

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 June 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

(State or Other Jurisdiction of Incorporation or Organization)

52-1974638

(I.R.S. Employer Identification No.)

18 E. Dover Street, Easton, Maryland

(Address of Principal Executive Offices)

21601

(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 or a smaller reporting 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 July 30, 2026 was 33,372,276.

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

SHORE BANCSHARES, INC. CONSOLIDATED BALANCE SHEETS

(\$ in thousands, except per share data)	June 30, 2026	December 31, 2025
	(Unaudited)	
ASSETS		
Cash and due from banks	\$ 53,335	\$ 50,164
Interest-bearing deposits with other banks	204,335	305,402
Cash and cash equivalents	257,670	355,566
Investment securities:		
Available for sale, at fair value (amortized cost of \$295,747 and \$226,677 at June 30, 2026 and December 31, 2025, respectively)	287,369	220,358
Held to maturity, net of allowance for credit losses of \$76 and \$99 (fair value of \$328,696 and \$378,116 at June 30, 2026 and December 31, 2025, respectively)	366,213	414,827
Equity securities, at fair value	6,218	6,186
Restricted securities, at cost	18,003	17,989
Loans held for sale, at fair value	30,827	32,540
Loans held for investment	4,877,749	4,900,302
Less: allowance for credit losses	(58,737)	(58,836)
Loans, net	4,819,012	4,841,466
Premises and equipment, net	79,580	80,168
Goodwill	63,266	63,266
Other intangible assets, net	25,767	29,722
Right-of-use assets	9,691	10,523
Cash surrender value on life insurance	107,724	105,839
Accrued interest receivable	20,021	18,551
Deferred income taxes	30,657	29,825
Other assets	29,413	31,992
TOTAL ASSETS	\$ 6,151,431	\$ 6,258,818
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 1,606,809	\$ 1,587,953
Interest-bearing checking	833,602	852,585
Money market and savings	1,710,570	1,814,928
Time deposits	1,247,973	1,267,487
Brokered deposits	796	10,911
Total deposits	5,399,750	5,533,864
Guaranteed preferred beneficial interest in junior subordinated debentures (“TRUPS”), net	30,327	30,168
Subordinated debt, net	58,825	58,893
Total borrowings	89,152	89,061
Lease liabilities	10,199	11,027
Other liabilities	36,255	34,993
TOTAL LIABILITIES	5,535,356	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 33,416,336 and 33,413,503 at June 30, 2026 and December 31, 2025, respectively	334	334
Additional paid-in capital	361,048	360,554
Retained earnings	260,782	233,578
Accumulated other comprehensive loss	(6,089)	(4,593)
TOTAL STOCKHOLDERS' EQUITY	616,075	589,873
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,151,431	\$ 6,258,818

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
(\$ in thousands, except per share data)				
INTEREST INCOME				
Interest on loans	\$ 70,456	\$ 69,607	\$ 141,270	\$ 137,123
Interest and dividends on taxable investment securities	5,387	5,331	10,501	10,332
Interest and dividends on tax-exempt investment securities	6	6	12	12
Interest on deposits with other banks	1,600	1,588	4,058	4,997
Total interest income	77,449	76,532	155,841	152,464
INTEREST EXPENSE				
Interest on deposits	22,943	27,370	47,207	55,440
Interest on short-term borrowings	16	605	16	1,203
Interest on long-term borrowings	1,571	1,394	3,144	2,760
Total interest expense	24,530	29,369	50,367	59,403
NET INTEREST INCOME	52,919	47,163	105,474	93,061
Provision for credit losses	896	1,528	981	2,556
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	52,023	45,635	104,493	90,505
NONINTEREST INCOME				
Service charges on deposit accounts	1,651	1,519	3,247	3,033
Trust and investment fee income	1,103	942	2,240	1,765
Mortgage banking revenue	1,554	2,379	3,004	3,619
Interchange credits	1,960	1,788	3,658	3,365
Other noninterest income	2,562	2,778	3,925	4,758
Total noninterest income	8,830	9,406	16,074	16,540
NONINTEREST EXPENSE				
Salaries and employee benefits	18,462	17,742	38,101	34,182
Occupancy expense	2,495	2,472	5,062	5,010
Furniture and equipment expense	966	797	1,821	1,650
Software and data processing	5,335	4,819	10,475	9,510
Amortization of other intangible assets	1,975	2,272	3,955	4,550
Legal and professional fees	1,355	1,225	2,960	2,838
FDIC insurance premium expense	968	1,023	1,963	2,114
Marketing and advertising	275	384	586	638
Fraud losses	147	83	258	188
Other noninterest expense	3,690	3,593	7,543	7,477
Total noninterest expense	35,668	34,410	72,724	68,157
Income before income taxes	25,185	20,631	47,843	38,888
Income tax expense	6,320	5,124	11,890	9,617
NET INCOME	\$ 18,865	\$ 15,507	\$ 35,953	\$ 29,271
Basic net income per common share				
	\$ 0.56	\$ 0.46	\$ 1.08	\$ 0.88
Diluted net income per common share				
	\$ 0.56	\$ 0.46	\$ 1.07	\$ 0.88
Dividends paid per common share				
	\$ 0.14	\$ 0.12	\$ 0.26	\$ 0.24

See accompanying notes to unaudited consolidated financial statements.

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

<i>(\$ in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 18,865	\$ 15,507	\$ 35,953	\$ 29,271
Other comprehensive income (loss):				
Investment securities:				
Unrealized holding (losses) gains on available for sale securities	(1,128)	1,004	(2,059)	2,671
Tax effect	309	(274)	563	(729)
Total other comprehensive (loss) income	(819)	730	(1,496)	1,942
Comprehensive income	\$ 18,046	\$ 16,237	\$ 34,457	\$ 31,213

See accompanying notes to unaudited consolidated financial statements.

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

<i>(\$ in thousands, except per share data)</i>	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	<u>\$ 334</u>	<u>\$ 361,048</u>	<u>\$ 260,782</u>	<u>\$ (6,089)</u>	<u>\$ 616,075</u>

See accompanying notes to unaudited consolidated financial statements.

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

<i>(\$ in thousands, except per share data)</i>	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

See accompanying notes to unaudited consolidated financial statements.

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

(\$ in thousands)	Six Months Ended June 30,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 35,953	\$ 29,271
Adjustments to reconcile net income to net cash provided by operating activities:		
Net accretion of acquisition accounting estimates	(7,949)	(6,737)
Provision for credit losses	981	2,556
Depreciation and amortization	7,150	8,126
Net amortization of securities	(201)	64
Amortization of and valuation adjustments on mortgage servicing rights	322	536
Amortization of debt issuance costs	139	61
Gain on mortgage loans held for sale	(2,608)	(2,291)
Gain on other mortgage loan activity	(135)	(938)
Proceeds from sale of mortgage loans held for sale	95,830	82,070
Originations of loans held for sale	(91,477)	(94,125)
Stock-based compensation expense	1,925	970
Deferred income tax expense (benefit)	(270)	156
Loss on sales and valuation adjustments of repossessed assets	621	123
Loss on disposal of fixed assets	—	48
Loss on disposal of premises held for sale	—	61
Loss on sales and valuation adjustments on other real estate owned	44	—
Fair value adjustment on equity securities	65	(106)
Bank-owned life insurance income	(981)	(1,287)
Net changes in:		
Accrued interest receivable	(1,470)	(253)
Other assets	1,170	(1,696)
Accrued interest payable	(409)	88
Other liabilities	446	(5,251)
Net cash provided by operating activities	39,146	11,446
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and principal payments of available for sale securities	26,823	12,573
Proceeds from maturities and principal payments of held to maturity securities	48,343	23,899
Purchases of available for sale securities	(95,397)	(48,171)
Purchases of held to maturity securities	—	(2,326)
Purchases of equity securities	(97)	(90)
Purchase of restricted securities	(14)	(158)
Net change in loans	28,859	(49,173)
Purchases of premises and equipment	(1,654)	(1,905)
Proceeds from sales of other real estate owned	69	—
Proceeds from sales of repossessed assets	728	1,531
Purchases of bank-owned life insurance	(408)	(152)
Proceeds from disposal of premises held for sale	—	843
Net cash provided by (used in) investing activities	\$ 7,252	\$ (63,129)

See accompanying notes to unaudited consolidated financial statements.

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

(\$ in thousands)	Six Months Ended June 30,	
	2026	2025
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in:		
Noninterest-bearing deposits	\$ 18,856	\$ 12,314
Interest-bearing deposits	(152,970)	(227,461)
Shares withheld as tax payments associated with settlement of restricted stock units	(543)	—
Common stock dividends paid	(8,749)	(8,037)
Retirement of common stock	(1,060)	—
Issuance of common stock	172	—
Net cash used in financing activities	(144,294)	(223,184)
Net decrease in cash and cash equivalents	(97,896)	(274,867)
Cash and cash equivalents at beginning of period	355,566	459,851
Cash and cash equivalents at end of period	\$ 257,670	\$ 184,984
Supplemental cash flow information:		
Interest paid	\$ 50,478	\$ 58,022
Income taxes paid	12,830	7,985
Recognition of lease liabilities arising from right-of-use assets	—	912
Transfers from loans to repossessed assets	832	947
Transfer from loans held for sale to loans held for investment	—	649
Unrealized (losses) gains on available for sale securities	(2,059)	2,671

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”) 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 investment securities as of June 30, 2026 and December 31, 2025.

<i>(\$ in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale securities ⁽¹⁾ :				
June 30, 2026				
U.S. Treasury and government agency securities	\$ 22,029	\$ —	\$ 1,774	\$ 20,255
Mortgage-backed securities	253,895	170	7,079	246,986
Other debt securities ⁽²⁾	19,823	520	215	20,128
Total	<u>\$ 295,747</u>	<u>\$ 690</u>	<u>\$ 9,068</u>	<u>\$ 287,369</u>
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	<u>\$ 226,677</u>	<u>\$ 779</u>	<u>\$ 7,098</u>	<u>\$ 220,358</u>

(1) No available for sale (“AFS”) securities were sold during the three and six months ended June 30, 2026 and 2025.

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

<i>(\$ in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
Held to maturity securities:					
June 30, 2026					
U.S. Treasury and government agency securities	\$ 74,767	\$ —	\$ 4,384	\$ 70,383	\$ —
Mortgage-backed securities	284,564	130	33,069	251,625	—
Other debt securities ⁽¹⁾	6,958	23	293	6,688	76
Total	<u>\$ 366,289</u>	<u>\$ 153</u>	<u>\$ 37,746</u>	<u>\$ 328,696</u>	<u>\$ 76</u>
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	<u>\$ 414,926</u>	<u>\$ 290</u>	<u>\$ 37,100</u>	<u>\$ 378,116</u>	<u>\$ 99</u>

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

Equity securities with aggregate fair values of \$6.2 million as of both June 30, 2026 and December 31, 2025 are presented separately on the consolidated balance sheets. The fair value adjustments recorded through earnings totaled a loss of \$26 thousand and a gain of \$19 thousand for the three months ended June 30, 2026 and 2025, respectively. The fair value adjustments recorded through earnings totaled loss of \$65 thousand and a gain of \$106 thousand for the six months ended June 30, 2026 and 2025, respectively.

The following table summarizes the activity in the allowance for credit losses (“ACL”) on held to maturity (“HTM”) securities for the periods presented.

<i>(\$ in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Balance, beginning of period	\$ 81	\$ 178	\$ 99	\$ 203
Reversal of credit losses, other debt securities	(5)	21	(23)	(4)
Balance, end of period	<u>\$ 76</u>	<u>\$ 199</u>	<u>\$ 76</u>	<u>\$ 199</u>

A reversal of the provision for credit losses of \$5 thousand and an additional allowance of \$21 thousand was recorded on HTM corporate and municipal bonds for the three months ended June 30, 2026 and 2025, respectively. A reversal of the provision for credit losses of \$23 thousand and \$4 thousand was recorded on HTM corporate and municipal bonds for the six months ended June 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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2026						
Available for sale securities:						
U.S. Treasury and government agency securities	\$ 2,473	\$ 1	\$ 17,726	\$ 1,773	\$ 20,199	\$ 1,774
Mortgage-backed securities	136,596	2,018	61,412	5,061	198,008	7,079
Other debt securities	13,535	215	—	—	13,535	215
Total	\$ 152,604	\$ 2,234	\$ 79,138	\$ 6,834	\$ 231,742	\$ 9,068

(\$ in thousands)	Less than 12 Months		More than 12 Months		Total	
	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
Total	\$ 102,954	\$ 531	\$ 65,683	\$ 6,567	\$ 168,637	\$ 7,098

There were 143 AFS debt securities with a fair value below the amortized cost basis, with unrealized losses totaling \$9.1 million as of June 30, 2026. The Company concluded that a credit loss did not exist in its AFS securities portfolio as of June 30, 2026, and no impairment loss has been recognized based on the fact that (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 intends to hold these investments in debt securities to maturity and it is more likely than not the Company will not be required to sell these investments before a recovery of its investment, 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 June 30, 2026 and December 31, 2025.

There were 143 AFS and 164 HTM securities in an unrealized loss position at June 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 \$8.4 million and \$6.3 million as of June 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 June 30, 2026.

(\$ in thousands)	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 2,460	\$ 2,459	\$ 24,305	\$ 23,865
Due after one year through five years	21,115	19,487	43,176	40,839
Due after five years through ten years	18,208	18,368	10,456	9,043
Due after ten years	69	69	3,788	3,324
Total non-mortgage-backed securities	\$ 41,852	\$ 40,383	\$ 81,725	\$ 77,071
Mortgage-backed securities	253,895	246,986	284,564	251,625
Total	\$ 295,747	\$ 287,369	\$ 366,289	\$ 328,696

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. At June 30, 2026, the aggregate carrying value of AFS and HTM pledged securities was \$87.7 million and \$215.4 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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	June 30, 2026		December 31, 2025	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Pledged available for sale securities	\$ 91,010	\$ 87,668	\$ 75,123	\$ 69,369
Pledged held to maturity securities	215,410	191,781	218,556	197,146

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

(\$ in thousands)	June 30, 2026	% of Total Loans	December 31, 2025	% of Total Loans
Commercial real estate	\$ 2,603,014	53.37 %	\$ 2,643,996	53.95 %
Residential real estate	1,470,401	30.15	1,414,964	28.88
Construction	337,779	6.92	344,903	7.04
Commercial	220,712	4.52	226,006	4.61
Consumer	241,751	4.96	265,912	5.43
Credit cards	4,092	0.08	4,521	0.09
Total loans	4,877,749	100.00 %	4,900,302	100.00 %
Less: allowance for credit losses	(58,737)		(58,836)	
Total loans, net	\$ 4,819,012		\$ 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 \$3.1 million at both June 30, 2026 and December 31, 2025. At June 30, 2026 and December 31, 2025, loans included \$1.34 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 \$70.0 million and \$78.2 million at June 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 June 30, 2026 and December 31, 2025.

<i>(\$ in thousands)</i>	Nonaccrual With No Allowance For Credit Losses	Nonaccrual With An Allowance For Credit Losses	Total Nonaccrual Loans
June 30, 2026			
Nonaccrual loans:			
Commercial real estate	\$ 50,428	\$ 667	\$ 51,095
Residential real estate	9,032	1,542	10,574
Construction	154	—	154
Commercial	203	2,286	2,489
Consumer	450	38	488
Credit cards	—	18	18
Total	\$ 60,267	\$ 4,551	\$ 64,818

Interest income	\$ 966	\$ 80	\$ 1,046
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<i>(\$ in thousands)</i>	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
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<i>(\$ in thousands)</i>	Nonaccrual Delinquent Loans	Nonaccrual Current Loans	Total Nonaccrual Loans
June 30, 2026			
Nonaccrual loans:			
Commercial real estate	\$ 3,437	\$ 47,658	\$ 51,095
Residential real estate	5,740	4,834	10,574
Construction	154	—	154
Commercial	17	2,472	2,489
Consumer	88	400	488
Credit cards	—	18	18
Total	\$ 9,436	\$ 55,382	\$ 64,818

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(\$ 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 June 30, 2026, there were two credit cards that were evaluated based on economic conditions specific to the loans or borrowers, and were 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.

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

	Term Loans by Origination Year						Revolving loans	Revolving Converted to Term Loans	Total
(\$ in thousands)	Prior to 2022	2022	2023	2024	2025	2026			
June 30, 2026									
Commercial real estate									
Pass	\$ 1,227,989	\$ 511,763	\$ 193,215	\$ 153,536	\$ 258,137	\$ 121,339	\$ 17,791	\$ 150	\$ 2,483,920
Special mention	17,063	33,701	2,977	—	—	—	—	—	53,741
Substandard	26,182	17,822	19,536	1,070	608	—	135	—	65,353
Total	\$ 1,271,234	\$ 563,286	\$ 215,728	\$ 154,606	\$ 258,745	\$ 121,339	\$ 17,926	\$ 150	\$ 2,603,014
Gross charge-offs	\$ (64)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (64)
Residential real estate									
Pass	\$ 456,836	\$ 274,381	\$ 194,586	\$ 163,825	\$ 144,243	\$ 60,452	\$ 145,231	\$ 40	\$ 1,439,594
Special mention	17,407	189	—	—	—	—	1,498	—	19,094
Substandard	8,051	1,535	308	512	—	—	1,307	—	11,713
Total	\$ 482,294	\$ 276,105	\$ 194,894	\$ 164,337	\$ 144,243	\$ 60,452	\$ 148,036	\$ 40	\$ 1,470,401
Gross charge-offs	\$ (139)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ —	\$ (143)
Construction									
Pass	\$ 31,094	\$ 6,767	\$ 15,864	\$ 72,192	\$ 146,213	\$ 47,513	\$ 17,271	\$ 469	\$ 337,383
Substandard	155	—	—	—	241	—	—	—	396
Total	\$ 31,249	\$ 6,767	\$ 15,864	\$ 72,192	\$ 146,454	\$ 47,513	\$ 17,271	\$ 469	\$ 337,779
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial									
Pass	\$ 44,280	\$ 15,652	\$ 13,274	\$ 23,950	\$ 32,384	\$ 25,246	\$ 57,574	\$ 1,913	\$ 214,273
Special mention	4	—	—	—	—	—	118	—	122
Substandard	832	546	428	528	17	280	3,686	—	6,317
Total	\$ 45,116	\$ 16,198	\$ 13,702	\$ 24,478	\$ 32,401	\$ 25,526	\$ 61,378	\$ 1,913	\$ 220,712
Gross charge-offs	\$ (2)	\$ (37)	\$ (149)	\$ —	\$ —	\$ —	\$ (15)	\$ —	\$ (203)
Consumer									
Pass	\$ 45,221	\$ 78,112	\$ 32,361	\$ 24,531	\$ 39,041	\$ 21,260	\$ 737	\$ —	\$ 241,263
Substandard	3	52	377	—	56	—	—	—	488
Total	\$ 45,224	\$ 78,164	\$ 32,738	\$ 24,531	\$ 39,097	\$ 21,260	\$ 737	\$ —	\$ 241,751
Gross charge-offs	\$ (542)	\$ (380)	\$ (12)	\$ (43)	\$ (19)	\$ —	\$ (2)	\$ —	\$ (998)
Total									
Pass	\$ 1,805,420	\$ 886,675	\$ 449,300	\$ 438,034	\$ 620,018	\$ 275,810	\$ 238,604	\$ 2,572	\$ 4,716,433
Special mention	34,474	33,890	2,977	—	—	—	1,616	—	72,957
Substandard	35,223	19,955	20,649	2,110	922	280	5,128	—	84,267
Total loans by risk category	\$ 1,875,117	\$ 940,520	\$ 472,926	\$ 440,144	\$ 620,940	\$ 276,090	\$ 245,348	\$ 2,572	\$ 4,873,657
Total gross charge-offs	\$ (747)	\$ (417)	\$ (161)	\$ (43)	\$ (19)	\$ —	\$ (21)	\$ —	\$ (1,408)

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

(\$ in thousands)	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	Prior to 2022	2022	2023	2024	2025	2026			
June 30, 2026									
Credit cards									
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,074	\$ —	\$ 4,074
Nonperforming	—	—	—	—	—	—	18	—	18
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,092	\$ —	\$ 4,092
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (115)	\$ —	\$ (115)
Total loans evaluated by performing status	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,092	\$ —	\$ 4,092
Total gross charge-offs	\$ (747)	\$ (417)	\$ (161)	\$ (43)	\$ (19)	\$ —	\$ (136)	\$ —	\$ (1,523)
Total recorded investment	\$ 1,875,117	\$ 940,520	\$ 472,926	\$ 440,144	\$ 620,940	\$ 276,090	\$ 249,440	\$ 2,572	\$ 4,877,749

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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						Revolving Loans	Revolving Converted to Term Loans	Total	
(\$ in thousands)	Prior	2021	2022	2023	2024	2025				
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	
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)	

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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.

(\$ in thousands)	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total	
	Prior	2021	2022	2023	2024	2025				
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 June 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
June 30, 2026									
Commercial real estate	\$ 605	\$ 334	\$ —	\$ 1,964	\$ 1,473	\$ 4,376	\$ 2,550,980	\$ 47,658	\$ 2,603,014
Residential real estate	4,271	470	—	1,456	4,284	10,481	1,455,086	4,834	1,470,401
Construction	—	—	—	34	120	154	337,625	—	337,779
Commercial	337	24	—	17	—	378	217,862	2,472	220,712
Consumer	366	97	—	10	78	551	240,800	400	241,751
Credit cards	51	—	20	—	—	71	4,003	18	4,092
Total	\$ 5,630	\$ 925	\$ 20	\$ 3,481	\$ 5,955	\$ 16,011	\$ 4,806,356	\$ 55,382	\$ 4,877,749
Percent of total loans	0.12 %	0.02 %	0.00 %	0.07 %	0.12 %	0.33 %	98.53 %	1.14 %	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 %

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The following tables provide a summary of the activity in the ACL allocated by loan class for the three and six months ended June 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.

<i>(\$ in thousands)</i>	Beginning Balance	Gross Charge-offs	Recoveries	Provisions (Reversal of Provisions)	Ending Balance
Three Months Ended June 30, 2026					
Commercial real estate	\$ 21,672	\$ (64)	\$ —	\$ (828)	\$ 20,780
Residential real estate	22,993	(1)	8	531	23,531
Construction	4,806	—	1	1,346	6,153
Commercial	3,497	—	22	(142)	3,377
Consumer	5,415	(167)	93	(513)	4,828
Credit cards	98	(35)	20	(15)	68
Total ⁽¹⁾	<u>\$ 58,481</u>	<u>\$ (267)</u>	<u>\$ 144</u>	<u>\$ 379</u>	<u>\$ 58,737</u>

<i>(\$ in thousands)</i>	Beginning Balance	Gross Charge-offs	Recoveries	Provisions (Reversal of Provisions)	Ending Balance
Three Months Ended June 30, 2025					
Commercial real estate	\$ 21,988	\$ —	\$ —	\$ (1,809)	\$ 20,179
Residential real estate	22,394	—	2	807	23,203
Construction	3,842	—	—	1,963	5,805
Commercial	2,854	—	81	(65)	2,870
Consumer	6,574	(598)	55	157	6,188
Credit cards	390	(189)	—	37	238
Total ⁽¹⁾	<u>\$ 58,042</u>	<u>\$ (787)</u>	<u>\$ 138</u>	<u>\$ 1,090</u>	<u>\$ 58,483</u>

<i>(\$ in thousands)</i>	Beginning Balance	Gross Charge-offs	Recoveries	Provisions (Reversal of Provisions)	Ending Balance
Six Months Ended June 30, 2026					
Commercial real estate	\$ 21,387	\$ (64)	\$ —	\$ (543)	\$ 20,780
Residential real estate	22,510	(143)	31	1,133	23,531
Construction	5,968	—	1	184	6,153
Commercial	3,005	(203)	49	526	3,377
Consumer	5,767	(998)	449	(390)	4,828
Credit cards	199	(115)	23	(39)	68
Total ⁽¹⁾	<u>\$ 58,836</u>	<u>\$ (1,523)</u>	<u>\$ 553</u>	<u>\$ 871</u>	<u>\$ 58,737</u>

<i>(\$ in thousands)</i>	Beginning Balance	Gross Charge-offs	Recoveries	Provisions (Reversal of Provisions)	Ending Balance
Six Months Ended June 30, 2025					
Commercial real estate	\$ 22,846	\$ —	\$ 78	\$ (2,745)	\$ 20,179
Residential real estate	21,776	—	3	1,424	23,203
Construction	2,854	—	1	2,950	5,805
Commercial	3,138	(2)	87	(353)	2,870
Consumer	6,889	(1,080)	141	238	6,188
Credit cards	407	(431)	—	262	238
Total ⁽¹⁾	<u>\$ 57,910</u>	<u>\$ (1,513)</u>	<u>\$ 310</u>	<u>\$ 1,776</u>	<u>\$ 58,483</u>

(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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	June 30, 2026		
	Real Estate Collateral	Other Collateral	Total
Commercial real estate	\$ 65,352	\$ —	\$ 65,352
Residential real estate	11,713	—	11,713
Construction	396	—	396
Commercial ⁽¹⁾	—	6,316	6,316
Consumer ⁽²⁾	—	487	487
Total	\$ 77,461	\$ 6,803	\$ 84,264

(\$ in thousands)	December 31, 2025		
	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 six months ended June 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 and six months ended June 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 %
Commercial	3	—	—	72	116	—	—	188	0.08
Total	9	\$ —	\$ —	\$ 1,423	\$ 5,358	\$ —	\$ —	\$ 6,781	0.14

As of June 30, 2026, of the loans with borrowers experiencing financial difficulty that were modified during the preceding 12 months, \$140 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 six months ended June 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 \$64 thousand and \$124 thousand of consumer mortgage loans collateralized by residential real estate property that were in the process of foreclosure as of June 30, 2026 and December 31, 2025, respectively. The Company had \$151 thousand and \$95 thousand of commercial real estate loans collateralized by commercial real estate that were in the process of foreclosure as of June 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 zero and \$2.4 million as of June 30, 2026, respectively, and \$113 thousand and \$2.9 million as of December 31, 2025, respectively.

Mortgage Servicing Rights (“MSRs”)

Mortgage loans are sold with servicing retained and 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 six months ended June 30, 2026 and 2025, respectively. The Company recognized net servicing income of \$122 thousand and \$168 thousand during the three months ended June 30, 2026 and 2025, respectively, and net servicing income of \$261 thousand and \$103 thousand for the six months ended June 30, 2026 and 2025, respectively. At June 30, 2026, the Company was servicing \$324.2 million in loans for the Federal National Mortgage Association and \$98.7 million in loans for Federal Home Loan Mortgage Corporation.

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

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Beginning balance	\$ 4,983	\$ 5,535	\$ 5,142	\$ 5,874
Net additions	—	15	—	58
Amortization expense	(163)	(154)	(322)	(206)
Other	—	—	—	(330)
Ending balance	\$ 4,820	\$ 5,396	\$ 4,820	\$ 5,396

The fair value of MSRs was determined using discount rates ranging from 9.0% to 9.0% at June 30, 2026 and 9.0% to 10.0% at December 31, 2025. The valuation on MSRs was not material at June 30, 2026 and December 31, 2025.

Depending on the stratification of the specific mortgage servicing right, prepayment speeds ranged from 5.72% to 8.00% and 5.84% to 8.48% for the three months ended June 30, 2026 and 2025, respectively, and 5.72% to 8.60% and 5.69% to 8.22% for the six months ended June 30, 2026 and 2025, respectively.

The associated weighted-average default rates were 0.21% and 0.14% for the three months ended June 30, 2026 and 2025, respectively, and 0.21% and 0.14% for the six months ended June 30, 2026 and 2025, respectively.

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 June 30, 2026 and December 31, 2025.

	June 30, 2026	
<i>(\$ in thousands)</i>	Goodwill	Core Deposit Intangible
Gross carrying amount	\$ 63,266	\$ 59,151
Accumulated amortization	—	(33,384)
Net carrying amount	<u>\$ 63,266</u>	<u>\$ 25,767</u>

	December 31, 2025	
<i>(\$ in thousands)</i>	Goodwill	Core Deposit Intangible
Gross carrying amount	\$ 63,266	\$ 59,151
Accumulated amortization	—	(29,429)
Net carrying amount	<u>\$ 63,266</u>	<u>\$ 29,722</u>

The aggregate amortization expense for the core deposit intangible was \$2.0 million and \$2.3 million for the three months ended June 30, 2026 and 2025, respectively, and was \$4.0 million and \$4.5 million for the six months ended June 30, 2026 and 2025, respectively.

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

<i>(\$ in thousands)</i>	Amortization Expense
2026	\$ 3,443
2027	6,208
2028	5,060
2029	3,980
2030	3,096
Thereafter	3,980
Total amortizing intangible assets	<u>\$ 25,767</u>

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)	June 30, 2026	December 31, 2025
Right-of-use assets	\$ 9,691	\$ 10,523
Lease liabilities	\$ 10,199	\$ 11,027
Weighted-average remaining lease term	8.70 years	8.91 years
Weighted-average discount rate	3.38 %	3.42 %
Remaining lease term – min	0.17 years	0.36 years
Remaining lease term – max	15.18 years	15.68 years

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating lease cost	\$ 513	\$ 494	\$ 1,025	\$ 986
Total lease cost	\$ 513	\$ 494	\$ 1,025	\$ 986
Cash paid for amounts included in the measurement of lease liabilities	\$ 512	\$ 479	\$ 1,021	\$ 946

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 June 30, 2026.

(\$ in thousands)	June 30, 2026
2026	\$ 1,002
2027	1,875
2028	1,785
2029	1,360
2030	1,003
Thereafter	4,581
Total undiscounted cash flows	11,606
Less: imputed interest	1,407
Lease liabilities	\$ 10,199

Total gross rental income was \$275 thousand and \$280 thousand for the three months ended June 30, 2026 and 2025, respectively, and \$581 thousand and \$615 thousand for the six months ended June 30, 2026 and 2025, respectively.

Note 6 – Deposits

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

(\$ in thousands)	June 30, 2026		December 31, 2025	
	Balance	% of Total Deposits	Balance	% of Total Deposits
Noninterest-bearing deposits	\$ 1,606,809	29.76 %	\$ 1,587,953	28.69 %
Interest-bearing deposits:				
Interest-bearing checking	833,602	15.44	852,585	15.41
Money market and savings	1,710,570	31.68	1,814,928	32.80
Time deposits	1,247,973	23.11	1,267,487	22.90
Brokered deposits	796	0.01	10,911	0.20
Total interest-bearing	3,792,941	70.24	3,945,911	71.31
Total deposits	\$ 5,399,750	100.00 %	\$ 5,533,864	100.00 %

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

(\$ in thousands)	June 30, 2026
Within one year	\$ 1,067,447
Year 2	155,036
Year 3	13,118
Year 4	5,821
Year 5	6,438
Thereafter	113
Total	\$ 1,247,973

The approximate amount of certificates of deposit that exceeded the FDIC insurance limit of \$250,000 or more was \$398.4 million and \$403.5 million at June 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 June 30, 2026 and December 31, 2025.

<i>(\$ in thousands)</i>	June 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	(3,839)	(3,930)				
Total long-term debt	\$ 89,152	\$ 89,061				

At June 30, 2026, subordinated debentures consisted of \$60.0 million of long-term debt issued by the Company in November 2025. As of June 30, 2026, the recorded balance of subordinated debt issued by the Company, net of unamortized issuance costs, was \$58.8 million. The Company has the option to redeem the subordinated notes in part or whole as of November 15, 2030. As of June 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 June 30, 2026 was \$19.1 million, net of the unamortized fair value adjustment of \$1.6 million. At June 30, 2026, the junior subordinated debt securities of Tri-County Capital Trust I and Tri-County Capital Trust II had a recorded balance of \$6.7 million and \$4.5 million, respectively, which are presented net of the unamortized fair value adjustments of \$474 thousand and \$626 thousand, respectively. As of June 30, 2026, the entire amount of trust preferred securities debt is considered Tier 2 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 June 30, 2026 and December 31, 2025. The Company did not have any borrowings against correspondent federal fund lines at June 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 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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	June 30, 2026		December 31, 2025	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Asset – IRLCs	\$ 15,194	\$ 218	\$ 6,172	\$ 91
Asset – TBA securities	20,250	42	9,750	11
Liability – IRLCs	—	—	193	1
Liability – TBA securities	33,250	115	20,150	59

With respect to interest rate products, the Company recognized gains of \$373 thousand and \$654 thousand for the three months ended June 30, 2026 and 2025, respectively, and gains of \$135 thousand and \$938 thousand for the six months ended June 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 six months ended June 30, 2026 and 2025.

(\$ in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Beginning of period	\$ (5,270)	\$ (6,333)	\$ (4,593)	\$ (7,545)
Other comprehensive income (loss), net of tax	(819)	730	(1,496)	1,942
End of period	\$ (6,089)	\$ (5,603)	\$ (6,089)	\$ (5,603)

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 June 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 June 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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	June 30, 2026		
	Amount	Regulatory Minimum Ratio + Capital Conservation Buffer	To Be Well-Capitalized Under PCA Regulation ⁽¹⁾
Company Amounts			
Common Equity Tier 1 Capital	\$ 541,577	\$ 341,783	N/A
Tier 1 Capital	571,904	415,023	N/A
Total Capital	691,720	512,675	N/A
Leverage Exposure	6,007,717	240,309	N/A
Risk-Weighted Assets	4,882,618	N/A	N/A
Company Ratios			
Common Equity Tier 1 Capital to Risk-Weighted Assets ("RWA")	11.09 %	7.00 %	N/A
Tier 1 Capital to RWA	11.71	8.50	N/A
Total Capital to RWA	14.17	10.50	N/A
Tier 1 Capital to AA (Leverage) ⁽²⁾	9.52	4.00	N/A
Bank Amounts			
Common Equity Tier 1 Capital	\$ 600,541	\$ 341,547	\$ 317,151
Tier 1 Capital	600,541	414,736	390,340
Total Capital	661,531	512,321	487,925
Leverage Exposure	6,002,596	240,104	300,130
Risk-Weighted Assets	4,879,247	N/A	N/A
Bank Ratios			
Common Equity Tier 1 Capital to RWA	12.31 %	7.00 %	6.50 %
Tier 1 Capital to RWA	12.31	8.50	8.00
Total Capital to RWA	13.56	10.50	10.00
Tier 1 Capital to AA (Leverage) ⁽²⁾	10.00	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%.

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(\$ 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 June 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 5.71% above the minimum capital ratio requirement, and the lowest capital buffer ratio at the Bank was the Total Capital to RWA, which was 5.56% 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 June 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).

(\$ in thousands)	June 30, 2026			
	Fair Value	Valuation Technique	Unobservable Input	Rate
IRLCs – net asset	\$ 218	Market approach	Range of pull through rate	79% - 100%
			Average pull through rate	89%

(\$ in thousands)	December 31, 2025			
	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 six months ended June 30, 2026 and 2025.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Beginning balance	\$ 139	\$ 392	\$ 90	\$ 113
Valuation adjustment	79	34	128	313
Ending balance	\$ 218	\$ 426	\$ 218	\$ 426

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.

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

(\$ in thousands)	June 30, 2026			
	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	\$ 20,255	\$ —	\$ 20,255	\$ —
Mortgage-backed securities	246,986	—	246,986	—
Other debt securities	20,128	—	20,128	—
Total available for sale securities	287,369	—	287,369	—
Equity securities	6,218	—	6,218	—
TBA forward trades	42	—	42	—
Loans held for sale	30,827	—	30,827	—
IRLCs	218	—	—	218
Total assets at fair value	\$ 324,674	\$ —	\$ 324,456	\$ 218
Liabilities:				
TBA forward trades	115	—	115	—
Total liabilities at fair value	\$ 115	\$ —	\$ 115	\$ —
(\$ in thousands)	December 31, 2025			
	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.

Reposessed Assets

All reposessed 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 reposessed 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 June 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 June 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
June 30, 2026					
Nonrecurring measurements:					
Individually-evaluated collateral dependent loans:					
Commercial real estate	\$ 450	Appraisal of collateral	Appraisal adjustment Liquidation expense	49% - 50% 10%	49% 10%
Residential real estate	1,102	Appraisal of collateral	Appraisal adjustment Liquidation expense	44% - 74% 10%	49% 10%
Reposessed assets	2,362	Appraisal of collateral	Appraisal adjustment	N/A	21%

(\$ in thousands)	Quantitative Information about Level 3 Fair Value Measurements				
	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 June 30, 2026 and December 31, 2025. Fair values for June 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
June 30, 2026					
Assets					
Cash and cash equivalents	\$ 257,670	\$ 257,670	\$ 257,670	\$ —	\$ —
Available for sale securities	287,369	287,369	—	287,369	—
Held to maturity securities	366,213	328,696	—	328,696	—
Equity securities	6,218	6,218	—	6,218	—
Restricted securities	18,003	N/A	—	N/A	—
Loans held for sale	30,827	30,827	—	30,827	—
TBA securities	42	42	—	42	—
Loans held for investment, at amortized cost, net	4,819,012	4,766,085	—	—	4,766,085
Mortgage servicing rights	4,820	5,868	—	5,868	—
Accrued interest receivable	20,021	20,021	—	20,021	—
IRLCs	218	218	—	—	218
Liabilities					
Deposits:					
Noninterest-bearing	\$ 1,606,809	\$ 1,606,809	\$ —	\$ 1,606,809	\$ —
Interest-bearing checking	833,602	833,602	—	833,602	—
Money market and savings	1,710,570	1,710,570	—	1,710,570	—
Time deposits	1,247,973	1,241,851	—	1,241,851	—
Brokered deposits	796	793	—	793	—
TRUPS	30,327	30,965	—	30,965	—
Subordinated debt	58,825	59,426	—	59,426	—
TBA Securities	115	115	—	115	—
Accrued interest payable	2,568	2,568	—	2,568	—

(\$ 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 June 30, 2026 and December 31, 2025.

<i>(\$ in thousands)</i>	June 30, 2026	December 31, 2025
Commitments to extend credit		
Fixed	\$ 245,061	\$ 209,737
Variable	532,557	503,713
Total commitments to extend credit	\$ 777,618	\$ 713,450
Letters of credit		
Fixed	\$ 5,257	\$ 6,495
Variable	16,788	17,830
Total letters of credit	\$ 22,045	\$ 24,325
Total commitments outstanding	\$ 799,663	\$ 737,775

The Company had a reserve for off-balance sheet credit exposures of \$2.2 million and \$2.0 million as of June 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 six months ended June 30, 2026 and 2025.

(\$ in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 18,865	\$ 15,507	\$ 35,953	\$ 29,271
Average number of common shares outstanding	33,451,484	33,374,265	33,440,028	33,362,632
Dilutive effect of common stock equivalents	27,214	13,748	22,909	14,533
Average number of common shares used to calculate diluted EPS	33,478,698	33,388,013	33,462,937	33,377,165
Anti-dilutive shares	—	3,323	1,098	3,363
Basic net income per common share	\$ 0.56	\$ 0.46	\$ 1.08	\$ 0.88
Diluted net income per common share	\$ 0.56	\$ 0.46	\$ 1.07	\$ 0.88

There were zero and 3,323 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 June 30, 2026 and 2025, respectively. There were 1,098 and 3,363 anti-dilutive unvested restricted stock and performance stock unit awards excluded from the calculation of diluted earnings per common share for the six months ended June 30, 2026 and 2025, respectively.

Share Repurchase Program

In May 2026, the Company's Board of Directors authorized the repurchase of up to \$30 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 and Six Months Ended June 30, 2026
Number of shares repurchased	40,093
Average price paid per share	\$ 22.22
Amount repurchased	\$ 891

All share repurchases were made in open market transactions. As of June 30, 2026, the Company was authorized to repurchase a remaining \$29.1 million of outstanding shares of common stock under the Repurchase Program.

Note 15 – Revenue Recognition

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 in-scope of Topic 606 are discussed below. 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 debit 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 Topic 606, for the three and six months ended June 30, 2026 and 2025.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Noninterest income				
<i>In-scope of Topic 606:</i>				
Service charges on deposit accounts	\$ 1,651	\$ 1,519	\$ 3,247	\$ 3,033
Trust and investment fee income	1,103	942	2,240	1,765
Interchange income	1,960	1,788	3,658	3,365
Other noninterest income	1,286	1,547	2,245	2,403
Noninterest income (in-scope of Topic 606)	6,000	5,796	11,390	10,566
Noninterest income (out-of-scope of Topic 606)	2,830	3,610	4,684	5,974
Total noninterest income	\$ 8,830	\$ 9,406	\$ 16,074	\$ 16,540

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;

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- 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 second quarter of 2026 was \$18.9 million, or \$0.56 per diluted common share, compared to \$17.1 million, or \$0.51 per diluted common share, for the first quarter of 2026. The Company had net income of \$15.5 million, or \$0.46 per diluted common share, for the second quarter of 2025.

Second Quarter 2026 Highlights

- **Net Income** – Net income for the second quarter of 2026 increased \$1.8 million to \$18.9 million, from \$17.1 million in the first quarter of 2026. Net income increased primarily due to a decrease in interest expense of \$1.3 million, an increase in other noninterest income of \$1.2 million and a decrease in salaries and employee benefits of \$1.2 million, which were partially offset by a decrease in interest on deposits with other banks of \$858 thousand and a higher provision for credit losses of \$811 thousand. Net income for the six months ended June 30, 2026 was \$36.0 million, compared to \$29.3 million for the six months ended June 30, 2025.
- **Return on Average Assets ("ROAA")** – The Company reported ROAA of 1.24% for the second quarter of 2026, compared to 1.12% for the first quarter of 2026 and 1.03% for the second quarter of 2025. Adjusted ROAA – non-U.S. generally accepted accounting principles ("GAAP")⁽¹⁾ was 1.34% for the second quarter of 2026, compared to 1.22% for the first quarter of 2026 and 1.15% for the second quarter of 2025.
- **Net Interest Margin ("NIM")** – Net interest income ("NII") for the second quarter of 2026 increased \$364 thousand to \$52.9 million compared to the first quarter of 2026. NIM increased 6 basis points ("bps") to 3.70% during the second quarter of 2026 compared to the first quarter of 2026. NIM excluding accretion⁽¹⁾ increased for the comparable periods from 3.35% to 3.45%. Excluding accretion interest, loan yields decreased 1 bp and funding costs decreased 8 bps for the comparable periods. Net interest income increased due to additional interest income from loan payoffs coupled with a lower cost of deposits. Loan payoffs resulted in accelerated accretion and interest income recovery on nonaccrual loans.
- **Capital Management** – Book value per share increased to \$18.44 at June 30, 2026 from \$18.02 at March 31, 2026 and \$16.94 at June 30, 2025. During the quarter ended June 30, 2026, the Company announced a \$30 million share repurchase program and repurchased 40,093 shares of its outstanding common stock for approximately \$891 thousand. During the second quarter of 2026, the Company declared a dividend of \$0.14 per share, which represents a \$0.02, or 16.7%, increase from the dividend paid in the prior quarter.
- **Asset Quality** – Nonperforming assets were 1.09% of total assets at June 30, 2026, a decrease from 1.10% at March 31, 2026 and an increase from 0.33% at June 30, 2025. Classified assets were 1.41% of total assets at June 30, 2026, an increase when compared to 1.38% at March 31, 2026 and 0.37% at June 30, 2025. The allowance for credit losses was \$58.7 million at June 30, 2026, compared to \$58.5 million at March 31, 2026 and at June 30, 2025. The ACL as a percentage of loans decreased to 1.20% at June 30, 2026 compared to 1.21% at March 31, 2026 and at June 30, 2025.
- **Operating Leverage** – The efficiency ratio for the second quarter of 2026 was 57.76%, compared to 61.97% for the first quarter of 2026 and 60.83% for the second quarter of 2025. The adjusted efficiency ratio – non-GAAP⁽¹⁾, which excludes amortization of intangibles, was 54.49% for the second quarter of 2026, compared to 58.57% for the first quarter of 2026 and 56.73% for the second 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 JUNE 30, 2026 AND 2025

Summary of Financial Results

The Company reported net income for the three months ended June 30, 2026 of \$18.9 million, or \$0.56 per diluted common share, compared to \$15.5 million, or \$0.46 per diluted common share, for the three months ended June 30, 2025.

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

(\$ in thousands)	Three Months Ended June 30,		Change (\$)	Change (%)
	2026	2025		
Interest and dividend income	\$ 77,449	\$ 76,532	\$ 917	1.2 %
Interest expense	24,530	29,369	(4,839)	(16.5)
Net interest income	52,919	47,163	5,756	12.2
Provision for credit losses	896	1,528	(632)	(41.4)
Noninterest income	8,830	9,406	(576)	(6.1)
Noninterest expense	35,668	34,410	1,258	3.7
Income before income taxes	25,185	20,631	4,554	22.1
Income tax expense	6,320	5,124	1,196	23.3
Net income	\$ 18,865	\$ 15,507	\$ 3,358	21.7

Net Interest Income

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 \$5.8 million to \$53.0 million for the second quarter of 2026, compared to \$47.2 million for the second quarter of 2025. The increase in net interest income was primarily due to a decrease in interest expense on deposits of \$4.4 million, an increase in interest on loans of \$849 thousand and a decrease in interest expense on short-term borrowings of \$589 thousand. These favorable changes were partially offset by an increase in interest expense on long-term borrowings of \$177 thousand. The decrease in interest expense on deposits is reflective of rate reductions during 2026.

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

(\$ in thousands)	Three Months Ended June 30,		Change (\$)	Change (%)
	2026	2025		
Interest and dividend income				
Interest on loans	\$ 70,456	\$ 69,607	\$ 849	1.2 %
Interest and dividends on investment securities	5,393	5,337	56	1.0
Interest on deposits with banks	1,600	1,588	12	0.8
Total interest and dividend income	\$ 77,449	\$ 76,532	\$ 917	1.2
Interest expense				
Deposits	\$ 22,943	\$ 27,370	\$ (4,427)	(16.2)%
Short-term borrowings	16	605	(589)	(97.4)
Long-term borrowings	1,571	1,394	177	12.7
Total interest expense	\$ 24,530	\$ 29,369	\$ (4,839)	(16.5)
Taxable-equivalent adjustment	\$ 86	\$ 81	\$ 5	6.2 %
Taxable-equivalent net interest income	\$ 53,005	\$ 47,244	\$ 5,761	12.2 %

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 June 30, 2026 and 2025.

(\$ in thousands)	Three Months Ended June 30,					
	2026			2025		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Earning assets						
Loans ^{(1), (2), (3)}						
Commercial real estate	\$ 2,586,937	\$ 38,169	5.92 %	\$ 2,572,931	\$ 37,240	5.81 %
Residential real estate	1,484,165	20,276	5.46	1,378,940	18,959	5.50
Construction	338,695	5,454	6.46	352,803	5,697	6.48
Commercial	208,349	3,041	5.85	224,218	3,654	6.54
Consumer	250,295	3,491	5.59	298,544	4,018	5.40
Credit cards	4,125	110	10.69	6,122	117	7.66
Total loans	4,872,566	70,541	5.80	4,833,558	69,685	5.78
Investment securities						
Taxable	684,116	5,387	3.15	683,028	5,331	3.12
Tax-exempt ⁽¹⁾	646	7	4.33	652	8	4.91
Interest-bearing deposits	173,726	1,600	3.69	143,171	1,588	4.45
Total earning assets	5,731,054	\$ 77,535	5.42	5,660,409	\$ 76,612	5.42
Cash and due from banks	43,885			46,620		
Other assets	364,155			372,725		
Allowance for credit losses	(58,586)			(58,369)		
Total assets	<u>\$ 6,080,508</u>			<u>\$ 6,021,385</u>		
Interest-bearing liabilities						
Interest-bearing checking	\$ 733,877	\$ 4,560	2.49 %	\$ 720,967	\$ 5,697	3.17 %
Money market and savings deposits	1,744,356	8,079	1.86	1,747,854	9,580	2.20
Time deposits	1,258,086	10,288	3.28	1,258,802	12,000	3.82
Brokered deposits	4,033	16	1.59	9,720	92	3.80
Interest-bearing deposits ⁽⁴⁾	3,740,352	22,943	2.46	3,737,343	27,369	2.94
FHLB advances	1,648	16	3.88	50,000	605	4.85
Subordinated debt and guaranteed preferred beneficial interest in junior subordinated debentures ("TRUPS") ⁽⁴⁾	89,082	1,571	7.07	74,102	1,394	7.55
Total interest-bearing liabilities	3,831,082	24,530	2.57	3,861,445	29,368	3.05
Noninterest-bearing deposits	1,592,192			1,560,224		
Accrued expenses and other liabilities	45,914			40,764		
Stockholders' equity	611,320			558,952		
Total liabilities and stockholders' equity	<u>\$ 6,080,508</u>			<u>\$ 6,021,385</u>		
Taxable-equivalent net interest income		<u>\$ 53,005</u>			<u>\$ 47,244</u>	
Net interest spread			2.85 %			2.37 %
Net interest margin			3.70			3.34
Net interest margin excluding accretion ⁽³⁾			3.45			3.09
Cost of funds			1.81			2.17
Cost of deposits			1.73			2.07
Cost of debt			7.02			6.46

(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 \$3.8 million and \$4.2 million of accretion interest on loans for the three months ended June 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 \$435 thousand of amortization of deposit discounts and \$79 thousand and \$232 thousand of amortization of borrowing fair value adjustments for the three months ended June 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 June 30, 2026 Compared to the Three Months Ended June 30, 2025

(\$ in thousands)	Volume	Due to Rate	Total
Interest income from earning assets:			
Loans			
Commercial real estate	\$ 223	\$ 706	\$ 929
Residential real estate	1,455	(138)	1,317
Construction	(225)	(18)	(243)
Commercial	(227)	(386)	(613)
Consumer	(668)	141	(527)
Credit cards	(53)	46	(7)
Taxable investment securities	5	51	56
Tax-exempt investment securities	—	(1)	(1)
Interest-bearing deposits	283	(271)	12
Total interest income	\$ 793	\$ 130	\$ 923
Interest-bearing liabilities:			
Interest-bearing checking deposits	\$ 85	\$ (1,222)	\$ (1,137)
Money market and savings deposits	(19)	(1,482)	(1,501)
Time deposits	(17)	(1,695)	(1,712)
Brokered deposits	(22)	(54)	(76)
Advances from FHLB	(468)	(121)	(589)
Subordinated debt	266	(89)	177
Total interest-bearing liabilities	(175)	(4,663)	(4,838)
Net change in net interest income	\$ 968	\$ 4,793	\$ 5,761

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 3.70% for the three months ended June 30, 2026, from 3.34% for the three months ended June 30, 2025. Comparing the three months ended June 30, 2026 to the three months ended June 30, 2025, the Company's interest-earning asset yields were flat at 5.42%, while the cost of funds repriced at a faster pace, which resulted in a decrease of 36 bps, to 1.81% from 2.17%, 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 discussion 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 June 30, 2026 was \$8.8 million, a decrease of \$576 thousand, or 6.1%, from \$9.4 million for the three months ended June 30, 2025. The decrease was primarily due to a decrease in mortgage banking revenue of \$825 thousand and other noninterest income, partially offset by increases in service charges on deposit accounts, trust and investment fee income and interchange credits.

Noninterest Expense

Total noninterest expense was \$35.7 million for the three months ended June 30, 2026, an increase of \$1.3 million, or 3.7%, when compared to \$34.4 million for the three months ended June 30, 2025. The increase was primarily due to higher salaries and employee benefits expense of \$720 thousand and higher software and data processing costs of \$516 thousand, partially offset by the decrease in the amortization of other intangible assets of \$297 thousand.

Income Taxes

The Company reported income tax expense of \$6.3 million and \$5.1 million for the three months ended June 30, 2026 and 2025, respectively. The effective tax rate was 25.09% and 24.84% for the three months ended June 30, 2026 and 2025, respectively.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2026 AND 2025

Summary of Financial Results

The Company reported net income for the six months ended June 30, 2026 of \$36.0 million, or \$1.07 diluted earnings per common share, compared to \$29.3 million, or \$0.88 diluted earnings per common share, for the six months ended June 30, 2025.

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

(\$ in thousands)	Six Months Ended June 30,		Change (\$)	Change (%)
	2026	2025		
Interest and dividend income	\$ 155,841	\$ 152,464	\$ 3,377	2.2 %
Interest expense	50,367	59,403	(9,036)	(15.2)
Net interest income	105,474	93,061	12,413	13.3
Provision for credit losses	981	2,556	(1,575)	(61.6)
Noninterest income	16,074	16,540	(466)	(2.8)
Noninterest expense	72,724	68,157	4,567	6.7
Income before income taxes	47,843	38,888	8,955	23.0
Income tax expense	11,890	9,617	2,273	23.6
Net income	\$ 35,953	\$ 29,271	\$ 6,682	22.8

Net Interest Income

As shown in the table below, taxable-equivalent NII increased \$12.4 million to \$105.6 million for the six months ended June 30, 2026, compared to \$93.2 million for the six months ended June 30, 2025. The increase in net interest income was primarily due to an increase in total interest income of \$3.4 million, or 2.2%, which included an increase in interest on loans of \$4.1 million, or 3.0%, a decrease in interest on deposits with other banks of \$939 thousand, or 18.8%, and an increase in interest income on taxable investments of \$169 thousand. The increase in interest on loans was primarily due to the increase in the average balance of loans of \$70.6 million, or 1.5%. The decrease in total interest expense was primarily due to a decrease in interest on deposits of \$8.2 million and lower short-term borrowings of \$1.2 million. These were partially offset by the increase in interest expense on long-term borrowings of \$384 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.

(\$ in thousands)	Six Months Ended June 30,		Change (\$)	Change (%)
	2026	2025		
Interest and dividend income				
Interest on loans	\$ 141,270	\$ 137,123	\$ 4,147	3.0 %
Interest and dividends on investment securities	10,513	10,344	169	1.6
Interest on deposits with banks	4,058	4,997	(939)	(18.8)
Total interest and dividend income	\$ 155,841	\$ 152,464	\$ 3,377	2.2
Interest expense				
Deposits	\$ 47,207	\$ 55,440	\$ (8,233)	(14.9)%
Short-term borrowings	16	1,203	(1,187)	(98.7)
Long-term borrowings	3,144	2,760	384	13.9
Total interest expense	\$ 50,367	\$ 59,403	\$ (9,036)	(15.2)
Taxable-equivalent adjustment	\$ 175	\$ 161	\$ 14	8.7 %
Taxable-equivalent net interest income	\$ 105,649	\$ 93,222	\$ 12,427	13.3 %

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 six months ended June 30, 2026 and 2025.

(\$ in thousands)	Six Months Ended June 30,					
	2026			2025		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Earning assets						
Loans ^{(1), (2), (3)}						
Commercial real estate	\$ 2,594,087	\$ 77,198	6.00 %	\$ 2,557,316	\$ 73,066	5.76 %
Residential real estate	1,467,234	39,587	5.40	1,363,076	37,391	5.49
Construction	343,308	11,085	6.51	352,564	11,222	6.42
Commercial	214,909	6,337	5.95	228,535	7,349	6.48
Consumer	256,202	7,025	5.53	301,515	8,059	5.39
Credit cards	4,246	210	9.96	6,403	194	6.11
Total loans	4,879,986	141,442	5.83	4,809,409	137,281	5.74
Investment securities						
Taxable	674,973	10,501	3.11	673,567	10,332	3.07
Tax-exempt ⁽¹⁾	647	15	4.64	653	15	4.59
Interest-bearing deposits	221,288	4,058	3.70	228,488	4,997	4.41
Total earning assets	5,776,894	\$ 156,016	5.43	5,712,117	\$ 152,625	5.37
Cash and due from banks	44,033			46,912		
Other assets	365,058			374,641		
Allowance for credit losses	(58,664)			(58,331)		
Total assets	\$ 6,127,321			\$ 6,075,339		
Interest-bearing liabilities						
Interest-bearing checking	\$ 757,165	\$ 9,400	2.50 %	\$ 789,949	\$ 12,722	3.25 %
Money market and savings deposits	1,778,027	16,775	1.90	1,773,637	19,595	2.23
Time deposits	1,264,087	20,912	3.34	1,233,666	23,031	3.76
Brokered deposits	7,461	120	3.24	4,888	92	3.81
Interest-bearing deposits ⁽⁴⁾	3,806,740	47,207	2.50	3,802,140	55,440	2.94
FHLB advances	829	16	3.86	50,000	1,203	4.85
Subordinated debt and TRUPS ⁽⁴⁾	89,053	3,144	7.12	73,971	2,760	7.52
Total interest-bearing liabilities	3,896,622	50,367	2.61	3,926,111	59,403	3.05
Noninterest-bearing deposits	1,578,695			1,555,405		
Accrued expenses and other liabilities	46,207			40,594		
Stockholders' equity	605,797			553,229		
Total liabilities and stockholders' equity	\$ 6,127,321			\$ 6,075,339		
Taxable-equivalent net interest income		\$ 105,649			\$ 93,222	
Net interest spread			2.82 %			2.32 %
Net interest margin			3.67			3.28
Net interest margin excluding accretion ⁽³⁾			3.40			3.04
Cost of funds			1.86			2.19
Cost of deposits			1.77			2.09
Cost of debt			7.09			6.45

(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 \$8.1 million and \$8.0 million of accretion interest on loans for the six months ended June 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 \$769 thousand of amortization of deposit discounts and \$159 thousand and \$463 thousand of amortization of borrowing fair value adjustments for the six months ended June 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.

Six Months Ended June 30, 2026 Compared to the Six Months Ended June 30, 2025

<i>(\$ in thousands)</i>	Volume	Due to Rate	Total
Interest income from earning assets:			
Loans			
Commercial real estate	\$ 1,088	\$ 3,044	\$ 4,132
Residential real estate	2,804	(608)	2,196
Construction	(294)	157	(137)
Commercial	(411)	(601)	(1,012)
Consumer	(1,243)	209	(1,034)
Credit cards	(106)	122	16
Taxable investment securities	35	134	169
Interest-bearing deposits	(135)	(804)	(939)
Total interest income	\$ 1,738	\$ 1,653	\$ 3,391
Interest-bearing liabilities:			
Interest-bearing checking deposits	\$ (384)	\$ (2,938)	\$ (3,322)
Money market and savings deposits	82	(2,902)	(2,820)
Time deposits	450	(2,569)	(2,119)
Brokered deposits	42	(14)	28
Advances from FHLB	(942)	(245)	(1,187)
Subordinated debt	531	(147)	384
Total interest-bearing liabilities	(221)	(8,815)	(9,036)
Net change in net interest income	\$ 1,959	\$ 10,468	\$ 12,427

The Company's NIM increased from 3.28% for the six months ended June 30, 2025 to 3.67% for the six months ended June 30, 2026. Margins were higher due to a \$64.8 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 \$4.6 million was offset by a 44 basis point decrease in the associated rates paid, as well as a \$49.2 million decrease in the average balance of FHLB advances and a 99 basis point decrease in the associated rates paid. Net accretion income impacted net interest margin by 27 basis points and 24 basis points for the six months ended June 30, 2026 and 2025, respectively, which resulted in NIM excluding accretion of 3.40% and 3.04% for the same periods.

Provision for Credit Losses and ACL

Refer to the discussion of the Bank's PCL and ACL in the asset quality discussion 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 six months ended June 30, 2026 decreased \$466 thousand, or 2.8%, when compared to the same period in 2025. The decrease was primarily due to an \$833 thousand decrease in other noninterest income and a \$615 thousand decrease in mortgage banking revenue, partially offset by a \$475 thousand increase in trust and investment fee income and a \$293 thousand increase in interchange credits.

Noninterest Expense

Total noninterest expense for the six months ended June 30, 2026 increased \$4.6 million, or 6.7%, when compared to the same period in 2025. Noninterest expense line items increased primarily due to higher salaries and employee benefit expenses of \$3.9 million and a \$1.0 million increase in software and data processing expense. These increases were partially offset by lower amortization of intangible assets of \$595 thousand during the six months ended June 30, 2026.

Income Taxes

The Company reported income tax expense of \$11.9 million and \$9.6 million for the six months ended June 30, 2026 and 2025, respectively. The effective tax rate was 24.85% and 24.73% for the six months ended June 30, 2026 and 2025, respectively.

ANALYSIS OF FINANCIAL CONDITION

Balance Sheet Summary

Total assets were \$6.15 billion at June 30, 2026, a decrease of \$107.4 million, or 1.7%, when compared to \$6.26 billion at December 31, 2025. The decrease was primarily due to a decrease in our loan portfolio of \$22.6 million and a decrease in cash and cash equivalents of \$97.9 million, which were partially offset by an increase in our investment securities portfolio of \$18.4 million. The ratio of the ACL as a percentage of loans was 1.20% and 1.20% at June 30, 2026 and December 31, 2025, respectively.

Cash and Cash Equivalents

Cash and cash equivalents totaled \$257.7 million at June 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 decrease in cash and cash equivalents was primarily driven by seasonal run-off of 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 June 30, 2026, 43.97% of the portfolio of debt securities was classified as AFS and 56.03% 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 restricted stock and equity securities, totaled \$677.8 million at June 30, 2026, an increase of \$18.4 million, or 2.80%, compared to \$659.4 million at December 31, 2025. At June 30, 2026, AFS securities, carried at fair value, totaled \$287.4 million, compared to \$220.4 million at December 31, 2025. At June 30, 2026, AFS securities consisted of 85.95% mortgage-backed securities, 7.05% U.S. government agency securities and 7.00% corporate bonds, compared to 88.50%, 9.36% and 2.14%, respectively, at December 31, 2025. At June 30, 2026, the gross unrealized losses on AFS securities were all related to changes in interest rates and were \$9.1 million, or less than 1% of total assets and 2% of total stockholders’ equity. At June 30, 2026, the AOCI loss was \$6.1 million, compared to \$4.6 million at December 31, 2025.

At June 30, 2026, HTM securities, carried at amortized cost net of allowance, totaled \$366.2 million, compared to \$414.8 million at December 31, 2025. At June 30, 2026, HTM securities consisted of 77.69% mortgage-backed securities, 20.41% U.S. government agency securities and 1.90% other debt securities, compared to 73.06%, 25.26% and 1.68%, respectively, at December 31, 2025.

At June 30, 2026 and December 31, 2025, 83.22% and 86.82%, respectively, of the Bank’s carrying value of its investment portfolio 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 June 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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	June 30, 2026						
	Investment Grade						
	Aaa	Aa1	A3	Baa1	Baa2	NR	Total
U.S. Treasury and government agency securities	\$ 3,814	\$ 70,953	\$ —	\$ —	\$ —	\$ —	\$ 74,767
Mortgage-backed securities	284,564	—	—	—	—	—	284,564
Other debt securities	—	1,458	2,000	1,000	500	2,000	6,958
Total held to maturity securities	<u>\$ 288,378</u>	<u>\$ 72,411</u>	<u>\$ 2,000</u>	<u>\$ 1,000</u>	<u>\$ 500</u>	<u>\$ 2,000</u>	<u>\$ 366,289</u>

(\$ in thousands)	December 31, 2025						
	Investment Grade						
	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	<u>\$ 308,528</u>	<u>\$ 100,898</u>	<u>\$ 2,000</u>	<u>\$ 1,000</u>	<u>\$ 500</u>	<u>\$ 2,000</u>	<u>\$ 414,926</u>

Loans Held for Sale

The Company originates residential mortgage loans for sale on the secondary market, which are recorded at fair value. At June 30, 2026 and December 31, 2025, the fair value of loans held for sale amounted to \$30.8 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 months ended June 30, 2026 and 2025 and six months ended June 30, 2026, the Bank repurchased no loans. During the six months ended June 30, 2025, the Bank repurchased one loan with an aggregate value of \$415 thousand.

Loans Held for Investment

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

<i>(\$ in thousands)</i>	June 30, 2026	% of Total Loans	December 31, 2025	% of Total Loans	Change (\$)	Change (%)
Commercial real estate	\$ 2,603,014	53.37 %	\$ 2,643,996	53.95 %	\$ (40,982)	(1.6)%
Residential real estate	1,470,401	30.15	1,414,964	28.88	55,437	3.9
Construction	337,779	6.92	344,903	7.04	(7,124)	(2.1)
Commercial	220,712	4.52	226,006	4.61	(5,294)	(2.3)
Consumer	241,751	4.96	265,912	5.43	(24,161)	(9.1)
Credit cards	4,092	0.08	4,521	0.09	(429)	(9.5)
Total loans	4,877,749	100.00 %	4,900,302	100.00 %	(22,553)	(0.5)
Less: allowance for credit losses	(58,737)		(58,836)		99	(0.2)
Total loans, net	\$ 4,819,012		\$ 4,841,466		\$ (22,454)	(0.5)

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 which 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 which 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 \$1.87 billion at June 30, 2026 and \$1.84 billion at December 31, 2025, and as a percentage of the Bank's Tier 1 Capital plus ACL were 326.63% 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. We may be required to maintain higher levels of capital as a result of our CRE concentrations, which could require us 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

	June 30, 2026			
(\$ in thousands)	Amount	Average Loan Size	% of Non-Owner Occupied CRE Loans	% of Total Portfolio Loans, Gross
Loan type:				
Retail	\$ 488,866	\$ 2,573	26.2 %	10.0 %
Office	357,155	1,546	19.1	7.3
Multifamily (5+ units)	269,458	2,428	14.4	5.5
Industrial/warehouse	179,791	1,427	9.6	3.7
1-4 family dwelling	5,251	186	0.3	0.1
Motel/hotel	211,957	4,239	11.3	4.4
Other ⁽¹⁾	358,174	539	19.1	7.4
Total non-owner occupied CRE loans ⁽²⁾	1,870,652	1,613	100.0 %	38.4 %
Total portfolio loans, gross ⁽³⁾	\$ 4,877,749			

(1) Other non-owner occupied CRE loans include commercial – improved loans of \$161.3 million, self storage loans of \$66.7 million, farm real estate loans of \$45.8 million, restaurant loans of \$41.8 million and other loans of \$42.5 million.

(2) The balances for the non-owner occupied CRE portfolio as of June 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 \$30.8 million.

Owner Occupied CRE Loans

	June 30, 2026			
(\$ in thousands)	Amount	Average Loan Size	% of Owner Occupied CRE Loans	% of Total Portfolio Loans, Gross
Loan type:				
Commercial – improved	\$ 219,347	\$ 1,179	30.0 %	4.5 %
Office	118,733	506	16.2	2.4
Industrial/warehouse	95,391	677	13.0	2.0
Retail	69,502	650	9.5	1.4
Restaurant	53,632	1,012	7.3	1.1
Other ⁽¹⁾	175,757	1,184	24.0	3.6
Total owner occupied CRE loans	732,362	822	100.0 %	15.0 %
Total portfolio loans, gross ⁽²⁾	\$ 4,877,749			

(1) Other owner occupied CRE loans include church loans of \$51.7 million, fire/EMS building loans of \$37.6 million, auto service center of \$34.0 million and other loans of \$52.5 million.

(2) Excludes loans held for sale of \$30.8 million.

Office CRE Loan Portfolio

The Bank's office CRE loan portfolio, which includes owner occupied and non-owner occupied CRE loans, was \$475.9 million, or 9.8% of total loans of \$4.88 billion at June 30, 2026. The Bank's office CRE loan portfolio included \$107.9 million, or 22.7% of total office CRE loans, with medical tenants, and \$68.9 million, or 14.5% of total office CRE loans, with government or government contractor tenants. At June 30, 2026, there were 463 loans in the office CRE loan portfolio, with an average and median loan size of \$1.0 million and \$389 thousand, respectively. Loan-to-value ("LTV") estimates are less than or equal to 50% for \$166.2 million, or 34.9% of the office CRE loan portfolio, and greater than 80% for \$13.1 million, or 2.8% of the office CRE loan portfolio at June 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 June 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.

LTV Range (\$ in thousands)	June 30, 2026		
	Loan Count	Loan Balance	% of Office CRE
Less than or equal to 50%	229	\$ 166,198	34.9 %
Greater than 50% and less than or equal to 60%	78	126,619	26.6
Greater than 60% and less than or equal to 70%	86	133,440	28.0
Greater than 70% and less than or equal to 80%	55	36,539	7.7
Greater than 80%	15	13,092	2.8
Total	463	\$ 475,888	100.0 %

There were 16 office CRE loans with balances greater than \$5.0 million, totaling \$147.8 million at June 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. Of the office CRE portfolio balance, 80.8% of the loans were secured by properties in rural or suburban areas with limited exposure to metropolitan cities and 97.0% were secured by properties with five stories or less at June 30, 2026. Of the office CRE loans, \$33.7 million will mature and \$10.0 million will reprice prior to December 31, 2026. Of the office CRE loans, \$17.6 million were classified as special mention or substandard at June 30, 2026. There were no charge-offs within the office CRE portfolio during the three and six months ended June 30, 2026.

Maturity of Loan Portfolio

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

(\$ in thousands)	June 30, 2026				
	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	\$ 285,640	\$ 874,676	\$ 687,152	\$ 755,546	\$ 2,603,014
Residential real estate	55,714	132,275	117,670	1,164,742	1,470,401
Construction	217,777	91,885	26,737	1,380	337,779
Commercial	71,461	73,123	62,949	13,179	220,712
Consumer	2,140	81,465	89,350	68,796	241,751
Credit cards	1,780	2,076	236	—	4,092
Total	\$ 634,512	\$ 1,255,500	\$ 984,094	\$ 2,003,643	\$ 4,877,749

Rate Terms:

Fixed-interest rate loans	\$ 428,640	\$ 1,064,680	\$ 533,813	\$ 254,291	\$ 2,281,424
Adjustable-interest rate loans	205,872	190,820	450,281	1,749,352	2,596,325
Total	\$ 634,512	\$ 1,255,500	\$ 984,094	\$ 2,003,643	\$ 4,877,749

Loans Related to Cannabis Business

Loan balances related to the cannabis business were \$91.3 million and \$86.2 million, or 1.87% and 1.76% of total gross loans, as of June 30, 2026 and December 31, 2025, respectively.

Asset Quality

ACL and PCL

The ACL as a percentage of loans remained flat at 1.20% at June 30, 2026, compared to December 31, 2025. At June 30, 2026, the Company's ACL decreased \$99 thousand to \$58.7 million, from \$58.8 million at December 31, 2025.

The Company recorded a PCL on loans in the consolidated statement of income of \$896 thousand for the three months ended June 30, 2026, compared to \$1.5 million for the three months ended June 30, 2025, primarily due to lower net charge-offs partially offset by loan growth. Net charges-offs were \$123 thousand for the three months ended June 30, 2026, compared to \$649 thousand, or 0.01% of average loans, for the three months ended June 30, 2025. The decrease in charge-offs in 2026 was primarily due to reduced losses in the marine and CRE portfolios. The ratio of annualized net charge-offs to average loans was 0.01% and 0.05% for the three months ended June 30, 2026 and 2025, respectively.

The Company recorded a PCL on loans in the consolidated statement of income of \$981 thousand for the six months ended June 30, 2026, compared to \$2.6 million for the six months ended June 30, 2025, primarily due to lower charge-offs and a favorable economic outlook, partially offset by loan growth. Net charge-offs were \$1.0 million, or 0.02% of average loans, for the six months ended June 30, 2026, compared to net charge-offs of \$1.2 million, or 0.03% of average loans, for the six months ended June 30, 2025. The decrease in charge-offs in 2026 was primarily due to the reduced losses in the marine and CRE portfolios. The ratio of annualized net charge-offs to average loans was 0.04% and 0.05% for the six months ended June 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.

(\$ in thousands)	Three Months Ended June 30,					
	2026			2025		
	ACL Balance	Average Loan Balance ⁽¹⁾	% ⁽²⁾	ACL Balance	Average Loan Balance ⁽¹⁾	% ⁽²⁾
Commercial real estate	\$ 20,780	\$ 2,586,937	0.80 %	\$ 20,179	\$ 2,572,931	0.78 %
Residential real estate	23,531	1,458,992	1.61	23,203	1,348,016	1.72
Construction	6,153	338,695	1.82	5,805	352,803	1.65
Commercial	3,377	208,349	1.62	2,870	224,218	1.28
Consumer	4,828	250,295	1.93	6,188	298,544	2.07
Credit cards	68	4,125	1.65	238	6,122	3.89
Total	\$ 58,737	\$ 4,847,393	1.21	\$ 58,483	\$ 4,802,634	1.22

⁽¹⁾ Excludes loans held for sale.

⁽²⁾ ACL balance as a percent of average loan balance of each category.

(\$ in thousands)	Six Months Ended June 30,					
	2026			2025		
	ACL Balance	Average Loan Balance ⁽¹⁾	% ⁽²⁾	ACL Balance	Average Loan Balance ⁽¹⁾	% ⁽²⁾
Commercial real estate	\$ 20,780	\$ 2,594,087	0.80 %	\$ 20,179	\$ 2,557,316	0.79 %
Residential real estate	23,531	1,441,883	1.63	23,203	1,340,938	1.73
Construction	6,153	343,308	1.79	5,805	352,564	1.65
Commercial	3,377	214,909	1.57	2,870	228,535	1.26
Consumer	4,828	256,202	1.88	6,188	301,515	2.05
Credit cards	68	4,246	1.60	238	6,403	3.72
Total	\$ 58,737	\$ 4,854,635	1.21	\$ 58,483	\$ 4,787,271	1.22

⁽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.

(\$ in thousands)	Three Months Ended June 30,					
	2026			2025		
	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	\$ 64	\$ 2,586,937	0.01 %	\$ —	\$ 2,572,931	0.00 %
Residential real estate	(7)	1,458,992	0.00	(2)	1,348,016	0.00
Construction	(1)	338,695	0.00	—	352,803	0.00
Commercial	(22)	208,349	(0.04)	(81)	224,218	(0.14)
Consumer ⁽²⁾	74	250,295	0.12	543	298,544	0.73
Credit cards	15	4,125	1.46	189	6,122	12.38
Total	\$ 123	\$ 4,847,393	0.01	\$ 649	\$ 4,802,634	0.05

(\$ in thousands)	Six Months Ended June 30,					
	2026			2025		
	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	\$ 64	\$ 2,594,087	0.00 %	\$ (78)	\$ 2,557,316	(0.01)%
Residential real estate	112	1,441,883	0.02	(3)	1,340,938	0.00
Construction	(1)	343,308	0.00	(1)	352,564	0.00
Commercial	154	214,909	0.14	(85)	228,535	(0.08)
Consumer ⁽²⁾	549	256,202	0.43	939	301,515	0.63
Credit cards	92	4,246	4.37	431	6,403	13.57
Total	\$ 970	\$ 4,854,635	0.04	\$ 1,203	\$ 4,787,271	0.05

⁽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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	June 30, 2026			
	Classified Loans	Other Real Estate Owned	Repossessed Assets	Total Classified Assets
Commercial real estate	\$ 65,353	\$ —	\$ —	\$ 65,353
Residential real estate	11,713	—	—	11,713
Construction	396	—	—	396
Commercial	6,317	—	—	6,317
Consumer	488	—	2,362	2,850
Credit cards	18	—	—	18
Total	\$ 84,285	\$ —	\$ 2,362	\$ 86,647

(\$ in thousands)	December 31, 2025			
	Classified Loans	Other Real Estate Owned	Reposessed 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 June 30, 2026 and December 31, 2025.

	June 30, 2026	December 31, 2025
Total classified assets as a percentage of total assets	1.41 %	0.96 %
Total classified assets as a percentage of risk-based capital	12.53	9.14

Classified assets increased \$26.3 million to \$86.6 million, or 1.41% of total assets, at June 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 June 30, 2026 and December 31, 2025.

(\$ in thousands)	June 30, 2026	December 31, 2025
Commercial real estate	\$ 53,741	\$ 52,347
Residential real estate	19,094	19,065
Commercial	122	1,318
Consumer	—	671
Total special mention loans	\$ 72,957	\$ 73,401

Special mention loans decreased to \$73.0 million at June 30, 2026, compared to \$73.4 million at December 31, 2025. As of June 30, 2026, there were four special mention loans with individual balances greater than \$5.0 million, totaling \$53.0 million. These loans consist primarily of multifamily commercial real estate and other commercial real estate exposures that are well-collateralized. Management does not currently expect material losses on these credits and is actively engaged in credit oversight and timely execution of workout strategies.

Nonperforming Assets

Nonperforming assets were \$67.2 million and \$43.2 million, or 1.09% and 0.69% of total assets, as of June 30, 2026 and December 31, 2025, respectively. At June 30, 2026, nonperforming assets primarily consisted of three large loans with an aggregate loan balance of \$44.4 million. These nonperforming loans primarily consists of multifamily and office commercial real estate located in North Carolina and Virginia. As of June 30, 2026, these loans are well-secured by collateral and required minimal individual reserves. When comparing June 30, 2026 to June 30, 2025, nonperforming assets increased \$47.6 million, primarily due to an increase in nonaccrual loans of \$48.0 million, partially offset by a decrease in reposessed boats and automobiles of \$274 thousand and a decrease in loans 90 days past due and accruing of \$195 thousand. Substandard loans, which include nonaccrual loans and accruing loans 90 days or more past due, were \$84.3 million at June 30, 2026, compared to \$57.4 million at December 31, 2025 and \$19.9 million at June 30, 2025.

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

<i>(\$ in thousands)</i>	June 30, 2026	December 31, 2025
Nonperforming assets		
Nonaccrual loans	\$ 64,818	\$ 39,960
Total loans 90 days or more past due and still accruing	20	255
OREO	—	113
Reposessed assets	2,362	2,879
Total nonperforming assets	\$ 67,200	\$ 43,207
As a percent of total loans:		
Nonaccrual loans	1.33 %	0.82 %
As a percent of total loans and OREO:		
Nonperforming assets	1.38 %	0.88 %
As a percent of total assets:		
Nonaccrual loans	1.05 %	0.64 %
Nonperforming assets	1.09 %	0.69 %

Off-Balance Sheet Credit Exposure Reserve

The Company's reserve for off-balance sheet credit exposure was \$2.2 million and \$2.0 million at June 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 six months ended June 30, 2026.

Deposits

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

	June 30, 2026		December 31, 2025			
(\$ in thousands)	Balance	% of Total Deposits	Balance	% of Total Deposits	Change (\$)	Change (%)
Noninterest-bearing deposits	\$ 1,606,809	29.76 %	\$ 1,587,953	28.69 %	\$ 18,856	1.2 %
Interest-bearing deposits:						
Interest-bearing checking	833,602	15.44	852,585	15.41	(18,983)	(2.2)
Money market and savings	1,710,570	31.68	1,814,928	32.80	(104,358)	(5.7)
Time deposits	1,247,973	23.11	1,267,487	22.90	(19,514)	(1.5)
Brokered deposits	796	0.01	10,911	0.20	(10,115)	(92.7)
Total interest-bearing	3,792,941	70.24	3,945,911	71.31	(152,970)	(3.9)
Total deposits	\$ 5,399,750	100.00 %	\$ 5,533,864	100.00 %	\$ (134,114)	(2.4)

Total deposits decreased \$134.1 million, to \$5.40 billion at June 30, 2026 when compared to December 31, 2025. The year-to-date decrease in total deposits was primarily due to a decrease in money market and savings accounts of \$104.4 million, a decrease in time deposits of \$19.5 million and a decrease in interest-bearing checking accounts of \$19.0 million. These decreases were partially offset by an increase in noninterest-bearing deposits of \$18.9 million. Core deposits, which exclude municipal and cannabis deposits, increased by \$71.7 million, or 1.7%, during the same period.

Total estimated uninsured deposits were \$975.6 million, or 18.1% of total deposits, at June 30, 2026 and \$937.2 million, or 16.9% of total deposits, at December 31, 2025. At June 30, 2026, there were \$136.6 million included in uninsured deposits that the Bank secured using the market value of pledged collateral. The Bank's uninsured deposits at June 30, 2026, excluding the market value of pledged collateral, were \$838.9 million, or 15.5% 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 June 30, 2026, the Bank had one local municipal customer deposit relationship that exceeded 2% of total deposits, totaling \$183.8 million, which represented 3.39% of total deposits of \$5.43 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 \$168.5 million and \$159.4 million, or 3.12% and 2.88% of total deposits, as of June 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 June 30, 2026 and December 31, 2025.

The Company's wholesale funding, which includes FHLB advances and brokered deposits, was \$796 thousand and \$10.9 million at June 30, 2026 and December 31, 2025, respectively. At June 30, 2026, the Company had \$796 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 June 30, 2026.

In November 2025, the Company issued \$60 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 June 30, 2026 and \$19.0 million at December 31, 2025 were presented net of fair value adjustments of \$1.6 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 June 30, 2026 and December 31, 2025, respectively.

Stockholders' Equity

Total stockholders' equity increased \$26.2 million, or 4.4%, to \$616.1 million at June 30, 2026 when compared to December 31, 2025, primarily due to \$36.0 million of net income, partially offset by dividends declared of \$8.7 million, an increase in accumulated other comprehensive loss of \$1.5 million and \$891 thousand to repurchase 40,093 shares of the Company's common stock through the Repurchase Program.

<i>(\$ in thousands, except per share data)</i>	June 30, 2026	December 31, 2025	Change (\$)	Change (%)
Common stock, \$0.01 par value per share	\$ 334	\$ 334	\$ —	— %
Additional paid-in capital	361,048	360,554	494	0.1
Retained earnings	260,782	233,578	27,204	11.6
Accumulated other comprehensive loss	(6,089)	(4,593)	(1,496)	32.6
Total stockholders' equity	\$ 616,075	\$ 589,873	\$ 26,202	4.4

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 decrease in cash and cash equivalents was \$97.9 million for the six months ended June 30, 2026, compared to a net decrease of \$274.9 million for the six months ended June 30, 2025. The decrease in cash and cash equivalents during the six months ended June 30, 2026 was primarily due to a \$153.0 million decrease in interest-bearing deposits, partially offset by a \$28.9 million decrease in loans and an \$18.9 million increase in noninterest-bearing deposits.

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 June 30, 2026, the Bank had approximately \$1.9 billion of available liquidity, including \$257.7 million in cash and cash equivalents, \$314.4 million in unpledged securities, \$25.1 million in secured borrowing capacity with the FRB and \$911.9 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 \$396.1 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 \$911.9 million and \$788.1 million at June 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 June 30, 2026.

(\$ in thousands)	June 30, 2026	
	Liquidity in Use	Liquidity Available
FHLB secured borrowings ⁽¹⁾	\$ 33,667	\$ 911,883
Unsecured federal fund purchase lines	—	396,081
FRB discount window	—	25,085
Unpledged assets		
Cash and cash equivalents	N/A	\$ 257,670
Investment securities	N/A	314,433
Total	\$ 33,667	\$ 1,905,152

⁽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 June 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 June 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 June 30, 2026 and December 31, 2025.

June 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 %	11.09 %	11.71 %	14.17 %
The Bank	10.00	12.31	12.31	13.56
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 May 21, 2026, the Company announced that its Board of Directors declared a cash dividend of \$0.14 per share, payable on June 17, 2026, to holders of record of shares of common stock as of June 3, 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 million of our outstanding common stock over the next 12 months (the “Repurchase Program”). During the three and six months ended June 30, 2026, the Company repurchased 40,093 shares of its common stock at an average cost of \$22.22 per share, or \$891 thousand 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.

<i>(\$ in thousands, except per share data)</i>	June 30, 2026	December 31, 2025
Total assets	\$ 6,151,431	\$ 6,258,818
Less: intangible assets		
Goodwill	(63,266)	(63,266)
Core deposit intangible	(25,767)	(29,722)
Total intangible assets	(89,033)	(92,988)
Tangible assets	\$ 6,062,398	\$ 6,165,830
Total common equity	\$ 616,075	\$ 589,873
Less: intangible assets	(89,033)	(92,988)
Tangible common equity	\$ 527,042	\$ 496,885
Common shares outstanding at period end	33,416,336	33,413,503
Common equity to assets	10.02 %	9.42 %
Tangible common equity to tangible assets	8.69 %	8.06 %
Book value per common share at period end	\$ 18.44	\$ 17.65
Tangible book value per common share at period end	15.77	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.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 18,865	\$ 15,507	\$ 35,953	\$ 29,271
Annualized net income	\$ 75,667	\$ 62,198	\$ 72,502	\$ 59,027
Net income	\$ 18,865	\$ 15,507	\$ 35,953	\$ 29,271
Add: amortization of other intangible assets, net of tax	1,479	1,708	2,972	3,425
Adjusted net income – non-GAAP	20,344	17,215	38,925	32,696
Annualized adjusted net income – non-GAAP	\$ 81,600	\$ 69,049	\$ 78,495	\$ 65,934
Average assets	\$ 6,080,508	\$ 6,021,385	\$ 6,127,321	\$ 6,075,339
Return on average assets	1.24 %	1.03 %	1.18 %	0.97 %
Adjusted return on average assets – non-GAAP	1.34 %	1.15 %	1.28 %	1.09 %

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.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 18,865	\$ 15,507	\$ 35,953	\$ 29,271
Annualized net income	\$ 75,667	\$ 62,198	\$ 72,502	\$ 59,027
ROACE	12.38 %	11.13 %	11.97 %	10.67 %
Average stockholders’ equity	\$ 611,320	\$ 558,952	\$ 605,797	\$ 553,229

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.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 18,865	\$ 15,507	\$ 35,953	\$ 29,271
Add: amortization of other intangible assets, net of tax	1,479	1,708	2,972	3,425
Net income excluding amortization of other intangible assets – non-GAAP	\$ 20,344	\$ 17,215	\$ 38,925	\$ 32,696
Annualized net income excluding amortization of other intangible assets – non-GAAP	\$ 81,600	\$ 69,049	\$ 78,495	\$ 65,934
ROATCE – non-GAAP	15.66 %	14.99 %	15.25 %	14.53 %
Average stockholders’ equity	\$ 611,320	\$ 558,952	\$ 605,797	\$ 553,229
Less: Average goodwill and core deposit intangible	(90,088)	(98,241)	(91,082)	(99,372)
Average tangible common equity	\$ 521,232	\$ 460,711	\$ 514,715	\$ 453,857

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.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Noninterest expense	\$ 35,668	\$ 34,410	\$ 72,724	\$ 68,157
Less: Amortization of other intangible assets	(1,975)	(2,272)	(3,955)	(4,550)
Adjusted noninterest expense	<u>\$ 33,693</u>	<u>\$ 32,138</u>	<u>\$ 68,769</u>	<u>\$ 63,607</u>
Efficiency ratio	57.76 %	60.83 %	59.83 %	62.19 %
Adjusted efficiency ratio – non-GAAP	54.49	56.73	56.50	57.95
Net interest income	\$ 52,919	\$ 47,163	\$ 105,474	\$ 93,061
Add: taxable-equivalent adjustment	86	81	175	161
Taxable-equivalent net interest income	<u>\$ 53,005</u>	<u>\$ 47,244</u>	<u>\$ 105,649</u>	<u>\$ 93,222</u>
Noninterest income	\$ 8,830	\$ 9,406	\$ 16,074	\$ 16,540
Adjusted noninterest income	<u>\$ 8,830</u>	<u>\$ 9,406</u>	<u>\$ 16,074</u>	<u>\$ 16,540</u>

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 June 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%
June 30, 2026	(9.8)%	(7.3)%	(4.8)%	(2.4)%	2.9 %	5.1 %	4.5 %
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%
June 30, 2026	(15.0)%	(10.3)%	(6.3)%	(2.7)%	1.8 %	1.3 %	(2.3)%
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 June 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 June 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 June 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

In May 2026, the Company’s Board of Directors authorized the repurchase of up to \$30 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 second quarter of 2026.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased Under Repurchase Program	Maximum Remaining Dollar Value of Shares That May Be Purchased Under Repurchase Program
May 1, 2026 to May 31, 2026	—	\$ —	—	\$ 30,000,000
June 1, 2026 to June 30, 2026	40,093	22.22	40,093	29,109,085
Total	40,093	22.22	40,093	

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 June 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: August 3, 2026

By: /s/ James M. Burke

James M. Burke

President & Chief Executive Officer

Date: August 3, 2026

By: /s/ Charles S. Cullum

Charles S. Cullum

Executive Vice President & Chief Financial Officer

**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: August 3, 2026

By: /s/ James M. Burke

James M. Burke

President and Chief Executive Officer

(Principal Executive Officer)

**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: August 3, 2026

By: /s/ Charles S. Cullum

Charles S. Cullum

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**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 June 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: August 3, 2026

/s/ James M. Burke

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

Date: August 3, 2026

/s/ Charles S. Cullum

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