

FOR IMMEDIATE RELEASE

POTOMAC BANCSHARES, INC. REPORTS 2024 FIRST QUARTER RESULTS

CHARLES TOWN, W.Va., May 7, 2024 /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, 2024, earned \$1.675 million or \$0.40 per share compared to \$2.042 million or \$0.49 per share for the quarter ended March 31, 2023, and \$1.710 million in the fourth quarter of 2023 or \$0.41 per share.

The quarter ended December 31, 2023, was impacted by a \$154 thousand pre-tax loss on sales of securities. Excluding this loss, the earnings for the fourth quarter of 2023 would have been \$1.830 million or \$0.44 per share.

Alice P. Frazier, CEO and President, commented, "The first quarter of 2024 was slower than years past in terms of portfolio loan and deposit growth. There continues to be hesitation by businesses to borrow for growth. After five years of steady growth in both balance sheets and earnings, this timid borrowing climate is a change for us. However, this gives us a great opportunity to further focus on operational improvements. In addition, our sales teams are intentional with their activities towards our strategic initiatives and niche business programs. Other actions taken, including periodic restructurings of the bond portfolio, have helped partially mitigate pressure from rising deposit costs. Our efforts on efficiency continue to be a keen focus as we manage to hold profitability in the forefront."

Frazier continued, "We were extremely pleased to announce a 20% increase in the dividend. The increase reflects the consistent success we are having executing on our strategic growth goals."

Selected Highlights

- Total assets were \$855.3 million as of Q1 2024 compared to \$792.3 million as of Q1 2023, an increase of 8.0% or \$63.0 million. Total assets were up \$24.8 million since Q4 2023, or 3.0%.
- Return on Assets (ROA) in Q1 2024 was 0.81% compared to 1.09% in Q1 2023, and 0.85% in the linked quarter.
- Return on Equity (ROE) in Q1 2024 was 10.00% compared to 13.52% in Q1 2023, and 11.21% in the linked quarter.
- Net interest income was \$6.4 million in Q1 2024 compared to \$6.5 million in Q1 2023, and \$6.8 million in Q4 2023.
- Pre-tax pre-provision net income was \$2.344 million in Q1 2024 compared to \$2.643 million in Q1 2023, for a decrease of 11.3%, and up \$154 thousand or 7.0% for the linked quarter.
- Loans were \$655.6 million as of Q1 2024, an increase of \$28.6 million, or 4.6% over the \$627.0 million as of Q1 2023, and up \$4.3 million on a linked quarter basis, or 1.0%.
- Total deposits grew to \$762.9 million as of Q1 2024, up \$58.2 million or 8.3% since Q1 2023, and were up \$23.2 million since Q4 2023, or 3.1%.
- After March 31, 2024, investment securities were sold resulting in an after-tax loss of \$300 thousand to continue our efforts to take advantage of higher interest rates by restructuring the bond portfolio for greater yield.

Linked Quarter Q1 2024 Compared to Q4 2023

- Asset growth for the quarter was \$24.8 million, or 3.0%, reaching \$855.3 million.

- Loan growth was \$4.3 million or 1% for the quarter.
- Net unrealized losses in the AFS portfolio increased \$500 thousand moving to \$9.2 million from \$8.7 million in Q4 2023.
- Deposits increased \$23.2 million during the quarter or 3.1% from Q4 2023.
 - Growth occurred in both interest-bearing deposits and noninterest bearing deposits. Interest-bearing deposits increased \$13.9 million or 2.4%. Noninterest bearing deposits also increased by \$9.3 million or 5.8%.
- The Tier 1 leverage capital ratio for BCT improved 21 basis points (bps) moving to 9.98% up from 9.77% as of Q4 2023. For the Company, the tangible equity / tangible assets ratio was 7.92% compared to 8.05% as of Q4 2023.
- Net interest margin for the quarter decreased 13 bps to 3.16% from 3.29% in Q4 2023. For most of Q4 2023, BCT benefitted from a large deposit earning a below market rate causing the higher margin in Q4 2023. The deposit was repriced on January 1, 2024, to market rates.
 - The yield on loans increased 7 bps to 5.07%.
 - The yield on the securities portfolio increased 14 bps to 2.86%.
 - The cost of interest-bearing deposits increased 28 bps to 2.19%.
- The allowance for credit losses was 1.04% of total loans outstanding as of Q1 2024 and 1.02% as of Q4 2023.
- Non-performing assets as a percentage of total assets was 0.32% for both Q1 2024 and Q4 2023.
- Non-interest income was down 2.9% or \$48 thousand attributable to decreases in Wealth and Investment income and other operating income, partly offset by an increase in secondary market income. See Table 2 for additional details.
- Non-interest expense was \$5.7 million for Q1 2024, a decrease of \$604 thousand from Q4 2023. During Q4 2023, we had several one-time expenses totaling \$315 thousand and security losses of \$154 thousand. Excluding these one-time items and security losses, expenses decreased \$135 thousand or 2.3%. Lower incentives in Q1 2024 accounted for much of the decrease from Q4 2023. See Table 2 for additional details.
 - One-time expenses in Q4 2023 included professional fees related to core processing contract negotiations, check fraud losses, and other employee related benefits.

Q1 2024 Compared to Q1 2023

- Loan growth of \$28.6 million, or 4.6%, was driven primarily by commercial loan growth of \$20.5 million, mortgage loan growth of \$5.6 million, and other loan growth of \$2.5 million.
 - Non-owner-occupied office property loans were \$44.3 million or 6.8% of the total loan portfolio as of Q1 2024. Most of the office property loans are for main street, small offices.
- Securities portfolio duration as of Q1 2024 was 4.15 compared to 4.46 as of Q1 2023.
 - Net unrealized losses in the AFS portfolio were \$9.2 million as of Q1 2024 and \$8.7 million as of Q1 2023.
- Total deposits increased \$58.2 million or 8.3%. Non-interest-bearing deposits were up \$4.9 million or 3%, while interest bearing deposits were up \$53.3 million or 9.9%. Core deposit growth was \$72.6 million or 10.5%.
- The Tier 1 leverage capital ratio for BCT was 9.98% as of Q1 2024 compared to 10.25% as of Q1 2023. The tangible equity / tangible assets ratio for the Company was 7.92% as of Q1 2024 and 7.88% as of Q1 2023.
- Net interest margin was 3.16% for Q1 2024 compared to 3.57% in Q1 2023.
 - The earning asset yield increased 42 basis points (bps) to 4.82% compared to Q1 2023.
 - The cost of interest-bearing deposits increased 118 bps to 2.19% compared to Q1 2023.
 - See Table 3 for additional details.

- The allowance for credit losses was 1.04% of total loans outstanding as of Q1 2024 and 1.05% as of Q1 2023.
- Non-performing assets as a percentage of total assets was 0.32% as of Q1 2024. There were none as of Q1 2023.
- Non-interest income for the quarter was \$1.6 million, an increase of \$277 thousand or 20.7% compared to Q1 2023. Increases were across all categories with strength from secondary market income and other operating income. Other operating income was up due to increased income from CSV Life Insurance due to the restructuring in 2023, non-recurring other loan recoveries, and income from equity security valuations. Wealth and Investments fee income continues to perform at consistently higher levels. See Table 2 for additional details.
- Non-interest expense was \$5.7 million for Q1 2024, an increase of \$476 thousand or 9.2% over Q1 2023. The increase is driven by salaries and employee benefits, computer services and communications, other professional fees, and other operating expenses across a number of categories. Strategic hires in the second half of 2023 and continued investments in training and technology to support growth contributed to the year over year increases. These increases were partly offset by reductions in incentive expenses in Q1 2024. See Table 2 for additional details.

Dividend Announcement

At our April Board meeting, Potomac Bancshares, Inc.'s Board of Directors declared a quarterly dividend of \$0.12 per share, a 20.0% increase from the previous quarter's dividend. The dividend is for all shareholders of record on May 3, 2024, and will be paid on May 10, 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 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 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. 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. BCT was voted a "Best of the Best" winner in the 2023 *Journal-News* Readers' Choice Awards in four categories: Bank, Mortgage Company, Loan Services, and Financial Planning. In 2023, 2021, 2020, and 2019 the Bank was named a "Best Bank To Work For" by *American Banker*.

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.

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CONSOLIDATED FINANCIAL HIGHLIGHTS
POTOMAC BANCSHARES, INC.
Quarterly Financial Data

TABLE 1

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

	Three Months Ended				
	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>3/31/2023</u>
Earnings Performance					
Interest and dividend income	\$9,747	\$9,827	\$9,176	\$8,548	\$8,032
Interest expense	3,356	3,034	2,752	2,272	1,509
Net interest income	6,391	6,793	6,424	6,276	6,523
Provision for credit losses	180	-	-	191	31
Non-interest income	1,614	1,662	1,633	1,667	1,337
Non-interest expense	5,662	6,266	5,821	5,467	5,186
Income Before Income Tax Expense	2,163	2,189	2,236	2,285	2,643
Income tax expense	488	479	507	502	601
Net Income	<u>\$1,675</u>	<u>\$1,710</u>	<u>\$1,729</u>	<u>\$1,783</u>	<u>\$2,042</u>
Return on average equity	10.00 %	11.21 %	11.86 %	11.41 %	13.52 %
Return on average assets	0.81 %	0.85 %	0.93 %	0.91 %	1.09 %
Net interest margin	3.16 %	3.29 %	3.23 %	3.28 %	3.57 %
	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>3/31/2023</u>
Balance Sheet Highlights					
Total assets	\$855,330	\$830,555	\$809,607	\$794,015	\$792,332
Investment securities	84,972	84,127	82,575	85,350	88,605
Loans held for sale	2,210	678	2,159	2,086	292
Loans, net of allowance for credit losses	648,804	644,687	643,921	638,381	620,436
Deposits	762,927	739,680	721,253	706,660	704,717
Long term FHLB borrowings	6,000	6,000	6,000	6,000	6,000
Subordinated debt, net of issuance costs	9,912	9,897	9,882	9,868	9,854
Shareholders' equity	\$67,760	\$66,874	\$62,770	\$62,441	\$62,416
	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>3/31/2023</u>
Shareholders' Value (per share)					
Earnings per share, basic	\$0.40	\$0.41	\$0.42	\$0.43	\$0.49
Earnings per share, diluted	\$0.40	0.41	0.42	0.43	0.49
Cash dividends declared (per share)	\$0.10	0.10	0.10	0.09	0.09
Book value at period end (per share)	\$16.35	\$16.14	\$15.15	\$15.07	\$15.06
End of period number of shares outstanding	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>3/31/2023</u>
Safety and Soundness					
Tier 1 capital ratio (leverage ratio)*	9.98 %	9.77 %	9.93 %	10.04 %	10.25 %
Tangible Equity/Tangible Assets	7.92 %	8.05 %	7.75 %	7.86 %	7.88 %
Non-performing assets as a percentage of total assets including OREO	0.32 %	0.32 %	0.33 %	0.33 %	0.00 %
Allowance for credit losses as a percentage of period end loans	1.04 %	1.02 %	1.04 %	1.05 %	1.05 %
Ratio of net charge offs (recoveries) annualized during the period to average loans outstanding during the period	0.013 %	0.046 %	0.004 %	-0.011 %	-0.009 %

* 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.

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

TABLE 2

(Unaudited - dollars in thousands)

	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>6/30/2023</u>	<u>3/31/2023</u>
Noninterest Income:					
Wealth and Investments	\$418	\$471	\$453	\$425	\$390
Service charges on deposit accounts	246	254	266	266	230
Secondary market income	196	140	223	232	82
Interchange fees	493	506	515	523	484
Other operating income	261	291	176	221	151
Total Noninterest Income	<u>\$1,614</u>	<u>\$1,662</u>	<u>\$1,633</u>	<u>\$1,667</u>	<u>\$1,337</u>
Noninterest Expenses:					
Salaries and employee benefits	2,984	3,348	\$3,083	\$3,061	\$2,863
Net occupancy expense of premises	276	256	261	254	259
Furniture and equipment expenses	367	341	349	369	334
Advertising and public relations	68	92	105	133	66
Computer services and communications	529	485	486	454	409
Other professional services	348	410	329	258	289
ATM and check card expenses	249	258	243	275	227
Loss on sale of AFS securities	-	154	274	-	-
Other operating expenses	841	922	691	663	739
Total Noninterest Expenses	<u>\$5,662</u>	<u>\$6,266</u>	<u>\$5,821</u>	<u>\$5,467</u>	<u>\$5,186</u>

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

TABLE 3

(Unaudited - dollars in thousands)

	Three Months Ended 3/31/2024			Three Months Ended 12/31/2023			Three Months Ended 3/31/2023		
	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	\$ 1,144	\$ 14	4.92 %	\$ 1,327	\$ 22	6.58 %	\$ 559	\$ 9	6.53 %
Portfolio loans (1)	652,667	8,225	5.07 %	650,485	8,205	5.00 %	625,192	7,316	4.75 %
Available for sale securities (2)	93,519	664	2.86 %	93,172	638	2.72 %	97,790	551	2.29 %
Federal Reserve	62,804	801	5.13 %	71,448	920	5.11 %	14,055	125	3.61 %
Other interest earning assets	2,357	43	7.34 %	2,438	42	6.83 %	2,696	31	4.66 %
Total Interest Earning Assets	812,491	\$ 9,747	4.82 %	818,870	\$ 9,827	4.76 %	740,292	\$ 8,032	4.40 %
Other Assets	19,361			16,866			17,836		
Total Assets	\$ 831,852			\$ 835,736			\$ 758,128		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Interest-bearing Deposits	\$ 576,456	\$ 3,142	2.19 %	\$ 585,485	\$ 2,819	1.91 %	\$ 506,352	\$ 1,266	1.01 %
Federal Funds and repurchase agreements	3,343	7	0.84 %	3,791	8	0.84 %	3,842	7	0.74 %
Subordinated debt	9,902	140	5.69 %	9,887	139	5.58 %	9,845	139	5.73 %
FHLB advances	6,000	67	4.49 %	6,000	68	4.50 %	8,858	97	4.44 %
Total Interest-Bearing Liabilities	595,701	\$ 3,356	2.27 %	605,163	\$ 3,034	1.99 %	528,897	\$ 1,509	1.16 %
Non-interest-bearing deposits and other liabilities	168,770			166,910			167,982		
Total Liabilities	764,471			772,073			696,879		
Stockholders' Equity	67,381			63,663			61,249		
Total Liabilities and Stockholders' Equity	\$ 831,852			\$ 835,736			\$ 758,128		
Interest Rate Spread			2.55 %			2.77 %			3.24 %
Net Interest Income		\$ 6,391			\$ 6,793			\$ 6,523	
Net Interest Margin			3.16 %			3.29 %			3.57 %

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

(2) Average balances exclude unrealized gains/losses.