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 March 31, 2026

☐ **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	52-0799113
(State or other jurisdiction of organization)	(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.
1,511,104 shares of common stock as of May 5, 2026.

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, 2025.

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 and fair value of financial instruments as the accounting areas that require the most subjective or complex judgments, and as such may be most subject to revision as new information becomes available.

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

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

RESULTS OF OPERATIONS

Summary

For the three-month period ended March 31, 2026, the Bank reported net income of $1,808,737, compared to $1,525,817 for the same period of 2025, an increase of $282,920, or 18.5%. The increase in net income was due primarily to an increase in interest income of $808,820, a decrease in total interest expense of $166,724 and an increase in noninterest income of $22,038, partially offset by an increase in total provision for credit loss of $131,825, an increase in noninterest expense of $422,472 and an increase in income tax expense of $160,365. The increase in interest income for the first quarter of 2026 was due primarily to the $53.1 million increase in the average balance of loans for the period when compared to the prior year period. The decrease in interest expense was due to a decline of 15 basis points in the cost of interest-bearing deposits on relatively unchanged balances. The increase in total provision for credit loss was a result of growth in loan balances as well as off-balance sheet commitments. The increase in noninterest income was primarily attributable to increases in services charges on deposits accounts, debit card income and earnings on bank owned life insurance, partially offset by a decline in other fees and commissions. The increase in non-interest expenses for the first quarter of 2026 was due primarily to an increase in all operating expense categories other than FDIC and state assessments when compared to the same period of 2025.

Basic net income per share of common stock for the three-month period ended March 31, 2026 was $1.20, compared to $1.02 for the same period in 2025. Diluted net income per share of common stock for the three-month period ended March 31, 2026 was $1.19, compared to $1.01 for the same period in 2025. Basic and diluted net income per share increased in the first quarter of 2026 when

compared to the first quarter of 2025 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 1.01% for the three-month period ended March 31, 2026, compared to 0.87% for the same period in 2025. Annualized return on average stockholders' equity was 10.11% for the three-month period ended March 31, 2026, compared to 9.35% for the same period in 2025.

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-month periods ended March 31, 2026 and 2025 and related interest income, interest expense, and yields.

Average Balances, Interest, and Yields

	For the Three Months Ended March 31, 2026			For the Three Months Ended March 31, 2025		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
Assets						
Federal Reserve Bank interest-bearing deposits	$ 55,860,935	$ 479,935	3.48%	$ 99,769,027	$ 1,021,156	4.15%
Federal Home Loan Bank interest-bearing deposits	59,808	559	3.79%	51,549	571	4.49%
Other	500,987	8,467	6.85%	472,700	10,384	8.91%
Investment securities:						
U.S. Treasury securities	18,144,661	143,349	3.20%	20,902,119	149,097	2.89%
U.S. government agency securities	14,452,901	90,498	2.54%	25,111,709	130,046	2.10%
Mortgage-backed and CMO securities	61,928,821	550,088	3.60%	41,775,805	288,210	2.80%
SBA asset-backed securities	7,153,073	40,409	2.29%	8,513,528	46,330	2.21%
State and municipal securities	3,526,276	16,735	1.92%	3,539,335	16,709	1.91%
Corporate Bonds	1,986,227	35,938	7.34%	-	-	0.00%
Total investment securities	107,191,959	877,017	3.32%	99,842,496	630,392	2.56%
Loans:						
Overdrafts	44,907	-	0.00%	62,440	-	0.00%
Consumer	25,233,161	345,904	5.56%	28,858,146	399,882	5.62%
Credit lines	16,677,948	265,240	6.45%	14,101,041	249,226	7.17%
Commercial	67,488,150	1,173,349	7.05%	66,816,806	1,213,789	7.37%
Real estate	436,822,153	6,171,173	5.73%	382,304,378	5,055,169	5.36%
Other loan fees	-	62,058	0.00%	-	36,250	
Total loans *	546,266,319	8,017,724	5.95%	492,142,811	6,954,316	5.73%
Allowance for credit losses on loans	(6,697,526)			(5,712,491)		
Total loans, net of allowance for credit losses on loans *	539,568,793	8,017,724	6.03%	486,430,320	6,954,316	5.80%
Total interest-earning assets	703,182,482	9,383,702	5.41%	686,566,092	8,616,819	5.09%
Noninterest-bearing cash	4,467,017			4,973,863		
Bank premises and equipment, net	8,007,642			8,106,885		
Other assets	13,560,555			12,808,787		
Total assets	$ 729,217,696			$ 712,455,627		
Liabilities and Stockholders' Equity						
Interest-bearing deposits						
Interest-bearing demand deposits	$ 122,065,683	66,200	0.22%	$ 138,881,389	49,847	0.15%
Savings	56,140,372	30,359	0.22%	55,787,601	30,307	0.22%
Money market	127,326,141	735,416	2.34%	104,737,135	584,867	2.26%
Time deposits	196,703,758	1,789,938	3.69%	197,921,496	2,123,616	4.35%
Total interest-bearing deposits	502,235,954	2,621,913	2.12%	497,327,621	2,788,637	2.27%
Total borrowed funds	-	-	0.00%	-	-	0.00%
Total interest-bearing deposits and borrowed funds	502,235,954	2,621,913	2.12%	497,327,621	2,788,637	2.27%
Noninterest-bearing demand deposits	149,166,651			143,884,579		
Other liabilities	5,248,386			5,063,799		
Stockholders' equity	72,566,705			66,179,628		
Total liabilities and stockholders' equity	$ 729,217,696			$ 712,455,627		
Net interest spread			3.29%			2.82%
Net interest income		$ 6,761,789			$ 5,828,182	
Net margin on interest-earning assets			3.90%			3.44%

Interest on tax-exempt securities, loans and dividends are reported on a fully taxable equivalent basis.

* 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: March 31,	
	2026	2025
GAAP Financial Measurements:		
Interest Income - Loans	$ 7,995,411	$ 6,928,666
Interest Income - Securities and Other Interest-Earning Assets	1,314,447	1,572,372
Interest Expense - Deposits	2,621,913	2,788,637
Interest Expense - Borrowings	-	-
Total Net Interest Income (GAAP)	$ 6,687,945	$ 5,712,401
Non-GAAP Financial Measurements:		
Add: Tax Benefit on Tax-Exempt Interest Income - Loans	$ 22,313	$ 25,650
Add: Tax Benefit on Tax-Exempt Interest Income - Securities	51,531	90,131
Total Tax Benefit on Tax-Exempt Interest Income	$ 73,844	$ 115,781
Tax-Equivalent Net Interest Income (Non-GAAP)	$ 6,761,789	$ 5,828,182

Interest income, on a fully taxable equivalent basis, on total interest-earning assets for the three-month period ended March 31, 2026 was $9,383,702, compared to $8,616,819 for the same period in 2025, an increase of $766,883, or 8.9%.

Interest income, on a fully taxable equivalent basis, on net loans for the three-month period ended March 31, 2026 was $8,017,724, compared to $6,954,316 for the same period in 2025, an increase of $1,063,408, or 15.3%. The increase was due primarily to the increase of $53,138,473, or 10.9%, in average net loans. The weighted average rate earned on net loans, on a fully taxable equivalent basis, for the three-month period ended March 31, 2026 was 6.03%, compared to 5.80% for the same period in 2025, an increase of 23 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 March 31, 2026 was $480,494 compared to $1,021,727 for the same period in 2025, a decrease of $541,233, or 53.0%. The decrease resulted from a decline in both the average balances held and the yield earned on those balances. The decline in the average balances resulted from the deployment of excess cash into higher yielding loans. The average balance of these instruments for the three-month period ended March 31, 2026 was $55,920,743, compared to $99,820,576 for the same period in 2025, a decrease of $43,899,833, or 44.0%. The weighted average rate earned on these holdings, on a fully taxable equivalent basis, for the three-month period ended March 31, 2026 was 3.48%, compared to 4.15% for the same period in 2025, a decrease of 67 basis points.

Interest income, on a fully taxable equivalent basis, on investment securities for the three-month period ended March 31, 2026 was $877,017, compared to $630,392 for the same period in 2025, an increase of $246,625, or 39.1%. The average balance of investment securities for the three-month period ended March 31, 2026 was $107,191,959 compared to $99,842,496 for the same period in 2025, an increase of $7,349,463, or 7.4%. The weighted average rate earned on investment securities, on a fully taxable equivalent basis, for the three-month period ended March 31, 2026 was 3.32%, compared to 2.56% for the same period in 2025, an increase of 76 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 March 31, 2026, the Bank recorded dividends received or accrued on stock issued by the FHLBA in the amount of $8,467 on a fully taxable equivalent basis, compared to $10,384 for the same period in 2025, a decrease of $1,917, or 18.5%. The average balance of FHLBA capital stock for the three-month period ended March 31, 2026 was $500,987, compared to

$472,700 for the same period in 2025, an increase of $28,287, or 6.0%. The weighted average rate earned on FHLBA capital stock, on a fully taxable equivalent basis, for the three-month period ended March 31, 2026 was 6.85%, compared to 8.91% for the same period in 2025, a decrease of 206 basis points.

Interest expense on interest-bearing deposit liabilities for the three-month period ended March 31, 2026 was $2,621,913, compared to $2,788,637 for the same period in 2025, a decrease of $166,724, or 6.0%. The average balance of interest-bearing deposit liabilities for the three-month period ended March 31, 2026 was $502,235,954, compared to $497,327,621 for the same period in 2025, an increase of $4,908,333, or 1.0%. The weighted-average rate paid on these deposit liabilities for the three-month period ended March 31, 2026, was 2.12%, compared to 2.27% for the same period in 2025, a decrease of 15 basis points.

Net interest income, on a fully taxable equivalent basis, for the three-month period ended March 31, 2026 was $6,761,789, compared to $5,828,182 for the same period in 2025, an increase of $933,607, or 16.0%. 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 March 31, 2026 was 3.90%, compared to 3.44% for the same period in 2025, an increase of 46 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 March 31, 2026 was 3.29%, compared to 2.82% for the same period in 2025, an increase of 47 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 for the three-month period ended March 31, 2026, of $276,387, compared to a provision for credit losses on loans of $57,438 recorded for the same period of 2025. The increase in provision for credit losses on loans in 2026 resulted from strong loan growth during the period.

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 March 31, 2026, of $44,904, compared to a provision for credit losses on off-balance sheet items expense of $132,028 for the same period of 2025. The difference in the amount of the provision for credit losses on off-balance sheet items between the 2026 and 2025 periods resulted from an overall decrease 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 March 31, 2026 was $535,082, compared to $513,044 for the same period in 2025, an increase of $22,038, or 4.3%. The increase was due to increases of $17,053 in service charges on deposit accounts, $7,431 in debit card income, and $9,907 in earnings on bank owned life insurance, partially offset by a decrease of $12,352 in other fees and commissions for the three-month period ended March 31, 2026, when compared to the same period in 2025.

Noninterest Expenses

Noninterest expenses for the three-month period ended March 31, 2026, were $4,506,399, compared to $4,083,927 for the same period in 2025, an increase of $422,472, or 10.3%. The increase was due primarily to increases of $160,624 in salaries and benefits expense, $51,152 in furniture and equipment expense, $48,957 in occupancy expenses, $17,582 in data processing expense, $40,678 in professional fees, $37,688 in Director and Committee fees, $14,945 in advertising expenses and $85,273 in other operating expenses, partially offset by a decrease of $34,427 in FDIC and state assessments when comparing the three-month period ended March 31, 2026, to the same period in 2025. The overall growth in noninterest expenses was attributable to ongoing investment in the growth capacity of the Bank.

Income Tax Expense

Income tax expense for the three-month period ended March 31, 2026, was $586,600, compared to $426,235 for the same period of 2025, an increase of $160,365, or 37.6%. The increase was the result of the 22.71% increase in income before taxes coupled with an increase in the effective tax rate to 24.49%, compared to 21.84% for the same period in 2025. The Bank's effective income tax rate increased for the three-month period ended March 31, 2026 due to the decrease 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 $732,308,505 at March 31, 2026, compared to $728,359,846 at December 31, 2025, an increase of 0.5%.

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 $49,474,135 at March 31, 2026, compared to $56,821,050 at December 31, 2025, a decrease of $7,346,915, or 12.9%. The decrease in these cash balances was a result of loan growth exceeding deposit growth resulting in the use of cash to fund the loan growth, partially offset by new loan originations in excess of principal payments on loans and increases in investment securities.

Investment Securities

Investment securities decreased by $4,944,791, or 4.5%, to $104,386,803 at March 31, 2026 from $109,331,594 at December 31, 2025. The Bank had classified 6.9% and 6.8% of the investment portfolio as available for sale as of March 31, 2026 and December 31, 2025, respectively. 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 are securities that the Bank has both the positive intent and the ability to hold to maturity, are reported at amortized cost. The Bank manages the investment portfolio within policies that seek to achieve desired levels of liquidity, manage interest rate sensitivity, meet earning objectives, and provide required collateral for deposit and borrowing activities.

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

	March 31, 2026	December 31, 2025
Available for Sale		
Agency RMBS	$ 2,746,806	$ 2,859,189
Agency CMO securities	2,446,380	2,609,893
Corporate Bonds	1,987,380	1,978,450
	$ 7,180,566	$ 7,447,532
Held to maturity		
U.S. Treasury securities	$ 17,497,093	$ 18,501,758
U.S. government agency securities	13,920,223	14,919,168
Agency RMBS	41,169,560	42,922,191
Agency CMBS	7,871,496	8,113,808
Agency CMO securities	6,320,822	6,513,323
SBA asset-backed securities	6,902,925	7,386,401
State and municipal securities	3,524,118	3,527,413
	$ 97,206,237	$ 101,884,062

The following table sets forth the stated maturities and weighted average yields of the investment securities portfolio as of March 31, 2026.

	Available for Sale			Held to Maturity		
	Amortized Cost	Fair Value	Yield	Amortized Cost	Fair Value	Yield
Maturing in one year or less	$ -	$ -	-	$ 10,319,210	$ 10,246,159	2.02%
Maturing over one to five years	-	-	-	15,661,975	15,165,424	2.93%
Maturing over five to ten years	2,000,000	1,987,380	7.19%	4,496,708	4,043,325	2.11%
Maturing over ten years	-	-	-	4,463,540	4,076,072	3.73%
	2,000,000	1,987,380	7.19%	34,941,433	33,530,980	2.66%
Mortgage-backed, CMO and asset-backed securities	5,245,688	5,193,186	4.32%	62,264,804	59,012,270	3.26%
	$ 7,245,688	$ 7,180,566	5.11%	$ 97,206,237	$ 92,543,250	3.04%

As indicated by the table, $10,319,210, or 9.9%, of the investment securities held at March 31, 2026 had a stated maturity of one year or less, compared to $12,326,025, or 11.3%, of the investment securities held at December 31, 2025.

Loans

Loans, net of the allowance for credit losses on loans, were $552,974,214 at March 31, 2026, compared to $536,341,272 at December 31, 2025, an increase of $16,632,942, or 3.1%. The average net loan portfolio represented 76.7% of average earning assets for the three-month period ended March 31, 2026, compared to 70.8% for the same period in 2025.

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

	March 31, 2026		December 31, 2025	
	Amount	% of Total	Amount	% of Total
Real estate				
Construction, development and other land	$ 26,510,908	4.73%	$ 20,556,789	3.78%
Secured by farmland	8,247,421	1.47%	8,968,365	1.65%
Commercial	293,638,001	52.41%	284,622,647	52.37%
Residential	155,415,006	27.74%	153,323,338	28.21%
Commercial and industrial	51,525,585	9.20%	50,629,493	9.32%
Other consumer	24,958,928	4.45%	25,311,395	4.66%
Overdrafts	21,167	0.00%	42,166	0.01%
Gross loans	560,317,016	100.00%	543,454,193	100.00%
Net deferred (fees) costs	(416,603)		(448,803)	
Allowance for credit losses on loans	(6,926,199)		(6,664,118)	
Net loans	$ 552,974,214		$ 536,341,272	
Allowance for credit losses on loans to gross loans	1.24%		1.23%	

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 March 31, 2026 and 2025.

Three Months Ended: March 31, 2026	Unallocated	Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
Allowance for credit losses on loans:							
Beginning balance	$ -	$ 415,787	$ 3,113,753	$ 1,764,890	$ 664,677	$ 705,011	$ 6,664,118
Charge-offs	-	-	-	-	-	(18,050)	(18,050)
Recoveries	-	-	-	1,800	-	1,944	3,744
Provision for (recovery of) credit losses on loans	539	114,967	132,693	31,929	(8,643)	4,902	276,387
Ending balance	$ 539	$ 530,754	$ 3,246,446	$ 1,798,619	$ 656,034	$ 693,807	$ 6,926,199
March 31, 2025							
Allowance for credit losses on loans:							
Beginning balance	$ 754	$ 368,666	$ 2,146,748	$ 1,627,618	$ 1,038,648	$ 529,536	$ 5,711,970
Charge-offs	-	-	-	-	-	(6,483)	(6,483)
Recoveries	-	-	-	1,200	-	2,722	3,922
Provision for (recovery of) credit losses on loans	(754)	(55,679)	21,281	(2,735)	98,866	(3,541)	57,438
Ending balance	$ -	$ 312,987	$ 2,168,029	$ 1,626,083	$ 1,137,514	$ 522,234	$ 5,766,847

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

March 31, 2026	Periodic Net (Charge-Offs) Recoveries	Average Total Loans	Net (Charge-Offs) Recoveries. to Average Total Loans
Construction, development & other land	$ -	$ 21,381,902	0.00%
Commercial real estate & farmland	-	295,319,487	0.00%
Residential real estate	1,800	153,241,606	0.00%
Commercial & industrial	-	51,303,373	0.00%
Other consumer & overdrafts	(16,106)	25,019,951	-0.06%
Totals	$ (14,306)	$ 546,266,319	0.00%

March 31, 2025	Periodic Net (Charge-Offs) Recoveries	Average Total Loans	Net (Charge-Offs) Recoveries. to Average Total Loans
Construction, development & other land	$ -	$ 15,656,557	0.00%
Commercial real estate & farmland	-	259,130,879	0.00%
Residential real estate	1,200	137,578,393	0.00%
Commercial & industrial	-	51,426,723	0.00%
Other consumer & overdrafts	(3,761)	28,350,259	-0.01%
Totals	$ (2,561)	$ 492,142,811	0.00%

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 March 31, 2026 and December 31, 2025.

March 31, 2026	Unallocated	Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
Allowance balance allocated to loans:							
Individually evaluated	$ -	$ -	$ -	$ -	$ 30,565	$ -	$ 30,565
Collectively evaluated	539	530,754	3,246,446	1,798,619	625,469	693,807	6,895,634
	$ 539	$ 530,754	$ 3,246,446	$ 1,798,619	$ 656,034	$ 693,807	$ 6,926,199
Loan balances:							
Individually evaluated		$ -	$ 7,142,511	$ 51,999	$ 157,485	$ -	$ 7,351,995
Collectively evaluated		26,510,908	294,742,911	155,363,007	51,368,100	24,980,095	552,965,021
		$ 26,510,908	$ 301,885,422	$ 155,415,006	$ 51,525,585	$ 24,980,095	$ 560,317,016
December 31, 2025							
Allowance balance allocated to loans:							
Individually evaluated	$ -	$ -	$ -	$ -	$ 39,635	$ -	$ 39,635
Collectively evaluated	-	415,787	3,113,753	1,764,890	625,042	705,011	6,624,483
	$ -	$ 415,787	$ 3,113,753	$ 1,764,890	$ 664,677	$ 705,011	$ 6,664,118
Loan balances:							
Individually evaluated		$ -	$ 7,501,141	$ 54,770	$ 175,310	$ -	$ 7,731,221
Collectively evaluated		20,556,789	286,089,871	153,268,568	50,454,183	25,353,561	535,722,972
		$ 20,556,789	$ 293,591,012	$ 153,323,338	$ 50,629,493	$ 25,353,561	$ 543,454,193

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 $6,926,199 at March 31, 2026, compared to $6,664,118 at December 31, 2025, an increase of $262,081, or 3.9%. The increase resulted from an increase in loan balances of $16,862,823, or 3.1%, and a shift in the mix of loans. The allowance for credit losses is determined using expected loss rates derived from losses experienced by the Bank's peer group and 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 March 31, 2026, was 1.24%, compared to 1.23% at December 31, 2025. 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 March 31, 2026; 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.

March 31, 2026	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
Construction, development & other land	$ -	$ -	$ -	$ -	$ 26,510,908	$ 26,510,908	$ -
Commercial real estate & farmland	2,130	-	64,416	66,546	301,818,876	301,885,422	-
Residential real estate	18,667	-	51,999	70,666	155,344,340	155,415,006	-
Commercial & industrial	215,914	-	32,497	248,411	51,277,174	51,525,585	-
Other consumer & overdrafts	65,492	866	1,032	67,390	24,912,705	24,980,095	1,032
Total	$ 302,203	$ 866	$ 149,944	$ 453,013	$ 559,864,003	$ 560,317,016	$ 1,032
December 31, 2025							
Construction, development & other land	$ -	$ -	$ -	$ -	$ 20,556,789	$ 20,556,789	$ -
Commercial real estate & farmland	66,716	-	504,942	571,658	293,019,354	293,591,012	504,942
Residential real estate	2,771	-	51,999	54,770	153,268,568	153,323,338	-
Commercial & industrial	-	-	34,397	34,397	50,595,096	50,629,493	-
Other consumer & overdrafts	56,543	55,456	-	111,999	25,241,562	25,353,561	-
Total	$ 126,030	$ 55,456	$ 591,338	$ 772,824	$ 542,681,369	$ 543,454,193	$ 504,942

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

Non-performing Assets	March 31, 2026	December 31, 2025
Non-performing loans by class		
Commercial real estate and farmland	$ 5,323,625	$ 5,440,794
Residential real estate	51,999	54,770
Commercial & industrial	79,763	93,663
Other consumer	-	-
Total non-performing loans	5,455,387	5,589,227
Foreclosed real estate	-	-
Repossessed assets	-	-
Total non-performing assets	$ 5,455,387	$ 5,589,227

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 $687,368 at March 31, 2026, compared to $642,464 at December 31, 2025, an increase of $44,904, or 7.0%.

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 $654,198,554 at March 31, 2026, compared to $652,345,444 at December 31, 2025, an increase of $1,853,110, or 0.3%. Noninterest-bearing deposit liabilities were $153,121,344 at March 31, 2026, compared to $149,043,176 at December 31, 2025, an increase of $4,078,168, or 2.7%. Interest-bearing deposit liabilities were $501,077,210 at March 31, 2026, compared to $503,302,268 at December 31, 2025, a decrease of $2,225,058, or 0.4%. The Bank utilizes deposits primarily to fund its earning assets. During the three-month period ended March 31, 2026, average deposit liabilities provided funding for approximately 92.6% of average earning assets, compared to 93.4% for the comparable period of 2025. The remaining funding was provided by stockholders' equity for each of the three-month periods ended March 31, 2026 and March 31, 2025.

Certificates of deposit greater than the FDIC deposit insurance limit of $250,000 were $66,022,286 at March 31, 2026, compared to $62,877,402 at December 31, 2025.

Capital

Total stockholders' equity was $72,690,228 at March 31, 2026, compared to $71,201,808 at December 31, 2025, an increase of $1,488,420, or 2.1%. The increase was due to earnings in the amount of $1,808,737 and stock transactions netting $93,349, partially offset by dividends declared and paid of $376,889 and after tax unrealized losses on available for sale investment securities of $36,777.

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 March 31, 2026. 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 March 31, 2026, the Bank's risk-based capital ratio was 14.59%.

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 March 31, 2026, the Bank's CET1 ratio was 13.34%.

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 March 31, 2026, the Bank's Tier 1 capital ratio was 13.34%.

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 March 31, 2026, was 9.97%.

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. As of March 31, 2026, 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 March 31, 2026 or December 31, 2025.

Based on the value of available collateral as of March 31, 2026, the Bank could borrow $89,138,780 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 March 31, 2026, the Bank could borrow $12,016,461 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 March 31, 2026. Based on total assets as of March 31, 2026, the Bank could borrow $73,230,850 from the Intrafi network. As of March 31, 2026, the Bank had $707,712 borrowed against the Intrafi facility.

As of March 31, 2026, the Bank had estimated uninsured deposits of approximately $177.0 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 March 31, 2026 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 March 31, 2026, 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, 2025. 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 2026, a net total of 1,829 shares of common stock were sold pursuant to the DRIP at $41.00 per share, a total of 182 shares of common stock were issued pursuant to a cashless exercise of options to purchase 891 shares of common stock at an exercise price of $33.18 per share, and a total of 472 shares of common stock were sold pursuant to the 2020 ESPP at a weighted-average price of $38.90 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 March 31, 2026, 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:

Exhibit No.	Description
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: May 7, 2026

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

Date: May 7, 2026

/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:	March 31, 2026 (Unaudited)	December 31, 2025 *
ASSETS		
Cash and due from banks	$ 3,381,726	$ 3,949,375
Federal Reserve Bank deposit	49,419,859	56,764,955
Federal funds sold and Federal Home Loan Bank deposit	54,276	56,095
Cash and cash equivalents	52,855,861	60,770,425
Investment securities available for sale, at fair value	7,180,566	7,447,532
Investment securities held to maturity, at amortized cost (fair value of $92,543,250 in 2026 and $97,642,148 in 2025)	97,206,237	101,884,062
Federal Home Loan Bank stock, at cost	510,000	499,600
Total loans, net of deferred fees and costs	559,900,413	543,005,390
Less: Allowance for credit losses on loans	(6,926,199)	(6,664,118)
Net loans	552,974,214	536,341,272
Bank premises and equipment, net	7,941,917	8,041,965
Accrued interest receivable	2,038,611	1,976,839
Bank owned life insurance	6,880,083	6,835,256
Other assets	4,721,016	4,562,895
Total assets	$ 732,308,505	$ 728,359,846
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$ 153,121,344	$ 149,043,176
Interest-bearing	501,077,210	503,302,268
Total deposits	654,198,554	652,345,444
Accrued interest payable	801,347	746,560
Allowance for credit losses on off-balance sheet items	687,368	642,464
SERP liability	1,035,796	1,050,520
Other liabilities	2,895,212	2,373,050
Total liabilities	659,618,277	657,158,038
Stockholders' equity		
Common stock, par value $10 per share; authorized 5,000,000 shares; issued and outstanding 1,510,044 shares in 2026, and 1,507,561 shares in 2025	15,100,440	15,075,610
Surplus	18,657,545	18,589,026
Undivided profits	38,979,445	37,547,597
Accumulated Other Comprehensive Income (Loss)	(47,202)	(10,425)
Total stockholders' equity	72,690,228	71,201,808
Total liabilities and stockholders' equity	$ 732,308,505	$ 728,359,846

* Derived from audited consolidated financial statements.

HARFORD BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months ended March 31,	
	2026	2025
Interest revenue		
Loans, including fees	$ 7,995,411	$ 6,928,666
Investment securities	857,355	607,529
Federal Home Loan Bank deposit	522	534
Federal Reserve Bank deposit	448,655	954,602
Other	7,915	9,707
Total interest revenue	9,309,858	8,501,038
Interest expense		
Deposits	2,621,913	2,788,637
Total interest expense	2,621,913	2,788,637
Net interest income	6,687,945	5,712,401
Credit loss expense		
Provision for credit losses on loans	276,387	57,438
Provision for credit losses on off-balance sheet items	44,904	132,028
Total provision for credit loss expense	321,291	189,466
Net interest income after total provision for credit loss expense	6,366,654	5,522,935
Noninterest revenue		
Service charges on deposit accounts	220,801	203,748
Debit card income	146,176	138,745
Earnings on bank owned life insurance	44,827	34,920
Other fees and commissions	123,278	135,631
Total noninterest revenue	535,082	513,044
Noninterest expense		
Salaries and benefits	2,636,324	2,475,700
Occupancy	374,415	325,458
Furniture and equipment	254,740	203,588
Data processing expense	283,788	266,206
Professional fees	243,179	202,501
Director and committee fees	119,267	81,579
FDIC and state assessments	124,388	158,815
Advertising	68,410	53,465
Other operating	401,888	316,615
Total noninterest expense	4,506,399	4,083,927
Income before income taxes	2,395,337	1,952,052
Income taxes	586,600	426,235
Net income	$ 1,808,737	$ 1,525,817
Basic net income per common share	$ 1.20	$ 1.02
Diluted net income per common share	$ 1.19	$ 1.01

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 March 31, 2026	2025
Net Income	$ 1,808,737	$ 1,525,817
Other comprehensive income, net of income taxes:		
Total unrealized gain (loss) on investment securities available for sale	(50,740)	-
Income tax benefit (expense)	13,963	-
Total other comprehensive income	(36,777)	-
Total Comprehensive Income	$ 1,771,960	$ 1,525,817

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

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

	Common stock				Accumulated Other	Total
	Shares	Par value	Surplus	Undivided profits	Comprehensive Loss	Stockholders' Equity
Three Months Ended:						
March 31, 2026						
Balance at beginning of period	1,507,561	$ 15,075,610	$ 18,589,026	$ 37,547,597	$ (10,425)	$ 71,201,808
Net income	-	-	-	1,808,737	-	1,808,737
Other Comprehensive Income	-	-	-	-	(36,777)	(36,777)
Cash dividends, $0.25 per share	-	-	-	(376,889)	-	(376,889)
Common stock issued:						
Shares issued under stock-based compensation plans and related tax effects	654	6,540	11,821	-	-	18,361
Stock sold and dividend reinvestment plan (DRIP)	1,829	18,290	56,698	-	-	74,988
Balance at end of period	1,510,044	$ 15,100,440	$ 18,657,545	$ 38,979,445	$ (47,202)	$ 72,690,228
March 31, 2025						
Balance at beginning of period	1,493,407	$ 14,934,070	$ 18,179,416	$ 31,918,390	$ -	$ 65,031,876
Net income	-	-	-	1,525,817	-	1,525,817
Cash dividends, $0.23 per share	-	-	-	(358,419)	-	(358,419)
Common stock issued:						
Shares issued under stock-based compensation plans and related tax effects	1,657	16,570	27,399	-	-	43,969
Stock sold and dividend reinvestment plan (DRIP)	2,264	22,640	54,065	-	-	76,705
Balance at end of period	1,497,328	$ 14,973,280	$ 18,260,880	$ 33,085,788	$ -	$ 66,319,948

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

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

For the Three Months ended March 31,	2026	2025
Cash flows provided by operating activities		
Interest received	$ 9,150,770	$ 8,317,893
Fees and commissions received	586,809	580,388
Interest paid	(2,567,126)	(2,816,109)
Cash paid to suppliers and employees	(4,668,078)	(4,267,367)
Net cash provided by operating activities	2,502,375	1,814,805
Cash flows (used in) provided by investing activities		
Proceeds from calls and maturities of investment securities	4,907,440	10,782,856
Purchases of securities		
Held to maturity	-	(5,483,386)
Purchase of FHLB stock	(10,400)	(33,500)
Loans originated, net of principal repayments	(16,877,129)	9,683,875
Purchases of bank premises and equipment	(6,420)	(58,939)
Net cash (used in) provided by investing activities	(11,986,509)	14,890,906
Cash flows provided by financing activities		
Net increase in time deposits	5,683,558	6,331,414
Net decrease in other deposits	(3,830,448)	(707,621)
Dividends paid	(376,889)	(358,419)
Dividends reinvested	74,988	76,705
Shares issued under stock-based compensation plans and related tax effects	18,361	43,969
Net cash provided by financing activities	1,569,570	5,386,048
Net (decrease) increase in cash and cash equivalents	(7,914,564)	22,091,759
Cash and cash equivalents at beginning of period	60,770,425	97,555,976
Cash and cash equivalents at end of period	$ 52,855,861	$ 119,647,735
Supplemental disclosure of non-cash transactions:		
Net unrealized gain (loss) on securities available for sale	$ (50,740)	$ -

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 Three Months ended March 31,	2026	2025
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 1,808,737	$ 1,525,817
Adjustments to reconcile net income to net cash provided by operating activities		
Net amortization and accretion on loan fees and costs	(50,649)	(13,969)
Net increase (decrease) in deferred loan fees and costs	18,449	31,855
Net amortization and accretion on investment securities	(13,390)	31,440
Depreciation and amortization on bank premises and equipment and software	107,947	96,510
Earnings on bank owned life insurance	(44,827)	(34,920)
Provision for credit losses on loans	276,387	57,438
Provision for credit losses on off-balance sheet items	44,904	132,028
Decrease (increase) in		
Accrued interest receivable	(61,772)	(165,127)
Income taxes refundable	-	41,231
Other assets	(145,636)	17,997
Increase (decrease) in		
Accrued interest payable	54,787	(27,472)
SERP liability	(14,724)	(5,292)
Other liabilities	522,162	127,269
	$ 2,502,375	$ 1,814,805

Harford Bank and Subsidiary
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of operations

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

Basis of presentation

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

Principles of consolidation

The consolidated financial statements include the accounts of Harford Bank and its subsidiary, HB Trust, a Maryland statutory trust that the Bank uses to hold and dispose of other real estate owned. Intercompany accounts and entries have been eliminated in the consolidated financial statements.

Use of estimates

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

Reclassifications

Certain reclassifications have been made to the 2025 consolidated financial statement presentation to conform to the current year's format. Total stockholders' equity and net income were not affected by these reclassifications.

Cash and cash equivalents

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

Investment securities

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

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

Allowance for Credit Losses – Held to Maturity Securities

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

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

1. Summary of Significant Accounting Policies - continued

Allowance for Credit Losses – Available for Sale Securities

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

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

Restricted equity securities

As a member of the Federal Home Loan Bank of Atlanta ("FHLBA"), the Bank is required to hold FHLBA stock as a condition of membership as well as in relation to the Bank's use of products and services. FHLBA stock is not publicly-traded and is sold and redeemed by the FHLBA at par. The Bank views its investment in FHLBA stock as a long-term investment and as a restricted equity security, which is carried at cost and periodically evaluated for impairment based on the ultimate recoverability of the par value. The Bank does not consider this investment to be impaired as of March 31, 2026, 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, or 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.

1. Summary of Significant Accounting Policies - continued

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

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

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

Allowance for credit losses on off-balance sheet items

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

Bank premises and equipment

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

Income taxes

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

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

Advertising costs

Advertising costs are expensed as incurred.

Net income per common share

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

1. Summary of Significant Accounting Policies - continued

Stock-based compensation

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

Segment reporting

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

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

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

2. Cash and Cash Equivalents

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

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

3. Investment Securities

Investments in debt securities are summarized as follows:

March 31, 2026	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for Sale				
Agency RMBS	$ 2,776,528	$ -	$ 29,722	$ 2,746,806
Agency CMO securities	2,469,160	-	22,780	2,446,380
Corporate Bonds	2,000,000	-	12,620	1,987,380
	$ 7,245,688	$ -	$ 65,122	$ 7,180,566
Held to maturity				
U.S. Treasury securities	$ 17,497,093	$ 24,745	$ 114,591	$ 17,407,247
U.S. government agency securities	13,920,223	-	879,418	13,040,805
Agency RMBS	41,169,560	22,995	2,512,964	38,679,591
Agency CMBS	7,871,496	16,096	44,097	7,843,495
Agency CMO securities	6,320,822	251	181,059	6,140,014
SBA asset-backed securities	6,902,925	2,399	556,154	6,349,170
State and municipal securities	3,524,118	-	441,190	3,082,928
	$ 97,206,237	$ 66,486	$ 4,729,473	$ 92,543,250
December 31, 2025				
Available for Sale				
Agency RMBS	$ 2,854,105	$ 5,084	$ -	$ 2,859,189
Agency CMO securities	2,607,809	7,095	5,011	2,609,893
Corporate Bonds	2,000,000	-	21,550	1,978,450
	$ 7,461,914	$ 12,179	$ 26,561	$ 7,447,532
Held to maturity				
U.S. Treasury securities	$ 18,501,758	$ 53,051	$ 101,639	$ 18,453,170
U.S. government agency securities	14,919,168	-	839,063	14,080,105
Agency RMBS	42,922,191	157,180	2,421,794	40,657,577
Agency CMBS	8,113,808	41,781	31,500	8,124,089
Agency CMO securities	6,513,323	34,923	153,007	6,395,239
SBA asset-backed securities	7,386,401	4,546	561,070	6,829,877
State and municipal securities	3,527,413	-	425,322	3,102,091
	$ 101,884,062	$ 291,481	$ 4,533,395	$ 97,642,148

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.

3. Investment Securities – continued

	Available for Sale		Held to Maturity	
March 31, 2026	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing in one year or less	$ -	$ -	$ 10,319,210	$ 10,246,159
Maturing over one to five years	-	-	15,661,975	15,165,424
Maturing over five to ten years	2,000,000	1,987,380	4,496,708	4,043,325
Maturing over ten years	-	-	4,463,540	4,076,072
	2,000,000	1,987,380	34,941,433	33,530,980
Mortgage-backed, CMO and asset-backed securities	5,245,688	5,193,186	62,264,804	59,012,270
	$ 7,245,688	$ 7,180,566	$ 97,206,237	$ 92,543,250

Securities with an amortized cost of $79.0 million and $81.8 million as of March 31, 2026 and December 31, 2025, respectively, were pledged as collateral for deposits.

During the three-month period ended March 31, 2026, there were no sales of available for sale or held to maturity securities.

The following table displays the amortized cost of held to maturity state and municipal securities by credit rating provided by Moody's at March 31, 2026 and December 31, 2025.

March 31, 2026	AAA	AA2	AA3	Below AA3	Total
State and muncipal securities	$ 1,435,673	$ 743,445	$ 1,345,000	$ -	$ 3,524,118

December 31, 2025	AAA	AA2	AA3	Below AA3	Total
State and muncipal securities	$ 1,438,495	$ 743,918	$ 1,345,000	$ -	$ 3,527,413

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 March 31, 2026 and December 31, 2025.

	Less than 12 Months		12 Months or Longer		Total	
March 31, 2026	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$ 5,938,185	$ 52,793	$ 4,953,153	$ 61,798	$ 10,891,338	$ 114,591
U.S. government agency securities	-	-	13,040,805	879,418	13,040,805	879,418
Agency RMBS	18,840,682	91,488	19,999,597	2,451,198	38,840,279	2,542,686
Agency CMBS	1,725,531	3,942	3,122,774	40,155	4,848,305	44,097
Agency CMO securities	6,942,932	46,162	743,516	157,677	7,686,448	203,839
SBA asset-backed securities	140,675	1,257	5,880,498	554,897	6,021,173	556,154
State and municipal securities	304,356	644	2,778,571	440,546	3,082,927	441,190
Corporate Bonds	1,987,380	12,620	-	-	1,987,380	12,620
	$ 35,879,741	$ 208,906	$ 50,518,914	$ 4,585,689	$ 86,398,655	$ 4,794,595
December 31, 2025						
U.S. Treasury securities	$ 1,492,440	$ 3,606	$ 7,419,935	$ 98,033	$ 8,912,375	$ 101,639
U.S. government agency securities	-	-	14,080,105	839,063	14,080,105	839,063
Agency RMBS	-	-	21,892,341	2,421,794	21,892,341	2,421,794
Agency CMBS	-	-	3,138,057	31,500	3,138,057	31,500
Agency CMO securities	1,740,467	6,396	764,455	151,622	2,504,922	158,018
SBA asset-backed securities	-	-	6,261,422	561,070	6,261,422	561,070
State and municipal securities	-	-	3,102,090	425,322	3,102,090	425,322
Corporate Bonds	978,450	21,550	-	-	978,450	21,550
	$ 4,211,357	$ 31,552	$ 56,658,405	$ 4,528,404	$ 60,869,762	$ 4,559,956

As of March 31, 2026, 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 March 31, 2026 were due to increases in market interest rates over the yields available at the time the underlying securities were purchased as well as other market conditions for each particular security based upon the structure and remaining principal balance. Unrealized gains and losses in the available for sale portfolio are accounted for as an adjustment, net of taxes, to other comprehensive loss in stockholders' equity. The fair values of the investment securities are expected to recover as the securities approach their maturity dates or repricing dates or if market yields for such investments decline. Based on these factors, as of March 31, 2026, 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 March 31, 2026. All other held to maturity securities are covered by the explicit or implied guarantee of the

3. Investment Securities – continued

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 March 31, 2026 or December 31, 2025.

The Bank established an available for sale securities portfolio during the month of September 2025. As of March 31, 2026, the available for sale securities classification held securities with an unrealized loss of $65,122. The Bank evaluates available for sale securities in an unrealized loss position for credit related impairment based on a combination of factors, which include: (1) credit quality of the securities; (2) market volatility and increases in market interest rates; (3) timeliness of principal and interest payments by the issuer; and (4) the Bank not intending to sell any of the investments and not meeting the "more likely than not" accounting standard prior to recovering the amortized cost basis of the security(ies). The Bank did not have an allowance for credit losses on available for sale securities as of March 31, 2026.

4. Loans

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

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

At:	March 31, 2026	December 31, 2025
Real estate		
Construction, development & other land	$ 26,510,908	$ 20,556,789
Secured by farmland	8,247,421	8,968,365
Commercial	293,638,001	284,622,647
Residential	155,415,006	153,323,338
Commercial & industrial	51,525,585	50,629,493
Other consumer	24,946,608	25,311,395
Overdrafts	33,487	42,166
Gross loans	560,317,016	543,454,193
Net deferred (fees) costs	(416,603)	(448,803)
Allowance for credit losses on loans	(6,926,199)	(6,664,118)
Net loans	$ 552,974,214	$ 536,341,272
Principal balance of pledged loans	$ 171,893,162	$ 172,578,945

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

4. Loans - continued

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.

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:	March 31, 2026	December 31, 2025
Maturing		
In one year or less	$ 56,340,765	$ 56,103,116
After one year to five years	49,045,250	43,958,313
After five years to fifteen years	120,876,779	125,032,598
After fifteen years	334,054,222	318,360,166
Gross loans	$ 560,317,016	$ 543,454,193
Variable rate loans included above	$ 384,377,302	$ 368,917,512

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

March 31, 2026	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
Construction, development & other land	$ -	$ -	$ -	$ -	$ 26,510,908	$ 26,510,908	$ -
Commercial real estate & farmland	2,130	-	64,416	$ 66,546	301,818,876	301,885,422	-
Residential real estate	18,667	-	51,999	$ 70,666	155,344,340	155,415,006	-
Commercial & industrial	215,914	-	32,497	$ 248,411	51,277,174	51,525,585	-
Other consumer & overdrafts	65,492	866	1,032	$ 67,390	24,912,705	24,980,095	1,032
Total	$ 302,203	$ 866	$ 149,944	$ 453,013	$ 559,864,003	$ 560,317,016	$ 1,032
December 31, 2025							
Construction, development & other land	$ -	$ -	$ -	$ -	$ 20,556,789	$ 20,556,789	$ -
Commercial real estate & farmland	66,716	-	504,942	571,658	293,019,354	293,591,012	504,942
Residential real estate	2,771	-	51,999	54,770	153,268,568	153,323,338	-
Commercial & industrial	-	-	34,397	34,397	50,595,096	50,629,493	-
Other consumer & overdrafts	56,543	55,456	-	111,999	25,241,562	25,353,561	-
Total	$ 126,030	$ 55,456	$ 591,338	$ 772,824	$ 542,681,369	$ 543,454,193	$ 504,942

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

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:

4. Loans - continued

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 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.

4. Loans - continued

The following table presents loan grades applied at March 31, 2026 to the various loan classes by year of origination.

	Term Loans by Origination Year						Revolving	
	2026	2025	2024	2023	2022	Prior	Loans	Total
Construction, development & other land:								
Loan grades:								
Pass	$ 2,633,000	$ 9,835,394	$ 2,509,691	$ 33,005	$ 1,747,082	$ 1,452,101	$ 3,641,456	$ 21,851,729
Pass watch	-	240,570	535,945	-	377,001	-	2,101,663	3,255,179
Special mention	-	-	-	1,404,000	-	-	-	1,404,000
Substandard	-	-	-	-	-	-	-	-
	$ 2,633,000	$ 10,075,964	$ 3,045,636	$ 1,437,005	$ 2,124,083	$ 1,452,101	$ 5,743,119	$ 26,510,908
Commercial real estate & farmland:								
Loan grades:								
Pass	$ 14,933,572	$ 52,499,716	$ 16,398,136	$ 27,843,481	$ 36,249,810	$ 98,145,224	$ 3,420,497	$ 249,490,436
Pass watch	1,232,077	-	573,969	9,099,104	3,293,710	11,856,841	3,402,509	29,458,210
Special mention	136,015	228,446	3,111,144	2,767,183	7,590,828	1,932,718	27,932	15,794,266
Substandard	343,000	-	165,434	-	231,210	5,563,566	839,300	7,142,510
	$ 16,644,664	$ 52,728,162	$ 20,248,683	$ 39,709,768	$ 47,365,558	$ 117,498,349	$ 7,690,238	$ 301,885,422
Residential real estate:								
Loan grades:								
Pass	$ 3,296,294	$ 25,037,220	$ 5,250,422	$ 14,090,717	$ 30,295,876	$ 48,679,693	$ 21,947,138	$ 148,597,360
Pass watch	202,500	1,369,560	604,537	694,354	-	3,137,126	431,576	6,439,653
Special mention	-	-	-	-	-	278,944	-	278,944
Substandard	-	-	47,050	-	-	51,999	-	99,049
	$ 3,498,794	$ 26,406,780	$ 5,902,009	$ 14,785,071	$ 30,295,876	$ 52,147,762	$ 22,378,714	$ 155,415,006
Commercial & industrial:								
Loan grades:								
Pass	$ 2,154,352	$ 6,693,655	$ 8,784,564	$ 6,055,921	$ 2,261,039	$ 2,629,645	$ 15,932,423	$ 44,511,599
Pass watch	-	500,553	38,220	242,751	79,889	4,227	3,755,108	4,620,748
Special mention	-	99,077	-	229,003	35,921	-	1,839,737	2,203,738
Substandard	-	77,723	32,497	-	-	22,794	56,486	189,500
	$ 2,154,352	$ 7,371,008	$ 8,855,281	$ 6,527,675	$ 2,376,849	$ 2,656,666	$ 21,583,754	$ 51,525,585
Other consumer & overdrafts:								
Loan grades:								
Pass	$ 238,248	$ 884,435	$ 1,595,953	$ 12,874,219	$ 7,938,753	$ 1,331,076	$ 29,606	$ 24,892,290
Pass watch	87,805	-	-	-	-	-	-	87,805
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
	$ 326,053	$ 884,435	$ 1,595,953	$ 12,874,219	$ 7,938,753	$ 1,331,076	$ 29,606	$ 24,980,095
Total loans:								
Loan grades:								
Pass	$ 23,255,466	$ 94,950,420	$ 34,538,766	$ 60,897,343	$ 78,492,560	$ 152,237,739	$ 44,971,120	$ 489,343,414
Pass watch	1,522,382	2,110,683	1,752,671	10,036,209	3,750,600	14,998,194	9,690,856	43,861,595
Special mention	136,015	327,523	3,111,144	4,400,186	7,626,749	2,211,662	1,867,669	19,680,948
Substandard	343,000	77,723	244,981	-	231,210	5,638,359	895,786	7,431,059
	$ 25,256,863	$ 97,466,349	$ 39,647,562	$ 75,333,738	$ 90,101,119	$ 175,085,954	$ 57,425,431	$ 560,317,016

4. Loans - continued

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

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

4. Loans - continued

The following table presents gross charge-offs allocated by loan class by year of origination for the three-month periods ended March 31, 2026 and 2025. All charge-offs reported in overdrafts for the three-month periods ended March 31, 2026 and 2025 were related to deposit overdrafts.

	Three Months Ended March 31, 2026 by Year of Origination						
	2026	2025	2024	2023	2022	Prior	Total
Construction, development & other land	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	12,856	12,856
Overdrafts	5,194	-	-	-	-	-	5,194
	$ 5,194	$ -	$ -	$ -	$ -	$ 12,856	$ 18,050

	Three Months Ended March 31, 2025 by Year of Origination						
	2025	2024	2023	2022	2021	Prior	Total
Construction, development & other land	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate & farmland	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Commercial & industrial	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	781	781
Overdrafts	5,702	-	-	-	-	-	5,702
	$ 5,702	$ -	$ -	$ -	$ -	$ 781	$ 6,483

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 March 31, 2026 and 2025.

March 31, 2026	Unallocated	Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
Allowance for credit losses on loans:							
Beginning balance	$ -	$ 415,787	$ 3,113,753	$ 1,764,890	$ 664,677	$ 705,011	$ 6,664,118
Charge-offs	-	-	-	-	-	(18,050)	(18,050)
Recoveries	-	-	-	1,800	-	1,944	3,744
Provision for (recovery of) credit losses on loans	539	114,967	132,693	31,929	(8,643)	4,902	276,387
Ending balance	$ 539	$ 530,754	$ 3,246,446	$ 1,798,619	$ 656,034	$ 693,807	$ 6,926,199

March 31, 2025							
Allowance for credit losses on loans:							
Beginning balance	$ 754	$ 368,666	$ 2,146,748	$ 1,627,618	$ 1,038,648	$ 529,536	$ 5,711,970
Charge-offs	-	-	-	-	-	(6,483)	(6,483)
Recoveries	-	-	-	1,200	-	2,722	3,922
Provision for (recovery of) credit losses on loans	(754)	(55,679)	21,281	(2,735)	98,866	(3,541)	57,438
Ending balance	$ -	$ 312,987	$ 2,168,029	$ 1,626,083	$ 1,137,514	$ 522,234	$ 5,766,847

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 March 31, 2026 and December 31, 2025.

March 31, 2026	Unallocated	Construction, Development & Other Land	Commercial Real Estate & Farmland	Residential Real Estate	Commercial & Industrial	Other Consumer & Overdrafts	Total
Allowance balance allocated to loans:							
Individually evaluated	$ -	$ -	$ -	$ -	$ 30,565	$ -	$ 30,565
Collectively evaluated	539	530,754	3,246,446	1,798,619	625,469	693,807	6,895,634
	$ 539	$ 530,754	$ 3,246,446	$ 1,798,619	$ 656,034	$ 693,807	$ 6,926,199
Loan balances:							
Individually evaluated		$ -	$ 7,142,511	$ 51,999	$ 157,485	$ -	$ 7,351,995
Collectively evaluated		26,510,908	294,742,911	155,363,007	51,368,100	24,980,095	552,965,021
		$ 26,510,908	$ 301,885,422	$ 155,415,006	$ 51,525,585	$ 24,980,095	$ 560,317,016
December 31, 2025							
Allowance balance allocated to loans:							
Individually evaluated	$ -	$ -	$ -	$ -	$ 39,635	$ -	$ 39,635
Collectively evaluated	-	415,787	3,113,753	1,764,890	625,042	705,011	6,624,483
	$ -	$ 415,787	$ 3,113,753	$ 1,764,890	$ 664,677	$ 705,011	$ 6,664,118
Loan balances:							
Individually evaluated		$ -	$ 7,501,141	$ 54,770	$ 175,310	$ -	$ 7,731,221
Collectively evaluated		20,556,789	286,089,871	153,268,568	50,454,183	25,353,561	535,722,972
		$ 20,556,789	$ 293,591,012	$ 153,323,338	$ 50,629,493	$ 25,353,561	$ 543,454,193

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.

March 31, 2026	Recorded Investment	Unpaid Principal Balance	Related Allowance
Construction, development & other land	$ -	$ -	$ -
Commercial real estate & farmland	7,142,511	8,482,056	-
Residential real estate	51,999	51,999	-
Commercial & industrial	157,485	170,432	30,565
Other consumer	-	-	-
	$ 7,351,995	$ 8,704,487	$ 30,565
December 31, 2025			
Construction, development & other land	$ -	$ -	$ -
Commercial real estate & farmland	7,501,141	9,197,941	-
Residential real estate	54,770	297,768	-
Commercial & industrial	175,310	186,340	39,635
Other consumer	-	-	-
	$ 7,731,221	$ 9,682,049	$ 39,635

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.

4. Loans - continued

During the three-month period ended March 31, 2026, there were no modifications of loans to borrowers who were experiencing financial difficulty. During the three-month period ended March 31, 2025, there were no modifications of loans to borrowers who were experiencing financial difficulties.

There were no loans that the Bank modified in the 12 months preceding the three-month period ended March 31, 2026 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 March 31, 2025 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 March 31, 2026 and December 31, 2025.

March 31, 2026	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
Commercial real estate & farmland	$ 5,323,625	$ -	$ 5,323,625	$ -	$ 5,323,625	$ -
Residential real estate	51,999	-	$ 51,999	-	51,999	-
Commercial & industrial	-	79,763	$ 79,763	-	79,763	30,565
Other consumer	-	-	$ -	1,032	1,032	-
Total	$ 5,375,624	$ 79,763	$ 5,455,387	$ 1,032	$ 5,456,419	$ 30,565
December 31, 2025						
Commercial real estate & farmland	$ 5,440,794	$ -	$ 5,440,794	$ 504,942	$ 5,945,736	$ -
Residential real estate	54,770	-	54,770	-	54,770	-
Commercial & industrial	-	93,663	93,663	-	93,663	39,635
Other consumer	-	-	-	-	-	-
Total	$ 5,495,564	$ 93,663	$ 5,589,227	$ 504,942	$ 6,094,169	$ 39,635

The following table shows the amount of gross interest income that would have been recorded for the three-month periods ended March 31, 2026 and 2025 had the non-accrual loans been current and performing according to terms.

	March 31, 2026	March 31, 2025
Interest not accrued on non-accrual loans	$ 86,519	$ 108,000

There were no consumer mortgage loans secured by residential real estate that were in the process of foreclosure as of March 31, 2026.

5. Credit Commitments

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

At:	March 31, 2026	December 31, 2025
Commitments to extend credit		
Loan origination commitments	$ 17,717,404	$ 12,660,718
Unused consumer real estate construction	1,336,598	1,752,507
Unused home equity lines of credit	24,162,795	22,770,207
Unused overdraft lines of credit	7,536,695	7,472,127
Unused commercial lines of credit	75,007,127	75,968,977
	$ 125,760,619	$ 120,624,536
Letters of credit	$ 1,557,080	$ 1,699,068

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-month periods ended March 31, 2026 and 2025.

For the three months ended:	March 31, 2026	March 31, 2025
Beginning balance	$ 642,464	$ 517,692
Provision for allowance for credit losses on off-balance sheet items	44,904	132,028
Ending balance	$ 687,368	$ 649,720

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:	March 31, 2026	December 31, 2025
Beginning balance	$ 15,594,463	$ 18,429,429
Advances	1,260,052	266,505
Changes in related party	-	-
Payments	(691,033)	(3,101,471)
Ending balance	$ 16,163,482	$ 15,594,463

6. Related Party Transactions - continued

In addition to the outstanding balances listed above, officers and directors of the Bank had $4,912,720 in unused loans committed but not funded as of March 31, 2026, and $5,781,198 in unused loans committed but not funded as of December 31, 2025.

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 $33,294 during the three months ended March 31, 2026. Amounts paid to these related parties totaled $32,340 during the three months ended March 31, 2025.

The Bank has a wealth management referral relationship with the firm of a director. The Bank recognized $6,653 of income from the referral relationship during the three months ended March 31, 2026. The Bank recognized $2,619 of income from the referral relationship during the three months ended March 31, 2025.

Deposits from the officers and directors of the Bank were $6,091,301 at March 31, 2026. Deposits from the officers and directors of the Bank were $5,641,862 at December 31, 2025.

7. Bank Premises and Equipment

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

	Useful Lives	March 31, 2026	December 31, 2025
Land		$ 2,842,197	$ 2,842,197
Building and improvements	15 - 39 years	8,033,969	8,033,969
Leasehold improvements	5 - 19 years	679,508	679,508
Furniture, fixtures, and equipment	3 - 10 years	2,997,053	2,990,633
		14,552,727	14,546,307
Accumulated depreciation		6,610,810	6,504,342
Net bank premises and equipment		$ 7,941,917	$ 8,041,965

	For the Three Months Ended:	
	March 31, 2026	March 31, 2025
Depreciation expense	$ 106,468	$ 95,943

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

	Useful Life	March 31, 2026	December 31, 2025
Computer software	3 years	$ 76,945	$ 76,945
Accumulated amortization		63,509	62,030
Net computer software		$ 13,436	$ 14,915

	For the Three Months Ended:	
	March 31, 2026	March 31, 2025
Amortization expense	$ 1,479	$ 567

8. Lease Commitments

The Bank leases certain banking facilities under operating leases expiring on various dates through 2034. At March 31, 2026, the Bank had lease liabilities totaling $1,246,231 included in other liabilities and right-of-use lease assets totaling $1,215,117 included in other assets related to these leases. At December 31, 2025, the Bank had lease liabilities totaling $1,216,694 included in other liabilities and right-of-use lease assets totaling $1,216,694 included in other assets related to these leases.

The weighted-average discount rate on operating lease balances outstanding at March 31, 2026 was 4.75%. The weighted-average discount rate on operating lease balances outstanding at December 31, 2025 was 4.71%. The weighted-average remaining lease term of operating leases outstanding at March 31, 2026 was 6.8 years. The weighted-average remaining lease term of operating leases outstanding at December 31, 2025 was 6.9 years.

Rent expense, consisting of lease payments plus common area maintenance and all other charges assessed by the lessor, for the three months ended March 31, 2026 was $132,533. Rent expense, consisting of lease payments plus common area maintenance and all other charges assessed by the lessor, for the three months ended March 31, 2025 was $90,002.

As of March 31, 2026, future minimum lease payments, by year and in the aggregate, of operating leases are as follows:

Year	Amount
Remainder of 2026	$ 241,764
2027	253,119
2028	190,109
2029	146,108
2030	150,492
2031	155,008
Thereafter	379,452
Total undiscounted lease payments	1,516,052
Discount on cash flows	(269,821)
Total lease liability	$ 1,246,231

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 March 31, 2026, the Bank could borrow $89,138,780 from the FHLBA.

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 March 31, 2026, the Bank could borrow $12,016,461 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 March 31, 2026. Based on total assets as of March 31, 2026, the Bank could borrow up to $73,230,850 from the Intrafi network. As of March 31, 2026, the Bank has $707,712 borrowed against the Intrafi facility.

9. Borrowings and Available Lines of Credit - continued

The Bank has a secured credit line and two unsecured credit lines with correspondent banks, which are subject to periodic review. Based on the most recent review performed by the correspondent bank, the amount available under the secured line is $5,000,000 and the amount available under the unsecured lines total $13,000,000 as of March 31, 2026.

The Bank had no borrowings with FHLBA at March 31, 2026 or March 31, 2025.

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 March 31, 2026, the Bank recognized $73,439 of expense associated with the 401(k) Plan. For the three months ended March 31, 2025, the Bank recognized $82,076 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 $1,035,796 related to these benefits at March 31, 2026. The Bank recorded a liability of $1,050,520 related to these benefits at December 31, 2025. SERP expense for the three months ended March 31, 2026 was $14,106. SERP expense for the three months ended March 31, 2025 was $15,054.

11. Interest-Bearing Deposits

Major classifications of interest-bearing deposits at:	March 31, 2026	December 31, 2025
Interest-bearing checking and Money Market	$ 244,694,559	$ 252,344,377
Savings	55,979,057	56,237,855
Certificates of deposit	200,403,594	194,720,036
	$ 501,077,210	$ 503,302,268

Maturities of certificates of deposit at:	March 31, 2026	March 31, 2025
Maturing within twelve months	$ 179,085,914	$ 185,738,396
Maturing after one year to three years	20,025,826	7,357,798
Maturing after three years to five years	1,291,854	1,623,842
	$ 200,403,594	$ 194,720,036
Certificates of deposit in excess of $250,000 included above:	$ 66,022,286	$ 62,877,402

	For the Three Months Ended:	
Interest expense for the period ended:	March 31, 2026	March 31, 2025
Interest-bearing checking and Money Market	$ 801,616	$ 634,714
Savings	30,359	30,307
Certificates of deposit	1,789,938	2,123,616
	$ 2,621,913	$ 2,788,637

12. Income Taxes

The components of income tax expense are as follows:

	For the Three Months Ended:	
Year to date through:	March 31, 2026	March 31, 2025
Current		
Federal	$ 456,347	$ 378,924
State	130,253	47,311
	586,600	426,235

The following table provides a reconciliation of tax expense computed at the statutory federal tax rate and the recorded tax expense (in dollars and percentages) year to date for the three months ended March 31, 2026 and 2025.

	March 31, 2026		March 31, 2025	
Year to date through:	Amount	Percent	Amount	Percent
Tax at Federal Statutory Rate	$ 503,021	21.00 %	$ 409,931	21.00 %
State income taxes, net of federal tax effect	102,900	4.30	37,376	1.91
Nontaxable or nondeductible items				
Nontaxable interest income	(15,121)	(0.63)	(24,567)	(1.26)
Nondeductible expenses and other	(4,200)	(0.18)	3,495	0.18
	$ 586,600	24.49 %	$ 426,235	21.83 %

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 March 31, 2026, no shares remained available for grant under the active director option plan.

A summary of stock option activity for the three months ended March 31, 2026, 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, 2026	57,093	$ 29.05		
Options granted	-	-		
Options exercised	(891)	33.18		
Options forfeited or expired	-	-		
Outstanding at March 31, 2026	56,202	$ 28.99	5.22 years	$ 672,212
Exercisable at March 31, 2026	56,202	$ 28.99		

13. Stock Option and Stock Purchase Plans - continued

The intrinsic value of options exercised during the three months ended March 31, 2026 was $0.00. The intrinsic value of options exercised during the three months ended March 31, 2025, was $9,101.

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 three months ended March 31, 2026, a total of 472 shares were granted under the 2020 ESPP at a weighted-average purchase price of $38.90. At March 31, 2026, a total of 87,802 shares remain available under the 2020 ESPP.

14. Capital Standards

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

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

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

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

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

14. Capital Standards - continued

The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution. As of March 31, 2026, the Bank was "well capitalized" based on the aforementioned ratios.

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

($ in thousands)	Actual		Required to be Well Capitalized		Minimum Capital		Minimum Capital With Capital Conservation Buffer	
March 31, 2026	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$ 79,563	14.59%	$ 54,523	10.00%	$ 43,619	8.00%	$ 57,249	10.50%
Tier 1 capital	72,738	13.34%	43,619	8.00%	32,714	6.00%	46,345	8.50%
Common equity Tier 1 capital	72,738	13.34%	35,440	6.50%	24,535	4.50%	38,166	7.00%
Tier 1 leverage capital	72,738	9.97%	36,461	5.00%	29,169	4.00%	29,169	4.00%

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

At March 31, 2026 and December 31, 2025, capital levels at the Bank exceed all capital adequacy requirements under applicable capital rules on a fully phased-in basis. Based on the ratios presented above, capital levels of the Bank exceed the minimum levels necessary to be considered well capitalized. Failure to meet the capital requirements could affect the Bank's ability to pay dividends and accept deposits and may significantly affect the operations of the Bank. In the Bank's most recent regulatory report, the Bank was categorized as well capitalized under the prompt corrective action regulations. Management knows of no events or conditions that should change this classification.

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 March 31:	2026	2025
Basic net income per common share:		
Net income	$ 1,808,737	$ 1,525,817
Weighted-average common shares outstanding	1,507,706	1,493,727
Basic net income per common share	$ 1.20	$ 1.02
Diluted net income per common share:		
Net income	$ 1,808,737	$ 1,525,817
Weighted-average common shares outstanding	1,507,706	1,493,727
Dilutive common stock equivalents	17,661	9,587
Dilutive EPS shares	1,525,367	1,503,314
Diluted net income per common share	$ 1.19	$ 1.01
Anti-dilutive shares	-	-

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 periods ended March 31, 2026 and December 31, 2025, the Bank purchased certain securities classified as available-for-sale. These securities were measured at fair value on a recurring basis. All other assets and liabilities were not measured at fair value on a recurring basis. The fair values of securities available for sale are determined by obtaining quoted prices from a nationally recognized securities pricing agent. If quoted market prices are not available, fair value is determined using quoted market prices for similar securities.

The following table summarizes financial assets measured at fair value on a recurring and nonrecurring basis as of March 31, 2026 and December 31, 2025, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Carrying Value:			
March 31, 2026	Level 1	Level 2	Level 3	Total
Recurring				
Available for Sale				
Agency RMBS	$ -	$ 2,746,807	$ -	$ 2,746,807
Agency CMO securities	-	2,446,379	-	2,446,379
Corporate Bonds	-	1,987,380	-	1,987,380
	$ -	$ 7,180,566	$ -	$ 7,180,566

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

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

16. Fair Value Measurements – continued

loan as a nonrecurring fair value measurement classified as Level 2. However, if based on management's review, additional discounts to observed market prices or appraisals are required or if observable inputs are not available, the Bank records the individually evaluated loan as a nonrecurring fair value measurement classified as Level 3.

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

The following table presents collateral dependent loans measured at fair value on a nonrecurring basis where the outstanding investment in the loan exceeded fair value resulting in an allowance being allocated to the loan at March 31, 2026 and December 31, 2025.

March 31, 2026	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Collateral dependent loans with ACL	$ -	$ -	$ -	$ -
December 31, 2025				
Collateral dependent loans with ACL	$ -	$ -	$ -	$ -

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.

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.

March 31, 2026	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	$ 52,855,861	$ 52,855,861	$ 52,855,861	$ -	$ -
Investment securities available for sale	7,180,566	7,180,566	-	7,180,566	-
Investment securities held to maturity:					
U.S. Treasury securities	17,497,093	17,407,247	17,407,247	-	-
Other investment securities	79,709,144	75,136,003	-	75,136,003	-
Loans, net	552,974,214	544,445,309	-	-	544,445,309
Accrued interest receivable	2,038,611	2,038,611	-	2,038,611	-
Bank owned life insurance	6,880,083	6,880,083	-	6,880,083	-
Financial liabilities:					
Noninterest-bearing deposits	153,121,344	153,121,344	-	153,121,344	-
Interest-bearing deposits	501,077,210	500,755,211	-	-	500,755,211
Accrued interest payable	801,347	801,347	-	801,347	-
December 31, 2025					
Financial assets:					
Cash and cash equivalents	$ 60,770,425	$ 60,770,425	$ 60,770,425	$ -	$ -
Investment securities available for sale	7,447,532	7,447,532	-	6,447,532	1,000,000
Investment securities held to maturity:					
U.S. Treasury securities	18,501,758	18,453,170	18,453,170	-	-
Other investment securities	83,382,304	79,188,978	-	79,188,978	-
Loans, net	536,341,272	528,018,623	-	-	528,018,623
Accrued interest receivable	1,976,839	1,976,839	-	1,976,839	-
Bank owned life insurance	6,835,256	6,835,256	-	6,835,256	-
Financial liabilities:					
Noninterest-bearing deposits	149,043,176	149,043,176	-	149,043,176	-
Interest-bearing deposits	503,302,268	503,148,268	-	-	503,148,268
Accrued interest payable	746,560	746,560	-	746,560	-

17. Legal Proceedings

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

18. Accounting Standard Updates

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

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

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

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

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

Exhibit 31.1

CERTIFICATIONS OF THE PRINCIPAL EXECUTIVE OFFICER
Pursuant to Securities Exchange Act Rules 13a-1 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, 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: May 7, 2026

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

Exhibit 31.2

CERTIFICATIONS OF THE PRINCIPAL FINANCIAL OFFICER
Pursuant to Securities Exchange Act Rules 13a-1 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, 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: May 7, 2026

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

Exhibit 32.1

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 March 31, 2026, 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: May 7, 2026

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

Date: May 7, 2026

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