

*A story of longevity
legacy and loyalty.*

HARFORD BANK | 2023 ANNUAL REPORT



Harford
Bank

To our shareholders, customers and friends

After enduring three years of interesting societal challenges, most of us were hoping 2023 would offer a return to some semblance of normalcy, however we now define that word. The first couple of months of the year were relatively quiet, but by March of 2023, new storm clouds appeared. In that month, Silvergate Bank, which specialized in cryptocurrency services, announced it could no longer continue as a going concern and began winding itself down. Shortly thereafter, Silicon Valley Bank, which specialized in tech company and venture capital services, was shut down by regulators. Two days after that, Signature Bank, another bank involved in the cryptocurrency industry, failed. Three more larger banks failed over the ensuing months.

The fallout from these failures was immediate and the conclusions offered were sometimes dire. Some pundits were predicting a collapse of the industry, others were warning that no bank was safe. The good

news is, there are over 4,000 banks in the U.S., and the overwhelming majority of them performed very well in 2023. This handful of failures of unique banks did not lead to a system collapse. Quite the contrary, the fact that these failures were not contagious proved the general health of the banking system. The nation's banks enjoyed strong profitability in 2023 and are carrying some of the highest levels of capital in recent history. Capital helps banks defend against failure.

Community banks fared especially well in the face of these headwinds. The nature of the traditional community banking model – local relationships, knowing your customer base personally, conservative credit policies, etc. – proved invaluable at a time when people were understandably uneasy about the safety of the industry as a whole. As we have seen so many times over the years, community banks withstood the test and proved strong and resilient.





Harford Bank also enjoyed a successful 2023. You will find a full discussion of our performance in the shareholder letter accompanying this annual report, but the Financial Highlights page following these introductory remarks provides a useful summary. Increased profitability, strong loan growth, sound credit quality, and continued dividend growth were just some of the high points for Harford Bank in 2023. Our team worked hard to produce these results, and we are grateful for their dedication, skills, and energy. They should be proud of what they continue to accomplish.

This year, 2024, Harford Bank celebrates its 60th anniversary. Sixty years of serving the community that was responsible for its creation in 1964. A community that watched one of its few remaining local banks disappear due to acquisition and decided to do something about it. Several members of that community joined forces and created Aberdeen National Bank, later to become Harford National Bank, and finally, Harford Bank. As the community has grown and changed, Harford Bank has done the same, continually improving to stay ahead of the evolving needs of its customers. But what has not changed in 60 years is this organization's focus on service, our dedication to treating our customers and each other with respect and understanding.

As is true for any organization, Harford Bank is only as good as its people. We are indeed fortunate to have assembled one of the best banking teams in the region; one that is rich with individuals who are experts in their fields, and who are committed to our bank.

The stories that follow say more about Harford Bank than anything else we could offer. These stories describe a culture of tradition, endurance and community service, and give the reader a glimpse at the quality of people who make Harford Bank what it is. We often refer to our core values as the *Harford Bank Way*. But core values are nothing more than a reflection of the beliefs and behaviors of the people who make up any business. When those beliefs are genuine, they give shape to an organization.

We hope you enjoy getting to know more about some of our team members. We also want to thank you for allowing us to serve you. We are honored so many of you entrust us with your financial goals, and we will do our best to continue to earn that trust every day.

HENRY S. HOLLOWAY
CHAIRMAN

MICHAEL F. ALLEN
PRESIDENT

FINANCIAL HIGHLIGHTS | DECEMBER 31

BALANCE SHEET (IN THOUSANDS)

	2023	2022	% CHANGE 2023 OVER 2022
TOTAL ASSETS	\$ 665,617	595,469	11.8 %
TOTAL DEPOSITS	554,309	538,531	2.9 %
TOTAL LOANS (NET)	502,250	423,921	18.5 %
STOCKHOLDERS' EQUITY	58,963	54,047	9.1 %

INCOME STATEMENT (IN THOUSANDS)

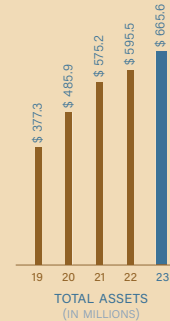
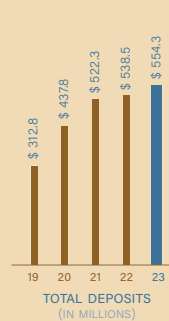
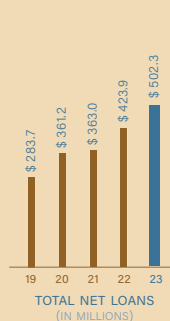
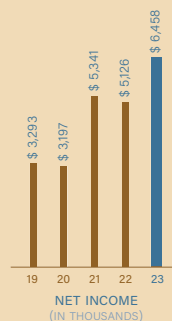
NET INTEREST INCOME	\$ 21,447	19,348	10.8 %
NONINTEREST REVENUE	3,128	1,817	72.1 %
NONINTEREST EXPENSE	(15,091)	(14,859)	1.6 %
NET INCOME	6,458	5,126	26.0 %

PER SHARE DATA

BASIC NET INCOME PER SHARE	\$ 4.38	3.51	24.79 %
CASH DIVIDENDS DECLARED	0.88	0.77	14.29 %
STOCKHOLDERS' EQUITY (BOOK VALUE)	39.90	36.76	8.54 %

KEY RATIOS

RETURN ON AVERAGE ASSETS	1.03 %	0.85 %
RETURN ON AVERAGE EQUITY	11.42 %	9.93 %
NET LOANS TO TOTAL ASSETS	75.46 %	71.19 %
STOCKHOLDERS' EQUITY TO TOTAL ASSETS	8.86 %	9.08 %
ALLOWANCE FOR CREDIT LOSSES ON LOANS TO GROSS LOANS	1.12 %	1.09 %
NET LOANS TO DEPOSITS	90.61 %	78.72 %



Leann Hines has been fortunate to see the bank's growth from its early days of typewriters and counting machines to the evolution of online banking and mobile apps. She notes how demonstrably the institution's strength and identity have persisted through decades of change and transition, crediting the whole organization's sustained commitment to its principles.

"I've been here almost forty years and there has only ever been three chairmen of the board and five presidents of the bank. That tells you a lot about the stability of our operation. I've been lucky enough to work closely with all of them.

You see a lot of core commonalities in the organization, from top to bottom. We want to help people in the community. Whether it's through loans or banking or volunteering for various organizations, we're a community bank, so we're always looking to help the community in one way or another.

I see other banks closing branches and scaling back their tellers. It's nice to see that our community is growing. We have nine branches now. We've expanded more into Harford County, and we've gotten into Cecil County with two branches there. I'm excited to see where we bring our community banking philosophy and values next."

LONGEVITY: 38 YEARS AT HARFORD BANK

LEANN HINES | EXECUTIVE SECRETARY

Executive Secretary Leann Hines started with Harford Bank in 1985, five years after it grew from its original iteration as Aberdeen National Bank.

"I started just two months after Sandy Osborn," she says. "We were both tellers at the time, and I was working in the Joppa location."

As the bank's customer base expanded, Hines moved to the Aberdeen branch to accommodate demand, working in the drive-in building as well as the main lobby.

"Back then everybody came to the bank to cash their checks on Fridays, so there were times when the whole lobby was packed

with people and the line for the drive-in was around the block."

"It's not like that as much today with ATMs and direct deposit," she continues. "But there are still people who like in-person banking. That's a service we'll offer for as long as we're in business."

From her work as a teller, Hines moved into administration, serving as Secretary to the Vice President, (Chuck Jacobs) along with processing the accounts payables for the bank. She then took on additional responsibility in the role of Executive Secretary to the President, Board of Directors and its committees, and managing the bank's stock program.

"We've always had a people-first attitude, so we want to do everything we can to accommodate our customer needs..."

As Hines began engaging in more board business, she noted the long terms board members were serving and the pride they took in the institution.

“When I started as the Executive Secretary, there were still five of the original founding directors participating on the board: George B. Adams, Charles W. Irwin, N. Joseph Lee, Jr., Frank G. Novak, and Frederick J. Viele.”

Hines took note of that longevity and quickly started to see it elsewhere in the organization. She began to observe whole families banking together at Harford Bank, across multiple generations.

“I still see that a lot. Grandkids of the customers who were banking with us when I first started,” Hines says. “And now *their* kids are starting to bank with us as they get old enough to open their first checking accounts. And it’s not just one or two families. There are many, and it has a lot to do with our continuing tradition of customer service and access.”

She says there’s still a real appeal to in-person banking for today’s Harford Bank customers, with many of the larger banks doing away with tellers and only offering electronic service options.

Hines explains that some of this desire for access is generational, but that there are also businesses that have a real need for flexibility in their deposit and withdrawal activity. For some businesses, it can often feel safer to conduct those transaction in person.

“We’ve always had a people-first attitude, so we want to do everything we can to accommodate our customer needs no matter how large, small, distant, or not-at-all remote,” she says. “That’s an attitude that’s stood the test of time since the bank’s founding, and it’s not going anywhere.”



LONGEVITY: 38 YEARS AT HARFORD BANK

SANDRA OSBORN | SENIOR VICE PRESIDENT OPERATIONS OFFICER

Sandy Osborn has made a career out of her time at Harford Bank, spending nearly 40 years at the place she calls her second home. Ask her if when she was in her twenties, she thought she'd be a Senior Vice President of Harford Bank, and she'd tell you probably not.



But she's proud of the path she's forged for the bank where she now heads up the institution's Deposit Operations division.

"The word that comes to mind most often when I think of my time here is *opportunity*," she says. And her story certainly demonstrates that.

Prior to arriving at Harford Bank, Osborn worked at the Aberdeen McDonald's for Bob and Joan Lozinak, local business leaders who owned the franchise. Osborn had been working there since high school and was consistently acknowledged for her dedication by her superiors, peers, and customers. In 1985, Osborn earned a different kind of recognition from customer and newly hired Harford Bank Branch Manager Margaret Moxley, who had been visiting the store to order coffee every morning.

“I was grabbing a coffee for Margaret one morning and she mentioned that she thought I was exactly the kind of person who should come work for her at the bank. She encouraged me to stop in and fill out an application, so I did. I went through the interview process, and I was hired!”

“I worked as a part-time teller in Havre de Grace,” she continued. “Then, six months later, a full-time position opened up in Aberdeen, so I moved to that branch.”

When a position opened up in the Bookkeeping Department, now the Operations Department, she jumped at it. She says that’s where she became involved in adopting innovative solutions at the bank, a function she still thrives in.

“When I started, it was all paper and adding machines—no computers.”

Modern ATMs were just coming into vogue, and when Harford Bank felt the technology had been proven, Osborn was tapped to lead the

project to acquire and install the new machines. Decades later she managed the overhaul of the bank’s core processing system and the move to a new online banking platform—all mammoth advancements.

Sandy credits the Lozinaks for giving her the foundation for a strong work ethic. “I’m that person that says, hey, can I do that? Can I be involved in that? I’d like to try that out. And Harford Bank really welcomes that spirit, so I’ve gotten to lead a lot of historic banking transitions as a result.”

“In that way, Harford Bank really extends opportunity to everyone,” continues Osborn. “The bank has always given *me* opportunities, right from the very beginning. But I think it’s that way for anybody here, whether you work for us on our team or with us as our customer. It could be a streamlined banking experience, a new technology, or a specialized personal interaction. If you want it, you will always be able to find it here.”

It’s hard to picture Harford Bank without also thinking of community engagement. So many on the team volunteer their time and talent to area organizations and projects.

For Sandy Osborn, service to the local region is much more than an after-work activity. It’s a lifetime pursuit that’s engrained in her. She currently serves on numerous nonprofit boards and committees. She also shares her spirit of giving back with her colleagues.

“It is so meaningful to have the opportunity to work with not only my Harford Bank team but to also provide these services to our most vulnerable residents,” she says.

Osborn’s commitment to service runs deep, and going above and beyond to make those in her community feel special isn’t limited to the hours she schedules for volunteer activities. It’s a part of her daily routine. She’s been known to send flowers to her dry cleaner for getting a tough stain out.

“I was born and raised in Harford County and have deep roots here,” says Osborn. “It is and always will be an important part of who I am. At Harford Bank we say, ‘Community is our Strength.’ For me, Harford County is my strength.”

REID'S GRANDMOTHER

BARBARA (BJ) EDWARDS

"I loved working at Harford Bank. I met a lot of nice people there. The branch manager where I worked used to take us out to the Olive Tree on Friday nights, and we just had a great time. We became best friends, and I wound up being the maid of honor in her wedding. We are still friends today."

REID'S MOTHER

DEBBIE PETROVIC

"The three of us, BJ, Reid, and I—we all came to Harford Bank in different ways and worked in all completely different jobs. None of us did the same kind of work, and I find that to be really cool."

What's more, I always had good coworkers and managers. Harford Bank has a small-town feel, and I always felt comfortable there. You could see that my colleagues, the customers, and the whole community did, too."

When Reid told me he was going to work there, I thought, 'This is crazy, but you know what? It's pretty cool, too.' I had no doubt that he would have just as great an experience as I did, and his grandmother did."

LEGACY: THREE GENERATIONS OF HARFORD BANK SERVICE

REID EDWARDS | SENIOR VICE PRESIDENT CHIEF CREDIT OFFICER

Reid Edwards started his career in banking as a part-time summer teller while he was in college at Towson University. "I was only supposed to be there for three months," he says. "That was fifteen years ago."

After college, Edwards considered a career in sports management, but a new opportunity arose at the bank that intrigued him.

"The branch I was working at started a credit analyst trainee program and told me I would be a good fit for it," he says. "I didn't know what it was or what it entailed, but I said, 'Sure, I'll give it a shot.'"

What Edwards didn't know at the time was that credit administration would become a career for him at the bank where two generations of his family had worked before.

Edwards had been commuting to work at an institution that had just been acquired and found out his drive to work was about to get even longer. So, when he heard there was an opportunity to work at Harford Bank and stay closer to his wife and family, he didn't hesitate.

"My mom worked full time at Harford Bank for a lot of my childhood, and we lived close to one of the branch offices. My grandmother worked there too. Harford Bank had seats at Ripken Stadium, so she used to take me to see the IronBirds as a kid. I had really fond memories and now here I am!"

Edwards says he's always enjoyed working with numbers, but that there's also something special about being the third generation in his family to work for the bank.

“It’s funny,” says Debbie Petrovic, Reid’s mom. “When he was in school, his teachers encouraged him to pursue a career in finance because of his skill level in statistics and math. That’s when we started to think—wow, I wonder if there will be another one of us in the family working here?”

“I have a cousin who worked for Harford Bank too, as one of the branch managers,” adds BJ Edwards, Reid’s grandmother. “So, it really is a family affair.”

Reid says that having multiple generations of family members choosing to work together within the same organization speaks to the bank’s community focus and values. Families, after all, are community.

“I really lucked out working here,” he says. “And I enjoy it.”


“Every day is different. I get to go to different businesses and talk to people and help them

meet their goals. That growth is important in our community, and it’s rewarding to do all that in the place I grew up and the place I’m now raising my own family.”

“And who knows,” he continues. “When my kids get older, maybe I’ll be telling them, ‘Go be a teller. It’s a good gig! You never know where it could lead!’”



Reid holds photos of his grandmother, BJ Edwards (left), and his mother, Debbie Petrovic, holding him as a baby (right).



MICHAEL ALLEN
PRESIDENT

LORRIE SCHENNING
EVP, CHIEF LENDING OFFICER

SCOTT ELLIOTT
SVP, SENIOR BUSINESS
DEVELOPMENT OFFICER

LOYALTY: WORKING TOGETHER FOR DECADES

Loyalty is ubiquitous in Harford Bank's customer relationships, but with a closer look at the institution's leadership, we see just how deeply the commitment to goodwill and dependability is rooted.

Harford Bank President Mike Allen, Senior Vice President of Commercial Lending Scott Elliott, and Executive Vice President and Chief Lending Officer Lorrie Schenning have worked together in banking for more than 30 years, but when they get together to reminisce, you might be surprised to learn that their origin story began away from the world of withdrawals, deposits, and commercial lending.

"I met Lorrie on the basketball court," says Elliott.

"So did I!" exclaims Allen.

"Yeah, and your hair was longer than mine—I hope there are pictures somewhere," Lorrie chides.

This kind of camaraderie isn't unusual for this group.

"The three of us - we've experienced so much in life together, in banking yes, but also outside of that—kids, marriages, all kinds of stuff. So, we're more than just colleagues. We've built a real bond of trust and loyalty that thrives in a place like Harford Bank, because that's the philosophy we live out for our customers, too," says Schenning.

"The stories we have to tell!" Allen adds fondly.

Allen, Elliott, and Schenning found their way to community banking in the early 1990s, after careers spanning a variety of finance roles, including time at regional and national banks.

One thing is unique about their combined years of banking experience. The three found themselves working together again and again across multiple institutions. In fact, despite their diverse experience and shifting career

ky



paths, they never seemed to stray far from one another.

“We never really separated,” laughs Schenning.

“We’ve grown up together,” says Allen. “And we’ve come up together in banking, so we are about as tightly knit as you can be. And we’ve got the same banking philosophies. We’re serious about sharing the responsibilities and obligations of what it means to be a community banker, particularly when you’re one of the last ones now in the northeast Maryland region. There’s a lot riding on that. So, we’ve always looked to each other for support and teamwork.”

They also credit their close working relationship and community-mindedness to shared mentors, including Harford Bank’s past President, Chuck Jacobs.

“We learned the necessity of being authentic in your community involvement from the get-go from Chuck,” Elliott says. “He is one of the most authentic and active community volunteers

(left - right): Michael Allen, Scott Elliott, Lorrie Schenning.

Rachel Obitz

ADMINISTRATIVE ASSISTANT

Rachel Obitz and Mike Allen started working at the same bank in 1989. She was working in consumer lending and he was a commercial loan officer. Rachel eventually transitioned to join him, Lorrie Schenning, and Scott Elliott on the commercial side as they all journeyed together through their community banking careers.

"Team dynamic is really important to them," she says. "And I'm blessed that they've included me as a part of theirs for all these years."

Obitz says that the *Harford Bank Way* is one of genuine caring and putting the customer at the center of everything they do.

"I know of places that are so focused on sales quotas that they miss the mark with their customers, but not this group. They understand the true meaning and impact of community banking"

She talks about a time she listened in on a briefing Allen was delivering to his own sales team.

"I heard Mike say that he absolutely did not want us selling products to our customers that they don't need. I can't think of another bank that embraces that philosophy."

you'll find. His example is ultimately why we remain one of the most philanthropically minded organizations you could hope to work for."

When he's not managing commercial lending projects for Harford Bank, Elliott can be found living out that example, teaching financial literacy on a volunteer basis at his former high school.

"I played minor league baseball, and I always imagined how cool it would be to hit it big like Cal Ripken, and then give back to my high school, hometown, and community," says Elliott. "I talked about that when I first interviewed with Harford Bank, and it was clear that mindset made me a good fit here."

"The pro baseball thing didn't work out, so I didn't have millions of dollars to donate, but I did have my time and financial skillset. Mike Allen was on the inaugural advisory board for the Edgewood Academy of Finance at Edgewood High School. That was *my high school!* So right away, I was involved, and I thought, this is great, I can do this!"

"Helping our community really drives us," Elliott continued. "With our connections, we can help organizations fundraise or make introductions to the right people. That's something we all value here."

"Working together in a community bank environment, we relearned what it means to be authentic relationship bankers," adds Allen.

"The more time you spend in this, the more you understand that it's not just us as individuals. It's the organization and the resources we share with this community. It's vital. It's hard to want to do anything else after you get a taste of that."

All three stress that what they like best about their work together is being able to help people they know—friends, family, neighbors, community members—make decisions that impact their quality of life for the better.

"If you want somebody to listen to your story and offer you a roadmap, that's us," says Elliott. "That's what we do."

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"Community is our Strength"

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