



## POTOMAC BANCSHARES REPORTS INCREASE IN 2025 SECOND QUARTER EARNINGS OVER PRIOR YEAR

CHARLES TOWN, W.Va., Jul. 30, 2025 /PRNewswire/ – Potomac Bancshares, Inc. (the “Company”) (OTCID: PTBS), the bank holding company of Bank of Charles Town (the “Bank”), also known as The Community’s Bank, reported net income of \$2.1 million and basic and diluted earnings per common share of \$0.50 for the second quarter of 2025. Net income increased \$654 thousand, and basic and diluted earnings per share increased by \$0.16 compared to net income of \$1.4 million and basic and diluted earnings per common share of \$0.34 for the second quarter of 2024.

Net income was \$4.3 million and basic and diluted earnings per common share totaled \$1.03 for the six months ending June 30, 2025. Net income increased by \$1.2 million, and basic and diluted earnings per share increased by \$0.28 compared to net income of \$3.1 million and basic and diluted earnings per common share of \$0.75 for the six months ending June 30, 2024.

	Three Months Ended		
	June 30, 2025	March 31, 2025	June 30, 2024
Net income	\$2,074	\$2,188	\$1,420
Basic and diluted earnings per share	\$0.50	\$0.53	\$0.34
Return on average assets	0.91%	1.01%	0.68%
Return on average equity	10.83%	11.88%	8.40%
Non-GAAP Measures:			
Adjusted net income	\$2,141	\$2,188	\$1,725
Adjusted basic and diluted earnings per share	\$0.52	\$0.53	\$0.42
Adjusted return on average assets	0.94%	1.01%	0.82%
Adjusted return on average equity	11.18%	11.88%	10.20%
Adjusted pre-provision, pre-tax earnings	\$2,986	\$2,982	\$2,339
Adjusted pre-provision, pre-tax return on average assets	1.31%	1.37%	1.12%
Net interest margin	3.48%	3.51%	3.25%
Efficiency ratio	68.19%	67.47%	71.80%

*Note: see “Non-GAAP Financial Measures” and “Non-GAAP Reconciliations” for additional information and detailed calculations of adjustments.*

“We’re proud of our strong second quarter performance, with 9% annualized revenue growth and solid progress on our strategic goals,” said Alice P. Frazier, President and CEO of Potomac Bancshares. “Loan and deposit growth remained robust, and we continued to expand in key markets like Berkeley and Loudoun Counties, while deepening our SBA and government contracting lending niches.”

Frazier continued, “Despite a sluggish economy, we’re optimistic about the year ahead and remain focused on delivering shareholder value—evident in our balance sheet growth, increased dividend, and 8% rise in book value per share. It was a pleasure seeing so many of our shareholders at the annual meeting in May. Your continued support means a great deal to all of us.”

## **SECOND QUARTER HIGHLIGHTS**

Key highlights of the three-month period ending June 30, 2025, are as follows. Comparisons are to the three-month period ending March 31, 2025, unless otherwise stated:

- Adjusted return on assets of 0.94%
- Adjusted return on equity of 11.18%
- Loan balances increased 11%, annualized
- Deposit balances increased 12%, annualized
- Total revenue growth of 9%, annualized
- Asset quality metrics were excellent with NPAs at 0.24% of total assets
- Tangible book value per share<sup>(1)</sup> increased 8%, annualized, to \$18.70
- Quarterly cash dividend on common stock increased 8% to \$0.13 per share

## **NET INTEREST INCOME**

Net interest income increased \$280 thousand, or 4%, to \$7.6 million for the second quarter of 2025 compared to the first quarter of 2025. Total interest and dividend income increased by \$490 thousand and total interest expense increased by \$210 thousand. While net interest income increased, the net interest margin<sup>(1)</sup> decreased by 3 basis points to 3.48%. The decrease in the net interest margin was attributable to a change in the composition of average earning assets and an increase in the cost of interest-bearing liabilities.

Total interest and dividend income increased \$490 thousand and was attributable to a \$181 thousand increase in interest income and fees on loans and a \$315 thousand increase in interest income on deposits in other financial institutions. The increase in interest and fees on loans was attributable to a 2-basis point increase in yield and a \$3.9 million increase in average balances. The increase in interest income on deposits in other financial institutions was attributable to a \$23.3 million increase in average balances and a 10-basis point increase in yield. The yield on total earning assets decreased 2-basis points to 5.19% in the second quarter of 2025 from a change in the composition of average earning assets. The \$23.3 million increase in average balances of interest-bearing deposits in other financial institutions was large enough to cause a decrease in the total yield on earning assets and a decrease in the net interest margin during the period.

Total interest expense increased \$210 thousand and was attributable to a \$219 thousand, or 7%, increase in interest expense on deposits. The increase in interest expense on deposits resulted from a 4-basis point increase in the cost of interest-bearing deposits and a \$25.0 million increase in average balances. The total cost of funds was 1.81% for the second quarter, which was a 2-basis point increase compared to the first quarter of 2025.

## **NONINTEREST INCOME**

Noninterest income totaled \$1.8 million for the second quarter, which was a \$63 thousand, or 3%, decrease from the first quarter of 2025. The decrease was primarily attributable to a \$173 thousand decrease in other operating income, which was partially offset by a \$104 thousand increase in secondary market mortgage income. Gains and fee income on mortgage loans increased from higher demand from clients. Other operating income decreased primarily from a \$124 thousand recovery on a fraud loss included in the first quarter of 2025.

## **NONINTEREST EXPENSE**

Noninterest expense totaled \$6.5 million for the second quarter, which was a \$298 thousand, or 5%, increase from the first quarter of 2025. The increase was primarily attributable to a \$392 thousand, or 12%, increase in salaries and employee benefits. During the second quarter, the Company increased salaries and wages, which included cost-of-living and merit-based adjustments. Incentives and commissions earned by employees also contributed to the increase.

## **ASSET QUALITY**

### **Overview**

Asset quality remained excellent during the second quarter. Loans that were past due greater than 30 days and still accruing interest as a percentage of total loans were 0.12% on June 30, 2025, 0.07% on March 31, 2025, and 0.01% on June 30, 2024. Nonperforming assets as a percentage of total assets were 0.24% on June 30, 2025, 0.25% on March 31, 2025, and 0.34% on June 30, 2024. Annualized net charge-offs as a percentage of total loans were 0.02% for the second quarter of 2025, 0.00% for the first quarter of 2025, and 0.03% for the second quarter of 2024. The allowance for credit losses on loans totaled \$7.4 million, or 1.00% of total loans on June 30, 2025, \$7.2 million, or 1.00% of total loans on March 31, 2025, and \$6.9 million, or 1.04% of total loans on June 30, 2024.

### **Provision for Credit Losses**

Provision for credit losses totaled \$225 thousand for the second quarter of 2025 compared to \$250 thousand in the first quarter of 2025 and \$129 thousand for the second quarter of 2024. While there were no changes in the specific reserve component of the allowance for credit losses, the general reserve component increased during the second quarter of 2025 from the impact of loan growth. There were no changes to qualitative factors in the general reserve component.

### Allowance for Credit Losses on Loans

The allowance for credit losses on loans totaled \$7.4 million on June 30, 2025, \$7.2 million on March 31, 2025, and \$6.9 million on June 30, 2024. Net charge-offs totaled \$45 thousand in the second quarter of 2025, \$1 thousand in the first quarter of 2025, and \$47 thousand in the second quarter of 2024. Charge-offs were comprised primarily of 1-4 family residential mortgage loans.

The following table provides the changes in the allowance for credit losses on loans:

*(dollars in thousands)*

	Three Months Ended		
	June 30, 2025	March 31, 2025	June 30, 2024
Allowance for credit losses on loans, beginning of period	\$7,180	\$6,977	\$6,832
Net charge-offs	(46)	(1)	(47)
Provision for credit losses on loans	225	204	96
Allowance for credit losses on loans, end of period	\$7,359	\$7,180	\$6,881

### Allowance for Credit Losses on Unfunded Commitments

The allowance for credit losses on unfunded commitments totaled \$448 thousand on June 30, 2025, \$448 thousand on March 31, 2025, and \$337 thousand on June 30, 2024. There was no provision for credit losses on unfunded commitments in the second quarter of 2025, compared to \$46 thousand in the first quarter of 2025, and \$33 thousand in the second quarter of 2024.

### BALANCE SHEET

Assets totaled \$920.3 million on June 30, 2025, which was an increase of \$24.8 million, or 11% (annualized), from March 31, 2025, and a \$87.8 million, or 11%, increase from June 30, 2024. The increase in total assets from the first quarter of 2025 was primarily due to a \$19.9 million, or 11% (annualized), increase in loans, net of allowance for credit losses. Total loans increased from June 30, 2024, primarily from a \$71.9 million, or 11%, increase in loans, net of the allowance for credit losses.

Loans totaled \$736.4 million on June 30, 2025, an increase of \$20.1 million, or 11% (annualized), from \$716.3 million, on March 31, 2025. Quarterly average loans totaled \$715.7 million, an increase of \$3.9 million, or 2% (annualized), from the first quarter of 2025. On June 30, 2025, loans increased \$72.4 million, or 11%, from one year ago, and quarterly average loans increased \$61.6 million, or 9%.

Securities available for sale totaled \$76.8 million on June 30, 2025, an increase of \$24 thousand from March 31, 2025, and a decrease of \$6.5 million from June 30, 2024. On June 30, 2025, net unrealized losses on the securities portfolio totaled \$6.6 million, which was a \$126 thousand increase from March 31, 2025, and a \$1.9 million decrease from June 30, 2024.

Deposits totaled \$794.9 million on June 30, 2025, an increase of \$22.5 million, or 12% (annualized), from March 31, 2025. Quarterly average deposits increased from the first quarter of 2025 by \$29.1

million. Total deposits increased \$54.8 million, or 7%, from June 30, 2025, and quarterly average deposits for the second quarter of 2025 increased \$38.7 million from the second quarter of 2024.

Other borrowings totaled \$31.8 million on June 30, 2025, compared to \$32.1 million on March 31, 2025. On June 30, 2025, other borrowings included \$29.0 million of funds borrowed from the Federal Home Loan Bank of Pittsburgh and had a weighted average fixed interest rate of 4.21% with maturity dates on advances ranging from 2026 to 2028.

Shareholders' equity totaled \$77.5 million on June 30, 2025, which was a \$1.4 million increase from March 31, 2025, and an \$8.2 million increase from June 30, 2024. The increases in shareholders' equity were primarily attributable to increases in retained earnings. Retained earnings increased by \$1.5 million from March 31, 2025, and \$6.0 million from June 30, 2025. Accumulated other comprehensive loss increased \$94 thousand from March 31, 2025, and decreased \$2.2 million from June 30, 2024.

The following table provides capital ratios at the end of the period:

	For the Period Ended		
	June 30, 2025	March 31, 2025	June 30, 2024
Total capital ratio <sup>(2)</sup>	13.50%	13.61%	13.96%
Tier 1 capital ratio <sup>(2)</sup>	12.43%	12.55%	12.87%
Common equity Tier 1 capital ratio <sup>(2)</sup>	12.43%	12.55%	12.87%
Leverage ratio <sup>(2)</sup>	9.91%	10.06%	9.99%
Tangible common equity to tangible assets <sup>(1)(3)</sup>	8.42%	8.49%	8.32%

During the second quarter of 2025, the Company paid a quarterly cash dividend of \$0.13 per common share, which was \$0.01 per share, or an 8% increase, compared to the quarterly cash dividend paid in the first quarter of 2025.

## NON-GAAP FINANCIAL MEASURES

In addition to financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company uses certain non-GAAP financial measures that the Company's management believes provide useful information for financial and operational decision making, evaluating trends, and comparing financial results to other financial institutions. The non-GAAP financial measures presented in this document include adjusted net income, adjusted basic and diluted earnings per share, adjusted return on average assets, adjusted return on average equity, pre-provision pre-tax earnings, adjusted pre-provision pre-tax earnings, fully taxable equivalent interest income, the net interest margin, the efficiency ratio, tangible book value per share, and tangible common equity to tangible assets.

The Company believes certain non-GAAP financial measures enhance the understanding of its business, performance, and financial position. Non-GAAP financial measures are supplemental and not a substitute for, or more important than, financial measures prepared in accordance with

GAAP and may not be comparable to those reported by other financial institutions. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure is included at the end of this release.

## **ABOUT POTOMAC BANCSHARES, INC.**

Potomac Bancshares, Inc. (OTCID: PTBS) is the bank holding company of Bank of Charles Town, which was founded in 1871. The Bank also does business under the names BCT and The Community's Bank. The Bank conducts operations through its nine branch offices and two loan production offices. The Bank's offices are in Jefferson and Berkeley Counties (WV), Washington County (MD), and Loudoun and Stafford Counties (VA). The Bank 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 permanent loans, as well as home equity loans and lines of credit. For over 70 years, BCT Wealth Advisors has provided caring and personalized trust services, growing into a premier financial management, investments, and estate services provider. The Bank also provides convenient online and mobile banking for individuals, businesses, and local governments plus free access to over 55,000 ATMs through the Allpoint® network plus another approximately 675 free access ATMs through another partnership. BCT was voted WINNER in the *LoudounNow* 2024 Loudoun's Favorite readers' poll in four categories: Bank, Mortgage Company, Banker, and Financial Planner. BCT was voted a "Best of the Best" winner in the 2024 *Martinsburg Journal-News* Readers' Choice Awards in three categories: Bank, Loan Services, and Financial Planning. 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. The Bank was named a "Best Bank to Work For" by *American Banker* five of the last six years.

The Company's shares are quoted on the OTCID marketplace under the symbol "PTBS." Individuals may purchase shares under the symbol "PTBS" by contacting one's personal broker. 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. 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.

## **CONTACTS**

**Alice P. Frazier**

President and CEO

304-728-2431

[afrazier@mybct.bank](mailto:afrazier@mybct.bank)

**M. Shane Bell**

Executive Vice President and CFO

304-728-2434

[sbell@mybct.bank](mailto:sbell@mybct.bank)

**POTOMAC BANCSHARES, INC.****Performance Summary***(in thousands, except share and per share data)**(unaudited)*

	For the Three Months Ended			For the Six Months Ended	
	June 30, 2025	March 31, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<b>Income Statement</b>					
Interest and dividend income:					
Interest and fees on loans	\$ 9,682	\$ 9,501	\$ 8,361	\$ 19,183	\$ 16,586
Taxable interest on securities	710	715	695	1,425	1,330
Tax-exempt interest on securities	28	29	29	57	57
Other interest and dividends	989	674	1,003	1,663	1,862
Total interest and dividend income	<u>\$ 11,409</u>	<u>\$ 10,919</u>	<u>\$ 10,088</u>	<u>\$ 22,328</u>	<u>\$ 19,835</u>
Interest expense:					
Interest on deposits	\$ 3,324	\$ 3,105	\$ 3,308	\$ 6,429	\$ 6,450
Interest on short term borrowings	2	6	7	8	13
Interest on long term borrowings	309	313	67	622	134
Interest on subordinated debt	140	141	140	281	280
Total interest expense	<u>\$ 3,775</u>	<u>\$ 3,565</u>	<u>\$ 3,522</u>	<u>\$ 7,340</u>	<u>\$ 6,877</u>
Net interest income	<u>\$ 7,634</u>	<u>\$ 7,354</u>	<u>\$ 6,566</u>	<u>\$ 14,988</u>	<u>\$ 12,958</u>
Provision for credit losses	<u>225</u>	<u>250</u>	<u>129</u>	<u>475</u>	<u>309</u>
Net interest income after provision for credit losses	<u>\$ 7,409</u>	<u>\$ 7,104</u>	<u>\$ 6,437</u>	<u>\$ 14,513</u>	<u>\$ 12,649</u>
Noninterest Income:					
Wealth and investments	\$ 498	\$ 505	\$ 431	\$ 1,003	\$ 850
Service charges on deposit accounts	225	260	265	485	511
Gains / fees on sale of mortgage loans	351	247	274	598	470
ATM and check card fees	518	475	521	993	1,014
Income from bank owned life insurance	100	97	97	197	213
Net losses on sale of securities	-	-	(386)	-	(386)
Net loss on disposal of premises & equipment	-	(2)	-	(2)	-
Other operating income	74	247	157	321	301
Total noninterest income	<u>\$ 1,766</u>	<u>\$ 1,829</u>	<u>\$ 1,359</u>	<u>\$ 3,595</u>	<u>\$ 2,973</u>
Noninterest expenses:					
Salaries and employee benefits	\$ 3,760	\$ 3,368	\$ 3,228	\$ 7,128	\$ 6,243
Occupancy	310	344	266	654	542
Equipment	344	376	367	720	735
Accounting, audit, and compliance	70	69	44	139	109
Advertising and public relations	112	118	116	230	184
Data processing	453	452	459	905	923
FDIC assessment	104	99	94	203	188
Other professional fees	140	132	146	272	256
Trust professional fees	144	171	123	315	231
Director and committee fees	68	97	88	165	181
Legal fees	23	33	117	56	182
Supplies	66	79	62	145	138
Communications	112	112	99	224	201
ATM and check card expense	264	240	263	504	512
Other operating expenses	529	511	500	1,040	1,009
Total noninterest expenses	<u>\$ 6,499</u>	<u>\$ 6,201</u>	<u>\$ 5,972</u>	<u>\$ 12,700</u>	<u>\$ 11,634</u>
Income before income tax expense	<u>\$ 2,676</u>	<u>\$ 2,732</u>	<u>\$ 1,824</u>	<u>\$ 5,408</u>	<u>\$ 3,988</u>
Income tax expense	<u>602</u>	<u>544</u>	<u>404</u>	<u>1,146</u>	<u>892</u>
Net income	<u><u>\$ 2,074</u></u>	<u><u>\$ 2,188</u></u>	<u><u>\$ 1,420</u></u>	<u><u>\$ 4,262</u></u>	<u><u>\$ 3,096</u></u>



**POTOMAC BANCSHARES, INC.**
**Performance Summary**
*(in thousands, except share and per share data)*
*(unaudited)*

	As of or For the Three Months Ended			As of or For the Six Months Ended	
	June 30, 2025	March 31, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<b>Common Share and Per Common Share Data</b>					
Earnings per common share, basic	\$ 0.50	\$ 0.53	\$ 0.34	\$ 1.03	\$ 0.75
Adjusted earnings per common share, basic <sup>(1)</sup>	\$ 0.52	\$ 0.53	\$ 0.42	\$ 1.05	\$ 0.82
Weighted average shares, basic	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Earnings per common share, diluted	\$ 0.50	\$ 0.53	\$ 0.34	\$ 1.03	\$ 0.75
Adjusted earnings per common share, diluted <sup>(1)</sup>	\$ 0.52	\$ 0.53	\$ 0.42	\$ 1.05	\$ 0.82
Weighted average shares, diluted	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Shares outstanding at period end	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Tangible book value per share at period end <sup>(1)</sup>	\$ 18.70	\$ 18.35	\$ 16.72	\$ 18.70	\$ 16.72
Cash dividends	\$ 0.13	\$ 0.12	\$ 0.12	\$ 0.25	\$ 0.22
<b>Key Performance Ratios</b>					
Return on average assets	0.91%	1.01%	0.68%	0.96%	0.74%
Adjusted return on average assets <sup>(1)</sup>	0.94%	1.01%	0.82%	0.97%	0.82%
Return on average equity	10.83%	11.88%	8.40%	11.35%	9.20%
Adjusted return on average equity <sup>(1)</sup>	11.18%	11.88%	10.20%	11.52%	10.10%
Net interest margin <sup>(1)</sup>	3.48%	3.51%	3.25%	3.40%	3.23%
Efficiency ratio <sup>(1)</sup>	68.19%	67.47%	71.80%	67.83%	71.25%
<b>Average Balances</b>					
Average assets	\$ 912,253	\$ 881,490	\$ 841,627	\$ 896,863	\$ 836,744
Average earning assets	881,485	850,176	812,168	888,876	807,076
Average shareholders' equity	76,808	74,694	67,987	75,757	67,684
<b>Asset Quality</b>					
Loan charge-offs	\$ 58	\$ 21	\$ 80	\$ 79	\$ 137
Loan recoveries	13	20	33	33	69
Net charge-offs	45	1	47	46	68
Non-accrual loans	2,244	2,245	2,963	2,245	2,963
Other real estate owned, net	-	-	-	-	-
Nonperforming assets <sup>(5)</sup>	2,244	2,245	2,963	2,245	2,963
Loans 30 to 89 days past due, accruing	726	523	60	726	60
Loans over 90 days past due, accruing	151	-	-	151	-
Special mention loans	15,711	14,055	8,192	15,711	8,192
Substandard loans, accruing	1,150	1,463	1,631	1,150	1,631
<b>Capital Ratios <sup>(2)</sup></b>					
Total capital	\$ 99,097	\$ 97,302	\$ 92,606	\$ 99,097	\$ 92,606
Tier 1 capital	91,290	89,674	85,388	91,290	85,388
Common equity tier 1 capital	91,290	89,674	85,388	91,290	85,388
Total capital to risk-weighted assets	13.50%	13.61%	13.96%	13.50%	13.96%
Tier 1 capital to risk weighted assets	12.43%	12.55%	12.87%	12.43%	12.87%
Common equity Tier 1 capital to risk weighed assets	12.43%	12.55%	12.87%	12.43%	12.87%
Leverage ratio	9.91%	10.06%	9.99%	9.91%	9.99%

**POTOMAC BANCSHARES, INC.**
**Performance Summary**
*(in thousands, except share and per share data)*
*(unaudited)*

	For the Period Ended				
	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
<b>Balance Sheet</b>					
Cash and due from banks	\$ 4,638	\$ 4,673	\$ 5,143	\$ 5,014	\$ 4,061
Interest-bearing deposits in other financial institutions	67,636	66,844	59,621	67,337	51,167
Cash and cash equivalents	\$ 72,274	\$ 71,517	\$ 64,764	\$ 72,351	\$ 55,228
Securities available for sale, at fair value	76,787	76,763	77,385	82,146	83,276
Equity securities, at fair value	246	243	241	223	200
Restricted securities	2,037	2,023	2,103	2,328	1,419
Loans held for sale	5,682	2,234	1,506	1,219	1,395
Loans, net of allowance for credit losses	729,065	709,160	697,132	679,558	657,188
Premises and equipment, net	8,107	8,240	8,099	7,832	7,806
Accrued interest receivable	2,439	2,478	2,283	2,382	2,413
Bank owned life insurance	14,174	14,074	13,977	13,878	13,780
Other assets	9,528	8,851	9,859	9,414	9,875
Total assets	<u>\$ 920,339</u>	<u>\$ 895,583</u>	<u>\$ 877,349</u>	<u>\$ 871,331</u>	<u>\$ 832,580</u>
Noninterest-bearing demand deposits	\$ 176,708	\$ 186,182	\$ 171,681	\$ 172,941	\$ 169,262
Savings and interest-bearing demand deposits	618,155	586,200	582,677	576,809	570,834
Total deposits	\$ 794,863	\$ 772,382	\$ 754,358	\$ 749,750	\$ 740,096
Short term borrowings	2,793	3,052	3,170	3,503	3,031
Long term borrowings	29,000	29,000	31,000	31,000	6,000
Subordinated debt	9,989	9,973	9,958	9,942	9,927
Accrued interest payable	1,148	987	1,266	1,041	875
Other liabilities	5,056	4,140	4,181	3,586	3,347
Total liabilities	<u>\$ 842,849</u>	<u>\$ 819,534</u>	<u>\$ 803,933</u>	<u>\$ 798,822</u>	<u>\$ 763,276</u>
Common stock	\$ 4,493	\$ 4,493	\$ 4,493	\$ 4,493	\$ 4,493
Surplus	14,547	14,547	14,547	14,547	14,547
Retained Earnings	67,032	65,497	63,806	62,331	61,068
Accumulated other comprehensive (loss), net	(5,088)	(4,994)	(5,936)	(5,368)	(7,310)
	<u>\$ 80,984</u>	<u>\$ 79,543</u>	<u>\$ 76,910</u>	<u>\$ 76,003</u>	<u>\$ 72,798</u>
Less cost of shares acquired for the treasury	(3,494)	(3,494)	(3,494)	(3,494)	(3,494)
Total shareholders' equity	<u>\$ 77,490</u>	<u>\$ 76,049</u>	<u>\$ 73,416</u>	<u>\$ 72,509</u>	<u>\$ 69,304</u>
Total liabilities and shareholders' equity	<u>\$ 920,339</u>	<u>\$ 895,583</u>	<u>\$ 877,349</u>	<u>\$ 871,331</u>	<u>\$ 832,580</u>
<b>Loan Data</b>					
Construction and land development	\$ 46,882	\$ 42,954	\$ 39,404	\$ 35,260	\$ 28,936
Secured by farmland	6,732	6,707	6,769	6,820	6,814
Secured by 1-4 family residential loans	253,798	250,436	247,299	244,125	240,053
Other real estate loans	355,690	344,953	345,904	340,027	335,888
Loans to farmers (except secured by real estate)	118	237	190	195	198
Commercial and industrial loans (except those secured by real estate)	63,763	61,348	54,205	49,972	41,431
Consumer installment loans	2,860	2,910	2,910	2,994	3,287
Deposit overdraft	103	85	518	74	71
All other loans	6,478	6,710	6,910	7,188	7,391
Total loans	<u>\$ 736,424</u>	<u>\$ 716,340</u>	<u>\$ 704,109</u>	<u>\$ 686,655</u>	<u>\$ 664,069</u>
Allowance for credit losses	(7,359)	(7,180)	(6,977)	(7,097)	(6,881)
Loans, net	<u>\$ 729,065</u>	<u>\$ 709,160</u>	<u>\$ 697,132</u>	<u>\$ 679,558</u>	<u>\$ 657,188</u>

**POTOMAC BANCSHARES, INC.**
**Non-GAAP Reconciliations**
*(in thousands, except share and per share data)*
*(unaudited)*

	As of or for the Three Months Ended			As of or for the Six Months Ended	
	June 30, 2025	March 31, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<b>Adjusted Net Income</b>					
Net income (GAAP)	\$ 2,074	\$ 2,188	\$ 1,420	\$ 4,262	\$ 3,096
Add: Loss on sale of securities	\$ -	\$ -	\$ 386	\$ -	\$ 386
Add: Core system conversion expense	85	-	-	85	-
Total adjustments	\$ 85	\$ -	\$ 386	\$ 85	\$ 386
Subtract: Tax effect of adjustment <sup>(4)</sup>	(18)	-	(81)	(18)	(81)
Adjusted net income (non-GAAP)	<u>\$ 2,141</u>	<u>\$ 2,188</u>	<u>\$ 1,725</u>	<u>\$ 4,329</u>	<u>\$ 3,401</u>
<b>Adjusted Earnings Per Share, Basic</b>					
Weighted average shares, basic	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Basic earnings per share (GAAP)	\$ 0.50	\$ 0.53	\$ 0.34	\$ 1.03	\$ 0.75
Adjusted earnings per share, basic (Non-GAAP)	\$ 0.52	\$ 0.53	\$ 0.42	\$ 1.05	\$ 0.82
<b>Adjusted Earnings Per Share, Diluted</b>					
Weighted average shares, diluted	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Diluted earnings per share (GAAP)	\$ 0.50	\$ 0.53	\$ 0.34	\$ 1.03	\$ 0.75
Adjusted earnings per share, diluted (Non-GAAP)	\$ 0.52	\$ 0.53	\$ 0.42	\$ 1.05	\$ 0.82
<b>Adjusted Pre-Provision, Pre-tax earnings</b>					
Net interest income	\$ 7,634	\$ 7,354	\$ 6,566	\$ 14,988	\$ 12,958
Total noninterest income	1,766	1,829	1,359	3,595	2,973
Net revenue	\$ 9,400	\$ 9,183	\$ 7,925	\$ 18,583	\$ 15,931
Total noninterest expense	6,499	6,201	5,972	12,700	11,634
Pre-provision, pre-tax earnings	\$ 2,901	\$ 2,982	\$ 1,953	\$ 5,883	\$ 4,297
Add: Loss on sale of securities	-	-	386	-	386
Add: Core system conversion expense	85	-	-	85	-
Adjusted pre-provision, pre-tax earnings	<u>\$ 2,986</u>	<u>\$ 2,982</u>	<u>\$ 2,339</u>	<u>\$ 5,968</u>	<u>\$ 4,683</u>
<b>Adjusted Performance Ratios</b>					
Average assets	\$ 912,253	\$ 881,490	\$ 841,627	\$ 896,863	\$ 836,744
Return on average assets (GAAP)	0.91%	1.01%	0.68%	0.96%	0.74%
Adjusted return on average assets (Non-GAAP)	0.94%	1.01%	0.82%	0.97%	0.82%
Average shareholders' equity	\$ 76,808	\$ 74,694	\$ 67,987	\$ 75,757	\$ 67,684
Return on average equity (GAAP)	10.83%	11.88%	8.40%	11.35%	9.20%
Adjusted return on average equity (Non-GAAP)	11.18%	11.88%	10.20%	11.52%	10.10%
Pre-provision, pre-tax return on average assets	1.28%	1.37%	0.93%	1.32%	1.03%
Adjusted pre-provision, pre-tax return on average assets	1.31%	1.37%	1.12%	1.34%	1.13%
<b>Net Interest Margin</b>					
Tax-equivalent net interest income	\$ 7,640	\$ 7,360	\$ 6,572	\$ 15,000	\$ 12,970
Average earning assets	881,485	850,176	812,168	888,876	807,076
Net interest margin	3.48%	3.51%	3.25%	3.40%	3.23%

**POTOMAC BANCSHARES, INC.**
**Non-GAAP Reconciliations (continued)**

(in thousands, except share and per share data)  
(unaudited)

	As of or for the Three Months Ended			As of or for the Six Months Ended	
	June 30, 2025	March 31, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<b>Efficiency Ratio</b>					
Total noninterest expense	\$ 6,499	\$ 6,201	\$ 5,972	\$ 12,700	\$ 11,634
Subtract: Core system conversion expense	(85)	-	-	(85)	-
Total noninterest expense subtotal	\$ 6,414	\$ 6,201	\$ 5,972	\$ 12,615	\$ 11,634
Tax-equivalent net interest income	\$ 7,640	\$ 7,360	\$ 6,572	\$ 15,000	\$ 12,970
Total noninterest income	\$ 1,766	\$ 1,829	\$ 1,359	\$ 3,595	\$ 2,973
Add: Net losses on disposal of premises & equipment	-	2	-	2	-
Add: Net losses on sale of investment securities, AFS	-	-	386	-	386
Total noninterest income subtotal	1,766	1,831	1,745	3,597	3,359
Subtotal	\$ 9,406	\$ 9,191	\$ 8,317	\$ 18,597	\$ 16,329
Efficiency ratio	68.19%	67.47%	71.80%	67.83%	71.25%
<b>Tax-Equivalent Net Interest Income</b>					
GAAP measures:					
Interest income - loans	\$ 9,682	\$ 9,501	\$ 8,361	\$ 19,183	\$ 16,586
Interest income - investments taxable	710	715	695	1,425	1,330
Interest income - investments tax exempt	28	29	29	57	57
Interest income - other	989	674	1,003	1,663	1,862
Interest expense - deposits	(3,324)	(3,105)	(3,308)	(6,429)	(6,450)
Interest expense - short term borrowings	(2)	(6)	(7)	(8)	(13)
Interest expense - long term borrowings	(309)	(313)	(67)	(622)	(134)
Interest expense - subordinated debt	(140)	(141)	(140)	(281)	(280)
Net interest income	\$ 7,634	\$ 7,354	\$ 6,566	\$ 14,988	\$ 12,958
Non-GAAP measures:					
Add: Tax benefit realized on non-taxable interest income - municipal securities <sup>(4)</sup>	\$ 6	\$ 6	\$ 6	\$ 12	\$ 12
Tax benefit realized on non-taxable interest income	\$ 6	\$ 6	\$ 6	\$ 12	\$ 12
Tax equivalent net interest income	\$ 7,640	\$ 7,360	\$ 6,572	\$ 15,000	\$ 12,970
<b>Tangible Book Value Per Share</b>					
Tangible common equity	\$ 77,490	\$ 76,049	\$ 69,305	\$ 77,490	\$ 69,305
Common shares outstanding, ending	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Tangible book value per share	\$ 18.70	\$ 18.35	\$ 16.72	\$ 18.70	\$ 16.72

<sup>(1)</sup> Non-GAAP financial measures. See "Non-GAAP Financial Measures" and "Non-GAAP Reconciliations" for additional information and detailed calculations of adjustments.

<sup>(2)</sup> Capital ratios are for Bank of Charles Town.

<sup>(3)</sup> Capital ratios are for Potomac Bancshares, Inc.

<sup>(4)</sup> The tax rate utilized in calculating the tax benefit is 21%.

<sup>(5)</sup> Nonperforming assets are comprised of nonaccrual loans and other real estate owned.