

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20429**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2025

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

For the transition period from _____ to _____

FDIC Certificate Number: 19101

HARFORD BANK

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
organization)

52-0799113
(IRS Employer incorporation or
Identification No.)

8 West Bel Air Avenue, Aberdeen, Maryland 21001
(Address of principal executive offices)

(410) 272-5000
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐ (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 the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.
1,505,113 shares of common stock as of November 6, 2025.

Forward-Looking Statement Disclaimer

This Quarterly Report of Harford Bank (the “Bank”) on Form 10-Q may contain 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 forward-looking statements and 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; 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. These and other risks are discussed in detail in the periodic reports that the Bank files with the Federal Deposit Insurance Corporation (“FDIC”) (see Item 1A of Part II of this report for further information). Except as required by applicable laws, the Bank does not intend to publish updates or revisions of forward-looking statements it makes to reflect new information, future events or otherwise.

Available Information

The Bank maintains an internet website at www.HarfordBank.com on which it makes available, free of charge through its Investor Relations page, the Bank’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to the foregoing as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the FDIC pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All of the periodic and other reports filed with or furnished to the FDIC by the Bank pursuant to the Exchange Act are available through the FDIC’s website at: <https://efr.fdic.gov/fcxweb/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.

PART I

Item 1. Financial Statements

The information required by this item can be found beginning on page F-1 immediately following the signatures to this report and is incorporated herein by reference.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read and reviewed in conjunction with the interim consolidated financial statements and the notes thereto included elsewhere in this report, and with Management’s Discussion and Analysis of Financial Condition and Results of Operations, the audited consolidated financial statements and notes thereto, and the other statistical information contained in the Bank’s Annual Report on Form 10-K for the year ended December 31, 2024.

The Bank is a Maryland-chartered bank with its principal office in Aberdeen, Harford County, Maryland. Through its nine branches, seven of which are located throughout Harford County and two of which are located in Cecil County, Maryland, the Bank offers a full range of deposit services that are typically offered by most banks, savings and loan associations, and credit unions, including checking accounts, savings accounts, money market accounts and time deposits consisting of certificates of deposit of various types. In addition, the Bank offers Individual Retirement Accounts. All deposits are insured by the FDIC up to the maximum allowed by law. The Bank offers a full range of consumer and commercial loans, including fixed-rate consumer mortgage loans, variable rate home equity lines of credit, fixed rate home equity loans, and other consumer loans as well as commercial lines of credit, commercial mortgage loans, and real estate construction loans. Other banking services include safe deposit boxes, direct deposit of payroll and social security checks, on-line banking with bill pay service, mobile banking, drive-through banking services, automated teller machine services, Visa check (debit) cards, as well as Visa gift cards and Visa credit cards issued through a third-party provider.

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, fair value of financial instruments and income taxes 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 sheets. Note 1 to the consolidated financial statements describes the methodology used to determine the allowance for credit losses on loans.

RESULTS OF OPERATIONS

Summary

For the three-month period ended September 30, 2025, the Bank reported net income of \$1,875,505, compared to \$1,729,944 for the same period of 2024, an increase of \$145,561, or 8.4%. The increase in net income was due primarily to an increase in interest income of \$315,895, a decrease in total interest expense of \$235,950 and an increase in noninterest income of \$4,088, partially offset by an increase in total provision for credit loss of \$317,297, an increase in noninterest expense of \$47,556 and an increase in income tax expense of \$45,519. The increase in interest income for the third quarter of 2025 was due primarily to the \$14.7 million increase in the average balance of investment securities for the period as compared to the prior year period. The decrease in interest expense was due to the reduction of borrowed funds in 2025. The increase in noninterest income was primarily attributable to increases in services charges on deposits accounts and debit card income, partially offset by a decline in other fees and commissions. The increase in noninterest expenses for the third quarter of 2025 was due primarily to an increase in other operating expenses, partially offset by a reduction in Director and committee fees and FDIC and state assessments when compared to the same period of 2024.

Basic net income per share of common stock for the three-month period ended September 30, 2025 was \$1.25, compared to \$1.16 for the same period in 2024. Diluted net income per share of common stock for the three-month period ended September 30, 2025 was \$1.24, compared to \$1.16 for the same period in 2024. Basic and diluted net income per share increased in the third quarter of 2025 when compared to the third quarter of 2024 due to an increase in net income earned, slightly offset by an increase in the weighted average number of common shares outstanding.

Annualized return on average assets was 1.03% for the three-month period ended September 30, 2025, compared to 0.97% for the same period in 2024. Annualized return on average stockholders' equity was 10.74% for the three-month period ended September 30, 2025, compared to 10.98% for the same period in 2024.

For the nine-month period ended September 30, 2025, the Bank reported net income of \$5,116,619, compared to \$4,678,626 for the same period of 2024, an increase of \$437,993, or 9.4%. The increase in net income was due primarily to an increase in interest income of \$1,268,891, a decrease in interest expense of \$64,282 and an increase in noninterest income of \$84,976, partially offset by an increase in total provision for credit loss expense of \$242,373, an increase in noninterest expense of \$698,613 and an increase in income tax expense of \$39,170. The increase in interest income for the nine-month period of 2025 was due primarily to the \$39.4 million increase in the average balance of interest bearing deposits and a \$3.7 million increase in the average balance of investment securities, partially offset by a \$14.6 million decrease in average net loans for the period as compared to the same nine-month period in 2024. The decrease

in interest expense was due to the reduction of borrowed funds in 2025. 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 third quarter of 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 of common stock for the nine-month period ended September 30, 2025 was \$3.41, compared to \$3.15 for the same period in 2024. Diluted net income per share of common stock for the nine-month period ended September 30, 2025 was \$3.39, compared to \$3.14 for the same period in 2024. Basic and diluted net income per share increased during the nine-month period ended September 30, 2025 when compared to the same nine-month period in 2024 due to an increase in net income earned, slightly offset by an increase in the weighted average number of common shares outstanding.

Annualized return on average assets was 0.95% for the nine-month period ended September 30, 2025, compared to 0.90% for the same period in 2024. Annualized return on average stockholders' equity was 10.10% for the nine-month period ended September 30, 2025, compared to 10.18% for the same period in 2024.

Details of the changes in the various components of net income are 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 the three- and nine-month periods ended September 30, 2025 and 2024 and related interest income, interest expense, and yields.

Average Balances, Interest, and Yields

	For the Three Months Ended September 30, 2025			For the Three Months Ended September 30, 2024			For the Nine Months Ended September 30, 2025			For the Nine Months Ended September 30, 2024		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield	Average Balance	Interest	Yield	Average Balance	Interest	Yield
Assets												
FRB interest-bearing deposits	\$ 99,184,235	\$ 1,042,282	4.17%	\$ 83,808,572	\$ 1,036,954	4.92%	\$ 102,582,446	\$ 3,405,327	4.44%	\$ 61,860,578	\$ 2,347,539	5.07%
FHLBA interest-bearing deposits	44,749	505	4.48%	337,319	4,717	5.56%	44,066	1,482	4.50%	236,864	9,856	5.56%
Federal funds sold	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Time deposits in other banks	-	-	0.00%	352,089	431	0.49%	-	-	0.00%	1,096,076	4,059	0.49%
Other	499,500	8,616	6.84%	1,821,370	37,712	8.24%	490,665	28,053	7.64%	2,269,585	136,912	8.06%
Investment securities:												
U.S. Treasury securities	21,489,576	165,238	3.05%	10,315,549	21,723	0.84%	21,375,971	478,778	2.99%	12,956,322	100,857	1.04%
U. S. government agency securities	19,644,266	122,107	2.47%	31,315,957	117,837	1.50%	21,630,934	375,073	2.32%	33,003,875	360,323	1.46%
Mortgage-backed and CMO securities	55,343,186	455,190	3.26%	38,726,402	230,973	2.37%	47,292,425	1,072,839	3.03%	39,279,310	685,841	2.33%
SBA asset-backed securities	7,792,195	43,432	2.21%	9,304,582	42,467	1.82%	8,119,852	135,538	2.23%	9,632,517	155,439	2.16%
State and municipal securities	3,532,835	16,711	1.88%	3,546,754	15,984	1.79%	3,536,059	50,100	1.89%	3,550,507	48,021	1.81%
Corporate Bonds	65,217	1,313	7.99%	-	-	0.00%	200,000	1,313	0.88%	-	-	0.00%
Total investment securities	107,867,275	803,991	2.96%	93,209,244	428,984	1.83%	102,155,241	2,113,641	2.77%	98,422,531	1,350,481	1.83%
Loans:												
Overdrafts	48,081	-	0.00%	56,299	-	0.00%	51,188	-	0.00%	60,935	-	0.00%
Consumer	26,936,041	375,811	5.54%	30,714,584	421,418	5.46%	27,779,408	1,155,711	5.56%	31,372,386	1,253,204	5.34%
Credit lines	15,365,532	277,982	7.18%	13,422,958	273,513	8.11%	14,758,508	792,180	7.18%	12,516,789	761,249	8.12%
Commercial	68,707,304	1,271,194	7.34%	67,827,670	1,335,526	7.83%	68,040,624	3,741,805	7.35%	70,565,907	4,129,221	7.82%
Real estate	387,636,333	5,349,845	5.48%	396,292,234	5,251,814	5.27%	384,473,030	15,542,701	5.40%	395,244,347	15,321,884	5.18%
Other loan fees	-	45,133	0.00%	-	58,635	-	-	123,954	0.00%	-	221,442	-
Total loans *	498,693,291	7,319,965	5.82%	508,313,745	7,340,906	5.75%	495,102,758	21,356,351	5.77%	509,760,364	21,687,000	5.68%
Allowance for credit losses on loans	(6,020,941)	-	-	(6,183,787)	-	-	(5,846,708)	-	-	(5,896,033)	-	-
Total loans, net of allowance for credit losses on loans *	492,672,350	7,319,965	5.89%	502,129,958	7,340,906	5.82%	489,256,050	21,356,351	5.84%	503,864,331	21,687,000	5.75%
Total interest-earning assets	700,268,109	9,175,359	5.20%	681,658,552	8,849,704	5.16%	694,528,468	26,904,854	5.18%	667,749,965	25,535,847	5.11%
Noninterest-bearing cash	4,146,276	-	-	3,810,267	-	-	4,353,578	-	-	3,757,317	-	-
Net bank premises and equipment	8,065,565	-	-	8,107,233	-	-	8,074,525	-	-	8,117,114	-	-
Other assets	13,032,367	-	-	12,708,303	-	-	12,732,432	-	-	11,897,433	-	-
Total assets	\$ 725,512,317			\$ 706,284,355			\$ 719,689,003			\$ 691,521,829		
Liabilities and Stockholders' Equity												
Interest-bearing deposits												
Checking	\$ 119,709,329	80,482	0.27%	\$ 132,435,274	64,251	0.19%	\$ 124,994,005	197,324	0.21%	\$ 131,306,053	171,278	0.17%
Savings	57,142,219	31,768	0.22%	52,408,763	28,999	0.22%	56,268,343	92,566	0.22%	52,833,245	86,941	0.22%
Money market	123,535,681	735,202	2.36%	97,954,839	521,376	2.12%	116,641,425	2,151,151	2.47%	93,581,075	1,475,929	2.11%
Certificates of deposit	198,052,042	1,897,570	3.80%	176,461,429	2,004,739	4.52%	199,093,492	6,063,037	4.07%	163,131,345	5,351,229	4.38%
Total interest-bearing deposits	498,439,271	2,745,022	2.18%	459,260,305	2,619,365	2.27%	496,997,265	8,504,078	2.29%	440,851,718	7,085,377	2.15%
FHLBA overnight borrowings	120	1	3.31%	11,076,207	156,976	5.64%	40	1	3.34%	20,620,478	873,536	5.66%
FRB PPPLF advances	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
FHLBA term borrowings	-	-	0.00%	17,000,000	204,632	4.79%	-	-	0.00%	17,000,000	609,448	4.79%
Total borrowed funds	120	1	3.31%	28,076,207	361,608	5.12%	40	1	3.34%	37,620,478	1,482,984	5.27%
Total interest-bearing deposits and borrowed funds	498,439,391	2,745,023	2.18%	487,336,512	2,980,973	2.43%	496,997,305	8,504,079	2.29%	478,472,196	8,568,361	2.39%
Noninterest-bearing deposits	153,156,130	-	-	151,773,771	-	-	150,227,958	-	-	147,587,460	-	-
Other liabilities	4,653,292	-	-	4,487,052	-	-	4,758,889	-	-	4,081,166	-	-
Stockholders' equity	69,263,504	-	-	62,687,020	-	-	67,704,851	-	-	61,381,007	-	-
Total liabilities and stockholders' equity	\$ 725,512,317			\$ 706,284,355			\$ 719,689,003			\$ 691,521,829		
Net interest spread			3.02%			2.73%			2.89%			2.72%
Net interest income (1)		\$ 6,430,336		\$ 5,868,731			\$ 18,400,775			\$ 16,967,486		
Net margin on interest-earning assets			3.64%			3.43%			3.54%			3.39%

(1) Interest on tax-exempt securities, loans and dividends are reported on a fully taxable equivalent basis using an effective tax rate of 21% (Non-GAAP financial measure). See reconciliation of non-GAAP financial measures in the table below.

* Includes non accrual loans.

Tax-equivalent net interest margin as presented above is a Non-GAAP financial measures 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, which is a non-GAAP measure using an effective tax rate of 21%.

Tax-Equivalent Net Interest Income

	For the Three Months Ended:		For the Nine Months Ended:	
	September 30		September 30	
	2025	2024	2025	2024
GAAP Financial Measurements:				
Interest Income - Loans	\$ 7,295,724	\$ 7,318,294	\$ 21,286,448	\$ 21,630,984
Interest Income - Securities and Other Interest-Earning Assets	1,763,569	1,425,104	5,255,084	3,641,657
Interest Expense - Deposits	2,745,022	2,619,365	8,504,078	7,085,377
Interest Expense - Borrowings	1	361,608	1	1,482,984
Total Net Interest Income (GAAP)	<u>\$ 6,314,270</u>	<u>\$ 5,762,425</u>	<u>\$ 18,037,453</u>	<u>\$ 16,704,280</u>
Non-GAAP Financial Measurements:				
Add: Tax Benefit on Tax-Exempt Interest Income - Loans	\$ 24,241	\$ 22,612	\$ 69,903	\$ 56,016
Add: Tax Benefit on Tax-Exempt Interest Income - Securities	91,825	83,694	293,419	207,190
Total Tax Benefit on Tax-Exempt Interest Income	<u>\$ 116,066</u>	<u>\$ 106,306</u>	<u>\$ 363,322</u>	<u>\$ 263,206</u>
Tax-Equivalent Net Interest Income (Non-GAAP)	<u>\$ 6,430,336</u>	<u>\$ 5,868,731</u>	<u>\$ 18,400,775</u>	<u>\$ 16,967,486</u>

Interest income, on a fully taxable equivalent basis, on total interest-earning assets for the three-month period ended September 30, 2025 was \$9,175,359, compared to \$8,849,704 for the same period in 2024, an increase of \$325,655, or 3.7%. Interest income, on a fully taxable equivalent basis, on total interest-earning assets for the nine-month period ended September 30, 2025 was \$26,904,854, compared to \$25,535,847 for the same period in 2024, an increase of \$1,369,007, or 5.4%.

Interest income, on a fully taxable equivalent basis, on net loans for the three-month period ended September 30, 2025 was \$7,319,965, compared to \$7,340,906 for the same period in 2024, a decrease of \$20,941, or 0.3%. The decrease was due primarily to the decrease of \$9,457,608, or 1.9%, in average net loans. The weighted average rate earned on net loans, on a fully taxable equivalent basis, for the three-month period ended September 30, 2025 was 5.89%, compared to 5.82% for the same period in 2024, an increase of 7 basis points. Interest income, on a fully taxable equivalent basis, on net loans for the nine-month period ended September 30, 2025 was \$21,356,351, compared to \$21,687,000 for the same period in 2024, a decrease of \$330,649, or 1.5%. The decrease was due primarily to the decrease of \$14,608,281, or 2.9%, in average net loans. The weighted average rate earned on net loans, on a fully taxable equivalent basis, for the nine-month period ended September 30, 2025 was 5.84%, compared to 5.75% for the same period in 2024, an increase of 9 basis points.

Interest income, on a fully taxable equivalent basis, on interest-bearing deposits in the Federal Reserve Bank (“FRB”), the Federal Home Loan Bank of Atlanta (“FHLBA”) and time deposits in other banks for the three-month period ended September 30, 2025 was \$1,042,787 compared to \$1,042,102 for the same period in 2024, an increase of \$685, or 0.1%. The average balance of these instruments for the three-month period ended September 30, 2025 was \$99,228,984, compared to \$84,497,980 for the same period in 2024, an increase of \$14,731,004, or 17.4%. The weighted average rate earned on these holdings, on a fully taxable equivalent basis, for the three-month period ended September 30, 2025 was 4.17%, compared to 4.91% for the same period in 2024, a decrease of 74 basis points. Interest income, on a fully taxable equivalent basis, on interest-bearing deposits in the FRB, the FHLBA and time deposits in other banks for the nine-month period ended September 30, 2025 was \$3,406,809, compared to \$2,361,454 for the same period in 2024, an increase of \$1,045,355, or 44.3%. The average balance of these instruments for the nine-month period ended September 30, 2025 was \$102,626,512, compared to \$63,193,518 for the same period in 2024, an increase of \$39,432,994, or 62.4%. The weighted average rate earned on these holdings, on a fully taxable equivalent basis, for the nine-month period ended September 30, 2025 was 4.44%, compared to 4.99% for the same period in 2024, a decrease of 55 basis points.

Interest income, on a fully taxable equivalent basis, on investment securities for the three-month period ended September 30, 2025 was \$803,991, compared to \$428,984 for the same period in 2024, an increase of \$375,007, or 87.4%. The average balance of investment securities for the three-month period ended September 30, 2025 was \$107,867,275 compared to \$93,209,244 for the same period in 2024, an increase of \$14,658,031, or 15.7%. The weighted average rate earned on investment securities, on a fully taxable equivalent basis, for the three-month period ended September 30, 2025 was 2.96%, compared to 1.83% for the same period in 2024, an increase of 113 basis points. Interest income, on a fully taxable equivalent basis, on investment securities for the nine-month period ended September 30, 2025 was \$2,113,641, compared to \$1,350,481 for the same period in 2024, an increase of \$763,160, or 56.5%. The average balance of investment securities for the nine-month period ended September 30, 2025 was \$102,155,241, compared to \$98,422,531 for the same period in 2024, an increase of \$3,732,710, or 3.8%. The weighted average rate earned on investment securities, on a fully taxable equivalent basis, for the nine-month period ended September 30, 2025 was 2.77%, compared to 1.83% for the same period in 2024, an increase of 94 basis points.

The Bank is a member of the FHLBA and is required to purchase capital stock of the FHLBA as a condition to obtaining a line of credit. Dividends on FHLBA capital stock may be paid to member banks subject to the discretion of the Board of Directors of the FHLBA. For the three-month period ended September 30, 2025, the Bank recorded dividends received or accrued on stock issued by the FHLBA in the amount of \$8,616 on a fully taxable equivalent basis, compared to \$37,712 for the same period in 2024, a decrease of \$29,096, or 77.2%. The average balance of FHLBA capital stock for the three-month period ended September 30, 2025 was \$499,500, compared to \$1,821,370 for the same period in 2024, a decrease of \$1,321,870, or 72.6%. The weighted average rate earned on FHLBA capital stock, on a fully taxable equivalent basis, for the three-month period ended September 30, 2025 was 6.84%, compared to 8.24% for the same period in 2024, a decrease of 140 basis points. For the nine-month period ended September 30, 2025, the Bank recorded dividends received or accrued on stock issued by the FHLBA in the amount of \$28,053 on a fully taxable equivalent basis, compared to \$136,912 for the same period in 2024, a decrease of \$108,859, or 79.5%. The average balance of FHLBA capital stock for the nine-month period ended September 30, 2025 was \$490,665, compared to \$2,269,585 for the same period in 2024, a decrease of \$1,778,920, or 78.4%. The weighted average rate earned on FHLBA capital stock, on a fully taxable equivalent basis, for the nine-month period ended September 30, 2025 was 7.64%, compared to 8.06% for the same period in 2024, a decrease of 42 basis points. The decrease in FHLBA stock balances was due to the elimination of FHLBA borrowings through 2024, which resulted in lower stock holding requirements.

Interest expense on interest-bearing deposit liabilities for the three-month period ended September 30, 2025 was \$2,745,022, compared to \$2,619,365 for the same period in 2024, a increase of \$125,657, or 4.8%. The average balance of interest-bearing deposit liabilities for the three-month period ended September 30, 2025 was \$498,439,271, compared to \$459,260,305 for the same period in 2024, an increase of \$39,178,966, or 8.5%. The weighted-average rate paid on these deposit liabilities for the three-month period ended September 30, 2025, was 2.18%, compared to 2.27% for the same period in 2024, a decrease of 9 basis points. Interest expense on interest-bearing deposit liabilities for the nine-month period ended September 30, 2025 was \$8,504,078, compared to \$7,085,377 for the same period in 2024, an increase of \$1,418,701, or 20.0%. The average balance of interest-bearing deposit liabilities for the nine-month period ended September 30, 2025 was \$496,997,265, compared to \$440,851,718 for the same period in 2024, an increase of \$56,145,547, or 12.7%. The weighted-average rate paid on these deposit liabilities for the nine-month period ended September 30, 2025, was 2.29%, compared to 2.15% for the same period in 2024, an increase of 14 basis points.

The Bank paid off its remaining borrowed funds in the fourth quarter of 2024. The Bank also performed liquidity line testing during September 2025 resulting in borrowings with an average balance of \$120. As a result, interest expense for borrowed funds for the three-month period ended September 30, 2025 was \$1. The weighted-average rate paid on total borrowed funds for the three-month period ended September 30, 2025 was 3.31%. For the three-month period ended September 30, 2024, interest expense on borrowed funds was \$361,608, with an average balance of \$28,076,207. The weighted-average rate paid on total borrowed funds for the three-month period ended June 30, 2024 was 5.12%. Interest expense on borrowed funds with an average balance of \$40 for the nine-month period ended September 30, 2025 was \$1 with a weighted-average rate paid on total borrowed funds of 3.34%. Interest expense on borrowed funds with an average balance of \$37,620,478 for the nine-month period ended September 30, 2024 was \$1,482,984 with a weighted-average rate paid on total borrowed funds of 5.27%.

Net interest income, on a fully taxable equivalent basis, for the three-month period ended September 30, 2025 was \$6,430,336, compared to \$5,868,731 for the same period in 2024, an increase of \$561,605, or 9.6%. The key performance measure for net interest income is the “net margin on interest-earning assets,” or annualized net interest income divided by average interest-earning assets. The Bank’s net interest margin, on a fully taxable equivalent basis, for the three-month period ended September 30, 2025 was 3.64%, compared to 3.43% for the same period in 2024, an increase of 21 basis points. The net interest margin may be adversely affected by increases in competition, volatile interest rates, decreases in loan demand, changes in the mix of earning assets, the Bank’s cost of funds where it outpaces the return on the Bank’s loans and investment securities, and other unpredictable changes in the marketplace. The “net interest spread” is the rate earned on interest-earning assets less the rate paid on interest-bearing liabilities. The Bank’s net interest spread, on a fully taxable equivalent basis, for the three-month period ended September 30, 2025 was 3.02%, compared to 2.73% for the same period in 2024, an increase of 29 basis points. Net interest income, on a fully taxable equivalent basis, for the nine-month period ended September 30, 2025 was \$18,400,775, compared to \$16,967,486 for the same period in 2024, an increase of \$1,433,289, or 8.4%. The Bank’s net interest margin, on a fully taxable equivalent basis, for the nine-month period ended September 30, 2025 was 3.54%,

compared to 3.39% for the same period in 2024, an increase of 15 basis points. The Bank's net interest spread, on a fully taxable equivalent basis, for the nine-month period ended September 30, 2025 was 2.89%, compared to 2.72% for the same period in 2024, an increase of 17 basis points.

Provision for Credit Losses on Loans

The provision for or recovery of credit losses on loans is determined by management as the amount to be added to or subtracted from, respectively, 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 losses inherent in the existing loan portfolio. The Bank recorded provision for credit losses on loans expense for the three-month period ended September 30, 2025, of \$43,355, compared to a recovery of credit losses expense of \$170,000 recorded for the same period of 2024. During the three-month period ended September 30, 2024, a reduction in loans outstanding and payments received on a loan in nonaccrual status resulted in the reduction of \$170,000. The Bank recorded provision for credit losses on loans expense for the nine-month period ended September 30, 2025, of \$348,159, compared to \$325,000 recorded for the same period of 2024.

Provision for Credit Losses on Off-Balance Sheet Items

The provision for or recovery of credit losses on off-balance sheet items is determined by management as the amount to be added to or subtracted from, respectively, the reserve on off-balance sheet items to bring the reserve 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 a provision for credit losses on off-balance sheet items for the three-month period ended September 30, 2025, of \$167,666, compared to a provision for credit losses on off-balance sheet items expense of \$63,724 for the same period of 2024. The Bank recorded provision for credit losses on off-balance sheet items for the nine-month period ended September 30, 2025, of \$242,901, compared to a provision for credit losses on off-balance sheet items of \$23,687 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 overall increase in the level of unfunded commitments, changes in the volume and mix of the components making up off-balance sheet items, management's assessment of the current and a reasonable and supportable forecast of market conditions, and management's analysis of the inherent risk within the components making up off-balance sheet items.

Noninterest Revenue

Noninterest revenue for the three-month period ended September 30, 2025 was \$524,653, compared to \$520,565 for the same period in 2024, an increase of \$4,088, or 0.8%. The increase was due to increases of \$14,603 in service charges on deposit accounts, \$7,922 in debit card income, and \$1,129 in earnings on bank owned life insurance, partially offset by a decrease of \$19,566 in other fees and commissions for the three-month period ended September 30, 2025, when compared to the same period in 2024. Noninterest revenue for the nine-month period ended September 30, 2025, was \$1,579,859, compared to \$1,494,883 for the same period in 2024, representing an increase of \$84,976, or 5.7%. Comparing the nine-month period ended September 30, 2025, to the same period in 2024, the increase was due to increases of \$37,561 in service charges on deposit accounts, \$34,680 in debit card income, \$172 in earnings on bank owned life insurance, and \$12,563 in other fees and commissions.

Noninterest Expenses

Noninterest expenses for the three-month period ended September 30, 2025, were \$4,188,860, compared to \$4,141,304 for the same period in 2024, an increase of \$47,556, or 1.1%. The increase was due primarily to increases of \$8,243 in salaries and benefits expense, \$11,576 in occupancy expenses, \$18,071 in professional fees, \$9,425 in advertising expenses and \$111,887 in other operating expenses, partially offset by decreases of \$38,698 in Director and Committee fees, and \$71,564 in FDIC and state assessments when comparing the three-month period ended September 30, 2025, to the same period in 2024. Noninterest expenses for the nine-month period ended September 30, 2025, were \$12,442,566, compared to \$11,743,953 for the same period in 2024, representing an increase of \$698,613, or 5.9%. Comparing the nine-month period ended September 30, 2025, to the same period in 2024, the increase in noninterest expenses was mainly attributable to increases in salaries and benefits expense of \$263,617, occupancy expense of \$52,903, data processing expense of \$31,554, professional fees of \$110,981, Director and committee fees of \$49,828 and other operating expenses of \$223,812, partially offset by a decrease of \$34,885 in FDIC and state assessments. The increase in Director and Committee fees for both the three-month and nine-month periods ended September 30, 2025, 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 during the nine-month periods ended September 30, 2024, which partially offset the amount of the increase when comparing the nine-month periods ended September 30, 2025 and 2024, respectively.

Income Tax Expense

Income tax expense for the three-month period ended September 30, 2025, was \$563,537, compared to \$518,018 for the same period of 2024, an increase of \$45,519, or 8.8%. The increase was the result of the 8.5% increase in income before taxes coupled with an increase in the effective tax rate to 23.10%, compared to 23.04% for the same period in 2024. Income tax expense for the nine-month period ended September 30, 2025 was \$1,467,067 compared to \$1,427,897 for the same period of 2024. The increase was the result of the 7.8% increase in income before taxes. While the Bank's pre-tax income increased, the Bank's effective income tax rate decreased for the nine-month period ended September 30, 2025 to 22.28%, compared to 23.38% for the same period in 2024, with the decrease primarily due to a significant increase in interest income from deposits held at the FRB and investments in U.S. Government agency securities which are exempt from State income taxes.

FINANCIAL CONDITION

Assets

Total assets were \$735,380,536 at September 30, 2025, compared to \$713,431,582 at December 31, 2024, an increase of 3.1%.

The Bank invests excess cash balances in interest-bearing accounts at the FRB, other banks and federal funds sold to correspondent banks. The balance on these instruments was \$100,221,974 at September 30, 2025, compared to \$93,778,863 at December 31, 2024, an increase of \$6,443,111, or 6.9%. The increase in these cash balances was a result of deposit growth, partially offset by new loan originations in excess of principal payments on loans and increases in investment securities.

Investment Securities

Investment securities increased by \$9,734,204, or 9.7% to \$110,377,095 at September 30, 2025 from \$100,642,891 at December 31, 2024. The Bank had classified 1% and 0% of the investment portfolio as available for sale as of September 30, 2025 and December 31, 2024, respectively. The Bank purchased a corporate bond in September 2025 from another financial institution which was classified as available for sale yielding 7.875%. The remaining balance of the portfolio was classified as held to maturity.

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.

Loans

Loans, net of the allowance for credit losses on loans, were \$496,194,355 at September 30, 2025, compared to \$493,834,528 at December 31, 2024, an increase of \$2,359,827, or 0.5%. The average net loan portfolio represented 70.4% of average earning assets for the nine-month period ended September 30, 2025, compared to 75.5% for the same period in 2024.

The following table sets forth the major classifications of the Bank's loan portfolio.

	September 30, 2025		December 31, 2024	
	Amount	% of Total	Amount	% of Total
Real estate				
Construction, development and other land	\$ 15,659,757	3.12%	\$ 17,402,498	3.48%
Secured by farmland	8,796,522	1.75%	8,002,981	1.60%
Commercial	256,575,047	51.06%	253,232,507	50.66%
Residential	143,793,208	28.61%	140,296,099	28.07%
Commercial and industrial	51,540,425	10.26%	52,121,906	10.43%
Other consumer	26,094,950	5.19%	28,719,577	5.75%
Overdrafts	77,428	0.01%	44,006	0.01%
Gross loans	502,537,337	<u>100.00%</u>	499,819,574	<u>100.00%</u>
Net deferred (fees) costs	(289,016)		(273,076)	
Allowance for credit losses on loans	(6,053,966)		(5,711,970)	
Net loans	<u>\$ 496,194,355</u>		<u>\$ 493,834,528</u>	
Allowance for credit losses on loans to gross loans		<u>1.20%</u>		<u>1.14%</u>

Loan Credit Risk Management

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 consolidated financial statements included elsewhere in this report describe the accounting policies related to nonperforming loans and charge-offs, and foreclosed and repossessed assets, and describes the methodologies used to develop the allowance for credit losses on loans. Management believes the policies governing nonperforming loans and charge-offs are consistent with industry and regulatory

standards. The amount of the allowance for credit losses on loans and the resulting provision for or recovery of credit losses on loans expense are reviewed and approved quarterly by the Board of Directors.

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 three-month periods ended September 30, 2025 and 2024.

Three Months Ended:		Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
September 30, 2025	Unallocated						
Allowance for credit losses on loans:							
Beginning balance	\$ 46	\$ 268,206	\$ 2,677,539	\$ 1,592,286	\$ 721,864	\$ 752,417	\$ 6,012,358
Charge-offs	-	-	-	-	-	(4,534)	(4,534)
Recoveries	-	-	-	1,800	-	987	2,787
Provision for (recovery of) credit losses on loans	(46)	41,289	14,998	46,909	(42,573)	(17,222)	43,355
Ending balance	<u>\$ -</u>	<u>\$ 309,495</u>	<u>\$ 2,692,537</u>	<u>\$ 1,640,995</u>	<u>\$ 679,291</u>	<u>\$ 731,648</u>	<u>\$ 6,053,966</u>
September 30, 2024							
Allowance for credit losses on loans:							
Beginning balance	\$ 15,620	\$ 705,005	\$ 2,317,515	\$ 1,577,875	\$ 1,026,472	\$ 548,198	\$ 6,190,685
Charge-offs	-	-	-	-	-	(10,809)	(10,809)
Recoveries	-	-	-	2,200	-	638	2,838
Provision for (recovery of) credit losses on loans	(628)	(197,707)	(81,043)	76,642	21,061	11,675	(170,000)
Ending balance	<u>\$ 14,992</u>	<u>\$ 507,298</u>	<u>\$ 2,236,472</u>	<u>\$ 1,656,717</u>	<u>\$ 1,047,533</u>	<u>\$ 549,702</u>	<u>\$ 6,012,714</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 nine-month periods ended September 30, 2025 and 2024.

Nine Months Ended:		Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
September 30, 2025	Unallocated						
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	-	-	-	-	-	(15,531)	(15,531)
Recoveries	-	-	-	5,400	-	3,968	9,368
Provision for (recovery of) credit losses on loans	(754)	(59,171)	545,789	7,977	(359,357)	213,675	348,159
Ending balance	<u>\$ -</u>	<u>\$ 309,495</u>	<u>\$ 2,692,537</u>	<u>\$ 1,640,995</u>	<u>\$ 679,291</u>	<u>\$ 731,648</u>	<u>\$ 6,053,966</u>
September 30, 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	-	-	-	-	-	(33,227)	(33,227)
Recoveries	-	-	-	5,200	-	5,914	11,114
Provision for (recovery of) credit losses on loans	6,332	(158,518)	149,904	191,332	151,587	(15,637)	325,000
Ending balance	<u>\$ 14,992</u>	<u>\$ 507,298</u>	<u>\$ 2,236,472</u>	<u>\$ 1,656,717</u>	<u>\$ 1,047,533</u>	<u>\$ 549,702</u>	<u>\$ 6,012,714</u>

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

Three Months Ended	Periodic Net	Average	Annualized Net (Charge-Offs)
September 30, 2025	(Charge-Offs) Recoveries	Total Loans	Recoveries to Average Total Loans
Construction, development & other land	\$ -	\$ 14,267,987	0.00%
Commercial real estate & farmland	-	264,135,219	0.00%
Residential real estate	1,800	141,833,973	0.01%
Commercial & industrial	-	52,052,966	0.00%
Other consumer & overdrafts	(3,547)	26,403,146	-0.05%
Totals	\$ (1,747)	\$ 498,693,291	0.00%

Three Months Ended	Periodic Net	Average	Annualized Net (Charge-Offs)
September 30, 2024	(Charge-Offs) Recoveries	Total Loans	Recoveries to Average Total Loans
Construction, development & other land	\$ -	\$ 27,599,472	0.00%
Commercial real estate & farmland	-	260,900,960	0.00%
Residential real estate	2,200	138,855,743	0.01%
Commercial & industrial	-	50,553,937	0.00%
Other consumer & overdrafts	(10,171)	30,403,633	-0.13%
Totals	\$ (7,971)	\$ 508,313,745	-0.01%

Nine Months Ended	Periodic Net	Average	Annualized Net (Charge-Offs)
September 30, 2025	(Charge-Offs) Recoveries	Total Loans	Recoveries to Average Total Loans
Construction, development & other land	\$ -	\$ 14,529,081	0.00%
Commercial real estate & farmland	-	261,398,742	0.00%
Residential real estate	5,400	139,899,876	0.02%
Commercial & industrial	-	51,985,066	0.00%
Other consumer & overdrafts	(11,563)	27,289,993	-0.17%
Totals	\$ (6,163)	\$ 495,102,758	0.00%

Nine Months Ended	Periodic Net	Average	Annualized Net (Charge-Offs)
September 30, 2024	(Charge-Offs) Recoveries	Total Loans	Recoveries to Average Total Loans
Construction, development & other land	\$ -	\$ 29,806,218	0.00%
Commercial real estate & farmland	-	262,361,838	0.00%
Residential real estate	5,200	136,949,565	0.02%
Commercial & industrial	-	49,397,942	0.00%
Other consumer & overdrafts	(27,313)	31,244,801	-0.35%
Totals	\$ (22,113)	\$ 509,760,364	-0.02%

The following table presents the allocation of allowance for credit losses on loans and the balances of loans that were individually and collectively evaluated at September 30, 2025 and December 31, 2024.

	Unallocated	Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
September 30, 2025							
Allowance balance allocated to loans:							
Individually evaluated	\$ -	\$ -	\$ -	\$ -	\$ 56,878	\$ -	\$ 56,878
Collectively evaluated	-	309,495	2,692,537	1,640,995	622,413	731,648	5,997,088
	<u>\$ -</u>	<u>\$ 309,495</u>	<u>\$ 2,692,537</u>	<u>\$ 1,640,995</u>	<u>\$ 679,291</u>	<u>\$ 731,648</u>	<u>\$ 6,053,966</u>
Loan balances:							
Individually evaluated		\$ -	\$ 7,647,080	\$ 74,194	\$ 208,075	\$ -	\$ 7,929,349
Collectively evaluated		15,659,757	257,724,489	143,719,014	51,332,350	26,172,378	494,607,988
		<u>\$15,659,757</u>	<u>\$265,371,569</u>	<u>\$143,793,208</u>	<u>\$51,540,425</u>	<u>\$26,172,378</u>	<u>\$502,537,337</u>
December 31, 2024							
Allowance balance allocated to loans:							
Individually evaluated	\$ -	\$ -	\$ 79,708	\$ -	\$ -	\$ -	\$ 79,708
Collectively evaluated	754	368,666	2,067,040	1,627,618	1,038,648	529,536	5,632,262
	<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 allowance for credit losses on loans is increased by provisions for credit losses on loans charged to expense and recoveries of credit losses on loans previously charged-off. The allowance for credit losses on loans is decreased by loan charge-offs and recovery of provision for credit losses on loans. Provision for or recovery of provision 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 expected losses inherent in the loan portfolio as of the balance sheet date. Accordingly, the methodology is based on historical loss experience by loan classification and on specific loss allocations, with adjustments for current and reasonable and supportable forecast events and conditions, or the “expected loss” approach. Management’s process for determining the appropriate level of the allowance for credit losses on loans is designed to account for credit losses over the expected life of loans. The provision for or recovery of provision for credit losses on loans reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, and net charge-offs or recoveries, among other factors, and adjustments for current and reasonable and supportable forecast events and conditions. The provision for or recovery of provision for credit losses on loans also reflect the totality of actions taken on all loans for a particular period. The amount of the provision for or recovery of provision for credit losses on loans reflects not only the necessary increases or decreases in the allowance for credit losses on loans related to newly identified rated loans, but it also reflects actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools.

The allowance for credit losses on loans was \$6,053,966 at September 30, 2025, compared to \$5,711,970 at December 31, 2024, an increase of \$341,966, or 6.0%. The increase resulted from higher expected loss rates used in the Bank’s loss model resulting from both increased losses experienced by the Bank’s peer group and deterioration in projected economic indicators provided by the Board of Governors of the Federal Reserve System Federal Reserve (the “Federal Reserve”) and used in the Bank’s loss models. The “Allowance for Credit Losses on Loans to Gross Loans” ratio at September 30, 2025, was 1.21%, compared to 1.14% at December 31, 2024. The allowance level reflects the results of management’s assessment of current and forecasted market conditions and analysis of expected inherent risk within the loan portfolio performed during the quarter.

The adequacy of the allowance for credit losses on loans is determined based upon management’s estimate of the expected inherent risks associated with lending activities, estimated fair value of collateral, past experience and present indicators such as loan delinquency trends, nonaccrual loans and current and reasonable and supportable forecast market conditions. Management believes that the allowance for credit losses on loans is adequate as of September 30, 2025; however, future changes in the composition of the loan portfolio and financial condition of borrowers may result in additions to or subtractions from the allowance. Examination of the loan portfolio and the allowance for credit losses on loans by regulatory agencies, auditors and consultants engaged by the Bank may result

in the need for additional provision for or recovery of provision for credit losses on loans based upon information available at the time of examination.

Risk Elements of Loan Portfolio

The following table analyzes the payment status of loans by loan classification at the dates indicated.

	30-59 Days	60-89 Days	90 Days and Over	Total		Total	Loans over
September 30, 2025	Past Due	Past Due	Past Due	Past Due	Current	Loans	90 Days and Accruing
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ 15,659,757	\$ 15,659,757	\$ -
Commercial real estate & farmland	-	-	-	-	265,371,569	265,371,569	-
Residential real estate	6,835	205,103	51,999	263,937	143,529,271	143,793,208	-
Commercial & industrial	-	49,284	114,991	164,275	51,376,150	51,540,425	-
Other consumer & overdrafts	72,653	54,075	-	126,728	26,045,650	26,172,378	-
Total	<u>\$ 79,488</u>	<u>\$ 308,462</u>	<u>\$ 166,990</u>	<u>\$ 554,940</u>	<u>\$ 501,982,397</u>	<u>\$ 502,537,337</u>	<u>\$ -</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>

The decrease in past due loans of \$594,239, or 51.7%, was primarily related to one loan totaling approximately \$404,000 that was paid off in July 2025.

The following table summarizes non-accrual loans and other non-performing assets for the dates indicated.

Non-performing Assets	September 30, 2025	December 31, 2024
Non-performing loans by class		
Commercial real estate and farmland	\$ 5,558,543	\$ 6,594,300
Residential real estate	58,834	24,967
Commercial & industrial	164,275	-
Other consumer	-	-
Total non-performing loans	5,781,652	6,619,267
Foreclosed real estate	-	-
Reposessed assets	-	-
Total non-performing assets	<u>\$ 5,781,652</u>	<u>\$ 6,619,267</u>

Further information about the loan portfolio and the allowance for credit losses on loans is provided in Note 4 to the consolidated financial statements included elsewhere in this report.

Off-Balance Sheet Arrangements

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, the amount undrawn on 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. Because many of the letters of credit and commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Management does not believe that any of the foregoing arrangements are reasonably likely to have a material impact on the Bank's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. The Bank maintains a reserve 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 reserve on off-balance sheet items was \$760,593 at September 30, 2025, compared to \$517,692 at December 31, 2024, an increase of \$242,901, or 46.9%.

Further information about these arrangements is provided in Note 5 to the consolidated financial statements included elsewhere in this report.

Deposit Liabilities

Total deposit liabilities were \$660,678,449 at September 30, 2025, compared to \$643,357,399 at December 31, 2024, an increase of \$17,321,050, or 2.7%. Noninterest-bearing deposit liabilities were \$147,577,768 at September 30, 2025, compared to \$152,383,101 at December 31, 2024, a decrease of \$4,805,333, or 3.2%. Interest-bearing deposit liabilities were \$513,100,681 at September 30, 2025, compared to \$490,974,298 at December 31, 2024, an increase of \$22,126,383, or 4.5%. The Bank utilizes deposits primarily to fund its earning assets. During the nine-month period ended September 30, 2025, average deposit liabilities provided funding for approximately 93.2% of average earning assets, compared to 88.1% for the comparable period of 2024. The remaining funding was provided by stockholders' equity for the nine-month period ended September 30, 2025 and a blend of borrowings and stockholders' equity for the nine-month period ended September 30, 2024.

Certificates of deposit greater than the FDIC deposit insurance limit of \$250,000 were \$67,087,231 at September 30, 2025, compared to \$66,219,412 at December 31, 2024.

Capital

Total stockholders' equity was \$69,527,108 at September 30, 2025, compared to \$65,031,876 at December 31, 2024, an increase of \$4,495,232, or 6.9%. The increase was due to earnings in the amount of \$5,116,619, stock option grants of \$84,638 and stock transactions netting \$373,083, partially offset by dividends declared and paid of \$1,079,108.

In July 2013, the Federal Reserve and the FDIC approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks ("Basel III"). Under the final rules, which became effective for the Bank on January 1, 2015 and fully phased-in as of January 1, 2019, minimum requirements increased for both the quantity and quality of capital held by the Bank. The rules included a new minimum Common Equity Tier 1 capital ratio ("CET1 ratio") of 4.5% which, with the capital conservation buffer of 2.5% of risk-weighted assets added, effectively results in a minimum CET1 ratio of 7.0%. Basel III raised the minimum Tier 1 capital ratio from 4.0% to 6.0% which, with the capital conservation buffer of 2.5% of risk-weighted assets added, effectively results in a minimum Tier 1 capital ratio of 8.5%. Basel III maintained the minimum total capital ratio of 8.0%, which, with the capital conservation buffer of 2.5% of risk-weighted assets added, effectively results in a minimum Tier 1 capital ratio of 10.5%. Basel III maintained the minimum Tier 1 leverage capital ratio of 4.0%. Basel III also changed risk weights for certain assets and off-balance sheet exposures.

On September 17, 2019, the FDIC finalized a rule that introduced an optional simplified measure of capital adequacy for qualifying community banking organizations (i.e., the community bank leverage ratio framework, "CBLR framework"), as required by the Economic Growth, Regulatory Relief and Consumer Protection Act. The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. To qualify for the CBLR framework, a community banking organization must have a Tier 1 leverage ratio of at least 9 percent, less than \$10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. A qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital. The Bank has elected not to opt into the CBLR framework at this time.

The Bank continues to maintain capital at levels in excess of the minimum risk-based capital requirements adopted by the federal banking agencies and was considered to be "well capitalized" as of September 30, 2025. One measure of capital adequacy is the risk-based capital ratio, or the ratio of total capital to risk adjusted assets. Total capital is composed of both core capital (Tier 1) and supplemental capital (Tier 2). Total assets are adjusted for off-balance sheet items, such as letters of credit, and the different degrees of risk among various assets. Regulators require a minimum risk-based capital ratio of 10.50% including the fully phased-in amount of the capital conservation buffer, with 10.00% being the regulatory minimum for well-capitalized banks. At September 30, 2025, the Bank's risk-based capital ratio was 15.40%.

The CET1 capital ratio is the ratio of CET1 to risk adjusted assets. CET1 capital consists of common stock, surplus and undivided profits. Regulators require a minimum CET1 ratio of 7.00% including the amount of the capital conservation buffer, with 6.50% being the regulatory minimum for well-capitalized banks. At September 30, 2025, the Bank's CET1 ratio was 14.15%.

Tier 1 capital consists of CET1 capital plus certain additional Tier 1 capital instruments. The Tier 1 capital ratio is the ratio of Tier 1 capital to risk adjusted assets. The Bank had no additional Tier 1 capital instruments. Regulators require a minimum Tier 1 capital ratio of 8.50% including the amount of the capital conservation buffer, with 8.00% being the regulatory minimum for well-capitalized banks. At September 30, 2025, the Bank's Tier 1 capital ratio was 14.15%.

Another measure of capital adequacy is the leverage capital ratio, which is calculated by dividing average total assets for the most recent quarter into Tier 1 capital outstanding at the end of the quarter. The regulatory minimum for this ratio is 4.00%, with 5.00% being the regulatory minimum for well-capitalized banks. The Bank's leverage capital ratio as of September 30, 2025, was 9.58%.

Management is not aware of any trends, favorable or unfavorable, that are likely to have a material effect on our financial condition or on our earnings. Further information about capital is provided in Note 14 to the consolidated financial statements included elsewhere in this report.

Liquidity

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 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 short-term funds markets. The Bank has arrangements with a correspondent bank whereby it has \$13,000,000 available in unsecured federal funds lines of credit, and \$5,000,000 available through a secured credit facility.

The Bank is a member of the FHLBA, which provides another source of liquidity. 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 is required to purchase shares of capital stock in the FHLBA as a condition to obtaining the line of credit.

The Bank had no borrowings with FHLBA as of September 30, 2025 or December 31, 2024.

Based on the value of available collateral as of September 30, 2025, the Bank could borrow \$91,484,279 from the FHLBA.

The Bank is eligible to borrow from the FRB Discount Window. This credit line is secured by the Bank's eligible consumer loan portfolio. Based on the value of available collateral as of September 30, 2025, the Bank could borrow \$12,008,244 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 September 30, 2025. Based on total assets as of September 30, 2025, the Bank could borrow \$73,538,054 from the Intrafi network.

As of September 30, 2025, the Bank had estimated uninsured deposits of approximately \$185.9 million. Management believes that the Bank has adequate available sources of liquid assets and borrowing facilities to fund the withdrawal of these deposits.

Further information about borrowings and available lines of credit is provided in Note 9 to the consolidated financial statements included elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Bank is a smaller reporting company and, as such, is not required to provide information called for by this item.

Item 4. 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 Quarterly 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 its principal executive officer ("PEO") and its 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 and procedures as of September 30, 2025 was carried out under the supervision and with the participation of the Bank's management, including the PEO and the PFO. Based in 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 three months ended September 30, 2025, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. 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, none of which, in management's opinion, is likely to have a material effect on the Bank's financial condition or future results of operations.

Item 1A. Risk Factors.

The risks and uncertainties to which the Bank's financial condition and operations are subject are discussed in detail in Item 1A of Part I of the Bank's Annual Report on Form 10-K for the year ended December 31, 2024. Management does not believe that any material changes in the Bank's risk factors have occurred since these risks were last discussed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), exempts from the definition of "security" any securities issued by a bank, 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 dividend reinvestment plan ("DRIP") and upon exercise of options granted under its 2008 Key Employee Stock Option Plan (the "2008 Key Employee Plan"), the 2015 Director Stock Option Plan (the "2015 Director Plan") and the 2020 Employee Stock Purchase Plan (the "2020 ESPP"). The DRIP was adopted before the Bank converted from a national banking association into a state chartered bank, and the Office of the Comptroller of the Currency required that the shares issuable under such plans be registered under the Securities Act prior to their offer and sale. On April 9, 2015, the Bank's Board of Directors adopted the 2015 Director Plan so that the Bank may continue to incent non-employee directors through the grant of non-qualified stock options. The 2008 Key Employee Plan expired in April 2018 and no further grants may be made under the plan, but options granted under the 2008 Key Employee Plan remain outstanding and subject to exercise until April 2028. On May 20, 2020, the Bank's stockholders approved the 2020 ESPP that allows eligible employees to acquire in total up to 100,000 shares of the Bank's common stock at a discount through accumulated payroll deductions.

During the first quarter of 2025, a net total of 2,264 shares of common stock were sold pursuant to the DRIP at \$33.88 per share, a total of 1,069 shares of common stock were sold pursuant to the exercise of options at an average exercise price of \$23.57 per share, and a total of 588 shares of common stock were sold pursuant to the 2020 ESPP at a weighted-average price of \$31.92 per share.

During the second quarter of 2025, a net total of 2,278 shares of common stock were sold pursuant to the DRIP at \$33.70 per share, a total of 2,714 shares of common stock were sold pursuant to the exercise of options at an average exercise price of \$25.32 per share, and a total of 511 shares of common stock were sold pursuant to the 2020 ESPP at a weighted-average price of \$31.80 per share.

During the third quarter of 2025, a net total of 1,775 shares of common stock were sold pursuant to the DRIP at \$40.35 per share, and a total of 507 shares of common stock were sold pursuant to the 2020 ESPP at a weighted-average price of \$37.60 per share.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter ended September 30, 2025, based on information provided to the Bank, no director or officer of the Bank adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of securities of the registrant 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 Item 408(c) of the Securities and Exchange Commission’s Regulation S-K.

Item 6. Exhibits

The exhibits filed or furnished herewith are listed in the following Exhibit Index:

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 31.1	Certifications of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
Exhibit 31.2	Certifications of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
Exhibit 32.1	Certification of the Periodic Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

SIGNATURES

Pursuant to 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

Date: November 7, 2025

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

Date: November 7, 2025

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

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CONDITION

At:	September 30, 2025 (Unaudited)	December 31, 2024 *
ASSETS		
Cash and due from banks	\$ 6,425,395	\$ 3,777,113
Federal Reserve Bank deposit	100,174,597	93,729,841
Federal funds sold and Federal Home Loan Bank deposit	47,377	49,022
Cash and cash equivalents	106,647,369	97,555,976
Investment securities available for sale, at fair value	1,000,000	-
Investment securities held to maturity, at amortized cost (fair value of \$104,463,506 in 2025 and \$92,566,585 in 2024)	109,377,095	100,642,891
Federal Home Loan Bank stock, at cost	499,500	466,000
Total loans, net of deferred fees and costs	502,248,321	499,546,498
Less: Allowance for credit losses on loans	(6,053,966)	(5,711,970)
Net loans	496,194,355	493,834,528
Bank premises and equipment, net	8,067,773	8,092,879
Accrued interest receivable	1,884,353	1,636,248
Bank owned life insurance	6,789,083	6,684,231
Other assets	4,921,008	4,518,829
Total assets	\$ 735,380,536	\$ 713,431,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 147,577,768	\$ 152,383,101
Interest-bearing	513,100,681	490,974,298
Total deposits	660,678,449	643,357,399
Accrued interest payable	804,876	743,030
Allowance for credit losses on off-balance sheet items	760,593	517,692
SERP liability	1,064,296	1,102,796
Other liabilities	2,545,214	2,678,789
Total liabilities	665,853,428	648,399,706
Stockholders' equity		
Common stock, par value \$10 per share; authorized 5,000,000 shares; issued and outstanding 1,505,113 shares in 2025, and 1,493,407 shares in 2024	15,051,130	14,934,070
Surplus	18,520,077	18,179,416
Undivided profits	35,955,901	31,918,390
Accumulated Other Comprehensive Income (Loss)	-	-
Total stockholders' equity	69,527,108	65,031,876
Total liabilities and stockholders' equity	\$ 735,380,536	\$ 713,431,582

* Derived from audited consolidated financial statements.

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

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2025	2024	2025	2024
Interest revenue				
Loans, including fees	\$ 7,295,724	\$ 7,318,294	\$ 21,286,448	\$ 21,630,984
Investment securities	780,690	415,638	2,044,088	1,305,856
Federal Home Loan Bank deposit	473	4,410	1,386	9,213
Federal Reserve Bank deposit	974,351	969,371	3,183,385	2,194,540
Time deposits in other banks	-	431	-	4,059
Other	8,055	35,254	26,225	127,989
Total interest revenue	<u>9,059,293</u>	<u>8,743,398</u>	<u>26,541,532</u>	<u>25,272,641</u>
Interest expense				
Deposits	2,745,022	2,619,365	8,504,078	7,085,377
Borrowed funds	<u>1</u>	<u>361,608</u>	<u>1</u>	<u>1,482,984</u>
Total interest expense	<u>2,745,023</u>	<u>2,980,973</u>	<u>8,504,079</u>	<u>8,568,361</u>
Net interest income	6,314,270	5,762,425	18,037,453	16,704,280
Credit loss expense				
Provision for (recovery of) credit losses on loans	43,355	(170,000)	348,159	325,000
Provision for credit losses on off-balance sheet items	<u>167,666</u>	<u>63,724</u>	<u>242,901</u>	<u>23,687</u>
Total provision for (recovery of) credit loss expense	<u>211,021</u>	<u>(106,276)</u>	<u>591,060</u>	<u>348,687</u>
Net interest income after total provision for (recovery of) credit loss expense	<u>6,103,249</u>	<u>5,868,701</u>	<u>17,446,393</u>	<u>16,355,593</u>
Noninterest revenue				
Service charges on deposit accounts	237,281	222,678	651,768	614,207
Debit card income	155,496	147,574	466,616	431,936
Earnings on bank owned life insurance	36,580	35,451	104,852	104,680
Other fees and commissions	<u>95,296</u>	<u>114,862</u>	<u>356,623</u>	<u>344,060</u>
Total noninterest revenue	<u>524,653</u>	<u>520,565</u>	<u>1,579,859</u>	<u>1,494,883</u>
Noninterest expense				
Salaries and benefits	2,568,359	2,560,116	7,518,893	7,255,576
Occupancy	337,575	325,999	970,840	917,937
Furniture and equipment	232,418	234,180	666,418	681,963
Data processing expense	259,071	257,775	776,769	745,215
Professional fees	147,338	129,267	508,229	397,248
Director and committee fees	91,200	129,898	335,976	286,148
Stationery and supplies	12,855	13,680	47,975	45,240
FDIC and state assessments	81,413	152,977	399,044	433,929
Advertising	68,342	58,917	203,853	185,649
Loss on disposal of bank premises and equipment	-	93	-	4,291
Other operating	<u>390,289</u>	<u>278,402</u>	<u>1,014,569</u>	<u>790,757</u>
Total noninterest expense	<u>4,188,860</u>	<u>4,141,304</u>	<u>12,442,566</u>	<u>11,743,953</u>
Income before income taxes	2,439,042	2,247,962	6,583,686	6,106,523
Income taxes	<u>563,537</u>	<u>518,018</u>	<u>1,467,067</u>	<u>1,427,897</u>
Net income	<u>\$ 1,875,505</u>	<u>\$ 1,729,944</u>	<u>\$ 5,116,619</u>	<u>\$ 4,678,626</u>
Basic net income per common share	\$ 1.25	\$ 1.16	\$ 3.41	\$ 3.15
Diluted net income per common share	\$ 1.24	\$ 1.16	\$ 3.39	\$ 3.14

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

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2025	2024	2025	2024
Net Income	\$ 1,875,505	\$ 1,729,944	\$ 5,116,619	\$ 4,678,626
Total Comprehensive Income	\$ 1,875,505	\$ 1,729,944	\$ 5,116,619	\$ 4,678,626

The Bank did not record any unrealized gain/loss as the security was purchased shortly before September 30, 2025 and there was no unrealized gain or loss to report for the period.

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

	Common stock			Undivided	Total
	<u>Shares</u>	<u>Par value</u>	<u>Surplus</u>	<u>profits</u>	<u>Stockholders' Equity</u>
Three Months Ended:					
September 30, 2025					
Balance at beginning of period	1,502,831	\$ 15,028,310	\$ 18,452,212	\$ 34,441,075	\$ 67,921,597
Net income	-	-	-	1,875,505	1,875,505
Cash dividends, \$0.24 per share	-	-	-	(360,679)	(360,679)
Common stock issued:					
Shares issued under stock-based compensation					
plans and related tax effects	507	5,070	13,993	-	19,063
Stock sold and dividend reinvestment plan (DRIP)	1,775	17,750	53,872	-	71,622
Balance at end of period	<u>1,505,113</u>	<u>\$ 15,051,130</u>	<u>\$ 18,520,077</u>	<u>\$ 35,955,901</u>	<u>\$ 69,527,108</u>
September 30, 2024					
Balance at beginning of period	1,485,890	\$ 14,858,900	\$ 17,985,882	\$ 28,589,661	\$ 61,434,443
Net income	-	-	-	1,729,944	1,729,944
Cash dividends, \$0.23 per share	-	-	-	(342,952)	(342,952)
Common stock issued:					
Shares issued under stock-based compensation					
plans and related tax effects	5,758	57,580	105,245	-	162,825
Stock sold and dividend reinvestment plan (DRIP)	2,193	21,930	52,627	-	74,557
Stock-based compensation expense	-	-	47,998	-	47,998
Stock acquired for DRIP administration	(1,759)	(17,590)	(42,216)	-	(59,806)
Balance at end of period	<u>1,492,082</u>	<u>\$ 14,920,820</u>	<u>\$ 18,149,536</u>	<u>\$ 29,976,653</u>	<u>\$ 63,047,009</u>
Nine Months Ended:					
September 30, 2025					
Balance at beginning of period	1,493,407	\$ 14,934,070	\$ 18,179,416	\$ 31,918,390	\$ 65,031,876
Net income	-	-	-	5,116,619	5,116,619
Cash dividends, \$0.72 per share	-	-	-	(1,079,108)	(1,079,108)
Common stock issued:					
Shares issued under stock-based compensation					
plans and related tax effects	5,389	53,890	94,098	-	147,988
Stock sold and dividend reinvestment plan (DRIP)	6,317	63,170	161,925	-	225,095
Stock-based compensation expense	-	-	84,638	-	84,638
Balance at end of period	<u>1,505,113</u>	<u>\$ 15,051,130</u>	<u>\$ 18,520,077</u>	<u>\$ 35,955,901</u>	<u>\$ 69,527,108</u>
September 30, 2024					
Balance at beginning of period	1,477,595	\$ 14,775,950	\$ 17,864,742	\$ 26,321,976	\$ 58,962,668
Net income	-	-	-	4,678,626	4,678,626
Cash dividends, \$0.69 per share	-	-	-	(1,023,949)	(1,023,949)
Common stock issued:					
Shares issued under stock-based compensation					
plans and related tax effects	11,233	112,330	162,588	-	274,918
Stock sold and dividend reinvestment plan (DRIP)	7,238	72,380	165,439	-	237,819
Stock-based compensation expense	-	-	47,998	-	47,998
Stock acquired for DRIP administration	(3,984)	(39,840)	(91,231)	-	(131,071)
Balance at end of period	<u>1,492,082</u>	<u>\$ 14,920,820</u>	<u>\$ 18,149,536</u>	<u>\$ 29,976,653</u>	<u>\$ 63,047,009</u>

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

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

For the Nine Months ended September 30,	2025	2024
Cash flows provided by operating activities		
Interest received	\$ 26,041,293	\$ 25,427,891
Fees and commissions received	1,773,335	1,823,155
Interest paid	(8,442,233)	(8,489,501)
Cash paid to suppliers and employees	(12,580,783)	(11,315,300)
Income taxes paid	<u>(1,609,625)</u>	<u>(2,438,744)</u>
Net cash provided by operating activities	<u>5,181,987</u>	<u>5,007,501</u>
Cash flows (used in) provided by investing activities		
Proceeds from maturities of time deposits in other banks	-	2,003,000
Proceeds from calls and maturities of investment securities	19,354,799	17,833,904
Purchases of securities		
Available for sale	(1,000,000)	-
Held to maturity	(28,142,795)	(1,553,567)
Redemption (purchase) of FHLB stock	(33,500)	1,447,200
Loans originated, net of principal repayments	(2,723,926)	1,702,526
Net increase in deferred loan fees and costs	128,391	31,156
Purchases of bank premises and equipment	<u>(288,588)</u>	<u>(312,860)</u>
Net cash (used in) provided by investing activities	<u>(12,705,619)</u>	<u>21,151,359</u>
Cash flows provided by financing activities		
Net increase in time deposits	5,193,211	47,691,225
Net increase in other deposits	12,127,839	24,814,420
Repayments of borrowed funds	-	(31,000,000)
Dividends paid	(1,079,108)	(1,023,949)
Dividends reinvested	225,095	237,819
Shares issued under stock-based compensation plans and related tax effects	147,988	274,918
Stock acquired for DRIP administration	<u>-</u>	<u>(131,071)</u>
Net cash provided by financing activities	<u>16,615,025</u>	<u>40,863,362</u>
Net increase in cash and cash equivalents	9,091,393	67,022,222
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><u>\$ 106,647,369</u></u>	<u><u>\$ 99,024,850</u></u>
Supplemental disclosure of non-cash transactions:		
Net unrealized gain (loss) on securities available for sale	\$ -	\$ -

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

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

For the Nine Months ended September 30,	2025	2024
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 5,116,619	\$ 4,678,626
Adjustments to reconcile net income to net cash provided by operating activities		
Net amortization and accretion on loan fees and costs	(112,451)	(5,527)
Net amortization and accretion on time deposits in other banks	-	10,096
Net amortization and accretion on investment securities	53,793	244,906
Depreciation and amortization on bank premises and equipment and software	298,895	359,294
Earnings on bank owned life insurance	(104,852)	(104,680)
Provision for credit losses on loans	348,159	325,000
Provision for credit losses on off-balance sheet items	242,901	23,687
Loss on disposition of bank premises and equipment	-	4,291
Stock-based compensation expense	84,638	47,998
Decrease (increase) in		
Accrued interest receivable	(248,105)	234,047
Income taxes refundable	(142,558)	(240,716)
Other assets	(244,823)	(1,174,917)
Increase (decrease) in		
Accrued interest payable	61,846	78,860
Income taxes payable	-	(770,131)
SERP liability	(38,500)	(23,310)
Other liabilities	(133,575)	1,319,977
	<u>\$ 5,181,987</u>	<u>\$ 5,007,501</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 and Cecil 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. A detailed disclosure of these policies and practices can be found in the Bank's Annual Report on Form 10-K for the year ended December 31, 2024. 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, fair value of financial instruments and income taxes 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.

Time deposits in other banks

Negotiable time deposits in other banks are carried at cost and are typically placed in amounts of \$250,000 or less to qualify for Federal Deposit Insurance Corporation (“FDIC”) deposit insurance coverage. Non-negotiable time deposits placed with correspondent banks may exceed the \$250,000 limit.

Investment securities

Investments are comprised of held to maturity and available for sale. 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 income (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 September 30, 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 income (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 September 30, 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 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 commercial banking. The Bank’s President and Chief Financial Officer, as the Bank’s chief operating decision makers, use combined results to make operating and strategic decisions and therefore the Bank is not required to disclose any additional segment information.

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:

September 30, 2025	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<i>Available for Sale</i>				
Corporate Bonds	\$ 1,000,000	-	-	\$ 1,000,000
	\$ 1,000,000	-	-	\$ 1,000,000
<i>Held to maturity</i>				
U.S. Treasury securities	\$ 21,000,642	\$ 48,760	\$ 170,714	\$ 20,878,688
U.S. government agency securities	17,518,051	820	975,351	16,543,520
Agency RMBS	44,864,510	95,986	2,679,158	42,281,338
Agency CMBS	8,124,092	26,651	44,299	8,106,444
Agency CMO securities	6,722,459	21,038	163,891	6,579,606
SBA asset-backed securities	7,616,668	4,785	617,762	7,003,691
State and municipal securities	3,530,673	-	460,454	3,070,219
	<u>\$ 109,377,095</u>	<u>\$ 198,040</u>	<u>\$ 5,111,629</u>	<u>\$ 104,463,506</u>
December 31, 2024				
<i>Held to maturity</i>				
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>

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

3. Investment Securities – continued

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
September 30, 2025				
Maturing in one year or less	\$ -	\$ -	\$ 8,350,745	\$ 8,254,754
Maturing over one to five years	-	-	24,739,686	24,161,625
Maturing over five to ten years	1,000,000	1,000,000	4,496,439	4,024,480
Maturing over ten years	-	-	4,462,496	4,051,568
	1,000,000	1,000,000	42,049,366	40,492,427
Mortgage-backed, CMO and asset-backed securities	-	-	67,327,729	63,971,079
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 109,377,095</u>	<u>\$ 104,463,506</u>

Securities with an amortized cost of \$84.9 million and \$78.2 million as of September 30, 2025 and December 31, 2024, respectively, were pledged as collateral for deposits.

During the three- and nine-month periods ended September 30, 2025, there were no sales of available for sale securities.

The following table displays the amortized cost of held to maturity state and municipal securities by credit rating provided by Moody's at September 30, 2025 and December 31, 2024.

September 30, 2025	AAA	AA2	AA3	Below AA3	Total
State and municipal securities	<u>\$ 1,441,288</u>	<u>\$ 744,385</u>	<u>\$ 1,345,000</u>	<u>\$ -</u>	<u>\$ 3,530,673</u>
December 31, 2024	AAA	AA2	AA3	Below AA3	Total
State and municipal securities	<u>\$ 1,449,668</u>	<u>\$ 745,786</u>	<u>\$ 1,345,000</u>	<u>\$ -</u>	<u>\$ 3,540,454</u>

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 September 30, 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
September 30, 2025						
<i>Held to maturity</i>						
U.S. Treasury securities	\$ -	\$ -	\$ 12,848,128	\$ 170,714	\$ 12,848,128	\$ 170,714
U.S. government agency securities	-	-	14,542,701	975,351	14,542,701	975,351
Agency RMBS	-	-	28,021,585	2,679,158	28,021,585	2,679,158
Agency CMBS	-	-	3,132,887	44,299	3,132,887	44,299
Agency CMO securities	962,616	2,249	785,242	161,642	1,747,858	163,891
SBA asset-backed securities	-	-	6,429,545	617,762	6,429,545	617,762
State and municipal securities	-	-	3,070,219	460,454	3,070,219	460,454
	<u>\$ 962,616</u>	<u>\$ 2,249</u>	<u>\$ 68,830,307</u>	<u>\$ 5,109,380</u>	<u>\$ 69,792,923</u>	<u>\$ 5,111,629</u>
December 31, 2024						

Held to maturity

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 September 30, 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 September 30, 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 income 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 September 30, 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 September 30, 2025. All other held to maturity securities are covered by the explicit or implied guarantee of

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

3. Investment Securities – continued

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 September 30, 2025 or December 31, 2024.

The Bank established an available for sale securities portfolio during the month of September 2025. As of September 30, 2025, the fair market value of the available for sale securities portfolio equaled the amortized cost of the available for sale securities portfolio. As such, there was no allowance for credit losses on available for sale securities at September 30, 2025. The Bank will evaluate 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).

4. Loans

The Bank makes loans to customers located primarily in Harford County, Maryland and Cecil 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:	September 30, 2025	December 31, 2024
Real estate		
Construction, development & other land	\$ 15,659,757	\$ 17,402,498
Secured by farmland	8,796,522	8,002,981
Commercial	256,575,047	253,232,507
Residential	143,793,208	140,296,099
Commercial & industrial	51,540,425	52,121,906
Other consumer	26,094,950	28,719,577
Overdrafts	77,428	44,006
Gross loans	502,537,337	499,819,574
Net deferred (fees) costs	(289,016)	(273,076)
Allowance for credit losses on loans	(6,053,966)	(5,711,970)
Net loans	<u>\$ 496,194,355</u>	<u>\$ 493,834,528</u>
Principal balance of pledged loans	<u>\$ 181,691,674</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:	September 30, 2025	December 31, 2024
<i>Maturing</i>		
In one year or less	\$ 51,231,184	\$ 45,772,627
After one year to five years	43,072,992	48,336,014
After five years to fifteen years	119,888,801	116,226,266
After fifteen years	288,344,360	289,484,667
Gross loans	<u>\$ 502,537,337</u>	<u>\$ 499,819,574</u>
Variable rate loans included above	<u>\$ 330,856,844</u>	<u>\$ 338,642,345</u>

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

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Total Loans	Loans over 90 Days and Accruing
September 30, 2025							
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ 15,659,757	\$ 15,659,757	\$ -
Commercial real estate & farmland	-	-	-	-	265,371,569	265,371,569	-
Residential real estate	6,835	205,103	51,999	263,937	143,529,271	143,793,208	-
Commercial & industrial	-	49,284	114,991	164,275	51,376,150	51,540,425	-
Other consumer & overdrafts	72,653	54,075	-	126,728	26,045,650	26,172,378	-
Total	<u>\$ 79,488</u>	<u>\$ 308,462</u>	<u>\$ 166,990</u>	<u>\$ 554,940</u>	<u>\$ 501,982,397</u>	<u>\$ 502,537,337</u>	<u>\$ -</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.

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

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

4. Loans - continued

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 September 30, 2025 to the various loan classes by year of origination.

	Term Loans by Origination Year						Revolving	
	2025	2024	2023	2022	2021	Prior	Loans	Total
Construction, development & other land:								
Loan grades:								
Pass	\$ 2,258,813	\$ 2,020,903	\$ 111,636	\$ 2,184,900	\$ 546,862	\$ 1,065,705	\$ 6,066,938	\$ 14,255,757
Pass watch	-	-	1,404,000	-	-	-	-	1,404,000
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
	<u>\$ 2,258,813</u>	<u>\$ 2,020,903</u>	<u>\$ 1,515,636</u>	<u>\$ 2,184,900</u>	<u>\$ 546,862</u>	<u>\$ 1,065,705</u>	<u>\$ 6,066,938</u>	<u>\$ 15,659,757</u>
Commercial real estate & farmland:								
Loan grades:								
Pass	\$ 17,362,095	\$ 19,905,501	\$ 34,394,600	\$ 39,041,279	\$ 20,045,216	\$ 86,512,260	\$ 2,399,479	\$ 219,660,430
Pass watch	-	580,113	4,957,565	3,358,354	5,397,527	8,924,112	2,719,101	25,936,772
Special mention	229,606	801,719	2,804,615	7,681,887	-	600,528	8,932	12,127,287
Substandard	-	172,465	-	260,764	-	6,324,612	889,239	7,647,080
	<u>\$ 17,591,701</u>	<u>\$ 21,459,798</u>	<u>\$ 42,156,780</u>	<u>\$ 50,342,284</u>	<u>\$ 25,442,743</u>	<u>\$ 102,361,512</u>	<u>\$ 6,016,751</u>	<u>\$ 265,371,569</u>
Residential real estate:								
Loan grades:								
Pass	\$ 16,282,071	\$ 5,579,373	\$ 14,065,388	\$ 31,265,847	\$ 16,552,525	\$ 34,384,801	\$ 18,877,856	\$ 137,007,861
Pass watch	42,576	608,053	886,032	100,236	1,805,170	2,181,682	738,823	6,362,572
Special mention	-	-	-	-	-	300,561	-	300,561
Substandard	-	48,020	-	-	-	74,194	-	122,214
	<u>\$ 16,324,647</u>	<u>\$ 6,235,446</u>	<u>\$ 14,951,420</u>	<u>\$ 31,366,083</u>	<u>\$ 18,357,695</u>	<u>\$ 36,941,238</u>	<u>\$ 19,616,679</u>	<u>\$ 143,793,208</u>
Commercial & industrial:								
Loan grades:								
Pass	\$ 7,074,546	\$ 9,913,952	\$ 8,449,094	\$ 3,231,028	\$ 2,027,039	\$ 1,180,538	\$ 13,453,449	\$ 45,329,646
Pass watch	154,585	68,125	289,512	506,351	17,555	7,898	3,252,514	4,296,540
Special mention	116,363	-	693,994	47,255	-	-	848,552	1,706,164
Substandard	43,800	37,197	-	-	-	77,794	49,284	208,075
	<u>\$ 7,389,294</u>	<u>\$ 10,019,274</u>	<u>\$ 9,432,600</u>	<u>\$ 3,784,634</u>	<u>\$ 2,044,594</u>	<u>\$ 1,266,230</u>	<u>\$ 17,603,799</u>	<u>\$ 51,540,425</u>
Other consumer & overdrafts:								
Loan grades:								
Pass	\$ 946,103	\$ 1,703,045	\$ 13,750,562	\$ 8,184,221	\$ 347,951	\$ 1,212,903	\$ 27,593	\$ 26,172,378
Pass watch	-	-	-	-	-	-	-	-
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
	<u>\$ 946,103</u>	<u>\$ 1,703,045</u>	<u>\$ 13,750,562</u>	<u>\$ 8,184,221</u>	<u>\$ 347,951</u>	<u>\$ 1,212,903</u>	<u>\$ 27,593</u>	<u>\$ 26,172,378</u>
Total loans:								
Loan grades:								
Pass	\$ 43,923,628	\$ 39,122,774	\$ 70,771,280	\$ 83,907,275	\$ 39,519,593	\$ 124,356,207	\$ 40,825,315	\$ 442,426,072
Pass watch	197,161	1,256,291	7,537,109	3,964,941	7,220,252	11,113,692	6,710,438	37,999,884
Special mention	345,969	801,719	3,498,609	7,729,142	-	901,089	857,484	14,134,012
Substandard	43,800	257,682	-	260,764	-	6,476,600	938,523	7,977,369
	<u>\$ 44,510,558</u>	<u>\$ 41,438,466</u>	<u>\$ 81,806,998</u>	<u>\$ 95,862,122</u>	<u>\$ 46,739,845</u>	<u>\$ 142,847,588</u>	<u>\$ 49,331,760</u>	<u>\$ 502,537,337</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						Revolving	
	2024	2023	2022	2021	2020	Prior	Loans	Total
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 three-month periods ended September 30, 2025 and 2024. All charge-offs reported in overdrafts for the three-month periods ended September 30, 2025 and 2024 were related to deposit overdrafts.

	Three Months Ended September 30, 2025 by Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-	-
Overdrafts	4,534	-	-	-	-	-	4,534
	<u>\$ 4,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,534</u>

	Three Months Ended September 30, 2024 by Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-	-
Overdrafts	10,809	-	-	-	-	-	10,809
	<u>\$ 10,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,809</u>

The following table presents gross charge-offs allocated by loan class by year of origination for the nine-month periods ended September 30, 2025 and 2024. All charge-offs reported in other consumer and overdrafts for the nine-month periods ended September 30, 2025 and 2024 were related to deposit overdrafts.

	Nine Months Ended September 30, 2025 by Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	781	781
Overdrafts	14,750	-	-	-	-	-	14,750
	<u>\$ 14,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781</u>	<u>\$ 15,531</u>

	Nine Months Ended September 30, 2024 by Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Construction, development & other land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-	-
Overdrafts	33,227	-	-	-	-	-	33,227
	<u>\$ 33,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,227</u>

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

4. Loans - continued

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 three-month periods ended September 30, 2025 and 2024.

Three Months Ended:		Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
September 30, 2025	Unallocated						
Allowance for credit losses on loans:							
Beginning balance	\$ 46	\$ 268,206	\$ 2,677,539	\$ 1,592,286	\$ 721,864	\$ 752,417	\$ 6,012,358
Charge-offs	-	-	-	-	-	(4,534)	(4,534)
Recoveries	-	-	-	1,800	-	987	2,787
Provision for (recovery of) credit losses on loans	(46)	41,289	14,998	46,909	(42,573)	(17,222)	43,355
Ending balance	<u>\$ -</u>	<u>\$ 309,495</u>	<u>\$ 2,692,537</u>	<u>\$ 1,640,995</u>	<u>\$ 679,291</u>	<u>\$ 731,648</u>	<u>\$ 6,053,966</u>

September 30, 2024

Allowance for credit losses on loans:							
Beginning balance	\$ 15,620	\$ 705,005	\$ 2,317,515	\$ 1,577,875	\$ 1,026,472	\$ 548,198	\$ 6,190,685
Charge-offs	-	-	-	-	-	(10,809)	(10,809)
Recoveries	-	-	-	2,200	-	638	2,838
Provision for (recovery of) credit losses on loans	(628)	(197,707)	(81,043)	76,642	21,061	11,675	(170,000)
Ending balance	<u>\$ 14,992</u>	<u>\$ 507,298</u>	<u>\$ 2,236,472</u>	<u>\$ 1,656,717</u>	<u>\$ 1,047,533</u>	<u>\$ 549,702</u>	<u>\$ 6,012,714</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 nine-month periods ended September 30, 2025 and 2024.

Nine Months Ended:		Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
September 30, 2025	Unallocated						
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	-	-	-	-	-	(15,531)	(15,531)
Recoveries	-	-	-	5,400	-	3,968	9,368
Provision for (recovery of) credit losses on loans	(754)	(59,171)	545,789	7,977	(359,357)	213,675	348,159
Ending balance	<u>\$ -</u>	<u>\$ 309,495</u>	<u>\$ 2,692,537</u>	<u>\$ 1,640,995</u>	<u>\$ 679,291</u>	<u>\$ 731,648</u>	<u>\$ 6,053,966</u>

September 30, 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	-	-	-	-	-	(33,227)	(33,227)
Recoveries	-	-	-	5,200	-	5,914	11,114
Provision for (recovery of) credit losses on loans	6,332	(158,518)	149,904	191,332	151,587	(15,637)	325,000
Ending balance	<u>\$ 14,992</u>	<u>\$ 507,298</u>	<u>\$ 2,236,472</u>	<u>\$ 1,656,717</u>	<u>\$ 1,047,533</u>	<u>\$ 549,702</u>	<u>\$ 6,012,714</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 September 30, 2025 and December 31, 2024.

	Unallocated	Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
September 30, 2025							
Allowance balance allocated to loans:							
Individually evaluated	\$ -	\$ -	\$ -	\$ -	\$ 56,878	\$ -	\$ 56,878
Collectively evaluated	-	309,495	2,692,537	1,640,995	622,413	731,648	5,997,088
	<u>\$ -</u>	<u>\$ 309,495</u>	<u>\$ 2,692,537</u>	<u>\$ 1,640,995</u>	<u>\$ 679,291</u>	<u>\$ 731,648</u>	<u>\$ 6,053,966</u>
Loan balances:							
Individually evaluated		\$ -	\$ 7,647,080	\$ 74,194	\$ 208,075	\$ -	\$ 7,929,349
Collectively evaluated		15,659,757	257,724,489	143,719,014	51,332,350	26,172,378	494,607,988
		<u>\$ 15,659,757</u>	<u>\$ 265,371,569</u>	<u>\$ 143,793,208</u>	<u>\$ 51,540,425</u>	<u>\$ 26,172,378</u>	<u>\$ 502,537,337</u>
December 31, 2024							
Allowance balance allocated to loans:							
Individually evaluated	\$ -	\$ -	\$ 79,708	\$ -	\$ -	\$ -	\$ 79,708
Collectively evaluated	754	368,666	2,067,040	1,627,618	1,038,648	529,536	5,632,262
	<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.

	Recorded Investment	Unpaid Principal Balance	Related Allowance
September 30, 2025			
Construction, development & other land	\$ -	\$ -	\$ -
Commercial real estate & farmland	7,647,080	9,233,122	-
Residential real estate	74,194	315,676	-
Commercial & industrial	208,075	210,275	56,878
Other consumer	-	-	-
	<u>\$ 7,929,349</u>	<u>\$ 9,759,073</u>	<u>\$ 56,878</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 three-month period ended September 30, 2025, there were no modifications of loans to borrowers who were experiencing financial difficulties. During the three-month period ended September 30, 2024, there were no modifications of loans to borrowers who were experiencing financial difficulties.

During the nine-month period ended September 30, 2025, there were no modifications of loans to borrowers who were experiencing financial difficulty. During the nine-month period ended September 30, 2024, there were no modifications of loans to borrowers who were experiencing financial difficulty.

There were no loans that the Bank modified in the 12 months preceding the three-month period ended September 30, 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 three-month period ended September 30, 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.

There were no loans that the Bank modified in the 12 months preceding the nine-month period ended September 30, 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 nine-month period ended September 30, 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 September 30, 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
September 30, 2025						
Commercial real estate & farmland	\$ 5,558,543	\$ -	\$ 5,558,543	\$ -	\$ 5,558,543	\$ -
Residential real estate	58,834	-	58,834	-	58,834	-
Commercial & industrial	-	164,275	164,275	-	164,275	56,878
Other consumer	-	-	-	-	-	-
Total	<u>\$ 5,617,377</u>	<u>\$ 164,275</u>	<u>\$ 5,781,652</u>	<u>\$ -</u>	<u>\$ 5,781,652</u>	<u>\$ 56,878</u>
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	<u>\$ 2,819,559</u>	<u>\$ 3,799,708</u>	<u>\$ 6,619,267</u>	<u>\$ -</u>	<u>\$ 6,619,267</u>	<u>\$ 79,708</u>

The following table shows the amount of gross interest income that would have been recorded for the three- and nine-month periods ended September 30, 2025 and 2024 had the non-accrual loans been current and performing according to terms.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Interest not accrued on non-accrual loans	<u>\$ 88,898</u>	<u>\$ 78,562</u>	<u>\$ 280,079</u>	<u>\$ 236,067</u>

There were no consumer mortgage loans secured by residential real estate that were in the process of foreclosure as of September 30, 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:	September 30, 2025	December 31, 2024
Commitments to extend credit		
Loan origination commitments	\$ 24,226,564	\$ 9,924,211
Unused consumer real estate construction	80,000	367,978
Unused home equity lines of credit	21,955,390	19,595,566
Unused overdraft lines of credit	7,480,476	7,308,542
Unused commercial lines of credit	72,931,525	59,100,626
	<u>\$ 126,673,955</u>	<u>\$ 96,296,923</u>
Letters of credit	<u>\$ 1,909,042</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 three- and nine-month periods ended September 30, 2025 and 2024.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Beginning balance	\$ 592,927	\$ 466,613	\$ 517,692	\$ 506,650
Provision for allowance for credit losses on off-balance sheet items	<u>167,666</u>	<u>63,724</u>	<u>242,901</u>	<u>23,687</u>
Ending balance	<u>\$ 760,593</u>	<u>\$ 530,337</u>	<u>\$ 760,593</u>	<u>\$ 530,337</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:	September 30, 2025	December 31, 2024
Beginning balance	\$ 18,429,429	\$ 15,256,507
Advances	277,590	566,194
Changes in related party	-	4,550,307
Payments	<u>(2,691,504)</u>	<u>(1,943,579)</u>
Ending balance	<u>\$ 16,015,515</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 \$3,444,216 in unused loans committed but not funded as of September 30, 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 \$33,295 during the three months ended September 30, 2025. Amounts paid to these related parties totaled \$31,020 during the three months ended September 30, 2024. Amounts paid to these related parties totaled \$98,611 during the nine months ended September 30, 2025. Amounts paid to these related parties totaled \$57,485 during the nine months ended September 30, 2024.

The Bank has a wealth management referral relationship with the firm of a director. The Bank recognized \$5,113 of income from the referral relationship during the three months ended September 30, 2025. The Bank recognized \$4,533 of income from the referral relationship during the three months ended September 30, 2024. The Bank recognized \$15,325 of income from the referral relationship during the nine months ended September 30, 2025. The Bank recognized \$12,693 of income from the referral relationship during the nine months ended September 30, 2024.

Deposits from the officers and directors of the Bank were \$6,403,415 at September 30, 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	September 30, 2025	December 31, 2024
Land		\$ 2,842,197	\$ 2,842,197
Building and improvements	15 - 39 years	8,020,416	8,020,416
Leasehold improvements	5 - 19 years	679,508	679,508
Furniture, fixtures, and equipment	3 - 10 years	2,923,610	2,651,899
		14,465,731	14,194,020
Accumulated depreciation		6,397,958	6,101,141
Net bank premises and equipment		<u>\$ 8,067,773</u>	<u>\$ 8,092,879</u>

	Three Months Ended: September 30		Nine Months Ended: September 30	
	2025	2024	2025	2024
Depreciation expense	<u>\$ 105,191</u>	<u>\$ 114,100</u>	<u>\$ 296,818</u>	<u>\$ 357,090</u>

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

	Useful Life	September 30, 2025	December 31, 2024
Computer software	3 years	\$ 76,069	\$ 59,193
Accumulated amortization		60,599	58,522
Net computer software		<u>\$ 15,470</u>	<u>\$ 671</u>

	Three Months Ended: September 30		Nine Months Ended: September 30	
	2025	2024	2025	2024
Amortization expense	<u>\$ 1,406</u>	<u>\$ 695</u>	<u>\$ 2,077</u>	<u>\$ 2,204</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 September 30, 2025, the Bank had lease liabilities totaling \$1,132,536 included in other liabilities and right-of-use lease assets totaling \$1,132,536 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 September 30, 2025 was 4.84%. 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 September 30, 2025 was 7.6 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 three months ended September 30, 2025 was \$92,935. Rent expense, consisting of lease payments plus common area maintenance and all other charges assessed by the lessor, for the three months ended September 30, 2024 was \$89,955. Rent expense, consisting of lease payments plus common area maintenance and all other charges assessed by the lessor, for the nine months ended September 30, 2025 was \$271,412. Rent expense, consisting of lease payments plus common area maintenance and all other charges assessed by the lessor, for the nine months ended September 30, 2024 was \$252,751.

As of September 30, 2025, future minimum lease payments, by year and in the aggregate, of operating leases are as follows:

Year	Amount
Remainder of 2025	\$ 62,104
2026	251,039
2027	229,497
2028	141,852
2029	146,108
2030	150,492
Thereafter	<u>534,460</u>
Total undiscounted lease payments	1,515,551
Discount on cash flows	<u>(383,015)</u>
Total lease liability	<u>\$ 1,132,536</u>

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 September 30, 2025, the Bank could borrow \$91,484,279 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 September 30, 2025, the Bank could borrow \$12,008,244 from the FRB Discount Window.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

9. Borrowings and Available Lines of Credit - continued

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 September 30, 2025. Based on total assets as of September 30, 2025, the Bank could borrow \$73,538,054 from the Intrafi network.

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 September 30, 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 three months ended September 30, 2025, the Bank recognized \$64,853 of expense associated with the 401(k) Plan. For the three months ended September 30, 2024, the Bank recognized \$66,978 of expense associated with the 401(k) Plan. For the nine months ended September 30, 2025, the Bank recognized \$205,484 of expense associated with the 401(k) Plan. For the nine months ended September 30, 2024, the Bank recognized \$200,959 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 \$1,064,296 related to these benefits at September 30, 2025. The Bank recorded a liability of \$1,102,796 related to these benefits at December 31, 2024. SERP expense for the three months ended September 30, 2025 was \$15,054. SERP expense for the three months ended September 30, 2024 was \$12,576. SERP expense for the nine months ended September 30, 2025 was \$45,162. SERP expense for the nine months ended September 30, 2024 was \$37,728.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

11. Interest-Bearing Deposits

Major classifications of interest-bearing deposits at:	September 30, 2025	December 31, 2024
Interest-bearing checking and Money Market	\$ 257,240,651	\$ 241,175,110
Savings	56,344,995	55,477,364
Certificates of deposit	<u>199,515,035</u>	<u>194,321,824</u>
	<u>\$ 513,100,681</u>	<u>\$ 490,974,298</u>
 Maturities of certificates of deposit at:	 September 30, 2025	 December 31, 2024
Maturing within twelve months	\$ 185,089,405	\$ 171,354,719
Maturing after one year to three years	12,966,480	21,156,780
Maturing after three years to five years	<u>1,459,150</u>	<u>1,810,325</u>
	<u>\$ 199,515,035</u>	<u>\$ 194,321,824</u>
 Certificates of deposit in excess of \$250,000 included above:	 \$ 67,087,231	 \$ 66,219,412

	For the Three Months Ended:		For the Nine Months Ended:	
	September 30		September 30	
Interest expense for the period ended:	2025	2024	2025	2024
Interest-bearing checking and Money Market	\$ 815,684	\$ 585,627	\$ 2,348,475	\$ 1,647,207
Savings	31,768	28,999	92,566	86,941
Certificates of deposit	<u>1,897,570</u>	<u>2,004,739</u>	<u>6,063,037</u>	<u>5,351,229</u>
	<u>\$ 2,745,022</u>	<u>\$ 2,619,365</u>	<u>\$ 8,504,078</u>	<u>\$ 7,085,377</u>

12. Income Taxes

The components of income tax expense are as follows:

	For the Three Months Ended:		For the Nine Months Ended:	
	September 30		September 30	
Year to date through:	2025	2024	2025	2024
Current				
Federal	\$ 476,572	\$ 437,530	\$ 1,289,460	\$ 1,184,630
State	<u>86,965</u>	<u>80,488</u>	<u>177,607</u>	<u>243,267</u>
	<u>\$ 563,537</u>	<u>\$ 518,018</u>	<u>\$ 1,467,067</u>	<u>\$ 1,427,897</u>

The differences between the federal income tax rate in effect for the periods indicated and the effective tax rate for the Bank are reconciled as follows:

Year to date through:	September 30, 2025	September 30, 2024
Statutory federal income tax rate	21.00 %	21.00 %
Increase (decrease) resulting from		
State income taxes, net of federal income tax benefit	2.13	4.92
Tax-exempt income	(1.06)	(0.91)
Nondeductible expenses and other	<u>0.21</u>	<u>0.21</u>
	<u>22.28 %</u>	<u>25.22 %</u>

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

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 September 30, 2025, no shares remained available for grant under the active director option plan.

For the three months ended September 30, 2025, the Bank recorded no stock-based compensation expense. For the three months ended September 30, 2024, the Bank recorded stock-based compensation expense of \$47,998. For the nine months ended September 30, 2025, the Bank recorded stock-based compensation expense of \$84,638. For the nine months ended September 30, 2024, the Bank recorded stock-based compensation expense of \$47,998.

A summary of stock option activity for the nine months ended September 30, 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 September 30, 2025	<u>57,093</u>	<u>\$ 29.05</u>	<u>5.78 years</u>	<u>\$ 598,634</u>
Exercisable at September 30, 2025	<u>57,093</u>			

The intrinsic value of options exercised during the nine months ended September 30, 2025 was \$9,106. The intrinsic value of options exercised during the nine months ended September 30, 2024, was \$90,086.

The weighted average fair value of options granted during the three- and nine-month periods ended September 30, 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 nine months ended September 30, 2025, a total of 1,606 shares were granted under the 2020 ESPP at a weighted-average purchase price of \$34.06. At September 30, 2025, a total of 88,719 shares remain available under the 2020 ESPP.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

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.

In July 2013, the Federal Reserve and the FDIC approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (“Basel III”). Under the final rules, which became effective for the Bank on January 1, 2015 and fully phased-in as of January 1, 2019, minimum requirements increased for both the quantity and quality of capital held by the Bank.

The rules include a new minimum Common Equity Tier 1 capital ratio (“CET1 ratio”) of 4.5% and a capital conservation buffer of 2.5% of risk-weighted assets, which are now fully phased-in, effectively resulting in a minimum CET1 ratio of 7.0%. Basel III raised the minimum Tier 1 capital ratio from 4.0% to 6.0% which, with the capital conservation buffer now fully phased-in, effectively results in a minimum Tier 1 capital ratio of 8.5%. Basel III maintained the minimum Total capital ratio of 8.0%, which, with the capital conservation buffer now fully phased-in, effectively results in a minimum Total capital ratio of 10.5%. Basel III maintains the minimum Tier 1 leverage capital ratio of 4.0%. Basel III also makes changes to risk weights for certain assets and off-balance sheet exposures.

The capital conservation buffer is designed to absorb losses during periods of economic stress and, as detailed above, effectively increases the minimum required risk-weighted capital ratios. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall and the institution's “eligible retained income” (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income).

Under Basel III, Total capital consists of two tiers of capital, Tier 1 and Tier 2. Tier 1 capital is further composed of Common equity Tier 1 capital and additional Tier 1 capital. For the Bank, Common equity Tier 1 capital consists of common stock, surplus and undivided profits. The Bank has no additional Tier 1 capital items. The Bank's Tier 2 capital consists of a limited amount of the allowance for credit losses on loans and the allowance for credit losses on off-balance sheet items. The Bank's Total capital is the sum of Tier 1 capital plus Tier 2 capital.

The Total capital ratio, the Tier 1 capital ratio and the Common equity Tier 1 capital ratio are calculated using end of period risk-weighted assets. In calculating risk-weighted assets, specified risk percentages are applied to each category of asset and off-balance sheet items based on regulatory requirements. The Tier 1 leverage capital ratio is calculated using quarterly average assets.

On September 17, 2019, the FDIC finalized a rule that introduced an optional simplified measure of capital adequacy for qualifying community banking organizations (i.e., the community bank leverage ratio framework, “CBLR framework”), as required by the Economic Growth, Regulatory Relief and Consumer Protection Act. The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. To qualify for the CBLR framework, a community banking organization must have a Tier 1 leverage ratio of at least 9 percent, less than \$10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. A qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital. The Bank has elected not to opt into the CBLR framework at this time.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

14. Capital Standards - continued

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 Basel III 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
September 30, 2025								
Total capital	\$ 75,676	15.40%	\$ 49,127	10.00%	\$ 39,302	8.00%	\$ 51,584	10.50%
Tier 1 capital	69,527	14.15%	39,302	8.00%	29,476	6.00%	41,758	8.50%
Common equity Tier 1 capital	69,527	14.15%	31,933	6.50%	22,107	4.50%	34,389	7.00%
Tier 1 leverage capital	69,527	9.58%	36,276	5.00%	29,020	4.00%	29,020	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%

At September 30, 2025 and December 31, 2024, capital levels at the Bank exceed all capital adequacy requirements under the Basel III 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.

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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Basic net income per common share:				
Net income	\$ 1,875,505	\$ 1,729,944	\$ 5,116,619	\$ 4,678,626
Weighted-average common shares outstanding	1,502,933	1,489,476	1,498,850	1,483,317
Basic net income per common share	<u>\$ 1.25</u>	<u>\$ 1.16</u>	<u>\$ 3.41</u>	<u>\$ 3.15</u>
Diluted net income per common share:				
Net income	\$ 1,875,505	\$ 1,729,944	\$ 5,116,619	\$ 4,678,626
Weighted-average common shares outstanding	1,502,933	1,489,476	1,498,850	1,483,317
Dilutive common stock equivalents	11,072	7,962	9,752	7,162
Dilutive EPS shares	<u>1,514,005</u>	<u>1,497,438</u>	<u>1,508,602</u>	<u>1,490,479</u>
Diluted net income per common share	<u>\$ 1.24</u>	<u>\$ 1.16</u>	<u>\$ 3.39</u>	<u>\$ 3.14</u>
Anti-dilutive shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,750</u>

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

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 nine-month period ended September 30, 2025, the Bank purchased a corporate bond from another financial institution for \$1,000,000 and classified the security as available-for-sale. The security was measured at fair value which equaled the amortized cost. 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 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.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

16. Fair Value Measurements - continued

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 September 30, 2025 and December 31, 2024.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2025				
Collateral dependent loans with ACL	\$ -	\$ -	\$ -	\$ -
December 31, 2024				
Collateral dependent loans with ACL	\$ -	\$ -	\$ 3,720,000	\$ 3,720,000

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.

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	\$ 3,720,000	Appraisal (1)	Selling Costs	7%

- (1) Fair value is generally determined through independent appraisal of underlying collateral, which generally includes various level 3 inputs which are not observable.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

16. Fair Value Measurements - continued

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.

September 30, 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	\$ 106,647,369	\$ 106,647,369	\$ 106,647,369	\$ -	\$ -
Investment securities available for sale	1,000,000	1,000,000	-	1,000,000	-
Investment securities held to maturity:					
U.S. Treasury securities	21,000,642	20,878,688	20,878,688	-	-
Other investment securities	88,376,453	83,584,818	-	83,584,818	-
Loans, net	496,194,355	494,008,630	-	-	494,008,630
Accrued interest receivable	1,884,353	1,884,353	-	1,884,353	-
Bank owned life insurance	6,789,083	6,789,083	-	6,789,083	-
Financial liabilities:					
Noninterest-bearing deposits	147,577,768	147,577,768	-	147,577,768	-
Interest-bearing deposits	513,100,681	512,841,311	-	-	512,841,311
Accrued interest payable	804,876	804,876	-	804,876	-
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	-

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.

Harford Bank and Subsidiary

Notes to Consolidated Financial Statements

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.

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 quarterly report on Form 10-Q 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(s) 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 Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2025

/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 quarterly report on Form 10-Q 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(s) 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 Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2025

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

CERTIFICATION OF THE 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 Quarterly Report of Harford Bank on Form 10-Q for the quarter ended September 30, 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: November 7, 2025

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

Date: November 7, 2025

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