

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20429

FORM 10-K

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

For the fiscal year ended December 31, 2025

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

FDIC file number 19101

HARFORD BANK

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

52-0799113

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

8 West Bel Air Avenue, Aberdeen, Maryland

(Address of principal executive offices)

21001

(Zip Code)

(410) 272-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$10.00 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 period 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 (Not Applicable)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See 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

Non-accelerated filer

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$48,420,276.

The number of shares outstanding of the registrant's common stock as of February 28, 2026 was 1,507,561.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for the 2026 annual meeting of stockholders are incorporated by reference into Part III of this Form 10-K.

HARFORD BANK

**FORM 10-K
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As used in this Annual Report of Harford Bank on Form 10-K for the year ended December 31, 2025, the terms “the Bank”, “we”, “us” and “our” refer to Harford Bank and, unless the context clearly requires otherwise, its consolidated subsidiary, HB Trust.

This annual report contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Readers of this report should be aware of the speculative nature of “forward-looking statements.” Statements that are not historical in nature, including those that include the words “anticipate,” “estimate,” “should,” “expect,” “believe,” “intend,” and similar expressions, are based on current expectations, estimates and projections about, among other things, the industry and the markets in which the Bank operates, and they are not guarantees of future performance. Whether actual results will conform to expectations and predictions is subject to known and unknown risks and uncertainties, including risks and uncertainties discussed in this report; general economic, market, or business conditions, including those impacted and/or driven by current and/or future pandemics; changes in interest rates, deposit flow, the cost of funds, and demand for loan products and financial services; changes in the Bank’s competitive position or competitive actions by other companies; changes in the quality or composition of loan and investment portfolios; the ability to manage growth; changes in laws or regulations or policies of federal and state regulators and agencies; and other circumstances beyond the Bank’s control. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements, and there can be no assurance that the actual results anticipated will be realized, or if substantially realized, will have the expected consequences on the Bank’s business or operations. Forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, the Bank undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, the Bank cannot assess the impact of each factor on the Bank’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should also consider carefully the Risk Factors contained in Item 1A of Part I of this annual report, which address additional factors that could cause the Bank’s actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect the Bank’s business, operating results and financial condition. The risks discussed in this annual report are factors that, individually or in the aggregate, management believes could cause the Bank’s actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

PART I

Item 1. BUSINESS.

General

The Bank was chartered as a national banking association on April 27, 1964 under the name of Aberdeen National Bank. On December 8, 1980, desiring to expand into other municipalities in Harford County, Maryland, Aberdeen National Bank legally changed its name to Harford National Bank. On July 2, 2001, Harford National Bank converted to a Maryland-chartered bank and changed its name to Harford Bank. The Bank operates seven banking offices in Harford County, Maryland, and two banking offices in Cecil County, Maryland, with the Bank’s main office located in Aberdeen, Maryland. The Bank closed the Marketplace banking office in Harford County in the third quarter of 2023 and sold the land and building to the State of Maryland in the fourth quarter of 2023, retaining occupancy until the second quarter of 2024. The Bank is engaged in a general commercial and retail banking business serving individuals, businesses, and governmental units in Harford County, Maryland and neighboring counties. The Bank has one subsidiary, HB Trust, which is a Maryland statutory trust formed for the purposes of servicing and disposing of the real estate that the Bank acquires through foreclosure or by deed in lieu of foreclosure.

Information about the Bank’s revenues, net income and assets derived from its operations for the years ended December 31, 2025 and 2024 may be found in the audited consolidated financial statements and notes thereto, which are contained in Item 8 of Part II of this annual report.

Location and Market Area

The Bank conducts general commercial banking in its primary service areas, emphasizing the banking needs of individuals and small to medium sized businesses and professional concerns. The Bank operates from seven branches located throughout Harford County, Maryland and two branch offices in Cecil County, Maryland. The Bank also operates one loan production office in Harford County, Maryland and one loan production office in Baltimore County, Maryland. The Bank draws most of its customer deposits and conducts most of its lending transactions from within its primary service area.

Deposit and Related Services

The Bank offers deposit services to consumers and commercial entities customary for a state-chartered community bank, including checking accounts, savings accounts, money market accounts, and time deposits consisting of certificates of deposit of various

types. The transaction accounts and certificates of deposit are tailored to the Bank's principal market areas at rates competitive to those offered in the area. In addition, the Bank offers certain retirement account services, such as Individual Retirement Accounts ("IRAs"). All deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to the maximum allowed by law. The Bank solicits these accounts from individuals, businesses, associations and organizations, and governmental authorities.

Other banking services include, but are not limited to, mobile banking, drive-through banking services, automated teller machine ("ATM") services, on-line banking with bill payment, cash management services, commercial account remote deposit capture, safe deposit boxes, direct deposit of payroll and social security checks, and ACH origination. The Bank is associated with the NYCE and Money Pass networks of ATMs that may be used by Bank customers throughout Maryland and other regions. The Bank also offers Visa check (debit) cards, as well as Visa gift cards and Visa credit cards issued through a third-party provider.

Lending Activities

The Bank also offers a full range of commercial and consumer loans. Commercial loans include secured and unsecured loans for working capital, business expansion (including acquisition and real estate improvements), purchase of equipment and machinery, as well as commercial mortgages secured by real estate, real estate construction loans and real estate acquisition loans. It is typical for commercial loans to be secured by real estate, accounts receivable, inventory, equipment or other assets of the business. Commercial loans generally involve a greater degree of credit risk than one-to-four family residential consumer mortgage loans. Repayment is often dependent on the successful operation of the business and may be affected by adverse conditions in the local economy or real estate market. The financial condition and cash flow of commercial borrowers is therefore carefully analyzed during the loan approval process and continues to be monitored by obtaining business financial statements, personal financial statements and income tax returns. Personal guarantees of the borrowers are generally required. The frequency of this ongoing analysis depends upon the size and complexity of the credit and collateral that secures the loan.

Consumer loans include secured and unsecured loans for financing automobiles, boats, mobile homes, education, bill consolidation and home improvements. The Bank also originates secured fixed-rate consumer mortgage loans, variable rate home equity lines of credit and fixed rate home equity loans, as well as real estate construction loans and real estate acquisition loans. These lending activities are subject to a variety of lending limits imposed on state-chartered banks. Careful analysis of an applicant's creditworthiness is performed before granting credit, and on-going monitoring of loans outstanding is performed in an effort to minimize risk of loss by identifying problem loans early. The risk of loss associated with real estate construction lending is controlled through conservative underwriting policies and procedures such as loan-to-value ratios of 80% or less, obtaining additional collateral when prudent, and closely monitoring construction projects to control disbursement of funds on loans. The Bank's underwriting standards for residential mortgage loans recommend loan to value ratios not to exceed 80%, without private mortgage insurance, based on appraisals performed by approved independent appraisers. Title insurance protecting the Bank's lien priority, as well as fire and casualty insurance, for all mortgage loans is generally required. Repayment of these loans is dependent on the borrower's continuing financial stability, which can be adversely impacted by job loss, divorce, illness, or personal bankruptcy.

Seasonality

Management does not believe that the business activities of the Bank are seasonal in nature.

Employees

At December 31, 2025, the Bank had 98 full- and part-time employees, which equated to 96 full-time equivalent employees.

COMPETITION

The banking business, in all of its phases, is highly competitive. Within its market area, the Bank competes with commercial banks (including local banks and branches or affiliates of other larger banks), savings institutions and credit unions for loans and deposits, with consumer finance companies for loans, and with other financial institutions for various types of financial products and services. There is also competition for commercial and retail banking business from banks and financial institutions located outside the Bank's market area including online banks. The competition for deposits depends primarily on interest rates, personalized services, the quality and range of financial services, convenience of office locations and office hours. Factors that impact competition for loans include the general availability of lendable funds and credit, the number and amount of associated fees and charges, general and local economic conditions, current interest rates, and other factors, which are not readily predictable. Additionally, many of the financial institutions operating in the Bank's market area may offer certain services, such as investment brokerage, that the Bank does not offer and have greater financial resources or have substantially higher lending limits than does the Bank.

To compete with other financial services providers, the Bank relies principally upon local promotional activities, personal relationships established by officers, directors and employees with its customers and specialized services tailored to meet its customers' needs.

For further information about competition in our market areas, see the Risk Factor entitled “*The Bank Operates in a Competitive Market*” in Item 1A of Part I of this annual report.

SUPERVISION AND REGULATION

The following is a summary of the material regulations and policies applicable to the Bank and is not intended to be a comprehensive discussion. Changes in applicable laws and regulations may have a material effect on the business of the Bank.

Banking Regulation

The Bank is a Maryland-chartered commercial bank with the FDIC as its primary federal regulator. The Bank is subject to the banking laws of Maryland and to regulation by the Maryland Office of Financial Regulation (the “Maryland OFR”), who is required by statute to make at least one examination in each calendar year (or at 18-month intervals if the Maryland Commissioner determines that an examination is unnecessary in a particular calendar year). In addition, the Bank is subject to supervision and examination by the FDIC and to the federal laws and regulations that the FDIC is tasked with enforcing, such as the Federal Deposit Insurance Act (the “FDI Act”). Further, there are a myriad of other federal and state laws and regulations that affect and govern the business of banking, including consumer lending and deposit-taking. The Maryland OFR and the FDIC have extensive enforcement authority over the institutions they regulate to prohibit or correct activities that violate law, regulations or written agreements with the regulator, or which are deemed to constitute unsafe or unsound practices. Enforcement actions may include the appointment of a conservator or receiver, the issuance of a cease and desist order, the termination of deposit insurance, the imposition of civil money penalties on the institution, its directors, officers, employees and institution-affiliated parties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the removal of, or restrictions on directors, officers, employees and institution-affiliated parties, and the enforcement of any such mechanisms through restraining orders or other court actions.

Loan operations are subject to certain federal laws applicable to credit transactions, such as the federal Truth-In-Lending Act governing disclosures of credit terms to consumer borrowers, the Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves, the Equal Credit Opportunity Act prohibiting discrimination on the basis of race, creed, or other prohibited factors in extending credit, the Fair Credit Reporting Act of 1978, governing the use and provision of information to credit report agencies, and the rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws. The operations of the Bank are also subject to the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records, and the Electronic Funds Transfer Act and Regulation E of the Board of Governors of the Federal Reserve System (the “FRB”) that implements that act, which govern automatic deposits to and withdrawals from deposit accounts and customers’ rights and liabilities arising from the use of automated teller machines and other electronic banking services. Additionally, the Bank is subject to certain restrictions on extensions of credit to executive officers, directors, and principal stockholders or any related interest of such persons. These restrictions generally require that such credit extensions be made on substantially the same terms as are available to third parties dealing with the Bank and not involve more than the normal risk of repayment. Other laws tie the maximum amount that may be loaned to any one customer and its related interests to the Bank’s capital levels.

The Community Reinvestment Act (“CRA”) requires the FDIC, in connection with the examination of financial institutions within its jurisdictions, to evaluate the record of the financial institutions in meeting the credit needs of their local communities, including low and moderate-income neighborhoods, consistent with the safe and sound operation of those banks. These factors are also considered by all regulatory agencies in evaluating mergers, acquisitions and applications to open a branch or facility. As of the date of its most recent examination report, the Bank has a CRA rating of “Satisfactory.”

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”), each federal banking agency is required to prescribe, by regulation, non-capital safety and soundness standards for institutions under its authority. The standards adopted by federal regulators under this law include standards for internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. An institution that fails to meet those standards may be required by the agency to develop a plan acceptable to meet the standards. Failure to submit or implement such a plan may subject the institution to regulatory sanctions. Management believes that the Bank meets substantially all applicable standards. FDICIA also imposes capital standards on insured depository institutions, which are described below under the caption “Capital Requirements.”

The Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was enacted in July 2010, significantly restructured the financial regulatory regime in the United States. The Dodd-Frank Act established the Consumer Financial Protection Bureau (the “CFPB”), and contains a wide variety of provisions affecting the regulation of depository

institutions, including fair lending, fair debt collection practices, mortgage loan origination and servicing obligations, bankruptcy, military service member protections, use of credit reports, privacy matters, and disclosure of credit terms and correction of billing errors. In addition, the Dodd-Frank Act permits states to adopt stricter consumer protection laws and each state attorney general may enforce consumer protection rules issued by the CFPB. Since the enactment of the Dodd-Frank Act, the CFPB, and to some extent, some state attorney generals, have used provisions of the Dodd-Frank Act to bring enforcement actions seeking to curb “unfair, deceptive or abusive acts or practices” (“UDAAP”) in the financial services sector. Enforcement and regulatory priorities could change as a result of a change in leadership at the CFPB and/or continued enforcement and regulatory actions at the state level, resulting in increased regulatory compliance burdens and costs and restrictions on the financial products and services that we offer to our customers in the future.

Deposit Insurance

The Bank is a member of the FDIC and pays an insurance premium to the FDIC based upon its average total assets minus average tangible equity on a quarterly basis. Deposits are insured by the FDIC through the Deposit Insurance Fund (the “DIF”) and such insurance is backed by the full faith and credit of the United States Government. Under the Dodd-Frank Act, a permanent increase in deposit insurance to \$250,000 was authorized. The coverage limit is per depositor, per insured depository institution for each account ownership category.

The Federal Deposit Insurance Reform Act of 2005, which created the DIF, gave the FDIC greater latitude in setting the assessment rates for insured depository institutions which could be used to impose minimum assessments. The FDIC has the flexibility to adopt actual rates that are higher or lower than the total base assessment rates adopted without notice and comment, if certain conditions are met.

The Dodd-Frank Act also set a new minimum DIF reserve ratio at 1.35% of estimated insured deposits and required the FDIC to redefine the deposit insurance assessment base for an insured depository institution. As redefined pursuant to the Dodd-Frank Act, an institution’s assessment base is now an amount equal to the institution’s average consolidated total assets during the assessment period minus average tangible equity. Institutions with less than \$1.0 billion in assets at the end of a fiscal quarter, like the Bank, are permitted to report their average consolidated total assets on a weekly basis (rather than on a daily basis) and to report their average tangible equity on an end-of-quarter balance (rather than on an end-of-month balance).

The Bank expensed \$404,211 and \$490,248 in FDIC deposit insurance premiums in 2025 and 2024, respectively.

The FDIC is authorized to conduct examinations of and require reporting by FDIC-insured institutions. It is also authorized to terminate a depository bank’s deposit insurance upon a finding by the FDIC that the Bank’s financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the bank’s regulatory agency. The termination of deposit insurance would have a material adverse effect on the Bank’s earnings, operations and financial condition.

Capital Requirements

In addition to operational requirements discussed below under the heading, “Liquidity” Requirements”, the Bank is subject to risk-based capital regulations, which were adopted and are monitored by federal banking regulators. These regulations are used to evaluate capital adequacy and require an analysis of an institution’s asset risk profile and off-balance sheet exposures, such as unused loan commitments and stand-by letters of credit.

Regulators may require higher capital ratios when warranted by the particular circumstances or risk profile of a given banking organization. In the current regulatory environment, banking organizations must stay well-capitalized to receive favorable regulatory treatment on acquisition and other expansion activities and favorable risk-based deposit insurance assessments. The Bank’s capital policy establishes guidelines meeting these regulatory requirements and takes into consideration current or anticipated risks as well as potential future growth opportunities.

In July 2019, the federal banking agencies adopted a final rule that simplifies compliance with certain aspects of the capital rules. A majority of the simplifications apply solely to banking organizations that are not subject to the advanced approaches capital rule. The rule simplified the application of regulatory capital treatment for mortgage servicing assets, certain deferred tax assets arising from temporary differences, investments in the capital of unconsolidated financial institutions, and capital issued by a consolidated subsidiary of a banking organization and held by third parties (minority interest). In addition, the rule revised the treatment of certain acquisition, development, or construction exposures.

As of December 31, 2025, the Bank was in compliance with the applicable requirements.

Prompt Corrective Action

The FDI Act requires, among other things, the federal banking agencies to take “prompt corrective action” in respect of depository institutions that do not meet minimum capital requirements. The FDI Act includes the following five capital tiers: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” A depository institution’s capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures are the total capital ratio, the Tier 1 capital ratio and the leverage ratio.

A bank will be (i) “well capitalized” if the institution has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater, a Common Equity Tier 1 (“CET1”) ratio of 6.5% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure, (ii) “adequately capitalized” if the institution has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater, a CET1 ratio of 4.5% or greater, and is not “well capitalized”, (iii) “undercapitalized” if the institution has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0%, or a CET1 ratio of less than 4.5%, (iv) “significantly undercapitalized” if the institution has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0%, or a CET1 ratio of less than 3.0% and (v) “critically undercapitalized” if the institution’s tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank’s capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank’s overall financial condition or prospects for other purposes.

The FDI Act generally prohibits a depository institution from making any capital distributions (including payment of a dividend) if the depository institution would thereafter be “undercapitalized.” “Undercapitalized” institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution’s capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized”. “Significantly undercapitalized” depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately capitalized,” requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. “Critically undercapitalized” institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDI Act provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice.

The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

As of December 31, 2025, the Bank was “well capitalized” based on the aforementioned ratios.

Further information about the Bank’s capital resources is provided in Item 7 of Part II of this annual report under the heading “FINANCIAL CONDITION - Capital Management” and Note 14 to the Bank’s audited consolidated financial statements, which are included in Item 8 of Part II of this annual report.

Liquidity Requirements

The Bank requires cash to fund loans, satisfy obligations under letters of credit, meet the deposit withdrawal demands of customers, and satisfy other monetary obligations. To the extent that deposits are not adequate to fund these requirements, the Bank can rely on the funding sources identified in Item 7 of Part II of this report under the heading, “FINANCIAL CONDITION – Liquidity Management; Contractual Obligations and Off-Balance Sheet Transactions”.

Historically, the regulation and monitoring of bank liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III liquidity framework requires large and internationally active banking organizations to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio (“LCR”), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its

expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio (“NSFR”), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incentivize banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

Bank Secrecy Act/Anti-Money Laundering

The Bank Secrecy Act (“BSA”), requires financial institutions to develop policies, procedures, and practices which are intended to prevent and deter money laundering, mandates that insured financial institutions have a written, board-approved program that is reasonably designed to assure and monitor compliance with the BSA.

The program must, at a minimum: (i) provide for a system of internal controls to assure ongoing compliance; (ii) provide for independent testing for compliance; (iii) designate an individual responsible for coordinating and monitoring day-to-day compliance; and (iv) provide training for appropriate personnel. In addition, banks are required to adopt a customer identification program as part of its BSA compliance program. Banks are also required to file Suspicious Activity Reports when they detect certain known or suspected violations of federal law or suspicious transactions related to a money laundering activity or a violation of the BSA.

In addition to complying with the BSA, the Bank is subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “USA Patriot Act”). The USA Patriot Act is designed to deny terrorists and criminals the ability to obtain access to the United States’ financial system and has significant implications for depository institutions, brokers, dealers, and other businesses involved in the transfer of money. The USA Patriot Act mandates that financial service companies implement additional policies and procedures and take heightened measures designed to address any or all of the following matters: customer identification programs, money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, currency crimes, and cooperation between financial institutions and law enforcement authorities.

Mortgage Lending and Servicing

The Bank’s mortgage lending and servicing activities are subject to various laws and regulations that are enforced by the federal banking regulators and the CFPB, such as the Truth in Lending Act, the Real Estate Settlement Procedures Act, and various rules adopted thereunder, including those relating to consumer disclosures, appraisal requirements, mortgage originator compensation, prohibitions on mandatory arbitration provisions under certain circumstances, and the obligation to credit payments and provide payoff statements within certain time periods and provide certain notices prior to interest rate and payment adjustments.

The Bank is required to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Qualified mortgages that are not “higher-priced” are afforded a safe harbor presumption of compliance with the ability to repay rules, while qualified mortgages that are “higher-priced” garner a rebuttable presumption of compliance with the ability to repay rules. In general, a “qualified mortgage” is a mortgage loan without negative amortization, interest-only payments, balloon payments, or a term exceeding 30 years, where the lender determines that the borrower has the ability to repay, and where the borrower’s points and fees do not exceed 3% of the total loan amount. “Higher-priced” mortgages must have escrow accounts for taxes and insurance and similar recurring expenses.

Consumer Lending – Military Lending Act

The Military Lending Act (the “MLA”), and the rules adopted by the Department of Defense (“DOD”) thereunder cover virtually all consumer loan and credit card products (except for loans secured by residential real property and certain purchase-money motor vehicle/personal property secured transactions). Lenders must provide specific written and oral disclosures concerning the protections of the MLA to active duty members of the military and dependents of active-duty members of the military (“covered borrowers”). The DOD’s rules impose a 36% “Military Annual Percentage Rate” cap that includes costs associated with credit insurance premiums, fees for ancillary products, finance charges associated with the transactions, and application and participation charges. In addition, loan terms cannot include (i) a mandatory arbitration provision, (ii) a waiver of consumer protection laws, (iii) mandatory allotments from military benefits, or (iv) a prepayment penalty. The revised rule also prohibits “roll-over” or refinances of the same loan unless the new loan provides more favorable terms for the covered borrower. Lenders may verify covered borrower status using a DOD database or information provided by credit bureaus.

Cybersecurity

The Bank relies on electronic communications and information systems to conduct operations and store sensitive data. The Bank employs an in-depth approach that leverages people, processes, and technology to manage and maintain cybersecurity controls. In addition, the Bank employs a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious

activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of the Bank's defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures.

The federal banking regulators have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of a financial institution's board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial products and services. The federal banking regulators expect financial institutions to establish lines of defense and to ensure that their risk management processes address the risk posed by compromised customer credentials, and also expect financial institutions to maintain sufficient business continuity planning processes to ensure rapid recovery, resumption and maintenance of the institution's operations after a cyberattack. If the Bank fails to meet the expectations set forth in this regulatory guidance, then the Bank could be subject to various regulatory actions and may be required to devote significant resources to any required remediation efforts.

Governmental Monetary and Credit Policies and Economic Controls

The earnings and growth of the banking industry and ultimately of the Bank are affected by the monetary and credit policies of governmental authorities, including the FRB. An important function of the FRB is to regulate the national supply of bank credit in order to control recessionary and inflationary pressures. Among the instruments of monetary policy used by the FRB to implement these objectives are open market operations in U.S. Government securities, changes in the federal funds rate, changes in the discount rate of member bank borrowings, and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth of bank loans, investments and deposits and may also affect interest rates charged on loans or paid for deposits. The monetary policies of the FRB authorities have had a significant effect on the operating results of commercial banks in the past and are expected to continue to have such an effect in the future. In view of changing conditions in the national economy and in the money markets, as well as the effect of actions by monetary and fiscal authorities, including the FRB, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand or their effect on the business and earnings of the Bank.

Federal Securities Laws

The shares of the Bank's common stock are registered with the FDIC under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Bank is subject to information reporting requirements, proxy solicitation requirements, insider trading restrictions and other requirements of the Exchange Act, including the requirements imposed under the federal Sarbanes-Oxley Act of 2002. Among other things, loans to and other transactions with insiders are subject to restrictions and heightened disclosure, directors and certain committees of the Board must satisfy certain independence requirements, and the Bank is generally required to comply with certain corporate governance requirements.

Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), exempts from the definition of "security" any security issued by a bank. As such, Section 5 of the Securities Act, which prohibits the offer and sale of any security unless there is a registration statement in effect with respect to such security, does not apply to offers and sales by the Bank of its common stock. The FDIC, as the Bank's primary federal regulator, likewise does not require the Bank to file a registration statement prior to offering or selling its securities. Notwithstanding the foregoing, the anti-fraud provisions of the Securities Act do apply to offers and sales by the Bank of its common stock.

Future Legislation

Periodically, the federal and state legislatures consider bills with respect to the regulation of financial institutions. Some of these proposals could significantly change the regulation of banks and the financial services industry. The Bank cannot predict whether such proposals will be adopted or the effect on the Bank if they are adopted.

AVAILABLE INFORMATION

The Bank maintains an internet website at www.HarfordBank.com on which it makes available, free of charge, periodic reports that it has filed with the FDIC pursuant to the Exchange Act during the past five years. These reports may be found at <https://www.harfordbank.com/Investor-Relations/Financial-Information>. The Bank does not make all of its reports and amendments thereto available on its website because such reports and amendments are available free of charge through the FDIC's website at <https://efr.fdic.gov/fexweb/efr/index.html>, and are also available for public inspection at: Federal Deposit Insurance Corporation, Accounting and Securities Disclosure Section, Division of Supervision and Consumer Protection, 550 17th Street, NW, Washington, DC 20429. The Bank will voluntarily provide electronic or paper copies of its filings free of charge upon written request sent to Harford Bank, 8 West Bel Air Avenue, P.O. Box 640, Aberdeen, Maryland 21001, Attention: Mark A. Semanie, CFO.

Item 1A. RISK FACTORS.

The significant risks and uncertainties related to the Bank, its business and its common stock of which the Bank is aware are discussed below. You should carefully consider these risks and uncertainties before making investment decisions in respect of the Bank's common stock. Any of these factors could materially and adversely affect the Bank's business, financial condition, operating results and prospects and could negatively impact the market price of the common stock. If any of these risks materialize, you could lose all or part of your investment in the Bank. Additional risks and uncertainties that we do not yet know of, or that we currently think are immaterial, may also impair the Bank's business operations. You should also consider the other information included elsewhere or incorporated in this annual report, including the Bank's audited consolidated financial statements and the notes thereto, before making investment decisions.

Risks Relating to the Bank's Business

The majority of the Bank's business is concentrated in Maryland; a significant amount of the Bank's business is concentrated in commercial and residential real estate lending.

Most of the Bank's loans are made to Maryland borrowers, and many of these loans are secured by real estate. Accordingly, a decline in local economic conditions would likely have an adverse impact on the Bank's financial condition and results of operations, as well as the market values of the real estate securing these loans. In such case, the impact on the Bank would likely be greater than the impact felt by larger financial institutions whose loan portfolios are geographically diverse. The Bank cannot guarantee that any risk management practices that it implements to address its geographic and loan concentrations will be effective to prevent losses relating to its loan portfolio.

The Bank's concentrations of commercial real estate loans could subject it to increased regulatory scrutiny and directives, which could force us to preserve or raise capital and/or limit future commercial lending activities.

The federal banking regulators believe that institutions with particularly high concentrations of commercial real estate loans in their lending portfolios face a heightened risk of financial difficulties in the event of adverse changes in the economy and commercial real estate markets. Accordingly, through published guidance, these regulators have directed institutions whose concentrations exceed certain percentages of capital to implement heightened risk management practices appropriate to their concentration risk. The guidance provides that banking regulators may require such institutions to reduce their concentrations and/or maintain higher capital ratios than institutions with lower concentrations in commercial real estate. Although management continuously evaluates the Bank's concentration and risk management strategies, management cannot guarantee that any risk management practices the Bank implements will be effective to either keep our commercial real estate concentration below the suggested threshold levels or prevent losses relating to the Bank's commercial real estate portfolio. In addition, management cannot predict the extent to which this guidance will impact our operations or capital requirements in future periods.

The Bank may experience loan losses in excess of its allowance for credit losses.

The risk of credit losses on loans varies with, among other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. Management of the Bank maintains an allowance for credit losses on loans based upon, among other things, historical experience, an evaluation of current and forecasted economic conditions and regular reviews of delinquencies and loan portfolio quality. Based upon such factors, management makes various assumptions and judgments about the ultimate collectibility of the loan portfolio and provides an allowance for credit losses on loans based upon a percentage of the outstanding balances on pooled loans that share similar risk characteristics and for specific loans when they do not share similar risk characteristics with the pool. If management's assumptions and judgments prove to be incorrect and the allowance for credit losses on loans is inadequate to absorb future losses, or if the bank regulatory authorities require the Bank to increase its allowance for credit losses on loans as a part of its examination process, the Bank's earnings and capital could be significantly and adversely affected. Future adjustments may be necessary if economic conditions differ substantially from the assumptions used by management to make determinations with respect to the allowance for credit losses on loans and/or if adverse developments arise with respect to the Bank's non-performing or performing loans. Material additions to the Bank's allowance for credit losses on loans would result in a decrease in the Bank's net income and capital, and could have a material adverse effect on the Bank.

The Bank depends on the accuracy and completeness of information about customers and counterparties, and inaccurate, incomplete or misleading information provided to the Bank by these persons could cause it to suffer losses.

In deciding whether to extend credit or enter into other transactions, the Bank relies on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. The Bank also relies on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on the Bank's business, financial condition and results of operations.

The Bank’s accounting estimates and risk management processes rely on analytical and forecasting models, the inadequacy of which could have a material adverse effect on the Bank’s financial condition and/or results of operations.

The processes that the Bank uses to estimate expected credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on its financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation, including flaws caused by failures in controls, data management, human error or from the reliance on technology. If the models the Bank uses for interest rate risk and asset-liability management are inadequate, then the Bank may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models the Bank uses for estimating expected credit losses are inadequate, then the allowance for credit losses may not be sufficient to support future charge-offs. If the models that the Bank uses to measure the fair value of financial instruments are inadequate, then the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what the Bank could realize upon sale or settlement of such financial instruments. Any such failure in the Bank’s analytical or forecasting models could have a material adverse effect on its business, financial condition and results of operations.

Interest rates and other economic conditions could impact the Bank’s financial conditions and results of operations.

The Bank’s net income depends primarily upon net interest income. Net interest income is the difference between interest income earned on loans, investments and other interest-earning assets and the interest expense incurred on deposits and borrowed funds. The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of the Bank’s interest-earning assets and the Bank’s interest-bearing liabilities which, in turn, are impacted by such external factors as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee (“FOMC”) of the FRB, and market interest rates.

Different types of assets and liabilities may react differently, and at different times, to changes in market interest rates. The Bank expects to periodically experience gaps in the interest rate sensitivities of the Bank’s assets and liabilities. That means either interest-bearing liabilities will be more sensitive to changes in market interest rates than interest-earning assets, or vice versa. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets, an increase in market rates of interest could reduce the Bank’s net interest income. Likewise, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could reduce the Bank’s net interest income. The Bank is unable to predict changes in market interest rates, which are affected by many factors beyond the Bank’s control, including inflation, deflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets.

The Bank also attempts to manage risk from changes in market interest rates, in part, by controlling the mix of interest rate sensitive assets and interest rate sensitive liabilities. However, interest rate risk management techniques are not exact. A rapid increase or decrease in interest rates could adversely affect the Bank’s results of operations and financial performance.

The market value of the Bank’s investments could decline.

As of December 31, 2025, the Bank had classified the majority of its investment securities as held-to-maturity and the remainder as available for sale. Investment securities that are classified as held-to-maturity are stated at amortized cost. Investment securities that are classified as available for sale are stated at market value through an adjustment, net of taxes, to other accumulated comprehensive income (loss) in stockholders’ equity.

Management believes that several factors will affect the market values of the Bank’s investment portfolio. These include, but are not limited to, changes or expectations of changes in interest rates, the degree of volatility in the securities markets, inflation rates or expectations of inflation and the slope of the interest rate yield curve (the yield curve refers to the differences between shorter-term and longer-term interest rates; a positively sloped yield curve means shorter-term rates are lower than longer-term rates). Also, the passage of time will affect the market values of our investment securities, in that the closer they are to maturing, the closer the market price should be to par value. These and other factors may impact specific categories of the portfolio differently, and management cannot predict the effect these factors may have on any specific category.

The Bank operates in a competitive market.

The Bank operates in a competitive environment, competing for loans, deposits, and customers with commercial banks, savings associations and other financial entities. Competition for deposits comes primarily from other commercial banks, savings associations, credit unions, money market and mutual funds and other investment alternatives. Competition for loans comes primarily from other commercial banks, savings associations, mortgage banking firms, credit unions and other financial

intermediaries. Many of these competitors are much larger in terms of total assets and capitalization, have greater access to capital markets, and/or offer a broader range of financial services than those offered by the Bank. Banks with a larger capitalization and financial intermediaries not subject to bank regulatory restrictions have larger lending limits and are thereby able to serve the needs of larger customers. In addition, current banking laws facilitate interstate branching and merger activity among banks. Since September 1995, certain bank holding companies have been authorized to acquire banks throughout the United States. Beginning June 1, 1997, certain banks have been permitted to merge with banks organized under the laws of different states. As a result of these changes, interstate banking is now an accepted element of competition in the banking industry and the Bank may be brought into competition with institutions with which it does not presently compete.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds or general-purpose reloadable prepaid cards. Consumers can also complete transactions, such as paying bills and/or transferring funds directly without the assistance of banks. Although the digital asset marketplace has in recent months experienced substantial instability, transactions utilizing digital assets, including cryptocurrencies, stablecoins and other similar assets, have increased substantially over the course of the last several years. Certain characteristics of digital asset transactions, such as the speed with which such transactions can be conducted, the ability to transact without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, and the anonymous nature of the transactions, are appealing to certain consumers notwithstanding the various risks posed by such transactions as illustrated by the current and ongoing market volatility. Accordingly, digital asset service providers, which at present are not subject to the extensive regulation of banking organizations and other financial institutions, have become active competitors for the Bank's customers' banking business. The process of eliminating banks as intermediaries, known as "disintermediation", could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits.

The banking industry is heavily regulated; significant regulatory changes could adversely affect the Bank's operations.

The Bank's operations are and will be affected by current and future legislation and by the policies established from time to time by various federal and state regulatory authorities. The Bank is subject to supervision by the FDIC and the Maryland Commissioner. Banking regulations, designed primarily for the safety of customers, may limit a financial institution's growth and the return to its investors by restricting such activities as the payment of dividends, mergers with or acquisitions by other institutions, investments, loans and interest rates, interest rates paid on deposits, expansion of branch offices, and the offering of securities or trust services. The Bank is also subject to capitalization guidelines established by federal law and could be subject to enforcement actions to the extent that the Bank is found by regulatory examiners to be undercapitalized. It is not possible to predict what changes, if any, will be made to existing federal and state legislation and regulations or the effect that such changes may have on the Bank's future business and earnings prospects. Management also cannot predict the nature or the extent of the effect on the Bank's business and earnings of future fiscal or monetary policies, economic controls, or new federal or state legislation. Further, the cost of compliance with regulatory requirements may adversely affect the Bank's ability to operate profitably.

The CFPB may continue to reshape the consumer financial laws through rulemaking and enforcement of the prohibitions against unfair, deceptive and abusive business practices. Compliance with any such change may impact the Bank's business operations.

The CFPB has broad rulemaking authority to administer and carry out the provisions of the Dodd-Frank Act with respect to financial institutions that offer covered financial products and services to consumers. The CFPB has also been directed to adopt rules identifying practices or acts that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The concept of what may be considered to be an "abusive" practice is fluid and can change based on politically-appointed leadership at the CFPB. The full scope of the impact of this authority has not yet been determined as the CFPB has not finalized all supervisory guidance. The CFPB's rules, both those that have been adopted and those that are yet to be adopted, will require the Bank to dedicate significant personnel and resources to ensuring compliance, which could have a material adverse effect on the Bank's operations.

Bank regulators and other regulations may require higher capital levels, impacting the Bank's ability to pay dividends or repurchase stock.

The capital standards to which the Bank is subject may materially limit the Bank's ability to use the Bank's capital resources and/or could require the Bank to raise additional capital by issuing common stock. The issuance of additional shares of common stock could dilute existing stockholders.

Customer concern about deposit insurance may cause a decrease in deposits held at the Bank, which could adversely impact the Bank's funding sources.

Customers are concerned about the extent to which their deposits are insured by the FDIC. Customers may withdraw deposits from the Bank in an effort to ensure that the amount they have on deposit with the Bank is fully insured. Decreases in deposits may adversely affect the Bank's liquidity, funding costs and net income.

The Bank's funding sources may prove insufficient to replace deposits and support future growth.

The Bank relies on customer deposits, advances from the Federal Home Loan Bank of Atlanta (the "FHLBA"), and lines of credit at other financial institutions to fund its operations. Although the Bank has historically been able to replace maturing deposits and advances if desired, no assurance can be given that the Bank would be able to replace such funds in the future if the Bank's financial condition or the financial condition of the FHLBA or market conditions were to change. The Bank's financial flexibility will be severely constrained if it is unable to maintain its access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if the Bank is required to rely more heavily on more expensive funding sources to support future growth, the Bank's revenues may not increase proportionately to cover its costs. In this case, the Bank's profitability would be adversely affected.

There can be no assurance that FHLBA borrowings and other current sources of liquidity will be available or, if available, sufficient to provide adequate funding for operations. Accordingly, the Bank may have to seek additional higher-cost debt in the future to achieve its long-term business objectives. Additional borrowings, if sought, may not be available to the Bank or, if available, may not be available on favorable terms. If additional financing sources are unavailable or are not available on reasonable terms, the Bank's growth and future prospects could be adversely affected.

The Bank is subject to liquidity risk.

The Bank requires liquidity to meet its deposit and debt obligations as they come due. The Bank's access to funding sources in amounts adequate to finance its activities or on terms that are acceptable to it could be impaired by factors that affect it specifically or the financial services industry or economy generally. Factors that could reduce its access to liquidity sources include a downturn in the local market, difficult credit markets or adverse regulatory actions against the Bank. The Bank's access to deposits may also be affected by the liquidity needs of its depositors. In particular, a substantial majority of the Bank's liabilities are demand, savings, interest checking and money market deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial portion of its assets are loans, which cannot be called or sold in the same time frame. The Bank may not be able to replace maturing deposits and advances as necessary in the future, especially if a large number of its depositors sought to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could have a material adverse effect on the Bank's business, financial condition and results of operations.

The Bank may need to raise additional capital in the future, and such capital may not be available when needed or at all.

The Bank may need to raise additional capital in the future to provide it with sufficient capital resources and liquidity to meet its commitments and business needs including complying with new regulatory capital rules, particularly if its asset quality or earnings were to deteriorate significantly. The Bank's ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of its control, and its financial condition. Economic conditions and the loss of confidence in financial institutions may limit access to certain customary sources of capital, and increase the Bank's cost of raising capital.

The Bank cannot assure that such capital will be available on acceptable terms or at all. Any occurrence that may limit the Bank's access to the capital markets, such as a decline in the confidence of depositors, investors or counterparties participating in the capital markets may adversely affect the Bank's capital costs and its ability to raise capital and, in turn, its liquidity. Moreover, if the Bank needs to raise capital in the future, it may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on the Bank's business, financial condition and results of operations.

The loss of key personnel could disrupt the Bank's operations and result in reduced earnings.

The Bank's growth and profitability will depend upon its ability to attract and retain skilled managerial, marketing and technical personnel. Competition for qualified personnel in the financial services industry is intense, and there can be no assurance that the Bank will be successful in attracting and retaining such personnel. The Bank's current executive officers provide valuable services based on their many years of experience and in-depth knowledge of the banking industry. Due to the intense competition for financial professionals, these key personnel would be difficult to replace and an unexpected loss of their services could result in a disruption to the continuity of operations and a possible reduction in earnings.

As a community bank, the Bank's ability to maintain its reputation is critical to the success of the business.

As a community banking institution, the Bank's reputation is one of the most valuable components of the Bank's business. A key component of the Bank's business strategy is to rely on the Bank's reputation for customer service and knowledge of local markets to expand the Bank's presence by capturing new business opportunities from existing and prospective customers in the Bank's current market and contiguous areas. As such, the Bank strives to conduct its business in a manner that enhances its reputation. This is done, in part, by recruiting, hiring and retaining employees who share the Bank's core values of being an integral part of the communities the Bank serves, delivering superior service to the Bank's customers and caring about the Bank's customers and associates. If the Bank's reputation is negatively affected by the actions of its employees, by its inability to conduct its operations in a manner that is appealing to current or prospective customers, or otherwise, the Bank's business and, therefore, its operating results may be materially and adversely affected.

The Bank's lending activities subject it to the risk of environmental liabilities.

A significant portion of the Bank's loan portfolio is secured by real property. During the ordinary course of business, the Bank may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Bank may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Bank to incur substantial expenses and may materially reduce the affected property's value or limit the Bank's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The Bank's environmental reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect the Bank's financial condition and results of operations.

The Bank is and might in the future be subject to claims and the costs of defensive actions, and such claims and costs could materially and adversely impact the Bank's financial condition and results of operations.

Persons with whom the Bank does business may sue the Bank for losses due to alleged breaches of fiduciary duties, errors and omissions of employees, officers and agents, incomplete documentation, the failure of the Bank to comply with applicable laws and regulations, or many other reasons. Also, the employees of the Bank may knowingly or unknowingly violate laws and regulations. Bank management may not be aware of any violations until after their occurrence. This lack of knowledge may not insulate the Bank from liability. Claims and legal actions may result in legal expenses and liabilities that may reduce the Bank's profitability and hurt its financial condition.

The Bank may not be able to keep pace with developments in technology.

The Bank uses various technologies in conducting its businesses, including telecommunication, data processing, computers, automation, internet-based banking, and debit cards. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The Bank's future success depends, in part, on its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Bank's operations. Many of the Bank's competitors have substantially greater resources to invest in technological improvements. The Bank may not be able to effectively implement new technology driven products and services or be successful in marketing these products and services to its customers. In addition, the Bank's implementation of certain new technologies, such as those related to artificial intelligence, automation and algorithms, in the Bank's business processes may have unintended consequences due to their limitations or the Bank's failure to use them effectively. In addition, cloud technologies are also critical to the operation of the Bank's systems, and the Bank's reliance on cloud technologies is growing. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on the Bank's business, financial condition and results of operations.

The Bank's information systems may experience an interruption or a breach in security, including due to cyberattacks.

The Bank's business depends heavily on the use of computer systems, the Internet and other means of electronic communication and recordkeeping. In the ordinary course of business, the Bank collects and stores sensitive data, including proprietary business information and personally identifiable information of our customers and employees in systems and on networks. Moreover, the Bank uses third party vendors to provide products and services necessary to conduct day-to-day operations, which exposes the Bank to the risk that these vendors will not perform in accordance with the service arrangements, including by failing to protect the confidential information the Bank entrusts to them. The secure processing, maintenance, and use of the Bank's and the Bank's customers' information is critical to the Bank's operations and business strategy. Any failure, interruption, or breach in security or operational integrity of the Bank's communications or operations systems could result in failures or disruptions in the Bank's customer relationship management, general ledger, deposit, loan, and other systems. Although the Bank has invested in various technologies and continually reviews processes and practices that are designed to protect the Bank's networks, computers, and data from damage or unauthorized access, the Bank's computer systems and infrastructure, and those of the Bank's third-party vendors,

may nevertheless be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. Further, cyber-attacks can originate from a variety of sources and the techniques used are increasingly sophisticated. A breach of any kind could compromise the Bank's systems and those of the Bank's vendors, and the information stored there could be accessed, damaged, or disclosed. A breach in security or other failure could result in legal claims, regulatory penalties, disruptions in operations, increased expenses, loss of customers and business partners, and damage to the Bank's reputation, which could in turn adversely affect the Bank's business, financial condition and/or results of operations. Furthermore, as cyber threats continue to evolve and increase, the Bank may be required to expend significant additional financial and operational resources to modify or enhance the Bank's protective measures, or to investigate and remediate any identified information security vulnerabilities.

A material weakness or significant deficiency in the Bank's disclosure or internal controls could have an adverse effect on the Bank.

The Bank is required by the Sarbanes-Oxley Act of 2002 to establish and maintain disclosure controls and procedures and internal control over financial reporting. These control systems are intended to provide reasonable assurance that material information relating to the Bank is made known to our management and reported as required by the Exchange Act, to provide reasonable assurance regarding the reliability and preparation of our financial statements, and to provide reasonable assurance that fraud and other unauthorized uses of our assets are detected and prevented. The Bank may not be able to maintain controls and procedures that are effective at the reasonable assurance level. If that were to happen, the Bank's ability to provide timely and accurate information about the Bank, including financial information, to investors could be compromised and the Bank's results of operations could be harmed. Moreover, if the Bank or its independent registered public accounting firm were to identify a material weakness or significant deficiency in any of those control systems, the Bank's reputation could be harmed and investors could lose confidence in the Bank, which could cause the market price of the Bank's stock to decline and/or limit the trading market for the Bank's common stock.

An outbreak of another highly infectious or contagious disease could adversely affect the Bank's business, financial condition and results of operations.

The Bank's business is dependent upon the willingness and ability of its customers to conduct banking and other financial transactions. As seen with the COVID-19 pandemic, the spread of another highly infectious or contagious disease could cause severe disruptions in the U.S. economy, which could in turn disrupt the business, activities, and operations of the Bank's customers, as well as the Bank's business and operations. The spread of such a disease could result in a significant decrease in business and/or cause the Bank's customers to be unable to meet existing payment or other obligations to the Bank, particularly in the event of a spread of or outbreak in the Bank's market area. The spread or outbreak of another contagious disease could also negatively impact the availability of Bank's key personnel necessary to conduct business. Such a spread or outbreak could also negatively impact the business and operations of third-party service providers who perform critical services for the Bank. If another highly infectious or contagious disease spreads or the response to contain that disease is unsuccessful, then the Bank could experience a material adverse effect on the Bank's business, financial condition, and results of operations.

Risks Relating to the Bank's Common Stock

The Bank's ability to pay dividends is limited.

Both federal and Maryland laws impose restrictions on the ability of the Bank to pay dividends. Furthermore, the declaration and payment of dividends and the amounts thereof are at the discretion of the Bank's Board of Directors. Thus, even at times when the Bank is legally permitted to pay dividends, neither the payment of such dividends nor the amounts thereof can be guaranteed. Further information about these limitations is contained in Item 5 of Part II of this annual report under the heading, "Market Price Analysis and the Discussion on Dividends".

The Bank's common stock is not insured.

Investments in the shares of the Bank's common stock are not deposits and are not insured against loss by the government.

The Bank's stock is not heavily traded and the stock price may be volatile.

The Bank's common stock is not traded on any exchange. Certain brokers may make a market in the common stock by trading shares in the over-the-counter market, but such transactions are infrequent and the volume of shares traded is relatively small. Prices on stock that is not heavily traded, such as the Bank's common stock, can be more volatile than stock trading in an active public market. Factors such as the Bank's financial results, the introduction of new products and services by the Bank or its competitors, and various factors affecting the banking industry generally may have a significant impact on the market price of the Bank's common stock. Likewise, events that are unrelated to the Bank but that affect the equity markets generally, such as international health crises, wars, political instability and similar factors, could also have a significant impact on the market price and trading volume of the shares of common stock. Management cannot predict whether an active public market for the Bank's

common stock will develop or be sustained in the future. Therefore, the Bank's stockholders may not be able to sell their shares at the volumes, prices, or times that they desire.

The Bank could choose to terminate the registration of its common stock under the Exchange Act, which could reduce the market for the Bank's common stock and adversely affect stock prices.

The Jumpstart Our Business Startups Act (the "JOBS Act") was signed into law in April 2012 and made several significant changes to federal securities laws. Among other things, the JOBS Act amended Section 12(g) of the Exchange Act to permit a bank with a class of equity securities that is registered under Section 12(g) to terminate that registration once the number of record holders of that class of equity securities drops below 1,200 persons. As of February 28, 2026, there were approximately 640 record holders of the Bank's common stock. Accordingly, the Bank could choose to terminate the registration of its common stock under Section 12(g) of the Exchange Act, in which case the Bank would no longer be required to file periodic and other reports, such as this annual report, with the FDIC. Securities professionals may be less likely to make a market in securities of companies that do not file quarterly and annual reports with a regulatory agency, such as the FDIC. Thus, the termination of the Bank's Section 12(g) registration could further reduce the trading volume of the common stock, could increase stock price volatility and could result in reported market prices that do not accurately reflect the true market value of the common stock.

The Bank's Articles of Incorporation and By-Laws and Maryland law may discourage a corporate takeover.

The Bank's Articles of Incorporation and By-Laws contain certain provisions designed to enhance the ability of the Board of Directors to deal with attempts to acquire control of the Bank. First, the Board is permitted, without stockholder approval, to increase the aggregate number of shares of stock of the Bank or the number of shares of stock of any class that the Bank has authority to issue. Second, the Board is permitted, without stockholder approval, to issue the Bank's securities. The Board could use these powers to issue a significant number of shares to a person or persons affiliated with or otherwise friendly to management. Third, the By-Laws require any stockholder who desires to nominate a director to abide by strict notice requirements.

Maryland laws include provisions that could discourage a sale or takeover of the Bank. The Maryland Business Combination Act generally prohibits, subject to certain limited exceptions, corporations from being involved in any "business combination" (defined as a variety of transactions, including a merger, consolidation, share exchange, asset transfer or issuance or reclassification of equity securities) with any "interested shareholder" for a period of five years following the most recent date on which the interested shareholder became an interested shareholder. An interested shareholder is defined generally as a person who is the beneficial owner of 10% or more of the voting power of the outstanding voting stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock or who is an affiliate or associate of the corporation and was the beneficial owner, directly or indirectly, of 10% percent or more of the voting power of the then outstanding stock of the corporation at any time within the two-year period immediately prior to the date in question and after the date on which the corporation had 100 or more beneficial owners of its stock. The Maryland Control Share Acquisition Act applies to acquisitions of "control shares", which, subject to certain exceptions, are shares the acquisition of which entitle the holder, directly or indirectly, to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors within any of the following ranges of voting power: one-tenth or more, but less than one-third of all voting power; one-third or more, but less than a majority of all voting power; or a majority or more of all voting power. Control shares have limited voting rights. Maryland banking law provides that the Maryland Commissioner must approve certain acquisitions of the common stock of the Bank, and this law imposes penalties on persons who effect such acquisitions without approval.

Although these provisions do not preclude a takeover, they may have the effect of discouraging, delaying or deferring a tender offer or takeover attempt that a stockholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the common stock. Such provisions will also render the removal of the Board of Directors and of management more difficult and, therefore, may serve to perpetuate current management. These provisions could potentially adversely affect the market price of our common stock.

Item 1B. UNRESOLVED FDIC COMMENTS.

Not applicable.

Item 1C. CYBERSECURITY.

Risk Management and Strategy

The Bank's risk management program is designed to identify, assess and mitigate risks across various aspects of the entity, including financial, operational, regulatory, reputational and legal. Cybersecurity is a critical component of this program, given the increasing reliance on technology and the potential of cyber threats. The Bank's Information Security Officer ("ISO") and Vice President of Information Technology ("VP/IT") are primarily responsible for this cybersecurity component and are key members

of the risk management function, reporting directly to the Bank's President. Both positions report periodically to the Bank's IT Committee and Board of Directors regarding cybersecurity controls.

The Bank's objective for managing cybersecurity risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate, disrupt or misuse the Bank's systems or information. The structure of the Bank's information security program is designed around the National Institute of Standards and Technology ("NIST") Cybersecurity Framework, regulatory guidance and Federal Financial Institutions Examination Council ("FFIEC") handbooks, including the FDIC's guidance regarding the privacy of consumer financial information promulgated under Section 501(b) of the Gramm-Leach-Bliley Act and the FFIEC Cybersecurity Assessment Tool, and other industry standards. In addition, the Bank leverages certain industry and government associations, third-party auditors, consultants, and threat intelligence sources to facilitate and promote program effectiveness. The information security program is periodically reviewed by third-party auditors and consultants with the goal of addressing changing threats and conditions.

The Bank seeks to address cybersecurity risks through a comprehensive, cross-functional approach that is focused on confidentiality, security and availability of information that the Bank collects and stores by identifying, preventing and mitigating cybersecurity threats and effectively responding to cybersecurity threats when they occur. Preventive and detective tools are in place that are designed to monitor, block and provide alerts regarding suspicious activity, as well as to report on suspected advanced persistent threats. Processes and systems are in place that are designed to mitigate cyber risk, including on-going education and training for employees, preparedness simulations, disaster recovery walkthroughs and tabletop exercises, and recovery and resilience tests. Annual assessments of the Bank's infrastructure, software systems and network architecture are conducted by third-party specialists. The Bank also maintains a third-party risk management program designed to identify, assess and manage risks including cybersecurity risks, associated with external service providers. The Bank monitors email gateways for malicious phishing email campaigns. The Bank uses external auditors and independent external partners to periodically review processes, systems and controls, including the information security program, to assess their design and operating effectiveness and make recommendations to strengthen the risk management program.

The Bank maintains an Incident Response Plan ("IRP") that provides a documented framework for responding to actual or potential cybersecurity incidents, including timely notification of, and escalation to, appropriate management, the IT Committee and the Board of Directors. The IRP is coordinated through the Bank President and key members of management including the ISO and VP/IT. The IRP facilitates coordination across multiple departments within the organization and is evaluated at least annually.

The Bank's internal systems, processes and controls are designed to mitigate loss from cyber-attacks. To the Bank's knowledge cyber threats have not materially affected the Bank, including business strategy, results of operations or financial condition. With regard to possible impact of future cybersecurity threats or incidents, see Item IA. Risk Factors – Risks Relating to the Bank's Business.

Governance

The ISO and VP/IT have substantial relevant experience and various formal training in the areas of information security and cybersecurity risk management. The VP/IT is an information security professional with over 20 years of experience and expertise across different domains, including system architecture, security, and network optimization. Over the last nine years, the VP/IT has acted in various financial institution IT roles. The VP/IT is the primary manager of the Bank's third-party outsourced IT service provider relationship.

The Board of Directors approved management committees, including the IT Committee, which focus on technology and business impact. The IT Committee provides oversight and governance of the information technology program and information security program. The IT Committee is chaired by the VP/IT and includes senior department managers of the Bank. The IT Committee generally meets monthly to provide oversight of the risk management strategy, standards, policies, practices, controls and mitigation and prevention efforts employed to manage risks. The IT Committee also reviews and approves information technology and information security budgets and strategies. The VP/IT reports summaries of key issues, including significant cybersecurity and/or privacy incidents and actions taken by the IT Committee to the Board of Directors on a quarterly basis. An overall information technology activity report for the prior year is presented by the ISO and VP/IT to the Board of Directors annually.

Item 2. PROPERTIES.

The Bank has seven branch locations and two non-branch offices in Harford County, Maryland, two branch locations in Cecil County, Maryland and one non-branch office in Baltimore County, Maryland. In addition, the Bank has entered into an agreement to open a branch location in Baltimore County, Maryland. This location is expected to open in the second half of 2026. The locations are described as follows:

Office	Location
Aberdeen Branch Office/Operations Center	8 West Bel Air Avenue, Aberdeen, Maryland 21001
Bel Air Branch Office	505 S. Main Street, Bel Air, Maryland 21014
Bel Air Non-branch Office	42 N. Main Street, Bel Air, Maryland 21014
Joppatowne Branch Office	501 Riviera Drive, Joppa, Maryland 21085
Havre de Grace Branch Office	960 Revolution Street, Havre de Grace, Maryland 21078
Hickory Branch Office	1610 Conowingo Road, Bel Air, Maryland 21014
Abingdon Branch Office	2905 Emmorton Road, Abingdon, Maryland 21009
Elkton Branch Office	133 North Bridge Street, Elkton, Maryland 21921
Southfield Branch Office	305 Augustine Herman Highway, Elkton, Maryland 21921
Jarrettsville Branch Office	3891 Jarrettsville Pike, Jarrettsville, Maryland 21084
Jarrettsville Non-branch Office	1124 Baldwin Mill Road, Jarrettsville, Maryland 21084
Hunt Valley Non-branch Office	11350 McCormick Road, Suite 400, Hunt Valley, Maryland 21031
Greenleigh future Branch Office	750 Concourse Circle, Suite 100, Middle River, Maryland 21220

The Bank owns without encumbrance the non-branch office located in Jarrettsville and the seven branch offices located in Aberdeen, Bel Air, Jarrettsville, Joppatowne, Havre de Grace, and Hickory. The Bank leases the non-branch office locations in Bel Air and Hunt Valley as well as the three branch offices located in Abingdon and Elkton and the future branch office in Middle River. Real estate tax expense for the above referenced properties owned by the Bank totaled \$134,751 for 2025 and \$130,237 for 2024. Rent expense for the leased locations totaled \$364,338 for 2025 and \$340,284 for 2024.

The Bank's executive offices are in the Aberdeen Branch Office/Operations Center location, and the main telephone number is (410) 272-5000.

Other than as described above, there are no encumbrances on any of these properties or leases. Bank management believes that all of these properties are adequately insured, and that its properties are suitable and adequate for its present needs.

Item 3. LEGAL PROCEEDINGS.

The Bank is at times, in the ordinary course of business, subject to other legal actions. Management, upon the advice of counsel, believes that losses, if any, resulting from the settlement or other disposition of these other legal actions will not have a material adverse effect on the financial condition of the Bank.

Item 4. MINE SAFETY DISCLOSURES.

This item is not applicable to the Bank.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Price Analysis and the Discussion on Dividends

As of February 28, 2026, the shares of the common stock of the Bank were held by approximately 640 stockholders of record. Although most trades occur through privately-negotiated transactions, the shares of the Bank's common stock are traded in the over-the-counter market by certain broker-dealers and price quotations are available through the OTC Markets Group's OTCID under the symbol "HFBK". Price quotations reported through this market reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions.

Cash dividends are typically declared on a quarterly basis and are at the discretion of the Board of Directors, based upon such factors as operating results, financial condition, capital adequacy, regulatory requirements, and stockholder return. The Bank's ability to declare and pay dividends is limited by federal and state banking laws and state corporate laws. Under Maryland law, a cash dividend may be declared only from the Bank's undivided profits or, with the prior approval of the Maryland Commissioner, its surplus in excess of 100% of its required capital stock. A stock dividend may be declared only if the Bank's surplus, after the increase in capital stock, is equal to at least 20% of the outstanding capital stock as increased. Moreover, if the surplus of the Bank, after the increase in capital stock, is less than 100% of its capital stock as increased, the Bank is required to annually transfer to surplus at least 10% of its net earnings until the surplus is 100% of its capital stock as increased. A dividend of property may be declared only if, after giving effect to the distribution, (i) the Bank can pay its indebtedness as the indebtedness becomes due in the usual course of business, and (ii) the Bank's total assets are greater than the sum of the Bank's total liabilities, plus, unless the Bank's charter permits otherwise, the amount that would be needed, if the Bank were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution. Additionally, the Bank may not pay dividends or distribute any of its capital assets while it remains in default on any assessment due the FDIC. FDIC regulations also impose certain minimum capital requirements that affect the amount of cash available for the payment of dividends by regulated banking institutions such as the Bank. In addition to these specific restrictions, the Bank's regulators have the ability to prohibit proposed dividends that would otherwise be permitted under applicable regulations if the regulatory body determines that such distribution would constitute an unsafe or unsound practice. There can be no guarantee that dividends will be declared in any fiscal quarter.

The Bank has adopted a Dividend Reinvestment Plan ("DRIP") that permits stockholders to reinvest the cash dividends paid on their shares of the Bank's common stock in additional shares. Stockholders who elect to reinvest their dividends will receive the number of shares equal to the amount of the dividend divided by the applicable purchase price per share.

Recent Sales of Unregistered Securities

Section 3(a)(2) of the Securities Act exempts securities issued by a bank from the definition of "security", and the FDIC, as the Bank's primary federal regulator, does not require the registration of the Bank's securities prior to offer or sale. From time to time, the Bank sells shares of its common stock pursuant to its DRIP, upon the exercise of stock options granted under its various stock option plans, and pursuant to the Harford Bank 2020 Employee Stock Purchase Plan (the "2020 ESPP"). Because of the foregoing exemption, all sales of common stock by the Bank are considered to be unregistered sales. During the fourth quarter of 2025, (i) a net total of 1,775 shares of common stock were issued pursuant to the DRIP at an average price of \$40.35 per share, (ii) no shares of common stock were issued upon the exercise of stock options, and (iii) a total of 445 shares of common stock were allocated to participants in the 2020 ESPP at a purchase price of \$39.90 per share.

Issuer Repurchases of Equity Securities

There were no shares of the Bank's common stock that were purchased by the Bank and/or its affiliated purchasers (as defined by Rule 10b-18 under the Exchange Act) during the quarter ended December 31, 2025.

Equity Compensation Plan Information

Pursuant to Securities and Exchange Commission's Regulation S-K Compliance and Disclosure Interpretation 106.01, the information regarding the Bank's equity compensation plans required by this Item pursuant to Item 201(d) of Regulation S-K is located in Item 12 of Part III of this annual report and is incorporated herein by reference.

Item 6. [RESERVED]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

The following discussion and analysis presents the more significant factors affecting the Bank's financial condition at December 31, 2025, and 2024 and results of operations for the years ended December 31, 2025, and 2024. This discussion and analysis should be read in conjunction with the audited consolidated financial statements and notes thereto, which are included in Item 8 of Part II of this annual report, and the other financial and statistical information included elsewhere in this annual report.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Bank's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and follow general practices within the industry in which the Bank 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 consolidated financial statements; accordingly, as this information changes, the consolidated 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. Estimates, assumptions, and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the consolidated financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices or are provided by other third-party sources, whenever available.

The most significant accounting policies followed by the Bank are presented in Note 1 to the consolidated financial statements appearing elsewhere in this report. These policies, along with the disclosures presented in the other notes to the consolidated financial statements and in this financial review, provide information on how significant assets and liabilities are valued in the consolidated 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 identified the determination of the allowance for credit losses and fair value of financial instruments as the accounting areas that require the most subjective or complex judgments, and as such may be most subject to revision as new information becomes available.

The allowance for credit losses on loans represents management's estimate of expected loan losses inherent in the loan portfolio. Determining the amount of the allowance for credit losses on loans is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on individually evaluated loans, estimated losses on pools of homogeneous loans based on historical loss experience, consideration of current economic trends and conditions and reasonable and supportable forecasts, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset type on the balance sheet. Note 1 to the consolidated financial statements describes the methodology used to determine the allowance for credit losses on loans.

The fair value of financial instruments is an estimate of the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date under current market conditions (an exit price). Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as most investment securities. However, for those items for which an observable liquid market does not exist, management utilizes significant estimates and assumptions to value such items. Examples of these items include loans, deposits and borrowings. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on our results of operations, financial condition or disclosures of fair value information. In addition to valuation, we must assess whether there are any declines in value below the carrying value of assets that should be considered credit losses or otherwise require an adjustment in carrying value and recognition of a loss in the consolidated statements of income.

RESULTS OF OPERATIONS

The Bank recorded \$7,069,542 in net income for the year ended December 31, 2025, compared to \$6,963,718 for 2024, representing an increase of \$105,824, or 1.5%. The increase in net income when comparing 2025 to 2024 was due primarily to the increase in

net interest income of \$1,930,275, an increase in noninterest income of \$75,993 and a decrease in income tax expense of \$64,200, partially offset by an increase in credit loss expense of \$1,002,222 and an increase in noninterest expense of \$962,422. Net interest income in 2025 increased due to a \$23,619,528 increase in average interest earning assets as well as an increase in the yield on those assets, along with a decrease in interest paid on borrowings and deposits resulting from a reduction in funding costs that more than offset the \$47,216,890 increase in average interest-bearing liabilities. Market rates on loans, deposits and borrowings are influenced by changes in the rate of inflation and are highly correlated with the FOMC's interest rate change actions undertaken to influence monetary policy. The increase in the provision for credit losses on loans and off-balance sheet items in 2025 was due primarily to strong growth in loan balances for the year ended December 31, 2025, as compared to a decrease in loans for the year ended December 31, 2024 as well as an increase in the expected loss rate on loans based upon peer loss data and a decline in the Federal Reserve Bank's forecast economic growth and employment rates. The increase in noninterest income was primarily attributable to increases in service charges on deposit accounts, debit card income and other fees and commissions. The increase in noninterest expenses for the year ended December 31, 2025 was due primarily to an increase in salaries and benefits, occupancy, Director and committee fees, professional fees, and other operating expenses when compared to the same period of 2024.

Basic net income per share for the year ended December 31, 2025 increased to \$4.71, from \$4.69 for 2024. Diluted net income per share for the year ended December 31, 2025 increased to \$4.68, from \$4.66 for 2024. Basic and diluted net income per share increased in 2025 when compared to 2024 due to the increase in net income earned, partially offset by the increase in the weighted average number of common shares outstanding in 2025 when compared to 2024.

Details of the changes in the various components of net income are further discussed below.

Net Interest Income and Net Interest Margin

The primary source of income for the Bank is net interest income, which is the difference between interest earned on interest-earning assets, such as investment securities and loans, and interest paid on interest-bearing sources of funds, such as deposits and borrowings. The level of net interest income is determined primarily by the average balance of interest-earning assets and funding sources and the various rate spreads between the interest-earning assets and the Bank's funding sources. Changes in net interest income from period-to-period result from increases or decreases in the volumes of interest-earning assets and interest-bearing liabilities, and increases or decreases in the average rates earned and paid on such assets and liabilities. The volumes of interest-earning assets and interest-bearing liabilities are affected by management's ability to effectively and efficiently manage the earning-asset portfolio (which includes loans), and the availability of particular sources of funds, such as noninterest-bearing deposits.

The table below entitled “Average Balances, Interest, and Yields” shows the Bank’s average volume of interest-earning assets and interest-bearing liabilities for years ended December 31, 2025 and 2024 and related interest income, interest expense, and yields.

Average Balances, Interest, and Yields						
	2025			2024		
	Average balance	Interest	Yield/Rate	Average balance	Interest	Yield/Rate
Assets						
Federal Reserve Bank interest-bearing deposits	\$ 96,967,031	\$ 4,333,592	4.47%	\$ 69,250,455	\$ 3,547,465	5.12%
Other interest-bearing deposits	46,310	2,025	4.37%	238,326	12,893	5.41%
Time deposits in other banks	-	-	0.00%	858,784	4,258	0.50%
Other	492,917	37,208	7.55%	1,900,064	155,805	8.20%
Investment securities:						
U.S. Treasury	20,935,356	631,665	3.02%	13,943,062	193,213	1.39%
U.S. government agency	20,546,688	491,131	2.39%	31,814,691	472,771	1.49%
Mortgage-backed	51,488,351	1,642,358	3.19%	40,021,520	969,079	2.42%
SBA asset-backed	7,951,089	178,698	2.25%	9,432,840	206,528	2.19%
State and municipal	3,534,418	66,839	1.89%	3,548,604	64,061	1.81%
Corporate Bonds	308,634	23,529	7.62%	-	-	0.00%
Total investment securities	<u>104,764,536</u>	<u>3,034,220</u>	<u>2.90%</u>	<u>98,760,717</u>	<u>1,905,652</u>	<u>1.93%</u>
Loans						
Overdrafts	50,615	-	-	56,979	-	-
Consumer	27,306,113	1,512,104	5.54%	31,014,913	1,662,789	5.36%
Credit lines	15,017,813	1,061,031	7.07%	13,025,180	1,036,114	7.95%
Commercial	67,312,269	4,936,404	7.33%	69,203,731	5,414,862	7.82%
Real estate	390,838,448	21,324,048	5.46%	394,848,935	20,584,886	5.21%
Other loan fees	-	200,875	0.00%	-	299,097	0.00%
Total loans *	<u>500,525,258</u>	<u>29,034,462</u>	<u>5.80%</u>	<u>508,149,738</u>	<u>28,997,748</u>	<u>5.71%</u>
Allowance for credit losses on loans	(5,934,147)			(5,915,707)		
Total loans, net of allowance *	<u>494,591,111</u>	<u>29,034,462</u>	<u>5.87%</u>	<u>502,234,031</u>	<u>28,997,748</u>	<u>5.77%</u>
Total interest-earning assets	<u>696,861,905</u>	<u>36,441,507</u>	<u>5.23%</u>	<u>673,242,377</u>	<u>34,623,821</u>	<u>5.14%</u>
Noninterest-bearing cash	4,421,005			3,869,579		
Bank premises and equipment, net	8,067,864			8,119,042		
Other assets	12,969,412			12,115,176		
Total assets	<u>\$ 722,320,186</u>			<u>\$ 697,346,174</u>		
Liabilities and Stockholders' Equity						
Interest-bearing deposits						
Interest-bearing demand deposits	\$ 124,718,223	271,740	0.22%	\$ 133,229,865	230,331	0.17%
Savings	56,126,349	123,588	0.22%	53,227,571	116,994	0.22%
Money market	119,803,386	2,921,760	2.44%	95,855,722	2,050,499	2.14%
Time deposits	198,476,242	7,920,122	3.99%	169,594,152	7,467,334	4.40%
Total interest-bearing deposits	<u>499,124,200</u>	<u>11,237,210</u>	<u>2.25%</u>	<u>451,907,310</u>	<u>9,865,158</u>	<u>2.18%</u>
Federal Home Loan Bank overnight borrowings	60	3	5.00%	15,437,189	873,536	5.66%
Federal Home Loan Bank term borrowings	-	-	0.00%	14,491,803	693,970	4.79%
Total borrowed funds	<u>60</u>	<u>3</u>	<u>5.00%</u>	<u>29,928,992</u>	<u>1,567,506</u>	<u>5.24%</u>
Total interest-bearing deposits and borrowed funds	<u>499,124,260</u>	<u>11,237,213</u>	<u>2.25%</u>	<u>481,836,302</u>	<u>11,432,664</u>	<u>2.37%</u>
Noninterest-bearing demand deposits	149,843,500			149,078,367		
Other liabilities	4,818,966			4,294,628		
Stockholders' equity	68,533,460			62,136,877		
Total liabilities and stockholders' equity	<u>\$ 722,320,186</u>			<u>\$ 697,346,174</u>		
Net interest spread			2.98%			2.77%
Net interest income		<u>\$ 25,204,294</u>			<u>\$ 23,191,157</u>	
Net yield on interest-earning assets			3.62%			3.44%
Interest on tax-exempt securities, loans and dividends is reported on fully taxable equivalent basis.						
* Includes non-accrual loans and deferred loan fees and costs.						

Tax-equivalent net interest margin as presented above is a Non-GAAP financial measure and is calculated by dividing tax-equivalent net interest income by total average earning assets. Net interest income, on a tax-equivalent basis, is a financial measure that the Bank believes provides a more accurate picture of the interest margin for comparative purposes. Tax-equivalent net interest income is calculated by adding the tax benefit on certain securities and loans, whose interest is tax-exempt, to total interest income then subtracting total interest expense. The following table, "Tax-Equivalent Net Interest Income," reconciles net interest income to tax-equivalent net interest income for the years ended December 31, 2025 and 2024, which is a non-GAAP measure using an effective tax rate of 21%.

Tax-Equivalent Net Interest Income

For the Years Ended December 31,	2025	2024
GAAP Financial Measurements:		
Interest Income - Loans	\$ 28,941,174	\$ 28,915,688
Interest Income - Securities and Other Interest-Earning Assets	7,030,397	5,321,059
Interest Expense - Deposits	11,237,210	9,865,158
Interest Expense - Borrowings	<u>3</u>	<u>1,567,506</u>
Total Net Interest Income (GAAP)	<u>\$ 24,734,358</u>	<u>\$ 22,804,083</u>
Non-GAAP Financial Measurements:		
Add: Tax Benefit on Tax-Exempt Interest Income - Loans	\$ 93,288	\$ 82,060
Add: Tax Benefit on Tax-Exempt Interest Income - Securities	<u>376,648</u>	<u>305,014</u>
Total Tax Benefit on Tax-Exempt Interest Income	<u>\$ 469,936</u>	<u>\$ 387,074</u>
Tax-Equivalent Net Interest Income (Non-GAAP)	<u>\$ 25,204,294</u>	<u>\$ 23,191,157</u>

The average balance of total interest-earning assets increased by \$23,619,528, or 3.5%, for the year ended December 31, 2025 when compared to the same period in 2024. The increase was due primarily to an increase of \$27,716,576, or 40.02%, in average Federal Reserve Bank interest-bearing deposits, coupled with an increase of \$6,003,819, or 6.1%, in average investment securities, partially offset by a decrease of \$7,624,480, or 1.5%, in average loans, for the year ended December 31, 2025 when compared to the same period in 2024. The weighted average rate earned on total interest-earning assets, on a fully taxable equivalent basis, for the year ended December 31, 2025 increased by 9 basis points to 5.23%, from 5.14% for the same period in 2024. The increase was due primarily to the increase in the yield earned on the investment and loan portfolios of interest-earning assets for the year ended December 31, 2025, when compared to the same period in 2024.

The average balance of interest-bearing deposits at the Federal Reserve Bank and the FHLBA and time deposits in other banks was \$97,013,341, an increase of \$26,665,776, or 37.9%, for the year ended December 31, 2025, when compared to the same period in 2024. The weighted average rate earned on these holdings, on a fully taxable equivalent basis, for the year ended December 31, 2025, decreased by 60 basis points to 4.47%, from 5.07% for the same period in 2024.

The average balance of investment securities for the year ended December 31, 2025, was \$104,764,536. The weighted average rate earned on investments, on a fully taxable equivalent basis, for the year ended December 31, 2025, increased by 97 basis points to 2.90%, from 1.93% for the same period in 2024.

The average balance of loans for the year ended December 31, 2025, was \$500,525,258, a decrease of 7,624,480, or 1.5%, when compared to the same period in 2024. The weighted average rate earned on total loans, on a fully taxable equivalent basis, for the year ended December 31, 2025 increased by 9 basis points to 5.80%, from 5.71% for the same period in 2024.

The average balance of interest-bearing deposit liabilities for the year ended December 31, 2025, was \$499,124,200, an increase of \$47,216,890 or 10.4%, when compared to the same period in 2024. The weighted average rate paid on interest-bearing deposit liabilities for the year ended December 31, 2025, increased by 7 basis points to 2.25%, from 2.18% for the year ended December 31, 2024. The increase in the rate paid on interest-bearing deposit liabilities was due primarily to the 30 basis point increase in rates paid on money market deposits coupled with 5 basis point increase in rates paid on interest-bearing demand deposits as the mix in those account types moved towards higher balance accounts which earn higher rates. The impact of this shift was partially offset by a 41 basis point reduction in the average rate paid on time deposits for the year ended December 31, 2025 when compared to the same period in 2024.

The Bank paid off its remaining borrowed funds in the fourth quarter of 2024. The Bank also performed liquidity line testing during 2025, resulting in borrowings with an average balance of \$60. As a result, interest expense for borrowed funds for the year ended December 31, 2025 was \$3. The weighted-average rate paid on total borrowed funds for the year ended December 31, 2025 was 5.0%. For the year ended December 31, 2024, interest expense on borrowed funds was \$1,567,506, with an average balance of \$29,928,992. The weighted-average rate paid on total borrowed funds for the year ended December 31, 2024 was 5.24%.

Net interest income, on a fully taxable equivalent basis, for the year ended December 31, 2025, was \$25,204,294, an increase of \$2,013,137, or 8.7%, when compared to the same period in 2024. The Bank's net interest margin (tax equivalent net interest income divided by average earning assets) represents the net yield on earning assets and is managed through loan and deposit pricing and asset/liability strategies. The Bank's net interest margin for the year ended December 31, 2025 was 3.62%, compared to 3.44% for the same period in 2024. The Bank's net interest spread, which is the difference between the average yield on earning assets and the average rate paid on interest bearing liabilities, was 2.98% for the year ended December 31, 2025, compared to 2.77% for the same period in 2024.

Return on average assets was 0.98% for the year ended December 31, 2025, compared to 1.00% for the same period in 2024. Return on average stockholders' equity was 10.32% for the year ended December 31, 2025, compared to 11.21% for the same period in 2024. Comparing the year ended December 31, 2025, to the year ended December 31, 2024, average total assets increased by 3.6% to \$722,320,186, average net loans decreased by 1.5% to \$494,591,111, average deposit liabilities and borrowings increased by 2.9% to \$648,967,760, and average stockholders' equity increased by 10.3% to \$68,533,460.

The following table presents the changes in tax equivalent net interest income and identifies the changes due to differences in the average balance of interest-bearing assets and liabilities and changes due to differences in the average interest rate on those assets and liabilities.

Analysis of Changes in Net Interest Income	2025 Compared to 2024		
	Income variance due to:		
	Volume	Rate	Total
Interest-earning assets			
Federal Reserve Bank interest-bearing deposits	\$ 1,419,089	\$ (632,962)	\$ 786,127
Other interest-bearing deposits	(10,388)	(480)	(10,868)
Time deposits in other banks	(4,294)	36	(4,258)
Other	(115,386)	(3,211)	(118,597)
Investment securities:			
U.S. Treasury	97,193	341,259	438,452
U.S. government agency	(167,893)	186,253	18,360
Mortgage-backed	277,497	395,782	673,279
SBA asset-backed	(32,450)	4,620	(27,830)
State and municipal	(257)	3,035	2,778
Corporate Bonds	23,529	-	23,529
Total investment securities	<u>197,619</u>	<u>930,949</u>	<u>1,128,568</u>
Loans:			
Consumer	(198,792)	48,107	(150,685)
Credit lines	158,414	(133,497)	24,917
Commercial	(147,912)	(330,546)	(478,458)
Real estate	(208,946)	948,108	739,162
Other loan fees	(98,222)	-	(98,222)
Total loans	<u>(495,458)</u>	<u>532,172</u>	<u>36,714</u>
Total interest revenue	<u>991,182</u>	<u>826,504</u>	<u>1,817,686</u>
Interest-bearing liabilities			
Interest-bearing demand deposits	(14,470)	55,879	41,409
Savings	6,377	217	6,594
Money market	512,480	358,781	871,261
Time deposits	<u>1,270,812</u>	<u>(818,024)</u>	<u>452,788</u>
Total interest-bearing deposits	<u>1,775,199</u>	<u>(403,147)</u>	<u>1,372,052</u>
Federal Home Loan Bank overnight borrowings	(873,742)	209	(873,533)
Federal Home Loan Bank term borrowings	<u>(694,157)</u>	<u>187</u>	<u>(693,970)</u>
Total borrowed funds	<u>(1,567,899)</u>	<u>396</u>	<u>(1,567,503)</u>
Total interest expense	<u>207,300</u>	<u>(402,751)</u>	<u>(195,451)</u>
Net interest income	<u>\$ 783,882</u>	<u>\$ 1,229,255</u>	<u>\$ 2,013,137</u>

Changes in net interest income due to variances in both rate and volume are allocated to the change due to rate.

Interest income on interest-bearing deposits in the Federal Reserve Bank and the FHLBA and time deposits in other banks, on a fully taxable equivalent basis, increased by \$771,001, or 21.6%, to \$4,335,617 for the year ended December 31, 2025, when compared to 2024. Of the total increase for 2025, \$1,404,407 was attributable to the increase in average balance on these holdings (volume), while the offsetting \$633,406 was attributable to the decrease in interest rates earned on these holdings (rate).

Interest income on investment securities, on a fully taxable equivalent basis, increased when compared to 2024, by \$1,128,568, or 59.2%, to \$3,034,220 for the year ended December 31, 2025. Of the total increase for 2025, \$197,619 was attributable to the increase in average balance on investment securities as well as the change in mix among investment types, and the remaining increase of \$930,949 was attributable to the increase in interest rates earned on these holdings.

Interest income on total loans, on a fully taxable equivalent basis, increased by \$36,714, or 0.1%, to \$29,034,462 for the year ended December 31, 2025, when compared to 2024. Of the total increase for 2025, \$532,172 was attributable to the increase in interest rates earned on loans, which was offset by \$495,458 which was attributable to the decrease in average balance on loans.

Total interest expense on interest-bearing deposit liabilities and borrowings for the year ended December 31, 2025, decreased by \$195,451, or 1.7%, to \$11,237,213 when compared to 2024. Of the total decrease for 2025, \$402,751 was attributable to the increase in interest rates paid on interest-bearing deposit liabilities and borrowings, and an offset of \$207,300 was attributable to the increase in average balances on interest-bearing deposit liabilities and borrowings as well as the change in mix among deposit types and borrowings.

Provision for Credit Losses on Loans

The provision for credit losses on loans is determined by management as the amount to be added to or subtracted from the allowance for credit losses on loans after net charge-offs (charge-offs less recoveries) have been deducted to bring the allowance for credit losses on loans to a level which, in management's best estimation, is necessary to absorb expected credit losses inherent in the existing loan portfolio. The Bank recorded a provision for credit losses on loans expense for the year ended December 31, 2025 of \$963,492, compared to a provision of \$75,000 recorded for the same period of 2024. The difference in the amount of the provision for credit losses on loans between the 2025 and 2024 periods resulted from an increase in the rate of growth of loan balances and changes in loan mix, as well as management's assessment of the current and a reasonable and supportable forecast of market conditions and inherent risk within the loan portfolio.

Provision for Credit Losses on Off-Balance Sheet Items

The provision for credit losses on off-balance sheet items is determined by management as the amount to be added to or subtracted from, respectively, the allowance for credit losses on off-balance sheet items to bring the allowance for credit losses on off-balance sheet items to a level which, in management's best estimation, is necessary to absorb expected losses inherent in off-balance sheet items. The Bank recorded provision expense for credit losses on off-balance sheet items for the year ended December 31, 2025, of \$124,772, compared to provision expense of \$11,042 recorded for the same period of 2024. The difference in the amount of the provision for credit losses on off-balance sheet items between the 2025 and 2024 periods resulted from an increase in the rate of growth of unused availability on loans and increases in the committed pipeline, as well as management's assessment of the current and a reasonable and supportable forecast of market conditions and inherent risk within the loan portfolio which includes the unused availability.

Noninterest Revenue

The following table presents the primary components of noninterest revenue for the years ended December 31.

Noninterest Revenue	2025	2024
Service charges on deposit accounts	\$ 878,490	\$ 845,623
Debit card income	617,621	575,565
Earnings on bank owned life insurance	151,024	140,633
Other fees and commissions	456,932	466,253
Total noninterest revenue	\$ 2,104,067	\$ 2,028,074
Noninterest revenue as a percentage of average total assets	<u>0.29%</u>	<u>0.29%</u>

Noninterest revenue for the year ended December 31, 2025, increased by \$75,993, or 3.7%, when compared to 2024. This increase was attributable to increases of \$32,867 in deposit service charges, \$42,056 in debit card income, \$10,391 in earnings on bank owned life insurance and a decrease of \$9,321 in other fees and commissions.

Noninterest Expense

The following table presents the principal components of noninterest expense for the years ended December 31.

Noninterest Expense	2025	2024
Salaries and benefits	\$ 10,124,263	\$ 9,644,896
Occupancy	1,291,776	1,222,875
Furniture and equipment	895,691	901,934
Data processing expense	993,715	1,002,481
Professional fees	702,861	515,881
Director and committee fees	416,826	365,777
Stationery and supplies	60,255	59,720
FDIC and state assessments	499,472	562,154
Advertising	246,952	227,798
Loss on disposal of bank premises and equipment	-	4,291
Loss on early extinguishment of Federal Home Loan Bank Advances	-	75,551
Other operating	1,386,109	1,072,140
Total noninterest expense	<u>\$ 16,617,920</u>	<u>\$ 15,655,498</u>
Noninterest expense as a percentage of average total assets	<u>2.30%</u>	<u>2.25%</u>

Noninterest expense for the year ended December 31, 2025, increased by \$962,422, or 6.1%, when compared to 2024. This increase was due primarily to increases of \$479,367 in salaries and benefits, \$68,901 in occupancy expense, \$186,980 in professional fees, \$51,049 in director and committee fees, \$19,154 in advertising, and \$313,969 in other operating expenses. These increases were partially offset by decreases of \$62,682 in FDIC and state assessments and \$75,551 for early extinguishment of FHLBA advances.

When comparing results for the year ended December 31, 2025, to the same period in 2024, the increase in salaries and benefits was due primarily to the addition of Commercial Banking staff to expand into Baltimore County as well as increases in annual merit increases and bonuses and increases in employee benefit expenses. The increase in occupancy includes the opening of a loan production office in Baltimore County, a full year of rent on the Harford County loan production office and normal increases in other costs. The increase in Director and Committee fees was due to the issuance of Director stock options in April 2025, which resulted in \$84,638 of Director stock option expense. Director stock options were issued in August 2024, which resulted in \$47,998 of Director stock options expense for the year ended December 31, 2024. The increase in professional fees included increased internal and external audit fees, consulting costs for assistance with various compliance and risk management projects and increased legal fees associated with corporate and credit matters. The remaining increase relates to increased size and activity of the Bank.

Income Taxes

Income tax expense for the year ended December 31, 2025, was \$2,062,699, compared to \$2,126,899 for the year ended December 31, 2024, a decrease of \$64,200, or 3.0%. The decrease was due to an 0.81% decrease in the effective tax rate on earnings to 22.59% for the year ended December 31, 2025 from 23.40% for the year ended December 31, 2024. This decrease resulted from tax exempt interest income representing a greater portion of overall interest income.

Further information on the components of income tax expense is provided in Note 12 to the audited consolidated financial statements.

FINANCIAL CONDITION

Assets

Total assets increased by \$14,934,564, or 2.1%, to \$728,366,146 at December 31, 2025, from \$713,431,582 at December 31, 2024. Average total assets for the year ended December 31, 2025, was \$722,320,186, compared to \$697,346,174 for the same period in 2024, an increase of \$24,974,012, or 3.6%. The average net loan portfolio, which is the primary source of income for the Bank, represented 71.0% of average earning assets for the year ended December 31, 2025, compared to 74.6% for the same period in 2024. The increase in total assets in 2025 when compared to 2024 was due primarily to an increase of \$42,506,744 in net loans which was partially offset by a decrease in the balance of cash and cash equivalents of \$36,785,551. The decrease in the balance at

the cash and cash equivalents, primarily Federal Reserve Bank deposits, was a result of utilizing cash to fund strong loan growth in the final three months of 2025.

Interest-Bearing Deposits with Other Banks and Federal Funds Sold

The Bank invests excess cash balances in interest-bearing accounts and federal funds sold to its correspondent banks. These liquid deposits are maintained at a level that management believes is necessary to meet the immediate and short-term liquidity needs of the Bank. The balance of interest-bearing deposits with other banks and federal funds sold decreased by \$36,957,813, or 39.4%, to \$56,821,050 at December 31, 2025, from \$93,778,863 at December 31, 2024.

Investment Securities

Investment securities increased by \$8,688,703, or 8.6%, to \$109,331,594 at December 31, 2025 from \$100,642,891 at December 31, 2024. The Bank had classified 6.8% and 0% of the investment portfolio as available for sale as of December 31, 2025 and December 31, 2024, respectively. The Bank began classifying newly purchased securities as available for sale in September 2025.

Securities classified as available for sale are held for an indefinite period of time and may be sold in response to changing market and interest rate conditions as part of the Bank's asset/liability management strategy. Available for sale securities are carried at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity, net of income taxes. Securities classified as held to maturity, which the Bank has both positive intent and ability to hold to maturity, are reported at amortized cost. The Bank manages the investment portfolio within policies that seek to achieve desired levels of liquidity, manage interest rate sensitivity, meet earning objectives, and provide required collateral for deposit and borrowing activities.

The following table sets forth the carrying value of investment securities at December 31:

	<u>2025</u>	<u>2024</u>
<i>Available for Sale</i>		
Agency RMBS	\$ 2,859,189	\$ -
Agency CMO securities	2,609,893	-
Corporate Bonds	1,978,450	-
	<u>\$ 7,447,532</u>	<u>\$ -</u>
<i>Held to maturity</i>		
U.S. Treasury securities	\$ 18,501,758	\$ 19,731,691
U.S. government agency securities	14,919,168	26,279,904
Agency RMBS	42,922,191	37,154,534
Agency CMBS	8,113,808	4,158,262
Agency CMO securities	6,513,323	1,026,775
SBA asset-backed securities	7,386,401	8,751,271
State and municipal securities	3,527,413	3,540,454
	<u>\$ 101,884,062</u>	<u>\$ 100,642,891</u>

The following table sets forth the stated maturities and weighted average yields of the investment securities portfolio as of December 31, 2025.

December 31, 2025	Available for Sale			Held to Maturity		
	Amortized	Fair	Yield	Amortized	Fair	Yield
	Cost	Value		Cost	Value	
Maturing in one year or less	\$ -	\$ -	-	\$ 12,326,025	\$ 12,217,527	1.82%
Maturing over one to five years	-	-	-	15,662,811	15,254,911	2.93%
Maturing over five to ten years	2,000,000	1,978,450	7.19%	4,496,583	4,061,215	2.11%
Maturing over ten years	-	-	-	4,462,920	4,101,712	3.73%
	2,000,000	1,978,450	7.19%	36,948,339	35,635,365	2.56%
Mortgage-backed, CMO and asset-backed securities	5,461,914	5,469,082	4.46%	64,935,723	62,006,783	3.30%
	<u>\$ 7,461,914</u>	<u>\$ 7,447,532</u>	<u>5.19%</u>	<u>\$ 101,884,062</u>	<u>\$ 97,642,148</u>	<u>3.03%</u>

As indicated by the table, \$12,326,025, or 11.3%, of the investment securities held at December 31, 2025 had a stated maturity of one year or less, compared to \$16,060,255, or 16.0%, of the investment securities held at December 31, 2024.

Further information about investments is provided in Note 3 to the audited consolidated financial statements, which are contained in Item 8 of Part II of this annual report.

Loans

Loans, net of deferred fees and costs, and net of the allowance for credit losses on loans, increased by \$42,506,744, or 8.6%, to \$536,341,272 at December 31, 2025, from \$493,834,528 at December 31, 2024. The majority of the loan portfolio is comprised of loans which are secured by commercial and residential real estate. Real estate loans made up 86.0% of gross loans at December 31, 2025, compared to 83.8% of gross loans at December 31, 2024. The Bank did not transfer any loans into foreclosed real estate in either 2025 or 2024.

The following table sets forth the composition of the Bank's loan portfolio as of December 31 of the years indicated.

	2025		2024	
	Amount	Percent of Total	Amount	Percent of Total
Real estate				
Construction, development and other land	\$ 20,556,789	3.8%	\$ 17,402,498	3.5%
Secured by farmland	8,968,365	1.7%	8,002,981	1.6%
Commercial	284,622,647	52.3%	253,232,507	50.6%
Residential	153,323,338	28.2%	140,296,099	28.1%
Total real estate	467,471,139	86.0%	418,934,085	83.8%
Commercial and industrial	50,629,493	9.3%	52,121,906	10.5%
Other consumer	25,311,395	4.7%	28,719,577	5.7%
Overdrafts	42,166	0.0%	44,006	0.0%
Gross loans	543,454,193	100.0%	499,819,574	100.0%
Deferred (fees) costs	(448,803)		(273,076)	
Allowance for credit losses on loans	(6,664,118)		(5,711,970)	
Net loans	<u>\$ 536,341,272</u>		<u>\$ 493,834,528</u>	
Allowance for credit losses on loans to gross loans		<u>1.23%</u>		<u>1.14%</u>

The following table sets forth the maturity distribution of the Bank's gross loan portfolio as of December 31, 2025. The table also presents the portion of loans with fixed interest rates or variable interest rates that will fluctuate over the life of the loans in accordance with changes in the Bank's current offering rates for that adjustment interval at the time of repricing.

At December 31, 2025	Due in One Year Or Less	After One, But Within Five Years	After Five, But Within Fifteen Years	After Fifteen Years	Total
Loans with fixed interest rates:					
Construction, development and other land	\$ 1,470,721	\$ 5,384,726	\$ 26,972	\$ 100,397	\$ 6,982,816
Commercial real estate and farmland	13,030,220	11,239,754	5,981,334	680,294	30,931,602
Residential real estate	3,665,147	2,189,141	21,905,204	57,505,215	85,264,707
Commercial and industrial	1,292,258	15,801,761	9,119,773	-	26,213,792
Other consumer and overdraft	118,790	1,860,897	2,667,868	20,496,209	25,143,764
Total	<u>\$ 19,577,136</u>	<u>\$ 36,476,279</u>	<u>\$ 39,701,151</u>	<u>\$ 78,782,115</u>	<u>\$ 174,536,681</u>
Loans with variable interest rates:					
Construction, development and other land	\$ 4,275,790	\$ 3,097,855	\$ 1,570,475	\$ 4,629,853	\$ 13,573,973
Commercial real estate and farmland	7,164,016	1,710,603	64,231,697	189,553,094	262,659,410
Residential real estate	5,857,881	1,734,909	15,664,604	44,801,237	68,058,631
Commercial and industrial	19,224,536	757,297	3,840,001	593,867	24,415,701
Other consumer and overdraft	3,757	181,370	24,670	-	209,797
Total	<u>\$ 36,525,980</u>	<u>\$ 7,482,034</u>	<u>\$ 85,331,447</u>	<u>\$ 239,578,051</u>	<u>\$ 368,917,512</u>
Total Loans:					
Construction, development and other land	\$ 5,746,511	\$ 8,482,581	\$ 1,597,447	\$ 4,730,250	\$ 20,556,789
Commercial real estate and farmland	20,194,236	12,950,357	70,213,031	190,233,388	293,591,012
Residential real estate	9,523,028	3,924,050	37,569,808	102,306,452	153,323,338
Commercial and industrial	20,516,794	16,559,058	12,959,774	593,867	50,629,493
Other consumer and overdraft	122,547	2,042,267	2,692,538	20,496,209	25,353,561
Total	<u>\$ 56,103,116</u>	<u>\$ 43,958,313</u>	<u>\$ 125,032,598</u>	<u>\$ 318,360,166</u>	<u>\$ 543,454,193</u>

The Bank's loan portfolio is subject to varying degrees of credit risk. The Bank seeks to mitigate credit risk through portfolio diversification, limiting exposure to any single industry or customer, collateral protection and strong underwriting criteria. The following discussion provides information and statistics on the overall quality of the Bank's loan portfolio. Notes 1 and 4 to the audited consolidated financial statements included elsewhere in this report describe the accounting policies related to nonperforming loans and charge-offs and foreclosed and repossessed assets, describe the methodologies used to develop the allowance for credit losses on loans, and describe the credit quality indicators, loan restructurings and other details related to loans and the allowance for credit losses on loans. Management believes the policies governing nonperforming loans and charge-offs are consistent with regulatory standards. The allowance is increased by provisions for loan losses charged to expense and recoveries of loans previously charged-off. Provisions for credit losses on loans are made to bring the allowance for credit losses on loans within the range of balances that are considered appropriate based upon the allowance methodology and to reflect management's estimate of losses inherent in the loan portfolio as of the balance sheet date.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loan delinquency may be an indication of a borrower experiencing stress and generally results in increased monitoring of the loan relationship and other actions by the Bank to mitigate the potential of loss. Loans 90 days and over past due are in various stages of workout including possible foreclosure.

The following table summarizes the Bank's loan delinquency at December 31, 2025 and 2024.

Loan Delinquency	2025	2024
Loans 30-59 days past due	\$ 126,030	\$ 128,406
Loans 60-89 days past due	55,456	272,184
Loans 90 days and over past due	591,338	748,589
Total loans 30 days and over past due	<u>\$ 772,824</u>	<u>\$ 1,149,179</u>
Loans 90 days and over past due and accruing	<u>\$ 504,942</u>	<u>\$ -</u>

As of December 31, 2025, loans totaling \$86,396 were 90 days or more past due and were included in non-accrual loans. As of December 31, 2024, loans totaling \$748,589 were 90 days or more past due and were included in non-accrual loans.

Non-Performing Assets: Non-performing assets include non-accrual loans and foreclosed assets. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed and charged to current year operations. Subsequent receipts on non-accrual loans are recorded as a reduction of principal. Loans may be considered for return to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following table summarizes the Bank's non-performing assets at December 31, 2025 and 2024.

Non-Performing Assets	2025	2024
Non-accrual loans	\$ 5,589,227	\$ 6,619,267
Foreclosed real estate	-	-
Reposessed assets	-	-
Total	<u>\$ 5,589,227</u>	<u>\$ 6,619,267</u>

Allowance for Credit Losses on Loans: The allowance for credit losses on loans is a reserve established through a provision for credit losses on loans charged to expense. The adequacy of the allowance for credit losses on loans is determined based upon management's best estimate of the inherent risks associated with lending activities, and includes consideration of factors such as estimated fair value of collateral, past experience and present indicators such as loan delinquency trends, non-accrual loans and management's assessment of the current and a reasonable and supportable forecast of market conditions and inherent risk within the loan portfolio. The Bank's management team and Board of Directors continually monitor and actively fund the allowance for credit losses on loans to mitigate any future credit losses on loans due to a weakened economy and troubled loans, and the process is designed to account for credit deterioration as it is estimated to occur. Even so, examination of the loan portfolio and subsequent evaluation of the adequacy of the allowance for credit losses on loans by the Bank's regulators, auditors, and consultants engaged by the Bank may result in the need for additional provisions based upon information available at the time of examination.

The allowance for credit losses on loans at December 31, 2025 was \$6,664,118, an increase of \$952,148 when compared to December 31, 2024. The components of the increase were the provision expense of \$963,492 and recoveries of amounts previously charged-off of \$11,606, partially offset by amounts charged-off of \$22,950.

At December 31, 2025, the allowance for credit losses on loans was 1.23% of gross loans. At December 31, 2024, the allowance for credit losses on loans was 1.14% of gross loans.

The table below provides an allocation of the allowance for credit losses on loans to each major loan portfolio classification at December 31, 2025 and 2024.

December 31, 2025	Unallocated	Construction,	Commercial	Residential	Commercial	Other	Total
		Development & Other Land	Real Estate & Farmland			Real Estate	
Loan balances by portfolio:		\$ 20,556,789	\$ 293,591,012	\$ 153,323,338	\$ 50,629,493	\$ 25,353,561	\$ 543,454,193
As % of total gross loans:		3.78%	54.02%	28.21%	9.32%	4.67%	100.0%
Allowance for credit losses on loans: \$	-	\$ 415,787	\$ 3,113,753	\$ 1,764,890	\$ 664,677	\$ 705,011	\$ 6,664,118
As % of portfolio:	0.00%	2.02%	1.06%	1.15%	1.31%	2.78%	1.23%
December 31, 2024							
Loan balances by portfolio:		\$ 17,402,498	\$ 261,235,488	\$ 140,296,099	\$ 52,121,906	\$ 28,763,583	\$ 499,819,574
As % of total gross loans:		3.48%	52.27%	28.07%	10.43%	5.75%	100.0%
Allowance for credit losses on loans: \$	754	\$ 368,666	\$ 2,146,748	\$ 1,627,618	\$ 1,038,648	\$ 529,536	\$ 5,711,970
As % of portfolio:	0.00%	2.12%	0.82%	1.16%	1.99%	1.84%	1.14%

The table below provides credit ratio information at December 31, 2025 and 2024.

At and for the years ended:	December 31, 2025	December 31, 2024
Non-accrual loans	\$ 5,589,227	\$ 6,619,267
Total gross loans	543,454,193	499,819,574
Non-accrual loans to total gross loans	1.03%	1.32%
Allowance for credit losses on loans	\$ 6,664,118	\$ 5,711,970
Non-accrual loans	5,589,227	6,619,267
Allowance for credit losses on loans to non-accrual loans	119.23%	86.29%
Net charge-offs	\$ 11,344	\$ 72,858
Average total loans	500,525,258	508,149,738
Net charge-offs to average total loans	0.00%	0.01%

The following table presents net (charge-offs) recoveries and the average balances of loans for the years indicated.

December 31, 2025	Periodic Net (Charge-Offs) Recoveries	Average Total Loans	Net (Charge-Offs) Recoveries. to Average Total Loans
Construction, development & other land	\$ -	\$ 14,633,535	0.00%
Commercial real estate & farmland	-	263,261,605	0.00%
Residential real estate	7,200	149,756,133	0.00%
Commercial & industrial	-	48,090,191	0.00%
Other consumer & overdrafts	(18,544)	24,783,794	-0.07%
Totals	\$ (11,344)	\$ 500,525,258	0.00%

December 31, 2024	Periodic Net (Charge-Offs) Recoveries	Average Total Loans	Net (Charge-Offs) Recoveries. to Average Total Loans
Construction, development & other land	\$ -	\$ 28,123,430	0.00%
Commercial real estate & farmland	-	261,766,532	0.00%
Residential real estate	7,000	137,826,267	0.01%
Commercial & industrial	(18,781)	49,660,344	-0.04%
Other consumer & overdrafts	(61,076)	30,773,166	-0.20%
Totals	\$ (72,857)	\$ 508,149,739	-0.01%

Further information about loans and the allowance for credit losses on loans is provided in Note 4 to the audited consolidated financial statements, which are contained in Item 8 of Part II of this annual report.

Deposits

Total deposits at December 31, 2025 were \$652,345,444, an increase of \$8,988,045, or 1.4%, over total deposits at December 31, 2024. The Bank primarily utilizes deposits to fund its earning assets. Average total deposits increased by \$47,982,023, or 8.0%, in 2025 when compared to 2024. The average balance of noninterest-bearing demand deposits increased by \$765,133, or 0.5%, in 2025 when compared to 2024. The average balance of interest-bearing deposits increased by \$47,216,890, or 10.4%, in 2025 when compared to 2024. The average balance of interest-bearing checking and money market accounts increased by \$15,436,022, or 6.7%, in 2025 when compared to 2024. The average balance of savings deposits increased by \$2,898,778, or 5.4%, in 2025 when compared to 2024. The average balance of time deposits increased by \$28,882,090, or 17.0%, in 2025 when compared to 2024. The weighted-average cost of average total deposits increased by 9 basis points to 1.73% in 2025, from 1.64% in 2024. This increase was primarily due to the increase in balances of and rates paid on interest-bearing demand deposits and money market deposits resulting from increases in balances in the higher rate tiers of those products, as well as growth in time deposits which changed the mix of total deposits in 2025 when compared to 2024. This change in mix was due in large part to the increased competition for deposits from other banks, credit unions and brokerages.

The following table sets forth the Bank's deposits by category at December 31, 2025 and 2024.

Deposits by Category	2025		2024	
	Amount	Percent of Total	Amount	Percent of Total
Noninterest-bearing demand	\$ 149,043,176	22.8%	\$ 152,383,101	23.7%
Interest-bearing checking and Money Market	252,344,377	38.7%	241,175,110	37.5%
Savings	56,237,855	8.6%	55,477,364	8.6%
Time deposits	194,720,036	29.9%	194,321,824	30.2%
Total deposits	\$ 652,345,444	100.0%	\$ 643,357,399	100.0%

The following table sets forth the maturity distribution of the Bank's time deposits that exceed the \$250,000 FDIC deposit insurance limit at December 31, 2025 and 2024.

Maturities of Time Deposits of \$250,000 or more	2025	2024
Three months or less	\$ 16,492,276	\$ 19,884,755
After three months to one year	44,571,599	40,844,101
After one year to three years	1,554,615	5,490,556
After three years to five years	258,912	-
Total	<u>\$ 62,877,402</u>	<u>\$ 66,219,412</u>

The estimated amount of total uninsured deposits at December 31, 2025 was \$178,266,356. The estimated amount of total uninsured deposits at December 31, 2024 was \$188,442,649.

Federal Home Loan Bank credit facility

The Bank may borrow up to 25% of its reported total assets from the FHLBA through any combination of notes or line of credit advances, subject to collateral availability. The line of credit interest rate is a variable rate set daily by the FHLBA. The notes payable and the line of credit are secured by a floating lien on all of the Bank's eligible residential first mortgage loans, home equity loans and commercial real estate loans. The Bank is required to purchase shares of capital stock in the FHLBA as a condition to obtaining the line of credit, and is required to hold capital stock based on borrowing activity.

The Bank had no fixed rate or adjustable rate advances outstanding as of December 31, 2025 and December 31, 2024.

Further information is provided in Note 9 to the audited consolidated financial statements, which are contained in Item 8 of Part II of this annual report.

Capital Management

The Bank continues to maintain capital at levels in excess of the minimum risk-based capital requirements adopted by the federal banking agencies, and the most recent notification from the Bank's primary regulator categorized the Bank as a "well-capitalized" institution. Total stockholders' equity increased by \$6,169,932, or 9.5%, to \$71,201,808 at December 31, 2025 from \$65,031,876 at December 31, 2024. The components of this increase were net income of \$7,069,542, stock options exercised and net dividends reinvested in the amount of \$466,512, and stock-based compensation expense totaling \$84,638, reduced by the cash dividends declared of \$1,440,335 and other comprehensive loss related to fluctuations in the value of the Bank's available for sale security portfolio, of \$10,425.

The following table compares the Bank's capital ratios as of December 31 of the years indicated to the regulatory requirements.

(\$ in thousands)	Actual		Required To be Well Capitalized		Minimum Capital		Minimum Capital With Capital Conservation Buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025								
Total capital	\$ 77,828	14.72%	\$ 52,865	10.00%	\$ 42,292	8.00%	\$ 55,508	10.50%
Tier 1 capital	71,212	13.47%	42,292	8.00%	31,719	6.00%	44,935	8.50%
Common equity Tier 1 capital	71,212	13.47%	34,362	6.50%	23,789	4.50%	37,005	7.00%
Tier 1 leverage capital	71,212	9.75%	36,506	5.00%	29,205	4.00%	29,205	4.00%
December 31, 2024								
Total capital	\$ 71,125	14.59%	\$ 48,735	10.00%	\$ 38,988	8.00%	\$ 51,171	10.50%
Tier 1 capital	65,032	13.34%	38,988	8.00%	29,241	6.00%	41,424	8.50%
Common equity Tier 1 capital	65,032	13.34%	31,677	6.50%	21,931	4.50%	34,114	7.00%
Tier 1 leverage capital	65,032	9.10%	35,735	5.00%	28,588	4.00%	28,588	4.00%

The DRIP contemplates that the shares necessary to fund dividend reinvestments will be either newly issued shares or shares that the Bank, in its capacity as administrator, purchases in the open market or in privately negotiated transactions (collectively "open-market purchases"). The Bank uses its ability to fund dividend reinvestment requirements with open-market purchases to manage

its capital position and the dilutive effect of issuing new shares. The Board has authorized Executive Management to acquire up to 3,000 of the shares needed to fund reinvestments for each dividend payment event through open-market purchases. Open-market purchases in excess of 3,000 shares up to 100% of shares needed must be approved by the Board. During 2025, the Bank purchased no shares through dividend reinvestment. During 2024, the Bank purchased 6,084 shares at an average price of \$33.19 to fund dividend reinvestment.

Further information about the Bank's capital and capital standards is provided in Note 14 to the audited consolidated financial statements, which are contained in Item 8 of Part II of this annual report.

Liquidity Management; Contractual Obligations and Off-Balance Sheet Transactions

Liquidity describes the ability of the Bank to meet financial obligations that arise during the normal course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of customers and to fund current and planned expenditures. Liquidity is derived through increased customer deposits, maturities of time deposits in other banks, maturities and calls in the investment portfolio, loan repayments and income from earning assets. To the extent that deposits are not adequate to fund customer loan demand, liquidity needs can be met in the short-term funds markets. As of December 31, 2025, the Bank has arrangements with correspondent banks whereby it has \$13,000,000 available in an unsecured federal funds line of credit and \$5,000,000 in a secured federal funds line of credit. The Bank is also a member of the Federal Reserve Bank Discount Window, the FHLBA, the IntraFi reciprocal deposit network and the QwickRate marketplace, which provide additional resources of liquidity. Further information about these arrangements is provided in Note 9 to the audited consolidated financial statements, which are contained in Item 8 of Part II of this annual report.

At December 31, 2025, the Bank's net loans to deposits ratio was 82.2%, compared to 76.8% at December 31, 2024, with the increase due primarily to loan growth outpacing deposit growth in 2025. Cash and cash equivalents were \$60,770,425 at December 31, 2025, which represented a decrease of \$36,785,551, or 37.7%, when compared to the amount outstanding at December 31, 2024.

In addition to its deposit liabilities, the Bank has various financial obligations, including contractual obligations and commitments that may require future cash payments. In the normal course of business, to meet the financing needs of its customers, the Bank is a party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit, lines of credit, and standby letters of credit. The Bank's exposure to credit loss in the event of nonperformance by the other party to these financial instruments is represented by the contractual amount of the instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Bank generally requires collateral or other security to support the financial instruments with credit risk. The amount of collateral or other security is determined based on management's credit evaluation of the counterparty. The Bank evaluates each customer's creditworthiness on a case-by-case basis.

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 Bank 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. Since 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. Further information about these arrangements is provided in Note 5 to the audited consolidated financial statements, which are contained in Item 8 of Part II of this annual report.

Management does not believe that any of the foregoing arrangements have or are reasonably likely to have a current or future effect on the Bank's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. Management is not aware of any demands, commitments, events or uncertainties that will materially affect the Bank's ability to maintain liquidity at satisfactory levels.

The following table presents, as of December 31, 2025, significant fixed and determinable contractual obligations to third parties by payment date. Payments for deposits and borrowings do not include interest. Payments on leases are based on actual payments specified in the underlying contracts.

Contractual Obligations	One year or less	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Total
Deposits with stated maturity dates	\$ 185,738,396	\$ 7,357,798	\$ 1,623,842	\$ -	\$ 194,720,036
Operating leases	281,053	443,228	296,600	534,460	1,555,341
Total	\$ 186,019,449	\$ 7,801,026	\$ 1,920,442	\$ 534,460	\$ 196,275,377

The following table presents credit commitments as of December 31, 2025. Loan commitments and letters of credit are presented at contractual amounts.

Credit Commitments	One year or less	Over 1 year	Total
Commitments to extend credit	\$ 90,382,202	\$ 30,242,334	\$ 120,624,536
Letters of credit	1,699,068	-	1,699,068
Total	\$ 92,081,270	\$ 30,242,334	\$ 122,323,604

Market Risk

Market risk refers to the risk of loss arising from changes in interest rates and other relevant market rates and prices. The risk of loss can be assessed from the perspective of changes in fair values, cash flows, and future earnings. Due to the nature of its operations, the Bank's principal market risk is the fluctuation of interest rates and the impact such fluctuation would have on the Bank's lending, investing and deposit activities. Interest rate risk on the Bank's balance sheet consists of repricing, option and basis risks. Repricing risk results from differences in the maturity or repricing of asset and liability portfolios. Option risk arises from the embedded options present in many financial instruments such as the loan prepayment options, investment security call options and deposit early withdrawal options. These options permit the counterparty to benefit when interest rates change, which typically results in lower revenue or higher costs for the Bank. Basis risk results from changes in the underlying relationship between market rates and indices, causing a narrowing of the profit spread on the earning asset or liability. Basis risk extends to administered rate liabilities such as savings, interest-bearing checking, and money market accounts where historical pricing relationships to market rates may change.

The Bank seeks to avoid fluctuations in its net interest margin and to maximize net interest income within acceptable levels of risk through periods of changing interest rates. The Bank's Asset/Liability Committee ("ALCO") oversees the management of market risk management and interest rate sensitivity. ALCO's actions include establishing and monitoring risk measures, limits and policy guidelines for managing market risk and its effect on the Bank's net interest income and capital. These efforts affect the loan pricing and deposit rate policies of the Bank as well as the mix of assets and liabilities, volume guidelines, durations of assets and liabilities, liquidity and capital planning.

The Bank utilizes an earning simulation model as the primary quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model quantifies the effect of various interest rate scenarios on projected net interest income and net income over the next 12 months. The model measures the impact on net interest income of hypothetical fluctuations in interest rates over the next 12 months. These simulations include assumptions regarding balance sheet mix, pricing, repricing, maturity, prepayment characteristics of the existing balance sheet, as well as the magnitude and timing of interest rate changes.

When actual changes in interest rates occur, the changes in interest earning assets and interest-bearing liabilities may differ from the assumptions used in the model.

At December 31, 2025, the model simulations projected the following percentage changes in net interest income from the base case (no change in rates) over the next 12 months for the various interest rate change shock (Immediate change) scenarios listed in the table below.

Change in interest rates:	+400 Basis points	+300 Basis points	+200 Basis points	+100 Basis points	-100 Basis points	-200 Basis points
Change in net interest income	(4.60%)	(3.40%)	(2.30%)	(0.30%)	(0.70%)	(2.80%)

Accounting Standards Updates

See Note 18 to the audited consolidated financial statements contained in Item 8 of Part II of this annual report.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

The Bank is a "smaller reporting company" as defined in Rule 12b-2 under the Exchange Act and, as such, is not required to present the information required by this item. Certain market risk information is presented in Item 7 of Part II of this report under the heading "Market Risk".

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial statements and schedules:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Condition at December 31, 2025 and 2024

Consolidated Statements of Income for years ended December 31, 2025 and 2024

Consolidated Statements of Changes in Stockholders' Equity for years ended December 31, 2025 and 2024

Consolidated Statements of Cash Flows for years ended December 31, 2025 and 2024

Notes to Consolidated Financial Statements



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Harford Bank
Aberdeen, Maryland

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of condition of Harford Bank and Subsidiary (the Bank) as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2025, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Bank in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the

critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses – Loans Collectively Evaluated for Credit Losses

As described in Note 1 – Summary of Significant Accounting Policies and Note 4 – Loans to the consolidated financial statements, the allowance for credit losses on loans (ACL) is a valuation allowance that represents management's best estimate of expected credit losses on loans measured at amortized cost considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms. Loans which share common risk characteristics are pooled and collectively evaluated by the Bank using historical data, as well as assessments of current conditions and reasonable and supportable forecasts of future conditions. The Bank's ACL related to collectively evaluated loans made up \$6.624 million of the total recorded ACL of \$6.664 million as of December 31, 2025. The collectively evaluated ACL consists of quantitative and qualitative components.

The quantitative component consists of loss estimates derived from an average charge off or loss rate methodology using peer institution observations of historical loan losses adjusted for estimated prepayment and forecasts of future conditions over a reasonable and supportable period. These estimates consider large amounts of data in tabulating loss and prepayment rates and require complex discounted cash flow calculations as well as management judgement in the selection of appropriate inputs.

In addition to the quantitative component, the collectively evaluated ACL also includes a qualitative component which aggregates management's assessment of available information relevant to assessing collectability that is not captured in the quantitative loss estimation process. Factors considered by management in developing its qualitative estimates include: lending policies and procedures, economic conditions, nature and volume of the portfolio, experience of lending management, volume/severity of past due and nonaccrual loans, loan review system, collateral values, concentrations, and other external factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Management exercised significant judgment when estimating the ACL on collectively evaluated loans. We identified the estimation of the collectively evaluated ACL as a critical audit matter as auditing the collectively evaluated ACL involved especially complex and subjective auditor judgment in evaluating management's assessment of the inherently subjective estimates.

The primary audit procedures we performed to address this critical audit matter included:

- Substantively testing management's process for measuring the collectively evaluated ACL, including:
 - Evaluating conceptual soundness, assumptions, and key data inputs of the Bank's loss rate methodology, including the identification of loan segments, the calculation of loss rate inputs, and the calculation of prepayment rate inputs for each segment.
 - Evaluating the methodology and testing the reasonableness of incorporating reasonable and supportable forecasts in the collectively evaluated ACL estimate.
 - Evaluating the completeness and accuracy of data inputs used as a basis for the qualitative factors.
 - Evaluating the qualitative factors for directional consistency in comparison to prior periods and for reasonableness in comparison to underlying supporting data.
 - Testing the mathematical accuracy of the ACL for collectively evaluated loans including both the quantitative and qualitative components of the calculation.
 - Performed an analysis of the overall allowance for credit loss ratio compared to a relevant peer group.

Yount, Hyde & Barbour, P.C.

We have served as the Bank's auditor since 2022.
Richmond, Virginia
March 11, 2026

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CONDITION

At December 31,	2025	2024
ASSETS		
Cash and due from banks	\$ 3,949,375	\$ 3,777,113
Federal Reserve Bank deposit	56,764,955	93,729,841
Federal Home Loan Bank deposit	<u>56,095</u>	<u>49,022</u>
Total cash and cash equivalents	60,770,425	97,555,976
Investment securities available for sale, at fair value	7,447,532	-
Investment securities held to maturity, at amortized cost (fair value of \$97,642,148 in 2025 and \$92,566,585 in 2024)	101,884,062	100,642,891
Federal Home Loan Bank stock, at cost	499,600	466,000
Total loans, including deferred fees net of costs	543,005,390	499,546,498
Less: Allowance for credit losses on loans	<u>(6,664,118)</u>	<u>(5,711,970)</u>
Net loans	536,341,272	493,834,528
Bank premises and equipment, net	8,041,965	8,092,879
Accrued interest receivable	1,976,839	1,636,248
Deferred income taxes	1,949,012	1,750,510
Bank owned life insurance	6,835,256	6,684,231
Other assets	<u>2,613,883</u>	<u>2,768,319</u>
Total assets	<u><u>\$ 728,359,846</u></u>	<u><u>\$ 713,431,582</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 149,043,176	\$ 152,383,101
Interest-bearing	<u>503,302,268</u>	<u>490,974,298</u>
Total deposits	652,345,444	643,357,399
Accrued interest payable	746,560	743,030
Allowance for credit losses on off-balance sheet items	642,464	517,692
SERP liability	1,050,520	1,102,796
Other liabilities	<u>2,373,050</u>	<u>2,678,789</u>
Total liabilities	<u>657,158,038</u>	<u>648,399,706</u>
Stockholders' equity		
Common stock, par value \$10 per share; authorized 5,000,000 shares; issued and outstanding 1,507,561 shares in 2025, and 1,493,407 shares in 2024	15,075,610	14,934,070
Surplus	18,589,026	18,179,416
Undivided profits	37,547,597	31,918,390
Accumulated Other Comprehensive Loss	<u>(10,425)</u>	<u>-</u>
Total stockholders' equity	<u>71,201,808</u>	<u>65,031,876</u>
Total liabilities and stockholders' equity	<u><u>\$ 728,359,846</u></u>	<u><u>\$ 713,431,582</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31,	2025	2024
Interest revenue		
Loans, including fees	\$ 28,941,174	\$ 28,915,688
Investment securities held to maturity	2,942,570	1,842,838
Federal Home Loan Bank deposit	1,895	12,052
Federal Reserve Bank deposit	4,051,150	3,316,261
Time deposits in other banks	-	4,258
Other	<u>34,782</u>	<u>145,650</u>
Total interest revenue	<u>35,971,571</u>	<u>34,236,747</u>
Interest expense		
Deposits	11,237,210	9,865,158
Borrowed funds	<u>3</u>	<u>1,567,506</u>
Total interest expense	<u>11,237,213</u>	<u>11,432,664</u>
Net interest income	24,734,358	22,804,083
Credit loss expense		
Provision for credit losses on loans	963,492	75,000
Provision for credit losses on off-balance sheet items	<u>124,772</u>	<u>11,042</u>
Total credit loss expense	<u>1,088,264</u>	<u>86,042</u>
Net interest income after provision for credit loss expense	<u>23,646,094</u>	<u>22,718,041</u>
Noninterest revenue		
Service charges on deposit accounts	878,490	845,623
Debit card income	617,621	575,565
Earnings on bank owned life insurance	151,025	140,633
Other fees and commissions	<u>456,931</u>	<u>466,253</u>
Total noninterest revenue	<u>2,104,067</u>	<u>2,028,074</u>
Noninterest expense		
Salaries and benefits	10,124,263	9,644,896
Occupancy	1,291,776	1,222,875
Furniture and equipment	895,691	901,934
Data processing expense	993,715	1,002,481
Professional fees	702,861	515,881
Director and committee fees	416,826	365,777
FDIC and state assessments	499,472	562,154
Advertising	246,952	227,798
Loss on disposal of bank premises and equipment	-	4,291
Loss on early extinguishment of Federal Home Loan Bank advances	-	75,551
Other operating	<u>1,446,364</u>	<u>1,131,860</u>
Total noninterest expense	<u>16,617,920</u>	<u>15,655,498</u>
Income before income taxes	9,132,241	9,090,617
Income taxes	<u>2,062,699</u>	<u>2,126,899</u>
Net income	<u>\$ 7,069,542</u>	<u>\$ 6,963,718</u>
Basic net income per common share	\$ 4.71	\$ 4.69
Diluted net income per common share	\$ 4.68	\$ 4.66

The accompanying notes are an integral part of these consolidated financial statements.

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31,	2025	2024
Net Income	\$ 7,069,542	\$ 6,963,718
Total unrealized loss on investment securities available for sale	(14,382)	-
Income tax benefit	<u>3,957</u>	<u>-</u>
Net unrealized loss on investment securities available for sale	<u>(10,425)</u>	<u>-</u>
Total Comprehensive Income	<u>\$ 7,059,117</u>	<u>\$ 6,963,718</u>

The accompanying notes are an integral part of these consolidated financial statements.

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2025 and 2024

	Common Stock			Accumulated Other Comprehensive Loss	Undivided Profits	Total Stockholders' Equity
	Shares	Par Value	Surplus			
Balance, January 1, 2024	1,477,595	\$14,775,950	\$17,864,742	\$ -	\$26,321,976	\$ 58,962,668
Net income	-	-	-	-	6,963,718	6,963,718
Cash dividends, \$0.92 per share	-	-	-	-	(1,367,304)	(1,367,304)
Common stock issued						
Shares issued under stock-based compensation plans and related tax effects	12,492	124,920	190,901	-	-	315,821
Stock sold and dividend reinvestment plan (DRIP)	9,404	94,040	216,882	-	-	310,922
Stock-based compensation expense	-	-	47,998	-	-	47,998
Stock acquired for DRIP administration	(6,084)	(60,840)	(141,107)	-	-	(201,947)
Balance, December 31, 2024	<u>1,493,407</u>	<u>14,934,070</u>	<u>18,179,416</u>	<u>-</u>	<u>31,918,390</u>	<u>65,031,876</u>
Balance, January 1, 2025	1,493,407	\$14,934,070	\$18,179,416	\$ -	\$31,918,390	\$ 65,031,876
Net income	-	-	-	-	7,069,542	7,069,542
Other comprehensive loss	-	-	-	(10,425)	-	(10,425)
Cash dividends, \$0.96 per share	-	-	-	-	(1,440,335)	(1,440,335)
Common stock issued						
Shares issued under stock-based compensation plans and related tax effects	5,834	58,340	107,403	-	-	165,743
Stock sold and dividend reinvestment plan (DRIP)	8,320	83,200	217,569	-	-	300,769
Stock-based compensation expense	-	-	84,638	-	-	84,638
Balance, December 31, 2025	<u>1,507,561</u>	<u>\$15,075,610</u>	<u>\$18,589,026</u>	<u>\$ (10,425)</u>	<u>\$37,547,597</u>	<u>\$ 71,201,808</u>

The accompanying notes are an integral part of these consolidated financial statements.

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2025	2024
Cash flows provided by (used in) operating activities		
Interest received	\$ 35,592,244	\$ 34,338,524
Fees and commissions received	2,351,711	2,365,942
Interest paid	(11,233,683)	(11,401,700)
Cash paid to suppliers and employees	(16,466,933)	(14,798,120)
Income taxes paid	<u>(2,257,244)</u>	<u>(3,074,935)</u>
Net cash provided by operating activities	<u>7,986,095</u>	<u>7,429,711</u>
Cash flows provided by (used in) investing activities		
Proceeds from maturities of time deposits in other banks	-	2,248,000
Proceeds from paydowns, calls and maturities of investment securities		
Available for sale	132,651	-
Held to maturity	26,854,936	23,020,053
Purchases of investment securities		
Available for sale	(7,581,057)	-
Held to maturity	(28,142,795)	(17,467,481)
Redemption (purchase) of FHLB stock	(33,600)	2,254,700
Loans originated, net of principal repayments	(43,645,964)	8,325,762
Purchases of bank premises and equipment	<u>(370,039)</u>	<u>(363,652)</u>
Net cash (used in) provided by investing activities	<u>(52,785,868)</u>	<u>18,017,382</u>
Cash flows provided by (used in) financing activities		
Net increase in time deposits	398,212	60,365,845
Net increase in other deposits	8,589,833	28,682,918
Repayments of borrowed funds	-	(48,000,000)
Dividends paid	(1,440,335)	(1,367,304)
Dividends reinvested	300,769	310,922
Shares issued under stock-based compensation plans and related tax effects	165,743	315,821
Stock acquired for DRIP administration	<u>-</u>	<u>(201,947)</u>
Net cash provided by financing activities	<u>8,014,222</u>	<u>40,106,255</u>
Net (decrease) increase in cash and cash equivalents	(36,785,551)	65,553,348
Cash and cash equivalents at beginning of period	<u>97,555,976</u>	<u>32,002,628</u>
Cash and cash equivalents at end of period	<u>\$ 60,770,425</u>	<u>\$ 97,555,976</u>
Supplemental disclosure of non-cash transactions:		
Net unrealized loss on securities available for sale	\$ (10,425)	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Years Ended December 31,	2025	2024
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 7,069,542	\$ 6,963,718
Adjustments to reconcile net income to net cash provided by operating activities		
Net amortization and accretion on loan fees and costs	(37,469)	(6,032)
Net increase (decrease) in deferred loan fees and costs	213,197	20,672
Net amortization and accretion on time deposits in other banks	-	10,681
Net amortization and accretion on investment securities	33,180	300,443
Depreciation and amortization on fixed assets and software	406,709	464,287
Earnings on bank owned life insurance	(151,025)	(140,633)
Provision for credit losses on loans	963,492	75,000
Provision for credit losses on off-balance sheet items	124,772	11,042
Net loss (gain) on disposition of bank premises and equipment	-	4,291
Stock-based compensation expense	84,638	47,998
Decrease (increase) in		
Deferred income taxes	(194,545)	(136,674)
Accrued interest receivable	(340,591)	189,431
Other assets	162,380	(1,059,877)
Increase (decrease) in		
Accrued interest payable	3,530	30,964
Income taxes payable	-	-
SERP liability	(52,276)	(31,079)
Other liabilities	(299,439)	685,479
	<u>\$ 7,986,095</u>	<u>\$ 7,429,711</u>

The accompanying notes are an integral part of these consolidated financial statements.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of operations

Harford Bank (the “Bank”) provides a full range of banking services to customers located in Harford, Cecil and Baltimore Counties and surrounding areas of northeastern Maryland.

Basis of presentation

The accounting and reporting policies reflected in the consolidated financial statements conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry, and, in the opinion of management, the consolidated financial statements reflect all adjustments necessary for a fair presentation of the Bank's financial position and results of operations. Management has evaluated subsequent events for potential recognition and/or disclosure through the date of issuance of the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of Harford Bank and its subsidiary, HB Trust, a Maryland Statutory Trust. Intercompany accounts and entries have been eliminated in the consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions may affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The estimates related to the allowance for credit losses and fair value of financial instruments are particularly subject to change.

Reclassifications

Certain reclassifications have been made to the 2024 consolidated financial statement presentation to conform to the current year's format. Total stockholders' equity and net income were not affected by these reclassifications.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, deposits with other financial institutions that have an initial maturity of less than 90 days when acquired, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Investment securities

Investments are comprised of held to maturity and available for sale debt securities. Held to maturity securities are recorded at amortized cost which is cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are recognized in interest revenue using the interest method over the term of the securities, except that premiums on callable securities are amortized to the call price at the first call date.

Available for sale securities are recorded at fair market value. Unrealized gains and losses in the available for sale portfolio are accounted for as an adjustment, net of taxes, to other accumulated comprehensive loss in stockholders' equity.

Allowance for Credit Losses – Held to Maturity Securities

The Bank estimates expected credit losses on held to maturity securities on an individual basis based on a Probability of Default/Loss Given Default (“PD/LGD”) methodology primarily using security-level credit ratings. The primary indicators of credit quality for the Bank's held to maturity portfolio are security type and credit rating, which are influenced by a number of factors including obligor cash flow, geography, seniority, among other factors. The Bank's held to maturity securities with credit risk are municipal bonds, which had a credit rating of AA or better as of December 31, 2025. All other held to maturity securities are covered by the explicit or implied guarantee of the United States government or one of its agencies.

Changes in the allowance for credit loss are recorded as provision for (or recovery of) credit losses in the Consolidated Statements of Income.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies - continued

Allowance for Credit Losses – Available for Sale Securities

Management evaluates all available for sale securities in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Bank has the intent to sell the security or it is more likely than not that the Bank will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Bank evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Bank may consider various factors including the extent to which fair value is less than amortized cost, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specific to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any deficiency is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive loss.

Restricted equity securities

As a member of the Federal Home Loan Bank of Atlanta (“FHLBA”), the Bank is required to hold FHLBA stock as a condition of membership as well as in relation to the Bank’s use of products and services. FHLBA stock is not publicly-traded and is sold and redeemed by the FHLBA at par. The Bank views its investment in FHLBA stock as a long-term investment and as a restricted equity security, which is carried at cost and periodically evaluated for impairment based on the ultimate recoverability of the par value. The Bank does not consider this investment to be impaired as of December 31, 2025, and no impairment has been recognized.

Loans and allowance for credit losses on loans

Loans are stated at unpaid principal balance adjusted for any interest amounts applied to principal on nonaccrual loans, any amounts partially charged-off, the allowance for credit losses on loans, and deferred origination fees and costs.

Interest on loans is accrued based on the principal amounts outstanding. Origination fees and costs are recognized as an adjustment to the related loan yield using an approximate interest method. The accrual of interest is discontinued when any portion of the principal or interest is ninety days past due and collateral is insufficient to discharge the debt in full. Non-accrual loans may be considered for return to accrual status after a minimum six-month period of on-time payment performance provided that no amount of the loan has been charged-off. Past due status is based on the contractual terms of the loan. If collection of principal is evaluated as doubtful, all payments are applied to principal.

Loans are individually evaluated when they do not share similar risk characteristics with other loans collectively evaluated (generally collateral dependent), and when, based on current information, management considers it unlikely that the collection of principal and interest payments on these loans will be made according to contractual terms. Generally, loans are reviewed for individual evaluation when rated 6, Special Mention, or 7, Substandard, when 60 or more days past due, when the accrual of interest has been discontinued, and when the loan has been modified due to a borrower experiencing financial difficulty.

The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. Credit losses on loans are charged against the allowance for credit losses on loans when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

Management estimates the required allowance for credit losses on loans using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience (past events) provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current conditions such as differences relating to underwriting standards, nature and volume of the loan portfolio, delinquency level and overall loan portfolio quality, or term as well as for changes in environmental conditions, such as changes in economic conditions that may affect the borrower’s ability to pay, unemployment rates, property values, or other relevant factors. If the current economy or real estate market were to suffer a severe downturn, the provision for credit losses on loans would need to be increased.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies - continued

The allowance for credit losses on loans is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified portfolio segments based on collateral type and measures the allowance for credit losses on loans using Call Report-derived data. The Bank utilizes the non-discounted cash flow approach to calculate the expected loss for each loan within the pool. The Bank also considers qualitative adjustments to the historical loss rate for each loan portfolio segment, which are a combination of specific risk characteristics or current conditions at the reporting date that may differ from those in effect during the historical loss calculation period as well as forward looking projections for each pool based on a reasonable and supportable forecast based on objective economic data (primarily Federal Reserve Economic Data). The Bank uses a one-year forecast period, after which the loss factors revert to historical loss rates straight-line over four quarters. The total loss rate is the lifetime historical loss rate plus the total qualitative factor adjustments.

Some loans are not sufficiently similar in risk characteristics to other loans. These loans are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. Loans that are individually evaluated for which a potential for credit loss is determined to exist will have a specific reserve allocated to them and included in the allowance for credit losses on loans.

An unallocated component may be maintained to cover uncertainties that could affect management's estimate of expected losses. The unallocated component of the allowance for credit losses on loans reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general expected losses in the loan portfolio. Allocation of a portion of the allowance for credit losses on loans to one category of loans does not preclude its availability to absorb expected losses in other categories.

Allowance for credit losses on off-balance sheet items

The Bank estimates expected credit losses on off-balance sheet items, which consist of contractual obligations to extend credit, loans which the Bank has approved but have not been funded, and letters of credit, over the contractual period during which the Bank is exposed to credit risk, unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet items is recorded as a liability and is adjusted each reporting period through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on off-balance sheet items expected to be funded over its estimated life. The loss rates used to determine the required allowance for credit losses on off-balance sheet items are essentially the same as those used on originated loans.

Bank premises and equipment

Land is carried at cost. Buildings and improvements, and furniture and equipment are recorded at cost, less accumulated depreciation computed principally by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are generally depreciated over the lesser of the term of the respective leases or the estimated useful lives of the improvements. Software is recorded in other assets at cost and amortized using the straight-line method over three years.

Income taxes

The provision for income taxes includes taxes payable for the current year and deferred income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Interest and penalties incurred related to income taxes are included in income tax expense.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements. The Bank's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Advertising costs

Advertising costs are expensed as incurred.

Net income per common share

Basic net income per common share is determined by dividing net income by the weighted-average number of shares of common stock outstanding after giving retroactive effect to stock dividends for all periods presented. Diluted net income per common share is computed using the weighted-average number of common shares determined for the basic net income per common share computation plus the dilutive effect of common stock equivalents using the treasury stock method.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies - continued

Stock-based compensation

The Bank accounts for director stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock-based compensation at the date of grant. The Bank accounts for stock-based compensation in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, *Stock Compensation*. This standard requires public companies to recognize compensation expense related to stock-based compensation awards in their statements of income over the period during which an individual is required to provide service in exchange for such award.

Segment reporting

FASB ASC Topic 280, *Segment Reporting*, requires reporting of selected information about operating segments in its financial reports issued to stockholders. Management has performed an analysis and determined the Bank has only one operating segment, which is banking operations. Loans, securities, deposits, and non-interest income provide the revenues of the banking operation. Loan products offered to customers generate a majority of the Company’s interest and fee income. Additionally, deposit products offered to customers generate fees and service charge income. Interest income earned on securities and Federal Reserve Bank deposits, card interchange fees, earnings on Bank Owned Life Insurance, Mortgage referral fees and Investment Management referral fees are other sources of revenue. Interest expense, provisions for credit losses, salaries and employee benefits, facilities and equipment costs and data processing provide the significant expenses in banking operations. These significant expenses are the same as those disclosed in the Company’s Consolidated Statements of Income. Noncash items such as depreciation and amortization are also disclosed in the Company’s Consolidated Statements of Income and Consolidated Statements of Cash Flows.

The Bank’s President, Chief Operating Officer and Chief Financial Officer are the Bank’s chief operating decision makers. The chief operating decision makers are provided with consolidated balance sheets, income statements, and net interest margin analyses in order to evaluate revenue streams, significant expenses, and budget-to-actual results in assessing the Company’s segment and determining the allocation of resources. Additionally, the chief operating decision makers review performance of various components of banking operations, such as loan portfolio types, funding sources, and overhead, to assess product pricing and significant expenses and to evaluate return on assets. The chief operating decision makers use consolidated net income and return on assets to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring budget-to-actual results are used in assessing performance and in establishing compensation.

The accounting policies of the banking operations are the same as those described above in this Summary of Significant Accounting Policies. All operations are domestic.

2. Cash and Cash Equivalents

The Bank normally carries balances with other banks that exceed the federally insured limit.

Banks are required to carry noninterest-bearing cash reserves at specified percentages of deposit balances. The Bank's normal amount of cash on hand and on deposit with other banks is sufficient to satisfy the reserve requirements.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

3. Investment Securities

Investments in debt securities are summarized as follows:

December 31, 2025	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<i>Available for Sale</i>				
Agency RMBS	\$ 2,854,105	\$ 5,084	\$ -	\$ 2,859,189
Agency CMO securities	2,607,809	7,095	5,011	2,609,893
Corporate Bonds	2,000,000	-	21,550	1,978,450
	<u>\$ 7,461,914</u>	<u>\$ 12,179</u>	<u>\$ 26,561</u>	<u>\$ 7,447,532</u>

Held to maturity

U.S. Treasury securities	\$ 18,501,758	\$ 53,051	\$ 101,639	\$ 18,453,170
U.S. government agency securities	14,919,168	-	839,063	14,080,105
Agency RMBS	42,922,191	157,180	2,421,794	40,657,577
Agency CMBS	8,113,808	41,781	31,500	8,124,089
Agency CMO securities	6,513,323	34,923	153,007	6,395,239
SBA asset-backed securities	7,386,401	4,546	561,070	6,829,877
State and municipal securities	3,527,413	-	425,322	3,102,091
	<u>\$ 101,884,062</u>	<u>\$ 291,481</u>	<u>\$ 4,533,395</u>	<u>\$ 97,642,148</u>

December 31, 2024

Held to maturity

U.S. Treasury securities	\$ 19,731,691	\$ 961	\$ 548,230	\$ 19,184,422
U.S. government agency securities	26,279,904	-	1,664,669	24,615,235
Agency RMBS	37,154,534	380	3,964,698	33,190,216
Agency CMBS	4,158,262	-	156,018	4,002,244
Agency CMO securities	1,026,775	-	206,678	820,097
SBA asset-backed securities	8,751,271	762	937,554	7,814,479
State and municipal securities	3,540,454	-	600,562	2,939,892
	<u>\$ 100,642,891</u>	<u>\$ 2,103</u>	<u>\$ 8,078,409</u>	<u>\$ 92,566,585</u>

Contractual maturities and the amount of pledged investment securities for the respective periods are shown below. Actual maturities might differ from contractual maturities because the issuers of the securities might have the right to call or prepay obligations with or without call or prepayment penalties. Investment securities are pledged to secure deposits of federal and local governments.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
December 31, 2025				
Maturing in one year or less	\$ -	\$ -	\$ 12,326,025	\$ 12,217,527
Maturing over one to five years	-	-	15,662,811	15,254,911
Maturing over five to ten years	2,000,000	1,978,450	4,496,583	4,061,215
Maturing over ten years	-	-	4,462,920	4,101,712
	<u>2,000,000</u>	<u>1,978,450</u>	<u>36,948,339</u>	<u>35,635,365</u>
Mortgage-backed, CMO and asset-backed securities	5,461,914	5,469,082	64,935,723	62,006,783
	<u>\$ 7,461,914</u>	<u>\$ 7,447,532</u>	<u>\$ 101,884,062</u>	<u>\$ 97,642,148</u>

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

3. Investment Securities – continued

Securities with an amortized cost of \$81.8 million and \$85.9 million as of December 31, 2025 and December 31, 2024, respectively, were pledged as collateral for deposits.

During the years ended December 31, 2025 and December 31, 2024, there were no sales of available for sale or held to maturity securities.

The following table displays the amortized cost of held to maturity state and municipal securities by credit rating provided by Moody's at December 31, 2025 and December 31, 2024.

December 31, 2025	AAA	AA2	AA3	Below AA3	Total
State and municipal securities	\$ 1,438,495	\$ 743,918	\$ 1,345,000	\$ -	\$ 3,527,413
December 31, 2024	AAA	AA2	AA3	Below AA3	Total
State and municipal securities	\$ 1,449,668	\$ 745,786	\$ 1,345,000	\$ -	\$ 3,540,454

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

3. Investment Securities – continued

The following table presents unrealized losses and related fair values in the investment portfolio by investment classification, aggregated by the length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2025 and December 31, 2024.

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2025						
U.S. Treasury securities	\$ 1,492,440	\$ 3,606	\$ 7,419,935	\$ 98,033	\$ 8,912,375	\$ 101,639
U.S. government agency securities	-	-	14,080,105	839,063	14,080,105	839,063
Agency RMBS	-	-	21,892,341	2,421,794	21,892,341	2,421,794
Agency CMBS	-	-	3,138,057	31,500	3,138,057	31,500
Agency CMO securities	1,740,467	6,396	764,455	151,622	2,504,922	158,018
SBA asset-backed securities	-	-	6,261,422	561,070	6,261,422	561,070
State and municipal securities	-	-	3,102,090	425,322	3,102,090	425,322
Corporate Bonds	978,450	21,550	-	-	978,450	21,550
	<u>\$ 4,211,357</u>	<u>\$ 31,552</u>	<u>\$ 56,658,405</u>	<u>\$ 4,528,404</u>	<u>\$ 60,869,762</u>	<u>\$ 4,559,956</u>
December 31, 2024						
U.S. Treasury securities	\$ 8,798,670	\$ 187,275	\$ 8,935,912	\$ 360,955	\$ 17,734,582	\$ 548,230
U.S. government agency securities	-	-	24,615,235	1,664,669	24,615,235	1,664,669
Agency RMBS	8,839,977	209,274	23,959,275	3,755,424	32,799,252	3,964,698
Agency CMBS	-	-	4,002,244	156,018	4,002,244	156,018
Agency CMO securities	-	-	820,097	206,678	820,097	206,678
SBA asset-backed securities	372,415	451	7,143,343	937,103	7,515,758	937,554
State and municipal securities	-	-	2,939,892	600,562	2,939,892	600,562
	<u>\$ 18,011,062</u>	<u>\$ 397,000</u>	<u>\$ 72,415,998</u>	<u>\$ 7,681,409</u>	<u>\$ 90,427,060</u>	<u>\$ 8,078,409</u>

As of December 31, 2025, management did not have the intent to sell any of the securities classified as held to maturity or available for sale before a recovery of cost and it was more likely than not that the Bank will not be required to sell before the recovery of the amortized cost basis. The unrealized losses as of December 31, 2025 were due to increases in market interest rates over the yields available at the time the underlying securities were purchased as well as other market conditions for each particular security based upon the structure and remaining principal balance. Unrealized gains and losses in the available for sale portfolio are accounted for as an adjustment, net of taxes, to other comprehensive loss in stockholders' equity. The fair values of the investment securities are expected to recover as the securities approach their maturity dates or repricing dates or if market yields for such investments decline. Based on these factors, as of December 31, 2025, management believes that the unrealized losses detailed in the table above are temporary and, accordingly, none of these unrealized losses have been recognized in the Bank's consolidated statement of income.

The Bank evaluates the credit risk of its held to maturity securities on at least a quarterly basis. The Bank estimates expected credit losses on held to maturity securities on an individual basis based on a probability of default/loss given default methodology primarily using security-level credit ratings. The primary indicators of credit quality for the Bank's held to maturity portfolio are security type and credit rating, which is influenced by a number of factors including obligor cash flow, geography, seniority, and others. The Bank's held to maturity securities with credit risk were comprised of municipal bonds and had a credit rating of AA or better as of December 31, 2025. All other held to maturity securities are covered by the explicit or implied guarantee of the United States government or one of its agencies. The Bank did not have an allowance for credit losses on held to maturity securities as of December 31, 2025 or December 31, 2024.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

3. Investment Securities – continued

The Bank established an available for sale securities portfolio during the month of September 2025. As of December 31, 2025, the available for sale securities classification held securities with an unrealized loss of \$26,561. The Bank evaluates available for sale securities in an unrealized loss position for credit related impairment based on a combination of factors, which include: (1) credit quality of the securities; (2) market volatility and increases in market interest rates; (3) timeliness of principal and interest payments by the issuer; and (4) the Bank not intending to sell any of the investments and not meeting the “more likely than not” accounting standard prior to recovering the amortized cost basis of the security(ies). The Bank did not have an allowance for credit losses on available for sale securities as of December 31, 2025.

4. Loans

The Bank makes loans to customers located primarily in Harford County, Maryland, Cecil County, Maryland, Baltimore County, Maryland and the surrounding areas. The performance of the loan portfolio will be influenced by the regional real estate market and economy.

Major classifications of loans are as follows for the periods indicated:

At:	December 31, 2025	December 31, 2024
Real estate		
Construction, development & other land	\$ 20,556,789	\$ 17,402,498
Secured by farmland	8,968,365	8,002,981
Commercial	284,622,647	253,232,507
Residential	153,323,338	140,296,099
Commercial & industrial	50,629,493	52,121,906
Other consumer	25,311,395	28,719,577
Overdrafts	42,166	44,006
Gross loans	543,454,193	499,819,574
Net deferred (fees) costs	(448,803)	(273,076)
Allowance for credit losses on loans	(6,664,118)	(5,711,970)
Net loans	<u>\$ 536,341,272</u>	<u>\$ 493,834,528</u>
Principal balance of pledged loans	<u>\$ 172,578,945</u>	<u>\$ 213,111,588</u>

Substantial portions of the Bank's loans are secured by residential and commercial real estate. Loans secured by commercial real estate and farmland generally involve larger principal amounts and a higher degree of risk than loans secured by residential one- to four-family mortgages. Repayment of loans secured by commercial real estate and farmland is often dependent on the successful operation or management of the properties, making collectability of such loans subject to adverse economic or real estate market conditions. The Bank seeks to mitigate these risks through its underwriting standards which require that loans be qualified based on the property's value and debt service coverage ratios, and additional collateral may be required under certain circumstances. The Bank will generally obtain personal guarantees.

Construction lending is generally considered to present a higher degree of credit risk than other types of real estate lending. Risks of loss include the accuracy of the borrower's estimate of construction costs, timing, and ultimate completion value, and the borrower's ability to complete the project in a workmanlike manner. These risks may result in a project whose value is insufficient to ensure full repayment.

The Bank originates one- to four-family residential mortgage loans in amounts typically up to 80% of the lower of the appraised value or purchase price of the property securing the loan. The predominance of the Bank's residential mortgage portfolio consists of fixed-rate mortgages with original maturities ranging from 10 to 30 years. Fixed-rate lending can expose the Bank to interest rate risk in a rising rate environment.

Commercial and industrial loans are generally secured by inventories, equipment and other assets of the business. Personal guarantees of the borrowers are generally required.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

4. Loans - continued

The Bank makes consumer installment loans secured by vehicles, boats, mobile homes and other collateral as well as unsecured loans with personal guarantees.

Eligible consumer installment loans are pledged to secure borrowing facilities at the Federal Reserve Discount Window. The Bank's eligible residential first mortgage loans, home equity loans and commercial real estate loans are pledged to secure borrowing facilities at the FHLBA.

Loan balances in the following tables are presented at recorded investment, which is unpaid principal balance adjusted for any interest amounts applied to principal on nonaccrual loans, and any amounts partially charged-off.

The maturity distribution of the loan portfolio is as follows for the periods indicated:

At:	December 31, 2025	December 31, 2024
<i>Maturing</i>		
In one year or less	\$ 56,103,116	\$ 45,772,627
After one year to five years	43,958,313	48,336,014
After five years to fifteen years	125,032,598	116,226,266
After fifteen years	318,360,166	289,484,667
Gross loans	<u>\$ 543,454,193</u>	<u>\$ 499,819,574</u>
Variable rate loans included above	<u>\$ 368,917,512</u>	<u>\$ 338,642,345</u>

The following table analyzes the payment status of loans for the periods indicated:

	90 Days			Total	Current	Total	Loans over
	30-59 Days	60-89 Days	and Over				
December 31, 2025	Past Due	Past Due	Past Due	Past Due		Loans	90 Days and
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ 20,556,789	\$ 20,556,789	\$ -
Commercial real estate & farmland	66,716	-	504,942	571,658	293,019,354	293,591,012	504,942
Residential real estate	2,771	-	51,999	54,770	153,268,568	153,323,338	-
Commercial & industrial	-	-	34,397	34,397	50,595,096	50,629,493	-
Other consumer & overdrafts	56,543	55,456	-	111,999	25,241,562	25,353,561	-
Total	<u>\$ 126,030</u>	<u>\$ 55,456</u>	<u>\$ 591,338</u>	<u>\$ 772,824</u>	<u>\$ 542,681,369</u>	<u>\$ 543,454,193</u>	<u>\$ 504,942</u>
December 31, 2024							
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ 17,402,498	\$ 17,402,498	\$ -
Commercial real estate & farmland	-	272,184	748,589	1,020,773	260,214,715	261,235,488	-
Residential real estate	19,028	-	-	19,028	140,277,071	140,296,099	-
Commercial & industrial	78,794	-	-	78,794	52,043,112	52,121,906	-
Other consumer & overdrafts	30,584	-	-	30,584	28,732,999	28,763,583	-
Total	<u>\$ 128,406</u>	<u>\$ 272,184</u>	<u>\$ 748,589</u>	<u>\$ 1,149,179</u>	<u>\$ 498,670,395</u>	<u>\$ 499,819,574</u>	<u>\$ -</u>

Credit Quality Indicators. As part of the on-going monitoring of the quality of the Bank's loan portfolio management tracks certain credit quality indicators.

The Bank does not credit score new loans but does utilize a risk grading system for non-consumer loans. Loans are risk rated on the scale listed below:

Grade 1, 2, 3 and 4 – These grades include “pass grade” loans to borrowers of acceptable credit quality and risk.

Grade 5 – This grade includes loans that are on management's “watch list” and are classified as “Pass Watch”. Loans with this grade are at the lower end of the acceptable quality range that exhibit weaknesses that require closer oversight and attention. It is management's intent to utilize this rating on a temporary basis for pass grade borrowers where a significant risk-modifying action is anticipated in the near future.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

4. Loans - continued

Grade 6 – This grade is for “Other Assets Especially Mentioned” or “Special Mention” in accordance with regulatory guidelines. This grade is intended to be temporary and includes loans to borrowers whose credit quality has clearly deteriorated and are at risk of further decline unless active measures are taken to correct the situation. This grade may include loans not fully secured where a specific valuation allowance may be warranted.

Grade 7 – This grade includes “Substandard” loans, in accordance with regulatory guidelines, for which accrual of interest may have stopped. This grade includes loans that are past due or not fully secured where a specific valuation allowance may be warranted.

Consumer loans will be assigned a loan grade of 7, substandard, when placed on non-accrual or when experiencing significant, protracted delinquency.

The following table presents loan grades applied at December 31, 2025 to the various loan classes by year of origination.

	Term Loans by Origination Year						Revolving Loans	Total
	2025	2024	2023	2022	2021	Prior		
Construction, development & other land:								
Loan grades:								
Pass	\$ 7,951,925	\$ 3,220,930	\$ 105,044	\$ 2,154,701	\$ 430,102	\$ 1,048,047	\$ 4,242,040	\$ 19,152,789
Pass watch	-	-	-	-	-	-	-	-
Special mention	-	-	1,404,000	-	-	-	-	1,404,000
Substandard	-	-	-	-	-	-	-	-
	<u>\$ 7,951,925</u>	<u>\$ 3,220,930</u>	<u>\$ 1,509,044</u>	<u>\$ 2,154,701</u>	<u>\$ 430,102</u>	<u>\$ 1,048,047</u>	<u>\$ 4,242,040</u>	<u>\$ 20,556,789</u>
Commercial real estate & farmland:								
Loan grades:								
Pass	\$ 51,852,652	\$ 16,683,331	\$ 34,157,003	\$ 38,620,663	\$ 19,772,679	\$ 82,111,020	\$ 2,911,834	\$ 246,109,182
Pass watch	-	576,939	4,790,546	3,327,398	5,330,904	6,729,800	3,347,096	24,102,683
Special mention	229,033	3,131,817	2,923,790	7,634,808	-	1,950,626	7,932	15,878,006
Substandard	-	168,998	-	245,987	-	6,196,917	889,239	7,501,141
	<u>\$ 52,081,685</u>	<u>\$ 20,561,085</u>	<u>\$ 41,871,339</u>	<u>\$ 49,828,856</u>	<u>\$ 25,103,583</u>	<u>\$ 96,988,363</u>	<u>\$ 7,156,101</u>	<u>\$ 293,591,012</u>
Residential real estate:								
Loan grades:								
Pass	\$ 25,742,165	\$ 5,930,328	\$ 12,782,209	\$ 30,520,711	\$ 16,076,010	\$ 33,400,246	\$ 21,110,965	\$ 145,562,634
Pass watch	1,429,710	606,380	700,288	99,310	1,798,767	2,002,667	731,413	7,368,535
Special mention	-	-	-	-	-	289,853	-	289,853
Substandard	-	47,546	-	-	-	54,770	-	102,316
	<u>\$ 27,171,875</u>	<u>\$ 6,584,254</u>	<u>\$ 13,482,497</u>	<u>\$ 30,620,021</u>	<u>\$ 17,874,777</u>	<u>\$ 35,747,536</u>	<u>\$ 21,842,378</u>	<u>\$ 153,323,338</u>
Commercial & industrial:								
Loan grades:								
Pass	\$ 8,088,480	\$ 9,208,539	\$ 6,952,906	\$ 2,574,072	\$ 1,822,553	\$ 1,081,309	\$ 14,338,472	\$ 44,066,331
Pass watch	435,938	56,791	270,318	106,285	11,832	6,345	3,169,925	4,057,434
Special mention	107,888	-	534,789	41,627	-	-	1,646,114	2,330,418
Substandard	81,647	34,397	-	-	-	24,794	34,472	175,310
	<u>\$ 8,713,953</u>	<u>\$ 9,299,727</u>	<u>\$ 7,758,013</u>	<u>\$ 2,721,984</u>	<u>\$ 1,834,385</u>	<u>\$ 1,112,448</u>	<u>\$ 19,188,983</u>	<u>\$ 50,629,493</u>
Other consumer & overdrafts:								
Loan grades:								
Pass	\$ 1,022,198	\$ 1,652,460	\$ 13,145,226	\$ 8,069,647	\$ 311,201	\$ 1,123,249	\$ 29,580	\$ 25,353,561
Pass watch	-	-	-	-	-	-	-	-
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
	<u>\$ 1,022,198</u>	<u>\$ 1,652,460</u>	<u>\$ 13,145,226</u>	<u>\$ 8,069,647</u>	<u>\$ 311,201</u>	<u>\$ 1,123,249</u>	<u>\$ 29,580</u>	<u>\$ 25,353,561</u>
Total loans:								
Loan grades:								
Pass	\$ 94,657,420	\$ 36,695,588	\$ 67,142,388	\$ 81,939,794	\$ 38,412,545	\$ 118,763,871	\$ 42,632,891	\$ 480,244,497
Pass watch	1,865,648	1,240,110	5,761,152	3,532,993	7,141,503	8,738,812	7,248,434	35,528,652
Special mention	336,921	3,131,817	4,862,579	7,676,435	-	2,240,479	1,654,046	19,902,277
Substandard	81,647	250,941	-	245,987	-	6,276,481	923,711	7,778,767
	<u>\$ 96,941,636</u>	<u>\$ 41,318,456</u>	<u>\$ 77,766,119</u>	<u>\$ 93,395,209</u>	<u>\$ 45,554,048</u>	<u>\$ 136,019,643</u>	<u>\$ 52,459,082</u>	<u>\$ 543,454,193</u>

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

4. Loans - continued

The following table presents loan grades applied at December 31, 2024 to the various loan classes by year of origination.

	Term Loans by Origination Year					Prior	Revolving Loans	Total
	2024	2023	2022	2021	2020			
Construction, development & other land:								
Loan grades:								
Pass	\$ 1,396,637	\$ 2,526,920	\$ 2,558,782	\$ 1,771,981	\$ 2,334,056	\$ 1,117,690	\$ 3,375,977	\$ 15,082,043
Pass watch	-	-	-	-	-	-	2,320,455	2,320,455
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
	<u>\$ 1,396,637</u>	<u>\$ 2,526,920</u>	<u>\$ 2,558,782</u>	<u>\$ 1,771,981</u>	<u>\$ 2,334,056</u>	<u>\$ 1,117,690</u>	<u>\$ 5,696,432</u>	<u>\$ 17,402,498</u>
Commercial real estate & farmland:								
Loan grades:								
Pass	\$ 18,885,323	\$ 36,322,445	\$ 40,913,385	\$ 21,600,781	\$ 21,099,695	\$ 74,202,430	\$ 2,373,838	\$ 215,397,897
Pass watch	558,000	5,491,381	2,965,875	340,702	-	9,266,141	2,297,738	20,919,837
Special mention	817,415	2,268,422	7,810,956	5,232,692	-	-	-	16,129,485
Substandard	181,867	-	305,095	-	-	7,509,007	792,300	8,788,269
	<u>\$ 20,442,605</u>	<u>\$ 44,082,248</u>	<u>\$ 51,995,311</u>	<u>\$ 27,174,175</u>	<u>\$ 21,099,695</u>	<u>\$ 90,977,578</u>	<u>\$ 5,463,876</u>	<u>\$ 261,235,488</u>
Residential real estate:								
Loan grades:								
Pass	\$ 8,440,166	\$ 17,157,504	\$ 32,262,719	\$ 17,956,392	\$ 14,441,751	\$ 25,078,872	\$ 19,158,519	\$ 134,495,923
Pass watch	612,739	915,416	332,138	1,657,214	-	1,112,813	663,098	5,293,418
Special mention	-	-	-	-	-	331,732	-	331,732
Substandard	49,373	-	-	-	-	125,653	-	175,026
	<u>\$ 9,102,278</u>	<u>\$ 18,072,920</u>	<u>\$ 32,594,857</u>	<u>\$ 19,613,606</u>	<u>\$ 14,441,751</u>	<u>\$ 26,649,070</u>	<u>\$ 19,821,617</u>	<u>\$ 140,296,099</u>
Commercial & industrial:								
Loan grades:								
Pass	\$ 11,210,008	\$ 11,174,816	\$ 4,871,450	\$ 3,025,527	\$ 1,254,144	\$ 390,146	\$ 15,563,534	\$ 47,489,625
Pass watch	5,777	357,617	375,351	37,367	51,960	-	2,040,387	2,868,459
Special mention	-	823,676	63,647	-	-	-	748,859	1,636,182
Substandard	-	-	-	-	-	79,666	47,974	127,640
	<u>\$ 11,215,785</u>	<u>\$ 12,356,109</u>	<u>\$ 5,310,448</u>	<u>\$ 3,062,894</u>	<u>\$ 1,306,104</u>	<u>\$ 469,812</u>	<u>\$ 18,400,754</u>	<u>\$ 52,121,906</u>
Other consumer & overdrafts:								
Loan grades:								
Pass	\$ 2,076,303	\$ 15,670,937	\$ 8,854,864	\$ 505,507	\$ 243,614	\$ 1,386,100	\$ 26,258	\$ 28,763,583
Pass watch	-	-	-	-	-	-	-	-
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
	<u>\$ 2,076,303</u>	<u>\$ 15,670,937</u>	<u>\$ 8,854,864</u>	<u>\$ 505,507</u>	<u>\$ 243,614</u>	<u>\$ 1,386,100</u>	<u>\$ 26,258</u>	<u>\$ 28,763,583</u>
Total loans:								
Loan grades:								
Pass	\$ 42,008,437	\$ 82,852,622	\$ 89,461,200	\$ 44,860,188	\$ 39,373,260	\$ 102,175,238	\$ 40,498,126	\$ 441,229,071
Pass watch	1,176,516	6,764,414	3,673,364	2,035,283	51,960	10,378,954	7,321,678	31,402,169
Special mention	817,415	3,092,098	7,874,603	5,232,692	-	331,732	748,859	18,097,399
Substandard	231,240	-	305,095	-	-	7,714,326	840,274	9,090,935
	<u>\$ 44,233,608</u>	<u>\$ 92,709,134</u>	<u>\$ 101,314,262</u>	<u>\$ 52,128,163</u>	<u>\$ 39,425,220</u>	<u>\$ 120,600,250</u>	<u>\$ 49,408,937</u>	<u>\$ 499,819,574</u>

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

4. Loans - continued

The following table presents gross charge-offs allocated by loan class by year of origination for the years ended December 31, 2025 and 2024. All charge-offs reported in overdrafts for years ended December 31, 2025 and 2024 were related to deposit overdrafts.

	Year Ended December 31, 2025 by Year of Origination						
	2025	2024	2023	2022	2021	Prior	Total
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	781	781
Overdrafts	22,169	-	-	-	-	-	22,169
	<u>\$ 22,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781</u>	<u>\$ 22,950</u>

	Year Ended December 31, 2024 by Year of Origination						
	2024	2023	2022	2021	2020	Prior	Total
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	18,781	18,781
Other consumer	-	-	-	-	-	2,000	2,000
Overdrafts	68,413	-	-	-	-	-	68,413
	<u>\$ 68,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,781</u>	<u>\$ 89,194</u>

The following table provides a comprehensive view of the allowance for credit losses on loans activity including the periodic activity of charge-offs and recoveries allocated by loan class for the years ended December 31, 2025 and 2024.

	Unallocated	Construction,	Commercial	Residential	Commercial	Other	Total
		Development & Other Land	Real Estate & Farmland			Real Estate	
December 31, 2025							
Allowance for credit losses on loans:							
Beginning balance	\$ 754	\$ 368,666	\$ 2,146,748	\$ 1,627,618	\$ 1,038,648	\$ 529,536	\$ 5,711,970
Charge-offs	-	-	-	-	-	(22,950)	(22,950)
Recoveries	-	-	-	7,200	-	4,406	11,606
Provision for (recovery of) credit losses on loans	(754)	47,121	967,005	130,072	(373,971)	194,019	963,492
Ending balance	<u>\$ -</u>	<u>\$ 415,787</u>	<u>\$ 3,113,753</u>	<u>\$ 1,764,890</u>	<u>\$ 664,677</u>	<u>\$ 705,011</u>	<u>\$ 6,664,118</u>
December 31, 2024							
Allowance for credit losses on loans:							
Beginning balance	\$ 8,660	\$ 665,816	\$ 2,086,568	\$ 1,460,185	\$ 895,946	\$ 592,652	\$ 5,709,827
Charge-offs	-	-	-	-	(18,781)	(70,413)	(89,194)
Recoveries	-	-	-	7,000	-	9,337	16,337
Provision for (recovery of) credit losses on loans	(7,906)	(297,150)	60,180	160,433	161,483	(2,040)	75,000
Ending balance	<u>\$ 754</u>	<u>\$ 368,666</u>	<u>\$ 2,146,748</u>	<u>\$ 1,627,618</u>	<u>\$ 1,038,648</u>	<u>\$ 529,536</u>	<u>\$ 5,711,970</u>

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

4. Loans - continued

The following table presents the allocation of allowance for credit losses on loans and the balances of loans by loan class for loans that were individually and collectively evaluated for impairment at December 31, 2025 and December 31, 2024.

December 31, 2025	Unallocated	Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
Allowance balance allocated to loans:							
Individually evaluated	\$ -	\$ -	\$ -	\$ -	\$ 39,635	\$ -	\$ 39,635
Collectively evaluated	-	415,787	3,113,753	1,764,890	625,042	705,011	6,624,483
	<u>\$ -</u>	<u>\$ 415,787</u>	<u>\$ 3,113,753</u>	<u>\$ 1,764,890</u>	<u>\$ 664,677</u>	<u>\$ 705,011</u>	<u>\$ 6,664,118</u>
Loan balances:							
Individually evaluated		\$ -	\$ 7,501,141	\$ 54,770	\$ 175,310	\$ -	\$ 7,731,221
Collectively evaluated		20,556,789	286,089,871	153,268,568	50,454,183	25,353,561	535,722,972
		<u>\$ 20,556,789</u>	<u>\$ 293,591,012</u>	<u>\$ 153,323,338</u>	<u>\$ 50,629,493</u>	<u>\$ 25,353,561</u>	<u>\$ 543,454,193</u>
December 31, 2024							
Allowance balance allocated to loans:							
Individually evaluated	\$ -	\$ -	\$ 79,708	\$ -	\$ 304	\$ -	\$ 80,012
Collectively evaluated	754	368,666	2,067,040	1,627,618	1,038,344	529,536	5,631,958
	<u>\$ 754</u>	<u>\$ 368,666</u>	<u>\$ 2,146,748</u>	<u>\$ 1,627,618</u>	<u>\$ 1,038,648</u>	<u>\$ 529,536</u>	<u>\$ 5,711,970</u>
Loan balances:							
Individually evaluated		\$ -	\$ 8,700,977	\$ 125,653	\$ 127,640	\$ -	\$ 8,954,270
Collectively evaluated		17,402,498	252,534,511	140,170,446	51,994,266	28,763,583	490,865,304
		<u>\$ 17,402,498</u>	<u>\$ 261,235,488</u>	<u>\$ 140,296,099</u>	<u>\$ 52,121,906</u>	<u>\$ 28,763,583</u>	<u>\$ 499,819,574</u>

The following table presents the recorded investment and the unpaid principal balance of individually evaluated collateral-dependent loans and any related allowance allocated by class of loans for the periods indicated.

December 31, 2025	Recorded Investment	Unpaid Principal Balance	Related Allowance
Construction, development & other land	\$ -	\$ -	\$ -
Commercial real estate & farmland	7,501,141	9,197,941	-
Residential real estate	54,770	297,768	-
Commercial & industrial	175,310	186,340	39,635
Other consumer	-	-	-
	<u>\$ 7,731,221</u>	<u>\$ 9,682,049</u>	<u>\$ 39,635</u>
December 31, 2024			
Construction, development & other land	\$ -	\$ -	\$ -
Commercial real estate & farmland	8,700,977	10,021,752	79,708
Residential real estate	125,653	359,482	-
Commercial & industrial	-	-	-
Other consumer	-	-	-
	<u>\$ 8,826,630</u>	<u>\$ 10,381,234</u>	<u>\$ 79,708</u>

From time to time, the Bank may modify certain loans to borrowers who are experiencing financial difficulty. In some cases, these modifications may result in new loans. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension or a combination thereof, among other things.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

4. Loans - continued

During the year ended December 31, 2025, there were no modifications of loans to borrowers who were experiencing financial difficulty. During the year ended December 31, 2024, the terms of one commercial real estate loan with a balance, at the time of modification, of \$186,232 were modified to provide an extension of term to a borrower that was experiencing financial difficulty.

The period-end recorded investment of loan modifications to borrowers experiencing financial difficulty at the time of the modification for the years ending December 31, 2024.

December 31, 2024	Term Extension	Payment Delay	Interest Rate Reduction	Principal Forgiveness	Combination Thereof	Total	% of Total Class of Loans
Commercial real estate	\$ 181,867	\$ -	\$ -	\$ -	\$ -	\$ 181,867	0.07%

There were no loans that the Bank modified in the 12 months preceding the year ended December 31, 2025 for which there was a payment default during that 12-month period. There were no loans that the Bank modified in the 12 months preceding the year ended December 31, 2024 for which there was a payment default during that 12-month period. Payment default is defined as any time the loan was more than 90 days past due or out of compliance with the modification agreement.

The following table summarizes non-accrual loans at December 31, 2025 and December 31, 2024.

	Non-accrual With No ACL Allocated	Non-accrual With ACL Allocated	Total Non-accrual	Loans Past Due Over 90 Days And Accruing	Total Non-performing Loans	ACL on Non-accrual Loans
December 31, 2025						
Commercial real estate & farmland	\$ 5,440,794	\$ -	\$ 5,440,794	\$ 504,942	\$ 5,945,736	\$ -
Residential real estate	54,770	-	54,770	-	54,770	-
Commercial & industrial	-	93,663	93,663	-	93,663	39,635
Other consumer	-	-	-	-	-	-
Total	\$ 5,495,564	\$ 93,663	\$ 5,589,227	\$ 504,942	\$ 6,094,169	\$ 39,635
December 31, 2024						
Commercial real estate & farmland	\$ 2,794,592	\$ 3,799,708	\$ 6,594,300	\$ -	\$ 6,594,300	\$ 79,708
Residential real estate	24,967	-	24,967	-	24,967	-
Commercial & industrial	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-
Total	\$ 2,819,559	\$ 3,799,708	\$ 6,619,267	\$ -	\$ 6,619,267	\$ 79,708

The following table shows the amount of gross interest income that would have been recorded for the years ended December 31, 2025 and 2024 had the non-accrual loans been current and performing according to terms.

	December 31, 2025	December 31, 2024
Interest not accrued on non-accrual loans	\$ 368,430	\$ 284,451

There were no consumer mortgage loans secured by residential real estate that were in the process of foreclosure as of December 31, 2025.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

5. Credit Commitments

Loan commitments, unused lines of credit, and letters of credit outstanding at the respective dates are as follows:

At:	December 31, 2025	December 31, 2024
Commitments to extend credit		
Loan origination commitments	\$ 12,660,718	\$ 9,924,211
Unused consumer real estate construction	1,752,507	367,978
Unused home equity lines of credit	22,770,207	19,595,566
Unused overdraft lines of credit	7,472,127	7,308,542
Unused commercial lines of credit	<u>75,968,977</u>	<u>59,100,626</u>
	<u>\$ 120,624,536</u>	<u>\$ 96,296,923</u>
 Letters of credit	 <u>\$ 1,699,068</u>	 <u>\$ 2,268,988</u>

Loan commitments and lines of credit are agreements to lend to a customer as long as there is no violation of any condition to the contract. Loan commitments generally have variable interest rates, fixed expiration dates, and may require payment of a fee. Lines of credit generally have variable interest rates. Such lines do not represent future cash requirements because it is unlikely that all customers will draw upon their lines in full at any time. Letters of credit are commitments issued to guarantee the performance of a customer to a third party.

The Bank's exposure to credit loss in the event of nonperformance by the customer is the contractual amount of the commitment. Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. Management is not aware of any accounting loss to be incurred by funding these commitments.

The Bank maintains an allowance for credit losses on off-balance sheet items related to financial instruments with off-balance sheet risk, which is reported as a liability on the consolidated statements of condition. The liability excludes commitments for which the Bank can, at any time and for any reason, cancel its commitment to lend as unconditionally cancellable commitments do not require an allowance.

The following table presents activity in the allowance for credit losses on off-balance sheet items for the years ended December 31, 2025 and 2024.

For the year ended December 31,	2025	2024
Beginning balance	\$ 517,692	\$ 506,650
Provision for allowance for credit losses on off-balance sheet items	<u>124,772</u>	<u>11,042</u>
Ending balance	<u>\$ 642,464</u>	<u>\$ 517,692</u>

6. Related Party Transactions

In the normal course of business, the Bank's officers and directors enter into loan transactions with the Bank. A summary of related party loan activity follows:

Year to Date Through:	December 31, 2025	December 31, 2024
Beginning balance	\$ 18,429,429	\$ 15,256,507
Advances	266,505	566,194
Changes in related party	-	4,550,307
Payments	<u>(3,101,471)</u>	<u>(1,943,579)</u>
Ending balance	<u>\$ 15,594,463</u>	<u>\$ 18,429,429</u>

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

6. Related Party Transactions - continued

In addition to the outstanding balances listed above, officers and directors of the Bank had \$5,781,198 in unused loans committed but not funded as of December 31, 2025, and \$2,663,461 in unused loans committed but not funded as of December 31, 2024.

The Bank leases office space and obtains goods and services from firms in which owners are also members of the Board of Directors. Amounts paid to these related parties totaled \$132,223 during the year ended December 31, 2025. Amounts paid to these related parties totaled \$100,605 during the year ended December 31, 2024.

The Bank has a wealth management referral relationship with the firm of a director. The Bank recognized \$21,686 of income from the referral relationship during the year ended December 31, 2025. The Bank recognized \$17,558 of income from the referral relationship during the year ended December 31, 2024.

Deposits from the officers and directors of the Bank were \$5,641,862 at December 31, 2025. Deposits from the officers and directors of the Bank were \$6,158,845 at December 31, 2024.

7. Bank Premises and Equipment

Bank premises and equipment and the related depreciation expense are as follows:

	Useful Lives	December 31, 2025	December 31, 2024
Land		\$ 2,842,197	\$ 2,842,197
Building and improvements	15 - 39 years	8,033,969	8,020,416
Leasehold improvements	5 - 19 years	679,508	679,508
Furniture, fixtures, and equipment	3 - 10 years	2,990,633	2,651,899
		14,546,307	14,194,020
Accumulated depreciation		6,504,342	6,101,141
Net bank premises and equipment		<u>\$ 8,041,965</u>	<u>\$ 8,092,879</u>

For the Year Ended:

	December 31, 2025	December 31, 2024
Depreciation expense	<u>\$ 403,201</u>	<u>\$ 461,389</u>

Computer software included in other assets and the related amortization are as follows:

	Useful Life	December 31, 2025	December 31, 2024
Computer software	3 years	\$ 76,945	\$ 59,193
Accumulated amortization		62,030	58,522
Net computer software		<u>\$ 14,915</u>	<u>\$ 671</u>

For the Year Ended:

	December 31, 2025	December 31, 2024
Amortization expense	<u>\$ 3,508</u>	<u>\$ 2,898</u>

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

8. Lease Commitments

The Bank leases certain banking facilities under operating leases expiring on various dates through 2034. At December 31, 2025, the Bank had lease liabilities totaling \$1,216,694 included in other liabilities and right-of-use lease assets totaling \$1,216,694 included in other assets related to these leases. At December 31, 2024, the Bank had lease liabilities totaling \$1,305,477 included in other liabilities and right-of-use lease assets totaling \$1,305,477 included in other assets related to these leases.

The weighted-average discount rate on operating lease balances outstanding at December 31, 2025 was 4.71%. The weighted-average discount rate on operating lease balances outstanding at December 31, 2024 was 4.78%. The weighted-average remaining lease term of operating leases outstanding at December 31, 2025 was 6.9 years. The weighted-average remaining lease term of operating leases outstanding at December 31, 2024 was 8.0 years.

Rent expense, consisting of lease payments plus common area maintenance and all other charges assessed by the lessor, for the year ended December 31, 2025 was \$364,338. Rent expense, consisting of lease payments plus common area maintenance and all other charges assessed by the lessor, for the year ended December 31, 2024 was \$340,284.

As of December 31, 2025, future minimum lease payments, by year and in the aggregate, of operating leases are as follows:

Year	Amount
2026	\$ 281,053
2027	253,119
2028	190,109
2029	146,108
2030	150,492
Thereafter	534,460
Total undiscounted lease payments	1,555,341
Discount on cash flows	(338,647)
Total lease liability	\$ 1,216,694

9. Borrowings and Available Lines of Credit

The Bank may borrow up to 25% of its reported total assets from the FHLBA through any combination of notes or line of credit advances. The line of credit interest rate is a variable rate set daily by the lender. The notes payable and the line of credit are secured by a floating lien on all of the Bank's eligible residential first mortgage loans, home equity loans and commercial real estate loans. The Bank was required to purchase shares of capital stock in the FHLBA as a condition to obtaining the line of credit and is required to hold stock based on borrowing activity. Based on the value of available collateral remaining as of December 31, 2025, the Bank could borrow \$89,097,204 from the FHLBA.

In the fourth quarter of 2024, the Bank elected to pay off the FHLBA term advances that were scheduled to mature in 2025 and 2026. The Bank incurred a prepayment penalty of \$75,551 to extinguish the debt.

The Bank is eligible to borrow from the FRB Discount Window. This credit line is secured by the Bank's consumer loan portfolio. Based on the value of available collateral as of December 31, 2025, the Bank could borrow \$11,837,030 from the FRB Discount Window.

The Bank participates in the Certificate of Deposit Account Registry Service ("CDARS") and Insured Cash Sweeps ("ICS") deposit programs via the Intrafi network. The Bank has been a participant in these programs since June 2005 and February 2025, respectively. In addition to providing Bank clients with enhanced FDIC insurance coverage, being a participant in CDARS and ICS allows the Bank to fund its balance sheet through the One-Way Buy program. This program uses a competitive bid process to allocate funding. Management believes that this arrangement would be a viable source of funding provided that the Bank maintains its well-capitalized status. Intrafi allows the Bank to borrow up to 10% of total assets as of December 31, 2025. Based on total assets as of December 31, 2025, the Bank could borrow up to \$72,835,985 from the Intrafi network. As of December 31, 2025, the Bank has \$106,940 borrowed against the Intrafi facility.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

9. Borrowings and Available Lines of Credit - continued

The Bank has a secured credit line and two unsecured credit lines with correspondent banks, which are subject to periodic review. Based on the most recent review performed by the correspondent bank, the amount available under the secured line is \$5,000,000 and the amount available under the unsecured lines total \$13,000,000.

The Bank had no borrowings outstanding at December 31, 2025 or December 31, 2024.

10. Retirement Plan

The Bank has a tax-qualified 401(k) and Profit Sharing Plan (the "401(k) Plan") which is available to employees who have reached 20 years of age, have completed at least three months of service, and meet certain other eligibility requirements as defined by the Plan. The Bank makes matching contributions of 100% on the first 3% of compensation deferred, plus 50% on the next 2% of compensation deferred. Participants are immediately vested in the matching contributions made by the Bank, and discretionary profit-sharing contributions, if any, will vest ratably over a six-year period beginning in year two.

For the year ended December 31, 2025, the Bank recognized \$278,536 of expense associated with the 401(k) Plan. For the year ended December 31, 2024, the Bank recognized \$265,201 of expense associated with the 401(k) Plan.

In 2006 and 2017, the Bank entered into agreements under its Supplemental Executive Retirement Plans ("SERP") with certain executive officers that provide for retirement income benefits. The Bank accrues the present value of these benefits over the remaining number of years to the executives' respective retirement dates. The Bank recorded a liability of \$1,050,520 related to these benefits at December 31, 2025. The Bank recorded a liability of \$1,102,796 related to these benefits at December 31, 2024. SERP expense for the year ended December 31, 2025 was \$60,216. SERP expense for the year ended December 31, 2024 was \$50,305.

11. Interest-Bearing Deposits

Major classifications of interest-bearing deposits at:	December 31, 2025	December 31, 2024
Interest-bearing checking and Money Market	\$ 252,344,377	\$ 241,175,110
Savings	56,237,855	55,477,364
Certificates of deposit	194,720,036	194,321,824
	<u>\$ 503,302,268</u>	<u>\$ 490,974,298</u>

Maturities of certificates of deposit at:	December 31, 2025	December 31, 2024
Maturing within twelve months	\$ 185,738,396	\$ 171,354,719
Maturing after one year to three years	7,357,798	21,156,780
Maturing after three years to five years	1,623,842	1,810,325
	<u>\$ 194,720,036</u>	<u>\$ 194,321,824</u>

Certificates of deposit in excess of \$250,000 included above:	<u>\$ 62,877,402</u>	<u>\$ 66,219,412</u>
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Interest expense for the year ended:	December 31, 2025	December 31, 2024
Interest-bearing checking and Money Market	\$ 3,193,501	\$ 2,280,830
Savings	123,588	116,994
Certificates of deposit	7,920,121	7,467,334
	<u>\$ 11,237,210</u>	<u>\$ 9,865,158</u>

Harford Bank and Subsidiary
Notes to Consolidated Financial Statements

12. Income Taxes

The components of income tax expense are as follows:

For the year ended:	December 31, 2025	December 31, 2024
Current		
Federal	\$ 1,916,274	\$ 1,856,809
State	340,970	406,764
	<u>2,257,244</u>	<u>2,263,573</u>
Deferred		
Federal	(135,545)	(95,191)
State	(59,000)	(41,483)
	<u>(194,545)</u>	<u>(136,674)</u>
	<u>\$ 2,062,699</u>	<u>\$ 2,126,899</u>

The components of deferred income tax expense (benefit) are as follows:

For the year ended:	December 31, 2025	December 31, 2024
Provision for credit losses	\$ (296,342)	\$ (141,630)
Interest revenue	(12,704)	(13,325)
Nonqualified employee benefit	17,251	5,686
Nonqualified stock option expense	(13,322)	7,759
Debit card rewards program liability	(715)	(570)
Depreciation	28,157	5,738
Imputed income on short-term lease	-	(8,443)
Deferred loan origination costs	83,130	8,111
	<u>\$ (194,545)</u>	<u>\$ (136,674)</u>

The components of the net deferred tax asset are as follows:

At:	December 31, 2025	December 31, 2024
Deferred tax assets		
Allowance for credit losses	\$ 2,010,589	\$ 1,714,247
Non-accrual interest	192,597	179,893
Nonqualified employee benefit	289,077	306,328
Nonqualified stock option expense	69,341	56,019
Debit card rewards program liability	7,076	6,361
Lease liability	334,804	359,235
Unrealized loss on securities available for sale	3,957	-
	<u>2,907,441</u>	<u>2,622,083</u>
Deferred tax liabilities		
Depreciation	392,101	363,944
Deferred loan origination costs	231,524	148,394
Right of use asset	334,804	359,235
	<u>958,429</u>	<u>871,573</u>
	<u>\$ 1,949,012</u>	<u>\$ 1,750,510</u>

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

12. Income Taxes - continued

The Bank reported net deferred tax assets of \$1,949,012 and \$1,750,510 at December 31, 2025 and 2024, respectively, which relate primarily to the allowance for credit losses and employee benefits. Management believes it is more likely than not that all of the deferred tax assets will be realized.

In its most recently filed tax year, the Company filed income tax returns in the U.S. Federal jurisdiction and the State of Maryland. With few exceptions, the Company is no longer subject to U.S. Federal and State income tax examinations by tax authorities for years prior to 2022.

The following table provides a reconciliation of tax expense computed at the statutory federal tax rate and the recorded tax expense (in dollars and percentages) for the years ended December 31, 2025 and 2024.

	Year Ended December 31,			
	2025		2024	
	Amount	Percent	Amount	Percent
Tax at Federal Statutory Rate	\$ 1,917,771	21.00 %	\$ 1,909,030	21.00 %
State income taxes, net of federal tax effect	222,756	2.44	288,573	3.17
Nontaxable or nondeductible items				
Nontaxable interest income	(69,490)	(0.76)	(60,411)	(3.16)
Nondeductible expenses and other	<u>(8,338)</u>	<u>(0.09)</u>	<u>(10,293)</u>	<u>2.39</u>
	<u>\$ 2,062,699</u>	<u>22.59 %</u>	<u>\$ 2,126,899</u>	<u>23.40 %</u>

During the years ended December 31, 2025 and 2024, the Company made payments to tax authorities for income taxes as set forth in the table below.

	Year Ended December 31.	
	2025	2024
Federal	2,053,002	1,582,389
State of Maryland	<u>143,000</u>	<u>722,440</u>
Total taxes paid	<u>2,196,002</u>	<u>2,304,829</u>

13. Stock Option and Stock Purchase Plans

The Bank has adopted stock option plans for directors and officers. Option exercise prices are equal to the fair market value of the stock on the date of grant. Options granted under the director plan are fully vested at the time of grant. Options granted under the officer plan vest three years after their grant dates. On April 23, 2018, the officer plan expired, eliminating the Bank's ability to make future grants, although options remain outstanding and subject to exercise through April 2028.

The total number of shares originally authorized for active director stock option plans and inactive director and officer plans with outstanding options was 249,890. As of December 31, 2025, no shares remained available for grant under the active director option plan.

For the year ended December 31, 2025, the Bank recorded stock-based compensation expense of \$84,638. For the year ended December 31, 2024, the Bank recorded stock-based compensation expense of \$47,998.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

13. Stock Option and Stock Purchase Plans - continued

A summary of stock option activity for the year ended December 31, 2025, is presented in the following table.

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2025	55,133	\$ 28.16		
Options granted	9,801	33.18		
Options exercised	(6,485)	28.45		
Options forfeited or expired	(1,356)	24.71		
Outstanding at December 31, 2025	<u>57,093</u>	<u>\$ 29.05</u>	<u>5.53 years</u>	<u>\$ 739,083</u>
Exercisable at December 31, 2025	<u>57,093</u>			

The intrinsic value of options exercised during the year ended December 31, 2025 was \$9,106. The intrinsic value of options exercised during the year ended December 31, 2024, was \$91,450.

The weighted average fair value of options granted during year ended December 31, 2025, was \$8.64, and was estimated using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	2.89%
Risk-free interest rate	3.95%
Expected volatility	28.7%
Weighted average volatility	28.7%
Expected term (in years)	5.0

At the annual meeting of stockholders held on May 20, 2020, the Bank's stockholders approved the Harford Bank 2020 Employee Stock Purchase Plan (the "2020 ESPP") that allows eligible employees to acquire up to 100,000 shares of the Bank's common stock at a discount through accumulated payroll deductions.

Based on employee withholdings during the year ended December 31, 2025, a total of 2,051 shares were granted under the 2020 ESPP at a weighted-average purchase price of \$35.32. At December 31, 2025, a total of 88,274 shares remain available under the 2020 ESPP.

14. Capital Standards

The Board of Governors of the Federal Reserve System (the "Federal Reserve") and the FDIC have adopted risk-based capital standards for banking organizations. These standards require ratios of capital to assets for minimum capital adequacy and to be classified as well capitalized under prompt corrective action provisions.

The Federal Deposit Insurance Act (the "FDI Act") requires, among other things, the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. The FDI Act includes the following five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures are the total capital ratio, the Tier 1 capital ratio and the leverage ratio.

A bank will be (i) "well capitalized" if the institution has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater, a Common Equity Tier 1 ("CET1") ratio of 6.5% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure, (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater, a CET1 ratio of 4.5% or greater, and is not "well capitalized", (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0%, or a CET1 ratio of less than 4.5%, (iv) "significantly undercapitalized" if the institution has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

14. Capital Standards – continued

ratio of less than 4.0%, a leverage ratio of less than 3.0%, or a CET1 ratio of less than 3.0%, and (v) “critically undercapitalized” if the institution’s tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank’s capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank’s overall financial condition or prospects for other purposes.

The FDI Act generally prohibits a depository institution from making any capital distributions (including payment of a dividend) if the depository institution would thereafter be “undercapitalized.” “Undercapitalized” institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution’s capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized. Significantly undercapitalized” depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately capitalized,” requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. “Critically undercapitalized” institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDI Act provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice.

The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution. As of December 31, 2025, the Bank was “well capitalized” based on the aforementioned ratios.

The Bank’s actual capital ratios, the required regulatory capital ratios to be considered well capitalized, the regulatory minimum capital ratios, and the regulatory minimum capital ratios with the 2.5% capital conservation buffer added based on the current capital rules are as follows for the periods indicated:

(\$ in thousands)	Actual		Required to be Well Capitalized		Minimum Capital		Minimum Capital With Capital Conservation Buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	December 31, 2025							
Total capital	\$ 77,828	14.72%	\$ 52,865	10.00%	\$ 42,292	8.00%	\$ 55,508	10.50%
Tier 1 capital	71,212	13.47%	42,292	8.00%	31,719	6.00%	44,935	8.50%
Common equity Tier 1 capital	71,212	13.47%	34,362	6.50%	23,789	4.50%	37,005	7.00%
Tier 1 leverage capital	71,212	9.75%	36,506	5.00%	29,205	4.00%	29,205	4.00%

(\$ in thousands)	Actual		Required to be Well Capitalized		Minimum Capital		Minimum Capital With Capital Conservation Buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	December 31, 2024							
Total capital	\$ 71,125	14.59%	\$ 48,735	10.00%	\$ 38,988	8.00%	\$ 51,171	10.50%
Tier 1 capital	65,032	13.34%	38,988	8.00%	29,241	6.00%	41,424	8.50%
Common equity Tier 1 capital	65,032	13.34%	31,677	6.50%	21,931	4.50%	34,114	7.00%
Tier 1 leverage capital	65,032	9.10%	35,735	5.00%	28,588	4.00%	28,588	4.00%

At December 31, 2025 and December 31, 2024, capital levels at the Bank exceed all capital adequacy requirements under applicable capital rules on a fully phased-in basis. Based on the ratios presented above, capital levels of the Bank exceed the minimum levels necessary to be considered well capitalized. Failure to meet the capital requirements could affect the Bank’s ability to pay dividends and accept deposits and may significantly affect the operations of the Bank. In the Bank’s most recent regulatory report, the Bank was categorized as well capitalized under the prompt corrective action regulations. Management knows of no events or conditions that should change this classification.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

15. Net Income per Common Share

The calculation of basic and diluted net income per common share is presented below for the periods indicated:

For the years ended December 31:	2025	2024
<hr/>		
Basic net income per common share:		
Net income	\$ 7,069,542	\$ 6,963,718
Weighted-average common shares outstanding	<u>1,500,463</u>	<u>1,485,615</u>
Basic net income per common share	<u>\$ 4.71</u>	<u>\$ 4.69</u>
Diluted net income per common share:		
Net income	\$ 7,069,542	\$ 6,963,718
Weighted-average common shares outstanding	1,500,463	1,485,615
Dilutive common stock equivalents	<u>10,926</u>	<u>7,664</u>
Dilutive EPS shares	<u>1,511,389</u>	<u>1,493,279</u>
Diluted net income per common share	<u>\$ 4.68</u>	<u>\$ 4.66</u>
Anti-dilutive shares	<u>-</u>	<u>6,975</u>

16. Fair Value Measurements

FASB ASC Topic 820 defines fair value as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date under current market conditions (an exit price) and establishes a framework for measuring fair value and expands disclosures about fair value. FASB ASC Topic 820 also establishes a hierarchy for determining fair value measurement. The hierarchy includes three levels and is based upon the valuation techniques used to measure assets and liabilities.

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are directly or indirectly observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a Bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

During the year ended December 31, 2025, the Bank purchased certain securities classified as available-for-sale. These securities were measured at fair value on a recurring basis. All other assets and liabilities were not measured at fair value on a recurring basis. During the year ended December 31, 2024, the Bank did not measure any assets or liabilities at fair value on a recurring basis. The fair values of securities available for sale are determined by obtaining quoted prices from a nationally recognized securities pricing agent. If quoted market prices are not available, fair value is determined using quoted market prices for similar securities.

Harford Bank and Subsidiary Notes to Consolidated Financial Statements

16. Fair Value Measurements - continued

The following table summarizes financial assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2025, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

December 31, 2025	Carrying Value:			Total
	Level 1	Level 2	Level 3	
Recurring				
<i>Available for Sale</i>				
Agency RMBS	\$ -	\$ 2,859,189	\$ -	\$ 2,859,189
Agency CMO securities	-	2,609,893	-	2,609,893
Corporate Bonds	-	978,450	1,000,000	1,978,450
	<u>\$ -</u>	<u>\$ 6,447,532</u>	<u>\$ 1,000,000</u>	<u>\$ 7,447,532</u>

There were no financial assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2024.

The Bank does not record loans held for investment at fair value on a recurring basis. However, there were instances when a loan was individually evaluated and an allowance for credit losses on loans was established. The Bank measures impairment either based on the fair value of the collateral if the loan is collateral dependent or uses the present value of expected future cash flows discounted at the loan's effective interest rate, which was not a fair value measurement. The Bank maintains a valuation allowance to the extent that this measure of the individually evaluated loan was less than the recorded investment in the loan. When an individually evaluated loan is measured at fair value based solely on observable market prices or a current appraisal without further adjustment for unobservable inputs, the Bank records the individually evaluated loan as a nonrecurring fair value measurement classified as Level 2. However, if based on management's review, additional discounts to observed market prices or appraisals are required or if observable inputs are not available, the Bank records the individually evaluated loan as a nonrecurring fair value measurement classified as Level 3.

Individually evaluated loans that were measured based on expected future cash flows discounted at the loan's effective interest rate rather than the market rate of interest, were not recorded at fair value and are therefore excluded from fair value disclosure requirements.

The following table presents collateral dependent loans measured at fair value on a nonrecurring basis where the outstanding investment in the loan exceeded fair value resulting in an allowance being allocated to the loan at December 31, 2025 and December 31, 2024.

December 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	Collateral dependent loans with ACL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2024				
Collateral dependent loans with ACL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,720,000</u>	<u>\$ 3,720,000</u>

The fair value of the individually evaluated collateral dependent loans is measured based on the fair value of the collateral (less estimated selling costs). Appraised values may be discounted based on management's historical experience, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Individually evaluated collateral dependent loans are reviewed and evaluated on a quarterly basis for additional individual reserve and adjusted accordingly, based on the factors identified above.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

16. Fair Value Measurements – continued

The following table presents qualitative information about Level 3 fair value measurements for collateral dependent loans where the recorded investment in the loans exceeded fair value resulting in an allowance being allocated to the loans at December 31, 2024.

December 31, 2024

Collateral dependent loans with ACL	\$ <u>3,720,000</u>	Appraisal (1)	Selling Costs	7%
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(1) Fair value is generally determined through independent appraisal of underlying collateral, which generally includes various level 3 inputs which are not observable.

In estimating fair values, the Bank utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. Also, the calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

December 31, 2025	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 60,770,425	\$ 60,770,425	\$ 60,770,425	\$ -	\$ -
Investment securities available for sale	7,447,532	7,447,532		6,447,532	1,000,000
Investment securities held to maturity:					
U.S. Treasury securities	18,501,758	18,453,170	18,453,170	-	-
Other investment securities	83,382,304	79,188,978	-	79,188,978	-
Loans, net	536,341,272	528,018,623	-	-	528,018,623
Accrued interest receivable	1,976,839	1,976,839	-	1,976,839	-
Bank owned life insurance	6,835,256	6,835,256	-	6,835,256	-
Financial liabilities:					
Noninterest-bearing deposits	149,043,176	149,043,176	-	149,043,176	-
Interest-bearing deposits	503,302,268	503,148,268	-	-	503,148,268
Accrued interest payable	746,560	746,560	-	746,560	-
December 31, 2024					
Financial assets:					
Cash and cash equivalents	\$ 97,555,976	\$ 97,555,976	\$ 97,555,976	\$ -	\$ -
Investment securities held to maturity:					
U.S. Treasury securities	19,731,691	19,184,422	19,184,422	-	-
Other investment securities	80,911,200	73,382,163	-	73,382,163	-
Loans, net	493,834,528	480,666,080	-	-	480,666,080
Accrued interest receivable	1,636,248	1,636,248	-	1,636,248	-
Bank owned life insurance	6,684,231	6,684,231	-	6,684,231	-
Financial liabilities:					
Noninterest-bearing deposits	152,383,101	152,383,101	-	152,383,101	-
Interest-bearing deposits	490,974,298	490,605,087	-	-	490,605,087
Accrued interest payable	743,030	743,030	-	743,030	-

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

17. Legal Proceedings

The Bank is at times, in the ordinary course of business, subject to other legal actions that are normally associated with a financial institution. In management's opinion, the effect of these other actions will not be material to the financial condition or results of operations of the Bank.

18. Accounting Standard Updates

FASB Accounting Standards Update (“ASU”) 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.” ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The FASB subsequently issued ASU 2025-01, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date”, which amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in ASU 2024-03 in annual reporting periods beginning after December 15, 2026 and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. Implementation of ASU 2024-03 may be applied prospectively or retrospectively. The adoption of ASU 2024-03 is not expected to have a material impact on the Bank’s financial statements.

FASB ASU 2025-01, “Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date.” ASU 2025-01 amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. The adoption of ASU 2024-03 is not expected to have a material impact on the Bank’s financial statements.

FASB ASU 2025-04, “Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer.” The amendments in ASU 2025-04 affects the timing of revenue recognition for entities that offer to pay share-based consideration (e.g., equity instruments) to a customer (or to other parties that purchase the entity’s goods or services from the customer) to incentivize the customer (or its customers) to purchase its goods and services. Specifically, the amendments clarify the requirements for share-based consideration payable to a customer that vests upon the customer purchasing a specified volume or monetary amount of goods and services from the entity. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in an interim or annual period in which financial statements have not yet been issued. If an entity adopts ASU 2025-04 in an interim period, it should adopt as of the beginning of the annual period that includes that interim reporting period. The adoption of ASU 2025-04 is not expected to have a material impact on the Bank’s financial statements.

FASB ASU 2025-09, “Derivatives and Hedging (Topic 815): Hedge Accounting Improvements.” The amendments in this ASU enables entities to apply hedge accounting to a greater number of highly effective economic hedges in the following five areas: 1) similar risk assessment for cash flow hedges, 2) hedging forecasted interest payments on choose-your-rate debt instruments, 3) cash flow hedges of nonfinancial forecasted transactions, 4) net written options as hedging instruments, and 5) foreign-currency-denominated debt instrument as hedging instrument and hedged item (dual hedge). This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted on any date on or after November 25, 2025. The adoption of ASU 2025-09 is not expected to have a material impact on the Bank’s financial statements.

FASB ASU 2025-12, “Codification Improvements.” The amendments in this ASU update the FASB Accounting Standards Codification for a broad range of Topics arising from technical corrections, unintended application of the Codification, clarifications, and other minor improvements. The amendments in this ASU are effective for annual periods beginning after December 15, 2026, and interim periods within those annual periods. Early adoption is permitted in both interim and annual periods in which financial statements have not yet been issued or made available for issuance. If an entity adopts the amendments in this ASU in an interim period, it must adopt them as of the beginning of the annual period that includes that interim period. An entity may elect to early adopt the amendments on an issue-by-issue basis. The adoption of ASU 2025-09 is not expected to have a material impact on the Bank’s financial statements.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A. CONTROLS AND PROCEDURES.

The Bank maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Bank's reports filed under the Exchange Act with the FDIC, such as this annual report, is recorded, processed, summarized and reported within the time periods specified in those rules and forms, and that such information is accumulated and communicated to the Bank's management, including the principal executive officer ("PEO") and the principal financial officer ("PFO"), as appropriate, to allow for timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

An evaluation of the effectiveness of these disclosure controls as of December 31, 2025 was carried out under the supervision and with the participation of the Bank's management, including the PEO and the PFO. Based on that evaluation, the Bank's management, including the PEO and the PFO, has concluded that the Bank's disclosure controls and procedures are, in fact, effective at the reasonable assurance level.

During the fourth quarter of 2025, there was no change in the Bank's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management has performed an evaluation and testing of the Bank's internal control over financial reporting as of December 31, 2025. Management's report on the Bank's internal control over financial reporting is included on the following page.

Management's Report on Internal Control Over Financial Reporting

Management of Harford Bank (the "Bank") is responsible for the preparation, integrity and fair presentation of the consolidated financial statements incorporated by reference in this annual report. The Bank's audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include some amounts that are based on the best estimates and judgments of management.

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system is designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of the Bank's financial reporting and the preparation and presentation of consolidated financial statements for external reporting purposes in conformity with accounting principles generally accepted in the United States of America, as well as to safeguard assets from unauthorized use or disposition. The system of internal control over financial reporting is evaluated for effectiveness by management and tested for reliability through a program of internal audit with actions taken to correct potential deficiencies as they are identified. Because of inherent limitations in any internal control system, no matter how well designed, misstatement due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2025 based upon criteria set forth in "2013 Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission.

Based on this assessment, management has concluded that, as of December 31, 2025, the Bank's internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of the Bank's independent registered public accounting firm regarding internal controls over financial reporting. Management's report was not subject to attestation by the Bank's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Bank to provide only management's report.

March 11, 2026

By: /s/ Michael F. Allen
Michael F. Allen.
President
(Principal Executive Officer)

By: /s/ Mark A. Semanie
Mark A. Semanie
Executive Vice President and CFO
(Principal Financial Officer)

Item 9B. OTHER INFORMATION.

Based on the most recent information provided to the Bank by its directors and officers, no director or officer adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of securities of the Bank intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Exchange Act or (ii) any “non-Rule 10b5-1 trading arrangement” as defined in Rule 10b5-1(c).

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT DISCLOSURE.

Not applicable.

PART III**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The Bank has adopted a code of ethics that applies to all of its directors and executive officers, including its principal executive officer and principal financial officer. The Bank will provide a copy of the Code of Ethics free of charge upon written request to Harford Bank, 8 West Bel Air Avenue, P.O. Box 640, Aberdeen, Maryland 21001, Attention: Mark A. Semanie, CFO.

All other information required by this item is incorporated herein by reference to the sections of the Bank’s definitive proxy statement for the 2026 Annual Meeting of Stockholders to be filed with the FDIC pursuant to Regulation 14A (the “Proxy Statement”) entitled “Election of Directors (Proposal 1)”, “Executive Officers”, “Delinquent Section 16(a) Reports”, and “Corporate Governance Matters” (under the headings, “Board Committees” and “Insider Trading Policy”).

Item 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled “Director Compensation” and “Executive Compensation” (excluding the information under the subheading “Pay Versus Performance”).

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The Bank has outstanding stock options under three equity compensation plans: (i) the 2004 Director Non-Qualified Stock Option Plan (the “2004 Plan”); (ii) 2008 Key Employee Stock Option Plan; and (iii) the 2015 Director Stock Option Plan (the “2015 Plan”). The 2004 Director Non-Qualified Stock Option Plan and the 2008 Key Employee Stock Option Plan have expired and no further grants may be made thereunder, although they will remain in place until all previously granted options are exercised, expire or are forfeited. All plans other than the 2004 Plan and the 2015 Plan were approved by the Bank’s stockholders, and information about the 2015 Plan is provided in the following paragraph. The terms of the 2015 Plan are identical to those of the 2004 Plan in all material respects.

In 2015, the Bank replaced the 2004 Plan which had expired in 2014 with the 2015 Plan, for which shareholder approval was not required. The 2015 Plan permits the grant of non-qualified stock options to purchase up to 80,000 shares of common stock (subject to adjustment for dividends, recapitalizations, and similar capital events and the expiration of unexercised options). Directors who have served for at least one year and have a Board meeting attendance record of at least 50% during the 12 months preceding participation are eligible to participate. Options granted under the 2015 Plan vest according to the agreement granting the options and thereafter generally remain exercisable for 10 years from the date of grant. If a participant’s service with the Bank terminates for cause, then the unexercised portions of his or her options immediately lapse. If a participant’s service is terminated because of death or permanent disability, then the unexercised portions of his or her options lapse unless exercised within one year of termination. If a participant’s service is terminated for any other reason, then the unexercised portions of his or her options lapse unless exercised within three months of termination. In the event of an Extraordinary Event (as defined in the 2015 Plan), all outstanding unexercised options become immediately exercisable (whether vested or not). If a participant fails to exercise his or her options upon an Extraordinary Event, then the Bank is required to take such action as may be necessary to enable each participant to receive, upon exercise, securities or other assets as were issuable or payable upon the Extraordinary Event in respect of, or in exchange for, the shares of common stock subject to those options. The Board may amend, suspend, discontinue or terminate the 2015 Plan at any time and from time to time, except that such action may not alter or impair the existing rights of any participant without his or her consent. The 2015 Plan, including the form of agreement used to grant stock options, was filed as Exhibit 10.1 to the Bank’s Quarterly Report on Form 10-Q for the period ended June 30, 2015.

At the annual meeting of stockholders held on May 20, 2020, the Bank’s stockholders approved the 2020 ESPP that allows eligible employees to acquire up to 100,000 shares of the Bank’s common stock at a discount through accumulated payroll deductions. A summary of these terms is set forth in the Bank’s definitive proxy statement on Schedule 14A for the 2020 annual meeting of stockholders, which was filed with the FDIC on April 11, 2020.

The following table provides information about shares of common stock that may be issued (all upon the exercise of options) under all of the Bank’s equity compensation plans as of December 31, 2025.

Equity Compensation Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,859	\$25.63	88,274
Equity compensation plans not requiring security holder approval	<u>49,234</u>	\$29.60	<u>-</u>
Total	<u>57,093</u>	<u>\$29.05</u>	<u>88,274</u>

All other information required by this item is incorporated herein by reference to the section of the Proxy Statement entitled “Beneficial Ownership of Common Stock”.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled “Certain Relationships and Related Transactions” and “Corporate Governance Matters” (under the heading, “Director Independence”).

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item is incorporated herein by reference to the section of the Proxy Statement entitled “Audit Fees and Services”.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) and (2), and (c). Financial statements and schedules:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Condition at December 31, 2025 and 2024
- Consolidated Statements of Income for years ended December 31, 2025 and 2024
- Consolidated Statements of Changes in Stockholders' Equity for years ended December 31, 2025 and 2024
- Consolidated Statements of Cash Flows for years ended December 31, 2025 and 2024
- Notes to Consolidated Financial Statements

(a)(3) and (b). Exhibits required to be filed by Item 601 of Regulation S-K:

The exhibits that are filed or furnished with this annual report are listed in the following Exhibit Index.

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Bank’s Annual Report on Form 10-KSB for the year ended December 31, 2001).
3.2	Fourth Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Bank’s Current Report on Form 8-K filed with the FDIC on October 16, 2025).

- 4.1 Description of Securities Registered under the Securities Exchange Act of 1934.
- 10.1 Harford Bank 2004 Director Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.4 to the Bank's Annual Report on Form 10-KSB for the year ended December 31, 2004).
- 10.2 Harford Bank 2008 Key Employee Stock Option Plan (incorporated by reference to Appendix B of the Bank's definitive proxy statement for the 2008 Annual Meeting of Stockholders).
- 10.3 Harford Bank Directors' Deferral Plan (incorporated by reference to Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on August 8, 2006).
- 10.4 Rabbi Trust for the Directors' Deferral Plan (incorporated by reference to Exhibit 10.2 to the Bank's Current Report on Form 8-K filed with the FDIC on August 8, 2006).
- 10.5 Form of Director Joint Beneficiary Designation Agreement dated July 20, 2006 (incorporated by reference to Exhibit 10.3 to the Bank's Current Report on Form 8-K filed with the FDIC on August 8, 2006).
- 10.6 Form of Executive Joint Beneficiary Designation Agreement dated July 20, 2006 for Sandra Osborn (incorporated by reference to Exhibit 10.6 to the Bank's Current Report on Form 8-K filed with the FDIC on August 8, 2006).
- 10.7 Harford Bank Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.7 to the Bank's Current Report on Form 8-K filed with the FDIC on August 8, 2006).
- 10.8 Amended and Restated Supplemental Executive Retirement Plan Agreement for Charles H. Jacobs, Jr. (incorporated by reference to Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on January 7, 2008).
- 10.9 First Form of First Amendment to Amended and Restated Executive Supplemental Retirement Plan Agreement between Harford Bank and Charles H. Jacobs, Jr. (incorporated by reference to Exhibit 10.1 to the Bank's Current Report on Form 8-K filed on April 29, 2009).
- 10.10 Harford Bank 2015 Director Stock Option Plan (incorporated by reference to Exhibit 10.1 to the Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2015).
- 10.11 Supplemental Executive Retirement Plan Agreement for Neil L. Christ (incorporated by reference to Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 2, 2017).
- 10.12 Harford Bank 2020 Employee Stock Purchase Plan (incorporated by reference to Appendix A to the Bank's definitive proxy statement on Schedule 14A in respect of the 2020 annual meeting of stockholders that was filed with the FDIC on April 11, 2020).
- 10.13 Employment Agreement, dated as of May 5, 2021, between Harford Bank and Michael F. Allen (incorporated by reference to Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 14, 2021).
- 10.14 Employment Agreement, dated as of March 30, 2022, between Harford Bank and Lorrie A. Schenning (incorporated by reference to Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on March 8, 2023).
- 19.1 Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Bank's Annual Report on Form 10-K for the year ended December 31, 2023).
- 21 Subsidiaries of the Bank (filed herewith).
- 31.1 Certifications of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certifications of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of the Periodic Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

99.1 Harford National Bank Dividend Reinvestment Plan (incorporated herein by reference to Harford National Bank's registration statement on Form S-3 filed with the Office of the Comptroller of the Currency on January 25, 1999).

Item 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Harford Bank

By: /s/ Michael F. Allen
Michael F. Allen
President
(Principal Executive Officer)

Date: March 11, 2026

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 11, 2026.

/s/ Michael F. Allen
Michael F. Allen
Director, President
(Principal Executive Officer)

/s/ Mark A. Semanie
Mark A. Semanie
Executive Vice President/CFO
(Principal Financial Officer and
Principal Accounting officer)

/s/ Henry S. Holloway
Henry S. Holloway
Chairman of the Board

/s/ Michael Browne
Michael Browne
Director

/s/ Warline Bryant
Warline Bryant
Director

/s/ Mariela C. D'Alessio, Esq
Mariela C. D'Alessio, Esq
Director

/s/ Daniel M. Driver
Daniel Driver
Director

/s/ Carolyn W. Evans
Carolyn W. Evans
Director

/s/ Richard F. Foard, Jr
Richard F. Foard, Jr.
Director

/s/ Stephanie Novak Hau
Stephanie Novak Hau
Director

/s/ Timothy N. Hopkins
Timothy N. Hopkins
Director

/s/ Charles H. Jacobs, Jr.
Charles H. Jacobs, Jr.
Director

/s/ Bryan E. Kelly
Bryan E. Kelly, CFP
Director

/s/ Stephen K. Nolan
Stephen K. Nolan
Director

/s/ Wayne Tapscott
Wayne Tapscott
Director

Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934

Harford Bank (the “Bank”) is authorized by its charter to issue up to 5,000,000 shares of capital stock, all of which have been classified as shares of common stock, par value \$10.00 per share (“Common Stock”).

As of February 28, 2026, there were 1,507,561 shares of Common Stock issued and outstanding.

The Common Stock is registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Common Stock is not listed on any securities exchange, but shares are traded in the over-the-counter market by certain broker-dealers and price quotations are available through the OTC Markets Group’s OTCID Basic Market (the “Basic Market”) under the symbol “HFBK”. Price quotations reported through the Basic Market reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions.

The following is a summary of the general terms of the Common Stock. This summary does not purport to be complete in all respects. The full terms of the Common Stock are set forth in the Bank’s Articles of Incorporation (the “Charter”), the Bank’s Fourth Amended and Restated Bylaws (the “Bylaws”), and the applicable provisions of the Maryland General Corporation Law (the “MGCL”).

General

The holders of the Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of shares of Common Stock are not entitled to cumulative voting rights in the election of directors. Subject to preferences that may be applicable to any outstanding preferred stock, holders of Common Stock are entitled to receive ratable dividends that are declared by the Board out of funds legally available for such a purpose. Holders of Common Stock have no preemptive rights and have no rights to convert their shares Common Stock into any other securities. The Common Stock is not redeemable. All of the outstanding shares of the Common Stock are fully paid and non-assessable.

The Transfer Agent for the Common Stock is Equiniti Trust Company, LLC.

Dividends and Other Distributions

The declaration of dividends on the Common Stock is at the discretion of the Board. The Bank is subject to various bank regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums.

Both federal and Maryland laws impose restrictions on the ability of a Maryland bank to pay dividends. Federal law prohibits the payment of a dividend by an insured depository institution if the depository institution is considered “undercapitalized” or if the payment of the dividend would make the institution “undercapitalized”. Maryland state-chartered banks may pay dividends only out of undivided profits or, with the prior approval of the Maryland Office of Financial Regulation, from surplus in excess of 100% of required capital stock. If, however, the surplus of a Maryland bank is less than 100% of its required capital stock, then cash dividends may not be paid in excess of 90% of net earnings. In addition to these specific restrictions, bank regulatory agencies have the ability to prohibit a proposed dividend by a financial institution that would otherwise be permitted under applicable law if the regulatory body determines that the payment of the dividend would constitute an unsafe or unsound banking practice. A bank that is considered to be a “troubled institution” is prohibited by federal law from paying dividends altogether.

Rights Upon Liquidation

In the event of the Bank’s liquidation, dissolution, or winding up, holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and liquidation preferences, if any, on any outstanding shares of preferred stock.

Anti-Takeover Provisions under Maryland Law, the Charter and the Bylaws

The provisions of Maryland law, the Charter, and the Bylaws summarized below may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in his, her, or its best interest, including those attempts that might result in a premium over the market price for the Common Stock.

Business Combinations under Maryland Law

The Maryland Business Combination Act generally prohibits corporations from being involved in any “business combination” (defined as a variety of transactions, including a merger, consolidation, share exchange, asset transfer or issuance or reclassification of equity securities) with any “interested stockholder” for a period of five years following the most recent date on which the interested stockholder became an interested stockholder. An interested stockholder is defined generally as a person who is the beneficial owner of 10% or more of the voting power of the outstanding voting stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock or who is an affiliate or associate of the corporation and was the beneficial owner, directly or indirectly, of 10% percent or more of the voting power of the then outstanding stock of the corporation at any time within the two-year period immediately prior to the date in question and after the date on which the corporation had 100 or more beneficial owners of its stock.

A business combination that is not prohibited must be recommended by the Board and approved by the affirmative vote of at least 80% of the votes entitled to be cast by outstanding shares of voting stock of the corporation, voting together as a single voting group and two-thirds of the votes entitled to be cast by holders of voting stock other than voting stock held by the interested stockholder who will (or whose affiliate will) be a party to the business combination or by an affiliate or associate of the interested stockholder, voting together as a single voting group, unless, among other things, the corporation’s stockholders receive a minimum price, as defined in the Maryland Business Combination Act for their shares, in cash or in the same form as paid by the interested stockholder for its shares. These provisions will not apply if the Board has exempted the transaction in question or the interested stockholder prior to the time that the interested stockholder became an interested stockholder. In addition, the Board may adopt a resolution approving or exempting specific business combinations, business combinations generally, or generally by type, as to specifically identified or unidentified existing or future stockholders or their affiliates from the business combination provisions of the Maryland Business Combination Act.

Control Share Acquisitions

The Maryland Control Share Acquisition Act generally provides that “control shares” of a corporation acquired in a “control share acquisition” have no voting rights except to the extent approved by the stockholders at a meeting by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares. “Control shares” are shares of stock that, if aggregated with all other shares of stock of the corporation previously acquired by a person or in respect of which that person is entitled to exercise or direct the exercise of voting power, except solely by virtue of a revocable proxy, entitle that person, directly or indirectly, to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors within any of the following ranges of voting power: one-tenth or more, but less than one-third of all voting power; one-third or more, but less than a majority of all voting power or a majority or more of all voting power. “Control share acquisition” means the acquisition, directly or indirectly, of control shares, subject to certain exceptions. If voting rights or control shares acquired in a control share acquisition are not approved at a stockholders’ meeting, then, subject to certain conditions, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a stockholders’ meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights.

Advance Notice Procedure for Director Nominations by Stockholders

The Bylaws allow stockholders to submit director nominations. For nominations to properly come before the meeting, however, the nominating stockholder must have given timely written notice of the nomination to either the Chairman of the Board or the President of the Bank. To be timely, a nomination must be given not less than 150 days nor more than 180 days prior to the date of the meeting of stockholders called for the election of directors which, for

purposes of this requirement, is deemed to be on the same day and month as the annual meeting of stockholders for the preceding year. The notice must contain the following information to the extent known by the notifying stockholder: (i) the name and address of each proposed nominee; (ii) the principal occupation of each proposed nominee; (iii) the number of shares of capital stock of the Bank owned by each proposed nominee; (iv) the name and residence address of the notifying stockholder; (v) the number of shares of capital stock of the Bank owned by the notifying stockholder; (vi) the consent in writing of the proposed nominee as to the proposed nominee's name being placed in nomination for director; and (vii) all information relating to the proposed nominee that would be required to be disclosed by Section 14(a) of the Exchange Act and the rules promulgated thereunder, assuming that such provisions would be applicable to the solicitation of proxies for the proposed nominee.

Advance Notice Procedure for Stockholder Proposals

The Bylaws allow stockholders to submit proposals to be presented for action at an annual meeting of stockholders. For such proposals to properly come before the meeting, however, the proposing stockholder must (i) be a stockholder of record on the date on which notice of the proposal is given and on the record date for the annual meeting and (ii) have given timely written notice of the proposal to the Secretary of the Bank. To be timely, the notice must be given not less than 120 days nor more than 180 days prior to the date of the annual meeting of stockholders which, for purposes of this requirement, is deemed to be on the same day and month as the annual meeting of stockholders for the preceding year. Certain exceptions apply in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the preceding year's annual meeting. The notice must contain the following information with respect to the proposal: (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (b) the name and address of the stockholder as they appear on the Bank's books and of the beneficial owner, if any, on whose behalf the proposal is made; (c) the class or series and number of shares of capital stock of the Bank which are owned beneficially or of record by such stockholder and such beneficial owner; (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business; (e) all other information relating to such proposal that would be required to be disclosed by Section 14(a) of the Exchange Act and any rules promulgated thereunder, assuming that such provisions would be applicable to the solicitation of proxies for such proposal; and (f) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

Subsidiaries of Harford Bank

HB Trust is a Maryland statutory trust of which Harford Bank is the sole beneficiary.

**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, Michael F. Allen, certify that:

1. I have reviewed this annual report on Form 10-K of Harford Bank;
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; and
 - b. 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
 - 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: March 11, 2026

/s/Michael F. Allen
Michael F. Allen
President
(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, Mark A. Semanie, certify that:

1. I have reviewed this annual report on Form 10-K of Harford Bank;
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; and
 - b. 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
 - 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: March 11, 2026

/s/ Mark A. Semanie
Mark A. Semanie
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, each of the undersigned hereby certifies that (i) the Annual Report of Harford Bank on Form 10-K for the year ended December 31, 2025 filed with the Federal Deposit Insurance Corporation (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 Harford Bank.

Date: March 11, 2026

/s/ Michael F. Allen
Michael F. Allen
President
(Principal Executive Officer)

Date: March 11, 2026

/s/ Mark A. Semanie
Mark A. Semanie
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)