



FOR IMMEDIATE RELEASE

POTOMAC BANCSHARES, INC. REPORTS 2024 SECOND QUARTER RESULTS

Charles Town, WV, July 31, 2024 / PR Newswire / - Potomac Bancshares, Inc. (the “Company”) (OTC: PTBS), the one bank holding company for Bank of Charles Town (BCT), for the quarter ended June 30, 2024, earned \$1.421 million or \$0.34 per share compared to \$1.783 million or \$0.43 per share for the quarter ended June 30, 2023, and \$1.675 million in the first quarter of 2024 or \$0.40 per share.

The quarter ended June 30, 2024, included investment security sales 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. Excluding this loss, the earnings for the quarter ended June 30, 2024, would have been \$1.721 million or \$0.42 per share.

Net income was \$3.096 million for the six months ended June 30, 2024, or \$0.75 per share compared to \$3.825 million or \$0.92 per share for the six months ended June 30, 2023. Excluding the Q2 2024 investment security after-tax loss of \$300 thousand, net income for the six months ended June 30, 2024, would have been \$3.396 million, \$0.82 per share.

Alice P. Frazier, CEO and President commented, “Each quarter we build upon the prior quarter, remaining cautiously optimistic given the actions and strategic initiatives in process. Strategically, we had an opportunity to expand our BCT Wealth and Trust division into Virginia with an experienced hire. Early results are positive and impactful. In addition, our Government Contract Lending unit pipeline of quality businesses grew with expected impact in the third quarter. With a mindset of cost savings, we completed our contract negotiations with our core service provider which will benefit the company going forward.”

Frazier continued, “We are seeing momentum build in our loan pipeline and bookings as businesses are moving forward. As anticipated, our deposits decreased from a client account that was holding temporary funds with a specific payout schedule. The cost of deposits is moderating while loan yields continue to rise. We will continually take advantage of the market with strategic losses within the investment portfolio that significantly improve yield without excessive duration. Overall, we are pleased with the position of the balance sheet in this market and will continue our focus on cost structure.”

Selected Linked Quarter Q2 2024 Compared to Q1 2024 Highlights

- Assets decreased in the quarter \$22.9 million or 2.7% declining to \$832.5 million due to the aforementioned deposit decrease.
- Loan growth was \$8.4 million or 1.3% for the quarter. As of June 30, 2024, the unfunded commitments for construction loans approximated \$18.9 million.
- Net unrealized losses in the AFS portfolio in Q2 2024 decreased \$829 thousand moving to \$8.4 million from \$9.2 million in Q1 2024.
- Deposits decreased \$22.8 million during the quarter or 3.0% from Q1 2024.
 - Decreases are in both noninterest-bearing deposits of \$1.7 million or 1.0%, and interest-bearing deposits of \$21.1 million or 3.6%. Part of the decrease in Q2 2024 was expected from a client account that was holding temporary funds for distribution based on a specific payout schedule.

- The Tier 1 leverage capital ratio for BCT was 9.99% as of Q2 2024 and 9.98% as of Q1 2024. For the Company, the tangible equity / tangible assets ratio was 8.33% as of Q2 2024 compared to 7.92% as of Q1 2024.
- Net interest margin for the quarter improved 5 basis points (bps) to 3.21% from 3.16% in Q1 2024. See Table 4 for additional details.
 - The yield on loans increased 7 bps to 5.14%.
 - The yield on the securities portfolio increased 27 bps to 3.13%.
 - The cost of interest-bearing deposits increased 10 bps to 2.29%.
- The allowance for credit losses was 1.04% of total loans outstanding as of both Q2 2024 and Q1 2024.
- Non-performing assets as a percentage of total assets was 0.36% for Q2 2024 and 0.32% in Q1 2024. The minor increase in non-performing assets will be resolved in the third quarter of 2024.
- Non-interest income improved by \$123 thousand, attributable to increases in secondary market loan fees, Wealth advisory fees, and interchange fees. See Table 3 for additional details.
- Non-interest expense excluding the loss from investment security sales during the quarter was \$6.0 million for Q2 2024, an increase of \$302 thousand or 5.3% from Q1 2024. The increase is primarily in salary and employee benefits, other professional services, and advertising and public relations, partly offset by a decrease in other operating expenses. See Table 3 for additional details.
 - Salary and employee benefits were up due to increased salaries, incentive related expenses, mortgage commissions, and group insurance.
 - Advertising and public relations increased to support strategic initiatives and other public relations and shareholder events.
 - Other professional services are up due to increases in legal fees, Trust outsourcing expenses as additional functions are now outsourced, and staff recruitment.
 - Other operating expenses are attributable to a number of categories, including expenses associated with various annual shareholder-related expenses incurred in Q1 2024.

Selected Q2 2024 Compared to Q2 2023 Highlights

- Commercial loan growth of \$9.8 million, mortgage loan growth of \$5.5 million, and home equity growth of \$3.6 million, drove an overall increase in loans outstanding of \$18.9 million or 2.9%.
 - Non-owner-occupied office property loans were \$44.5 million or 6.7% of the total loan portfolio as of Q2 2024. As of Q2 2023, non-owner-occupied office property loans were \$45.0 million or 7.0% of the total loan portfolio. Most of the office property loans are for main street, small offices.
- Securities portfolio duration as of Q2 2024 was 4.27 compared to 4.08 as of Q2 2023.
 - Net unrealized losses in the AFS portfolio were \$8.4 million as of Q2 2024 and \$10.6 million as of Q2 2023.
- Total deposits increased \$33.4 million or 4.7%. Noninterest-bearing deposits were down \$219 thousand or 0.1%, while interest-bearing deposits were up \$33.6 million or 6.3%.
- The Tier 1 leverage capital ratio for BCT was 9.99% as of Q2 2024 compared to 10.04% as of Q2 2023. The tangible equity / tangible assets ratio for the Company was 8.33% as of Q2 2024 and 7.86% as of Q2 2023.
- Net interest margin was 3.21% for Q2 2024 compared to 3.28% in Q2 2023.
 - The earning asset yield increased 48 bps to 4.94% compared to Q2 2023.
 - The cost of interest-bearing deposits increased 74 bps to 2.29% compared to Q2 2023.
 - See Table 4 for additional details.

- The allowance for credit losses was 1.04% of total loans outstanding as of Q2 2024 and 1.05% as of Q2 2023.
- Non-performing assets as a percentage of total assets was 0.36% as of Q2 2024, and 0.33% as of Q2 2023.
- Non-interest income for the quarter was \$1.7 million, an increase of \$70 thousand or 4.2% compared to Q2 2023. Increases are centered in secondary market income and other operating income. Other operating income increased due to increases from CSV Life Insurance due to the restructuring in 2023, and income from equity security valuations. See Table 3 for additional details.
- Non-interest expense excluding investment security losses was \$6.0 million for Q2 2024, an increase of \$497 thousand or 9.1% over Q2 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 up due to increased salaries, group insurance, 401(k), partly offset by a reduction in incentives.
 - Computer services and communications are up due to investments in technology to support growth and business continuity.
 - Other professional services are up due to increases in legal fees, Trust outsourcing expenses, human capital initiatives, and staff recruitment.
 - Other operating expenses are up due to check fraud losses, franchise taxes, and net expenses in our bank tech investment.

Dividend Announcement

At our July 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 August 5, 2024, and will be paid on August 12, 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 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. 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. 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

	Six Months Ended	
	June 30, 2024	June 30, 2023
<i>(Unaudited - dollars in thousands, except per share data)</i>		
Earnings Performance		
Interest and dividend income	\$19,835	\$16,580
Interest expense	6,877	3,781
Net interest income	12,958	12,799
Provision for credit losses	309	222
Non-interest income	3,351	3,004
Non-interest expense	12,012 **	10,653
Income Before Income Tax Expense	3,988	4,928
Income tax expense	892	1,103
Net Income	\$3,096	\$3,825
Return on average equity	9.64 %	12.45 %
Return on average assets	0.78 %	1.00 %
Net interest margin	3.19 %	3.42 %
	June 30, 2024	June 30, 2023
Balance Sheet Highlights		
Total assets	\$832,450	\$794,015
Investment securities	83,476	85,350
Loans held for sale	1,396	2,086
Loans, net of allowance for credit losses of \$6,881 in 2024 and \$6,758 in 2023	657,188	638,381
Deposits	740,096	706,660
Long term FHLB borrowings	6,000	6,000
Subordinated debt, net of issuance costs	9,927	9,868
Shareholders' equity	\$69,305	\$62,441
	June 30, 2024	June 30, 2023
Shareholders' Value (per share)		
Earnings per share, basic	\$0.75	\$0.92
Earnings per share, diluted	0.75	0.92
Cash dividends declared (per share)	0.22	0.18
Book value at period end (per share)	\$16.72	\$15.07
End of period number of shares outstanding	4,144,561	4,144,561
	June 30, 2024	June 30, 2023
Safety and Soundness		
Tier 1 capital ratio (leverage ratio)*	9.99 %	10.04 %
Tangible Equity/Tangible Assets	8.33 %	7.86 %
Non-performing assets as a percentage of total assets including OREO	0.36 %	0.33 %
Allowance for credit losses as a percentage of period end loans	1.04 %	1.05 %
Ratio of net charge offs (recoveries) annualized during the period to average loans outstanding during the period	0.021 %	-0.010 %

* 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.

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

POTOMAC BANCSHARES, INC.

Quarterly Financial Data

Three Months Ended

TABLE 2

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

	<u>6/30/2024</u>	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>6/30/2023</u>
Earnings Performance					
Interest and dividend income	\$10,088	\$9,747	\$9,827	\$9,176	\$8,548
Interest expense	3,521	3,356	3,034	2,752	2,272
Net interest income	6,567	6,391	6,793	6,424	6,276
Provision for credit losses	129	180	-	-	191
Non-interest income	1,737	1,614	1,662	1,633	1,667
Non-interest expense	6,350	**** 5,662	6,266	** 5,821	*** 5,467
Income Before Income Tax Expense	1,825	2,163	2,189	2,236	2,285
Income tax expense	404	488	479	507	502
Net Income	<u>\$1,421</u>	<u>\$1,675</u>	<u>\$1,710</u>	<u>\$1,729</u>	<u>\$1,783</u>
Return on average equity	9.73 %	10.00 %	11.21 %	11.86 %	11.41 %
Return on average assets	0.79 %	0.81 %	0.85 %	0.93 %	0.91 %
Net interest margin	3.21 %	3.16 %	3.29 %	3.23 %	3.28 %
Balance Sheet Highlights					
Total assets	\$832,450	\$855,330	\$830,555	\$809,607	\$794,015
Investment securities	83,476	84,972	84,127	82,575	85,350
Loans held for sale	1,396	2,210	678	2,159	2,086
Loans, net of allowance for credit losses	657,188	648,804	644,687	643,921	638,381
Deposits	740,096	762,927	739,680	721,253	706,660
Long term FHLB borrowings	6,000	6,000	6,000	6,000	6,000
Subordinated debt, net of issuance costs	9,927	9,912	9,897	9,882	9,868
Shareholders' equity	\$69,305	\$67,760	\$66,874	\$62,770	\$62,441
Shareholders' Value (per share)					
Earnings per share, basic	\$0.34	\$0.40	\$0.41	\$0.42	\$0.43
Earnings per share, diluted	0.34	0.40	0.41	0.42	0.43
Cash dividends declared (per share)	0.12	0.10	0.10	0.10	0.09
Book value at period end (per share)	\$16.72	\$16.35	\$16.14	\$15.15	\$15.07
End of period number of shares outstanding	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Safety and Soundness					
Tier 1 capital ratio (leverage ratio)*	9.99 %	9.98 %	9.77 %	9.93 %	10.04 %
Tangible Equity/Tangible Assets	8.33 %	7.92 %	8.05 %	7.75 %	7.86 %
Non-performing assets as a percentage of total assets including OREO	0.36 %	0.32 %	0.32 %	0.33 %	0.33 %
Allowance for credit losses as a percentage of period end loans	1.04 %	1.04 %	1.02 %	1.04 %	1.05 %
Ratio of net charge offs (recoveries) annualized during the period to average loans outstanding during the period	0.029 %	0.013 %	0.046 %	0.004 %	-0.011 %

* 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

Three Months Ended

TABLE 3

(Unaudited - dollars in thousands)

	<u>6/30/2024</u>	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>6/30/2023</u>
Noninterest Income:					
Wealth and Investments	\$432	\$418	\$471	\$453	\$425
Service charges on deposit accounts	265	246	254	266	266
Secondary market income	274	196	140	223	232
Interchange fees	520	493	506	515	523
Other operating income	246	261	291	176	221
Total Noninterest Income	<u>\$1,737</u>	<u>\$1,614</u>	<u>\$1,662</u>	<u>\$1,633</u>	<u>\$1,667</u>
Noninterest Expenses:					
Salaries and employee benefits	\$3,197	\$2,984	\$3,348	\$3,083	\$3,061
Net occupancy expense of premises	266	276	256	261	254
Furniture and equipment expenses	367	367	341	349	369
Advertising and public relations	116	68	92	105	133
Computer services and communications	535	529	485	486	454
Other professional services	429	348	410	329	258
ATM and check card expenses	263	249	258	243	275
Loss on sale of AFS securities	386	-	154	274	-
Other operating expenses	791	841	922	691	663
Total Noninterest Expenses	<u>\$6,350</u>	<u>\$5,662</u>	<u>\$6,266</u>	<u>\$5,821</u>	<u>\$5,467</u>
Total Noninterest Expenses					
Excluding loss on sale of AFS securities	<u>\$5,964</u>	<u>\$5,662</u>	<u>\$6,112</u>	<u>\$5,547</u>	<u>\$5,467</u>

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

TABLE 4

(Unaudited - dollars in thousands)

	Three Months Ended 6/30/2024			Three Months Ended 3/31/2024			Three Months Ended 6/30/2023		
	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	\$ 1,775	\$ 30	6.80 %	\$ 1,144	\$ 14	4.92 %	\$ 3,824	\$ 42	4.41 %
Portfolio loans (1)	654,120	8,361	5.14 %	652,667	8,225	5.07 %	634,716	7,561	4.78 %
Available for sale securities (2)	92,975	724	3.13 %	93,519	664	2.86 %	96,567	542	2.25 %
Federal Reserve	70,581	926	5.28 %	62,804	801	5.13 %	31,099	361	4.66 %
Other interest earning assets	2,172	47	8.70 %	2,357	43	7.34 %	2,237	42	7.53 %
Total Interest Earning Assets	821,623	\$ 10,088	4.94 %	812,491	\$ 9,747	4.82 %	768,443	\$ 8,548	4.46 %
Other Assets	19,997			19,361			17,987		
Total Assets	\$ 841,620			\$ 831,852			\$ 786,430		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Interest-bearing Deposits	\$ 581,787	\$ 3,307	2.29 %	\$ 576,456	\$ 3,142	2.19 %	\$ 533,088	\$ 2,056	1.55 %
Federal Funds and repurchase agreements	3,706	7	0.76 %	3,343	7	0.84 %	4,468	8	0.72 %
Subordinated debt	9,918	140	5.68 %	9,902	140	5.69 %	9,859	139	5.65 %
FHLB advances	6,000	67	4.49 %	6,000	67	4.49 %	6,000	69	4.61 %
Total Interest-Bearing Liabilities	601,411	\$ 3,521	2.35 %	595,701	\$ 3,356	2.27 %	553,415	\$ 2,272	1.65 %
Non-interest-bearing deposits and other liabilities	172,221			168,770			170,339		
Total Liabilities	773,632			764,471			723,754		
Stockholders' Equity	67,988			67,381			62,676		
Total Liabilities and Stockholders' Equity	\$ 841,620			\$ 831,852			\$ 786,430		
Interest Rate Spread			2.59 %			2.55 %			2.81 %
Net Interest Income		\$ 6,567			\$ 6,391			\$ 6,276	
Net Interest Margin			3.21 %			3.16 %			3.28 %

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

(2) Average balances exclude unrealized gains/losses.