTS
POTOMAC BANCSHARES, INC.**
Quarterly Financial Data
TABLE 2

	Three Months Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
<i>(Unaudited - dollars in thousands, except per share data)</i>					
Earnings Performance					
Interest and dividend income	\$6,421	\$5,731	\$5,972	\$5,790	\$5,650
Interest expense	582	559	587	598	602
Net interest income	5,839	5,172	5,385	5,192	5,048
Provision for loan losses	242	-	-	(490)	-
Non-interest income	1,494	1,675	1,916	1,637	1,677
Non-interest expense	5,038	4,698	4,930	4,437	4,488
Income Before Income Tax Expense	2,053	2,149	2,371	2,882	2,237
Income tax expense	448	480	523	670	505
Net Income	<u>\$1,605</u>	<u>\$1,669</u>	<u>\$1,848</u>	<u>\$2,212</u>	<u>\$1,732</u>
Return on average equity	11.00%	11.14%	11.26%	13.21%	12.28%
Return on average assets	0.89%	0.95%	0.95%	1.10%	1.04%
Net interest margin	3.33%	3.04%	3.13%	3.06%	3.12%
Balance Sheet Highlights					
Total assets	\$739,411	\$719,227	\$711,388	\$700,508	\$671,994
Investment securities	83,077	88,351	82,284	82,649	80,823
Loans held for sale	-	457	528	3,191	1,592
Loans, net of allowance	566,423	518,151	511,474	507,377	510,727
Deposits	662,892	635,582	629,086	622,503	597,572
Subordinated debt, net of issuance costs	9,812	9,799	9,785	9,772	9,759
Shareholders' equity	\$57,686	\$59,249	\$60,770	\$58,822	\$56,887
Shareholders' Value (per share)					
Earnings per share, basic	\$0.39	\$0.40	\$0.45	\$0.54	\$0.42
Earnings per share, diluted	0.39	0.40	0.45	0.54	0.42
Cash dividends declared (per share)	0.09	0.08	0.08	0.08	0.08
Book value at period end (per share)	\$13.92	\$14.30	\$14.70	\$14.23	\$13.76
End of period number of shares outstanding	4,144,561	4,144,561	4,133,811	4,133,811	4,133,811
Safety and Soundness					
Tier 1 capital ratio (leverage ratio)*	10.18%	10.24%	10.18%	10.15%	10.20%
Tangible Equity/Tangible Assets	7.80%	8.24%	8.54%	8.40%	8.47%
Non-performing assets as a percentage of total assets including OREO	0.01%	0.01%	0.01%	0.02%	0.02%
Allowance for loan losses as a percentage of period end loans	1.01%	1.05%	1.06%	1.06%	1.05%
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.033%	-0.002%	-0.043%	-0.394%	-0.015%

* 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.

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

TABLE 3
(Unaudited - dollars in thousands)

	<u>6/30/2022</u>	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>6/30/2021</u>
Noninterest Income:					
Trust and financial services	\$379	\$413	\$412	\$336	\$333
Service charges on deposit accounts	253	243	248	238	205
Secondary market income	134	221	290	416	496
Interchange fees	517	459	495	489	493
Other operating income	211	339	471	158	150
Total Noninterest Income	<u>\$1,494</u>	<u>\$1,675</u>	<u>\$1,916</u>	<u>\$1,637</u>	<u>\$1,677</u>
Noninterest Expenses:					
Salaries and employee benefits	\$2,815	\$2,628	\$2,880	\$2,516	\$2,414
Net occupancy expense of premises	251	321	250	252	287
Furniture and equipment expenses	356	323	339	292	357
Advertising and public relations	75	61	68	58	57
Computer services and communications	390	352	351	405	319
Other professional services	269	283	249	211	236
Foreclosed property expense	-	-	-	-	-
ATM and check card expenses	214	205	228	197	199
Other operating expenses	668	525	565	506	619
Total Noninterest Expenses	<u>\$5,038</u>	<u>\$4,698</u>	<u>\$4,930</u>	<u>\$4,437</u>	<u>\$4,488</u>

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