



Potomac Bancshares Reports 28% Increase in First Quarter Results

CHARLES TOWN, W.Va., April 29, 2026 /PRNewswire/ – Potomac Bancshares, Inc. (the "Company") (OTCID: PTBS), the bank holding company of Potomac Bank (the "Bank"), reported net income of \$3.0 million, or \$0.73 per basic and diluted common share, for the first quarter of 2026. This represents an increase of 28% from the fourth quarter of 2025 and 39% from the first quarter of 2025. Return on average assets was 1.28% and return on average equity was 14.68% for the quarter.

Quarterly Financial Highlights

(in thousands, except per share data)

	Q1 2026	Q4 2025	Q1 2025
Net Income	\$3,044	\$2,372	\$2,188
EPS (basic and diluted)	\$0.73	\$0.57	\$0.53
ROA	1.28%	0.97%	1.01%
ROE	14.68%	11.51%	11.88%
Non-GAAP Measures ¹ :			
Adj. Net Income	\$2,865	\$2,174	\$2,188
Adj. EPS (basic and diluted)	\$0.69	\$0.52	\$0.53
Adj. ROA	1.21%	0.89%	1.01%
Adj. ROE	13.82%	10.55%	11.88%
Adj. Pre-Provision, Pre-Tax Earnings	\$3,860	\$3,086	\$2,982
Adj. Pre-Provision, Pre-Tax ROA	1.63%	1.26%	1.37%
Net Interest Margin	3.66%	3.55%	3.51%
Efficiency Ratio	64.84%	70.29%	67.47%

¹Non-GAAP financial measures provide additional insight into the Company's core operating performance by excluding certain non-recurring items. See "Non-GAAP Financial Measures" and "Non-GAAP Reconciliations" for additional information and detailed calculations of adjustments.

"Our first quarter results demonstrate strong team operational execution and our focus on long-term growth," said Alice Frazier, President and CEO. "Margin expansion, improved operating efficiency, and diversified fee income supported higher profitability, while our planned entry into a new market through new hires and branch expansion positions us well to extend our community banking model and establish client relationships in new markets."

Expansion in New and Existing Markets

The Bank announces its expansion into the Winchester-Frederick County, Virginia market. In April, the Bank hired experienced commercial bankers to lead the expansion and expects to open its first office in the City of Winchester in the second quarter of 2026. The Bank also recently hired an experienced commercial banker who will focus on expanding treasury and business deposit market share.

First Quarter Highlights

Key highlights of the three-month period ending March 31, 2026, are as follows, with comparisons to the three-month period ending December 31, 2025, unless otherwise noted:

- Net income increased 28% linked-quarter and 39% year-over-year
- Return on assets improved to 1.28%
- Return on equity increased to 14.68%
- Net interest margin expanded to 3.66%
- Loans increased by 1% on a linked-quarter basis and 6% year-over-year
- Deposits increased 4% on a linked-quarter basis and 9% year-over-year
- Book value per share increased to \$20.42

Net Interest Income

Net interest income was \$8.4 million for the first quarter of 2026, representing a 4% decrease from the fourth quarter of 2025. Total interest and dividend income decreased by \$630 thousand, which was partially offset by a \$239 thousand decrease in total interest expense.

The decrease in total interest and dividend income was primarily attributable to \$405 thousand of interest income on loans recognized in the fourth quarter of 2025 from nonaccrual loan interest on paid off loans. Other interest and dividend income decreased in the first quarter of 2026 from lower average balances of interest-bearing deposits in other financial institutions.

The decrease in total interest expense was primarily attributable to lower interest expense on deposits as the Bank's cost of deposits decreased during the period.

The net interest margin increased to 3.66% compared to 3.55% for the fourth quarter of 2025, reflecting disciplined deposit pricing and a change in the earning asset composition. For better comparability between periods, the Bank excluded interest income collected on a paid-off nonaccrual loan from the net interest margin calculation for the fourth quarter of 2025.

Noninterest Income

Noninterest income totaled \$2.8 million for the first quarter, up 39% from the fourth quarter of 2025, reflecting higher wealth and investment income, gains and fees on mortgage loan sales, gains on sales of SBA loans, and other operating income. Wealth management fees increased \$209 thousand, or 39%, compared to the fourth quarter of 2025. The increase was attributable to \$97 thousand in non-recurring estate fee income and the wealth management division's implementation of an updated fee schedule late in the first quarter. Gains on the sale of mortgage loans increased \$51 thousand, or 12%, from higher client demand for mortgage loans. Gains on the sale of SBA loans totaled \$408 thousand in the first quarter of 2026. The SBA loans sold in the first quarter were originated by the Bank in 2025. There were no sales of SBA loans during 2025. Although the Bank anticipates gains on sales of SBA loans in future periods, it expects gains to be

less than the amount reported for the first quarter of 2026. Other operating income increased from a \$227 thousand death benefit payment from bank-owned life insurance.

Noninterest Expense

Noninterest expense totaled \$7.1 million for the first quarter, down 5% from the fourth quarter of 2025, with the linked-quarter decrease primarily driven by lower salaries and employee benefits, other professional fees, and other operating expenses. Salaries and employee benefits decreased \$94 thousand and were primarily attributable to lower incentive expenses. Additional incentives related to exceeding performance goals impacted the fourth quarter of 2025. Other professional fees decreased \$178 thousand and other operating costs decreased \$92 thousand. Both categories were impacted by expenses related to the Bank's renaming initiative in the prior period. Renaming expenses totaled \$154 thousand in the fourth quarter of 2025.

The Bank expects its plans to expand into new and existing markets to increase salaries and employee benefits, as well as occupancy and equipment expense beginning in the second quarter of 2026.

Asset Quality

Overview

There was no significant change in asset quality during the first quarter. While loans 30 to 89 days past due increased to \$1.5 million, loans over 90 days past due decreased to zero and substandard loans still accruing decreased slightly to \$432 thousand. Nonperforming assets totaled \$257 thousand during the first quarter from one loan relationship placed on nonaccrual status during the period.

Provision for Credit Losses

Provision for credit losses totaled \$200 thousand for the first quarter compared to \$250 thousand for the fourth quarter of 2025. Net charge-offs totaled \$17 thousand for the quarter, compared to \$18 thousand in the fourth quarter of 2025. The specific reserve component of the allowance for credit losses increased by \$78 thousand and the general reserve component increased by \$98 thousand during the first quarter of 2026, primarily from growth of the loan portfolio.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans totaled \$8.0 million, or 1.05% of total loans on March 31, 2026, compared to 1.04% of total loans on December 31, 2025, and 1.00% of total loans on March 31, 2025.

The following table provides the changes in the allowance for credit losses on loans for the three-month periods ended:

(dollars in thousands)

	Q1 2026	Q4 2025	Q1 2025
Allowance for credit losses on loans, beginning	\$7,796	\$7,505	\$6,977
Net charge-offs	(17)	(18)	(1)
Provision for credit losses on loans	193	309	204
Allowance for credit losses on loans, ending	\$7,972	\$7,796	\$7,180

Allowance for Credit Losses on Unfunded Commitments

The allowance for credit losses on unfunded commitments totaled \$437 thousand on March 31, 2026, and \$430 thousand on December 31, 2025. The provision for credit losses on unfunded commitments was \$7 thousand, compared to the recovery of credit losses on unfunded commitments of \$59 thousand for the fourth quarter of 2025.

Balance Sheet

Total assets were \$975.8 million on March 31, 2026, compared to \$944.3 million on December 31, 2025, and \$895.6 million year-over-year. Total loans (gross) were \$758.5 million, up 1% from the prior quarter and 6% year-over-year. Deposits totaled \$845.4 million, up 4% linked-quarter and up 9% year-over-year.

Total (gross) loans increased \$6.9 million, or 1% during the first quarter and was primarily attributable to an \$11.4 million increase in other real estate loans (secured by commercial real estate) and an \$11.6 million increase in loans secured by 1-4 family residential homes. The increases were partially offset by a \$7.8 million decrease in construction and land development loans and an \$8.6 million decrease in commercial and industrial loans. On a year-over-year basis, total loans increased \$42.2 million, or 6%.

Total deposits increased by \$32.4 million, or 4%, during the first quarter from growth in noninterest-bearing and interest-bearing deposits. Noninterest-bearing deposits represented 22% of total deposits at the end of the period. Total deposits increased \$73.0 million, or 9%, year-over-year.

Securities available for sale increased by \$11.8 million, or 15%, during the first quarter, and increased \$16.0 million, or 21% from one year ago. Net unrealized losses on the securities portfolio totaled \$5.2 million on March 31, 2026, which was an increase of \$415 thousand from December 31, 2025, and a decrease of \$1.2 million year-over-year.

Other borrowings totaled \$29.2 million, compared to \$31.5 million on December 31, 2025, and \$32.1 million on March 31, 2025. This included \$27.0 million borrowed from the Federal Home Loan Bank of Pittsburgh, with a weighted average fixed interest rate of 4.21% and maturities ranging from 2026 to 2028.

Total shareholders' equity totaled \$84.6 million, an increase of \$2.2 million, or 11%, annualized from December 31, 2025, and \$8.6 million, or 11%, year-over-year. These increases were primarily driven by growth in retained earnings, which increased \$2.5 million quarter-over-quarter and \$7.7

million year-over-year. Accumulated other comprehensive loss increased by \$311 thousand from the prior quarter and decreased by \$931 thousand year-over-year.

Capital ratios remained strong at the end of the quarterly periods:

	Q1 2026	Q4 2025	Q1 2025
Total capital ratio ⁽²⁾	13.98%	13.75%	13.61%
Tier 1 capital ratio ⁽²⁾	12.87%	12.65%	12.55%
Common equity Tier 1 capital ratio ⁽²⁾	12.87%	12.65%	12.55%
Leverage ratio ⁽²⁾	10.02%	9.71%	10.06%
Tangible common equity to tangible assets ⁽¹⁾⁽³⁾	8.67%	8.73%	8.49%

Dividends

During the first quarter, the Company paid a quarterly cash dividend of \$0.13 per common share, which was unchanged from the previous three quarterly periods.

More recently in the second quarter of 2026, the Company announced a 15% increase in the quarterly cash dividend to \$0.15 per common share. The dividend was declared in April for all shareholders of record on May 7, 2026, and is payable on May 14, 2026.

Stock Repurchase Plan

On October 19, 2025, the Company's board of directors authorized a stock repurchase plan pursuant to which Potomac Bancshares, Inc. may repurchase up to the aggregate of 100,000 shares or \$2.0 million of the Company's outstanding common stock. The plan ends on October 19, 2027, unless the entire amount authorized to be repurchased has been acquired before that date. There were no repurchases of common stock during the first quarter of 2026 or during 2025.

Renaming Initiative

On November 3, 2025, Bank of Charles Town was renamed Potomac Bank, reflecting the Bank's growth and expanding regional presence across the Potomac River region, while also aligning its brand with the holding company. The transition was a natural progression that honored the Bank's heritage and values while celebrating the shared connection that unites the Bank's identity with its clients, employees, communities, and shareholders. There were no renaming expenses in the first quarter of 2026. Renaming expenses totaled \$154 thousand in the fourth quarter of 2025, \$82 thousand in the third quarter of 2025, and \$22 thousand in the second 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 management believes provide useful information for financial and operational decision making, evaluating trends, and comparing financial results to other financial institutions. 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

Potomac Bancshares, Inc. (OTCID: PTBS) is the bank holding company of Potomac Bank, which was founded in 1871 as Bank of Charles Town and renamed Potomac Bank on November 3, 2025. The Bank conducts operations through its nine-branch network and one loan production office serving the Eastern Panhandle of West Virginia, Washington County, Maryland, and Northern Virginia. The Bank offers comprehensive financial solutions through its consumer and commercial banking divisions, Trust, Wealth, and BCT Investments divisions, and its Residential Lending mortgage division. The Bank is also proud to serve its communities as a Small Business Administration (SBA) Preferred Lender. Over the past several years, the Bank has received many awards and recognitions, including *American Banker's* "Top 200 Community Banks" and "Best Banks to Work For", the *Journal-News* "Best of the Best" award, and the *LoudounNow* "Loudoun's Favorite" award.

The Company's shares are quoted on the OTCID marketplace under the symbol "PTBS." For more information about Potomac Bancshares, Inc., and the Bank, please visit our website at www.potomac.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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POTOMAC BANCSHARES, INC.**Performance Summary***(in thousands, except share and per share data)**(unaudited)*

	For the Three Months Ended				
	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Income Statement					
Interest and dividend income:					
Interest and fees on loans	\$ 10,485	\$ 10,727	\$ 10,447	\$ 9,682	\$ 9,501
Taxable interest on securities	796	732	709	710	715
Tax-exempt interest on securities	29	29	30	28	29
Other interest and dividends	833	1,285	1,060	989	674
Total interest and dividend income	<u>\$ 12,143</u>	<u>\$ 12,773</u>	<u>\$ 12,246</u>	<u>\$ 11,409</u>	<u>\$ 10,919</u>
Interest expense:					
Interest on deposits	\$ 3,243	\$ 3,445	\$ 3,709	\$ 3,324	\$ 3,105
Interest on short term borrowings	3	8	9	2	6
Interest on long term borrowings	290	312	312	309	313
Interest on subordinated debt	214	224	152	140	141
Total interest expense	<u>\$ 3,750</u>	<u>\$ 3,989</u>	<u>\$ 4,182</u>	<u>\$ 3,775</u>	<u>\$ 3,565</u>
Net interest income	<u>\$ 8,393</u>	<u>\$ 8,784</u>	<u>\$ 8,064</u>	<u>\$ 7,634</u>	<u>\$ 7,354</u>
Provision for credit losses	200	250	200	225	250
Net interest income after provision for credit losses	<u>\$ 8,193</u>	<u>\$ 8,534</u>	<u>\$ 7,864</u>	<u>\$ 7,409</u>	<u>\$ 7,104</u>
Noninterest Income:					
Wealth and investments	\$ 745	\$ 536	\$ 525	\$ 498	\$ 505
Service charges on deposit accounts	234	228	217	225	260
Gains / fees on sale of mortgage loans	494	443	408	351	247
ATM and check card fees	499	549	543	518	475
Income from bank owned life insurance	101	102	102	100	97
Net loss on disposal of premises & equipment	(9)	(9)	(1)	-	(2)
Net gain on sale of SBA loans	408	-	-	-	-
Other operating income	368	197	120	74	247
Total noninterest income	<u>\$ 2,840</u>	<u>\$ 2,046</u>	<u>\$ 1,914</u>	<u>\$ 1,766</u>	<u>\$ 1,829</u>
Noninterest expenses:					
Salaries and employee benefits	\$ 4,049	\$ 4,143	\$ 3,717	\$ 3,742	\$ 3,350
Occupancy	334	339	310	310	344
Equipment	269	294	351	344	376
Accounting, audit, and compliance	73	72	72	70	69
Marketing	147	182	115	112	118
Data processing	485	442	413	453	452
FDIC assessment	108	107	111	104	99
Other professional fees	135	313	208	140	132
Trust professional fees	206	180	190	144	171
Director and committee fees	126	120	93	68	97
Legal fees	17	32	47	23	33
Supplies	89	61	55	66	79
Communications	121	120	119	112	112
ATM and check card expense	273	282	269	264	240
Other operating expenses	714	806	715	547	529
Total noninterest expenses	<u>\$ 7,146</u>	<u>\$ 7,493</u>	<u>\$ 6,785</u>	<u>\$ 6,499</u>	<u>\$ 6,201</u>
Income before income tax expense	<u>\$ 3,887</u>	<u>\$ 3,087</u>	<u>\$ 2,993</u>	<u>\$ 2,676</u>	<u>\$ 2,732</u>
Income tax expense	843	715	671	602	544
Net income	<u><u>\$ 3,044</u></u>	<u><u>\$ 2,372</u></u>	<u><u>\$ 2,322</u></u>	<u><u>\$ 2,074</u></u>	<u><u>\$ 2,188</u></u>

POTOMAC BANCSHARES, INC.

Performance Summary

(in thousands, except share and per share data)

(unaudited)

	For the Period Ended				
	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Balance Sheet					
Cash and due from banks	\$ 6,133	\$ 3,603	\$ 4,648	\$ 4,638	\$ 4,673
Interest-bearing deposits in other financial institutions	87,754	76,046	115,174	67,636	66,844
Cash and cash equivalents	\$ 93,887	\$ 79,649	\$ 119,822	\$ 72,274	\$ 71,517
Securities available for sale, at fair value	92,713	80,905	77,935	76,787	76,763
Equity securities, at fair value	280	258	278	246	243
Restricted securities	1,852	1,932	1,932	2,037	2,023
Loans held for sale	1,771	2,804	2,946	5,682	2,234
Loans, net of allowance for credit losses	750,548	743,808	724,611	729,065	709,160
Premises and equipment, net	8,734	8,759	8,164	8,107	8,240
Accrued interest receivable	2,719	2,309	2,592	2,439	2,478
Bank owned life insurance	14,002	14,378	14,275	14,174	14,074
Other assets	9,340	9,482	9,456	9,528	8,851
Total assets	<u>\$ 975,846</u>	<u>\$ 944,284</u>	<u>\$ 962,011</u>	<u>\$ 920,339</u>	<u>\$ 895,583</u>
Noninterest-bearing demand deposits	\$ 187,715	\$ 183,461	\$ 204,355	\$ 176,708	\$ 186,182
Savings and interest-bearing demand deposits	657,665	629,568	629,062	618,155	586,200
Total deposits	\$ 845,380	\$ 813,029	\$ 833,417	\$ 794,863	\$ 772,382
Short term borrowings	2,241	2,451	3,013	2,793	3,052
Long term borrowings	27,000	29,000	29,000	29,000	29,000
Subordinated debt	10,000	10,000	10,000	9,989	9,973
Accrued interest payable	936	1,052	1,037	1,148	987
Other liabilities	5,652	6,309	5,185	5,056	4,140
Total liabilities	<u>\$ 891,209</u>	<u>\$ 861,841</u>	<u>\$ 881,652</u>	<u>\$ 842,849</u>	<u>\$ 819,534</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	73,154	70,649	68,815	67,032	65,497
Accumulated other comprehensive (loss), net	(4,063)	(3,752)	(4,002)	(5,088)	(4,994)
	<u>\$ 88,131</u>	<u>\$ 85,937</u>	<u>\$ 83,853</u>	<u>\$ 80,984</u>	<u>\$ 79,543</u>
Less cost of shares acquired for the treasury	(3,494)	(3,494)	(3,494)	(3,494)	(3,494)
Total shareholders' equity	<u>\$ 84,637</u>	<u>\$ 82,443</u>	<u>\$ 80,359</u>	<u>\$ 77,490</u>	<u>\$ 76,049</u>
Total liabilities and shareholders' equity	<u>\$ 975,846</u>	<u>\$ 944,284</u>	<u>\$ 962,011</u>	<u>\$ 920,339</u>	<u>\$ 895,583</u>
Loan Data					
Construction and land development	\$ 37,751	\$ 45,537	\$ 45,979	\$ 46,882	\$ 42,954
Secured by farmland	7,435	7,509	7,594	6,732	6,707
Secured by 1-4 family residential properties	270,027	258,467	256,974	253,798	250,436
Secured by multifamily residential properties	38,205	39,280	39,928	39,246	28,573
Secured by owner-occupied nonfarm nonresidential properties	114,770	114,078	117,053	118,883	119,341
Secured by other nonfarm nonresidential properties	217,282	205,548	188,227	197,561	197,039
Loans to farmers (except secured by real estate)	109	120	128	118	237
Commercial and industrial loans (except those secured by real estate)	63,517	72,158	66,965	63,763	61,348
Consumer installment loans	2,859	2,757	2,845	2,860	2,910
Deposit overdraft	-	-	-	-	-
All other loans	6,565	6,150	6,424	6,581	6,795
Total loans	<u>\$ 758,520</u>	<u>\$ 751,604</u>	<u>\$ 732,117</u>	<u>\$ 736,424</u>	<u>\$ 716,340</u>
Allowance for credit losses	(7,972)	(7,796)	(7,506)	(7,359)	(7,180)
Loans, net	<u>\$ 750,548</u>	<u>\$ 743,808</u>	<u>\$ 724,611</u>	<u>\$ 729,065</u>	<u>\$ 709,160</u>

POTOMAC BANCSHARES, INC.

Performance Summary

(in thousands, except share and per share data)

(unaudited)

	As of or For the Three Months Ended				
	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Common Share and Per Common Share Data					
Earnings per common share, basic	\$ 0.73	\$ 0.57	\$ 0.56	\$ 0.50	\$ 0.53
Adjusted earnings per common share, basic ⁽¹⁾	\$ 0.69	\$ 0.52	\$ 0.58	\$ 0.52	\$ 0.53
Weighted average shares, basic	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Earnings per common share, diluted	\$ 0.73	\$ 0.57	\$ 0.56	\$ 0.50	\$ 0.53
Adjusted earnings per common share, diluted ⁽¹⁾	\$ 0.69	\$ 0.52	\$ 0.58	\$ 0.52	\$ 0.53
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 ⁽¹⁾	\$ 20.42	\$ 19.89	\$ 19.39	\$ 18.70	\$ 18.35
Cash dividends	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.12	\$ 0.12
Key Performance Ratios					
Return on average assets	1.28%	0.97%	0.98%	0.91%	1.01%
Adjusted return on average assets ⁽¹⁾	1.21%	0.89%	1.01%	0.95%	1.01%
Return on average equity	14.68%	11.51%	11.62%	10.83%	11.88%
Adjusted return on average equity ⁽¹⁾	13.82%	10.55%	11.94%	11.27%	11.88%
Net interest margin ⁽¹⁾	3.66%	3.55%	3.54%	3.48%	3.51%
Efficiency ratio ⁽¹⁾	64.84%	70.29%	67.13%	67.96%	67.47%
Average Balances					
Average assets	\$ 961,992	\$ 968,056	\$ 936,572	\$ 912,253	\$ 881,490
Average earning assets	930,543	937,335	905,307	881,485	850,035
Average shareholders' equity	84,077	81,783	79,290	76,808	74,694
Asset Quality					
Loan charge-offs	\$ 23	\$ 22	\$ 23	\$ 65	\$ 21
Loan recoveries	6	4	10	20	20
Net charge-offs	17	18	13	45	1
Non-accrual loans	257	-	2,138	2,244	2,245
Other real estate owned, net	-	-	-	-	-
Nonperforming assets ⁽⁵⁾	257	-	2,138	2,244	2,245
Loans 30 to 89 days past due, accruing	1,491	677	694	726	523
Loans over 90 days past due, accruing	-	18	-	151	-
Special mention loans	20,344	20,498	15,635	15,711	14,055
Substandard loans, accruing	432	455	1,125	1,150	1,463
Non performing assets/total assets	0.03%	0.00%	0.24%	0.23%	0.25%
Past due loans/total loans	0.23%	0.09%	0.40%	0.41%	0.39%
Capital Ratios ⁽²⁾					
Total capital	\$ 105,495	\$ 102,888	\$ 100,914	\$ 99,097	\$ 97,301
Tier 1 capital	97,087	94,662	92,921	91,290	89,674
Common equity tier 1 capital	97,087	94,662	92,921	91,290	89,674
Total capital to risk-weighted assets	13.98%	13.75%	13.74%	13.46%	13.61%
Tier 1 capital to risk weighted assets	12.87%	12.65%	12.66%	12.40%	12.55%
Common equity Tier 1 capital to risk weighed assets	12.87%	12.65%	12.66%	12.40%	12.55%
Leverage ratio	10.02%	9.71%	9.84%	9.91%	10.06%

POTOMAC BANCSHARES, INC.

Non-GAAP Reconciliations

(in thousands, except share and per share data)

(unaudited)

	As of or for the Three Months Ended				
	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Adjusted Net Income					
Net income (GAAP)	\$ 3,044	\$ 2,372	\$ 2,322	\$ 2,074	\$ 2,188
Add: Loss on sale of securities	-	-	-	-	-
Add: Core system conversion expense	-	-	-	85	-
Add: Renaming expense	-	154	82	22	-
Subtract: Interest income recognized on nonaccrual loans from prior periods	-	(405)	-	-	-
Subtract: BOLI death benefit	(227)	-	-	-	-
Total adjustments	\$ (227)	\$ (251)	\$ 82	\$ 107	\$ -
Subtract: Tax effect of adjustment ⁽⁴⁾	48	53	(17)	(22)	-
Adjusted net income (non-GAAP)	<u>\$ 2,865</u>	<u>\$ 2,174</u>	<u>\$ 2,387</u>	<u>\$ 2,159</u>	<u>\$ 2,188</u>
Adjusted Earnings Per Share, Basic					
Weighted average shares, basic	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Basic earnings per share (GAAP)	\$ 0.73	\$ 0.57	\$ 0.56	\$ 0.50	\$ 0.53
Adjusted earnings per share, basic (Non-GAAP)	\$ 0.69	\$ 0.52	\$ 0.58	\$ 0.52	\$ 0.53
Adjusted Earnings Per Share, Diluted					
Weighted average shares, diluted	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Diluted earnings per share (GAAP)	\$ 0.73	\$ 0.57	\$ 0.56	\$ 0.50	\$ 0.53
Adjusted earnings per share, diluted (Non-GAAP)	\$ 0.69	\$ 0.52	\$ 0.58	\$ 0.52	\$ 0.53
Adjusted Pre-Provision, Pre-tax earnings					
Net interest income	\$ 8,393	\$ 8,784	\$ 8,064	\$ 7,634	\$ 7,354
Total noninterest income	2,840	2,046	1,914	1,766	1,829
Net revenue	<u>\$ 11,233</u>	<u>\$ 10,830</u>	<u>\$ 9,978</u>	<u>\$ 9,400</u>	<u>\$ 9,183</u>
Total noninterest expense	7,146	7,493	6,785	6,499	6,201
Pre-provision, pre-tax earnings	\$ 4,087	\$ 3,337	\$ 3,193	\$ 2,901	\$ 2,982
Add: Loss on sale of securities	-	-	-	-	-
Add: Core system conversion expense	-	-	-	85	-
Add: Bank renaming expense	-	154	82	22	-
Subtract: Interest income recognized on nonaccrual loans from prior periods	-	(405)	-	-	-
Subtract: BOLI death benefit	(227)	-	-	-	-
Adjusted pre-provision, pre-tax earnings	<u>\$ 3,860</u>	<u>\$ 3,086</u>	<u>\$ 3,275</u>	<u>\$ 3,008</u>	<u>\$ 2,982</u>
Adjusted Performance Ratios					
Average assets	\$ 961,992	\$ 968,056	\$ 936,572	\$ 912,253	\$ 881,490
Return on average assets (GAAP)	1.28%	0.97%	0.98%	0.91%	1.01%
Adjusted return on average assets (Non-GAAP)	1.21%	0.89%	1.01%	0.95%	1.01%
Average shareholders' equity	\$ 84,077	\$ 81,783	\$ 79,290	\$ 76,808	\$ 74,694
Return on average equity (GAAP)	14.68%	11.51%	11.62%	10.83%	11.88%
Adjusted return on average equity (Non-GAAP)	13.82%	10.55%	11.94%	11.27%	11.88%
Pre-provision, pre-tax return on average assets	1.72%	1.37%	1.35%	1.28%	1.37%
Adjusted pre-provision, pre-tax return on average assets	1.63%	1.26%	1.39%	1.32%	1.37%

POTOMAC BANCSHARES, INC.

Non-GAAP Reconciliations *(continued)*

(in thousands, except share and per share data)

(unaudited)

	As of or for the Three Months Ended				
	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Net Interest Margin					
Tax-equivalent net interest income	\$ 8,399	\$ 8,385	\$ 8,070	\$ 7,640	\$ 7,360
Average earning assets	930,543	937,335	905,307	881,485	850,035
Net interest margin	3.66%	3.55%	3.54%	3.48%	3.51%
Efficiency Ratio					
Total noninterest expense	\$ 7,146	\$ 7,493	\$ 6,785	\$ 6,499	\$ 6,201
Subtract: Core system conversion expense	-	-	-	(85)	-
Subtract: Renaming expense	-	(154)	(82)	(22)	-
Total noninterest expense subtotal	\$ 7,146	\$ 7,339	\$ 6,703	\$ 6,392	\$ 6,201
Tax-equivalent net interest income	\$ 8,399	\$ 8,385	\$ 8,070	\$ 7,640	\$ 7,360
Total noninterest income	\$ 2,840	\$ 2,046	\$ 1,914	\$ 1,766	\$ 1,829
Add: Net losses on disposal of premises & equipment	9	10	1	-	2
Subtract: Bank owned life insurance death benefit	(227)	-	-	-	-
Total noninterest income subtotal	\$ 2,622	\$ 2,056	\$ 1,915	\$ 1,766	\$ 1,831
Subtotal	\$ 11,021	\$ 10,441	\$ 9,985	\$ 9,406	\$ 9,191
Efficiency ratio	64.84%	70.29%	67.13%	67.96%	67.47%
Tax-Equivalent Net Interest Income					
GAAP measures:					
Interest income - loans	\$ 10,485	\$ 10,727	\$ 10,447	\$ 9,682	\$ 9,501
Interest income - investments taxable	796	732	709	710	715
Interest income - investments tax exempt	29	29	30	28	29
Interest income - other	833	1,285	1,060	989	674
Interest expense - deposits	(3,243)	(3,445)	(3,709)	(3,324)	(3,105)
Interest expense - short term borrowings	(3)	(8)	(9)	(2)	(6)
Interest expense - long term borrowings	(290)	(312)	(312)	(309)	(313)
Interest expense - subordinated debt	(214)	(224)	(152)	(140)	(141)
Net interest income	\$ 8,393	\$ 8,784	\$ 8,064	\$ 7,634	\$ 7,354
Non-GAAP measures:					
Subtract: Interest income recognized on non-accrual loans from prior periods	-	(405)	-	-	-
Add: Tax benefit realized on non-taxable interest income - municipal securities ⁽⁴⁾	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6
Tax equivalent net interest income	\$ 8,399	\$ 8,385	\$ 8,070	\$ 7,640	\$ 7,360
Tangible Book Value Per Share					
Tangible common equity	\$ 84,637	\$ 82,443	\$ 80,359	\$ 77,490	\$ 76,049
Common shares outstanding, ending	4,144,561	4,144,561	4,144,561	4,144,561	4,144,561
Tangible book value per share	\$ 20.42	\$ 19.89	\$ 19.39	\$ 18.70	\$ 18.35

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

⁽²⁾ Capital ratios are for Potomac Bank.

⁽³⁾ Capital ratios are for Potomac Bancshares, Inc.

⁽⁴⁾ The tax rate utilized in calculating the tax benefit is 21%

⁽⁵⁾ Nonperforming assets are comprised of nonaccrual loans. There was no other real estate owned for the periods presented.