Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2026

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 000-22345



SHORE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Maryland	**52-1974638**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
18 E. Dover Street, Easton, Maryland	**21601**
(Address of Principal Executive Offices)	(Zip Code)

(410) 763-7800

Registrant's Telephone Number, Including Area Code

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, $0.01 par value per share	**SHBI**	**The NASDAQ Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The number of shares outstanding of the registrant's common stock as of October 29, 2026 was 33,248,325.

TABLE OF CONTENTS

		Page
PART I – FINANCIAL INFORMATION		3
Item 1.	Financial Statements	3
	Consolidated Balance Sheets at September 30, 2026 (unaudited) and December 31, 2025	3
	Consolidated Statements of Income for the three and nine months ended September 30, 2026 and 2025 (unaudited)	4
	Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2026 and 2025 (unaudited)	5
	Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2026 and 2025 (unaudited)	6
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2026 and 2025 (unaudited)	8
	Notes to Consolidated Financial Statements (unaudited)	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	41
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	71
Item 4.	Controls and Procedures	72
PART II – OTHER INFORMATION		73
Item 1.	Legal Proceedings	73
Item 1A.	Risk Factors	73
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	73
Item 3.	Defaults Upon Senior Securities	73
Item 4.	Mine Safety Disclosures	73
Item 5.	Other Information	73
Item 6.	Exhibits	74
	SIGNATURES	75

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

SHORE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS

($ in thousands, except per share data)	**September 30, 2026**	December 31, 2025
ASSETS	**(Unaudited)**	
Cash and due from banks	**$ 58,235**	$ 50,164
Interest-bearing deposits with other banks	**396,816**	305,402
Cash and cash equivalents	**455,051**	355,566
Investment securities:		
Available for sale, at fair value (amortized cost of $396,098 and $226,677 at September 30, 2026 and December 31, 2025, respectively)	**380,838**	220,358
Held to maturity, net of allowance for credit losses of $128 and $99 (fair value of $308,836 and $378,116 at September 30, 2026 and December 31, 2025, respectively)	**356,183**	414,827
Equity securities, at fair value	**6,031**	6,186
Restricted securities, at cost	**18,003**	17,989
Loans held for sale, at fair value	**14,865**	32,540
Loans held for investment	**4,902,662**	4,900,302
Less: allowance for credit losses	**(59,554)**	(58,836)
Loans, net	**4,843,108**	4,841,466
Premises and equipment, net	**79,048**	80,168
Goodwill	**63,266**	63,266
Other intangible assets, net	**24,026**	29,722
Right-of-use assets	**9,322**	10,523
Cash surrender value on life insurance	**107,162**	105,839
Accrued interest receivable	**20,891**	18,551
Deferred income taxes	**32,587**	29,825
Other assets	**43,979**	31,992
TOTAL ASSETS	**$ 6,454,360**	$ 6,258,818
LIABILITIES		
Deposits:		
Noninterest-bearing	**$ 1,617,258**	$ 1,587,953
Interest-bearing checking	**1,069,480**	852,585
Money market and savings	**1,758,063**	1,814,928
Time deposits	**1,250,723**	1,267,487
Brokered deposits	**803**	10,911
Total deposits	**5,696,327**	5,533,864
Guaranteed preferred beneficial interest in junior subordinated debentures (“TRUPS”), net	**30,406**	30,168
Subordinated debt, net	**58,893**	58,893
Total borrowings	**89,299**	89,061
Lease liabilities	**9,829**	11,027
Other liabilities	**39,606**	34,993
TOTAL LIABILITIES	**5,835,061**	5,668,945
COMMITMENTS AND CONTINGENCIES (Note 13)		
STOCKHOLDERS’ EQUITY		
Common stock, $0.01 par value per share; shares authorized 50,000,000; shares issued and outstanding 33,305,321 and 33,413,503 at September 30, 2026 and December 31, 2025, respectively	**333**	334
Additional paid-in capital	**357,207**	360,554
Retained earnings	**272,851**	233,578
Accumulated other comprehensive loss	**(11,092)**	(4,593)
TOTAL STOCKHOLDERS’ EQUITY	**619,299**	589,873
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	**$ 6,454,360**	$ 6,258,818

See accompanying notes to unaudited consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

($ in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	**2026**	2025
INTEREST INCOME				
Interest on loans	**$ 72,655**	$ 70,693	**$ 213,925**	$ 207,816
Interest and dividends on taxable investment securities	**5,535**	5,036	**16,036**	15,368
Interest and dividends on tax-exempt investment securities	**6**	6	**18**	18
Interest on deposits with other banks	**1,851**	1,215	**5,909**	6,212
Total interest income	**80,047**	76,950	**235,888**	229,414
INTEREST EXPENSE				
Interest on deposits	**23,336**	26,474	**70,543**	81,914
Interest on short-term borrowings	**—**	640	**16**	1,843
Interest on long-term borrowings	**1,584**	1,418	**4,728**	4,178
Total interest expense	**24,920**	28,532	**75,287**	87,935
NET INTEREST INCOME	**55,127**	48,418	**160,601**	141,479
Provision for credit losses	**5,268**	2,992	**6,249**	5,548
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**49,859**	45,426	**154,352**	135,931
NONINTEREST INCOME				
Service charges on deposit accounts	**1,731**	1,599	**4,978**	4,632
Trust and investment fee income	**1,115**	898	**3,355**	2,663
Mortgage banking revenue	**1,156**	1,278	**4,160**	4,897
Interchange credits	**1,963**	1,858	**5,621**	5,223
Other noninterest income	**1,710**	2,305	**5,635**	7,063
Total noninterest income	**7,675**	7,938	**23,749**	24,478
NONINTEREST EXPENSE				
Salaries and employee benefits	**18,475**	18,642	**56,576**	52,824
Occupancy expense	**2,366**	2,406	**7,428**	7,416
Furniture and equipment expense	**971**	892	**2,792**	2,542
Software and data processing	**5,801**	5,155	**16,276**	14,665
Amortization of other intangible assets	**1,741**	2,039	**5,696**	6,589
Legal and professional fees	**881**	989	**3,841**	3,827
FDIC insurance premium expense	**805**	794	**2,768**	2,908
Marketing and advertising	**376**	315	**962**	953
Fraud losses	**245**	45	**503**	233
Other noninterest expense	**3,602**	3,102	**11,145**	10,579
Total noninterest expense	**35,263**	34,379	**107,987**	102,536
Income before income taxes	**22,271**	18,985	**70,114**	57,873
Income tax expense	**5,500**	4,637	**17,390**	14,254
NET INCOME	**$ 16,771**	$ 14,348	**$ 52,724**	$ 43,619
Basic net income per common share	**$ 0.50**	$ 0.43	**$ 1.58**	$ 1.31
Diluted net income per common share	**$ 0.50**	$ 0.43	**$ 1.58**	$ 1.31
Dividends paid per common share	**$ 0.14**	$ 0.12	**$ 0.40**	$ 0.36

See accompanying notes to unaudited consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

($ in thousands)	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2026	2025	**2026**	2025
Net income	**$ 16,771**	$ 14,348	**$ 52,724**	$ 43,619
Other comprehensive income (loss):				
Investment securities:				
Unrealized holding (losses) gains on available for sale securities	**(6,883)**	1,163	**(8,942)**	3,834
Tax effect	**1,880**	(319)	**2,443**	(1,048)
Total other comprehensive (loss) income	**(5,003)**	844	**(6,499)**	2,786
Comprehensive income	**$ 11,768**	$ 15,192	**$ 46,225**	$ 46,405

See accompanying notes to unaudited consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

($ in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances, December 31, 2025	$ 334	$ 360,554	$ 233,578	$ (4,593)	$ 589,873
Net income	—	—	17,088	—	17,088
Other comprehensive loss	—	—	—	(677)	(677)
Common shares issued for employee stock purchase plan	—	90	—	—	90
Stock-based compensation	1	369	—	—	370
Cash dividends at $0.12 per common share	—	—	(4,030)	—	(4,030)
Balances, March 31, 2026	335	361,013	246,636	(5,270)	602,714
Net income	—	—	18,865	—	18,865
Other comprehensive loss	—	—	—	(819)	(819)
Retirement of common stock	(1)	(1,059)	—	—	(1,060)
Common shares issued for employee stock purchase plan	—	82	—	—	82
Stock-based compensation	—	1,012	—	—	1,012
Cash dividends at $0.14 per common share	—	—	(4,719)	—	(4,719)
Balances, June 30, 2026	334	361,048	260,782	(6,089)	616,075
Net income	—	—	16,771	—	16,771
Other comprehensive loss	—	—	—	(5,003)	(5,003)
Retirement of common stock	(1)	(3,235)	—	—	(3,236)
Common shares issued for employee stock purchase plan	—	88	—	—	88
Stock-based compensation	—	(694)	—	—	(694)
Cash dividends at $0.14 per common share	—	—	(4,702)	—	(4,702)
Balances, September 30, 2026	**$ 333**	**$ 357,207**	**$ 272,851**	**$ (11,092)**	**$ 619,299**

See accompanying notes to unaudited consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited) – Continued

($ in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances, December 31, 2024	$ 333	$ 358,112	$ 190,166	$ (7,545)	$ 541,066
Net income	—	—	13,764	—	13,764
Other comprehensive income	—	—	—	1,212	1,212
Stock-based compensation	—	460	—	—	460
Cash dividends at $0.12 per common share	—	—	(4,032)	—	(4,032)
Balances, March 31, 2025	333	358,572	199,898	(6,333)	552,470
Net income	—	—	15,507	—	15,507
Other comprehensive income	—	—	—	730	730
Stock-based compensation	1	491	—	—	492
Cash dividends at $0.12 per common share	—	—	(4,005)	—	(4,005)
Balances, June 30, 2025	334	359,063	211,400	(5,603)	565,194
Net income	—	—	14,348	—	14,348
Other comprehensive income	—	—	—	844	844
Stock-based compensation	—	876	—	—	876
Cash dividends at $0.12 per common share	—	—	(4,055)	—	(4,055)
Balances, September 30, 2025	$ 334	$ 359,939	$ 221,693	$ (4,759)	$ 577,207

See accompanying notes to unaudited consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

($ in thousands)	Nine Months Ended September 30, **2026**	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 52,724**	$ 43,619
Adjustments to reconcile net income to net cash provided by operating activities:		
Net accretion of acquisition accounting estimates	**(11,958)**	(9,549)
Provision for credit losses	**6,249**	5,548
Depreciation and amortization	**10,422**	11,741
Net amortization of securities	**(468)**	92
Amortization of and valuation adjustments on mortgage servicing rights	**471**	691
Amortization of debt issuance costs	**210**	82
Gain on mortgage loans held for sale	**(3,929)**	(4,586)
Loss (gain) on other mortgage loan activity	**159**	(36)
Proceeds from sale of mortgage loans held for sale	**153,545**	145,714
Originations of loans held for sale	**(132,614)**	(143,697)
Stock-based compensation expense	**2,638**	1,357
Deferred income tax (benefit) expense	**(319)**	482
Loss on sales and valuation adjustments of repossessed assets	**868**	164
Loss on disposal of fixed assets	**—**	147
Loss on disposal of premises held for sale	**—**	61
Loss on sales and valuation adjustments on other real estate owned	**44**	59
Fair value adjustment on equity securities	**302**	(163)
Bank-owned life insurance income	**(981)**	(2,127)
Net changes in:		
Accrued interest receivable	**(2,340)**	(838)
Other assets	**(2,177)**	(4,114)
Accrued interest payable	**530**	5
Other liabilities	**1,739**	9,261
Net cash provided by operating activities	**75,115**	53,913
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and principal payments of available for sale securities	**42,703**	19,840
Proceeds from maturities and principal payments of held to maturity securities	**58,210**	49,661
Proceeds from life insurance death benefits	**1,245**	1,714
Purchases of available for sale securities	**(211,252)**	(48,198)
Purchases of held to maturity securities	**—**	(2,325)
Purchases of equity securities	**(147)**	(136)
Purchase of restricted securities	**(14)**	(111)
Net change in loans	**(9,060)**	(104,368)
Purchases of premises and equipment	**(2,244)**	(2,491)
Proceeds from sales of other real estate owned	**69**	—
Proceeds from sales of repossessed assets	**1,595**	1,852
Purchases of bank-owned life insurance	**(1,092)**	(221)
Proceeds from disposal of premises held for sale	**—**	843
Net cash used in investing activities	**$ (119,987)**	$ (83,940)

See accompanying notes to unaudited consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) – Continued

($ in thousands)	Nine Months Ended September 30, **2026**	2025
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in:		
Noninterest-bearing deposits	**$ 29,305**	$ 31,397
Interest-bearing deposits	**133,158**	(32,616)
Shares withheld as tax payments associated with settlement of restricted stock units	**(619)**	—
Common stock dividends paid	**(13,451)**	(12,092)
Retirement of common stock	**(4,296)**	—
Issuance of common stock	**260**	—
Net cash provided by (used in) financing activities	**144,357**	(13,311)
Net increase (decrease) in cash and cash equivalents	**99,485**	(43,338)
Cash and cash equivalents at beginning of period	**355,566**	459,851
Cash and cash equivalents at end of period	**$ 455,051**	$ 416,513
Supplemental cash flow information:		
Interest paid	**$ 75,248**	$ 86,106
Income taxes paid	**20,080**	12,205
Recognition of lease liabilities arising from right-of-use assets	**20**	1,166
Transfers from loans to repossessed assets	**2,295**	2,300
Transfer from loans to other real estate owned	**10,781**	—
Transfer from loans held for sale to loans held for investment	**—**	649
Unrealized (losses) gains on available for sale securities	**(8,942)**	3,834

See accompanying notes to unaudited consolidated financial statements.

Shore Bancshares, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim consolidated financial statements include the accounts of Shore Bancshares, Inc. and its subsidiaries (collectively referred to in these Notes as the "Company"), with all significant intercompany transactions eliminated. The accounting and reporting policies of the Company conform with generally accepted accounting principles in the United States of America ("GAAP"). For purposes of comparability, certain reclassifications have been made to amounts previously reported to conform with the current period presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Annual Report").

Nature of Operations

The Company engages in the banking business through Shore United Bank, N.A. (the "Bank"), a national banking association with locations in Maryland, Delaware and Virginia. The Company's primary source of revenue is derived from interest earned on commercial, residential mortgage and other loans, and fees charged in connection with lending and other banking services. The Company engages in financial service offerings through Wye Financial Partners, a division of the Bank, and offers corporate trustee services through Wye Trust, a division of the Bank.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and in the related disclosures. These estimates are based on information available as of the date of the consolidated financial statements. While management makes its best judgments, actual amounts or results could differ from these estimates.

Recent Accounting Pronouncements

In January 2026, the Company adopted Accounting Standards Update ("ASU") No. 2025-08, Financial Instruments—Credit Losses (Topic 326): *Purchased Loans*, which expanded the use of the gross-up method beyond purchased credit-deteriorated ("PCD") assets to include purchased seasoned loans ("PSLs"). Under the amended guidance, a non-PCD loan (excluding credit cards) is considered seasoned if it is acquired in a business combination, or if it is purchased at least 90 days after origination and the acquirer was not involved in the origination of the loan. Qualifying PSLs are recorded at acquisition at their purchase price plus an allowance for expected credit losses, with no corresponding provision for credit losses recognized at acquisition, thereby eliminating the Day 1 provision for credit losses previously required for non-PCD acquired loans. The early adoption of this guidance did not result in a material impact on the Company's (consolidated) financial statements at the time of adoption; however, it is expected to reduce income statement volatility in future periods by eliminating Day 1 provisions for credit losses on qualifying acquired loans and improving comparability in acquisition accounting.

Note 2 – Investment Securities

The following tables provide information on the amortized cost and estimated fair values of available for sale ("AFS") and held to maturity ("HTM") investment securities as of September 30, 2026 and December 31, 2025.

($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale securities[1]:				
September 30, 2026				
U.S. Treasury and government agency securities	**$ 21,784**	**$ 1**	**$ 2,033**	**$ 19,752**
Mortgage-backed securities	**336,823**	**84**	**13,202**	**323,705**
Other debt securities[2]	**37,491**	**398**	**508**	**37,381**
Total	**$ 396,098**	**$ 483**	**$ 15,743**	**$ 380,838**
December 31, 2025				
U.S. Treasury and government agency securities	$ 22,303	$ 2	$ 1,689	$ 20,616
Mortgage-backed securities	200,105	331	5,409	195,027
Other debt securities[2]	4,269	446	—	4,715
Total	$ 226,677	$ 779	$ 7,098	$ 220,358

(1) No AFS securities were sold during the three and nine months ended September 30, 2026 and 2025.
(2) Other debt securities includes corporate and municipal bond obligations of state and political entities.

($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	**Allowance for Credit Losses**
Held to maturity securities:					
September 30, 2026					
U.S. Treasury and government agency securities	**$ 74,598**	**$ —**	**$ 4,818**	**$ 69,780**	**$ —**
Mortgage-backed securities	**276,256**	**21**	**42,444**	**233,833**	**—**
Other debt securities[1]	**5,457**	**—**	**234**	**5,223**	**128**
Total	**$ 356,311**	**$ 21**	**$ 47,496**	**$ 308,836**	**$ 128**
December 31, 2025					
U.S. Treasury and government agency securities	$ 104,836	$ 2	$ 4,513	$ 100,325	$ —
Mortgage-backed securities	303,129	255	32,167	271,217	—
Other debt securities[1]	6,961	33	420	6,574	99
Total	$ 414,926	$ 290	$ 37,100	$ 378,116	$ 99

(1) Other debt securities includes corporate and municipal bond obligations of state and political entities.

Equity securities with aggregate fair values of $6.0 million and $6.2 million as of September 30, 2026 and December 31, 2025, respectively, are presented separately on the consolidated balance sheets. The fair value adjustments recorded through earnings totaled a loss of $237 thousand and a gain of $57 thousand for the three months ended September 30, 2026 and 2025, respectively. The fair value adjustments recorded through earnings totaled a loss of $302 thousand and a gain of $163 thousand for the nine months ended September 30, 2026 and 2025, respectively.

The following table summarizes the activity in the allowance for credit losses ("ACL") on HTM securities for the periods presented.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
($ in thousands)	**2026**	2025	**2026**	2025
Balance, beginning of period	**$ 76**	$ 199	**$ 99**	$ 203
Provision for (reversal of the provision for) credit losses, other debt securities	**52**	(104)	**29**	(108)
Balance, end of period	**$ 128**	$ 95	**$ 128**	$ 95

A provision for credit losses of $52 thousand and a reversal of the provision for credit losses of $104 thousand was recorded on HTM corporate and municipal bonds for the three months ended September 30, 2026 and 2025, respectively. A provision for credit losses of $29 thousand and a reversal of the provision for credit losses of $108 thousand was recorded on HTM corporate and municipal bonds for the nine months ended September 30, 2026 and 2025, respectively.

The following tables provide information about gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position as of September 30, 2026 and December 31, 2025.

	Less than 12 Months		More than 12 Months		Total	
($ in thousands)	Fair Value	**Unrealized Losses**	Fair Value	Unrealized Losses	Fair Value	**Unrealized Losses**
September 30, 2026						
Available for sale securities:						
U.S. Treasury and government agency securities	**$ 2,483**	**$ 1**	**$ 17,150**	**$ 2,032**	**$ 19,633**	**$ 2,033**
Mortgage-backed securities	**221,551**	**7,219**	**52,364**	**5,983**	**273,915**	**13,202**
Other debt securities	**26,742**	**508**	**—**	**—**	**26,742**	**508**
Total	**$ 250,776**	**$ 7,728**	**$ 69,514**	**$ 8,015**	**$ 320,290**	**$ 15,743**

	Less than 12 Months		More than 12 Months		Total	
($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2025						
Available for sale securities:						
U.S. Treasury and government agency securities	$ —	$ —	$ 18,027	$ 1,689	$ 18,027	$ 1,689
Mortgage-backed securities	102,954	531	47,656	4,878	150,610	5,409
Other debt securities	—	—	—	—	—	—
Total	$ 102,954	$ 531	$ 65,683	$ 6,567	$ 168,637	$ 7,098

There were 160 AFS debt securities with a fair value below the amortized cost basis, with unrealized losses totaling $15.7 million as of September 30, 2026. The Company concluded that a credit loss did not exist in its AFS securities portfolio as of September 30, 2026, and no impairment loss has been recognized because (1) changes in fair value were primarily caused by fluctuations in interest rates, (2) securities with unrealized losses had generally high credit quality, (3) the Company does not intend to sell these investments in debt securities prior to maturity and it is not more likely than not that it will be required to sell them before recovery of amortized cost, and (4) issuers have continued to make timely payments of principal and interest. Additionally, the Company's mortgage-backed securities are issued by either U.S. government agencies or U.S. government-sponsored enterprises. Collectively, these entities provide a guarantee, which is either explicitly or implicitly supported by the full faith and credit of the U.S. government, that investors in such mortgage-backed securities will receive timely principal and interest payments.

All AFS and HTM securities were current with no securities past due or on nonaccrual as of September 30, 2026 and December 31, 2025.

There were 160 AFS and 167 HTM securities in an unrealized loss position at September 30, 2026. Because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be at maturity for debt securities, the Company considers the unrealized losses to be temporary. There were 122 AFS and 169 HTM securities in an unrealized loss position at December 31, 2025. Net unrealized losses with respect to the AFS securities totaled $15.3 million and $6.3 million as of September 30, 2026 and December 31, 2025, respectively.

The following table provides information on the amortized cost and estimated fair values of investment securities by contractual maturity date at September 30, 2026.

	Available for Sale		Held to Maturity	
($ in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 2,484	$ 2,483	$ 24,324	$ 23,960
Due after one year through five years	20,016	18,002	42,116	39,601
Due after five years through ten years	31,707	31,576	10,606	9,009
Due after ten years	5,068	5,072	3,009	2,433
Total non-mortgage-backed securities	$ 59,275	$ 57,133	$ 80,055	$ 75,003
Mortgage-backed securities	336,823	323,705	276,256	233,833
Total	$ 396,098	$ 380,838	$ 356,311	$ 308,836

The maturity dates for debt securities are determined using contractual maturity dates. Actual maturities may differ from amounts presented because certain issuers have the right to call or prepay obligations without prepayment penalties.

The Company has securities that have been pledged as collateral for obligations to federal, state and local government agencies, and other purposes as required or permitted by law, or sold under agreements to repurchase. As of September 30, 2026, the aggregate carrying value of AFS and HTM pledged securities was $87.7 million and $227.6 million, respectively. The comparable amounts for December 31, 2025 were $69.4 million and $218.6 million, respectively.

The following table sets forth the amortized cost and estimated fair values of securities that have been pledged as collateral for obligations to federal, state and local government agencies, and other purposes as required or permitted by law, or sold under agreements to repurchase at September 30, 2026 and December 31, 2025.

	September 30, 2026		December 31, 2025	
($ in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Pledged available for sale securities	**$ 92,713**	**$ 87,665**	$ 75,123	$ 69,369
Pledged held to maturity securities	**227,641**	**196,247**	218,556	197,146
Total	**$ 320,354**	**$ 283,912**	$ 293,679	$ 266,515

There were no obligations of any issuer exceeding 10% of stockholders' equity at September 30, 2026 or December 31, 2025.

Note 3 – Loans and Allowance for Credit Losses

The measurement of expected credit losses under the current expected credit loss methodology promulgated by ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, is applicable to financial assets measured at amortized cost, including loan receivables. For further discussion on the most significant accounting policies that the Company follows, see Note 1 – "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of the 2025 Annual Report.

The following table provides information about the principal classes of the loan portfolio at September 30, 2026 and December 31, 2025.

($ in thousands)	**September 30, 2026**	**% of Total Loans**	December 31, 2025	% of Total Loans
Commercial real estate	**$ 2,581,473**	**52.66 %**	$ 2,643,996	53.95 %
Residential real estate	**1,498,469**	**30.56**	1,414,964	28.88
Construction	**352,073**	**7.18**	344,903	7.04
Commercial	**236,276**	**4.82**	226,006	4.61
Consumer	**231,703**	**4.73**	265,912	5.43
Credit cards	**2,668**	**0.05**	4,521	0.09
Total loans	**4,902,662**	**100.00 %**	4,900,302	100.00 %
Less: allowance for credit losses	**(59,554)**		(58,836)	
Total loans, net	**$ 4,843,108**		$ 4,841,466	

Loans are stated at their principal amount outstanding, net of any purchase premiums or discounts, deferred fees, and costs. Included in loans were deferred costs, net of fees, of $3.2 million and $3.1 million at September 30, 2026 and December 31, 2025, respectively. At September 30, 2026 and December 31, 2025, loans included $1.29 billion and $1.49 billion, respectively, of aggregate loans that were acquired as part of the acquisitions of Severn Bancorp, Inc. ("Severn") and The Community Financial Corporation ("TCFC"). These balances are presented net of the related aggregate discounts, which totaled $65.9 million and $78.2 million at September 30, 2026 and December 31, 2025, respectively.

The following tables provide information on the amortized cost basis of nonaccrual loans by loan class as of September 30, 2026 and December 31, 2025.

($ in thousands)	**Nonaccrual With No Allowance For Credit Losses**	**Nonaccrual With An Allowance For Credit Losses**	**Total Nonaccrual Loans**
September 30, 2026			
Nonaccrual loans:			
Commercial real estate	**$ 35,302**	**$ 19,224**	**$ 54,526**
Residential real estate	**9,499**	**1,396**	**10,895**
Construction	**75**	**—**	**75**
Commercial	**172**	**2,408**	**2,580**
Consumer	**61**	**62**	**123**
Credit cards	**—**	**15**	**15**
Total	**$ 45,109**	**$ 23,105**	**$ 68,214**
Interest income	**$ 761**	**$ 362**	**$ 1,123**

($ in thousands)	Nonaccrual With No Allowance For Credit Losses	Nonaccrual With An Allowance For Credit Losses	Total Nonaccrual Loans
December 31, 2025			
Nonaccrual loans:			
Commercial real estate	$ 6,135	$ 19,498	$ 25,633
Residential real estate	9,594	544	10,138
Construction	88	—	88
Commercial	2,297	784	3,081
Consumer	898	74	972
Credit cards	—	48	48
Total	$ 19,012	$ 20,948	$ 39,960
Interest income	$ 285	$ 363	$ 648

($ in thousands)	**Nonaccrual Delinquent Loans**	**Nonaccrual Current Loans**	**Total Nonaccrual Loans**
September 30, 2026			
Nonaccrual loans:			
Commercial real estate	**$ 1,416**	**$ 53,110**	**$ 54,526**
Residential real estate	**4,372**	**6,523**	**10,895**
Construction	**75**	**—**	**75**
Commercial	**332**	**2,248**	**2,580**
Consumer	**90**	**33**	**123**
Credit cards	**—**	**15**	**15**
Total	**$ 6,285**	**$ 61,929**	**$ 68,214**

($ in thousands)	Nonaccrual Delinquent Loans	Nonaccrual Current Loans	Total Nonaccrual Loans
December 31, 2025			
Nonaccrual loans:			
Commercial real estate	$ 2,809	$ 22,824	$ 25,633
Residential real estate	3,808	6,330	10,138
Construction	88	—	88
Commercial	196	2,885	3,081
Consumer	491	481	972
Credit cards	32	16	48
Total	$ 7,424	$ 32,536	$ 39,960

The overall quality of the Company's loan portfolio is primarily assessed using the Company's risk-grading scale. This review process is assisted by frequent internal reporting of loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans. Credit quality indicators are adjusted based on management's judgment during the quarterly review process.

Consumer credit cards are monitored based on a borrower's payment history. Credit card loans are classified as performing and are typically charged-off no later than 180 days or when, in the opinion of management, the collection of principal or interest is considered doubtful. As of September 30, 2026, there was one credit card that was evaluated based on economic conditions specific to the loan or borrower, and was downgraded to substandard and nonperforming.

Loans subject to risk rating are graded on a scale of 1 to 10.

Ratings 1 through 6 – Pass – Ratings 1 through 6 have asset risks ranging from excellent-low to adequate. The specific rating assigned considers customer history of earnings, cash flows, liquidity, leverage, capitalization, consistency of debt service coverage, the nature and extent of customer relationship and other relevant specific business factors such as the stability of the industry or market area, changes to management, litigation or unexpected events that could have an impact on risks.

Rating 7 – Special Mention – These credits have potential weaknesses due to economic conditions, less than adequate earnings performance or other factors which require the lending officer to direct more than normal attention to the credit. Financing alternatives may be limited and/or command higher risk interest rates. Special mention loan relationships are reviewed at least quarterly.

Rating 8 – Substandard – Substandard assets are assets that are inadequately protected by the sound worth or paying capacity of the borrower or of the collateral pledged. Substandard loans are the first adversely classified loans on the Bank's watchlist. These assets have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard. The loans may have a delinquent history or combination of weak collateral, weak guarantor or operating losses. When a loan is assigned to this category, the Company may estimate a specific reserve in the credit loss allowance analysis and/or place the loan on nonaccrual. These assets listed may include assets with histories of repossessions or some that are nonperforming bankruptcies. Substandard loan relationships are reviewed at least quarterly.

Rating 9 – Doubtful – Doubtful assets have many of the same characteristics of substandard assets, with the exception that the Company has determined that loss is not only possible but is probable. The amount of loss is not discernible due to factors such as merger, acquisition, or liquidation; a capital injection; a pledge of additional collateral; the sale of assets; or alternative refinancing plans. Credits receiving a doubtful classification are required to be on nonaccrual. Doubtful loan relationships are reviewed at least quarterly.

Rating 10 – Loss – Loss assets are uncollectible or of little value.

The following table provides information on loan risk ratings as of September 30, 2026 and gross charge-offs during the nine months ended September 30, 2026.

	Term Loans by Origination Year								
($ in thousands)	**Prior to 2022**	**2022**	**2023**	**2024**	**2025**	**2026**	**Revolving loans**	**Revolving Converted to Term Loans**	**Total**
September 30, 2026									
Commercial real estate									
Pass	$ 1,187,700	$ 503,018	$ 191,752	$ 126,730	$ 254,305	$ 189,424	$ 20,669	$ 569	$ 2,474,167
Special mention	17,178	18,098	—	—	—	—	—	—	35,276
Substandard	17,346	36,737	15,384	1,834	594	—	135	—	72,030
Total	$ 1,222,224	$ 557,853	$ 207,136	$ 128,564	$ 254,899	$ 189,424	$ 20,804	$ 569	$ 2,581,473
Gross charge-offs	$ (120)	$ —	$ (3,908)	$ —	$ —	$ —	$ —	$ —	$ (4,028)
Residential real estate									
Pass	$ 443,344	$ 264,546	$ 189,148	$ 164,740	$ 174,370	$ 82,306	$ 148,282	$ 504	$ 1,467,240
Special mention	17,709	—	—	—	—	—	1,498	—	19,207
Substandard	8,400	1,503	301	501	—	56	1,261	—	12,022
Total	$ 469,453	$ 266,049	$ 189,449	$ 165,241	$ 174,370	$ 82,362	$ 151,041	$ 504	$ 1,498,469
Gross charge-offs	$ (139)	$ —	$ —	$ —	$ —	$ —	$ (4)	$ —	$ (143)
Construction									
Pass	$ 30,115	$ 6,706	$ 12,143	$ 63,239	$ 126,752	$ 91,253	$ 21,261	$ 528	$ 351,997
Special mention	—	—	—	—	—	—	—	—	—
Substandard	76	—	—	—	—	—	—	—	76
Total	$ 30,191	$ 6,706	$ 12,143	$ 63,239	$ 126,752	$ 91,253	$ 21,261	$ 528	$ 352,073
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial									
Pass	$ 65,987	$ 14,339	$ 11,517	$ 22,454	$ 29,667	$ 24,677	$ 59,583	$ 1,809	$ 230,033
Special mention	3	—	—	—	—	—	91	71	165
Substandard	715	428	547	474	—	270	3,644	—	6,078
Total	$ 66,705	$ 14,767	$ 12,064	$ 22,928	$ 29,667	$ 24,947	$ 63,318	$ 1,880	$ 236,276
Gross charge-offs	$ (2)	$ (37)	$ (149)	$ —	$ (10)	$ —	$ (15)	$ —	$ (213)
Consumer									
Pass	$ 41,352	$ 72,188	$ 28,743	$ 21,111	$ 34,498	$ 33,022	$ 709	$ —	$ 231,623
Special mention	—	—	—	—	—	—	—	—	—
Substandard	1	39	13	6	21	—	—	—	80
Total	$ 41,353	$ 72,227	$ 28,756	$ 21,117	$ 34,519	$ 33,022	$ 709	$ —	$ 231,703
Gross charge-offs	$ (639)	$ (1,155)	$ (157)	$ (65)	$ (32)	$ —	$ (2)	$ —	$ (2,050)
Total									
Pass	$ 1,768,498	$ 860,797	$ 433,303	$ 398,274	$ 619,592	$ 420,682	$ 250,504	$ 3,410	$ 4,755,060
Special mention	34,890	18,098	—	—	—	—	1,589	71	54,648
Substandard	26,538	38,707	16,245	2,815	615	326	5,040	—	90,286
Total loans by risk category	**$ 1,829,926**	**$ 917,602**	**$ 449,548**	**$ 401,089**	**$ 620,207**	**$ 421,008**	**$ 257,133**	**$ 3,481**	**$ 4,899,994**
Total gross charge-offs	**$ (900)**	**$ (1,192)**	**$ (4,214)**	**$ (65)**	**$ (42)**	**$ —**	**$ (21)**	**$ —**	**$ (6,434)**

The following table presents the amortized cost of credit card loans based on performing status and gross charge-offs during the nine months ended September 30, 2026. Nonperforming loans consisted of nonaccrual loans and loans past due 90 days or more and still accruing.

	Term Loans by Origination Year								
($ in thousands)	**Prior to 2022**	**2022**	**2023**	**2024**	**2025**	**2026**	**Revolving Loans**	**Revolving Converted to Term Loans**	**Total**
September 30, 2026									
Credit cards									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,653	$ —	$ 2,653
Nonperforming	—	—	—	—	—	—	15	—	15
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,668	$ —	$ 2,668
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ (128)	$ —	$ (128)
Total loans evaluated by performing status	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,668	$ —	$ 2,668
Total gross charge-offs	$ (900)	$ (1,192)	$ (4,214)	$ (65)	$ (42)	$ —	$ (149)	$ —	$ (6,562)
Total recorded investment	**$ 1,829,926**	**$ 917,602**	**$ 449,548**	**$ 401,089**	**$ 620,207**	**$ 421,008**	**$ 259,801**	**$ 3,481**	**$ 4,902,662**

The following table provides information on loan risk ratings as of December 31, 2025 and gross charge-offs during the year ended December 31, 2025.

	Term Loans by Origination Year								
($ in thousands)	Prior	2021	2022	2023	2024	2025	Revolving Loans	Revolving Converted to Term Loans	Total
December 31, 2025									
Commercial real estate									
Pass	$ 939,986	$ 364,719	$ 556,924	$ 242,170	$ 139,929	$ 265,405	$ 14,703	$ 27,136	$ 2,550,972
Special mention	15,105	2,884	34,014	344	—	—	—	—	52,347
Substandard	20,056	16,806	2,840	—	283	—	692	—	40,677
Total	$ 975,147	$ 384,409	$ 593,778	$ 242,514	$ 140,212	$ 265,405	$ 15,395	$ 27,136	$ 2,643,996
Gross charge-offs	$ (109)	$ (2,640)	$ —	$ —	$ —	$ —	$ —	$ —	$ (2,749)
Residential real estate									
Pass	$ 317,764	$ 182,198	$ 275,869	$ 215,397	$ 147,517	$ 114,300	$ 131,075	$ 695	$ 1,384,815
Special mention	3,719	14,777	—	504	—	—	65	—	19,065
Substandard	6,990	2,012	267	330	—	112	1,373	—	11,084
Total	$ 328,473	$ 198,987	$ 276,136	$ 216,231	$ 147,517	$ 114,412	$ 132,513	$ 695	$ 1,414,964
Gross charge-offs	$ (5)	$ —	$ —	$ —	$ —	$ —	$ (45)	$ —	$ (50)
Construction									
Pass	$ 27,094	$ 7,238	$ 7,047	$ 28,868	$ 108,885	$ 151,738	$ 13,070	$ 632	$ 344,572
Special mention	—	—	—	—	—	—	—	—	—
Substandard	88	—	—	—	—	243	—	—	331
Total	$ 27,182	$ 7,238	$ 7,047	$ 28,868	$ 108,885	$ 151,981	$ 13,070	$ 632	$ 344,903
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial									
Pass	$ 23,379	$ 25,518	$ 19,739	$ 14,925	$ 29,307	$ 35,202	$ 70,493	$ 1,870	$ 220,433
Special mention	104	27	107	105	76	54	845	—	1,318
Substandard	424	1,055	758	527	—	—	1,318	173	4,255
Total	$ 23,907	$ 26,600	$ 20,604	$ 15,557	$ 29,383	$ 35,256	$ 72,656	$ 2,043	$ 226,006
Gross charge-offs	$ (71)	$ —	$ —	$ (329)	$ —	$ —	$ (381)	$ (31)	$ (812)
Consumer									
Pass	$ 7,954	$ 45,750	$ 88,990	$ 39,576	$ 31,597	$ 49,634	$ 769	$ —	$ 264,270
Special mention	—	—	671	—	—	—	—	—	671
Substandard	1	29	396	445	41	59	—	—	971
Total	$ 7,955	$ 45,779	$ 90,057	$ 40,021	$ 31,638	$ 49,693	$ 769	$ —	$ 265,912
Gross charge-offs	$ (451)	$ (99)	$ (1,595)	$ (646)	$ (324)	$ —	$ (18)	$ —	$ (3,133)
Total									
Pass	$ 1,316,177	$ 625,423	$ 948,569	$ 540,936	$ 457,235	$ 616,279	$ 230,110	$ 30,333	$ 4,765,062
Special mention	18,928	17,688	34,792	953	76	54	910	—	73,401
Substandard	27,559	19,902	4,261	1,302	324	414	3,383	173	57,318
Total loans by risk category	$ 1,362,664	$ 663,013	$ 987,622	$ 543,191	$ 457,635	$ 616,747	$ 234,403	$ 30,506	$ 4,895,781
Total gross charge-offs	$ (636)	$ (2,739)	$ (1,595)	$ (975)	$ (324)	$ —	$ (444)	$ (31)	$ (6,744)

The following table presents the amortized cost of credit card loans based on performing status and gross charge-offs during the year ended December 31, 2025. Nonperforming loans consisted of nonaccrual loans and loans past due 90 days or more and still accruing.

	Term Loans by Origination Year								
($ in thousands)	Prior	2021	2022	2023	2024	2025	Revolving Loans	Revolving Converted to Term Loans	Total
December 31, 2025									
Credit cards									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 4,473	$ —	$ 4,473
Nonperforming	—	—	—	—	—	—	48	—	48
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 4,521	$ —	$ 4,521
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ (535)	$ —	$ (535)
Total loans evaluated by performing status	$ —	$ —	$ —	$ —	$ —	$ —	$ 4,521	$ —	$ 4,521
Total gross charge-offs	$ (636)	$ (2,739)	$ (1,595)	$ (975)	$ (324)	$ —	$ (979)	$ (31)	$ (7,279)
Total recorded investment	$ 1,362,664	$ 663,013	$ 987,622	$ 543,191	$ 457,635	$ 616,747	$ 238,924	$ 30,506	$ 4,900,302

The following tables provide information on the aging of the Company's loan portfolio as of September 30, 2026 and December 31, 2025.

($ in thousands)	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 Days Past Due and Still Accruing**	**30-89 Days Past Due and Not Accruing**	**90 Days Past Due and Not Accruing**	**Total Past Due**	**Current Accrual Loans**	**Current Nonaccrual Loans**	**Total**
September 30, 2026									
Commercial real estate	**$ 109**	**$ —**	**$ —**	**$ —**	**$ 1,416**	**$ 1,525**	**$ 2,526,838**	**$ 53,110**	**$ 2,581,473**
Residential real estate	**1,448**	**123**	**—**	**870**	**3,502**	**5,943**	**1,486,003**	**6,523**	**1,498,469**
Construction	**—**	**—**	**—**	**32**	**43**	**75**	**351,998**	**—**	**352,073**
Commercial	**55**	**—**	**—**	**—**	**332**	**387**	**233,641**	**2,248**	**236,276**
Consumer	**278**	**111**	**—**	**6**	**84**	**479**	**231,191**	**33**	**231,703**
Credit cards	**13**	**36**	**80**	**—**	**—**	**129**	**2,524**	**15**	**2,668**
Total	**$ 1,903**	**$ 270**	**$ 80**	**$ 908**	**$ 5,377**	**$ 8,538**	**$ 4,832,195**	**$ 61,929**	**$ 4,902,662**
Percent of total loans	**0.04 %**	**0.01 %**	**0.00 %**	**0.02 %**	**0.11 %**	**0.17 %**	**98.57 %**	**1.26 %**	**100.00 %**

($ in thousands)	30-59 days Past Due	60-89 Days Past Due	90 Days Past Due and Still Accruing	30-89 Days Past Due and Not Accruing	90 Days Past Due and Not Accruing	Total Past Due	Current Accrual Loans	Current Nonaccrual Loans	Total
December 31, 2025									
Commercial real estate	$ 1,684	$ —	$ —	$ 68	$ 2,741	$ 4,493	$ 2,616,679	$ 22,824	$ 2,643,996
Residential real estate	1,663	397	71	1,225	2,583	5,939	1,402,695	6,330	1,414,964
Construction	—	43	79	—	88	210	344,693	—	344,903
Commercial	—	4	—	46	150	200	222,921	2,885	226,006
Consumer	390	690	—	43	448	1,571	263,860	481	265,912
Credit cards	14	19	105	32	—	170	4,335	16	4,521
Total	$ 3,751	$ 1,153	$ 255	$ 1,414	$ 6,010	$ 12,583	$ 4,855,183	$ 32,536	$ 4,900,302
Percent of total loans	0.08 %	0.02 %	0.01 %	0.03 %	0.12 %	0.26 %	99.08 %	0.66 %	100.00 %

The following tables provide a summary of the activity in the ACL allocated by loan class for the three and nine months ended September 30, 2026 and 2025. Allocation of a portion of the allowance to one loan class does not preclude its availability to absorb losses from other loan classes.

($ in thousands)	**Beginning Balance**	**Gross Charge-offs**	**Recoveries**	**Provisions (Reversal of Provisions)**	**Ending Balance**
Three Months Ended September 30, 2026					
Commercial real estate	**$ 20,780**	**$ (3,964)**	**$ 68**	**$ 5,278**	**$ 22,162**
Residential real estate	**23,531**	**—**	**9**	**766**	**24,306**
Construction	**6,153**	**—**	**12**	**(957)**	**5,208**
Commercial	**3,377**	**(10)**	**36**	**(161)**	**3,242**
Consumer	**4,828**	**(1,052)**	**58**	**683**	**4,517**
Credit cards	**68**	**(13)**	**7**	**57**	**119**
Total[1]	**$ 58,737**	**$ (5,039)**	**$ 190**	**$ 5,666**	**$ 59,554**

($ in thousands)	Beginning Balance	Gross Charge-offs	Recoveries	Provisions (Reversal of Provisions)	Ending Balance
Three Months Ended September 30, 2025					
Commercial real estate	$ 21,662	$ (109)	$ —	$ (484)	$ 21,069
Residential real estate	21,720	(49)	190	949	22,810
Construction	5,805	—	—	416	6,221
Commercial	2,870	(440)	5	1,207	3,642
Consumer	6,188	(1,382)	54	842	5,702
Credit cards	238	(94)	—	(34)	110
Total[1]	$ 58,483	$ (2,074)	$ 249	$ 2,896	$ 59,554

($ in thousands)	**Beginning Balance**	**Gross Charge-offs**	**Recoveries**	**Provisions (Reversal of Provisions)**	**Ending Balance**
Nine Months Ended September 30, 2026					
Commercial real estate	**$ 21,387**	**$ (4,028)**	**$ 68**	**$ 4,735**	**$ 22,162**
Residential real estate	**22,510**	**(143)**	**41**	**1,898**	**24,306**
Construction	**5,968**	**—**	**13**	**(773)**	**5,208**
Commercial	**3,005**	**(213)**	**85**	**365**	**3,242**
Consumer	**5,767**	**(2,050)**	**507**	**293**	**4,517**
Credit cards	**199**	**(128)**	**29**	**19**	**119**
Total[1]	**$ 58,836**	**$ (6,562)**	**$ 743**	**$ 6,537**	**$ 59,554**

($ in thousands)	Beginning Balance	Gross Charge-offs	Recoveries	Provisions (Reversal of Provisions)	Ending Balance
Nine Months Ended September 30, 2025					
Commercial real estate	$ 22,846	$ (109)	$ 78	$ (1,746)	$ 21,069
Residential real estate	21,776	(49)	193	890	22,810
Construction	2,854	—	1	3,366	6,221
Commercial	3,138	(442)	92	854	3,642
Consumer	6,889	(2,462)	195	1,080	5,702
Credit cards	407	(525)	—	228	110
Total[1]	$ 57,910	$ (3,587)	$ 559	$ 4,672	$ 59,554

(1) Excludes amounts pertaining to unfunded commitments.

The following tables present the amortized cost basis of collateral-dependent loans by loan portfolio segment as of September 30, 2026 and December 31, 2025.

	September 30, 2026		
($ in thousands)	**Real Estate Collateral**	**Other Collateral**	**Total**
Commercial real estate	**$ 72,030**	**$ —**	**$ 72,030**
Residential real estate	**12,022**	**—**	**12,022**
Construction	**76**	**—**	**76**
Commercial[1]	**—**	**6,079**	**6,079**
Consumer[2]	**—**	**80**	**80**
Total	**$ 84,128**	**$ 6,159**	**$ 90,287**

	December 31, 2025		
($ in thousands)	Real Estate Collateral	Other Collateral	Total
Commercial real estate	$ 40,676	$ —	$ 40,676
Residential real estate	11,084	—	11,084
Construction	332	—	332
Commercial[1]	—	4,164	4,164
Consumer[2]	—	971	971
Total	$ 52,092	$ 5,135	$ 57,227

(1) Commercial loans are primarily secured by underlying business assets of the borrower.
(2) Consumer loans are primarily secured by automobiles and boats of the borrower.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearance, term extensions and other combinations of actions intended to minimize economic loss and avoid foreclosure or repossession of collateral.

During the three and nine months ended September 30, 2026, no loan modifications were made to borrowers experiencing financial difficulty.

The following table presents details of portfolio loans that were modified during the three months ended September 30, 2025, by loan category.

($ in thousands)	Quantity of Loans Modified	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension	Term Extension and Interest Rate Reduction	Total	% of Total Portfolio Segment
Residential real estate	1	$ —	$ —	$ —	$ 33	$ —	$ —	$ 33	0.00 %
Total	1	$ —	$ —	$ —	$ 33	$ —	$ —	$ 33	0.00

The following table presents details of portfolio loans that were modified during the nine months ended September 30, 2025, by loan category.

($ in thousands)	Quantity of Loans Modified	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension	Term Extension and Interest Rate Reduction	Total	% of Total Portfolio Segment
Commercial real estate	6	$ —	$ —	$ 1,351	$ 5,242	$ —	$ —	$ 6,593	0.25 %
Residential real estate	1	—	—	—	33	—	—	33	0.00
Commercial	3	—	—	72	116	—	—	188	0.08
Total	10	$ —	$ —	$ 1,423	$ 5,391	$ —	$ —	$ 6,814	0.14

As of September 30, 2026, of the loans with borrowers experiencing financial difficulty that were modified during the preceding 12 months, $107 thousand and zero were classified as current accrual and current nonaccrual, respectively. As of December 31, 2025, of the loans with borrowers experiencing financial difficulty that were modified during the preceding 12 months, $5.3 million and $170 thousand were classified as current accrual and current nonaccrual, respectively.

During the three and nine months ended September 30, 2026 and 2025, there were no defaults on loan modifications made to borrowers experiencing financial difficulty in the preceding 12 months.

Foreclosure Proceedings

The Company had $1.1 million and $124 thousand of consumer mortgage loans collateralized by residential real estate properties that were in the process of foreclosure as of September 30, 2026 and December 31, 2025, respectively. The Company had zero and $95 thousand of commercial real estate loans collateralized by commercial real estate that were in the process of foreclosure as of September 30, 2026 and December 31, 2025, respectively.

Other Real Estate Owned ("OREO") and Repossessed Assets

OREO and repossessed assets are adjusted for fair value upon transfer from loans to foreclosed assets, establishing a new cost basis. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. The Company had OREO and repossessed asset balances of $10.8 million and $2.7 million, respectively, as of September 30, 2026, and $113 thousand and $2.9 million, respectively, as of December 31, 2025.

Mortgage Servicing Rights ("MSRs")

When mortgage loans are sold with servicing retained, the MSRs are initially recorded at fair value with the income statement effect recorded in mortgage banking revenue in the consolidated statements of income. Subsequently, the MSRs are amortized to the income statement in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Servicing rights are evaluated for impairment based upon fair value of the rights as compared to carrying amount. No impairments of MSRs were recognized for the three and nine months ended September 30, 2026 and 2025, respectively. The Company recognized net servicing income of $129 thousand and $147 thousand during the three months ended September 30, 2026 and 2025, respectively, and net servicing income of $390 thousand and $251 thousand for the nine months ended September 30, 2026 and 2025, respectively. At September 30, 2026, the Company was servicing $316.2 million in loans for the Federal National Mortgage Association and $95.3 million in loans for Federal Home Loan Mortgage Corporation.

The following table presents activity in MSRs for the three and nine months ended September 30, 2026 and 2025.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
($ in thousands)	**2026**	2025	**2026**	2025
Beginning balance	**$ 4,820**	$ 5,396	**$ 5,142**	$ 5,874
Net additions	**—**	54	**—**	111
Amortization expense	**(149)**	(157)	**(471)**	(362)
Other	**—**	—	**—**	(330)
Ending balance	**$ 4,671**	$ 5,293	**$ 4,671**	$ 5,293

The fair value of MSRs was determined using a discount rate of 9.0% at September 30, 2026 and ranged from 9.0% to 10.0% at December 31, 2025. The valuation on MSRs was not material at September 30, 2026 and December 31, 2025.

Depending on the stratification of the specific mortgage servicing right, prepayment speeds ranged from 5.70% to 7.48% and 6.08% to 9.27% for the three months ended September 30, 2026 and 2025, respectively, and 6.11% to 9.56% and 5.69% to 8.22% for the nine months ended September 30, 2026 and 2025, respectively.

The associated weighted-average default rates were 0.18% and 0.14% for the three months ended September 30, 2026 and 2025, respectively, and 0.20% and 0.14% for the nine months ended September 30, 2026 and 2025, respectively.

Subsequent to September 30, 2026, the Company entered into a definitive agreement to sell its mortgage servicing rights portfolio. The transaction was completed on November 2, 2026, with the transfer anticipated to be completed in the fourth quarter of 2026. The transaction is not expected to have a material impact on the Bank’s financial condition or results of operations.

Note 4 – Goodwill and Other Intangible Assets

The following tables provide information on the significant components of goodwill and other acquired intangible assets as of September 30, 2026 and December 31, 2025.

	September 30, 2026			
($ in thousands)	**Goodwill**	**Other Intangible Assets**	**Amortizable**	**Core Deposit Intangible**
Gross carrying amount	**$ 63,266**	**$ —**	**$ —**	**$ 59,151**
Additions	**—**	**—**	**—**	**—**
Accumulated impairment charges	**—**	**—**	**—**	**—**
Accumulated amortization	**—**	**—**	**—**	**(35,125)**
Net carrying amount	**$ 63,266**	**$ —**	**$ —**	**$ 24,026**

	December 31, 2025			
($ in thousands)	Goodwill	Other Intangible Assets	Amortizable	Core Deposit Intangible
Gross carrying amount	$ 63,266	$ —	$ —	$ 59,151
Additions	—	—	—	—
Accumulated impairment charges	—	—	—	—
Accumulated amortization	—	—	—	(29,429)
Net carrying amount	$ 63,266	$ —	$ —	$ 29,722

The aggregate amortization expense for the core deposit intangible asset was $1.7 million and $2.0 million for the three months ended September 30, 2026 and 2025, respectively, and was $5.7 million and $6.6 million for the nine months ended September 30, 2026 and 2025, respectively.

As of September 30, 2026, the estimated future remaining amortization for core deposit intangibles within the years ending December 31 is as follows:

($ in thousands)	**Amortization Expense**
2026	**$ 1,702**
2027	**6,208**
2028	**5,060**
2029	**3,980**
2030	**3,096**
Thereafter	**3,980**
Total amortizing intangible assets	**$ 24,026**

Note 5 – Leases

Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor. Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease.

The Company's long-term lease agreements for branches and offices are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably certain of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The following tables present information about the Company's leases as of and for the periods presented.

($ in thousands)	**September 30, 2026**	December 31, 2025
Right-of-use assets	**$ 9,322**	$ 10,523
Lease liabilities	**$ 9,829**	$ 11,027
Weighted-average remaining lease term	**8.58 years**	8.91 years
Weighted-average discount rate	**3.36 %**	3.42 %
Remaining lease term – min	**0.08 years**	0.36 years
Remaining lease term – max	**14.93 years**	15.68 years

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2026**	2025	**2026**	2025
Operating lease cost	**$ 499**	$ 511	**$ 1,525**	$ 1,497
Total lease cost	**$ 499**	$ 511	**$ 1,525**	$ 1,497
Cash paid for amounts included in the measurement of lease liabilities	**$ 503**	$ 501	**$ 1,524**	$ 1,446

The following table presents a maturity analysis of operating lease liabilities and a reconciliation of the undiscounted cash flows to total operating lease liabilities at September 30, 2026.

($ in thousands)	**September 30, 2026**
2026	**$ 499**
2027	**1,913**
2028	**1,785**
2029	**1,360**
2030	**1,003**
Thereafter	**4,581**
Total undiscounted cash flows	**11,141**
Less: imputed interest	**1,312**
Lease liabilities	**$ 9,829**

Total gross rental income was $273 thousand and $225 thousand for the three months ended September 30, 2026 and 2025, respectively, and $854 thousand and $839 thousand for the nine months ended September 30, 2026 and 2025, respectively.

Note 6 – Deposits

Deposits consist of the following categories as of the dates indicated:

	September 30, 2026		December 31, 2025	
($ in thousands)	**Balance**	**% of Total Deposits**	Balance	% of Total Deposits
Noninterest-bearing deposits	**$ 1,617,258**	**28.39 %**	$ 1,587,953	28.69 %
Interest-bearing deposits:				
Interest-bearing checking	**1,069,480**	**18.77**	852,585	15.41
Money market and savings	**1,758,063**	**30.87**	1,814,928	32.80
Time deposits	**1,250,723**	**21.96**	1,267,487	22.90
Brokered deposits	**803**	**0.01**	10,911	0.20
Total interest-bearing	**4,079,069**	**71.61**	3,945,911	71.31
Total deposits	**$ 5,696,327**	**100.00 %**	$ 5,533,864	100.00 %

The following table provides information on the approximate maturities of total time deposits as of September 30, 2026.

($ in thousands)	**September 30, 2026**
Within one year	**$ 998,298**
Year 2	**227,144**
Year 3	**12,901**
Year 4	**6,294**
Year 5	**6,086**
Thereafter	—
Total	**$ 1,250,723**

The approximate amount of certificates of deposit that exceeded the FDIC insurance limit of $250,000 or more was $392.8 million and $403.5 million at September 30, 2026 and December 31, 2025, respectively.

Note 7 – Borrowings

The following table summarizes certain information of the Company's long-term debt as of September 30, 2026 and December 31, 2025.

($ in thousands)	**September 30, 2026**	December 31, 2025	Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
Subordinated Debentures due November 2035	**60,000**	60,000	2025	2035	2030	6.25% through November 2030, 3-month SOFR + 2.88% thereafter
Total subordinated debentures	**60,000**	60,000				
Severn Capital Trust I	**20,619**	20,619	2004	2035		3-month SOFR + 2.26%
Tri-County Capital Trust I	**7,217**	7,217	2004	2034		3-month SOFR + 2.86%
Tri-County Capital Trust II	**5,155**	5,155	2005	2035		3-month SOFR + 1.96%
Total trust preferred securities	**32,991**	32,991				
Less: net discount and unamortized issuance costs	**(3,692)**	(3,930)				
Total long-term debt	**$ 89,299**	$ 89,061				

As of September 30, 2026, subordinated debentures consisted of $60.0 million of long-term debt issued by the Company in November 2025. As of September 30, 2026, the recorded balance of subordinated debt issued by the Company, net of unamortized issuance costs, was $58.9 million. The Company has the option to redeem the subordinated notes in part or whole as of November 15, 2030. As of September 30, 2026, 100% of the subordinated debt was considered Tier 2 capital under current regulatory guidelines.

The Company assumed trust preferred securities in the aggregate of $33.0 million as a result of the merger with TCFC in 2023 and the acquisition of Severn in 2021. Trust preferred securities consisted of $20.6 million issued by Severn Capital Trust I, $7.2 million issued by Tri-County Capital Trust I and $5.2 million issued by Tri-County Capital Trust II. The recorded balance of the junior subordinated debt securities of Severn Capital Trust I at September 30, 2026 was $19.1 million, net of the unamortized fair value adjustment of $1.5 million. At September 30, 2026, the junior subordinated debt securities of Tri-County Capital Trust I and Tri-County Capital Trust II had a recorded balance of $6.8 million and $4.5 million, respectively, which are presented net of the unamortized fair value adjustments of $459 thousand and $609 thousand, respectively. As of September 30, 2026, the entire amount of trust preferred securities debt is considered Tier 1 capital under current regulatory guidelines.

The Company may periodically borrow from a correspondent federal funds line of credit arrangement, under a secured reverse repurchase agreement, or from the Federal Home Loan Bank ("FHLB") to meet short-term liquidity needs. The Company had no outstanding borrowings from the FHLB at September 30, 2026 and December 31, 2025. The Company did not have any borrowings against correspondent federal fund lines at September 30, 2026 and December 31, 2025. Further information on these obligations is provided in the Company's 2025 Annual Report.

Note 8 – Derivatives

The Company maintains and accounts for derivatives, in the form of interest rate lock commitments ("IRLCs") and mandatory forward contracts, in accordance with the Financial Accounting Standards Board ("FASB") guidance on accounting for derivative instruments and hedging activities. The Company recognizes gains and losses through mortgage banking revenue in the consolidated statements of income.

IRLCs on mortgage loans that the Company intends to sell in the secondary market are considered derivatives. The Company is exposed to price risk from the time a mortgage loan is locked in until the time the loan is sold. The period of time between issuance of a loan commitment, closing and sale of the loan generally ranges from 14 days to 120 days, however, this period may be longer for construction to permanent loans that are originated with the intent of selling in the secondary market upon permanent financing. For these IRLCs and closed inventory in loans held for sale, the Company attempts to protect itself from changes in interest rates through the use of to be announced ("TBA") securities, which are forward contracts, as well as, to a significantly lesser degree, loan level commitments in the form of best efforts and mandatory forward contracts. These assets and liabilities are included in the consolidated balance sheets in other assets and accrued expenses and other liabilities, respectively.

The following table provides information pertaining to the carrying amounts of the Company's derivative financial instruments as of September 30, 2026 and December 31, 2025.

	September 30, 2026		December 31, 2025	
($ in thousands)	**Notional Amount**	**Estimated Fair Value**	Notional Amount	Estimated Fair Value
Asset – IRLCs	**$ 7,342**	**$ 83**	$ 6,172	$ 91
Asset – TBA securities	**29,350**	**514**	9,750	11
Liability – IRLCs	**5,278**	**39**	193	1
Liability – TBA securities	**2,500**	**1**	20,150	59

With respect to interest rate products, the Company recognized losses of $294 thousand and $902 thousand for the three months ended September 30, 2026 and 2025, respectively, and a loss of $159 thousand and a gain of $36 thousand for the nine months ended September 30, 2026 and 2025, respectively.

Note 9 – Accumulated Other Comprehensive Loss

The Company records unrealized holding gains (losses), net of tax, on AFS securities as accumulated other comprehensive income (loss), a separate component of stockholders' equity. The following table provides information on the changes in the component of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2026 and 2025.

	Three Months Ended		**Nine Months Ended**	
($ in thousands)	**September 30, 2026**	September 30, 2025	**September 30, 2026**	September 30, 2025
Beginning of period	**$ (6,089)**	$ (5,603)	**$ (4,593)**	$ (7,545)
Other comprehensive income (loss), net of tax	**(5,003)**	844	**(6,499)**	2,786
End of period	**$ (11,092)**	$ (4,759)	**$ (11,092)**	$ (4,759)

Note 10 – Regulatory Capital Requirements

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action ("PCA"), the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain amounts and ratios (set forth in the table below) of common equity Tier 1 ("CET1"), Tier 1 and total capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (leverage ratio). As of September 30, 2026 and December 31, 2025, management believes that the Company and the Bank met all capital adequacy requirements to which they were subject.

As of September 30, 2026, the most recent notification from the Bank's primary regulator categorized the Bank, as "well-capitalized" under the regulatory framework for PCA. There are no conditions or events since that notification that management believes would change the Bank's classification. To be categorized as "well-capitalized," the Bank must maintain minimum CET1, Tier 1 risk-based and total risk-based capital ratios, and Tier 1 leverage ratios, which are outlined in the table below.

The following tables present the capital amounts and ratios for the Company and the Bank as of September 30, 2026 and December 31, 2025.

($ in thousands)	September 30, 2026		
	Amount	**Regulatory Minimum Ratio + Capital Conservation Buffer**	**To Be Well-Capitalized Under PCA Regulation[1]**
Company Amounts			
Common Equity Tier 1 Capital	**$ 551,179**	$ 337,591	N/A
Tier 1 Capital	**581,585**	409,932	N/A
Total Capital	**700,776**	506,386	N/A
Leverage Exposure	**6,107,556**	244,302	N/A
Risk-Weighted Assets	**4,822,726**	N/A	N/A
Company Ratios			
Common Equity Tier 1 Capital to Risk-Weighted Assets ("RWA")	**11.43 %**	7.00 %	N/A
Tier 1 Capital to RWA	**12.06**	8.50	N/A
Total Capital to RWA	**14.53**	10.50	N/A
Tier 1 Capital to AA (Leverage)[2]	**9.52**	4.00	N/A
Bank Amounts			
Common Equity Tier 1 Capital	**$ 609,420**	$ 337,285	$ 313,193
Tier 1 Capital	**609,420**	409,560	385,468
Total Capital	**669,663**	505,927	481,835
Leverage Exposure	**6,102,777**	244,111	305,139
Risk-Weighted Assets	**4,818,352**	N/A	N/A
Bank Ratios			
Common Equity Tier 1 Capital to RWA	**12.65 %**	7.00 %	6.50 %
Tier 1 Capital to RWA	**12.65**	8.50	8.00
Total Capital to RWA	**13.90**	10.50	10.00
Tier 1 Capital to AA (Leverage)[2]	**9.99**	4.00	5.00

(1) Applies to the Bank only.
(2) Tier 1 Capital to Average Assets (Leverage) has no capital conservation buffer defined. The PCA well-capitalized threshold is defined as 5.00%.

($ in thousands)	December 31, 2025 Amount	Regulatory Minimum Ratio + Capital Conservation Buffer	To Be Well-Capitalized Under PCA Regulation[1]
Company Amounts			
Common Equity Tier 1 Capital	$ 510,729	$ 339,680	N/A
Tier 1 Capital	540,897	412,469	N/A
Total Capital	660,451	509,520	N/A
Leverage Exposure	6,129,306	245,172	N/A
Risk-Weighted Assets	4,852,573	N/A	N/A
Company Ratios			
Common Equity Tier 1 Capital to RWA	10.52 %	7.00 %	N/A
Tier 1 Capital to RWA	11.15	8.50	N/A
Total Capital to RWA	13.61	10.50	N/A
Tier 1 Capital to AA (Leverage)[2]	8.82	4.00	N/A
Bank Amounts			
Common Equity Tier 1 Capital	$ 569,183	$ 339,125	$ 314,902
Tier 1 Capital	569,183	411,794	387,571
Total Capital	629,746	508,687	484,464
Leverage Exposure	6,122,775	244,911	306,139
Risk-Weighted Assets	4,844,639	N/A	N/A
Bank Ratios			
Common Equity Tier 1 Capital to RWA	11.75 %	7.00 %	6.50 %
Tier 1 Capital to RWA	11.75	8.50	8.00
Total Capital to RWA	13.00	10.50	10.00
Tier 1 Capital to AA (Leverage)[2]	9.30	4.00	5.00

(1) Applies to the Bank only.
(2) Tier 1 Capital to Average Assets (Leverage) has no capital conservation buffer defined. The PCA well-capitalized threshold is defined as 5.00%.

As of September 30, 2026, both the Company and the Bank satisfied the capital conservation buffer requirements applicable to them. The lowest capital buffer ratio at the Company was the Tier 1 Capital to RWA, which was 6.06% above the minimum capital ratio requirement, and the lowest capital buffer ratio at the Bank was the Total Capital to RWA, which was 5.90% above the minimum capital ratio requirement.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its common stockholders and interest and principal on outstanding debt. The Company's primary source of income is dividends received from the Bank. The amount of dividends that the Bank may declare and pay to the Company in any calendar year, without the receipt of prior approval from the OCC, cannot exceed net income for that year to date plus retained net income (as defined) for the preceding two calendar years. As of September 30, 2026, the Bank could pay dividends to the Company to the extent of its current period earnings plus the earnings of the preceding two years, so long as it maintained required capital ratios.

Note 11 – Fair Value Measurements

Accounting guidance under GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This accounting guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities on a recurring basis and to determine fair value disclosures. Available for sale securities and equity securities with readily determinable fair values are recorded at fair value on a recurring basis, along with other mortgage-related items identified in the recurring fair value table below. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as collateral-dependent loans, repossessed assets and OREO (foreclosed assets). These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Under fair value accounting guidance, assets and liabilities are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine their fair values. These hierarchy levels are:

- Level 1 inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- Level 2 inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Assets Measured at Fair Value on a Recurring Basis

Available for Sale Securities

Fair value measurement of AFS securities is based on quoted prices from an independent pricing service. The fair value measurements consider observable data that may include present value of future cash flows, prepayment assumptions, credit loss assumptions and other factors. The Company classifies its investments in U.S. Treasury securities, if any, as Level 1 in the fair value hierarchy, and it classifies its investments in U.S. government agency securities and mortgage-backed securities issued or guaranteed by U.S. government-sponsored entities as Level 2.

Equity Securities

Fair value measurement for equity securities is based on quoted market prices retrieved by the Company via online resources. Although these securities have readily available fair market values, the Company determined that they should be classified as Level 2 investments in the fair value hierarchy due to not being considered traded in a highly active market.

Loans Held for Sale

Loans held for sale are carried at fair value, which is determined based on mark to trade for allocated/committed loans or mark to market analysis for unallocated/uncommitted loans based on third-party pricing models (Level 2).

IRLCs

The Company utilizes a third-party specialist model to estimate the fair value of IRLCs, which are valued based upon mortgage securities (TBA) prices less estimated costs to process and settle the loan. Fair value is adjusted for the estimated probability of the loan closing with the borrower (Level 3).

	September 30, 2026			
($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Rate**
IRLCs – net asset	**$ 44**	Market approach	Range of pull through rate	**82% - 100%**
			Average pull through rate	**95%**

	December 31, 2025			
($ in thousands)	Fair Value	Valuation Technique	Unobservable Input	Rate
IRLCs – net asset	$ 90	Market approach	Range of pull through rate	81% - 100%
			Average pull through rate	98%

The following table presents activity in the IRLCs – net asset for the three and nine months ended September 30, 2026 and 2025.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
($ in thousands)	**2026**	**2025**	**2026**	**2025**
Beginning balance	**$ 218**	**$ 426**	**$ 90**	**$ 113**
Valuation adjustment	**(174)**	**(211)**	**(46)**	**102**
Ending balance	**$ 44**	**$ 215**	**$ 44**	**$ 215**

Forward Contracts

To manage interest rate risk, the Company hedges the open locked/closed position with TBA forward trades. On a regular basis, the Company allocates disbursed loans to mandatory commitments with government-sponsored enterprises and private investors delivering the loans within 120 days of origination to maximize interest earnings. For a small percentage of businesses, the Company enters into best efforts forward sales commitments with investors at the time it makes an IRLC to a borrower. Once a loan has been closed and funded, the best efforts commitments convert to mandatory forward sales commitments. The mandatory commitments are derivatives, and the Company measures and reports them at fair value. Fair value is based on the gain or loss that would occur if the Company were to pair-off the transaction with the investor at the measurement date. This is a Level 2 input. The Company has elected to measure and report best efforts commitments at fair value using a valuation methodology similar to that used for mandatory commitments.

Market assumptions utilized in the fair value measurement of the reporting entity's residential mortgage derivatives, inclusive of IRLCs, closed loan inventory, TBA derivative trades, and mandatory forward contracts may be subject to investor overlays that may result in a significantly lower fair value measurement. Generally such overlays are announced with advanced notice in order to include the risk adjuster, however there are times when announcements are mandated resulting in a lower fair value measurement. Additionally market assumptions such as spec pool payups may result in a significantly higher fair value measurement at time of loan allocation to specific trades.

The following tables present the recorded amounts of assets and liabilities measured at fair value on a recurring basis as of September 30, 2026 and December 31, 2025. No assets or liabilities were transferred from one hierarchy level to another during the three and nine months ended September 30, 2026 and 2025.

	September 30, 2026			
($ in thousands)	**Fair Value**	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Available for sale securities:				
U.S. government agency securities	**$ 19,752**	**$ —**	**$ 19,752**	**$ —**
Mortgage-backed securities	**323,705**	**—**	**323,705**	**—**
Other debt securities	**37,381**	**—**	**37,381**	**—**
Total available for sale securities	**380,838**	**—**	**380,838**	**—**
Equity securities	**6,031**	**—**	**6,031**	**—**
TBA forward trades	**514**	**—**	**514**	**—**
Loans held for sale	**14,865**	**—**	**14,865**	**—**
IRLCs	**83**	**—**	**—**	**83**
Total assets at fair value	**$ 402,331**	**$ —**	**$ 402,248**	**$ 83**
Liabilities:				
IRLCs	**$ 39**	**$ —**	**$ —**	**$ 39**
TBA forward trades	**1**	**—**	**1**	**—**
Total liabilities at fair value	**$ 40**	**$ —**	**$ 1**	**$ 39**

	December 31, 2025			
($ in thousands)	Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available for sale securities:				
U.S. government agency securities	$ 20,616	$ —	$ 20,616	$ —
Mortgage-backed securities	195,027	—	195,027	—
Other debt securities	4,715	—	4,715	—
Total available for sale securities	220,358	—	220,358	—
Equity securities	6,186	—	6,186	—
TBA forward trades	11	—	11	—
Loans held for sale	32,540	—	32,540	—
IRLCs	91	—	—	91
Total assets at fair value	$ 259,186	$ —	$ 259,095	$ 91
Liabilities:				
IRLCs	$ 1	$ —	$ —	$ 1
TBA forward trades	59	—	59	—
Total liabilities at fair value	$ 60	$ —	$ 59	$ 1

Assets Measured at Fair Value on a Nonrecurring Basis

Individually Evaluated Collateral-Dependent Loans

Loans for which repayment is substantially expected to be provided through the operation or sale of collateral are considered collateral dependent and are valued based on the estimated fair value of the collateral, less estimated costs to sell at the reporting date, where applicable. Management utilizes various methods to estimate fair value of the collateral including appraisals, discounted cashflow and automated valuation methods. Accordingly, collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

OREO (Foreclosed Assets)

Foreclosed assets are adjusted for fair value upon transfer of loans to foreclosed assets establishing a new cost basis. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. The estimated fair value for foreclosed assets included in Level 3 is determined by independent market-based appraisals and other available market information, less costs to sell, that may be reduced further based on market expectations or an executed sales agreement. If the fair value of the collateral deteriorates subsequent to the initial recognition, the Company records the foreclosed asset as a nonrecurring Level 3 adjustment. Valuation techniques are consistent with those techniques applied in prior periods.

Repossessed Assets

All repossessed assets are recorded at the lower of the estimated fair value of the assets, less expected selling costs, or the carrying amount of the defaulted loans. From time to time, nonrecurring fair value adjustments are recorded to reflect partial write-downs based on the current appraised value of an asset. The Company considers any valuation inputs related to repossessed assets to be Level 3 inputs. Fair value adjustments for these assets are recorded in other noninterest expense in the consolidated statements of income.

Other Assets Held for Sale

Other assets held for sale are carried at the lower of the carrying amount or fair value. The fair value is determined based on the appraisal value, listing price of the property or collateral provided by independent appraisers, and is adjusted for the estimated costs to sell. Due to the use of significant unobservable inputs, these assets are classified as Level 3 under the fair value hierarchy. Fair value adjustments for these assets are recorded in other noninterest expense in the consolidated statements of income.

The following tables set forth the Company's assets subject to fair value adjustments (impairment) on a nonrecurring basis as of September 30, 2026 and December 31, 2025 that are valued at the lower of cost or market. The Company had no other assets subject to Level 3 fair value measurements as of September 30, 2026 and December 31, 2025. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

		Quantitative Information about Level 3 Fair Value Measurements			
($ in thousands)	**Fair Value**	**Valuation Technique[1]**	**Unobservable Input[2]**	**Range**	**Weighted-Average**
September 30, 2026					
Nonrecurring measurements:					
Individually-evaluated collateral dependent loans:					
Commercial real estate	**$ 16,184**	Appraisal of collateral	Appraisal adjustment Liquidation expense	**50%** **10%**	**50%** **10%**
Residential real estate	**941**	Appraisal of collateral	Appraisal adjustment Liquidation expense	**45% - 46%** **10%**	**45%** **10%**
Other real estate owned	**10,781**	Appraisal of collateral	Appraisal adjustment	**0%**	**0%**
Repossessed assets	**2,694**	Appraisal of collateral	Appraisal adjustment	**N/A**	**37%**

		Quantitative Information about Level 3 Fair Value Measurements			
($ in thousands)	Fair Value	Valuation Technique[1]	Unobservable Input[2]	Range	Weighted-Average
December 31, 2025					
Nonrecurring measurements:					
Individually-evaluated collateral dependent loans:					
Commercial real estate	$ 19,696	Appraisal of collateral	Appraisal adjustment Liquidation expense	60% - 71% 10%	68% 10%
Residential real estate	520	Appraisal of collateral	Appraisal adjustment Liquidation expense	0% - 1% 10%	1% 10%
Other real estate owned	113	Appraisal of collateral	Appraisal adjustment	N/A	0%
Repossessed assets	2,879	Appraisal of collateral	Appraisal adjustment	N/A	60%

(1) Unobservable inputs were weighted by the relative fair value of the instruments. No range is presented only when one instrument was available.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

Note 12 – Fair Value of Financial Instruments

Financial instruments require disclosure of fair value information, whether or not recognized in the consolidated balance sheets, when it is practical to estimate the fair value. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contractual obligation which requires the exchange of cash. Certain items are specifically excluded from the financial instrument fair value disclosure requirements, including the Company's common stock, OREO, repossessed assets, premises and equipment and other assets and liabilities.

The following tables present the carrying amounts and estimated fair values of the Company's financial instruments as of September 30, 2026 and December 31, 2025. Fair values for September 30, 2026 and December 31, 2025 were estimated using an exit price notion.

($ in thousands)	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
September 30, 2026					
Assets					
Cash and cash equivalents	$ 455,051	$ 455,051	$ 455,051	$ —	$ —
Available for sale securities	380,838	380,838	—	380,838	—
Held to maturity securities	356,183	308,836	—	308,836	—
Equity securities	6,031	6,031	—	6,031	—
Restricted securities	18,003	N/A	—	N/A	—
Loans held for sale	14,865	14,865	—	14,865	—
TBA securities	514	514	—	514	—
Loans held for investment, at fair value	31,447	31,447	—	31,447	—
Loans held for investment, at amortized cost, net	4,811,661	4,752,087	—	—	4,752,087
Mortgage servicing rights	4,671	6,027	—	6,027	—
Accrued interest receivable	20,891	20,891	—	20,891	—
IRLCs	83	83	—	—	83
Liabilities					
Deposits:					
Noninterest-bearing	$ 1,617,258	$ 1,617,258	$ —	$ 1,617,258	$ —
Interest-bearing checking	1,069,480	1,069,480	—	1,069,480	—
Money market and savings	1,758,063	1,758,063	—	1,758,063	—
Time deposits	1,250,723	1,242,871	—	1,242,871	—
Brokered deposits	803	800	—	800	—
TRUPS	30,406	31,730	—	31,730	—
Subordinated debt	58,893	58,102	—	58,102	—
TBA Securities	1	1	—	1	—
Accrued interest payable	3,507	3,507	—	3,507	—
IRLCs	39	39	—	—	39

($ in thousands)	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
December 31, 2025					
Assets					
Cash and cash equivalents	$ 355,566	$ 355,566	$ 355,566	$ —	$ —
Available for sale securities	220,358	220,358	—	220,358	—
Held to maturity securities	414,827	378,116	—	378,116	—
Equity securities	6,186	6,186	—	6,186	—
Restricted securities	17,989	N/A	—	N/A	—
Loans held for sale	32,540	32,540	—	32,540	—
TBA securities	11	11	—	11	—
Loans held for investment, at amortized cost, net	4,841,466	4,767,143	—	—	4,767,143
Mortgage servicing rights	5,142	5,861	—	5,861	—
Accrued interest receivable	18,551	18,551	—	18,551	—
IRLCs	91	91	—	—	91
Liabilities					
Deposits:					
Noninterest-bearing	$ 1,587,953	$ 1,587,953	$ —	$ 1,587,953	$ —
Interest bearing checking	852,585	852,585	—	852,585	—
Money market and savings	1,814,928	1,814,928	—	1,814,928	—
Time deposits	1,267,487	1,265,740	—	1,265,740	—
Brokered deposits	10,911	10,923	—	10,923	—
TRUPS	30,168	29,586	—	29,586	—
Subordinated debt	58,893	58,064	—	58,064	—
TBA securities	59	59	—	59	—
Accrued interest payable	2,977	2,977	—	2,977	—
IRLCs	1	1	—	—	1

Note 13 – Commitments and Contingencies

In the normal course of business, to meet the financial needs of its customers, the Company is a party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit and standby letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Letters of credit and other commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the letters of credit and commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Commitments to make loans are generally made for a period of 90 days or less.

The following table provides information on commitments outstanding as of September 30, 2026 and December 31, 2025.

($ in thousands)	**September 30, 2026**	December 31, 2025
Commitments to extend credit		
Fixed	**$ 216,410**	$ 209,737
Variable	**513,545**	503,713
Total commitments to extend credit	**$ 729,955**	$ 713,450
Letters of credit		
Fixed	**$ 4,473**	$ 6,495
Variable	**16,944**	17,830
Total letters of credit	**$ 21,417**	$ 24,325
Total commitments outstanding	**$ 751,372**	$ 737,775

The Company had a reserve for off-balance sheet credit exposures of $1.7 million and $2.0 million as of September 30, 2026 and December 31, 2025, respectively. The reserve was estimated based on current expected credit losses to be experienced by the Company. Losses are charged against the allowance when management believes the required funding of these exposures is uncollectible. While this evaluation is completed on a regular basis, it is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

In the normal course of business, the Company may become involved in litigation arising from banking, financial and other activities. Management, after consultation with legal counsel, does not anticipate that the future liability, if any, arising out of current proceedings will have a material effect on the Company’s financial condition, operating results or liquidity.

Note 14 – Earnings per Common Share

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents (stock-based awards). The following table provides information relating to the calculation of earnings per common share for the three and nine months ended September 30, 2026 and 2025.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands, except per share amounts)	**2026**	2025	**2026**	2025
Net income	**$ 16,771**	$ 14,348	**$ 52,724**	$ 43,619
Average number of common shares outstanding	**33,382,278**	33,419,291	**33,420,566**	33,381,568
Dilutive effect of common stock equivalents	**35,162**	16,571	**23,598**	10,730
Average number of common shares used to calculate diluted EPS	**33,417,440**	33,435,862	**33,444,164**	33,392,298
Anti-dilutive shares	**—**	—	**—**	483
Basic net income per common share	**$ 0.50**	$ 0.43	**$ 1.58**	$ 1.31
Diluted net income per common share	**$ 0.50**	$ 0.43	**$ 1.58**	$ 1.31

There were zero anti-dilutive unvested restricted stock and performance stock unit awards excluded from the calculation of diluted earnings per common share for the three months ended September 30, 2026 and 2025. There were zero and 483 anti-dilutive unvested restricted stock and performance stock unit awards excluded from the calculation of diluted earnings per common share for the nine months ended September 30, 2026 and 2025, respectively.

Share Repurchase Program

In May 2026, the Company's Board of Directors authorized the repurchase of up to $30.0 million of the Company's outstanding common stock over the next 12 months (the "Repurchase Program"). Under the Repurchase Program, the shares may be repurchased from time to time through a combination of open market transactions at prevailing market prices, in privately negotiated transactions, through block trades and pursuant to any trading plan that may be adopted in accordance with Rules 10b5-1 and/or 10b-18 of the Exchange Act. The actual timing, number and value of shares repurchased under the Repurchase Program will be determined by management at its discretion and will depend on a number of factors, including the market price of the Company's stock, general market and economic conditions, applicable legal requirements, and other factors. The Repurchase Program may be modified, amended or terminated by the Board of Directors at any time.

The following table presents information regarding the Company's Repurchase Program for each of the periods presented.

($ in thousands, except per share amounts)	Three Months Ended September 30, 2026	Nine Months Ended September 30, 2026
Number of shares repurchased	**148,006**	**188,099**
Average price paid per share	**$ 23.02**	**$ 22.84**
Amount repurchased	**$ 3,411**	**$ 4,302**

All share repurchases were made in open market transactions. As of September 30, 2026, the Company was authorized to repurchase a remaining $25.7 million of outstanding shares of common stock under the Repurchase Program.

Note 15 – Revenue Recognition

Accounting Standards Codification ("ASC") Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit-related fees, interchange fees and merchant income. Noninterest revenue streams within the scope of ASC Topic 606 are discussed below. ASC Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account-related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided.

Check orders and other deposit account-related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or at the end of the month through a direct charge to customers' accounts.

Trust and Investment Fee Income

Trust and investment fee income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company's performance obligation is generally satisfied over time, and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers' accounts. The Company does not earn performance-based incentives.

Optional services such as real estate sales and tax return preparation services are also available to existing trust and asset management customers. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

Interchange Income

Interchange fees are primarily fees earned on payment card transactions processed through card networks such as Visa, Mastercard, and other debit and credit card networks. These fees are generally calculated as a percentage of the transaction value, plus a fixed fee per transaction, and are primarily paid by acquiring banks to issuing banks. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees.

Other Noninterest Income

Other noninterest income consists of fees, other service charges, safety deposit box rental fees, and other miscellaneous revenue streams. Fees and other service charges are primarily comprised of late fees on loans, debit card income, automated teller machine ("ATM") fees, merchant services income and other service charges. ATM fees are primarily generated when a Company cardholder uses a third-party ATM or a non-Company cardholder uses a Company ATM. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks and other services.

The Company's performance obligation for fees, exchange and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of ASC Topic 606, for the three and nine months ended September 30, 2026 and 2025.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2026**	2025	**2026**	2025
Noninterest income				
In-scope of ASC Topic 606:				
Service charges on deposit accounts	**$ 1,731**	$ 1,599	**$ 4,978**	$ 4,632
Trust and investment fee income	**1,115**	898	**3,355**	2,663
Interchange income	**1,963**	1,858	**5,621**	5,223
Other noninterest income	**1,062**	1,014	**3,305**	3,418
Noninterest income (in-scope of ASC Topic 606)	**5,871**	5,369	**17,259**	15,936
Noninterest income (out-of-scope of ASC Topic 606)	**1,804**	2,569	**6,490**	8,542
Total noninterest income	**$ 7,675**	$ 7,938	**$ 23,749**	$ 24,478

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context clearly suggests otherwise, references to "the Company," "we," "our" and "us" in the remainder of this Quarterly Report on Form 10-Q are to Shore Bancshares, Inc. and its consolidated subsidiaries.

FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements. The statements contained herein that are not historical facts are forward-looking statements (as defined by the Private Securities Litigation Reform Act of 1995) based on management's current expectations and beliefs concerning future developments and their potential effects on the Company. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of the Company. There can be no assurance that future developments affecting the Company will be the same as those anticipated by management. These statements are evidenced by terms such as "anticipate," "estimate," "should," "expect," "believe," "intend," and similar expressions, or future or conditional verbs such as "should," "could," or "may." Although forward-looking statements reflect management's good faith beliefs and projections, they are not guarantees of future performance and they may not prove true. These forward-looking statements involve risk and uncertainties that could cause actual results to differ materially from those addressed in the forward-looking statements. While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements:

- the strength of the United States ("U.S.") economy and general economic conditions, (including the interest rate environment, government economic and monetary policies, the strength of global financial markets and inflation/deflation and supply chain issues), whether national or regional, and conditions in the lending markets in which we participate that may have an adverse effect on the demand for our loans and other products, our credit quality and related levels of nonperforming assets and loan losses, and the value and salability of the real estate that we own or that is the collateral for our loans;
- the ability to effectively manage the information technology systems, including third-party vendors, cyber or data privacy incidents or other failures, disruptions or security breaches, and risk related to the development and use of artificial intelligence;
- the ability to develop and use technologies to provide products and services that will satisfy customer demands;
- results of examinations of us by our regulators, including the possibility that our regulators may, among other things, require us to increase our reserve for loan losses or to write-down assets;
- changing bank regulatory conditions, policies or programs, whether arising as new legislation or regulatory initiatives, which could lead to restrictions on activities of banks generally, or our subsidiary bank in particular, more restrictive regulatory capital requirements, increased costs, including deposit insurance premiums, regulation or prohibition of certain income producing activities or changes in the secondary market for loans and other products;
- changes in market rates and prices may adversely impact the value of securities, loans, deposits and other financial instruments and the interest rate sensitivity of our balance sheet;
- our liquidity requirements could be adversely affected by changes in our assets and liabilities;
- our ability to prudently manage our growth and execute our strategy;
- impairment of our goodwill and intangible assets;
- competitive factors among financial services organizations, including product and pricing pressures and our ability to attract, develop and retain qualified banking professionals;
- the effect of acquisitions we have made or may make, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions, and/or the failure to effectively integrate an acquisition target into our operations;
- the growth and profitability of noninterest or fee income being less than expected;
- the effect of legislative or regulatory developments, including changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry;
- the effect of any change in federal government enforcement of federal laws affecting the cannabis industry;
- the effect of changes in accounting policies and practices, as may be adopted by the Financial Accounting Standards Board, the U.S. Securities and Exchange Commission (the "SEC"), the Public Company Accounting Oversight Board and other regulatory agencies;

- changes in U.S. trade policies, including the implementation of tariffs and other protectionist trade policies;
- the impact of governmental efforts to restructure or adjust the U.S. financial regulatory system;
- the impact of recent or future changes in Federal Deposit Insurance Corporation (the "FDIC") insurance assessment rate or the rules and regulations related to the calculation of the FDIC insurance assessment amount, including any special assessments;
- the effects of federal government shutdowns, debt ceiling standoff, or other uncertainty regarding fiscal and governmental policies of the U.S. federal government;
- climate change and other catastrophic events or disasters;
- geopolitical conditions, including acts or threats of terrorism, actions taken by the United States or other governments in response to acts of terrorism, and/or military conflicts, which could impact business and economic conditions in the United States and abroad;
- and other factors that may affect our future results.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Annual Report") filed with SEC and available at the SEC's website (www.sec.gov). The information on, or accessible through, our website or any other website cited in this Quarterly Report on Form 10-Q is not part of, or incorporated by reference into, this Quarterly Report on Form 10-Q and should not be relied upon in determining whether to make an investment decision.

The Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

INTRODUCTION

The following management's discussion and analysis of financial condition and results of operations is intended as a review of significant factors affecting the Company's financial condition and results of operations for the periods indicated. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and related notes presented elsewhere in this report, as well as the audited consolidated financial statements and related notes included in the 2025 Annual Report.

Shore Bancshares, Inc. is headquartered on the Eastern Shore of Maryland. It is the parent company of Shore United Bank, N.A. (the "Bank"). The Bank currently operates 40 full-service branches in Maryland, Delaware and Virginia. The Company, through Wye Financial Partners, a division of the Bank, offers full-service investment, insurance and financial planning services through LPL Financial. The Company, through Wye Trust, a division of the Bank, offers wealth management, corporate trustee services and trust administration to customers within our market areas and nationwide.

The shares of common stock of Shore Bancshares, Inc. are listed on the NASDAQ Global Select Market under the symbol "SHBI."

Shore Bancshares, Inc. maintains an Internet site at www.shorebancshares.com on which it makes available free of charge its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to the foregoing as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and follow general practices within the industries in which it operates. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and as such have a greater possibility of producing results that could be materially different than originally reported.

The Company's most significant accounting policies are presented in Note 1 – "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of the 2025 Annual Report. These policies, along with the disclosures presented in the notes to consolidated financial statements and in this management's discussion and analysis of financial condition and results of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has determined that the accounting policy for the allowance for credit losses ("ACL") on loans is a critical accounting policy. This policy is considered critical because it relates to an accounting area that requires the most subjective or complex judgments, and, as such, could be most subject to revision as new information becomes available.

Allowance for Credit Losses on Loans

The ACL represents management's best estimate of expected lifetime credit losses within the Company's loan portfolio as of the balance sheet date. The ACL is established through a provision for credit losses and is increased by recoveries of loans previously charged off. Loan losses are charged against the allowance when management's assessments confirm that the Company will not collect the full amortized cost basis of a loan. The calculation of expected credit losses is determined using a cash flow methodology, and includes considerations of historical experience, current conditions, and reasonable and supportable economic forecasts that may affect collection of the recorded balances. The Company assesses an ACL to groups of loans which share similar risk characteristics or on an individual basis, as deemed appropriate. Changes in the ACL on loans and the related provision for credit losses can materially affect financial results. Although the overall balance is determined based on specific portfolio segments and individually assessed assets, the entire balance is available to absorb credit losses for loans in the portfolio.

The determination of the appropriate level of the ACL on loans inherently involves a high degree of subjectivity and requires the Company to make significant judgments concerning credit risks and trends using quantitative and qualitative information, as well as reasonable and supportable forecasts of future economic conditions, all of which may undergo frequent and significant changes. Changes in conditions, including unforeseen events, changes in asset-specific risk characteristics, and other economic factors, both within and outside the Company's control, may indicate the need for an increase or decrease in the ACL on loans. While management seeks to utilize the best information available in making its assessment of the ACL estimate, the estimation process is inherently challenging as potential changes in any one factor or input may occur at different rates and/or impact pools of loans in different ways. Further, changes in factors and inputs may also be directionally inconsistent, such that improvement in one factor may offset deterioration in others.

The Company's management reviews the adequacy of the ACL on loans on at least a quarterly basis. Refer to Note 1 – "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of the 2025 Annual Report for additional details concerning the determination of the ACL on loans.

PERFORMANCE OVERVIEW

The Company's net income for the third quarter of 2026 was $16.8 million, or $0.50 per diluted common share, compared to net income of $18.9 million, or $0.56 per diluted common share, for the second quarter of 2026. The Company had net income of $14.3 million, or $0.43 per diluted common share, for the third quarter of 2025.

Third Quarter 2026 Highlights

- **Pre-tax Pre-provision Income ("PTPP")**, a non-U.S. generally accepted accounting principles ("GAAP")[(1)] financial measure – PTPP for the third quarter of 2026 increased $1.5 million to $27.5 million, from $26.1 million in the second quarter of 2026. PTPP increased primarily due to an increase in interest income of $2.6 million and a decrease in noninterest expense of $405 thousand. The increase in net interest income was partially offset by a decrease in noninterest income of $1.2 million and an increase in interest expense of $390 thousand. PTPP for the nine months ended September 30, 2026 was $76.4 million compared to $63.4 million for the nine months ended September 30, 2025.

- **Return on Average Assets ("ROAA")** – The Company reported ROAA of 1.08% for the third quarter of 2026, compared to 1.24% for the second quarter of 2026 and 0.95% for the third quarter of 2025. Adjusted ROAA – non-GAAP[(1)] was 1.16% for the third quarter of 2026, compared to 1.34% for the second quarter of 2026 and 1.05% for the third quarter of 2025.

- **Net Interest Margin ("NIM")** – Net interest income for the third quarter of 2026 increased $2.2 million to $55.1 million compared to the second quarter of 2026. NIM increased 8 basis points ("bps") to 3.78% for the third quarter of 2026 compared to the second quarter of 2026. NIM excluding accretion[(1)] increased for the comparable periods from 3.45% to 3.50%. Excluding accretion interest, loan yields increased 4 bps and funding costs decreased 2 bps for the comparable periods. Net interest income increased due to elevated accretion income from loan payoffs, partially offset by a slightly higher interest expense driven by municipal deposits.

- **Capital Management –** Book value per share increased to $18.59 at September 30, 2026 from $18.44 at June 30, 2026 and $17.27 at September 30, 2025. During the quarter ended September 30, 2026, the Company declared a dividend of $0.14 per share and repurchased 148,006 shares of its outstanding common stock for approximately $3.4 million.

- **Asset Quality** – Nonperforming assets were 1.27% of total assets at September 30, 2026, an increase from 1.09% at June 30, 2026 and an increase from 0.45% at September 30, 2025. Classified assets were 1.61% of total assets at September 30, 2026, an increase when compared to 1.41% at June 30, 2026 and 0.83% at September 30, 2025. The ACL was $59.6 million at both September 30, 2026 and September 30, 2025, and $58.7 million at June 30, 2026. The ACL as a percentage of loans increased to 1.21% at September 30, 2026 compared to 1.20% at June 30, 2026 and decreased compared to 1.22% at September 30, 2025.

- **Operating Leverage** – The efficiency ratio for the third quarter of 2026 was 56.15%, compared to 57.76% in the second quarter of 2026 and 61.00% for the third quarter of 2025. The adjusted efficiency ratio–non-GAAP[(1)], which excludes amortization of intangibles, was 53.30% for the third quarter of 2026, compared to 54.49% for the second quarter of 2026 and 57.30% for the third quarter of 2025. Management anticipates ongoing expense management of professional services and technology investments will result in continued improvements in operating leverage over time.

[(1)] See the Reconciliation of GAAP and Non-GAAP Measures tables.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025

Summary of Financial Results

The Company reported net income for the three months ended September 30, 2026 of $16.8 million, or $0.50 per diluted common share, compared to $14.3 million, or $0.43 per diluted common share, for the three months ended September 30, 2025.

The following table presents selected consolidated statement of operations data for each of the periods indicated.

	Three Months Ended September 30,			
($ in thousands)	**2026**	2025	Change ($)	Change (%)
Interest and dividend income	**$ 80,047**	$ 76,950	$ 3,097	4.0 %
Interest expense	**24,920**	28,532	(3,612)	(12.7)
Net interest income	**55,127**	48,418	6,709	13.9
Provision for credit losses	**5,268**	2,992	2,276	76.1
Noninterest income	**7,675**	7,938	(263)	(3.3)
Noninterest expense	**35,263**	34,379	884	2.6
Income before income taxes	**22,271**	18,985	3,286	17.3
Income tax expense	**5,500**	4,637	863	18.6
Net income	**$ 16,771**	$ 14,348	$ 2,423	16.9

Net Interest Income ("NII")

Taxable-equivalent NII is NII adjusted for the tax-favored status of income from certain loans and investments. As shown in the table below, taxable-equivalent NII increased $6.7 million to $55.2 million for the third quarter of 2026, compared to $48.5 million for the third quarter of 2025. The increase in net interest income was primarily due to a decrease in interest expense on deposits of $3.1 million, an increase in interest on loans of $2.0 million and a decrease in interest expense on short-term borrowings of $640 thousand. These favorable changes were partially offset by an increase in interest expense on long-term borrowings of $166 thousand.

The following table presents taxable-equivalent NII for each of the periods indicated.

	Three Months Ended September 30,			
($ in thousands)	**2026**	2025	Change ($)	Change (%)
Interest and dividend income				
Interest on loans	**$ 72,655**	$ 70,693	$ 1,962	2.8 %
Interest and dividends on investment securities	**5,541**	5,042	499	9.9
Interest on deposits with banks	**1,851**	1,215	636	52.3
Total interest and dividend income	**$ 80,047**	$ 76,950	$ 3,097	4.0
Interest expense				
Deposits	**$ 23,336**	$ 26,474	$ (3,138)	(11.9)%
Short-term borrowings	**—**	640	(640)	(100.0)
Long-term borrowings	**1,584**	1,418	166	11.7
Total interest expense	**$ 24,920**	$ 28,532	$ (3,612)	(12.7)
Taxable-equivalent adjustment	**$ 91**	$ 83	$ 8	9.6 %
Taxable-equivalent net interest income	**$ 55,218**	$ 48,501	$ 6,717	13.8 %

Average Balances and Yields

The following table presents the distribution of the average consolidated balance sheets, interest income, interest expense and annualized yields earned and rates paid for the three months ended September 30, 2026 and 2025.

	Three Months Ended September 30,					
	2026			2025		
($ in thousands)	**Average Balance**	**Interest**	**Yield/Rate**	Average Balance	Interest	Yield/Rate
Earning assets						
Loans[1], [2], [3]						
Commercial real estate	**$ 2,618,370**	**$ 38,804**	**5.88 %**	$ 2,615,409	$ 37,917	5.75 %
Residential real estate	**1,515,040**	**21,674**	**5.72**	1,407,076	19,671	5.59
Construction	**341,366**	**5,548**	**6.45**	347,574	5,848	6.68
Commercial	**224,741**	**3,253**	**5.74**	219,002	3,370	6.10
Consumer	**239,114**	**3,372**	**5.59**	289,729	3,858	5.28
Credit cards	**3,293**	**93**	**11.17**	5,213	110	8.36
Total loans	**4,941,924**	**72,744**	**5.85**	4,884,003	70,774	5.76
Investment securities						
Taxable	**687,213**	**5,535**	**3.22**	663,884	5,036	3.03
Tax-exempt[1]	**644**	**8**	**4.97**	651	8	4.92
Interest-bearing deposits	**195,897**	**1,851**	**3.75**	110,443	1,215	4.36
Total earning assets	**5,825,678**	**$ 80,138**	**5.47**	5,658,981	$ 77,033	5.41
Cash and due from banks	**48,015**			49,405		
Other assets	**362,218**			370,952		
Allowance for credit losses	**(58,701)**			(58,764)		
Total assets	**$ 6,177,210**			$ 6,020,574		
Interest-bearing liabilities						
Interest-bearing checking	**$ 792,764**	**$ 5,056**	**2.53 %**	$ 689,906	$ 5,157	2.97 %
Money market and savings deposits	**1,738,159**	**8,334**	**1.90**	1,714,161	9,277	2.15
Time deposits	**1,245,785**	**9,938**	**3.16**	1,277,403	11,935	3.71
Brokered deposits	**798**	**8**	**4.01**	10,891	105	3.83
Interest-bearing deposits[4]	**3,777,506**	**23,336**	**2.45**	3,692,361	26,474	2.84
FHLB advances	**—**	**—**	**—**	52,391	640	4.85
Subordinated debt and guaranteed preferred beneficial interest in junior subordinated debentures ("TRUPS")[4]	**89,219**	**1,584**	**7.04**	74,363	1,418	7.57
Total interest-bearing liabilities	**3,866,725**	**24,920**	**2.56**	3,819,115	28,532	2.96
Noninterest-bearing deposits	**1,638,566**			1,587,891		
Accrued expenses and other liabilities	**47,275**			42,321		
Stockholders' equity	**624,644**			571,247		
Total liabilities and stockholders' equity	**$ 6,177,210**			$ 6,020,574		
Taxable-equivalent net interest income		**$ 55,218**			$ 48,501	
Net interest spread			**2.91 %**			2.45 %
Net interest margin			**3.78**			3.41
Net interest margin excluding accretion[3]			**3.50**			3.22
Cost of funds			**1.80**			2.09
Cost of deposits			**1.71**			1.99
Cost of debt			**7.04**			6.44

(1) All amounts are reported on a taxable-equivalent basis computed using the statutory federal income tax rate of 21.0%, exclusive of nondeductible interest expense.
(2) Average loan balances include nonaccrual loans.
(3) Interest income on loans includes accreted loan fees, net of costs and accretion of discounts on acquired loans, which are included in the yield calculations. There were $4.1 million and $3.3 million of accretion interest on loans for the three months ended September 30, 2026 and 2025, respectively.
(4) Interest expense on deposits and borrowings includes amortization of deposit discounts and amortization of borrowing fair value adjustments. There were zero and $280 thousand of amortization of deposit discounts and $79 thousand and $232 thousand of amortization of borrowing fair value adjustments for the three months ended September 30, 2026 and 2025, respectively. All deposit discounts have been fully amortized as of December 31, 2025.

Rate and Volume Analysis

The following table presents changes in interest income and interest expense for the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to: (1) changes in volume (changes in volume multiplied by old rate) and (2) changes in rate (changes in rate multiplied by old volume). Changes in rate-volume (changes in rate multiplied by the change in volume) have been allocated to changes due to volume.

Three Months Ended September 30, 2026 Compared to the Three Months Ended September 30, 2025

($ in thousands)	Volume	Due to Rate	Total
Interest income from earning assets:			
Loans			
Commercial real estate	$ 30	$ 857	$ 887
Residential real estate	1,542	461	2,003
Construction	(99)	(201)	(300)
Commercial	82	(199)	(117)
Consumer	(712)	226	(486)
Credit cards	(54)	37	(17)
Taxable investment securities	181	318	499
Interest-bearing deposits	806	(170)	636
Total interest income	$ 1,776	$ 1,329	$ 3,105
Interest-bearing liabilities:			
Interest-bearing checking deposits	$ 664	$ (765)	$ (101)
Money market and savings deposits	137	(1,080)	(943)
Time deposits	(226)	(1,771)	(1,997)
Brokered deposits	(102)	5	(97)
Advances from FHLB	—	(640)	(640)
Subordinated debt	265	(99)	166
Total interest-bearing liabilities	738	(4,350)	(3,612)
Net change in net interest income	$ 1,038	$ 5,679	$ 6,717

Fluctuations in NII can result from the combination of changes in the average balances of asset and liability categories and changes in interest rates. Interest rates earned and paid are affected by general economic conditions, particularly changes in market interest rates, and by competitive factors, government policies and actions of regulatory authorities.

The Company's NIM increased to 3.78% for the three months ended September 30, 2026, from 3.41% for the three months ended September 30, 2025. Comparing the three months ended September 30, 2026 to the three months ended September 30, 2025, the Company's interest-earning asset yields increased to 5.47% from 5.41% three months ended September 30, 2025. The cost of funds repriced at a faster pace, which resulted in a decrease of 29 bps, to 1.80% from 2.09%, for the same periods.

ACL and Provision for Credit Losses ("PCL")

Refer to the discussion of the Bank's ACL and PCL in the asset quality section in the analysis of financial condition in this management's discussion and analysis of financial condition and results of operations.

Noninterest Income

Total noninterest income for the three months ended September 30, 2026 was $7.7 million, a decrease of $263 thousand, or 3.3%, from $7.9 million for the three months ended September 30, 2025. The decrease was primarily due to a decrease in other noninterest income of $595 thousand and mortgage banking revenue of $122 thousand, partially offset by increases in trust and investment fee income of $217 thousand.

Noninterest Expense

Total noninterest expense was $35.3 million for the three months ended September 30, 2026, an increase of $884 thousand, or 2.6%, when compared to $34.4 million for the three months ended September 30, 2025. The increase was primarily due to higher software and data processing costs of $646 thousand, partially offset by the decrease in the amortization of other intangible assets of $298 thousand.

Income Taxes

The Company reported income tax expense of $5.5 million and $4.6 million for the three months ended September 30, 2026 and 2025, respectively. The effective tax rate was 24.70% and 24.42% for the three months ended September 30, 2026 and 2025, respectively.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025

Summary of Financial Results

The Company reported net income for the nine months ended September 30, 2026 of $52.7 million, or $1.58 diluted earnings per common share, compared to $43.6 million, or $1.31 diluted earnings per common share, for the nine months ended September 30, 2025.

The following table presents selected consolidated statement of operations data for each of the periods indicated.

	Nine Months Ended September 30,			
($ in thousands)	**2026**	2025	Change ($)	Change (%)
Interest and dividend income	**$ 235,888**	$ 229,414	$ 6,474	2.8 %
Interest expense	**75,287**	87,935	(12,648)	(14.4)
Net interest income	**160,601**	141,479	19,122	13.5
Provision for credit losses	**6,249**	5,548	701	12.6
Noninterest income	**23,749**	24,478	(729)	(3.0)
Noninterest expense	**107,987**	102,536	5,451	5.3
Income before income taxes	**70,114**	57,873	12,241	21.2
Income tax expense	**17,390**	14,254	3,136	22.0
Net income	**$ 52,724**	$ 43,619	$ 9,105	20.9

Net Interest Income

As shown in the table below, taxable-equivalent NII increased $19.1 million to $160.9 million for the nine months ended September 30, 2026, compared to $141.7 million for the nine months ended September 30, 2025. The increase in net interest income was primarily due to an increase in total interest income of $6.5 million, or 2.8%, which included an increase in interest on loans of $6.1 million, or 2.9%, an increase in interest income on taxable investments of $668 thousand, and a decrease in interest on deposits with other banks of $303 thousand, or 4.9%. The increase in interest on loans was primarily due to the increase in yields of 9 bps. The decrease in total interest expense was primarily due to a decrease in interest on deposits of $11.4 million and lower interest on short-term borrowings of $1.8 million. These were partially offset by the increase in interest expense on long-term borrowings of $550 thousand as a result of lower FHLB borrowings and subordinated debt-related expenses that were classified as short-term borrowings in 2025.

The following table presents taxable-equivalent NII for each of the periods indicated.

	Nine Months Ended September 30,			
($ in thousands)	**2026**	2025	Change ($)	Change (%)
Interest and dividend income				
Interest on loans	**$ 213,925**	$ 207,816	$ 6,109	2.9 %
Interest and dividends on investment securities	**16,054**	15,386	668	4.3
Interest on deposits with banks	**5,909**	6,212	(303)	(4.9)
Total interest and dividend income	**$ 235,888**	$ 229,414	$ 6,474	2.8
Interest expense				
Deposits	**$ 70,543**	$ 81,914	$ (11,371)	(13.9)%
Short-term borrowings	**16**	1,843	(1,827)	(99.1)
Long-term borrowings	**4,728**	4,178	550	13.2
Total interest expense	**$ 75,287**	$ 87,935	$ (12,648)	(14.4)
Taxable-equivalent adjustment	**$ 266**	$ 244	$ 22	9.0 %
Taxable-equivalent net interest income	**$ 160,867**	$ 141,723	$ 19,144	13.5 %

Average Balances and Yields

The following table presents the distribution of the average consolidated balance sheets, interest income, interest expense and annualized yields earned and rates paid for the nine months ended September 30, 2026 and 2025.

	Nine Months Ended September 30,					
	2026			2025		
($ in thousands)	**Average Balance**	**Interest**	**Yield/Rate**	Average Balance	Interest	Yield/Rate
Earning assets						
Loans[1], [2], [3]						
Commercial real estate	**$ 2,602,270**	**$ 116,002**	**5.96 %**	$ 2,576,893	$ 110,983	5.76 %
Residential real estate	**1,483,344**	**61,261**	**5.51**	1,377,904	57,063	5.52
Construction	**342,654**	**16,633**	**6.49**	350,883	17,069	6.50
Commercial	**218,223**	**9,590**	**5.88**	225,322	10,719	6.36
Consumer	**250,443**	**10,397**	**5.55**	297,543	11,917	5.35
Credit cards	**3,925**	**303**	**10.31**	6,002	304	6.76
Total loans	**4,900,859**	**214,186**	**5.84**	4,834,547	208,055	5.75
Investment securities						
Taxable	**679,098**	**16,036**	**3.15**	670,304	15,368	3.06
Tax-exempt[1]	**646**	**23**	**4.80**	652	23	4.75
Interest-bearing deposits	**212,731**	**5,909**	**3.71**	188,707	6,212	4.40
Total earning assets	**5,793,334**	**$ 236,154**	**5.45**	5,694,210	$ 229,658	5.39
Cash and due from banks	**45,375**			47,752		
Other assets	**364,101**			373,398		
Allowance for credit losses	**(58,676)**			(58,477)		
Total assets	**$ 6,144,134**			$ 6,056,883		
Interest-bearing liabilities						
Interest-bearing checking	**$ 769,162**	**$ 14,456**	**2.51 %**	$ 756,235	$ 17,879	3.16 %
Money market and savings deposits	**1,764,592**	**25,109**	**1.90**	1,753,594	28,872	2.20
Time deposits	**1,257,918**	**30,850**	**3.28**	1,248,405	34,966	3.74
Brokered deposits	**5,215**	**128**	**3.28**	6,911	197	3.81
Interest-bearing deposits[4]	**3,796,887**	**70,543**	**2.48**	3,765,145	81,914	2.91
FHLB advances	**550**	**16**	**3.82**	50,806	1,843	4.85
Subordinated debt and TRUPS[4]	**89,109**	**4,728**	**7.09**	74,103	4,178	7.54
Total interest-bearing liabilities	**3,886,546**	**75,287**	**2.59**	3,890,054	87,935	3.02
Noninterest-bearing deposits	**1,598,872**			1,566,353		
Accrued expenses and other liabilities	**46,568**			41,175		
Stockholders' equity	**612,148**			559,301		
Total liabilities and stockholders' equity	**$ 6,144,134**			$ 6,056,883		
Taxable-equivalent net interest income		**$ 160,867**			$ 141,723	
Net interest spread			**2.86 %**			2.37 %
Net interest margin			**3.71**			3.32
Net interest margin excluding accretion[3]			**3.43**			3.10
Cost of funds			**1.84**			2.15
Cost of deposits			**1.75**			2.05
Cost of debt			**7.07**			6.44

(1) All amounts are reported on a taxable-equivalent basis computed using the statutory federal income tax rate of 21.0%, exclusive of nondeductible interest expense.
(2) Average loan balances include nonaccrual loans.
(3) Interest income on loans includes accreted loan fees, net of costs and accretion of discounts on acquired loans, which are included in the yield calculations. There were $12.2 million and $11.3 million of accretion interest on loans for the nine months ended September 30, 2026 and 2025, respectively.
(4) Interest expense on deposits and borrowings includes amortization of deposit discounts and amortization of borrowing fair value adjustments. There were zero and $1.0 million of amortization of deposit discounts and $238 thousand and $695 thousand of amortization of borrowing fair value adjustments for the nine months ended September 30, 2026 and 2025, respectively. All deposit discounts have been fully amortized as of December 31, 2025.

Rate and Volume Analysis

The following table presents changes in volume and rate related to interest income and interest expense for the periods indicated.

Nine Months Ended September 30, 2026 Compared to the Nine Months Ended September 30, 2025

($ in thousands)	Volume	Due to Rate	Total
Interest income from earning assets:			
Loans			
Commercial real estate	$ 1,164	$ 3,855	$ 5,019
Residential real estate	4,301	(103)	4,198
Construction	(410)	(26)	(436)
Commercial	(320)	(809)	(1,129)
Consumer	(1,965)	445	(1,520)
Credit cards	(160)	159	(1)
Taxable investment securities	217	451	668
Interest-bearing deposits	671	(974)	(303)
Total interest income	$ 3,498	$ 2,998	$ 6,496
Interest-bearing liabilities:			
Interest-bearing checking deposits	$ 254	$ (3,677)	$ (3,423)
Money market and savings deposits	172	(3,935)	(3,763)
Time deposits	179	(4,295)	(4,116)
Brokered deposits	(42)	(27)	(69)
Advances from FHLB	(1,436)	(391)	(1,827)
Subordinated debt	799	(249)	550
Total interest-bearing liabilities	(74)	(12,574)	(12,648)
Net change in net interest income	$ 3,572	$ 15,572	$ 19,144

The Company's NIM increased from 3.32% for the nine months ended September 30, 2025 to 3.71% for the nine months ended September 30, 2026. Margins were higher due to a $99.1 million increase in interest-earning asset balances and a 6 bp increase in interest-earning asset yields. These positive movements were coupled with a lower cost of interest-bearing deposits. The increase in the average balances of interest-bearing deposits of $31.7 million was offset by a 43 bp decrease in the associated rates paid, as well as a $50.3 million decrease in the average balance of FHLB advances and a 103 bp decrease in the associated rates paid. Net accretion income impacted net interest margin by 28 bps and 22 bps for the nine months ended September 30, 2026 and 2025, respectively, which resulted in NIM excluding accretion of 3.43% and 3.10% for the same periods.

ACL and PCL

Refer to the discussion of the Bank's ACL and PCL in the asset quality section in the analysis of financial condition in this management's discussion and analysis of financial condition and results of operations.

Noninterest Income

Total noninterest income for the nine months ended September 30, 2026 decreased $729 thousand, or 3.0%, when compared to the same period in 2025. The decrease was primarily due to a $1.4 million decrease in other noninterest income and a $737 thousand decrease in mortgage banking revenue, partially offset by a $692 thousand increase in trust and investment fee income and a $398 thousand increase in interchange credits.

Noninterest Expense

Total noninterest expense for the nine months ended September 30, 2026 increased $5.5 million, or 5.3%, when compared to the same period in 2025. Noninterest expense line items increased primarily due to higher salaries and employee benefit expenses of $3.8 million, a $1.6 million increase in software and data processing expense and a $250 thousand increase in furniture and equipment expense. These increases were partially offset by lower amortization of intangible assets of $893 thousand during the nine months ended September 30, 2026. Software expenses are expected to decline from the prior quarters, reflecting cost savings achieved through the renegotiation of a significant vendor contract and continued systems consolidation efforts.

Income Taxes

The Company reported income tax expense of $17.4 million and $14.3 million for the nine months ended September 30, 2026 and 2025, respectively. The effective tax rate was 24.80% and 24.63% for the nine months ended September 30, 2026 and 2025, respectively.

ANALYSIS OF FINANCIAL CONDITION

Balance Sheet Summary

Total assets were $6.45 billion at September 30, 2026, an increase of $195.5 million, or 3.1%, when compared to $6.26 billion at December 31, 2025. The increase was primarily due to an increase in our investment securities portfolio of $101.7 million and an increase in cash and cash equivalents of $99.5 million, which were partially offset by a decrease in loans held for sale of $17.7 million. The ratio of the ACL as a percentage of loans was 1.21% and 1.20% at September 30, 2026 and December 31, 2025, respectively.

Cash and Cash Equivalents

Cash and cash equivalents totaled $455.1 million at September 30, 2026, compared to $355.6 million at December 31, 2025. Total cash and cash equivalents fluctuate due to transactions in process and other liquidity demands. Management believes liquidity needs are satisfied by the current balance of cash and cash equivalents, readily available access to traditional and wholesale funding sources, and the portions of the investment and loan portfolios that mature within one year. The increase in cash and cash equivalents was primarily driven by seasonal surge in municipal deposits.

Investment Securities

The investment portfolio includes debt and equity securities. Debt securities are classified as either available for sale (“AFS”) or held to maturity (“HTM”). AFS investment securities are stated at estimated fair value based on market prices. They represent securities which may be sold as part of the asset/liability management strategy or in response to changing interest rates. Net unrealized holding gains and losses on these securities are reported net of related income taxes as accumulated other comprehensive income (“AOCI”) (loss), a separate component of stockholders’ equity. Investment securities in the HTM category are stated at cost adjusted for amortization of premiums and accretion of discounts and the ACL. We have the intent and ability to hold such securities until maturity. At September 30, 2026, 51.67% of the portfolio of debt securities was classified as AFS and 48.33% was classified as HTM, compared to 34.69% and 65.31%, respectively, at December 31, 2025. See Note 2 – “Investment Securities” in the “Notes to Consolidated Financial Statements” included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details on the composition of the investment portfolio.

Investment securities, including equity securities and restricted securities, totaled $761.1 million at September 30, 2026, an increase of $101.7 million, or 15.42%, compared to $659.4 million at December 31, 2025. At September 30, 2026, AFS securities, carried at fair value, totaled $380.8 million, compared to $220.4 million at December 31, 2025. At September 30, 2026, AFS securities consisted of 84.99% mortgage-backed securities, 5.19% U.S. government agency securities and 9.82% corporate bonds, compared to 88.50%, 9.36% and 2.14%, respectively, at December 31, 2025. At September 30, 2026, the gross unrealized losses on AFS securities were all related to changes in interest rates and were $15.7 million, or less than 1% of total assets and 3% of total stockholders’ equity. At September 30, 2026, the AOCI loss was $11.1 million, compared to $4.6 million at December 31, 2025.

At September 30, 2026, HTM securities, carried at amortized cost net of allowance, totaled $356.2 million, compared to $414.8 million at December 31, 2025. At September 30, 2026, HTM securities consisted of 77.53% mortgage-backed securities, 20.94% U.S. government agency securities and 1.53% other debt securities, compared to 73.06%, 25.26% and 1.68%, respectively, at December 31, 2025.

At September 30, 2026 and December 31, 2025, 83.47% and 86.82%, respectively, of the Bank’s carrying value of its available for sale and held to maturities securities consisted of securities issued or guaranteed by U.S. government agencies or government-sponsored agencies.

Credit Quality Information

The Company monitors the credit quality of HTM securities through credit ratings provided by Standard & Poor’s Rating Services and Moody’s Investor Services. Credit ratings express opinions about the credit quality of a security and are updated at each quarter end. Investment grade securities are rated BBB- or higher by S&P and Baa3 or higher by Moody’s and are generally considered by the rating agencies and market participants to be of low credit risk. Conversely, securities rated below investment grade, which are labeled as speculative grade by the rating agencies, are considered to have distinctively higher credit risk than investment grade securities. There were no speculative grade HTM securities at September 30, 2026 or December 31, 2025. HTM securities that are not rated are agency mortgage-backed securities sponsored by U.S. government agencies, as well as direct obligations of the agencies, with the remainder being subordinated debt securities of other banks.

The following tables present the amortized cost of HTM securities based on their lowest publicly available credit rating as of September 30, 2026 and December 31, 2025.

	September 30, 2026						
	Investment Grade						
($ in thousands)	**Aaa**	**Aa1**	**A3**	**Baa1**	**Baa2**	**NR**	**Total**
U.S. Treasury and government agency securities	**$ 3,638**	**$ 70,960**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 74,598**
Mortgage-backed securities	**276,256**	**—**	**—**	**—**	**—**	**—**	**276,256**
Other debt securities	**—**	**1,457**	**2,000**	**1,000**	**—**	**1,000**	**5,457**
Total held to maturity securities	**$ 279,894**	**$ 72,417**	**$ 2,000**	**$ 1,000**	**$ —**	**$ 1,000**	**$ 356,311**

	December 31, 2025						
	Investment Grade						
($ in thousands)	Aaa	Aa1	A3	Baa1	Baa2	NR	Total
U.S. Treasury and government agency securities	$ 5,399	$ 99,437	$ —	$ —	$ —	$ —	$ 104,836
Mortgage-backed securities	303,129	—	—	—	—	—	303,129
Other debt securities	—	1,461	2,000	1,000	500	2,000	6,961
Total held to maturity securities	$ 308,528	$ 100,898	$ 2,000	$ 1,000	$ 500	$ 2,000	$ 414,926

Loans Held for Sale

The Company originates residential mortgage loans for sale on the secondary market, which are recorded at fair value. At September 30, 2026 and December 31, 2025, the fair value of loans held for sale amounted to $14.9 million and $32.5 million, respectively. The Bank makes certain representations to purchasers in the sale of mortgage loans related to loan ownership, loan compliance and legality, and accurate documentation. If a loan is found to be out of compliance with any of the representations subsequent to the date of purchase, the Bank may be required to repurchase the loan or indemnify the purchaser. During the three and nine months ended September 30, 2026, the Bank repurchased no loans. During the three and nine months ended September 30, 2025, the Bank repurchased one loan with an aggregate value of $523 thousand and two loans with an aggregate value of $938 thousand, respectively.

Loans Held for Investment

The following table summarizes the Company's loan portfolio at September 30, 2026 and December 31, 2025.

($ in thousands)	**September 30, 2026**	**% of Total Loans**	December 31, 2025	% of Total Loans	Change ($)	Change (%)
Commercial real estate	**$ 2,581,473**	**52.66 %**	$ 2,643,996	53.95 %	$ (62,523)	(2.4)%
Residential real estate	**1,498,469**	**30.56**	1,414,964	28.88	83,505	5.9
Construction	**352,073**	**7.18**	344,903	7.04	7,170	2.1
Commercial	**236,276**	**4.82**	226,006	4.61	10,270	4.5
Consumer	**231,703**	**4.73**	265,912	5.43	(34,209)	(12.9)
Credit cards	**2,668**	**0.05**	4,521	0.09	(1,853)	(41.0)
Total loans	**4,902,662**	**100.00 %**	4,900,302	100.00 %	2,360	0.0
Less: allowance for credit losses	**(59,554)**		(58,836)		(718)	1.2
Total loans, net	**$ 4,843,108**		$ 4,841,466		$ 1,642	0.0

CRE Loan Portfolio

The Company's loan portfolio has a CRE loan concentration, which is generally defined as a combination of certain construction and CRE loans. The federal banking regulators have issued guidance for those institutions that are deemed to have concentrations in CRE lending. Pursuant to the supervisory criteria contained in the guidance for identifying institutions with a potential CRE concentration risk, institutions which have (1) total reported loans for construction, land development, and other land acquisitions which represent 100% or more of an institution's total risk-based capital; or (2) total non-owner occupied CRE loans representing 300% or more of the institution's total risk-based capital and the institution's non-owner occupied CRE loan portfolio (including construction) has increased 50% or more during the prior 36 months are identified as having potential CRE concentration risk. Institutions that are deemed to have concentrations in CRE lending are expected to employ heightened levels of risk management with respect to their CRE portfolios and may be required to hold higher levels of capital. Non-owner occupied CRE loans, excluding land and construction loans, totaled $1.84 billion at both

September 30, 2026 and December 31, 2025, and as a percentage of the Bank's Tier 1 Capital plus ACL were 319.58% and 342.55%, respectively.

Management has extensive experience in CRE lending and has implemented and continues to maintain heightened risk management procedures, as well as strong underwriting criteria with respect to the Bank's CRE portfolio. Monitoring practices are part of the Bank's credit and risk departments' annual test plans and are adjusted as needed on a quarterly basis if external or internal conditions merit changes. The Bank's CRE monitoring plans include stress testing analysis to evaluate changes in collateral values and changes in cash flow debt service coverage ratios as a result of increasing interest rates or declines in customer net operating revenues. The Bank may be required to maintain higher levels of capital as a result of CRE concentrations, which could require the Bank to obtain additional capital, or be required to sell/participate portions of loans, either of which may adversely affect shareholder returns.

Non-Owner Occupied CRE Loans

	September 30, 2026			
($ in thousands)	**Amount**	**Average Loan Size**	**% of Non-Owner Occupied CRE Loans**	**% of Total Portfolio Loans, Gross**
Loan type:				
Retail	$ 458,804	$ 2,453	24.9 %	9.4 %
Office	324,461	1,482	17.6	6.6
Multifamily (5+ units)	274,637	2,452	14.9	5.6
Industrial/warehouse	204,460	1,636	11.1	4.2
1-4 family dwelling	5,522	158	0.3	0.1
Motel/hotel	210,818	4,134	11.4	4.3
Other[1]	364,659	642	19.8	7.4
Total non-owner occupied CRE loans[2]	1,843,361	1,607	100.0 %	37.6 %
Total portfolio loans, gross[3]	$ 4,902,662			

(1) Other non-owner occupied CRE loans include commercial – improved loans of $168.7 million, self storage loans of $65.4 million, farm real estate loans of $47.7 million, restaurant loans of $41.2 million and other loans of $41.6 million.
(2) The balances for the non-owner occupied CRE portfolio as of September 30, 2026, as presented in this table, coincide with our internal evaluation of risk for the purpose of monitoring loan concentrations in accordance with internal and regulatory guidelines.
(3) Excludes loans held for sale of $14.9 million.

Owner Occupied CRE Loans

	September 30, 2026			
($ in thousands)	**Amount**	**Average Loan Size**	**% of Owner Occupied CRE Loans**	**% of Total Portfolio Loans, Gross**
Loan type:				
Commercial – improved	$ 221,044	$ 1,170	29.9 %	4.5 %
Office	122,515	533	16.6	2.5
Industrial/warehouse	95,282	690	12.9	1.9
Retail	72,151	668	9.8	1.5
Restaurant	53,584	992	7.3	1.1
Other[1]	173,536	1,045	23.5	3.6
Total owner occupied CRE loans	738,112	834	100.0 %	15.1 %
Total portfolio loans, gross[2]	$ 4,902,662			

(1) Other owner occupied CRE loans include church loans of $51.3 million, fire/EMS building loans of $37.3 million, auto service center of $34.0 million and other loans of $51.0 million.
(2) Excludes loans held for sale of $14.9 million.

Office CRE Loan Portfolio

The Bank's office CRE loan portfolio, which includes owner-occupied and non-owner-occupied CRE loans, was $447.0 million, or 9.1% of total loans of $4.90 billion at September 30, 2026. The Bank's office CRE loan portfolio included $96.2 million, or 21.5% of total office

CRE loans, with medical tenants, and $66.9 million, or 15.0% of total office CRE loans, with government or government contractor tenants. At September 30, 2026, there were 449 loans in the office CRE loan portfolio, with an average and median loan size of $1.0 million and $399 thousand, respectively. Loan-to-value ("LTV") estimates are less than or equal to 50% for $148.6 million, or 33.3% of the office CRE loan portfolio, and greater than 80% for $14.8 million, or 3.3% of the office CRE loan portfolio at September 30, 2026. LTV collateral values are based on the most recent appraisal, which varies from the initial loan boarding to interim credit reviews. LTV estimates for the office CRE loan portfolio as of September 30, 2026 are summarized in the table below and LTV collateral values are based on the most recent appraisal, which may vary from the appraised value at loan origination.

	September 30, 2026		
LTV Range *($ in thousands)*	**Loan Count**	**Loan Balance**	**% of Office CRE**
Less than or equal to 50%	216	$ 148,601	33.3 %
Greater than 50% and less than or equal to 60%	77	130,024	29.1
Greater than 60% and less than or equal to 70%	80	113,224	25.3
Greater than 70% and less than or equal to 80%	60	40,307	9.0
Greater than 80%	16	14,820	3.3
Total	449	$ 446,976	100.0 %

There were 14 office CRE loans with balances greater than $5.0 million, totaling $136.1 million at September 30, 2026, compared to 17 loans totaling $166.1 million at December 31, 2025. The decrease in this portfolio segment was the result of normal amortization and a $10.8 million transfer to other real estate owned ("OREO"). Of the office CRE portfolio balance, 80.3% of the loans were secured by properties in rural or suburban areas with limited exposure to metropolitan cities and 97.1% were secured by properties with five stories or less at September 30, 2026. Of the office CRE loans, $14.5 million will mature and $4.5 million will reprice prior to December 31, 2026. Of the office CRE loans, $8.2 million were classified as special mention or substandard at September 30, 2026. There were no charge-offs within the office CRE portfolio during the three and nine months ended September 30, 2026. During the third quarter of 2026, the Company foreclosed on an office property located in Virginia with a carrying value of $10.8 million. The property had previously been reported as a nonperforming asset in prior periods and was transferred to OREO during the quarter.

Maturity of Loan Portfolio

The following table sets forth the maturities and interest rate sensitivity of the loan portfolio at September 30, 2026. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as maturing within one year.

	September 30, 2026				
($ in thousands)	**Maturing Within One Year**	**Maturing After One But Within Five Years**	**Maturing After Five But Within 15 Years**	**Maturing After 15 Years**	**Total**
Commercial real estate	$ 295,251	$ 886,290	$ 661,301	$ 738,631	$ 2,581,473
Residential real estate	64,328	131,240	118,546	1,184,355	1,498,469
Construction	224,232	100,649	25,609	1,583	352,073
Commercial	77,188	59,995	69,291	29,802	236,276
Consumer	2,218	82,454	86,014	61,017	231,703
Credit cards	1,344	1,224	100	—	2,668
Total	$ 664,561	$ 1,261,852	$ 960,861	$ 2,015,388	$ 4,902,662
Rate Terms:					
Fixed-rate loans	$ 476,751	$ 1,059,871	$ 523,475	$ 240,798	$ 2,300,895
Adjustable-rate loans	187,810	201,981	437,386	1,774,590	2,601,767
Total	$ 664,561	$ 1,261,852	$ 960,861	$ 2,015,388	$ 4,902,662

Loans Related to Cannabis Business

Loan balances related to the cannabis business were $95.7 million and $86.2 million, or 1.95% and 1.76% of total gross loans, as of September 30, 2026 and December 31, 2025, respectively.

Credit Card Loans

Effective December 31, 2026, the Bank will terminate its credit card program. Substantially all outstanding balances are expected to be transferred to a third-party card issuer, repaid by customers, or converted to term loans. The Bank is executing a structured transition plan

designed to ensure continuity for customers and an orderly wind-down of the program. The termination is not expected to have a material impact on the Bank's financial condition or results of operations.

Asset Quality

ACL and PCL

The ACL as a percentage of loans was 1.21% at September 30, 2026, compared to 1.20% at December 31, 2025. At September 30, 2026, the Company's ACL increased $718 thousand to $59.6 million, from $58.8 million at December 31, 2025.

The Company recorded a PCL on loans and a provision on unfunded commitments in the consolidated statement of income of $5.3 million for the three months ended September 30, 2026, compared to $3.0 million for the three months ended September 30, 2025, primarily due to higher multifamily loan-related charge-offs and a specific reserve. Net charges-offs were $4.8 million, or 0.10% of average loans, for the three months ended September 30, 2026, compared to $1.8 million, or 0.04% of average loans, for the three months ended September 30, 2025. The increase in charge-offs in 2026 was primarily due to higher charge-offs related to multifamily loans. The ratio of annualized net charge-offs to average loans was 0.39% and 0.15% for the three months ended September 30, 2026 and 2025, respectively.

The Company recorded a PCL on loans and a provision on unfunded commitments in the consolidated statement of income of $6.2 million for the nine months ended September 30, 2026, compared to $5.5 million for the nine months ended September 30, 2025, primarily due to higher charge-offs and loan growth. Net charge-offs were $5.8 million, or 0.12% of average loans, for the nine months ended September 30, 2026, compared to net charge-offs of $3.0 million, or 0.06% of average loans, for the nine months ended September 30, 2025. The increase in charge-offs in 2026 was primarily due to higher charge offs in the multifamily portfolio. The ratio of annualized net charge-offs to average loans was 0.16% and 0.08% for the nine months ended September 30, 2026 and 2025, respectively.

Management remains focused on its efforts to dispose of problem loans and to prudently charge-off nonperforming loans to enable the Company to maintain overall credit quality.

The following tables allocate the ACL by loan portfolio category as of the dates indicated. The allocation of the ACL to each category is not necessarily indicative of future losses and does not restrict the use of the ACL to absorb losses in any category.

	Three Months Ended September 30,					
	2026			2025		
($ in thousands)	**ACL Balance**	**Average Loan Balance[1]**	**%[2]**	ACL Balance	Average Loan Balance[1]	%[2]
Commercial real estate	**$ 22,162**	**$ 2,618,370**	**0.85 %**	$ 21,069	$ 2,615,409	0.81 %
Residential real estate	**24,306**	**1,487,027**	**1.63**	22,810	1,372,489	1.66
Construction	**5,208**	**341,366**	**1.53**	6,221	347,574	1.79
Commercial	**3,242**	**224,741**	**1.44**	3,642	219,002	1.66
Consumer	**4,517**	**239,114**	**1.89**	5,702	289,729	1.97
Credit cards	**119**	**3,293**	**3.61**	110	5,213	2.11
Total	**$ 59,554**	**$ 4,913,911**	**1.21**	$ 59,554	$ 4,849,416	1.23

(1) Excludes loans held for sale.
(2) ACL balance as a percent of average loan balance of each category.

	Nine Months Ended September 30,					
	2026			2025		
($ in thousands)	**ACL Balance**	**Average Loan Balance[1]**	**%[2]**	ACL Balance	Average Loan Balance[1]	%[2]
Commercial real estate	**$ 22,162**	**$ 2,602,270**	**0.85 %**	$ 21,069	$ 2,576,893	0.82 %
Residential real estate	**24,306**	**1,457,096**	**1.67**	22,810	1,351,571	1.69
Construction	**5,208**	**342,654**	**1.52**	6,221	350,883	1.77
Commercial	**3,242**	**218,223**	**1.49**	3,642	225,322	1.62
Consumer	**4,517**	**250,443**	**1.80**	5,702	297,543	1.92
Credit cards	**119**	**3,925**	**3.03**	110	6,002	1.83
Total	**$ 59,554**	**$ 4,874,611**	**1.22**	$ 59,554	$ 4,808,214	1.24

(1) Excludes loans held for sale.
(2) ACL balance as a percent of average loan balance of each category.

The following tables present the net charge-offs or recoveries by average loan portfolio category as of the dates indicated.

	Three Months Ended September 30,					
	2026			2025		
($ in thousands)	**Net Charge-offs (Recoveries)**	**Average Loan Balance[1]**	**Net Charge-off (Recovery) %**	Net Charge-offs (Recoveries)	Average Loan Balance[1]	Net Charge-off (Recovery) %
Commercial real estate	**$ 3,896**	**$ 2,618,370**	**0.59 %**	$ 109	$ 2,615,409	0.02 %
Residential real estate	**(9)**	**1,487,027**	**0.00**	(141)	1,372,489	(0.04)
Construction	**(12)**	**341,366**	**(0.01)**	—	347,574	—
Commercial	**(26)**	**224,741**	**(0.05)**	435	219,002	0.79
Consumer[2]	**994**	**239,114**	**1.65**	1,328	289,729	1.82
Credit cards	**6**	**3,293**	**0.72**	94	5,213	7.15
Total	**$ 4,849**	**$ 4,913,911**	**0.39**	$ 1,825	$ 4,849,416	0.15

	Nine Months Ended September 30,					
	2026			2025		
($ in thousands)	**Net Charge-offs (Recoveries)**	**Average Loan Balance[1]**	**Net Charge-off (Recovery) %**	Net Charge-offs (Recoveries)	Average Loan Balance[1]	Net Charge-off (Recovery) %
Commercial real estate	**$ 3,960**	**$ 2,602,270**	**0.20 %**	$ 31	$ 2,576,893	0.00 %
Residential real estate	**102**	**1,457,096**	**0.01**	(144)	1,351,571	(0.01)
Construction	**(13)**	**342,654**	**(0.01)**	(1)	350,883	0.00
Commercial	**128**	**218,223**	**0.08**	350	225,322	0.21
Consumer[2]	**1,543**	**250,443**	**0.82**	2,267	297,543	1.02
Credit cards	**99**	**3,925**	**3.37**	525	6,002	11.69
Total	**$ 5,819**	**$ 4,874,611**	**0.16**	$ 3,028	$ 4,808,214	0.08

(1) Excludes loans held for sale.
(2) Includes the marine portfolio.

Classified Assets

Classified assets are substandard loans, repossessed assets and OREO. The following tables present the Company's classified assets by loan portfolio category at September 30, 2026 and December 31, 2025.

	September 30, 2026			
($ in thousands)	**Classified Loans**	**Other Real Estate Owned**	**Repossessed Assets**	**Total Classified Assets**
Commercial real estate	**$ 72,030**	**$ 10,781**	**$ —**	**$ 82,811**
Residential real estate	**12,022**	**—**	**—**	**12,022**
Construction	**76**	**—**	**—**	**76**
Commercial	**6,078**	**—**	**—**	**6,078**
Consumer	**80**	**—**	**2,694**	**2,774**
Credit cards	**15**	**—**	**—**	**15**
Total	**$ 90,301**	**$ 10,781**	**$ 2,694**	**$ 103,776**

	December 31, 2025			
($ in thousands)	Classified Loans	Other Real Estate Owned	Repossessed Assets	Total Classified Assets
Commercial real estate	$ 40,677	$ —	$ —	$ 40,677
Residential real estate	11,084	—	—	11,084
Construction	331	113	—	444
Commercial	4,255	—	—	4,255
Consumer	971	—	2,879	3,850
Credit cards	48	—	—	48
Total	$ 57,366	$ 113	$ 2,879	$ 60,358

The following table presents the Company's total classified assets as a percentage of total assets and risk-based capital at September 30, 2026 and December 31, 2025.

	September 30, 2026	December 31, 2025
Total classified assets as a percentage of total assets	**1.61 %**	0.96 %
Total classified assets as a percentage of risk-based capital	**14.81**	9.14

Classified assets increased $43.4 million to $103.8 million, or 1.61% of total assets, at September 30, 2026, from $60.4 million, or 0.96% of total assets, at December 31, 2025.

Special Mention Loans

The following table presents the Company's special mention loans by loan portfolio category at September 30, 2026 and December 31, 2025.

($ in thousands)	**September 30, 2026**	December 31, 2025
Commercial real estate	**$ 35,276**	$ 52,347
Residential real estate	**19,207**	19,065
Commercial	**165**	1,318
Consumer	**—**	671
Total special mention loans	**$ 54,648**	$ 73,401

Special mention loans decreased to $54.6 million at September 30, 2026, compared to $73.4 million at December 31, 2025. As of September 30, 2026, there were three special mention loans with individual balances greater than $5.0 million, totaling $33.3 million. During the third quarter of 2026, the Company transferred one multifamily loan to nonperforming assets that was previously considered a special mention loan of $19.2 million. The remaining loans consist primarily of multifamily commercial real estate and other commercial real estate exposures.

Nonperforming Assets

Nonperforming assets were $81.8 million and $43.2 million, or 1.27% and 0.69% of total assets, as of September 30, 2026 and December 31, 2025, respectively. Nonperforming assets included three large loans with an aggregate loan balance of $48.2 million. These nonaccrual loans primarily consist of multifamily real estate loans with collateral in Virginia and North Carolina. As of September 30, 2026, these loans had been partially charged-off by $3.9 million, reflecting updated, lower appraisals and carried specific reserves of $3.1 million. The decline in appraised values was driven by property-specific factors, including unanticipated capital investment requirements and financial stress among a tenant base disproportionately affected by inflation. Management believes these conditions are specific to the underlying properties and are not indicative of broader portfolio trends. When comparing September 30, 2026 to September 30, 2025, nonperforming assets increased $53.7 million, primarily due to an increase in nonaccrual loans of $43.8 million, and an increase in other real estate and repossessed marine and auto assets of $9.9 million. Substandard loans, which include nonaccrual loans and accruing loans 90 days or more past due, were $90.3 million at September 30, 2026 compared to $48.5 million at September 30, 2025.

The following table summarizes our nonperforming assets as of September 30, 2026 and December 31, 2025.

($ in thousands)	**September 30, 2026**	December 31, 2025
Nonaccrual loans	**$ 68,214**	$ 39,960
Loans 90 days or more past due and still accruing	**80**	255
Other real estate owned	**10,781**	113
Repossessed assets	**2,694**	2,879
Total nonperforming assets	**$ 81,769**	$ 43,207
Nonaccrual loans as a percent of total loans	1.39 %	0.82 %
Nonperforming assets as a percent of total loans, other real estate owned and repossessed property	1.66 %	0.88 %
Nonaccrual loans as a percent of total assets	1.06 %	0.64 %
Nonperforming assets as a percent of total assets	1.27 %	0.69 %

Off-Balance Sheet Credit Exposure Reserve

The Company's reserve for off-balance sheet credit exposure was $1.7 million and $2.0 million at September 30, 2026 and December 31, 2025, respectively. The Company monitors line of credit usage and did not see substantive increases in usage or expected usage during the three and nine months ended September 30, 2026.

Deposits

The following table presents the components of our deposit portfolio at September 30, 2026 and December 31, 2025.

	September 30, 2026		December 31, 2025			
($ in thousands)	**Balance**	**% of Total Deposits**	Balance	% of Total Deposits	Change ($)	Change (%)
Noninterest-bearing deposits	**$ 1,617,258**	**28.39 %**	$ 1,587,953	28.69 %	$ 29,305	1.8 %
Interest-bearing deposits:						
Interest-bearing checking	**1,069,480**	**18.77**	852,585	15.41	216,895	25.4
Money market and savings	**1,758,063**	**30.87**	1,814,928	32.80	(56,865)	(3.1)
Time deposits	**1,250,723**	**21.96**	1,267,487	22.90	(16,764)	(1.3)
Brokered deposits	**803**	**0.01**	10,911	0.20	(10,108)	(92.6)
Total interest-bearing	**4,079,069**	**71.61**	3,945,911	71.31	133,158	3.4
Total deposits	**$ 5,696,327**	**100.00 %**	$ 5,533,864	100.00 %	$ 162,463	2.9

Total deposits increased $162.5 million, to $5.70 billion at September 30, 2026 when compared to December 31, 2025. The year-to-date increase in total deposits was primarily due to an increase in interest-bearing checking accounts of $216.9 million, partially offset by a decrease in money market and savings accounts of $56.9 million and a decrease in time deposits of $16.8 million. Core deposits, which exclude municipal and cannabis deposits, increased by $81.9 million, or 1.9%, during the same period.

Total estimated uninsured deposits were $1.04 billion, or 18.3% of total deposits, at September 30, 2026 and $937.2 million, or 16.9% of total deposits, at December 31, 2025. At September 30, 2026, there were $163.8 million included in uninsured deposits that the Bank secured using the market value of pledged collateral. The Bank's uninsured deposits at September 30, 2026, excluding the market value of pledged collateral, were $877.1 million, or 15.4% of total deposits.

The Bank is required to monitor large deposit relationships and concentration risks in accordance with regulatory guidance. This includes monitoring deposit concentrations and maintaining fund management policies and strategies that take into account potentially volatile concentrations and significant deposits that mature simultaneously. Regulatory guidance defines a large depositor as a customer or entity that owns or controls 2% or more of the Bank's total deposits. At September 30, 2026, the Bank had three local municipal customer deposit relationship that exceeded 2% of total deposits, totaling $608.7 million, which represented 10.63% of total deposits of $5.72 billion. At December 31, 2025, there were three customer deposit relationships that exceeded 2% of total deposits, totaling $539.0 million, which represented 9.70% of total deposits of $5.56 billion. Deposit balances related to the cannabis business were $178.4 million and $159.4 million, or 3.13% and 2.88% of total deposits, as of September 30, 2026 and December 31, 2025, respectively.

Wholesale Funding – Short-Term Borrowings

The Company borrows from the FHLB on a short-term basis to meet liquidity needs. There were no short-term borrowings outstanding as of September 30, 2026 and December 31, 2025.

The Company's wholesale funding, which includes FHLB advances and brokered deposits, was $803 thousand and $10.9 million at September 30, 2026 and December 31, 2025, respectively. At September 30, 2026, the Company had $803 thousand of brokered deposits and no FHLB advances or securities sold under agreements to repurchase or overnight borrowings from correspondent banks. At December 31, 2025, the Company had $10.9 million of brokered deposits and no FHLB advances or securities sold under agreements to repurchase or overnight borrowings from correspondent banks.

Long-Term Debt

The Company occasionally borrows from the FHLB to meet longer-term liquidity needs, specifically to fund loan growth when liquidity from deposit growth is not sufficient. The Company had no long-term borrowings with the FHLB as of September 30, 2026.

In November 2025, the Company issued $60.0 million in subordinated debt maturing in 2035, carrying a fixed interest rate of 6.25% through November 2030. The proceeds were used to fully redeem two existing subordinated debt issuances totaling $44.5 million.

As a result of the merger with Severn Bancorp, Inc., effective October 31, 2021, the Company assumed liability for Junior Subordinated Debentures due in 2035, which had an outstanding principal balance of $20.6 million. The debt balances of $19.1 million at September 30, 2026 and $19.0 million at December 31, 2025 were presented net of fair value adjustments of $1.5 million and $1.7 million, respectively.

Additionally, as a result of the merger with The Community Financial Corporation in 2023, the Company assumed liability for Junior Subordinated Debentures with an outstanding principal balance of $12.4 million. The debt balances of $11.3 million and $11.2 million were presented net of fair value adjustments of $1.1 million and $1.2 million at September 30, 2026 and December 31, 2025, respectively.

Stockholders' Equity

Total stockholders' equity increased $29.4 million, or 5.0%, to $619.3 million at September 30, 2026 when compared to December 31, 2025, primarily due to $52.7 million of net income, partially offset by dividends declared of $13.5 million, an increase in accumulated other comprehensive loss of $6.5 million and $4.3 million to repurchase 188,099 shares of the Company's common stock through the Repurchase Program.

($ in thousands, except per share data)	**September 30, 2026**	December 31, 2025	Change ($)	Change (%)
Common stock, $0.01 par value per share	**$ 333**	$ 334	$ (1)	(0.3)%
Additional paid-in capital	**357,207**	360,554	(3,347)	(0.9)
Retained earnings	**272,851**	233,578	39,273	16.8
Accumulated other comprehensive loss	**(11,092)**	(4,593)	(6,499)	141.5
Total stockholders' equity	**$ 619,299**	$ 589,873	$ 29,426	5.0

LIQUIDITY

Liquidity is our ability to meet cash demands as they arise. Cash needs may come from loan demand, deposit withdrawals or acquisition opportunities. Potential obligations, resulting from the issuance of standby letters of credit and commitments to fund future borrowings to our loan customers, are other factors affecting our liquidity needs. Many of these obligations and commitments are expected to expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements affecting our liquidity position.

Shore Bancshares' principal sources of liquidity are cash on hand and dividends received from the Bank. The Bank's most liquid assets are cash, cash equivalents and federal funds sold. The levels of such assets are dependent upon the Bank's operating, financing and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows. Customer deposits are considered the primary source of funds supporting the Bank's lending and investment activities.

Based on management's going concern evaluation, management believes that there are no conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year of the date of the issuance of the financial statements.

The Bank's principal sources of funds for investment and operations are net income, deposits, sales of loans, borrowings, principal and interest payments on loans, principal and interest received on investment securities and proceeds from the maturity and sale of investment securities. The Bank's principal funding commitments are for the origination or purchase of loans, the purchase of securities and the payment of maturing deposits.

The Bank's most liquid assets are cash, cash equivalents and federal funds sold. The levels of such assets are dependent on the Bank's operating, financing and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows.

Liquidity is provided by access to funding sources, which include core deposits and brokered deposits. Other sources of funds include our ability to borrow, such as purchasing federal funds from correspondent banks, sales of securities under agreements to repurchase and advances from the FHLB. The Bank uses wholesale funding (brokered deposits and other sources of funds) to supplement funding when loan growth exceeds core deposit growth and for asset-liability management purposes.

The Company derives liquidity through increased customer deposits, cash flow from the investment portfolio, loan repayments, borrowings and income from earning assets. The net increase in cash and cash equivalents was $99.5 million for the nine months ended September 30, 2026, compared to a net decrease of $43.3 million for the nine months ended September 30, 2025. The increase in cash and cash equivalents during the nine months ended September 30, 2026 was primarily due to a $133.2 million increase in interest-bearing deposits and a $29.3 million increase in noninterest-bearing deposits, partially offset by a $9.1 million decrease in loans.

To the extent that deposits are not adequate to fund customer loan demand, liquidity needs can be met in the short-term funds markets. At September 30, 2026, the Bank had approximately $2.23 billion of available liquidity, including $455.1 million in cash and cash equivalents, $379.9 million in unpledged securities, $38.0 million in secured borrowing capacity with the FRB and $912.7 million in secured borrowing capacity at the FHLB of Atlanta, partially offset by a letter of credit of $33.7 million. In addition, the Bank has arrangements with other correspondent banks whereby it has $444.7 million available in federal funds lines of credit and a reverse repurchase agreement available to meet any short-term needs that may not otherwise be funded by the Bank's portfolio of readily marketable investments that can be converted to cash. Through the FHLB, the Bank had available lendable collateral of approximately $912.7 million and $788.1 million at September 30, 2026 and December 31, 2025, respectively. The Bank has pledged, under a blanket lien, all qualifying residential and commercial real estate loans under borrowing agreements with the FHLB of Atlanta. The Bank has pledged investment securities with the FRB under the FRB Discount Window program.

The following table presents the Company's liquidity in use and liquidity available as of September 30, 2026.

	September 30, 2026	
($ in thousands)	**Liquidity in Use**	**Liquidity Available**
FHLB secured borrowings[1]	$ 33,667	$ 912,733
Unsecured federal fund purchase lines	—	444,667
FRB discount window	—	37,960
Unpledged assets		
Cash and cash equivalents	N/A	$ 455,051
Investment securities	N/A	379,940
Total	$ 33,667	$ 2,230,351

(1) The Bank has pledged a portion of the commercial real estate and residential loan portfolio to the FHLB to secure the line of credit.

For information about risks relating to liquidity, see "Risk Factors – Risks Relating to Our Business" included in Part I, Item 1A in the 2025 Annual Report.

CAPITAL RESOURCES

The Bank and the Company are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action ("PCA"), the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Company to maintain minimum ratios of common equity Tier 1 ("CET1"), Tier 1, and total capital as a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging from 0% to 1,250%. The Bank and Company are also required to maintain capital at a minimum level based on quarterly average assets, which is known as the leverage ratio. The Bank was deemed "well-capitalized" under applicable regulatory capital requirements at September 30, 2026.

The Company evaluates capital resources by the ability to maintain adequate regulatory capital ratios. The Company and the Bank annually update their strategic plan, which includes a three-year capital plan. In developing its plan, the Company considers the impact to capital of asset growth, loan concentrations, income accretion, dividends, holding company liquidity, investment in markets and people and stress testing.

As of September 30, 2026, the Bank and the Company were in compliance with all applicable regulatory capital requirements to which they were subject, and the Bank was classified as "well-capitalized" for purposes of the PCA regulations. The following tables present the applicable capital ratios for the Company and the Bank as of September 30, 2026 and December 31, 2025.

September 30, 2026	**Tier 1 Leverage Ratio**	**Common Equity Tier 1 Ratio**	**Tier 1 Risk-Based Capital Ratio**	**Total Risk-Based Capital Ratio**
The Company	**9.52 %**	**11.43 %**	**12.06 %**	**14.53 %**
The Bank	**9.99**	**12.65**	**12.65**	**13.90**

December 31, 2025	Tier 1 Leverage Ratio	Common Equity Tier 1 Ratio	Tier 1 Risk-Based Capital Ratio	Total Risk-Based Capital Ratio
The Company	8.82 %	10.52 %	11.15 %	13.61 %
The Bank	9.30	11.75	11.75	13.00

On August 20, 2026, the Company announced that its Board of Directors declared a cash dividend of $0.14 per share, payable on September 16, 2026, to holders of record of shares of common stock as of September 2, 2026.

The Company has no business other than holding the stock of the Bank and does not currently have any material funding requirements, except for the payment of dividends on common stock, and the payment of interest on subordinated debentures and subordinated notes, and noninterest expense.

In May 2026, our Board of Directors authorized the repurchase of up to $30.0 million of our outstanding common stock over the next 12 months (the "Repurchase Program"). During the three months ended September 30, 2026, the Company repurchased 148,006 shares of its common stock at an average cost of $23.02 per share, or $3.4 million in aggregate. During the nine months ended September 30, 2026, the Company repurchased 188,099 shares of its common stock at an average cost of $22.84 per share, or $4.3 million in aggregate.

See Note 10 – "Regulatory Capital Requirements" in the "Notes to Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information about the regulatory capital positions of the Bank and the Company. For information about risks relating to liquidity, see "Risk Factors" included in Part I, Item 1A of the 2025 Annual Report.

USE OF NON-GAAP FINANCIAL MEASURES

Statements included in the Management's Discussion and Analysis of Financial Condition and Results of Operations include non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of non-GAAP financial measures to GAAP financial measures. The Company's management uses these non-GAAP financial measures and believes that non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the Company. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP. See non-GAAP reconciliation schedules that immediately follow.

Reconciliation of Non-GAAP Measures

This Quarterly Report on Form 10-Q, including the accompanying financial statement tables, contains financial information determined by methods other than in accordance with GAAP. This financial information includes certain performance measures, which exclude intangible assets. These non-GAAP measures are included because the Company believes they may provide useful supplemental information for evaluating the underlying performance trends of the Company.

($ in thousands, except per share data)	**September 30, 2026**	December 31, 2025
Total assets	**$ 6,454,360**	$ 6,258,818
Less: intangible assets		
Goodwill	**(63,266)**	(63,266)
Core deposit intangible	**(24,026)**	(29,722)
Total intangible assets	**(87,292)**	(92,988)
Tangible assets	**$ 6,367,068**	$ 6,165,830
Total common equity	**$ 619,299**	$ 589,873
Less: intangible assets	**(87,292)**	(92,988)
Tangible common equity	**$ 532,007**	$ 496,885
Common shares outstanding at period end	**33,305,321**	33,413,503
Common equity to assets	**9.60 %**	9.42 %
Tangible common equity to tangible assets	**8.36 %**	8.06 %
Book value per common share at period end	**$ 18.59**	$ 17.65
Tangible book value per common share at period end	**15.97**	14.87

Return on Average Assets ("ROAA")

ROAA is a financial ratio that measures the profitability of a company in relation to the average assets. This financial metric is expressed in the form of a percentage which is equal to net income divided by the average assets for a specific period of time.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2026**	2025	**2026**	2025
Net income	**$ 16,771**	$ 14,348	**$ 52,724**	$ 43,619
Annualized net income	**$ 66,537**	$ 56,924	**$ 70,492**	$ 58,318
Net income	**$ 16,771**	$ 14,348	**$ 52,724**	$ 43,619
Add: amortization of other intangible assets, net of tax	**1,311**	1,541	**4,283**	4,966
Adjusted net income – non-GAAP	**18,082**	15,889	**57,007**	48,585
Annualized adjusted net income – non-GAAP	**$ 71,738**	$ 63,038	**$ 76,218**	$ 64,958
Average assets	**$ 6,177,210**	$ 6,020,574	**$ 6,144,134**	$ 6,056,883
Return on average assets	**1.08 %**	0.95 %	**1.15 %**	0.96 %
Adjusted return on average assets – non-GAAP	**1.16 %**	1.05 %	**1.24 %**	1.07 %

Return on Average Common Equity ("ROACE")

ROACE is a financial ratio that measures the profitability of a company in relation to the average stockholders' equity. This financial metric is expressed in the form of a percentage which is equal to net income divided by the average stockholders' equity for a specific period of time.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2026**	2025	**2026**	2025
Net income	**$ 16,771**	$ 14,348	**$ 52,724**	$ 43,619
Annualized net income	**$ 66,537**	$ 56,924	**$ 70,492**	$ 58,318
ROACE	**10.65 %**	9.96 %	**11.52 %**	10.43 %
Average stockholders' equity	**$ 624,644**	$ 571,247	**$ 612,148**	$ 559,301

Return on Average Tangible Common Equity ("ROATCE")

ROATCE is computed by dividing net earnings applicable to common stockholders by average tangible common equity. Management believes that ROATCE is meaningful because it measures the performance of a business consistently, whether acquired or internally-developed. ROATCE is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2026**	2025	**2026**	2025
Net income	**$ 16,771**	$ 14,348	**$ 52,724**	$ 43,619
Add: amortization of other intangible assets, net of tax	**1,311**	1,541	**4,283**	4,966
Net income excluding amortization of other intangible assets – non-GAAP	**$ 18,082**	$ 15,889	**$ 57,007**	$ 48,585
Annualized net income excluding amortization of other intangible assets – non-GAAP	**$ 71,738**	$ 63,038	**$ 76,218**	$ 64,958
ROATCE – non-GAAP	**13.37 %**	13.27 %	**14.60 %**	14.09 %
Average stockholders' equity	**$ 624,644**	$ 571,247	**$ 612,148**	$ 559,301
Less: Average goodwill and core deposit intangible	**(88,226)**	(96,074)	**(90,119)**	(98,260)
Average tangible common equity	**$ 536,418**	$ 475,173	**$ 522,029**	$ 461,041

Adjusted Efficiency Ratio – Non-GAAP

Adjusted efficiency ratio – non-GAAP is computed by dividing (i) noninterest expense less amortization of other intangible assets by (ii) the sum of taxable-equivalent NII and noninterest income. Adjusted efficiency ratio – non-GAAP may not be comparable to similar non-GAAP measures used by other companies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2026**	2025	**2026**	2025
Noninterest expense	**$ 35,263**	$ 34,379	**$ 107,987**	$ 102,536
Less: Amortization of other intangible assets	**(1,741)**	(2,039)	**(5,696)**	(6,589)
Adjusted noninterest expense	**$ 33,522**	$ 32,340	**$ 102,291**	$ 95,947
Efficiency ratio	**56.15 %**	61.00 %	**58.58 %**	61.78 %
Adjusted efficiency ratio – non-GAAP	**53.30**	57.30	**55.41**	57.73
Net interest income	**$ 55,127**	$ 48,418	**$ 160,601**	$ 141,479
Add: taxable-equivalent adjustment	**91**	83	**266**	244
Taxable-equivalent net interest income	**$ 55,218**	$ 48,501	**$ 160,867**	$ 141,723
Noninterest income	**$ 7,675**	$ 7,938	**$ 23,749**	$ 24,478
Adjusted noninterest income	**$ 7,675**	$ 7,938	**$ 23,749**	$ 24,478

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk is interest rate fluctuation, and management has procedures in place to evaluate and mitigate this risk. This risk and these procedures are discussed in Part II, Item 7A of the 2025 Annual Report under the caption "Quantitative and Qualitative Disclosures About Market Risk." Management recognizes that recent changes in interest rates have had an impact on the Company's market risk. The procedures used to evaluate and mitigate these risks remain unchanged, and we continue to monitor actual and simulated sensitivity positions since December 31, 2025.

The Company prepares a current base case and several alternative simulations at least quarterly. Current interest rates are shocked by +/- 100, 200, 300 and 400 bps. In addition, the Company simulates additional rate curve scenarios. The Company may elect not to use particular scenarios that it determines are impractical in a current rate environment.

The Company's internal limits for parallel shock scenarios are as follows:

Shock in bps	Net Interest Income	Economic Value of Equity
+/- 400	- 25%	- 40%
+/- 300	- 20%	- 30%
+/- 200	- 15%	- 20%
+/- 100	- 10%	- 10%

It is management's goal to manage the Bank's portfolios so that NII at risk over 12 and 24-month periods and the economic value of equity at risk do not exceed policy guidelines at the various interest rate shock levels. As of September 30, 2026 and December 31, 2025, the Company did not exceed any Board-approved limits for the percentage changes in NII or economic value of equity.

Measures of NII at risk produced by simulation analysis are indicators of an institution's short-term performance in alternative rate environments.

The following schedule estimates the changes in NII over a 12-month period for parallel rate shocks for up 400, 300, 200 and 100 bps, and down 100, 200 and 300 bps scenarios.

Change in Interest Rates:	+ 400 bps	+ 300 bps	+ 200 bps	+ 100 bps	- 100 bps	- 200 bps	- 300 bps
Policy limit	**- 25%**	**- 20%**	**- 15%**	**-10%**	**- 10%**	**- 15%**	**- 20%**
September 30, 2026	**(7.4)%**	**(5.5)%**	**(3.6)%**	**(1.8)%**	**2.2 %**	**4.0 %**	**4.4 %**
December 31, 2025	(10.1) %	(7.5) %	(5.0) %	(2.5) %	1.8 %	1.8 %	0.9 %

Measures of equity value at risk indicate the ongoing economic value of the Company by considering the effects of changes in interest rates on all of the Company's cash flows, and by discounting the cash flows to estimate the present value of assets and liabilities.

The following schedule estimates the changes in the economic value of equity over a 12-month period for parallel shocks for up 400, 300, 200 and 100 bps, and down 100, 200 and 300 bps scenarios.

Change in Interest Rates:	+ 400 bps	+ 300 bps	+ 200 bps	+ 100 bps	- 100 bps	- 200 bps	- 300 bps
Policy limit	**- 40%**	**- 30%**	**- 20%**	**- 10%**	**- 10%**	**- 20%**	**- 30%**
September 30, 2026	**(17.0)%**	**(12.1)%**	**(7.7)%**	**(3.5)%**	**1.4 %**	**1.9 %**	**0.2 %**
December 31, 2025	(18.9) %	(13.3) %	(8.4) %	(3.8) %	2.5 %	1.9 %	0.9 %

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing tables. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the tables. As of January 1, 2026, the Company adopted a new vendor and updated the model and related assumptions used to calculate NII and economic value of equity. The new model is more reflective of current economic conditions. Accordingly, the economic value of equity as of December 31, 2025 has been restated to conform to the new model and assumptions.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by SEC rules, the Company's management evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2026. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures as of September 30, 2026 were effective.

Management's annual report on internal control over financial reporting is located on page 55 of the 2025 Annual Report.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time the Company may become involved in legal proceedings. At the present time, there are no proceedings which the Company believes will have a material adverse impact on the financial condition or earnings of the Company.

Item 1A. RISK FACTORS

There have been no material changes to the risk factors as previously disclosed under Part I, Item 1A in our 2025 Annual Report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

In May 2026, the Company's Board of Directors authorized the repurchase of up to $30.0 million of our outstanding common stock over the next 12 months ("the Repurchase Program"). Under the Repurchase Program, the shares may be repurchased from time to time through a combination of open market transactions at prevailing market prices, in privately negotiated transactions, through block trades and pursuant to any trading plan that may be adopted in accordance with Rules 10b5-1 and/or 10b-18 of the Exchange Act. The actual timing, number and value of shares repurchased under the Repurchase Program will be determined by management at its discretion and will depend on a number of factors, including the market price of the Company's stock, general market and economic conditions, applicable legal requirements, and other factors. The Repurchase Program may be modified, amended or terminated by the Board of Directors at any time.

The following table provides information regarding purchases made by or on behalf of us or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the third quarter of 2026.

Period	Total Number of Shares Purchased	Average Price Paid per Share[(1)]	Total Number of Shares Purchased Under Repurchase Program	Maximum Remaining Dollar Value of Shares That May Be Purchased Under Repurchase Program
July 2026	48,931	$ 22.73	48,931	$ 27,995,227
August 2026	19,046	23.06	19,046	27,555,433
September 2026	80,029	23.18	80,029	25,698,110
Total current quarter to date	148,006	23.02	148,006	

(1) Represents the average price paid per share, inclusive of commissions.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

This item is not applicable.

Item 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2026, no officer or director of the Company adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the Company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement as defined in 17 CFR § 229.408(c).

Item 6. EXHIBITS

Exhibit No.	Description
31.1	Certifications of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certifications of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101	Inline Interactive Data File.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema (filed herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase (filed herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (filed herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHORE BANCSHARES, INC.

Date: November 2, 2026

By: /s/ James M. Burke
James M. Burke
President & Chief Executive Officer

Date: November 2, 2026

By: /s/ Charles S. Cullum
Charles S. Cullum
Executive Vice President & Chief Financial Officer

Exhibit 31.1

Certifications of the Principal Executive Officer
Pursuant to Securities Exchange Act Rules 13a-1 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James M. Burke, certify that:

1. I have reviewed this report on Form 10-Q of Shore Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2026

By: /s/ James M. Burke

James M. Burke
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certifications of the Principal Financial Officer
Pursuant to Securities Exchange Act Rules 13a-1 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Charles S. Cullum, certify that:

1. I have reviewed this report on Form 10-Q of Shore Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2026

By: /s/ Charles S. Cullum
Charles S. Cullum
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to, and for purposes only of, 18 U.S.C. § 1350, the undersigned hereby certify that (i) the Quarterly Report of Shore Bancshares, Inc. on Form 10-Q for the quarter ended September 30, 2026 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shore Bancshares, Inc.

Date: November 2, 2026

/s/ James M. Burke

James M. Burke
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2026

/s/ Charles S. Cullum

Charles S. Cullum
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)