



POTOMAC BANCSHARES, INC. REPORTS 2022 FIRST QUARTER RESULTS

CHARLES TOWN, W.Va., May 4, 2022 /PRNewswire/ -- Potomac Bancshares, Inc. (the "Company") (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended March 31, 2022, earned \$1.669 million or \$0.40 per share compared to \$1.778 million or \$0.43 per share for the quarter ended March 31, 2021, and \$1.848 million in the fourth quarter of 2021 or \$0.45 per share.

Selected Highlights

- Total assets were \$719.2 million as of March 31, 2022, compared to \$661.4 million as of March 31, 2021, an increase of \$57.8 million or 8.7%.
- Investment securities increased to \$88.4 million, a \$17.5 million increase since March 31, 2021.
- Loans increased \$23.8 million to \$523.7 million as of March 31, 2022, a 4.8% increase over the \$499.8 million as of March 31, 2021. Excluding Paycheck Protection Program loans (PPP), loan growth was \$70.1 million or 15.7% since March 31, 2021.
- Total deposits grew to \$635.6 million as of March 31, 2022, an increase of \$47.1 million or 8.0% over the March 31, 2021 total of \$588.5 million.
- Pre-tax net income excluding PPP fees and interest income, was \$1.872 million for the three months ended March 31, 2022, a 14.2% increase over the same period in 2021.
- Return on Assets (ROA) in the quarter was 0.95% compared to 1.12% in the first quarter of 2021.
- Return on Equity (ROE) for the quarter was 11.14% compared to 12.97% in the first quarter of 2021.

"Building upon the success of 2021, the BCT team worked hard this quarter producing over 11% ROE, over 3% net interest margin, and ROA of 0.95%," stated Alice P. Frazier, President and CEO. "Our strategic investments over the last several years have allowed us to continue performing at a high level, increasing our customer relationships, and enabling resilient growth during these unique times."

Frazier continued, "We are attentive to additional balance sheet strategies to navigate the sudden rise in interest rates in today's environment as we have entered the year with considerable momentum."

In addition to the financial results presented, the following strategic investments occurred during the quarter:

- On January 5, 2022 we announced an initiative to digitize our commercial lending experience through a collaboration with [Jack Henry & Associates, Inc.](#) (NASDAQ: JKHY). The platform will help us grow with scale and efficiency while improving everyone's experience.
- On January 18, 2022, we announced our new relationship with KlariVis, a fast-growing enterprise dashboard and analytics tool for the financial services industry, as a key solution for the bank's future. KlariVis provides a simpler way to transform our data for executive and frontline decision-making.

Q1 2022 Compared to Q1 2021

- Excluding PPP loans, total loans finished at \$515.3 million compared to \$445.2 million as of March 31, 2021, a 15.7% increase. The commercial business line drove the increase with net growth of \$74.1 million or 27.1%, offset by a net decrease in overall consumer of \$4.0 million.

- Deposit accounts increased to \$635.6 million as of March 31, 2022, increasing 8% over March 31, 2021. Noninterest-bearing deposits grew \$26.2 million since March 31, 2021 or 21.2% while interest bearing deposits were up \$20.9 million or 4.5% over March 31, 2021.
- The Tier 1 leverage capital ratio for BCT was 10.24% as of March 31, 2022, compared to 10.31% as of March 31, 2021. The tangible equity / tangible assets ratio for the Company was 8.24% as of March 31, 2022 and 8.40% as of March 31, 2021.
- Net interest margin was 3.04% for the quarter ending March 31, 2022, compared to 3.22% for the quarter ending March 31, 2021.
 - Excluding PPP income, net interest income increased \$589 thousand to \$4.9 million for the quarter ending March 31, 2022, compared to \$4.3 million for the quarter ending March 31, 2021.
 - Total PPP interest and fees recorded in the quarter ending March 31, 2022 were \$276 thousand compared to \$650 thousand in the quarter ending March 31, 2021.
 - The cost of total deposits decreased 9 bps to 0.26% during the quarter ending March 31, 2022 compared to the same period in 2021 or 0.35%. The loan yield (excluding PPP income) was 14 bps lower at 4.05% for the quarter ending March 31, 2022 compared to 4.19% for the same period in 2021.
- A loan loss provision was not recorded in the first quarter of 2022 or the first quarter of 2021.
- Non-interest income for the quarter increased \$77 thousand or 4.8% over the first quarter of 2021. See Table 2 for additional details.
 - Trust and financial services, service charges on deposits, interchange fees, and other operating income all increased. Trust and financial services increased 21.1% due to market conditions, new relationships, and estate settlements. We continued to see growth in interchange fees of 7.0% over the first quarter of 2021. Other operating income was up \$136 thousand primarily from Visa incentives, and an increase in bank owned life insurance income (Boli) from additional purchases in Q 3 2021.
 - Secondary mortgage income decreased \$213 thousand or 49.1% over the quarter ending March 31, 2021. As expected, secondary market originations slowed in the quarter, however this was offset by our increased portfolio lending to 50% of total mortgage originations in 2022 compared to 25% in the first quarter of 2021. In 2021, we strategically directed the extremely low-rate mortgages to the secondary market taking the fee income as opposed to holding a low-rate loan.
 - Our construction to permanent financing product remains successful due to strong relationships with builders. Construction to perm commitments were \$23 million at March 31, 2022 with the remaining amount to be funded approximately \$12 million.
- Non-interest expense increased to \$4.7 million for the quarter, an increase of \$432 thousand or 10.1% over the quarter ending March 31, 2021. Year over year increase in salaries and benefits are primarily related to investments in 2021 in the new SBA team (May 2021 addition) and additional commercial bankers in Northern Virginia. In addition, the company raised the minimum hourly wage in late fourth quarter of 2021 in response to the competitive workforce environment. See Table 2 for additional details.
- The allowance for loan losses was 1.05% of total loans outstanding as of March 31, 2022 and 1.08% as of March 31, 2021. Excluding PPP loans, the allowance for loan losses was 1.07% as of March 31, 2022 compared to 1.21% as of March 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.
- Non-performing assets as a percentage of total assets including OREO was 0.01% as of March 31, 2022 compared to 0.02% as of March 31, 2021.
- Net loan recoveries for Q1 2022 were 0.002% compared to net loan recoveries in the same period in 2021 of 0.02%.

Linked Quarter Q1 2022 Compared to Q4 2021

- Total assets were up \$7.8 million over the quarter ending December 31, 2021 to \$719.2 or a 1.1% increase.
- Excluding PPP loans, loans increased \$13.0 million in the quarter ending March 31, 2022 or a 10.3% annualized increase since December 31, 2021. As planned, our construction to permanent mortgage product with a one-time close continues to build in the pipeline and closings which should counter some of the decline in secondary market income in 2022.
- Deposits increased \$6.5 million in the quarter ending March 31, 2022 or a 1.0% increase since December 31, 2021. An \$8.4 million increase in noninterest bearing deposits were partly offset by a reduction in interest bearing deposits of \$1.9 million.
- The Tier 1 leverage capital ratio for BCT improved to 10.24% as of March 31, 2022 from 10.18% as of December 31, 2021. Both are above the regulatory minimum for a well-capitalized bank. Tangible equity / tangible assets ratio for the Company was 8.24% as of March 31, 2022, and 8.54% as of December 31, 2021. The total capital of \$59.249 million as of March 31, 2022 reflects a decrease of \$1.521 million from \$60.770 million as of December 31, 2021. The decrease in total capital during the first quarter of 2022 is primarily due to a \$3.059 decrease in other comprehensive income due to changes in fair value of available-for-sale investment securities reflecting the significant move upwards in interest rates over the first part of 2022, dividends paid of \$330 thousand, and offset by net income of \$1.669 million for the quarter ending March 31, 2022, and common shares issuance of \$199 thousand.
- Net interest margin for the quarter ending March 31, 2022, was down 9 bps to 3.04% from 3.13% for the quarter ending December 31, 2021. PPP interest and fee income positively impacted both quarters. PPP fees and interest recognized in the quarter ending March 31, 2022 were \$276 thousand compared to \$467 thousand realized during the quarter ending December 31, 2021. Excluding the impact from PPP in first quarter 2022 and fourth quarter 2021, the net interest margin has stabilized and was 2.93% compared to 2.94%, respectively.
- A loan loss provision was not recorded in the quarter ending March 31, 2022 or the quarter ending December 31, 2021.
- Non-interest income was down \$241 thousand to \$1.7 million for the three months ending March 31, 2022 or 12.6% compared to \$1.9 million for the three months ending December 31, 2021. See Table 2 for additional details.
 - Decreases occurred in secondary market income, interchange fees, and other operating income. As reported last quarter, other operating income for the three months ended December 31, 2021 was higher due to other loan recoveries, proceeds from Boli death proceeds, and an increase in penalty from early payoffs on loans. Interchange fees were down seasonally in the first quarter of 2022 after the strong fourth quarter of 2021 which included the holiday season.
- Non-interest expense for the quarter was \$4.7 million, a decrease of \$232 thousand compared to the three months ending December 31, 2021. Decreases in salaries and benefits, interchange expense, and other operating expense primarily drove the decrease. These are partly offset by increases in net occupancy expense and other professional fees. The decrease in salaries and benefits was primarily due to Q4 2021 additional incentive accruals recognizing business unit achievements and record results for 2021. Other professional fees increased in the first quarter 2022 with continued support of growth initiatives and recruitment expense during the quarter. See Table 2 for additional details.
- The allowance for loan losses was 1.05% of total loans outstanding as of March 31, 2022 and 1.06% as of December 31, 2021. Excluding PPP loans, the allowance to loans was 1.07% as of March 31, 2022 and 1.10% as of December 31, 2021.



- Non-performing assets as a percentage of total assets including OREO was 0.01% as of March 31, 2022, and December 31, 2021.
- Net loan recoveries for the quarter were 0.002% compared to 0.04% net loan recoveries in the quarter ending December 31, 2021.

Paycheck Protection Program (PPP) Update

- BCT participated in Round 1 and Round 2 of the PPP loan program and, as of March 31, 2022, outstanding balances net of fees were \$8.3 million. Remaining net fees to be recognized totals \$411 thousand.

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, 2022, for payment on May 10, 2022. This is a 12.5% increase to our shareholders while allowing us to continue to retain capital for future growth.

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 Allpoint® 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 60 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.
Quarterly Financial Data
Three Months Ended**

TABLE 1

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

	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>6/30/2021</u>	<u>3/31/2021</u>
Earnings Performance					
Interest and dividend income	\$5,731	\$5,972	\$5,790	\$5,650	\$5,593
Interest expense	559	587	598	602	636
Net interest income	5,172	5,385	5,192	5,048	4,957
Provision for loan losses	-	-	(490)	-	-
Non-interest income	1,675	1,916	1,637	1,677	1,598
Non-interest expense	4,698	4,930	4,437	4,488	4,266
Income Before Income Tax Expense	2,149	2,371	2,882	2,237	2,289
Income tax expense	480	523	670	505	511
Net Income	<u>\$1,669</u>	<u>\$1,848</u>	<u>\$2,212</u>	<u>\$1,732</u>	<u>\$1,778</u>
Return on average equity	11.14%	11.26%	13.21%	12.28%	12.97%
Return on average assets	0.95%	0.95%	1.10%	1.04%	1.12%
Net interest margin	3.04%	3.13%	3.06%	3.12%	3.22%
Balance Sheet Highlights					
Total assets	\$719,227	\$711,388	\$700,508	\$671,994	\$661,376
Investment securities	88,351	82,284	82,649	80,823	70,819
Loans held for sale	457	528	3,191	1,592	3,441
Loans, net of allowance	518,151	511,474	507,377	510,727	494,407
Deposits	635,582	629,086	622,503	597,572	588,510
Subordinated debt, net of issuance costs	9,799	9,785	9,772	9,759	9,747
Shareholders' equity	\$59,249	\$60,770	\$58,822	\$56,887	\$55,545
Shareholders' Value (per share)					
Earnings per share, basic	\$0.40	\$0.45	\$0.54	\$0.42	\$0.43
Earnings per share, diluted	0.40	0.45	0.54	0.42	0.43
Cash dividends declared (per share)	0.08	0.08	0.08	0.08	0.07
Book value at period end (per share)	\$14.30	\$14.70	\$14.23	\$13.76	\$13.44
End of period number of shares outstanding	4,144,561	4,133,811	4,133,811	4,133,811	4,133,811
Safety and Soundness					
Tier 1 capital ratio (leverage ratio)*	10.24%	10.18%	10.15%	10.20%	10.31%
Tangible Equity/Tangible Assets	8.24%	8.54%	8.40%	8.47%	8.40%
Non-performing assets as a percentage of total assets including OREO	0.01%	0.01%	0.02%	0.02%	0.02%
Allowance for loan losses as a percentage of period end loans	1.05%	1.06%	1.06%	1.05%	1.08%
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.002%	-0.043%	-0.394%	-0.015%	-0.020%

* 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 2
(Unaudited - dollars in thousands)

	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>6/30/2021</u>	<u>3/31/2021</u>
Noninterest Income:					
Trust and financial services	\$413	\$412	\$336	\$333	\$341
Service charges on deposit accounts	243	248	238	205	191
Secondary market income	221	290	416	496	434
Interchange fees	459	495	489	493	429
Other operating income	339	471	158	150	203
Total Noninterest Income	<u>\$1,675</u>	<u>\$1,916</u>	<u>\$1,637</u>	<u>\$1,677</u>	<u>\$1,598</u>
Noninterest Expenses:					
Salaries and employee benefits	\$2,628	\$2,880	\$2,516	\$2,414	\$2,285
Net occupancy expense of premises	321	250	252	287	278
Furniture and equipment expenses	323	339	292	357	375
Advertising and public relations	61	68	58	57	56
Computer services and communications	352	351	405	319	314
Other professional services	283	249	211	236	238
Foreclosed property expense	-	-	-	-	-
ATM and check card expenses	205	228	197	199	172
Other operating expenses	525	565	506	619	548
Total Noninterest Expenses	<u>\$4,698</u>	<u>\$4,930</u>	<u>\$4,437</u>	<u>\$4,488</u>	<u>\$4,266</u>

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