



**FOR IMMEDIATE RELEASE**

## **POTOMAC BANCSHARES, INC. REPORTS 2023 SECOND QUARTER RESULTS**

CHARLES TOWN, W.Va., Aug. 3, 2023 /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, 2023, earned \$1.783 million or \$0.43 per share compared to \$1.605 million or \$0.39 per share for the quarter ended June 30, 2022, and \$2.042 million in the first quarter of 2023 or \$0.49 per share.

Net income was \$3.825 million for the first six months of 2023 or \$0.92 per share compared to \$3.274 million or \$0.79 per share for the same period in 2022, a 16.5% increase in per share earnings.

Alice P. Frazier, CEO and President commented, "I am particularly proud of the BCT team's continued efforts on building long-term relationships with our clients that is based upon delivering the needed products coupled with a high level of service. In addition to solid loan and deposit growth, our wealth division continues to grow revenues." Frazier added, "As a result of our consistent success in executing on our strategic goals, we were able to raise our dividend this quarter from \$0.09 per share to \$0.10 per share, an 11.1% increase."

Frazier continued, "Our efforts for the remainder of the year will be focused on balancing the impact of the rising cost of deposits, liquidity, and overall deposit growth against slowing loan growth, all the while maintaining solid profitability."

### **Selected Highlights**

- Total assets were \$794.0 million as of Q2 2023 compared to \$740.6 million as of Q2 2022, an increase of \$53.4 million or 7.2%.
- Investment securities were \$85.4 million as of Q2 2023 compared to \$83.1 million as of Q2 2022. All investment securities are classified as available for sale (AFS).
- Loans were \$645.1 million as of Q2 2023 compared to \$572.2 million as of Q2 2022, an increase of \$72.9 million or 12.7%, and up \$22.6 million or 3.6% since Q4 2022.
- Total deposits grew to \$706.7 million as of Q2 2023, up \$43.8 million or 6.6% since Q2 2022, and were up \$41.2 million since Q4 2022, or 6.2%.
- Deposits not covered by FDIC insurance, securities, and other pledged collateral were less than 10% of total deposits as of Q2 2023.
- Pre-tax pre-provision net income excluding Payment Protection Program Loan (PPP) fees and PPP interest income was \$5.149 million for the first six months of 2023 compared to \$3.873 million for the same period in 2022, a 32.9% increase.
- Net interest income was \$12.8 million for the first six months of 2023 compared to \$11.0 million in the first six months of 2022, a 16.2% increase.
- Tangible capital increased \$4.755 million since Q2 2022.
- Return on Assets (ROA) for the first six months of 2023 was 1.00% compared to 0.92% in the same period in 2022.
- Return on Equity (ROE) for the first six months of 2023 was 12.45% compared to 11.07% in the first six months of 2022.

### **Q2 2023 Compared to Q2 2022**

- Excluding PPP loans, loan growth of \$75.2 million was driven by the commercial business line with growth of \$59.3 million, the mortgage business line with growth of \$12.6 million, and the home equity business line with growth of \$4.5 million, offset by a decrease in consumer and other loans of \$1.2 million.
- Non-owner-occupied office property loans were \$45.0 million or 7.0% of the total loan portfolio as of Q2 2023. The majority of the office property loans are for main street, small offices.
- Securities portfolio duration as of Q2 2023 was 4.08 compared to 4.31 as of Q2 2022.

- Net unrealized losses in the AFS portfolio were \$10.6 million as of Q2 2023 and \$8.7 million as of Q2 2022.
- Total deposits increased \$43.8 million or 6.6% since Q2 2022. The increase is attributable to an \$11.5 million increase in non-interest bearing deposits (7.3% growth) and a \$32.3 million increase in interest bearing deposits (6.4% growth).
- The Tier 1 leverage capital ratio for BCT was 10.04% as of Q2 2023 compared to 10.18% as of Q2 2022. The tangible equity / tangible assets ratio for the Company improved to 7.86% from 7.79% as of Q2 2022.
- Net interest margin was 3.28% for the quarter compared to 3.33% in Q2 2022. Excluding PPP income, net interest margin was unchanged at 3.28% for Q2 2023 compared to 3.19% for Q2 2022.
- Net interest income increased \$437 thousand for the quarter compared to Q2 2022, or 7.5%. Excluding PPP income, net interest income increased \$733 thousand for the quarter compared to Q2 2022, or 13.2%.
- The earning asset yield increased 80 basis points (bps) compared to Q2 2022 while interest bearing deposit costs increased by 119 bps compared to Q2 2022.
- The allowance for credit losses was 1.05% of total loans outstanding as of Q2 2023 and 1.01% as Q2 2022.
  - A provision for credit losses of \$191 thousand was recorded in the current quarter compared to \$242 thousand in Q2 2022.
- Non-performing assets as a percentage of total assets including Other Real Estate Owned (OREO) was 0.33% as of Q2 2023 compared to 0.01% as of Q2 2022. The increase is a result of one commercial relationship and currently management does not expect a loss. There was no OREO as of June 30, 2023 or June 30, 2022.
- Non-interest income for the quarter was \$1.7 million, an increase of \$173 thousand or 11.6% compared to Q2 2022 with increases primarily in Wealth and Investments and secondary market income. See Table 3 for additional details.
  - Wealth and Investments continues to have a strong year in both adding new accounts and additional fee income related to settling estates.
  - Secondary market income was up 73% due to a shift in strategy to sell more loans in the secondary market compared to 2022.
- Non-interest expense was \$5.5 million for Q2 2023, an increase of \$429 thousand or 8.5% over Q2 2022. See Table 3 for additional details.
  - The increase was across numerous categories to support growth initiatives.

### **Linked Quarter Q2 2023 Compared to Q1 2023**

- Total assets increased slightly during the quarter to \$794.0 million, an increase of \$1.7 million.
- Loans increased \$18.1 million in the quarter, or 2.9%, since Q1 2023. The increase was primarily in commercial loans.
- Securities portfolio duration was 4.08 as of Q2 2023 compared to 4.46 as of Q1 2023.
  - Net unrealized losses in the AFS portfolio were \$10.6 million as of Q2 2023 and \$8.7 million as of Q1 2023.
- Deposits increased \$1.9 million compared to Q1 2023. Excluding brokered CDs, core deposit growth was \$10.2 million or 1.5%.
  - Non-interest bearing deposits increased \$3.5 million, the result of continued commercial account growth.
  - Brokered CDs were reduced by \$8.2 million during the quarter to \$6.1 million.
- Total FHLB borrowings as of both Q2 2023 and Q1 2023 were \$6.0 million.
- The Tier 1 leverage capital ratio for BCT was 10.04% compared to 10.25% as of Q1 2023. For the Company, the tangible equity / tangible assets ratio was 7.86% compared to 7.88% as of Q1 2023.
- Net interest margin for the quarter was down 29 bps to 3.28% from 3.57% in Q1 2023.
  - The cost of interest bearing deposits increased 54 bps to 1.55% during Q2 2023 compared to Q1 2023 while the yield on total earning assets increased 6 bps to 4.46%.
- Available Liquidity.
  - Our Federal Reserve balance was \$27.0 million as of Q2 2023 compared to \$42.5 million as of Q1 2023.
  - Available borrowing lines were \$288 million as of Q2 2023 and \$294 million as of Q1 2023.
- The allowance for credit losses was 1.05% of total loans outstanding as of Q2 2023 and Q1 2023.



- A provision for credit losses of \$191 thousand was recorded in the quarter compared to \$31 thousand in Q1 2023. The provision reflects growth in loans in Q2 2023 and an increase in the liability for unfunded commitments.
- Non-performing assets as a percentage of total assets including OREO were 0.33% as of Q2 2023 and -0- as of Q1 2023.
- Non-interest income increased \$330 thousand for the quarter compared to Q1 2023, a 24.7% increase. All areas contributed to this increase as previously disclosed. See Table 3 for additional details.
- Non-interest expenses increased \$281 thousand in the quarter compared to Q1 2023, a 5.4% increase.
  - The increase was primarily driven by salaries and benefits, advertising and public relations, computer services and communications, and ATM and check card expenses. These were offset by decreases in other professional services and other operating expenses. See Table 3 for additional details.

### **Dividend Announcement**

At our July Board meeting, Potomac Bancshares, Inc. Board of Directors declared a quarterly dividend of \$0.10 per share, an 11.1% increase from the previous quarter's dividend. The dividend is for all shareholders of record on August 4, 2023, and will be paid on August 11, 2023.

### **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), Loudoun and Stafford Counties (VA), and Washington County (MD). 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, non-profits, and local municipalities. 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 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 "Best of the Best" winner in the 2022 *Journal-News* Readers' Choice Awards in three categories: Bank, Loan Services, and Financial Planning.

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](http://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**

	<b>Six Months Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<i>(Unaudited - dollars in thousands, except per share data)</i>		
<b>Earnings Performance</b>		
Interest and dividend income	\$16,580	\$12,152
Interest expense	3,781	1,141
Net interest income	12,799	11,011
Provision for credit losses	222	242
Non-interest income	3,004	3,169
Non-interest expense	10,653	9,736
Income Before Income Tax Expense	4,928	4,202
Income tax expense	1,103	928
Net Income	<u>\$3,825</u>	<u>\$3,274</u>
Return on average equity	12.45 %	11.07 %
Return on average assets	1.00 %	0.92 %
Net interest margin	3.42 %	3.19 %
<b>Balance Sheet Highlights</b>		
Total assets	\$794,015	\$740,629
Investment securities	85,350	83,077
Loans held for sale	2,086	-
Loans, net of allowance for credit losses of \$6,758 in 2023 and \$5,795 in 2022	638,381	566,423
Deposits	706,660	662,892
Long term FHLB borrowings	6,000	-
Subordinated debt, net of issuance costs	9,868	9,812
Shareholders' equity	\$62,441	\$57,686
<b>Shareholders' Value (per share)</b>		
Earnings per share, basic	\$0.92	\$0.79
Earnings per share, diluted	0.92	0.79
Cash dividends declared (per share)	0.18	0.17
Book value at period end (per share)	\$15.07	\$13.92
End of period number of shares outstanding	4,144,561	4,144,561
<b>Safety and Soundness</b>		
Tier 1 capital ratio (leverage ratio)*	10.04 %	10.18 %
Tangible Equity/Tangible Assets	7.86 %	7.79 %
Non-performing assets as a percentage of total assets including OREO	0.33 %	0.01 %
Allowance for credit losses as a percentage of period end loans	1.05 %	1.01 %
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.010 %	-0.018 %

\* 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				
(Unaudited - dollars in thousands, except per share data)	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
<b>Earnings Performance</b>					
Interest and dividend income	\$8,548	\$8,032	\$7,789	\$7,123	\$6,421
Interest expense	2,272	1,509	987	663	582
Net interest income	6,276	6,523	6,802	6,460	5,839
Provision for credit losses	191	31	165	225	242
Non-interest income	1,667	1,337	1,419	1,495	1,494
Non-interest expense	5,467	5,186	5,553 **	5,045	5,038
Income Before Income Tax Expense	2,285	2,643	2,503	2,685	2,053
Income tax expense	502	601	550	601	448
Net Income	<u>\$1,783</u>	<u>\$2,042</u>	<u>\$1,953</u>	<u>\$2,084</u>	<u>\$1,605</u>
Return on average equity	11.41 %	13.52 %	14.74 %	13.97 %	11.00 %
Return on average assets	0.91 %	1.09 %	1.13 %	1.10 %	0.89 %
Net interest margin	3.28 %	3.57 %	3.63 %	3.49 %	3.33 %
	<u>6/30/2023</u>	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>	<u>6/30/2022</u>
<b>Balance Sheet Highlights</b>					
Total assets	\$794,015	\$792,332	\$756,050	\$772,546	\$740,629
Investment securities	85,350	88,605	88,743	96,779	83,077
Loans held for sale	2,086	292	-	255	-
Loans, net of allowance for credit losses	638,381	620,436	616,382	592,374	566,423
Deposits	706,660	704,717	665,469	694,060	662,892
Long term FHLB borrowings	6,000	6,000	-	-	-
Short term overnight borrowings	-	-	11,720	-	-
Subordinated debt, net of issuance costs	9,868	9,854	9,839	9,826	9,812
Shareholders' equity	\$62,441	\$62,416	\$60,460	\$57,622	\$57,686
	<u>6/30/2023</u>	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>	<u>6/30/2022</u>
<b>Shareholders' Value (per share)</b>					
Earnings per share, basic	\$0.43	\$0.49	\$0.47	\$0.50	\$0.39
Earnings per share, diluted	0.43	0.49	0.47	0.50	0.39
Cash dividends declared (per share)	0.09	0.09	0.09	0.09	0.09
Book value at period end (per share)	\$15.07	\$15.06	\$14.59	\$13.90	\$13.92
End of period number of shares outstanding	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
	<u>6/30/2023</u>	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>	<u>6/30/2022</u>
<b>Safety and Soundness</b>					
Tier 1 capital ratio (leverage ratio)*	10.04 %	10.25 %	10.08 %	9.98 %	10.18 %
Tangible Equity/Tangible Assets	7.86 %	7.88 %	8.00 %	7.46 %	7.79 %
Non-performing assets as a percentage of total assets including OREO	0.33 %	0.00 %	0.00 %	0.01 %	0.01 %
Allowance for credit losses as a percentage of period end loans	1.05 %	1.05 %	1.00 %	1.01 %	1.01 %
Ratio of net recoveries annualized during the period to average loans outstanding during the period	-0.011 %	-0.009 %	-0.008 %	-0.003 %	-0.033 %

\* 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 \$367k 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>6/30/2023</u>	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>	<u>6/30/2022</u>
<b>Noninterest Income:</b>					
Wealth and Investments	\$425	\$390	\$344	\$370	\$379
Service charges on deposit accounts	266	230	268	267	253
Secondary market income	232	82	92	180	134
Interchange fees	523	484	511	504	517
Other operating income	221	151	204	174	211
Total Noninterest Income	<u>\$1,667</u>	<u>\$1,337</u>	<u>\$1,419</u>	<u>\$1,495</u>	<u>\$1,494</u>
<b>Noninterest Expenses:</b>					
Salaries and employee benefits	\$3,061	\$2,863	\$2,823	\$2,921	\$2,815
Net occupancy expense of premises	254	259	260	246	251
Furniture and equipment expenses	369	334	342	324	356
Advertising and public relations	133	66	76	84	75
Computer services and communications	454	409	457	401	390
Other professional services	258	289	312	217	269
ATM and check card expenses	275	227	222	225	214
Loss on sale of AFS securities	-	-	367	-	-
Other operating expenses	663	739	694	627	668
Total Noninterest Expenses	<u>\$5,467</u>	<u>\$5,186</u>	<u>\$5,553</u>	<u>\$5,045</u>	<u>\$5,038</u>

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

TABLE 4

(Unaudited - dollars in thousands)	Three Months Ended			Three Months Ended			Three Months Ended		
	Average Balance	6/30/2023 Interest Income/ Expense	Average Yields/Rate (annualized)	Average Balance	3/31/2023 Interest Income/ Expense	Average Yields/Rate (annualized)	Average Balance	6/30/2022 Interest Income/ Expense	Average Yields/Rate (annualized)
<b>ASSETS:</b>									
Interest Earning Assets:									
Loans:									
Loans held for sale	\$ 3,824	\$ 42	4.41 %	\$ 559	\$ 9	6.53 %	\$ 565	\$ 5	3.55 %
Portfolio loans (1)	634,716	7,561	4.78 %	625,192	7,316	4.75 %	557,592	5,936	4.27 %
Available for sale securities (2)	96,567	542	2.25 %	97,790	551	2.29 %	92,425	373	1.62 %
Federal Reserve	31,099	361	4.66 %	14,055	125	3.61 %	50,166	95	0.76 %
Other interest earning assets	2,237	42	7.53 %	2,696	31	4.66 %	2,627	12	1.83 %
<b>Total Interest Earning Assets</b>	<b>768,443</b>	<b>\$ 8,548</b>	<b>4.46 %</b>	<b>740,292</b>	<b>\$ 8,032</b>	<b>4.40 %</b>	<b>703,375</b>	<b>\$ 6,421</b>	<b>3.66 %</b>
Other Assets	17,987			17,836			19,752		
<b>Total Assets</b>	<b>\$ 786,430</b>			<b>\$ 758,128</b>			<b>\$ 723,127</b>		
<b>Liabilities and Stockholders' Equity</b>									
Interest-bearing liabilities:									
Interest-bearing Deposits	\$ 533,088	\$ 2,056	1.55 %	\$ 506,352	\$ 1,266	1.01 %	\$ 487,073	\$ 433	0.36 %
Federal Funds and repurchase agreements	4,468	8	0.72 %	3,842	7	0.74 %	10,644	11	0.41 %
Subordinated debt	9,859	139	5.65 %	9,845	139	5.73 %	9,804	138	5.65 %
FHLB advances	6,000	69	4.61 %	8,858	97	4.44 %	-	-	0.00 %
<b>Total Interest-Bearing Liabilities</b>	<b>553,415</b>	<b>\$ 2,272</b>	<b>1.65 %</b>	<b>528,897</b>	<b>\$ 1,509</b>	<b>1.16 %</b>	<b>507,521</b>	<b>\$ 582</b>	<b>0.46 %</b>
Non-interest-bearing deposits and other liabilities	170,339			167,982			157,082		
<b>Total Liabilities</b>	<b>723,754</b>			<b>696,879</b>			<b>664,603</b>		
Stockholders' Equity	62,676			61,249			58,524		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 786,430</b>			<b>\$ 758,128</b>			<b>\$ 723,127</b>		
<b>Interest Rate Spread</b>			<b>2.81 %</b>			<b>3.24 %</b>			<b>3.20 %</b>
<b>Net Interest Income</b>		<b>\$ 6,276</b>			<b>\$ 6,523</b>			<b>\$ 5,839</b>	
<b>Net Interest Margin</b>			<b>3.28 %</b>			<b>3.57 %</b>			<b>3.33 %</b>

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

(2) Average balances exclude unrealized gains/losses.

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