



FOR IMMEDIATE RELEASE

POTOMAC BANCSHARES, INC. REPORTS 2024 THIRD QUARTER RESULTS

Charles Town, WV, November 4, 2024 / PR Newswire / - 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 September 30, 2024, earned \$1.761 million or \$0.42 per share compared to \$1.729 million or \$0.42 per share for the quarter ended September 30, 2023, and \$1.421 million in the second quarter of 2024 or \$0.34 per share.

Net income was \$4.857 million for the nine months ended September 30, 2024, or \$1.17 per share compared to \$5.554 million or \$1.34 per share for the nine months ended September 30, 2023. Excluding the investment security after-tax loss of \$300 thousand taken in the second quarter of 2024, net income for the nine months ended September 30, 2024, would have been \$5.157 million, \$1.24 per share.

Alice P. Frazier, CEO and President commented, "This quarter's results reflect a number of successes by the BCT team for which we are proud. We celebrated substantial wins with BCT Wealth accounts that grew assets under management over 20% during the quarter. Momentum continues with new commercial relationships driving loan and related noninterest-bearing deposit growth. Our net interest margin remained stable due to the strategic investment portfolio losses along with our disciplined deposit pricing. Cumulatively, these actions provided solid returns for the quarter."

Selected Highlights

- Total assets as of Q3 2024 were \$871.4 million compared to Q3 2023 total assets of \$809.6 million, an increase of \$61.8 million or 7.6%.
- Return on Assets (ROA) for the nine months ended September 30, 2024, was 0.78% compared to 0.96% for the same period in 2023.
- Return on Equity (ROE) for the nine months ended September 30, 2024, was 9.69% compared to 12.02% for the same period in 2023.
- Net interest income was \$19.9 million for the first nine months of 2024 up from \$19.2 million for the same period in 2023.
- Net interest margin for the first nine months of 2024 was 3.20% compared to 3.36% for the same period in 2023.

Linked Quarter Q3 2024 Compared to Q2 2024 Highlights

- Total assets as of Q3 were \$871.4 compared to Q2 total assets of \$832.5 million, an increase of \$38.9 million or 4.7%.
- Loan growth was \$22.4 million or 3.4% for Q3 as pipelines continue to build with strategically planned growth in government contracting and SBA lending.
- Net unrealized losses in the AFS portfolio in Q3 decreased \$2.6 million, moving to \$5.8 million from \$8.4 million in Q2.

- Deposits increased \$9.7 million during Q3 or 1.3% from Q2.
 - Noninterest-bearing deposits increased \$3.7 million or 2.2%, and interest-bearing deposits increased \$6.0 million or 1.0%.
 - Deposits were inflated during Q3 by \$40 million, related to a single client who disbursed the funds on September 30, 2024.
- The Tier 1 leverage capital ratio for BCT was 9.67% as of Q3 and 9.99% as of Q2. For the Company, the tangible equity / tangible assets ratio was 8.32% as of Q3 compared to 8.33% as of Q2.
- The net interest margin remained stable at 3.21% for Q3 and Q2 . See Table 4 for additional details.
 - The yield on loans increased 15 basis points (bps) to 5.29%.
 - The cost of interest-bearing deposits increased 12 bps to 2.41%. The cost of interest-bearing deposits was impacted this quarter by a single large deposit that was disbursed on September 30, 2024.
- The allowance for credit losses was 1.03% and 1.04% of total loans outstanding as of Q3 and Q2, respectively.
- Non-performing assets as a percentage of total assets was 0.30% for Q3 and 0.36% in Q2. The decrease is due to one nonaccrual relationship settled with no loss of income or principal.
- Non-interest income improved in Q3 by \$23 thousand or 1.3% from Q2. Wealth and Investments advisory fees grew 18.9% during the quarter primarily due to the growth in new accounts. See Table 3 for additional details.
 - The increase in other operating income is due to increases in equity securities market values and fee income from negotiated contracts.
- Non-interest expense was \$6.3 million for Q3, an increase of \$289 thousand (excluding the loss on sale of securities in Q2 of \$386 thousand) or 4.8% from Q2. The increase is primarily in salary and employee benefits and other operating expenses which included multiple one-time expenses as noted below. See Table 3 for additional details.
 - Salary and employee benefits were up due to increased incentive-related expenses partially offset by lower payroll tax expenses.
 - Computer services and communications decreased as a result of contract negotiations that were completed in June 2024.
 - Professional fees included one-time recruiting expenses of approximately \$70 thousand.
 - Other operating expenses increased primarily due to losses related to fraudulent checks of \$174 thousand.

Q3 2024 Compared to Q3 2023 Highlights

- Commercial loan growth of \$28.4 million, mortgage loan growth of \$3.9 million, and home equity growth of \$3.8 million, drove an overall increase in loans outstanding of \$36.0 million or 5.5%.
 - Non-owner-occupied office property loans were \$38.4 million or 5.7% of the total loan portfolio as of Q3 2024. As of Q3 2023, non-owner-occupied office property loans were \$45.1 million or 6.9% of the total loan portfolio. Most of the office property loans are for main street small offices.

- The incremental restructurings of the investment portfolio over the past year increased the portfolio yield by 56 bps to 3.11% while duration decreased to 3.60 as of Q3 2024 compared to 4.18 as of Q3 2023.
 - Net unrealized losses in the AFS portfolio were \$5.8 million as of Q3 2024 and \$11.9 million as of Q3 2023.
- Total deposits increased \$28.5 million or 4.0%. Noninterest-bearing deposits were up \$13.0 million or 8.1%, while interest-bearing deposits were up \$15.5 million or 2.8%.
- The Tier 1 leverage capital ratio for BCT was 9.67% as of Q3 2024 compared to 9.93% as of Q3 2023. For the Company, the tangible equity / tangible assets ratio was 8.32% as of Q3 2024 and 7.75% as of Q3 2023.
- Net interest margin remained relatively stable at 3.21% for Q3 2024 compared to 3.23% in Q3 2023. See Table 4 for additional details.
 - The earning asset yield increased 45 bps to 5.07% in Q3 2024 compared to 4.62% as of Q3 2023.
 - The cost of interest-bearing deposits increased 58 bps in Q3 2024 to 2.41% compared to 1.83% as of Q3 2023. The cost of interest-bearing deposits was impacted this quarter by a single large deposit that was disbursed on September 30, 2024.
- The allowance for credit losses was 1.03% of total loans outstanding as of Q3 2024 and 1.04% as of Q3 2023.
- Non-performing assets as a percentage of total assets was 0.30% as of Q3 2024 and 0.33% as of Q3 2023.
- Non-interest income for Q3 2024 was \$1.8 million, an increase of \$127 thousand or 7.8%, compared to Q3 2023. As noted above, Wealth and Investments advisory fees increased 13.4% from both assets under management and estate settlements. Other operating income increased by annual true-ups related to VISA marketing agreements which was partially offset by a decrease in secondary market fee income. See Table 3 for additional details.
- Non-interest expense excluding loss on sales of securities was \$6.3 million for Q3 2024, an increase of \$706 thousand or 12.7% over Q3 2023. Increases are in salaries and employee benefits, computer services and communications, other professional services, and other operating expenses. See Table 3 for additional details.
 - Salary and employee benefits were higher as a result of new personnel supporting growth, incentives, and group insurance, partially offset by a reduction in pension and 401(k) expenses. Through contract negotiations, group insurance will be reduced by 20% in future quarters.
 - Computer services and communications were higher due to investments in technology in support of growth and business continuity offset by negotiated decreases in core services.
 - Other professional services saw increases in audit & compliance, Wealth and Investments outsourcing associated with the growth of assets under management, and recruiting expenses.
 - Other operating expenses increased due to check fraud losses, franchise taxes, and net adjustments in the Bank Tech Investment value.



Dividend Announcement

At our October Board meeting, Potomac Bancshares, Inc.'s Board of Directors, declared a quarterly dividend of \$0.12 per share. The dividend is for all shareholders of record on November 1, 2024, and will be paid on November 8, 2024.

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), 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 another approximately 675 free access ATMs through another partnership. The Bank provides convenient online and mobile banking for individuals, businesses, and local governments. The Bank also offers commercial lines and term loans, residential and commercial construction loans, commercial real estate loans, agricultural loans, and government contractor loans. The Bank is also a Small Business Administration (SBA) Preferred Lender. 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 70 years, BCT Wealth Advisors has provided trust services, growing into a premier financial management, investments, and estate services provider. BCT was voted Winner in the *LoudounNow* 2024 Loudoun's Favorites readers' poll in four categories: Bank, Mortgage Company, Banker, and Financial Planner. Additionally, BCT was voted a "Best of the Best" Winner in the 2024 *Journal-News* Readers' Choice Awards in three categories: Bank, Financial Planning, and Loan Services. 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. In five of the last six years, the Bank was named a "Best Bank To Work For" by *American Banker*.

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. Factors that could cause actual results to differ from those discussed in such forward-looking statements include, but are not limited to, the following: (1) general economic conditions, especially in the communities and markets in which the Company conducts its business; (2) credit risk, including risk that negative credit quality trends may lead to a deterioration of asset quality, risk that our allowance for credit losses may not be sufficient to absorb actual losses in the Company's loan portfolio, and risk from concentrations in the Company's loan portfolio; (3) changes in the real estate market, including the value of collateral



securing portions of the Company's loan portfolio; (4) changes in the interest rate environment; (5) operational risk, including cybersecurity risk and risk of fraud, data processing system failures, and network breaches; (6) changes in technology and increased competition, including competition from non-bank financial institutions; (7) changes in consumer preferences, spending and borrowing habits, demand for our products and services, and customers' performance and creditworthiness; (8) difficulty growing loan and deposit balances; (9) the Company's ability to effectively execute its business plan; (10) changes in regulations, laws, taxes, government policies, monetary policies and accounting policies affecting bank holding companies and their subsidiaries, including changes in deposit insurance premiums; (11) deterioration in the financial condition of the U.S. banking system may impact the valuations of investments the Company has made in the securities of other financial institutions; (12) regulatory enforcement actions and adverse legal actions; (13) difficulty attracting and retaining key employees; and (14) other economic, competitive, technological, operational, governmental, regulatory, and market factors affecting the Company's operations. 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	
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Earnings Performance		
Interest and dividend income	\$30,800	\$25,756
Interest expense	10,889	6,533
Net interest income	19,911	19,223
Provision for credit losses	511	222
Non-interest income	5,111	4,637
Non-interest expense	18,265 **	16,474 ***
Income Before Income Tax Expense	6,246	7,164
Income tax expense	1,389	1,610
Net Income	<u>\$4,857</u>	<u>\$5,554</u>
Return on average equity	9.69%	12.02%
Return on average assets	0.78%	0.96%
Net interest margin	3.20%	3.36%
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Balance Sheet Highlights		
Total assets	\$871,363	\$809,607
Investment securities	82,369	82,575
Loans held for sale	1,219	2,159
Loans, net of allowance for credit losses of \$7,097 in 2024 and \$6,768 in 2023	679,558	643,921
Deposits	749,750	721,253
Long term FHLB borrowings	31,000	6,000
Subordinated debt, net of issuance costs	9,942	9,882
Shareholders' equity	\$72,509	\$62,770
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Shareholders' Value (per share)		
Earnings per share, basic	\$1.17	\$1.34
Earnings per share, diluted	\$1.17	\$1.34
Cash dividends declared (per share)	0.34	0.28
Book value at period end (per share)	\$17.49	\$15.15
End of period number of shares outstanding	4,144,561	4,144,561
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Safety and Soundness		
Tier 1 capital ratio (leverage ratio)*	9.67%	9.93%
Tangible Equity/Tangible Assets	8.32%	7.75%
Non-performing assets as a percentage of total assets including OREO	0.30%	0.33%
Allowance for credit losses as a percentage of period end loans	1.03%	1.04%
Ratio of net charge offs (recoveries) annualized during the period to average loans outstanding during the period	0.006%	-0.005%

* 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

** Non-Interest Expense includes the Loss on Sale of AFS Securities of \$386k in April 2024.

*** Non-Interest Expense includes the Loss on Sale of AFS Securities of \$274K In September 2023.

CONSOLIDATED FINANCIAL HIGHLIGHTS

POTOMAC BANCSHARES, INC.

Quarterly Financial Data

TABLE 2

	Three Months Ended				
	<u>9/30/2024</u>	<u>6/30/2024</u>	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>
<i>(Unaudited - dollars in thousands, except per share data)</i>					
Earnings Performance					
Interest and dividend income	\$10,965	\$10,088	\$9,747	\$9,827	\$9,176
Interest expense	4,012	3,521	3,356	3,034	2,752
Net interest income	6,953	6,567	6,391	6,793	6,424
Provision for credit losses	202	129	180	-	-
Non-interest income	1,760	1,737	1,614	1,662	1,633
Non-interest expense	6,253	6,350 ****	5,662	6,266 **	5,821 ***
Income Before Income Tax Expense	2,258	1,825	2,163	2,189	2,236
Income tax expense	497	404	488	479	507
Net Income	<u>\$1,761</u>	<u>\$1,421</u>	<u>\$1,675</u>	<u>\$1,710</u>	<u>\$1,729</u>
Return on average equity	10.75%	9.73%	10.00%	11.21%	11.86%
Return on average assets	0.86%	0.79%	0.81%	0.85%	0.93%
Net interest margin	3.21%	3.21%	3.16%	3.29%	3.23%
	<u>9/30/2024</u>	<u>6/30/2024</u>	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>
Balance Sheet Highlights					
Total assets	\$871,363	\$832,450	\$855,330	\$830,555	\$809,607
Investment securities	82,369	83,476	84,972	84,127	82,575
Loans held for sale	1,219	1,396	2,210	678	2,159
Loans, net of allowance for credit losses	679,558	657,188	648,804	644,687	643,921
Deposits	749,750	740,096	762,927	739,680	721,253
Long term FHLB borrowings	31,000	6,000	6,000	6,000	6,000
Subordinated debt, net of issuance costs	9,942	9,927	9,912	9,897	9,882
Shareholders' equity	\$72,509	\$69,305	\$67,760	\$66,874	\$62,770
	<u>9/30/2024</u>	<u>6/30/2024</u>	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>
Shareholders' Value (per share)					
Earnings per share, basic	\$0.42	\$0.34	\$0.40	\$0.41	\$0.42
Earnings per share, diluted	\$0.42	\$0.34	\$0.40	\$0.41	\$0.42
Cash dividends declared (per share)	0.12	0.12	0.10	0.10	0.10
Book value at period end (per share)	\$17.49	\$16.72	\$16.35	\$16.14	\$15.15
End of period number of shares outstanding	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
	<u>9/30/2024</u>	<u>6/30/2024</u>	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>
Safety and Soundness					
Tier 1 capital ratio (leverage ratio)*	9.67%	9.99%	9.98%	9.77%	9.93%
Tangible Equity/Tangible Assets	8.32%	8.33%	7.92%	8.05%	7.75%
Non-performing assets as a percentage of total assets including OREO	0.30%	0.36%	0.32%	0.32%	0.33%
Allowance for credit losses as a percentage of period end loans	1.03%	1.04%	1.04%	1.02%	1.04%
Ratio of net (recoveries) charge offs annualized during the period to average loans outstanding during the period	-0.022%	0.029%	0.013%	0.046%	0.004%

* 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 \$154 thousand pre tax loss on sale of securities.

*** Includes \$274 thousand pre tax loss on sale of securities.

**** Includes \$386 thousand pre tax loss on sale of securities.

CONSOLIDATED FINANCIAL HIGHLIGHTS

POTOMAC BANCSHARES, INC.

Noninterest Income & Noninterest Expense

TABLE 3

Three Months Ended

(Unaudited - dollars in thousands)

	<u>9/30/2024</u>	<u>6/30/2024</u>	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>
Noninterest Income:					
Wealth and Investments	\$514	\$432	\$418	\$471	\$453
Service charges on deposit accounts	273	265	246	254	266
Secondary market income	170	274	196	140	223
Interchange fees	522	520	493	506	515
Other operating income	281	246	261	291	176
Total Noninterest Income	<u>\$1,760</u>	<u>\$1,737</u>	<u>\$1,614</u>	<u>\$1,662</u>	<u>\$1,633</u>
Noninterest Expenses:					
Salaries and employee benefits	\$3,302	\$3,197	\$2,984	\$3,348	\$3,083
Net occupancy expense of premises	278	266	276	256	261
Furniture and equipment expenses	353	367	367	341	349
Advertising and public relations	103	116	68	92	105
Computer services and communications	486	535	529	485	486
Other professional services	442	429	348	410	329
ATM and check card expenses	248	263	249	258	243
Loss on sale of AFS securities	-	386	-	154	274
Other operating expenses	1,041	791	841	922	691
Total Noninterest Expenses	<u>\$6,253</u>	<u>\$6,350</u>	<u>\$5,662</u>	<u>\$6,266</u>	<u>\$5,821</u>
Total Noninterest Expenses					
Excluding loss on sale of AFS securities	<u>\$6,253</u>	<u>\$5,964</u>	<u>\$5,662</u>	<u>\$6,112</u>	<u>\$5,547</u>

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

TABLE 4

(Unaudited - dollars in thousands)

	Three Months Ended 9/30/2024			Three Months Ended 6/30/2024			Three Months Ended 9/30/2023		
	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	\$ 1,178	\$ 21	7.09%	\$ 1,775	\$ 30	6.80%	\$ 1,856	\$ 30	6.41%
Portfolio loans (1)	675,868	8,985	5.29%	654,120	8,361	5.14%	648,910	8,063	4.93%
Available for sale securities (2)	89,854	707	3.13%	92,975	724	3.13%	94,677	545	2.28%
Federal Reserve	91,497	1,206	5.24%	70,581	926	5.28%	40,476	498	4.88%
Other interest earning assets	2,708	46	6.76%	2,172	47	8.70%	2,311	40	6.87%
Total Interest Earning Assets	861,105	\$ 10,965	5.07%	821,623	\$ 10,088	4.94%	788,230	\$ 9,176	4.62%
Other Assets	22,984			19,997			17,485		
Total Assets	\$ 884,089			\$ 841,620			\$ 805,715		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Interest-bearing Deposits	\$ 601,792	\$ 3,648	2.41%	\$ 581,787	\$ 3,307	2.29%	\$ 550,424	\$ 2,535	1.83%
Federal Funds and repurchase agreements	3,215	7	0.87%	3,706	7	0.76%	5,232	10	0.76%
Subordinated debt	9,933	140	5.61%	9,918	140	5.68%	9,873	139	5.59%
FHLB advances	20,402	217	4.23%	6,000	67	4.49%	6,011	68	4.49%
Total Interest-Bearing Liabilities	635,342	\$ 4,012	2.51%	601,411	\$ 3,521	2.35%	571,540	\$ 2,752	1.91%
Non-interest-bearing deposits and other liabilities	178,110			172,221			171,033		
Total Liabilities	813,452			773,632			742,573		
Stockholders' Equity	70,637			67,988			63,142		
Total Liabilities and Stockholders' Equity	\$ 884,089			\$ 841,620			\$ 805,715		
Interest Rate Spread			2.56%			2.59%			2.71%
Net Interest Income		\$ 6,953			\$ 6,567			\$ 6,424	
Net Interest Margin			3.21%			3.21%			3.23%

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

(2) Average balances exclude unrealized gains/losses.