UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2026

OR

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

For the transition period from _____to_____

Commission File Number: 001-41196

USCB FINANCIAL HOLDINGS

USCB Financial Holdings, Inc.
(Exact name of registrant as specified in its charter)

Florida	**87-4070846**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

2301 N.W. 87th Avenue, Doral, FL 33172
(Address of principal executive offices) (zip code)

Registrant’s telephone number, including area code: **(305) 715-5200**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $1.00 par value per share	USCB	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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,” “non-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 Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.
As of April 30, 2026, the registrant had 18,263,900 shares of Class A common stock outstanding.

FORM 10-Q
March 31, 2026

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PART I
Item 1. Financial Statements

USCB FINANCIAL HOLDINGS, INC
Consolidated Balance Sheets – Unaudited
(Dollars in thousands, except share data)

	March 31, 2026	December 31, 2025
ASSETS:		
Cash and due from banks	$ 6,598	$ 6,027
Interest-bearing deposits in banks	72,365	32,450
Total cash and cash equivalents	78,963	38,477
Investment securities held to maturity, net of allowance of $0 and $2, respectively (fair value of $137,714 and $142,508, respectively)	149,931	153,941
Investment securities available for sale, at fair value	277,160	307,490
Federal Home Loan Bank stock, at cost	4,470	9,323
Loans held for investment, net of allowance of $26,102 and $25,500, respectively	2,214,949	2,163,757
Accrued interest receivable	11,773	11,661
Premises and equipment, net	4,401	4,247
Bank owned life insurance	59,920	59,424
Deferred tax assets, net	19,649	18,046
Lease right-of-use asset	4,756	5,519
Other assets	19,763	19,655
Total assets	$ 2,845,735	$ 2,791,540
LIABILITIES:		
Deposits:		
Non-interest bearing demand deposits	$ 620,714	$ 583,860
Savings and money market deposits	1,263,248	1,186,422
Interest-bearing demand deposits	57,444	46,989
Time deposits	552,174	527,809
Total deposits	2,493,580	2,345,080
Federal Home Loan Bank advances	53,000	158,250
Subordinated notes, net	39,338	39,300
Lease liability	4,756	5,519
Accrued interest and other liabilities	31,815	26,208
Total liabilities	2,622,489	2,574,357
Commitments and contingencies (See Notes 5 and 10)		
STOCKHOLDERS' EQUITY:		
Preferred stock - Class C; $1.00 par value; $1,000 per share liquidation preference; 52,748 shares authorized; 0 and 0 issued and outstanding as of March 31, 2026 and December 31, 2025	-	-
Preferred stock - Class D; $1.00 par value; $5.00 per share liquidation preference; 12,309,480 shares authorized; 0 and 0 issued and outstanding as of March 31, 2026 and December 31, 2025	-	-
Preferred stock - Class E; $1.00 par value; $1,000 per share liquidation preference; 3,185,024 shares authorized; 0 and 0 issued and outstanding as of March 31, 2026 and December 31, 2025	-	-
Common stock - Class A Voting; $1.00 par value; 45,000,000 shares authorized; 18,257,400 issued and outstanding as of March 31, 2026, 18,137,885 issued and outstanding as of December 31, 2025	18,257	18,138
Common stock - Class B Non-voting; $1.00 par value; 8,000,000 shares authorized; 0 and 0 issued and outstanding as of March 31, 2026 and December 31, 2025	-	-
Additional paid-in capital on common stock	278,812	278,852
Accumulated deficit	(42,473)	(49,542)
Accumulated other comprehensive loss	(31,350)	(30,265)
Total stockholders' equity	223,246	217,183
Total liabilities and stockholders' equity	$ 2,845,735	$ 2,791,540

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

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Operations - Unaudited
(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2026	2025
Interest income:		
Loans, including fees	$ 32,789	$ 30,245
Investment securities	3,411	3,024
Interest-bearing deposits in financial institutions	832	709
Total interest income	37,032	33,978
Interest expense:		
Interest-bearing demand deposits	310	338
Savings and money market deposits	8,133	9,335
Time deposits	4,700	3,918
Federal Home Loan Bank advances	1,040	1,272
Subordinated notes	801	-
Total interest expense	14,984	14,863
Net interest income before provision for credit losses	22,048	19,115
Provision for credit losses	801	681
Net interest income after provision for credit losses	21,247	18,434
Non-interest income:		
Service fees	3,100	2,331
Gain on sale of securities available for sale, net	14	-
Gain on sale of loans held for sale, net	106	525
Other non-interest income	930	860
Total non-interest income	4,150	3,716
Non-interest expense:		
Salaries and employee benefits	8,570	7,636
Occupancy	1,316	1,284
Regulatory assessments and fees	484	421
Consulting and legal fees	561	193
Network and information technology services	560	505
Other operating expense	2,220	2,013
Total non-interest expense	13,711	12,052
Income before income tax expense	11,686	10,098
Income tax expense	2,335	2,440
Net income	$ 9,351	$ 7,658
Per share information:		
Earnings per share, basic	$ 0.51	$ 0.38
Earnings per share, diluted	$ 0.51	$ 0.38
Cash dividends declared	$ 0.125	$ 0.10

The accompanying notes are an integral part ofthese unaudited consolidated financial statements.

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Comprehensive Income - Unaudited
(Dollars in thousands)

	Three Months Ended March 31,	
	2026	2025
Net income	$ 9,351	$ 7,658
Other comprehensive (loss) income:		
Unrealized (loss) gain on investment securities	(2,207)	4,673
Reclassification adjustment for amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	68	67
Reclassification adjustment for realized gains included in net income	(14)	-
Unrealized gain (loss) on cash flow hedge	97	(158)
Tax effect	971	(1,161)
Total other comprehensive (loss) income, net of tax	(1,085)	3,421
Total comprehensive income	$ 8,266	$ 11,079

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

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Changes in Stockholders' Equity - Unaudited
(Dollars in thousands, except per share data)

	Common Stock					
	Shares	Par Value	Additional Paid-in Capital on Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2025	18,137,885	$ 18,138	$ 278,852	$ (49,542)	$ (30,265)	$ 217,183
Net income	-	-	-	9,351	-	9,351
Other comprehensive loss	-	-	-	-	(1,085)	(1,085)
Repurchase of Class A common stock	(53,475)	(53)	(948)	-	-	(1,001)
Restricted stock issued	147,490	147	(147)	-	-	-
Exercise of stock options	25,500	25	166	-	-	191
Dividend payment	-	-	-	(2,282)	-	(2,282)
Stock-based compensation	-	-	889	-	-	889
Balance at March 31, 2026	18,257,400	$ 18,257	$ 278,812	$ (42,473)	$ (31,350)	$ 223,246
Balance at December 31, 2024	19,924,632	$ 19,925	$ 307,810	$ (67,813)	$ (44,534)	$ 215,388
Net income	-	-	-	7,658	-	7,658
Other comprehensive income	-	-	-	-	3,421	3,421
Repurchase of Class A common stock	(9,671)	(10)	(164)	-	-	(174)
Restricted stock issued	124,424	124	(124)	-	-	-
Exercise of stock options	9,000	9	83	-	-	92
Dividend payment	-	-	-	(2,005)	-	(2,005)
Stock-based compensation	-	-	708	-	-	708
Balance at March 31, 2025	20,048,385	$ 20,048	$ 308,313	$ (62,160)	$ (41,113)	$ 225,088

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

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USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Cash Flows - Unaudited
(Dollars in thousands)

	Three Months Ended March 31,	
	2026	2025
Cash flows from operating activities:		
Net income	$ 9,351	$ 7,658
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	801	681
Depreciation and amortization	166	148
Accretion of premiums on securities, net	(374)	(212)
Amortization of deferred loan fees, net	269	126
Stock-based compensation	889	708
Gain on sale of available for sale securities, net	(14)	-
Gain on sale of loans held for sale, net	(106)	(525)
Proceeds from the sale of loans held for sale	1,329	7,719
Origination of loans held for sale	(1,223)	(7,194)
Increase in cash surrender value of bank owned life insurance	(496)	(471)
Amortization of subordinated debt issuance costs	38	-
Deferred income tax expense (benefit)	(581)	2,440
Net change in operating assets and liabilities:		
Accrued interest receivable	(112)	(79)
Other assets	(62)	(3,005)
Accrued interest and other liabilities	5,401	6,634
Net cash provided by operating activities	15,276	14,628
Cash flows from investing activities:		
Proceeds from maturities and pay-downs of investment securities held to maturity	4,063	2,955
Purchase of investment securities available for sale	(13,631)	(14,123)
Proceeds from maturities and pay-downs of investment securities available for sale	4,964	4,106
Proceeds from sales of investment securities available for sale	37,181	-
Net increase in loans held for investment	(7,968)	(43,503)
Purchase of loans held for investment	(44,090)	(19,989)
Additions to premises and equipment	(320)	(46)
Purchase of bank owned life insurance	-	(4,000)
Proceeds from the redemption of Federal Home Loan Bank stock	6,994	2,612
Purchase of Federal Home Loan Bank stock	(2,141)	(169)
Net cash used in investment activities	(14,948)	(72,157)
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock, net	191	92
Cash dividends paid	(2,282)	(2,005)
Repurchase of Class A common stock	(1,001)	(174)
Net increase in deposits	148,500	135,565
Proceeds from FHLB advances	42,000	-
Repayments on Federal Home Loan Bank advances	(147,250)	(55,000)
Net cash provided by financing activities	40,158	78,478
Net increase in cash and cash equivalents	40,486	20,949
Cash and cash equivalents at beginning of period	38,477	77,035
Cash and cash equivalents at end of period	$ 78,963	$ 97,984
Supplemental disclosure of cash flow information:		
Interest paid	$ 14,673	$ 14,454

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

USCB Financial Holdings, Inc., a Florida corporation incorporated in 2021, is a bank holding company with one direct wholly owned subsidiary, U.S. Century Bank (the “Bank”), together referred to as “the Company”. The Bank, established in 2002, is a Florida state-chartered, non-member financial institution providing financial services through its banking centers located in South Florida.

The Bank owns a subsidiary, Florida Peninsula Title LLC, that offers our clients title insurance policies for real estate transactions closed at the Bank. Licensed in the State of Florida and approved by the Department of Insurance Regulation, Florida Peninsula Title LLC began operations in 2021.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all the information and footnotes required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. These unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes appearing in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025.

Principles of Consolidation

The Company consolidates entities in which it has a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

To prepare consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements. The most significant estimate impacting the Company’s consolidated financial statements is the allowance for credit losses (“ACL”).

Reclassifications

Certain amounts in prior period consolidated financial statements have been reclassified to conform to the current presentation. Reclassifications had no impact on prior period net income or stockholders’ equity.

Recently Issued Accounting Standards

There were no recently issued accounting standards adopted or issued during the period that are expected to have a material impact on the Company’s consolidated financial statements.

2. INVESTMENT SECURITIES

The following tables present a summary of the amortized cost, unrealized or unrecognized gains and losses, and fair value of investment securities at the dates indicated (in thousands):

	March 31, 2026			
Available-for-sale:	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Government Agency	$ 12,568	$ -	$ (970)	$ 11,598
Collateralized mortgage obligations	86,307	-	(17,727)	68,580
Mortgage-backed securities - residential	35,364	98	(6,190)	29,272
Mortgage-backed securities - commercial	156,895	145	(8,005)	149,035
Municipal securities	5,194	-	(995)	4,199
Bank subordinated debt securities	14,570	163	(257)	14,476
	$ 310,898	$ 406	$ (34,144)	$ 277,160

	March 31, 2026			
Held-to-maturity:	**Amortized Cost**	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
U.S. Government Agency	$ 40,748	$ 78	$ (3,319)	$ 37,507
Collateralized mortgage obligations	50,175	664	(5,768)	45,071
Mortgage-backed securities - residential	35,963	659	(3,359)	33,263
Mortgage-backed securities - commercial	15,041	-	(1,163)	13,878
Corporate bonds	8,004	-	(9)	7,995
	$ 149,931	$ 1,401	$ (13,618)	$ 137,714
Allowance for credit losses - securities held-to-maturity	-			
Securities held-to maturity, net of allowance for credit losses	$ 149,931			

	December 31, 2025			
Available-for-sale:	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Government Agency	$ 15,169	$ 18	$ (1,043)	$ 14,144
Collateralized mortgage obligations	92,871	-	(17,043)	75,828
Mortgage-backed securities - residential	35,865	135	(6,083)	29,917
Mortgage-backed securities - commercial	174,622	347	(6,861)	168,108
Municipal securities	5,196	-	(933)	4,263
Bank subordinated debt securities	15,284	189	(243)	15,230
	$ 339,007	$ 689	$ (32,206)	$ 307,490

	December 31, 2025			
Held-to-maturity:	**Amortized Cost**	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
U.S. Government Agency	$ 41,158	$ 91	$ (3,279)	$ 37,970
Collateralized mortgage obligations	51,431	854	(5,499)	46,786
Mortgage-backed securities - residential	37,221	760	(3,263)	34,718
Mortgage-backed securities - commercial	15,088	-	(1,037)	14,051
Corporate bonds	9,045	-	(62)	8,983
	$ 153,943	$ 1,705	$ (13,140)	$ 142,508
Allowance for credit losses - securities held-to-maturity	(2)			
Securities held-to maturity, net of allowance for credit losses	$ 153,941			

Transfers of debt securities into the held-to-maturity ("HTM") category from the available for sale ("AFS") category are made at fair value as of the date of transfer. The unrealized gain or loss at the date of transfer is retained in accumulated other comprehensive loss ("AOCL") and in the carrying value of the HTM securities and there is no impact to net income. Such amounts are amortized over the remaining life of the security. The Company made two transfers from AFS to HTM portfolios in 2022.

During the quarter ended March 31, 2026, there were no investment securities that were transferred from AFS to HTM. For three months ended March 31, 2026, total amortization out of AOCL for net unrealized losses on securities transferred in 2022 from AFS to HTM was $68 thousand and $67 thousand for the three months ended March 31, 2025. At March 31, 2026, the fair value of the transferred securities was $96.1 million and the balance of the remaining unamortized loss was $8.9 million.

The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, including loan receivables and HTM debt securities.

CECL requires a loss reserve for securities classified as HTM. The reserve should reflect historical credit performance as well as the impact of projected economic forecasts. For U.S. Government bonds and U.S. Agency issued bonds classified as HTM, the explicit guarantee of the U.S. Government is sufficient to conclude that an allowance for credit loss reserve is not required. The reserve requirement is for three primary assets groups: municipal bonds, corporate bonds, and non-agency securitizations. The Company calculates quarterly the loss reserve utilizing Moody's ImpairmentStudio. The CECL measurement for investment securities incorporates historical data, containing defaults and recoveries information, and Moody's baseline economic forecast. The solution uses the probability of default/loss given default ("PD/LGD") approach. PD represents the likelihood a borrower will default. Within the Moody's model, this is determined using historical default data, adjusted for the current economic environment. LGD projects the expected loss if a borrower were to default.

The Company monitors the credit quality of HTM securities through the use of credit ratings. Credit ratings are monitored by the Company on at least a quarterly basis. As of March 31, 2026 and December 31, 2025, all HTM securities held by the Company were rated investment grade.

At March 31, 2026, HTM securities included $141.9 million of U.S. Government and U.S. Agency issued bonds and mortgage-backed securities. Because of the explicit and/or implicit guarantee on these bonds, the Company holds no reserves on these holdings. The remaining portion of the HTM portfolio is made up of $8.0 million in investment grade corporate bonds that mature in May of 2026. The required reserve for these holdings is determined each quarter using the model described above. For the portion of the HTM exposed to non-government credit risk, the Company utilized the PD/LGD methodology to estimate a $0 ACL as of March 31, 2026. The book value for debt securities classified as HTM represents amortized cost less the ACL related to these securities.

The Company's investment portfolio includes AFS debt securities, which are carried at fair value with unrealized gains and losses recognized in AOCL, net of applicable taxes. The Company evaluates whether the declines in fair value are attributable to credit losses or other factors like interest rate risk, using both quantitative and qualitative analyses, including company performance analysis, review of credit ratings, bond vintage, remaining payment terms, prepayment speeds and analysis of macro-economic conditions. When the fair value of an AFS security is less than its amortized cost and the decline is attributable to credit-related factors, an ACL is recorded. As a result of this evaluation, the Company concluded that no allowance was required on AFS securities as of March 31, 2026.

Information pertaining to investment securities with gross unrealized losses, aggregated by investment category and length of time that those individual securities have been in a continuous loss position, are presented as of the following dates (in thousands):

	March 31, 2026					
	Less than 12 months		12 months or more		Total	
Available-for-Sale:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agency	$ 5,909	$ (88)	$ 5,689	$ (882)	$ 11,598	$ (970)
Collateralized mortgage obligations	3,898	(116)	64,682	(17,611)	68,580	(17,727)
Mortgage-backed securities - residential	-	-	22,164	(6,190)	22,164	(6,190)
Mortgage-backed securities - commercial	73,867	(977)	55,483	(7,028)	129,350	(8,005)
Municipal securities	-	-	4,199	(995)	4,199	(995)
Bank subordinated debt securities	2,722	(12)	6,245	(246)	8,967	(257)
	$ 86,396	$ (1,193)	$ 158,462	$ (32,952)	$ 244,858	$ (34,144)

	December 31, 2025					
	Less than 12 months		12 months or more		Total	
Available-for-sale:	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agency	$ 5,937	$ (59)	$ 5,649	$ (984)	$ 11,586	$ (1,043)
Collateralized mortgage obligations	8,929	(93)	66,899	(16,950)	75,828	(17,043)
Mortgage-backed securities - residential	-	-	22,695	(6,083)	22,695	(6,083)
Mortgage-backed securities - commercial	59,655	(477)	56,852	(6,384)	116,507	(6,861)
Municipal securities	-	-	4,263	(933)	4,263	(933)
Bank subordinated debt securities	2,020	(4)	7,234	(239)	9,254	(243)
	$ 76,541	$ (633)	$ 163,592	$ (31,573)	$ 240,133	$ (32,206)

The contractual cash flows associated with U.S. Government Agency securities, collateralized mortgage obligations, and residential and commercial mortgage-backed securities are guaranteed by U.S. government-sponsored enterprises, thereby minimizing credit risk. Municipal bonds are of high credit quality, and the observed declines in fair value are not attributable to a deterioration in the creditworthiness. Similarly, the decrease in fair value of bank subordinated debt securities is primarily driven by changes in market interest rates rather than credit concerns. Based on management's evaluation of these factors, management believes that the unrealized losses on these debt securities are attributable to fluctuations in market spreads and interest rate movements, rather than adverse changes in the underlying credit quality of the issuers.

Gains and losses on the sale of securities are recorded on the trade date and are determined on the specific identification basis. The following table presents the proceeds, realized gross gains and realized gross losses on sales and calls of AFS debt securities for the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31,	
Available-for-sale:	**2026**	**2025**
Proceeds from sale and call of securities	$ 38,181	$ -
Gross gains	$ 82	$ -
Gross losses	(68)	-
Net realized gain	$ 14	$ -

The amortized cost and fair value of investment securities, by contractual maturity, are shown below as of the date indicated (in thousands). Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Available-for-sale		Held-to-maturity	
March 31, 2026:	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due within one year	$ -	$ -	$ 8,004	$ 7,995
Due after one year through five years	2,000	1,984	-	-
Due after five years through ten years	17,764	16,691	-	-
Due after ten years	-	-	-	-
U.S. Government Agency	12,568	11,598	40,748	37,507
Collateralized mortgage obligations	86,307	68,580	50,175	45,071
Mortgage-backed securities - residential	35,364	29,272	35,963	33,263
Mortgage-backed securities - commercial	156,895	149,035	15,041	13,878
	$ 310,898	$ 277,160	$ 149,931	$ 137,714

At March 31, 2026, there were no securities held in the portfolio from any one issuer in an amount greater than 10% of total stockholders' equity other than the U.S. Government and U.S. Government Agency issued securities. All the collateralized mortgage obligations and mortgage-backed securities at March 31, 2026 and December 31, 2025 were issued by U.S. Government entities.

The Bank is a Qualified Public Depository ("QPD") with the State of Florida. As a QPD, the Bank has the legal authority to maintain public deposits from cities, municipalities, and the State of Florida. These public deposits are secured by securities pledged to the State of Florida at a ratio of 25% of the quarter daily average balance for quarters ended March 31, 2026 and December 31, 2025. The Bank must also maintain a minimum amount of pledged securities to be in the public funds program.

As of March 31, 2026, the Bank had a total of $220.8 million in deposits under the public funds program and pledged to the State of Florida for these public funds were twenty bonds with an aggregate fair value of $55.1 million.

As of December 31, 2025, the Bank had a total of $167.7 million in deposits under the public funds program and pledged to the State of Florida for these public funds were fifteen bonds with an aggregate fair value of $43.5 million.

3. LOANS

The following table is a summary of the distribution of loans held for investment by type (dollars in thousands):

	March 31, 2026		December 31, 2025	
	Total	Percent of Total	Total	Percent of Total
Residential real estate	$ 346,917	15.5 %	$ 307,692	14.1 %
Commercial real estate	1,259,642	56.4 %	1,244,835	57.0 %
Commercial and industrial	291,333	13.0 %	295,548	13.5 %
Correspondent banks	128,722	5.8 %	127,968	5.9 %
Consumer and other	207,794	9.3 %	207,215	9.5 %
Total gross loans	2,234,408	100.0 %	2,183,258	100.0 %
Plus: Deferred fees/costs	6,643		5,999	
Total loans net of deferred fees/costs	2,241,051		2,189,257	
Less: Allowance for credit losses	26,102		25,500	
Total net loans	$ 2,214,949		$ 2,163,757	

At March 31, 2026 and December 31, 2025, the Company had $599.7 million and $561.4 million, respectively, of commercial real estate and residential mortgage loans pledged as collateral for lines of credit with the Federal Home Loan Bank (“FHLB”) of Atlanta and the Federal Reserve Bank of Atlanta.

Allowance for Credit Losses

In general, the Company utilizes the Discounted Cash Flow (“DCF”) method or the Weighted-Average Remaining Maturity (“WARM”) methodology to estimate the quantitative portion of the ACL for loan pools. The DCF method uses a loss driver analysis (“LDA”) and DCF analysis. Management engaged advisors and consultants with expertise in CECL model development to assist in development of a LDA based on regression models and supportable forecast. Peer group data obtained from FFIEC Call Report filings is used to inform regression analyses to quantify the impact of reasonable and supportable forecasts in projective models. Economic forecasts applied to regression models to estimate probability of default for loan receivables use at least one of the following economic indicators: civilian unemployment rate (national), real gross domestic product growth (national GDP) or the House Price Index (“HPI”). For each of the segments in which the WARM methodology is used, the long-term average loss rate is calculated and applied on a quarterly basis for the remaining life of the pool. Adjustments for economic expectations are made through qualitative factors.

Qualitative factors (“Q-Factors”) used in the ACL methodology include:

- Changes in lending policies, procedures, and strategies
- Changes in international, national, regional, and local economic conditions
- Changes in nature and volume of the portfolio
- Changes in the volume and severity of past due loans and other similar conditions
- Concentration risk
- Changes in the value of underlying collateral
- The effect of other external factors: e.g., competition, legal, and regulatory requirements
- Changes in lending management, among others
- Changes in the loan review system

Changes in the ACL for the three months ended March 31, 2026 and 2025 were as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended March 31, 2026						
Beginning balance	$ 5,908	$ 9,476	$ 4,814	$ 1,015	$ 4,287	$ 25,500
Provision for credit losses (1)	(644)	456	512	3	271	598
Recoveries	6	-	4	-	-	10
Charge-offs	-	-	-	-	(6)	(6)
Ending Balance	$ 5,270	$ 9,932	$ 5,330	$ 1,018	$ 4,552	$ 26,102

(1) Provision for credit losses excludes a $205 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a $2 thousand release related to investment securities held to maturity.

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended March 31, 2025						
Beginning balance	$ 5,121	$ 8,788	$ 4,633	$ 654	$ 4,874	$ 24,070
Provision for credit losses (1)	(12)	409	(204)	163	316	672
Recoveries	6	-	5	-	-	11
Charge-offs	-	-	-	-	(13)	(13)
Ending Balance	$ 5,115	$ 9,197	$ 4,434	$ 817	$ 5,177	$ 24,740

(1) Provision for credit losses excludes a $10 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a $1 thousand release related to investment securities held to maturity.

At March 31, 2026, the ACL for loans was $26.1 million compared to $25.5 million at December 31, 2025. The $602 thousand increase in the ACL was primarily attributable to loan portfolio growth, partially offset by lower expected loss rates resulting from improvements in the economic forecast.

Charge offs related to loans for the three months ended March 31, 2026 were $6 thousand and were all originated in 2026.

Charge-offs for the three months ended March 31, 2025 totaled $13 thousand and were all originated in 2025.

The ACL and the outstanding balances in the specified loan categories as of March 31, 2026 and December 31, 2025 are as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
March 31, 2026:						
Allowance for credit losses:						
Individually evaluated	$ 24	$ -	$ 16	$ -	$ -	$ 40
Collectively evaluated	5,246	9,932	5,314	1,018	4,552	26,062
Balances, end of period	$ 5,270	$ 9,932	$ 5,330	$ 1,018	$ 4,552	$ 26,102
Loans:						
Individually evaluated	$ 6,023	$ -	$ 1,288	$ -	$ -	$ 7,311
Collectively evaluated	340,894	1,259,642	290,045	128,722	207,794	2,227,097
Balances, end of period	$ 346,917	$ 1,259,642	$ 291,333	$ 128,722	$ 207,794	$ 2,234,408
December 31, 2025:						
Allowance for credit losses:						
Individually evaluated	$ 27	$ -	$ 84	$ -	$ -	$ 111
Collectively evaluated	5,881	9,476	4,730	1,015	4,287	25,389
Balances, end of period	$ 5,908	$ 9,476	$ 4,814	$ 1,015	$ 4,287	$ 25,500
Loans:						
Individually evaluated	$ 5,583	$ -	$ 1,265	$ -	$ -	$ 6,848
Collectively evaluated	302,109	1,244,835	294,283	127,968	207,215	2,176,410
Balances, end of period	$ 307,692	$ 1,244,835	$ 295,548	$ 127,968	$ 207,215	$ 2,183,258

Credit Quality Indicators

The Company grades loans based on the estimated capability of the borrower to repay the contractual obligation of the loan agreement based on relevant information which may include: current financial information on the borrower, historical payment experience, credit documentation and other current economic trends. Internal credit risk grades are evaluated periodically.

The Company's internally assigned credit risk grades are as follows:

Pass – Loans indicate different levels of satisfactory financial condition and performance.

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligator or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified at substandard, with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible.

USCB FINANCIAL HOLDINGS, INC.
Notes to the Consolidated Financial Statements - Unaudited

Loan credit exposures by internally assigned grades are presented below for the periods indicated (in thousands):

	As of March 31, 2026							
	Term Loans by Origination Year							
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Total
Residential real estate								
Pass	$ 52,271	$ 63,410	$ 81,292	$ 31,652	$ 23,244	$ 71,610	$ 19,989	$ 343,468
Special Mention	-	488	-	-	-	-	-	488
Substandard	-	370	1,015	1,468	-	108	-	2,961
Total	52,271	64,268	82,307	33,120	23,244	71,718	19,989	346,917
Commercial real estate								
Pass	74,914	243,124	175,333	99,617	269,282	372,973	5,861	1,241,104
Special Mention	-	-	2,933	10,083	-	3,137	-	16,153
Substandard	-	-	-	-	-	2,385	-	2,385
Total	74,914	243,124	178,266	109,700	269,282	378,495	5,861	1,259,642
Commercial and industrial								
Pass	4,473	72,274	62,037	56,211	31,367	39,343	23,336	289,041
Special Mention	-	-	-	-	-	805	-	805
Substandard	-	-	72	378	-	1,037	-	1,487
Total	4,473	72,274	62,109	56,589	31,367	41,185	23,336	291,333
Correspondent banks								
Pass	55,661	73,061	-	-	-	-	-	128,722
Total	55,661	73,061	-	-	-	-	-	128,722
Consumer and other								
Pass	2,623	58,516	34,010	36,516	50,584	21,819	3,726	207,794
Total	2,623	58,516	34,010	36,516	50,584	21,819	3,726	207,794
Total Loans								
Pass	189,942	510,385	352,672	223,996	374,477	505,745	52,912	2,210,129
Special Mention	-	488	2,933	10,083	-	3,942	-	17,446
Substandard	-	370	1,087	1,846	-	3,530	-	6,833
Total	$ 189,942	$ 511,243	$ 356,692	$ 235,925	$ 374,477	$ 513,217	$ 52,912	$ 2,234,408

USCB FINANCIAL HOLDINGS, INC.
Notes to the Consolidated Financial Statements - Unaudited

	As of December 31, 2025							
	Term Loans by Origination Year							
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
Residential real estate								
Pass	$ 65,582	$ 83,426	$ 32,139	$ 23,685	$ 21,056	$ 58,220	$ 20,168	$ 304,276
Special Mention	128	-	-	587	-	201	-	916
Substandard	-	917	1,468	-	-	115	-	2,500
Total	65,710	84,343	33,607	24,272	21,056	58,536	20,168	307,692
Commercial real estate								
Pass	241,028	184,323	109,465	281,985	134,663	273,483	5,876	1,230,823
Special Mention	-	-	8,451	-	-	3,162	-	11,613
Substandard	-	-	-	-	1,724	675	-	2,399
Total	241,028	184,323	117,916	281,985	136,387	277,320	5,876	1,244,835
Commercial and industrial								
Pass	75,867	63,178	58,060	32,118	28,090	12,314	23,542	293,169
Special Mention	-	72	-	-	835	-	-	907
Substandard	-	-	389	-	445	638	-	1,472
Total	75,867	63,250	58,449	32,118	29,370	12,952	23,542	295,548
Correspondent banks								
Pass	127,968	-	-	-	-	-	-	127,968
Total	127,968	-	-	-	-	-	-	127,968
Consumer and other								
Pass	59,276	34,309	36,808	51,091	23,214	747	1,770	207,215
Total	59,276	34,309	36,808	51,091	23,214	747	1,770	207,215
Total Loans								
Pass	569,721	365,236	236,472	388,879	207,023	344,764	51,356	2,163,451
Special Mention	128	72	8,451	587	835	3,363	-	13,436
Substandard	-	917	1,857	-	2,169	1,428	-	6,371
Total	$ 569,849	$ 366,225	$ 246,780	$ 389,466	$ 210,027	$ 349,555	$ 51,356	$ 2,183,258

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Loan Aging

The Company also considers the performance of loans in grading and in evaluating the credit quality of the loan portfolio. The Company analyzes credit quality and loan grades based on payment performance and the aging status of the loans. The following tables include an aging analysis of accruing loans and total non-accruing loans as of March 31, 2026 and December 31, 2025 (in thousands):

	Accruing					
As of March 31, 2026	**Current**	**Past Due 30-89 Days**	**Past Due 90 Days or > and Still Accruing**	**Total Accruing**	**Non-Accrual**	**Total Loans**
Residential real estate:						
Home equity lines of credit and other	$ 1,848	$ -	$ -	$ 1,848	$ -	$ 1,848
1-4 family residential	259,121	1,257	-	260,378	2,732	263,110
Condo residential	79,585	2,145	-	81,730	229	81,959
	340,554	3,402	-	343,956	2,961	346,917
Commercial real estate:						
Land and construction	65,423	-	-	65,423	-	65,423
Multi-family residential	265,267	4,583	-	269,850	-	269,850
Condo commercial	63,777	-	-	63,777	-	63,777
Commercial property	858,500	2,092	-	860,592	-	860,592
	1,252,967	6,675	-	1,259,642	-	1,259,642
Commercial and industrial:						
Secured	269,120	23	-	269,143	679	269,822
Unsecured	21,511	-	-	21,511	-	21,511
	290,631	23	-	290,654	679	291,333
Correspondent banks	128,722	-	-	128,722	-	128,722
Consumer and other	207,794	-	-	207,794	-	207,794
Total	$ 2,220,668	$ 10,100	$ -	$ 2,230,768	$ 3,640	$ 2,234,408

As of December 31, 2025:	Accruing Current	Accruing Past Due 30-89 Days	Accruing Past Due 90 Days or > and Still Accruing	Accruing Total Accruing	Non-Accrual	Total Loans
Residential real estate:						
Home equity lines of credit and other	$ 1,538	$ -	$ -	$ 1,538	$ -	$ 1,538
1-4 family residential	238,852	1,150	-	240,002	2,385	242,387
Condo residential	62,364	1,288	-	63,652	115	63,767
	302,754	2,438	-	305,192	2,500	307,692
Commercial real estate:						
Land and construction	83,305	-	-	83,305	-	83,305
Multi-family residential	254,562	-	-	254,562	-	254,562
Condo commercial	61,525	-	-	61,525	-	61,525
Commercial property	845,003	440	-	845,443	-	845,443
	1,244,395	440	-	1,244,835	-	1,244,835
Commercial and industrial:						
Secured	272,900	71	-	272,971	638	273,609
Unsecured	21,939	-	-	21,939	-	21,939
	294,839	71	-	294,910	638	295,548
Correspondent banks	127,968	-	-	127,968	-	127,968
Consumer and other	207,215	-	-	207,215	-	207,215
Total	$ 2,177,171	$ 2,949	$ -	$ 2,180,120	$ 3,138	$ 2,183,258

Non-accrual Status

The following table includes the amortized cost basis of loans on non-accrual status as of March 31, 2026 and as of December 31, 2025 (in thousands):

	March 31, 2026 Non-accrual Loans With No Related Allowance	March 31, 2026 Non-accrual Loans With Related Allowance	March 31, 2026 Total Non-accruals
Residential real estate	$ 2,961	$ -	$ 2,961
Commercial and industrial	679	-	679
Total	$ 3,640	$ -	$ 3,640

	December 31, 2025 Non-accrual Loans With No Related Allowance	December 31, 2025 Non-accrual Loans With Related Allowance	December 31, 2025 Total Non-accruals
Residential real estate	$ 2,500	$ -	$ 2,500
Commercial and industrial	563	75	638
Total	$ 3,063	$ 75	$ 3,138

Accrued interest receivable is excluded from the estimate of credit losses. There was no interest income recognized attributable to non-accrual loans outstanding during the three months ended March 31, 2026 and 2025. Interest income on these loans for the three months ended March 31, 2026 and 2025, would have been approximately $60 thousand and $52 thousand, respectively, had these loans performed in accordance with their original terms.

Collateral-Dependent Loans

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale or operation of the collateral.

The following table includes the amortized cost basis of collateral dependent loans related to borrowers experiencing financial difficulty by type of collateral as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	
	Collateral Type	
	Residential Real Estate	Specific Reserve
Residential real estate	$ 3,063	$ -
Commercial and industrial	72	-
Total	$ 3,135	$ -

	December 31, 2025	
	Collateral Type	
	Residential Real Estate	Specific Reserve
Residential real estate	$ 2,583	$ -
Total	$ 2,583	$ -

Management evaluates on an individual basis collateral dependent loans using the fair value of the collateral method to determine if a allowance for credit loss reserve is necessary. The ACL is measured based on the difference of the fair value of the collateral and amortized cost basis of the loan. If the final collateral valuation is less than the amortized cost basis of the loan, a reserve amount is calculated. If the collateral valuation is equal to or greater than the amortized cost basis of the loan, no reserve is determined.

Loan Modifications to Borrowers Experiencing Financial Difficulties

The Company had one new modification to borrowers experiencing financial difficulties for the three months ended March 31, 2026. The Company had no new modifications to borrowers experiencing financial difficulties for the three months ended March 31, 2025. The following table presents newly restructured loans, by type of modification, which occurred during the three months ended March 31, 2026 (in thousands):

	Amortized Cost Basis Prior to Modification			Amortized Cost Basis After Modification		
	Number of Loans	Combination Modifications	Total Modifications	Number of Loans	Combination Modifications	Total Modifications
Commercial and industrial	1	$ 418	$ 418	1	$ 350	$ 350
Total	1	$ 418	$ 418	1	$ 350	$ 350

The loan modification for the borrower experiencing financial difficulty at March 31, 2026 included a combination of principal and maturity modifications. There was a principal reduction of $68 thousand and a two-year extension of the loan maturity.

There were no existing loan modifications that subsequently defaulted during the three months ended March 31, 2026 and 2025.

4. INCOME TAXES

The Company's income tax expense is presented in the following table for the periods indicated (in thousands):

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Pre-tax income:		
Domestic	$ 11,686	$ 10,098
Total pre-tax income	$ 11,686	$ 10,098
Current tax expense:		
Federal	$ 2,833	$ -
State	83	-
Total current	2,916	-
Deferred tax expense:		
Federal	(799)	1,914
State	218	526
Deferred income tax expense (benefit)	(581)	2,440
Total income tax expense	$ 2,335	$ 2,440

The actual income tax expense for the three months ended March 31, 2026 and 2025 differs from the statutory tax expense for the periods (computed by applying the U.S. federal corporate tax rate of 21% for both 2026 and 2025 periods to income before income tax expense) as follows (in thousands):

	Three Months Ended March 31, 2026		2025	
	Amount	% Pre-tax Income	Amount	% Pre-tax Income
Computed tax at the statutory federal income tax rate	$ 2,454	21.00%	$ 2,120	21.00%
Increase (decrease) resulting from:				
State income taxes, net of federal tax benefit [1]	631	5.40%	439	4.34%
Bank owned life insurance income	(131)	(1.12%)	(119)	(1.18%)
Benefit from stock-based compensation	(166)	(1.42%)	-	-
Section 162(m) limitation	83	0.71%	-	-
Other adjustments, net	(536)	(4.59%)	-	-
Total tax expense	$ 2,335	19.98%	$ 2,440	24.16%

(1) Taxes in Florida made up the majority (greater than 50%) of the tax effect in this category.

The Company's deferred tax assets and deferred tax liabilities as of the dates indicated were (in thousands):

	March 31, 2026	December 31, 2025
Deferred tax assets:		
Net operating loss	$ 618	$ 1,039
Allowance for credit losses	6,891	6,463
Lease liability	1,256	1,399
Unrealized losses on available for sale securities	11,266	10,270
Equity compensation	878	973
Accruals	174	721
Cash flow hedge	21	(5)
Other, net	1,771	268
Deferred tax assets:	22,875	21,128
Deferred tax liabilities:		
Deferred loan cost	(1,754)	(1,520)
Lease right of use asset	(1,256)	(1,399)
Deferred expenses	(194)	(154)
Depreciable property	(22)	(9)
Other, net	-	-
Deferred tax liabilities	(3,226)	(3,082)
Net deferred tax assets	$ 19,649	$ 18,046

The Company has approximately $17.4 million of state net operating loss carryforwards expiring in various amounts between 2032 and 2036 and which are limited to offset, to the extent permitted, future taxable earnings of the Company.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The major tax jurisdictions where the Company files income tax returns are the U.S. federal jurisdiction and the State of Florida. With few exceptions, the Company is no longer subject to U.S. federal and state income tax return examinations by tax authorities for years before 2022.

For the three months ended March 31, 2026 and 2025 the Company did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. Additionally, no interest or penalties were recorded as a result of tax uncertainties.

5. OFF-BALANCE SHEET ARRANGEMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include unfunded commitments under lines of credit, commitments to extend credit, and standby and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Company's Consolidated Balance Sheets. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for unused lines of credit and standby letters of credit is represented by the contractual amount of these commitments.

A summary of the amounts of the Company's financial instruments with off-balance sheet risk are shown below at March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Commitments to grant loans and unfunded lines of credit	$ 179,642	$ 161,606
Standby and commercial letters of credit	3,073	2,700
Total	$ 182,715	$ 164,306

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. Commitments generally have fixed expiration dates or other termination clauses.

Unfunded lines of credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Company committed.

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit have fixed maturity dates and since many of them expire without being drawn upon, they do not generally present a significant liquidity risk to the Company.

6. DERIVATIVES

The Company utilizes interest rate swap agreements as part of its asset-liability management strategy to help manage its interest rate risk exposure. The notional amount of the interest rate swaps does not represent actual amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Interest Rate Swaps Designated as a Cash Flow Hedge

As of March 31, 2026, the Company had two costless collar hedges with a notional amount of $100 million that were designated as cash flow hedges of two three-month brokered CDs. The derivatives are based on the USD SOFR overnight index and have a weighted average cap rate of 4.50% and weighted average floor rate of 1.763%, effectively creating a defined range of interest rate outcomes without requiring an upfront premium. The costless collar hedges have an average maturity of 1.29 years.

As of December 31, 2025, the Company had two costless collar hedges with a notional amount of $100 million that were designated as cash flow hedge of two three-month brokered CDs. The derivatives are based on the USD SOFR overnight index and have a weighted average cap rate of 4.50% and weighted average floor rate of 1.763%, effectively creating a defined range of interest rate outcomes without requiring an upfront premium. The costless collar hedges had an average maturity of 1.54 years.

As of March 31, 2026, the Company had one interest rate swap agreement with a notional aggregate amount of $25 million that was designated as a cash flow hedge of a certificate of deposit. Under the agreement, the Company pays a fixed rate of 3.47% and receives a variable rate based on the weighted-average three-months compounded USD SOFR. The swap has a remaining maturity of 0.12 years.

As of December 31, 2025, the Company had one interest rate swap agreement with a notional aggregate amount of $25 million that was designated as cash flow hedge of a certificate of deposit. Under the agreement, the Company pays a fixed rate of 3.47% and receives a variable rate based on the weighted-average three-months compounded USD SOFR. The swap had a maturity of 0.42 years. The Company unwound one interest rate swap designated as a cash flow hedge of certificate of deposit with notional amount of $25 million during the quarter ended December 31, 2025. The decision to unwind this swap was driven by changes in interest rate forecasts and asset-liability management strategies. The early termination income to unwind the fair value swaps totaled $5 thousand. The original maturity of the cash flow interest rate swap was April 2026.

The changes in fair value of these interest rate swaps are recorded in other assets or accrued interest and other liabilities with a corresponding recognition in other comprehensive income (loss) and subsequently reclassified to earnings when gains or losses are realized.

Interest Rate Swaps

The Company enters into interest rate swaps with its loan customers. The Company had 113 and 94 interest rate swaps with loan customers with an aggregate notional amount of $370.1 million and $310.8 million at March 31, 2026 and December 31, 2025, respectively. At March 31, 2026, these interest rate swaps mature between 2026 and 2051. The Company entered into corresponding and offsetting derivatives with third parties. The fair value of the liability created by these derivatives requires the Company to provide the counterparty with funds to be held as collateral which the Company reports as other assets under the Consolidated Balance Sheets. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

The following table reflects the Company’s interest rate swaps at the dates indicated (in thousands):

				Fair Value	
	Notional Amount	Collateral Amount	Balance Sheet Location	Asset	Liability
March 31, 2026:					
Derivatives designated as cash flow hedges:					
Interest rate swaps	$ 125,000	$ -	Other assets/Accrued interest and other liabilities	$ 78	$ -
Derivatives not designated as hedging instruments:					
Interest rate swaps related to customer loans	$ 370,106	$ 6,972	Other assets/Accrued interest and other liabilities	$ 8,837	$ 8,837
December 31, 2025:					
Derivatives designated as cash flow hedges:					
Interest rate swaps	$ 125,000	$ -	Other assets/Accrued interest and other liabilities	$ 14	$ 33
Derivatives not designated as hedging instruments:					
Interest rate swaps related to customer loans	$ 310,761	$ 5,769	Other assets/Accrued interest and other liabilities	$ 9,753	$ 9,753

7. FAIR VALUE MEASUREMENTS

Determination of Fair Value

The Company uses fair value measurements to record fair-value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the fair value measurements accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Items Measured at Fair Value on a Recurring Basis

AFS investment securities: When instruments are traded in secondary markets and quoted market prices do not exist for such securities, management generally relies on prices obtained from independent vendors or third-party broker-dealers. Management reviews pricing methodologies provided by the vendors and third-party broker-dealers in order to determine if observable market information is being utilized. Securities measured with pricing provided by independent vendors or third-party broker-dealers are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow analyses utilizing inputs observable in the market where available.

Derivatives: The fair values of derivatives are measured with pricing provided by third-party participants and are classified within Level 2 of the hierarchy.

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis at March 31, 2026 and December 31, 2025 for each of the fair value hierarchy levels (in thousands):

	March 31, 2026				December 31, 2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities available for sale:								
U.S. Government Agency	$ -	$ 11,598	$ -	$ 11,598	$ -	$ 14,144	$ -	$ 14,144
Collateralized mortgage obligations	-	68,580	-	68,580	-	75,828	-	75,828
Mortgage-backed securities - residential	-	29,272	-	29,272	-	29,917	-	29,917
Mortgage-backed securities - commercial	-	149,035	-	149,035	-	168,108	-	168,108
Municipal securities	-	4,199	-	4,199	-	4,263	-	4,263
Bank subordinated debt securities	-	14,476	-	14,476	-	15,230	-	15,230
Total	-	277,160	-	277,160	-	307,490	-	307,490
Derivative assets	-	8,915	-	8,915	-	9,767	-	9,767
Total assets at fair value	$ -	$ 286,075	$ -	$ 286,075	$ -	$ 317,257	$ -	$ 317,257
Derivative liabilities	$ -	$ 8,837	$ -	$ 8,837	$ -	$ 9,786	$ -	$ 9,786
Total liabilities at fair value	$ -	$ 8,837	$ -	$ 8,837	$ -	$ 9,786	$ -	$ 9,786

Fair Value Measurements on a Nonrecurring Basis

At March 31, 2026 and December 31, 2025, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis.

Items Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of financial instruments not carried at fair value as of March 31, 2026 and December 31, 2025 (in thousands):

	Carrying Amount	Fair Value Hierarchy Level 1	Fair Value Hierarchy Level 2	Fair Value Hierarchy Level 3	Fair Value Amount
March 31, 2026:					
Financial Assets:					
Cash and due from banks	$ 6,598	$ 6,598	$ -	$ -	$ 6,598
Interest-bearing deposits in banks	$ 72,365	$ 72,365	$ -	$ -	$ 72,365
Investment securities held to maturity, net	$ 149,931	$ -	$ 137,714	$ -	$ 137,714
Loans held for investment, net	$ 2,214,949	$ -	$ -	$ 2,266,736	$ 2,266,736
Accrued interest receivable	$ 11,773	$ -	$ 1,331	$ 10,442	$ 11,773
Financial Liabilities:					
Non-interest bearing demand deposits	$ 620,714	$ 620,714	$ -	$ -	$ 620,714
Savings and money market deposits	$ 1,263,248	$ 1,263,248	$ -	$ -	$ 1,263,248
Interest-bearing demand deposits	$ 57,444	$ 57,444	$ -	$ -	$ 57,444
Time deposits	$ 552,174	$ -	$ 551,253	$ -	$ 551,253
FHLB advances	$ 53,000	$ -	$ 52,989	$ -	$ 52,989
Subordinated notes, net	$ 39,338	$ -	$ 39,454	$ -	$ 39,454
Accrued interest payable	$ 2,436	$ -	$ 2,436	$ -	$ 2,436
December 31, 2025:					
Financial Assets:					
Cash and due from banks	$ 6,027	$ 6,027	$ -	$ -	$ 6,027
Interest-bearing deposits in banks	$ 32,450	$ 32,450	$ -	$ -	$ 32,450
Investment securities held to maturity, net	$ 153,941	$ -	$ 142,508	$ -	$ 142,508
Loans held for investment, net	$ 2,163,757	$ -	$ -	$ 2,210,781	$ 2,210,781
Accrued interest receivable	$ 11,661	$ -	$ 1,443	$ 10,218	$ 11,661
Financial Liabilities:					
Non-interest bearing demand deposits	$ 583,860	$ 583,860	$ -	$ -	$ 583,860
Savings and money market deposits	$ 1,186,422	$ 1,186,422	$ -	$ -	$ 1,186,422
Interest-bearing demand deposits	$ 46,989	$ 46,989	$ -	$ -	$ 46,989
Time deposits	$ 527,809	$ -	$ 527,575	$ -	$ 527,575
FHLB advances	$ 158,250	$ -	$ 158,342	$ -	$ 158,342
Subordinated notes, net	$ 39,300	$ -	$ 40,131	$ -	$ 40,131
Accrued interest payable	$ 3,984	$ -	$ 3,984	$ -	$ 3,984

Collateral Dependent Loans Measured for Expected Credit Losses: Fair values of collateral-dependent yacht loans and real estate loans are based on recent boat and real estate appraisals less estimated costs of sale, repossession, and/or holding costs. Appraisals are made by a third party, and its evaluation may use either a comparative sales, cost and/or income approach or a combination of methodologies.

The fair value of collateral dependent loans considered Level 3 in the fair value hierarchy was $0 with no reserve as of March 31, 2026 and $2.6 million with no specific reserve as of December 31, 2025.

8. STOCKHOLDERS' EQUITY

Common Stock

During the three months ended March 31, 2026, the Company repurchased 53,475 shares of Class A common stock at a weighted average cost per share of $18.74. The aggregate purchase price for these transactions was approximately $1.0 million, including transaction costs. These repurchases were made pursuant to the Company's publicly announced repurchase programs. As of March 31, 2026, 474,834 shares remained authorized for repurchase under the Company's the 2024 share repurchase program. The Company's 2022 share repurchase program has been fully utilized.

During the three months ended March 31, 2025, the Company repurchased 9,671 shares of Class A common stock at a weighted average cost per share of $17.91. The aggregate purchase price for these transactions was approximately $174 thousand, including transaction costs. These repurchases were made pursuant to the Company's publicly announced repurchase programs. As of March 31, 2025, 528,309 shares remained authorized for repurchase under the Company's two stock repurchase programs.

During the three months ended March 31, 2026, the Company issued 147,490 shares of Class common stock to employees as restricted stock awards pursuant to the Company's 2015 equity incentive plan.

During the three months ended March 31, 2025, the Company issued 124,424 shares of Class A common stock to employees as restricted stock awards pursuant to the Company's 2015 equity incentive plan.

The number of shares of the Company's Class A common stock issued and outstanding as of March 31, 2026 and December 31, 2025 were 18,257,400 and 18,137,885, respectively.

Dividends

Declaration of dividends by the Board of Directors is required before dividend payments are made. The Company is limited in the amount of cash dividends that it may pay. Payment of dividends is generally limited to the Company's net income for the current year combined with the Company's retained income for the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Company must consider additional factors such as the amount of current period net income, liquidity, asset quality, capital adequacy and economic conditions at the Bank since the Bank is the primary source of funds to fund dividends paid by the Company. It is likely that these factors would further limit the amount of dividends which the Company could legally declare. In addition, bank regulators have the authority to prohibit banks and bank holding companies from paying dividends if they deem such payment to be an unsafe or unsound practice.

As of March 31, 2026, the Company was not subject to any formal supervisory restrictions on its ability to pay dividends but will notify the Federal Reserve Bank of Atlanta in advance of any proposed dividend to the Company's stockholders in light of the Bank's negative retained earnings. In addition, under applicable FDIC regulations and policy, because the Bank has negative retained earnings, it must obtain the prior approval of the FDIC before effecting a cash dividend or other capital distribution from the Bank to the Company.

The following table details the dividends declared and paid by the Company for the periods presented:

Three Months Ended March 31, 2026				
Declaration Date	**Record Date**	**Payment Date**	**Dividend Per Share**	**Dividend Amount**
January 20, 2026	February 17, 2026	March 5, 2026	$ 0.125	$ 2.3 million

Three Months Ended March 31, 2025				
Declaration Date	**Record Date**	**Payment Date**	**Dividend Per Share**	**Dividend Amount**
January 21, 2025	February 14, 2025	March 5, 2025	$ 0.10	$ 2.0 million

The Company and the Bank exceeded all regulatory capital requirements and remained above "well-capitalized" guidelines as of March 31, 2026 and December 31, 2025. At March 31, 2026, the total risk-based capital ratio for the Bank was 13.96%. The Company is not subject to regulatory capital ratios imposed by Basel III on bank holding companies because the Company is deemed to be a small bank holding company.

See Note 11, Subsequent Events, for information regarding dividends declared in April 2026.

9. EARNINGS PER SHARE

Earnings per share ("EPS") for common stock is calculated using the two-class method required for participating securities. Basic EPS is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period and the weighted-average number of dilutive common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, common stock equivalents include common stock options which are only included in the calculation of diluted EPS when their effect is dilutive.

The following table reflects the calculation of net income available to common shareholders for the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31,	
	2026	2025
Net Income	$ 9,351	$ 7,658
Net income available to common shareholders	$ 9,351	$ 7,658

The following table reflects the calculation of basic and diluted earnings per common share class for the three months ended March 31, 2026 and 2025 (in thousands, except share amounts):

	Three Months Ended March 31,	
	2026	2025
	Class A	
Basic EPS		
Numerator:		
Net income available to common shares	$ 9,351	$ 7,658
Denominator:		
Weighted average shares outstanding	18,214,041	20,020,933
Earnings per share, basic	$ 0.51	$ 0.38
Diluted EPS		
Numerator:		
Net income available to common shares	$ 9,351	$ 7,658
Denominator:		
Weighted average shares outstanding for basic EPS	18,214,041	20,020,933
Add: Dilutive effects of assumed exercises of stock options	239,965	298,602
Weighted avg. shares including dilutive potential common shares	18,454,006	20,319,535
Earnings per share, diluted	$ 0.51	$ 0.38
Anti-dilutive stock options excluded from diluted EPS	-	-

Net income has not been allocated to unvested restricted stock awards that are participating securities because the amounts that would be allocated are not material to earnings per share of common stock. Unvested restricted stock awards that are participating securities represent less than one percent of all of the outstanding shares of common stock for each of the periods presented.

10. LOSS CONTINGENCIES

Loss contingencies, including claims and legal actions may arise in the ordinary course of business. In the opinion of management, none of these actions, either individually or in the aggregate, is expected to have a material adverse effect on the Company's Consolidated Financial Statements.

11. SUBSEQUENT EVENTS

Dividends

On April 20, 2026, the Company announced that its Board of Directors declared its quarterly cash dividend. The dividend is in the amount of $0.125 per share of Class A common stock and will be paid on June 5, 2026, to stockholders of record as of the close of business on May 15, 2026.

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

The following discussion and analysis is designed to provide a better understanding of the consolidated financial condition and results of operations of the Company and the Bank, its wholly owned subsidiary, as of and for the three months ended March 31, 2026. This discussion and analysis is best read in conjunction with the unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q ("Form 10-Q") and the audited consolidated financial statements and related notes included in the Annual Report on Form 10-K ("2025 Form 10-K") filed with the Securities and Exchange Commission ("SEC") for the year ended December 31, 2025.

This discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Forward-Looking Statements" and Item 1A "Risk Factors" below in Part II hereof and in the 2025 Form 10-K filed with the SEC which is available at the SEC's website www.sec.gov.

Throughout this document, references to "we," "us," "our," and "the Company" generally refer to USCB Financial Holdings, Inc.

Forward-Looking Statements

This Form 10-Q contains statements that are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words "may," "will," "anticipate," "could," "should," "would," "believe," "contemplate," "expect," "aim," "plan," "estimate," "seek," "continue," and "intend," as well as other similar words and expressions of the future, are intended to identify forward-looking statements. These forward-looking statements include statements related to our projected growth, anticipated future financial performance, and management's long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, or business and growth strategies, including anticipated internal growth and potential future additional balance sheet restructuring.

These forward-looking statements involve significant risks and uncertainties that could cause our actual results to differ materially from those anticipated in such statements. Potential risks and uncertainties include, but are not limited to:

- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- our ability to successfully manage interest rate risk, credit risk, liquidity risk, and other risks inherent to our industry;
- the accuracy of our financial statement estimates and assumptions, including the estimates used for our allowance for credit losses and deferred tax asset valuation allowance;
- the efficiency and effectiveness of our internal control procedures and processes;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- adverse changes or conditions in capital and financial markets, including actual or potential stresses in the banking industry;
- deposit attrition and the level of our uninsured deposits;
- legislative or regulatory changes, including the enactment of the One Big Beautiful Bill, and changes in accounting principles, policies, practices or guidelines, including the on-going effects of the Current Expected Credit Losses ("CECL") standard;
- the lack of a significantly diversified loan portfolio and our concentration in the South Florida market, including the risks of geographic, depositor, and industry concentrations, including our concentration in loans secured by real estate, in particular, commercial real estate;
- the effects of climate change;
- the concentration of ownership of our common stock;
- fluctuations in the price of our common stock;
- our ability to fund or access the capital markets at attractive rates and terms and manage our growth, both organic growth as well as growth through other means, such as future acquisitions;
- inflation, interest rate, unemployment rate, market and monetary fluctuations;
- the effects of potential new or increased tariffs, retaliatory tariffs, and trade restrictions;
- the impacts of international hostilities and geopolitical events;
- increased competition and its effect on the pricing of our products and services as well as our interest rate spread and net interest margin;
- the loss of key employees;
- the effectiveness of our risk management strategies, including operational risks, including, but not limited to, client, employee, or third-party fraud and security breaches; and

- other risks described in this Form 10-Q, the 2025 Form 10-K and other filings we make with the SEC.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations. Therefore, you are cautioned not to place undue reliance on any forward-looking statements. Further, forward-looking statements included in this Form 10-Q are made only as of the date hereof, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, unless required to do so under the federal securities laws. You should also review the risk factors described in the 2025 Form 10-K and in the reports the Company has filed or will file with the SEC.

Overview

The Company reported net income of $9.4 million or $0.51 per diluted share of common stock for the three months ended March 31, 2026 compared to $7.7 million or $0.38 per diluted share of common stock for the three months ended March 31, 2025.

In evaluating our financial performance, the Company considers the level of and trends in net interest income, the net interest margin, the cost of deposits and borrowings, the level and composition of non-interest income and non-interest expense, performance ratios, asset quality ratios, regulatory capital ratios, and any significant event or transaction.

Unless otherwise stated, all period comparisons in the bullet points below are calculated at or for the quarter ended March 31, 2026 compared to at or for the quarter ended March 31, 2025 and as of December 31, 2025 and annualized where appropriate:

- Net interest income before provision for credit losses for the three months ended March 31, 2026 increased $2.9 million or 15.3% to $22.0 million from $19.1 million for the quarter ended March 31, 2025.

- Net interest margin (“NIM”) expanded to 3.27% for the three months ended March 31, 2026 compared to 3.10% for the three months ended March 31, 2025.

- Total assets were $2.85 billion at March 31, 2026, representing an increase of $168.4 million or 6.3% from March 31, 2025 and an increase of $54.2 million or 7.9% annualized from December 31, 2025.

- Total loans held for investment (net of deferred cost/fees) were $2.24 billion at March 31, 2026, representing an increase of $204.8 million or 10.1% from March 31, 2025 and an increase of $51.8 million or 9.6% annualized from December 31, 2025.

- Total deposits were $2.49 billion at March 31, 2026, representing an increase of $184.0 million or 8.0% from March 31, 2025 and an increase of $148.5 million or 25.7% annualized from December 31, 2025.

- Annualized return on average assets for the quarter ended March 31, 2026 was 1.34% compared to 1.19% for the quarter ended March 31, 2025.

- Annualized return on average stockholders’ equity for the quarter ended March 31, 2026 was 17.07% compared to 14.15% for quarter ended March 31, 2025.

- The ACL to total loans was 1.16% at March 31, 2026 and at December 31, 2025.

- Non-performing loans to total loans was 0.16% at March 31, 2026 and 0.14% at December 31, 2025.

- At March 31, 2026, the total risk-based capital ratios for the Company and the Bank were 14.09% and 13.96%, respectively.

- Tangible book value per common share (a non-GAAP measure) was $12.23 at March 31, 2026, representing an increase of $1.00 or 8.9% annualized from $11.23 at March 31, 2025. At March 31, 2026, tangible book value per common share was negatively affected by ($1.72) due to an accumulated comprehensive loss of $31.4 million. At March 31, 2025, tangible book value per common share was negatively affected by ($2.05) due to an accumulated comprehensive loss of $41.1 million. See “Reconciliation and Management Explanation for Non-GAAP Financial Measures” included in this Form 10-Q for a reconciliation of this non-GAAP financial measure.

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Critical Accounting Policies and Estimates

The consolidated financial statements are prepared based on the application of U.S. Generally Accepted Accounting Practices ("GAAP"), the most significant of which are described in Note 1 "Summary of Significant Accounting Policies" in the Company's 2025 Form 10-K and "Summary of Significant Accounting Policies" in Part I in this Form 10-Q. To prepare consolidated financial statements in conformity with US GAAP, management makes estimates, assumptions, and judgments based on available information. These estimates, assumptions, and judgments affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the consolidated financial statements. In particular, management has identified accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are critical to an understanding of our consolidated financial statements. Management has presented the application of these policies to the Audit and Risk Committee of our Board of Directors.

Non-GAAP Financial Measures

This Form 10-Q includes financial information determined by methods other than in accordance with GAAP. This financial information includes certain operating performance measures. Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating the Company's underlying performance trends. Further, management uses these measures in managing and evaluating the Company's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the section "Reconciliation and Management Explanation of Non-GAAP Financial Measures" included in this Form 10-Q.

Segment Reporting

Management monitors the revenue streams for all its various products and services. The identifiable segments are not material and operations are managed and financial performance is evaluated on an overall Company-wide basis. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

Results of Operations

General

The following tables present selected balance sheet, income statement, and profitability ratios for the dates and periods indicated (in thousands, except ratios):

	March 31, 2026	December 31, 2025
Consolidated Balance Sheets:		
Total assets	$ 2,845,735	$ 2,791,540
Total loans [(1)]	$ 2,241,051	$ 2,189,257
Total deposits	$ 2,493,580	$ 2,345,080
Total stockholders' equity	$ 223,246	$ 217,183

(1) Loan amounts include deferred fees/costs.

	Three Months Ended March 31, 2026	2025
Consolidated Statements of Operations:		
Net interest income before provision for credit losses	$ 22,048	$ 19,115
Total non-interest income	$ 4,150	$ 3,716
Total non-interest expense	$ 13,711	$ 12,052
Net income	$ 9,351	$ 7,658
Profitability:		
Efficiency ratio	52.34%	52.79%
Net interest margin	3.27%	3.10%

The Company's results of operations depend substantially on the levels of our net interest income and non-interest income. Other factors contributing to the results of operations include our provision for credit losses, the level of non-interest expense, and the provision for income taxes.

Three months ended March 31, 2026 compared to the three months ended March 31, 2025

Net income increased $1.7 million to $9.4 million for the three months ended March 31, 2026 from $7.7 million for the same period in 2025. The $1.7 million or 22.1% increase in the net income was primarily driven by higher income from a larger loan portfolio combined with a reduction on rates paid of interest-bearing liabilities between periods. The increase in net interest income was partially offset by an increase in non-interest expense between periods.

Net Interest Income

Net interest income is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities and is the primary driver of core earnings. Interest income is generated from interest and dividends on interest-earning assets, including loans, investment securities and other short-term investments. Interest expense is incurred from interest paid on interest-bearing liabilities, including interest-bearing deposits, FHLB advances, subordinated debt, and other borrowings.

To evaluate net interest income, we measure and monitor (i) yields on loans and other interest-earning assets, (ii) the costs of deposits and other funding sources, (iii) net interest spread, and (iv) net interest margin. Net interest spread is equal to the difference between yields earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is equal to the annualized net interest income divided by average interest-earning assets. Because non-interest-bearing sources of funds, such as non-interest-bearing deposits and stockholders' equity, also fund interest-earning assets, net interest margin includes the indirect benefit of these non-interest-bearing funding sources.

Changes in market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets and interest-bearing and non-interest-bearing liabilities, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Our asset liability committee ("ALCO") has in place asset-liability management techniques to manage major factors that affect net interest income and net interest margin.

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The following table contains information related to average balances, average yields earned on assets, and average costs of liabilities for the periods indicated (dollars in thousands):

	Three Months Ended March 31,					
	2026			2025		
	Average [1] Balance	Interest	Yield/Rate [2]	Average [1] Balance	Interest	Yield/Rate [2]
Assets						
Interest-earning assets:						
Loans [3]	$ 2,177,734	$ 32,789	6.11%	$ 1,986,856	$ 30,245	6.17%
Investment securities [4]	454,262	3,411	3.05%	436,935	3,024	2.81%
Other interest-earnings assets	105,457	832	3.20%	75,182	709	3.82%
Total interest-earning assets	2,737,453	37,032	5.49%	2,498,973	33,978	5.51%
Non-interest-earning assets	97,264			107,620		
Total assets	$ 2,834,717			$ 2,606,593		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 52,099	310	2.41%	$ 53,611	338	2.56%
Saving and money market deposits	1,256,418	8,133	2.63%	1,199,027	9,335	3.16%
Time deposits	533,766	4,700	3.57%	399,509	3,918	3.98%
Total interest-bearing deposits	1,842,283	13,143	2.89%	1,652,147	13,591	3.34%
FHLB advances	110,045	1,040	3.83%	138,944	1,272	3.71%
Subordinated notes	39,313	801	8.26%	-	-	- %
Total interest-bearing liabilities	1,991,641	14,984	3.05%	1,791,091	14,863	3.37%
Non-interest-bearing demand deposits	584,784			563,040		
Other non-interest-bearing liabilities	36,066			32,957		
Total liabilities	2,612,491			2,387,088		
Stockholders' equity	222,226			219,505		
Total liabilities and stockholders' equity	$ 2,834,717			$ 2,606,593		
Net interest income		$ 22,048			$ 19,115	
Net interest spread [5]			2.44%			2.14%
Net interest margin [6]			3.27%			3.10%

(1) Average balances - Daily average balances are used to calculate yields/rates.
(2) Annualized.
(3) Average loan balances include deferred fees/costs and non-accrual loans. Interest income on loans includes accretion of deferred loan fees, net of deferred loan costs.
(4) At fair value except for securities held to maturity. This amount includes FHLB stock.
(5) Net interest spread is the weighted average yield on total interest-earning assets minus the weighted average rate on total interest-bearing liabilities.
(6) Net interest margin is the ratio of net interest income to average total interest-earning assets.

Three months ended March 31, 2026 compared to the three months ended March 31, 2025

Net interest income before the provision for credit losses was $22.0 million for the three months ended March 31, 2026, an increase of $2.9 million or 15.3%, from $19.1 million for the same period in 2025. This growth was primarily driven by higher income from a larger loan portfolio and a reduction in the weighted average rates paid on interest-bearing liabilities between periods.

The NIM was 3.27% for the three months ended March 31, 2026 and 3.10% for the same period in 2025. The NIM expansion of 17 basis points reflects primarily the increase in the loan portfolio average balance, along with a decrease in the weighted average interest rate paid on interest-bearing liabilities, particularly in savings and money market deposits.

Provision for Credit Losses

The provision for credit losses represents a charge to earnings necessary to maintain an allowance for credit losses at a level that, in management's evaluation, is adequate to provide coverage for all expected credit losses. The provision for credit losses is impacted by variations in the size and composition of our loan and debt securities portfolio, recent historical and projected future economic conditions, our internal assessment of the credit quality of the loan and debt securities portfolios and net charge-offs.

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Three months ended March 31, 2026 compared to the three months ended March 31, 2025

The provision for credit losses was $801 thousand for the three months ended March 31, 2026 compared to $681 thousand for the same period in 2025. The increase in the provision for credit losses was due to loan portfolio growth.

Non-Interest Income

Our services and products generate service charges and fees, mainly from our depository accounts. We also generate income from gain on sale of loans though the SBA 7a loan program and the monetization of fees earned through our loan swap program. In addition, we own and are beneficiaries of the life insurance policies covering certain of our key employees, which policies generate income from the increase in the cash surrender values.

The following table presents the components of non-interest income for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2026	2025
Service fees	$ 3,100	$ 2,331
Gain on sale of securities available for sale, net	14	-
Gain on sale of loans held for sale, net	106	525
Other non-interest income	930	860
Total non-interest income	$ 4,150	$ 3,716

Three months ended March 31, 2026 compared to the three months ended March 31, 2025

Non-interest income for the three months ended March 31, 2026 increased $434 thousand or 11.7%, compared to the same period in 2025. This increase was primarily driven by $1.5 million increase in income generated by the Company loan swap program reported under service fees in the Consolidated Statements of Operations.

Non-Interest Expense

The following table presents the components of non-interest expense for the dates indicated (in thousands):

	Three Months Ended March 31,	
	2026	2025
Salaries and employee benefits	$ 8,570	$ 7,636
Occupancy	1,316	1,284
Regulatory assessment and fees	484	421
Consulting and legal fees	561	193
Network and information technology services	560	505
Other operating	2,220	2,013
Total non-interest expense	$ 13,711	$ 12,052

Three months ended March 31, 2026 compared to the three months ended March 31, 2025

Non-interest expense for the three months ended March 31, 2026 increased $1.7 million or 13.8%, compared to the same period in 2025. The increase was primarily driven by an increase of $934 thousand in salaries and employee benefits, consisting of $412 thousand related to merit increases and new full-time employee salaries, $342 thousand increase in payroll taxes, and $181 thousand increase in additional stock-based compensation expense. In addition, consulting and legal fees increased $368 thousand, primarily due to model validation-related consulting expenses and human resources consulting costs. Other non-interest expenses increased by $207 thousand, driven by a $60 thousand increase in FDIC insurance expense and $183 thousand increase in promotional expenses between periods.

Provision for Income Tax

Fluctuations in the effective tax rate reflect the effect of the differences in the inclusion or deductibility of certain income and expenses for income tax purposes. Therefore, future decisions on the investments we choose will affect our effective tax rate. The cash surrender value of bank-owned life insurance policies covering key employees, purchasing municipal bonds, and overall levels of taxable income will be important elements in determining our effective tax rate.

Three months ended March 31, 2026 compared to the three months ended March 31, 2025

Income tax expense for the three months ended March 31, 2026 was $2.3 million as compared to $2.4 million for the same period in 2025. The Company recognized a non-recurring $619 thousand income tax benefit in the first quarter of 2026 due to an adjustment to the deferred tax asset calculation from December 31, 2025. The effective tax rate for the three months ended March 31, 2026 was 19.98% compared to 24.16% for the same period in 2025.

For a further discussion of income taxes, see Note 4 “Income Taxes” to the unaudited Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q.

Analysis of Financial Condition

Total assets at March 31, 2026 were $2.85 billion, an increase of $54.2 million, or 7.9% annualized, over total assets of $2.79 billion at December 31, 2025. Total loans, net of deferred fees/costs, increased $51.8 million, or 9.6% annualized, to $2.24 billion at March 31, 2026 compared to $2.19 billion at December 31, 2025. Total deposits increased by $148.5 million, or 25.7% annualized, to $2.49 billion at March 31, 2026 compared to $2.35 billion at December 31, 2025.

Investment Securities

The investment portfolio is used and managed to provide liquidity through cash flows, marketability and, if necessary, collateral for borrowings. The investment portfolio is also used as a tool to manage interest rate risk and the Company’s capital market risk exposure. The philosophy of the portfolio is to maximize the Company’s profitability taking into consideration the Company’s risk appetite and tolerance, manage its asset composition and diversification, and maintain adequate risk-based capital ratios.

The investment portfolio is managed in accordance with the Board approved Asset and Liability Management (“ALM”) policy, which includes investment guidelines. Such policy is reviewed at least annually or more frequently if deemed necessary, depending on market conditions and/or unexpected events. The investment portfolio composition is subject to change depending on the funding and liquidity needs of the Company, and the interest risk management objective directed by the Asset-Liability Committee (“ALCO”). The portfolio of investments also can be used to modify the duration of the balance sheet. The allocation of cash into securities takes into consideration anticipated future cash flows (uses and sources) and all available sources of credit.

Our investment portfolio consists primarily of securities issued by the U.S. Government and U.S. Government Agencies and mortgage-backed securities, collateralized mortgage obligations, corporate bonds, municipal securities, other debt securities all with varying contractual maturities and coupons. Due to the optionality embedded in these securities, the contractual maturities do not necessarily represent the expected life of the portfolio. Some of these securities will be called or paid down prior to maturity depending on capital market conditions and expectations. The investment portfolio is regularly reviewed by the Chief Financial Officer, Treasurer, and the ALCO of the Company to ensure an appropriate risk and return profile as well as for adherence to the Company’s investment policies.

When evaluating AFS debt securities under ASC Topic 326, the Company evaluates whether the decline in fair value is attributable to credit losses or other factors like interest rate risk, using both quantitative and qualitative analyses, including company performance analysis, review of credit ratings, vintage bonds, remaining payment terms, prepayment speeds and analysis of macro-economic conditions. As a result of this evaluation, the Company concluded that no allowance was required on AFS securities as of March 31, 2026.

At quarter end, HTM securities included $141.9 million of U.S. Government and U.S. Government Agencies issued bonds and mortgage-backed securities. Because of the explicit and/or implicit guarantee on these bonds, the Company holds no reserves on these holdings. The remaining portion of the HTM portfolio is made up of $8.0 million in investment grade corporate bonds that mature in May of 2026. Using the PD/LGD methodology and considering the short remaining maturity of the HTM securities exposed to non-government credit risk, the Company estimated an allowance for credit losses (“ACL”) of $0 as of March 31, 2026. The book value for debt securities classified as HTM represents amortized cost less ACL.

Aggregate AFS and HTM investment securities decreased $34.3 million to $427.1 million at March 31, 2026 from $461.4 million at December 31, 2025. The decrease was primarily attributable to $38.2 million of AFS securities sold during the quarter ended March 31, 2026.

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As of March 31, 2026, investment securities with a market value of $55.1 million were pledged to secure public deposits. The investment portfolio does not contain any tax-exempt securities.

The following table presents the amortized cost and fair value of investment securities for the dates indicated (dollars in thousands):

	March 31, 2026		December 31, 2025	
Available-for-sale:	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
U.S. Government Agency	$ 12,568	$ 11,598	$ 15,169	$ 14,144
Collateralized mortgage obligations	86,307	68,580	92,871	75,828
Mortgage-backed securities - residential	35,364	29,272	35,865	29,917
Mortgage-backed securities - commercial	156,895	149,035	174,622	168,108
Municipal securities	5,194	4,199	5,196	4,263
Bank subordinated debt securities	14,570	14,476	15,284	15,230
	$ 310,898	$ 277,160	$ 339,007	$ 307,490
Held-to-maturity:				
U.S. Government Agency	$ 40,748	$ 37,507	$ 41,158	$ 37,970
Collateralized mortgage obligations	50,175	45,071	51,431	46,786
Mortgage-backed securities - residential	35,963	33,263	37,221	34,718
Mortgage-backed securities - commercial	15,041	13,878	15,088	14,051
Corporate bonds	8,004	7,995	9,045	8,983
	$ 149,931	$ 137,714	$ 153,943	$ 142,508
Allowance for credit losses - securities held-to-maturity	-		(2)	
Securities held-to maturity, net of allowance for credit losses	$ 149,931		$ 153,941	

The following table shows the weighted average yields, categorized by contractual maturity, for investment securities as of March 31, 2026 (in thousands, except yields):

	Within 1 year		After 1 year through 5 years		After 5 years through 10 years		After 10 years		Total	
	Amortized Cost	**Yield**	**Amortized Cost**	**Yield**	**Amortized Cost**	**Yield**	**Amortized Cost**	**Yield**	**Amortized Cost**	**Yield**
Available-for-sale:										
U.S. Government Agency	$ -	-	$ -	-	$ -	-	$ 12,568	2.73%	$ 12,568	2.73%
Collateralized mortgage obligations	-	-	-	-	-	-	86,307	1.58%	86,307	1.58%
MBS - residential	-	-	-	-	-	-	35,365	2.43%	35,364	2.43%
MBS - commercial	-	-	-	-	-	-	156,895	4.08%	156,895	4.08%
Municipal securities	-	-	-	-	5,194	1.87%	-	-	5,194	1.87%
Bank subordinated debt securities	-	-	2,000	7.86%	12,570	5.74%	-	-	14,570	6.03%
	$ -	-	$ 2,000	7.86%	$ 17,764	4.61%	$ 291,135	3.08%	$ 310,898	3.20%
Held-to-maturity:										
U.S. Government Agency	$ 7,982	1.02%	$ 18,034	1.27%	$ 1,478	2.39%	$ 13,254	2.10%	$ 40,748	1.53%
Collateralized mortgage obligations	-	-	-	-	-	-	50,175	1.66%	50,175	1.66%
MBS - residential	30	2.96%	8,918	1.64%	-	-	27,015	2.32%	35,963	2.15%
MBS - commercial	-	-	3,038	1.63%	-	-	12,003	2.56%	15,041	2.37%
Corporate bonds	8,004	2.97%	-	-	-	-	-	-	8,004	2.97%
	$ 16,016	2.00%	$ 29,990	1.42%	$ 1,478	2.39%	$ 102,447	2.00%	$ 149,931	1.88%

Loans

Loans are the largest category of interest-earning assets on the unaudited Consolidated Balance Sheets, and usually provide higher yields than the remainder of the interest-earning assets. Higher yields typically carry greater inherent credit and liquidity risks in comparison to lower yield assets. The Company manages and mitigates such risks in accordance with the credit and ALM policies, risk tolerance and balance sheet composition.

The following table shows the loan portfolio composition as of the dates indicated (in thousands):

	March 31, 2026		December 31, 2025	
	Total	Percent of Total	Total	Percent of Total
Residential real estate	$ 346,917	15.5 %	$ 307,692	14.1 %
Commercial real estate	1,259,642	56.4 %	1,244,835	57.0 %
Commercial and industrial	291,333	13.0 %	295,548	13.5 %
Correspondent banks	128,722	5.8 %	127,968	5.9 %
Consumer and other	207,794	9.3 %	207,215	9.5 %
Total gross loans	2,234,408	100.0 %	2,183,258	100.0 %
Plus: Deferred fees/costs	6,643		5,999	
Total loans net of deferred fees/costs	2,241,051		2,189,257	
Less: Allowance for credit losses	26,102		25,500	
Total net loans	$ 2,214,949		$ 2,163,757	

Total loans, net of deferred fees/costs, increased by $51.8 million, or 9.6% annualized to $2.24 billion, at March 31, 2026 compared to December 31, 2025. The residential real estate loan segment had the most significant balance increase compared to December 31, 2025.

Our loan portfolio continues to grow, with commercial real estate lending being the primary focus which represented approximately 56.4% of the total gross loan portfolio as of March 31, 2026. Our loan growth strategy since inception has been reflective of the market in which we operate and of our strategic plan as approved by the Board.

The growth experienced in recent years is primarily due to implementation of our relationship-based banking model and the success of our relationship managers in competing for new business in a highly competitive metropolitan area. Many of our larger loan clients have long-term relationships with members of our senior management team or our relationship managers that date back to former institutions.

From a liquidity perspective, our loan portfolio provides us with additional liquidity due to repayments or unexpected prepayments. The following table shows maturities and sensitivity to interest rate changes of the loan portfolio at March 31, 2026 (in thousands):

	Due in 1 year or less	Due in 1 to 5 years	Due after 5 to 15 years	Due after 15 years	Total
Residential real estate	$ 7,403	$ 69,792	$ 61,936	$ 207,786	$ 346,917
Commercial real estate	62,790	573,987	617,411	5,454	1,259,642
Commercial and industrial	11,107	117,619	119,110	43,497	291,333
Correspondent banks	128,722	-	-	-	128,722
Consumer and other	4,096	1,267	22,625	179,806	207,794
Total gross loans	$ 214,118	$ 762,665	$ 821,082	$ 436,543	$ 2,234,408
Interest rate sensitivity:					
Fixed interest rates	$ 175,825	$ 197,208	$ 145,518	$ 306,009	$ 824,560
Floating or adjustable rates	38,293	565,457	675,564	130,534	1,409,848
Total gross loans	$ 214,118	$ 762,665	$ 821,082	$ 436,543	$ 2,234,408

The information presented in the table above is based upon the contractual maturities of the individual loans, which may be subject to renewal at their contractual maturity. Renewals will depend on approval by our credit department and balance sheet composition at the time of the analysis, as well as any modification of terms at the loan’s maturity. Additionally, maturity concentrations, loan duration, prepayment speeds and other interest rate sensitivity measures are discussed, reviewed, and analyzed by the ALCO. Decisions on term/rate modifications are discussed as well.

As of March 31, 2026, approximately 63.1% of the loan portfolio has adjustable/variable rates and 36.9% of the loan portfolio has fixed rates. The adjustable/variable rate loans re-price to different benchmarks and tenors and in different periods of time. By contractual characteristics, there are no material concentrations on anniversary repricing.

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Asset Quality

Our asset quality grading analysis estimates the capability of the borrower to repay the contractual obligation of the loan agreement as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans. Internal credit risk grades are reviewed at least once a year, and more frequently as needed. Internal credit risk ratings may change based on management's assessment of the results from the annual review, portfolio monitoring, and other developments observed with borrowers.

The internal credit risk grades used by the Company to assess the credit worthiness of a loan are shown below:

Pass – Loans indicate different levels of satisfactory financial condition and performance.

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligator or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified at substandard, with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible.

Loan credit exposures by internally assigned grades are as follows for the dates indicated (in thousands):

	March 31, 2026				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential real estate	$ 343,468	$ 488	$ 2,961	$ -	$ 346,917
Commercial real estate	1,241,104	16,153	2,385	-	1,259,642
Commercial and industrial	289,041	805	1,487	-	291,333
Correspondent banks	128,722	-	-	-	128,722
Consumer and other	207,794	-	-	-	207,794
	$ 2,210,129	$ 17,446	$ 6,833	$ -	$ 2,234,408

	December 31, 2025				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential real estate	$ 304,276	$ 916	$ 2,500	$ -	$ 307,692
Commercial real estate	1,230,823	11,613	2,399	-	1,244,835
Commercial and industrial	293,169	907	1,472	-	295,548
Correspondent banks	127,968	-	-	-	127,968
Consumer and other	207,215	-	-	-	207,215
	$ 2,163,451	$ 13,436	$ 6,371	$ -	$ 2,183,258

Non-Performing Assets

The following table presents non-performing assets as of the dates shown (in thousands, except ratios):

	March 31, 2026	December 31, 2025
Non-accrual loans	$ 3,640	$ 3,138
Loans past due over 90 days and still accruing	-	-
Total non-performing loans	$ 3,640	$ 3,138
Other real estate owned	-	-
Total non-performing assets	$ 3,640	$ 3,138
Asset quality ratios:		
Allowance for credit losses to total loans	1.16%	1.16%
Allowance for credit losses to non-performing loans	717%	813%
Non-performing loans to total loans	0.16%	0.14%

Non-performing assets include all loans categorized as non-accrual, other real estate owned ("OREO") and other repossessed assets. Problem loans for which the collection or liquidation in full is reasonably uncertain are placed on a non-accrual status. This determination is based on current existing facts concerning collateral values and the paying capacity of the borrower. When the collection of the full contractual balance is unlikely, the loan is placed on non-accrual to avoid overstating the Company's income for a loan with increased credit risk.

If the principal or interest on a commercial loan becomes due and unpaid for 90 days or more, the loan is placed on non-accrual status as of the date it becomes 90 days past due and remains in non-accrual status until it meets the criteria for restoration to accrual status. Residential loans, on the other hand, are placed on non-accrual status when the principal or interest becomes due and unpaid for 120 days or more and remains in non-accrual status until it meets the criteria for restoration to accrual status. Restoring a loan to accrual status is possible when the borrower resumes payment of all principal and interest payments for a period of six consecutive months and the Company has a documented expectation of repayment of the remaining contractual principal and interest or the loan becomes secured and in the process of collection.

The Company may grant a loan concession to a borrower experiencing financial difficulties. This determination is performed during the annual review process or whenever problems surface regarding the borrower's ability to repay in accordance with the original terms of the loan or line of credit. The concessions are given to the debtor in various forms, including interest rate reductions, principal forgiveness, extension of maturity date, waiver or deferral of payments and other concessions intended to minimize potential losses.

For further discussion of non-performing loans and borrowers experiencing financial difficulties, see Note 3 "Loans" to the unaudited Consolidated Financial Statements in Item 1 of Part 1 of this Form 10-Q.

Allowance for Credit Losses

The ACL on loans represents an amount that, in management's evaluation, is adequate to provide coverage for all expected future credit losses on outstanding loans. Additionally, qualitative adjustments are made to the ACL when, based on management's judgment, there are factors impacting the allowance estimate not considered by the quantitative calculations. See Note 3 "Loans" in Item 1 of Part 1 of this Form 10-Q for more information on the ACL.

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The following table presents ACL on loans and net charge-offs to average loans by type for the periods indicated (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended March 31, 2026						
Beginning balance	$ 5,908	$ 9,476	$ 4,814	$ 1,015	$ 4,287	$ 25,500
Provision for credit losses [1]	(644)	456	512	3	271	598
Recoveries	6	-	4	-	-	10
Charge-offs	-	-	-	-	(6)	(6)
Ending Balance	$ 5,270	$ 9,932	$ 5,330	$ 1,018	$ 4,552	$ 26,102
Average loans	$ 304,162	$ 1,267,713	$ 235,352	$ 128,849	$ 241,658	$ 2,177,734
Net charge-offs (recoveries) to average loans [2]	(0.01)%	-	(0.01)%	-	0.01%	(0.00)%

(1) Provision for credit losses excludes a $205 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a $2 thousand release related to investment securities held to maturity.
(2) Annualized.

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended March 31, 2025						
Beginning balance	$ 5,121	$ 8,788	$ 4,633	$ 654	$ 4,874	$ 24,070
Provision for credit losses [1]	(12)	409	(204)	163	316	672
Recoveries	6	-	5	-	-	11
Charge-offs	-	-	-	-	(13)	(13)
Ending Balance	$ 5,115	$ 9,197	$ 4,434	$ 817	$ 5,177	$ 24,740
Average loans	$ 301,230	$ 1,142,985	$ 257,241	$ 87,214	$ 198,186	$ 1,986,856
Net charge-offs (recoveries) to average loans [2]	(0.01)%	-	(0.01)%	-	0.03%	0.00%

(1) Provision for credit losses excludes a $10 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a $1 thousand release related to investment securities held to maturity.
(2) Annualized.

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The Federal Open Market Committee ("FOMC") economic forecasts as of March 31, 2026, showed moderate improvement in the forecast for real GDP and a slight improvement in the unemployment rate. Fannie Mae House Price Index ("HPI") forecast reflected an improvement in national housing prices. The Company continued to adjust the HPI index effect on the 1-4 Family loan portfolio with a qualitative factor because Florida housing prices are performing better than national levels. The Q-factor scorecard was updated based on the latest portfolio stress test and the resulting maximum loss calculation.

Our ACL included residential loans. To assess the potential impact of changes in qualitative factors related to these loans, management performed a sensitivity analysis. The Company evaluated the impact of the HPI used in calculating expected losses on the residential loan segment. As of March 31, 2026, for every 100 basis points increase in the HPI, the forecast reduces reserves by approximately $239 thousand and about 1 basis points to the reserve coverage ratio, everything else being constant. This sensitivity analysis provides a hypothetical result to assess the sensitivity of the ACL and does not represent a change in management's judgement. For comparative purposes, in prior periods the Company stress tested the commercial real estate loan subcategory based on collateral code (1st lien, commercial property) rather than the non-owner-occupied subsegment.

As of March 31, 2026, the Company stress tested two qualitative factors within the non-owner-occupied subsegment of the commercial real estate loan portfolio, as it represents the largest segment of the Company's portfolio. The analysis evaluated the impact of changing the qualitative factors from no risk to maximum loss to assess the sensitivity of the allowance for credit losses ("ACL"). This stress resulted in a hypothetical increase of $6.7 million, or 25.7%, in the ACL. The sensitivity analysis is intended solely to illustrate the responsiveness of the ACL to changes in qualitative assumptions and does not represent a change in management's judgment. For comparative purposes, in prior periods the Company stress tested the commercial real estate loan subcategory based on collateral code (1st lien, commercial property) rather than the non-owner-occupied subsegment.

Bank-Owned Life Insurance

As of March 31, 2026, the combined cash surrender value of all bank-owned life insurance ("BOLI") policies was $59.9 million. Changes in cash surrender value are recorded to other non-interest income in the unaudited Consolidated Statements of Operations. The Company has BOLI policies with five insurance carriers. The Company is the beneficiary of these policies.

Deposits

Customer deposits are the primary funding source for the Bank's growth. Through our network of banking centers, we offer a competitive array of deposit accounts and treasury management services designed to meet our customers' business needs. Our primary deposit customers are small-to-medium sized businesses ("SMBs"), and the personal business of the owners and operators of these SMBs, as well as the retail/consumer relationships of the employees of these businesses.

The following table presents the daily average balance and average rate paid on deposits by category for the periods presented (in thousands, except ratios):

	Three Months Ended March 31,			
	2026		2025	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest bearing demand deposits	$ 584,784	0.00%	$ 563,040	0.00%
Interest-bearing demand deposits	52,099	2.41%	53,611	2.56%
Saving and money market deposits	1,256,418	2.63%	1,199,027	3.16%
Time deposits	533,766	3.57%	399,509	3.98%
Total	$ 2,427,067	2.20%	$ 2,215,187	2.49%

The Company has a granular deposit portfolio with outstanding balances comprised of 55.7% in commercial deposits, 26.9% in personal deposits, 8.9% in public funds (which are partially collateralized) and 8.6% in brokered deposits. The brokered deposits balance at March 31, 2026 was $215.0 million and $256.8 million at December 31, 2025.

As of March 31, 2026, the Company has approximately 21 thousand deposit accounts with the majority of which were personal accounts, approximately 12 thousand or 59.6%. The estimated average account size in our deposit portfolio was approximately $120 thousand as of March 31, 2026.

The amount of uninsured deposits are estimated based on the FDIC deposit insurance limit of $250 thousand per account holder for all deposit accounts at the Company. The total estimated percentage of uninsured deposits was 54% at March 31, 2026 and 51% at December 31, 2025. The Company offers Insured Cash Sweep ("ICS") and Certificate of Deposit Account Registry Service ("CDARS") deposit products to fully insure our clients. The deposit balance in ICS/CDARS was $186.5 million at March 31, 2026 and was $183.2 million at December 31, 2025.

The following table shows scheduled maturities of uninsured time deposits as of March 31, 2026 (in thousands):

	March 31, 2026
Three months or less	$ 24,318
Over three through six months	55,400
Over six through twelve months	16,536
Over twelve months	101,211
	$ 197,465

Other Liabilities

The Company collects from commercial and residential loan customers funds which are held in escrow for future payment of real estate taxes and insurance. These escrow funds are disbursed by the Company directly to the insurance companies and taxing authority of the borrower. Escrow funds are recorded as accrued interest and other liabilities in the consolidated balance sheet.

As of March 31, 2026, escrow balances totaled $15.4 million compared to $8.1 million at December 31, 2025. The increase reflects the normal growth in escrow accounts pending tax and insurance payments.

Borrowings

FHLB Advances

As a member of the FHLB of Atlanta, we are eligible to obtain advances with various terms and conditions. This accessibility to additional funding allows us to efficiently and timely meet both expected and unexpected outgoing cash flows and collateral needs without adversely affecting either daily operations or the financial condition of the Company.

As of March 31, 2026, we had $11.0 million of fixed-rate advances and $42.0 million of daily-rate advances outstanding with the FHLB, with weighted average interest rates of 3.76% and 3.88%, maturing in January 2028 and May 2026, respectively, as detailed in the table below.

The following table presents the FHLB advances as of March 31, 2026 (in thousands):

March 31, 2026			
Interest Rate	Type of Rate	Maturity Date	Amount
3.76%	Fixed	January 24, 2028	11,000
3.88%	Fixed	May 22, 2026	42,000
			$ 53,000

The Company has also established Federal Funds lines of credit with our upstream correspondent banks and the Federal Reserve Bank of Atlanta Discount Window to manage temporary fluctuations in our daily cash balances. As of March 31, 2026, there were no outstanding balances with any of these additional liquidity sources.

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Subordinated Notes

On August 14, 2025, the Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers pursuant to which the Company sold and issued $40.0 million in aggregate principal amount of its 7.625% Fixed-to-Floating Rate Subordinated Notes due 2035. The Notes were issued by the Company to the purchasers at a price equal to 100% of their face amount. The subordinated debt was originally issued at a cost of $760 thousand. The subordinated debt, net of amortized expenses, was $39.3 million, reflecting the scheduled expense recognition over the term of the instruments. The subordinated notes are presented net of these costs on the consolidated balance sheet. The Notes were offered and sold by the Company in a private placement transaction in reliance on exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D thereunder. For additional information, see the Company Form 8-K filed on August 14, 2025.

Off-Balance Sheet Arrangements

We engage in various financial transactions in our operations that, under GAAP, may not be included on the balance sheet. To meet the financing needs of our customers, we may include commitments to extend credit and standby letters of credit. To a varying degree, such commitments involve elements of credit, market, and interest rate risk in excess of the amount recognized in the consolidated balance sheets. We maintain an allowance for off-balance sheet credit risk which is recorded under accrued interest and other liabilities on the unaudited Consolidated Balance Sheets. The ACL related to unfunded commitments at March 31, 2026 was $957 thousand and at December 31, 2025 was $752 thousand. The increase was primarily driven by an increase in unfunded commitments.

Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect actual future cash funding requirements. The following table presents lending related commitments outstanding as of the dates indicated (in thousands):

	March 31, 2026	December 31, 2025
Commitments to grant loans and unfunded lines of credit	$ 179,642	$ 161,606
Standby and commercial letters of credit	3,073	2,700
Total	$ 182,715	$ 164,306

Commitments to extend credit are agreements to lend funds to a client, as long as there is no violation of any condition established in the contract, for a specific purpose. Commitments generally have variable interest rates, fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn, the total commitment amounts disclosed above do not necessarily represent future cash requirements.

Unfunded lines of credit represent unused portions of credit facilities to our current borrowers that represent no change in credit risk in our portfolio. Lines of credit generally have variable interest rates. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment, less the amount of any advances made.

Letters of credit are conditional commitments issued by us to guarantee the performance of a client to a third party. In the event of nonperformance by the client in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. If the commitment is funded, we would be entitled to seek recovery from the client from the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash or marketable securities.

Asset and Liability Management Committee

Members of senior management and our Board make up the asset and liability management committee, or ALCO. Senior management is responsible for ensuring that Board approved strategies and policies for managing and mitigating risks are appropriately executed within the designated lines of authority and responsibility in a timely manner.

ALCO oversees the establishment, approval, implementation, and review of interest rate risk, management, and mitigation strategies, ALM related policies, ALCO procedures and risk tolerances and appetite.

While some degree of Interest Rate Risk ("IRR") is inherent to the banking business, we believe our ALCO implements sound risk management practices to identify, quantify, monitor, and limit IRR exposures.

When assessing the scope of IRR exposure and impact on the consolidated balance sheet, cash flows and consolidated statement of operations, management considers both earnings and economic impacts. Asset price variations, deposit volatility and reduced earnings or outright losses could adversely affect the Company's liquidity, performance, and capital adequacy.

Income simulations are used to assess the impact of changing rates on earnings under different interest rates scenarios, yield curve shapes and time horizons. These simulations utilize both instantaneous and parallel changes in the level of interest rates, as well as non-parallel changes such as changing slopes (flat and steepening) and twists of the yield curve. Static simulation models are based on current exposures and assume a constant balance sheet with no new growth. Dynamic simulation is also utilized to have a more comprehensive assessment on IRR. This simulation relies on, and in assumptions regarding changes in existing lines of business, new business, management strategies and client expected behavior.

To have a more complete picture of IRR, the Company also evaluates the economic value of equity ("EVE"). This assessment allows us to measure the degree to which the economic values will change under different interest rate scenarios (parallel and non-parallel). The economic value approach focuses on a longer-term time horizon and captures all future cash flows expected from existing assets and liabilities. The economic value model utilizes a static approach in that the analysis does not incorporate new business; rather, the analysis shows a snapshot in time of the risk inherent in the balance sheet.

Market and Interest Rate Risk Management

According to our ALCO model, As of March 31, 2026, both the static and dynamic ALM simulations indicate that the Bank's balance sheet remains liability-sensitive in Year 1, positioning the Bank to benefit in a declining rate environment as liabilities reprice more quickly than assets, resulting in favorable Net Interest Income (NII) outcomes. Beginning in Year 2, both models transition toward an asset-sensitive posture, reflecting projected balance-sheet growth, continued variable-rate loan production, and changes in balance-sheet mix over time. This progression is consistent with management's forward-looking assumptions embedded in the dynamic model.

Management's interest rate positioning reflects a deliberate balance between earnings stability and balance sheet flexibility, particularly given the Bank's relationship driven deposit base and variable rate lending profile within the South Florida market.

Modeled NII and Economic Value of Equity (EVE) outcomes remain well within ALCO policy limits across all rate shock scenarios. The ALM model incorporates a wide range of assumptions, including asset prepayment speeds, non-maturity deposit beta and decay assumptions, pricing correlations, deposit truncations, and key interest rate drivers. Given the inherent estimation involved in these assumptions, actual results may differ from modeled outcomes, particularly as static measures do not incorporate potential management actions in response to changes in market conditions or customer behavior.

EVE sensitivity remains compliant with policy guidelines, with greater volatility observed in rising-rate scenarios, driven by asset and liability convexity. In higher-rate environments, the value of longer-term assets declines more rapidly, particularly as loan prepayments slow, while certain funding sources reprice less immediately. Conversely, in declining-rate scenarios, faster prepayments and quicker asset repricing help mitigate downside EVE exposure. Importantly, EVE volatility declined quarter over quarter, reflecting balance-sheet actions taken during the period and an overall reduction in structural interest rate risk.

The improvement in the Bank's IRR profile was driven primarily by a reduction in asset duration, while liability duration remained relatively stable. Increased variable-rate loan production, higher prepayment activity, and targeted portfolio repositioning contributed to a shorter effective asset duration and reduced optionality risk.

Overall, the Bank remains well positioned to manage current interest rate volatility, with limited exposure under rising-rate scenarios and favorable positioning in a declining-rate environment. Management continues to actively review ALM results and retains the flexibility, consistent with ALCO policy, to adjust asset and liability duration through balance-sheet strategies as market conditions evolve. Results and related strategies are reviewed quarterly with ALCO and adjusted as appropriate.

Liquidity

Liquidity is defined as a Company's capacity to meet its cash and collateral obligations at a reasonable cost. Maintaining an adequate level of liquidity depends on the Company's ability to efficiently meet both expected and unexpected cash flow and collateral needs without adversely affecting either daily operations or the financial condition of the Company.

Liquidity risk is the risk that we will be unable to meet our short-term and long-term obligations as they become due because of an inability to liquidate assets or obtain relatively adequate funding. The Company's obligations, and the funding sources used to meet them, depend significantly on our business mix, balance sheet structure and composition, credit quality of our assets and the cash flow profiles of our on- and off-balance sheet obligations.

In managing inflows and outflows, management regularly monitors situations that can give rise to increased liquidity risk. These include funding mismatches, market constraints on the ability to convert assets (particularly investments) into cash or in accessing sources of funds (i.e., market liquidity), pledging assets and contingent liquidity events.

Changes in macroeconomic conditions, as well as exposure to credit, market, operational, legal, cybersecurity risk and reputational risks, could have an unexpected impact on the Company's liquidity risk profile and are factored into the assessment of liquidity and the ALM framework.

Management has established a comprehensive and holistic management process for identifying, measuring, monitoring and mitigating liquidity risk. Liquidity management also reflects the Bank's granular mix of consumer and commercial relationships, which management believes enhances funding stability and mitigates reliance on more rate sensitive wholesale funding sources. Due to its critical importance to the viability of the Company, liquidity risk management is integrated into our risk management processes, Contingency Funding Plan and ALM policy.

Critical elements of our liquidity risk management include: effective corporate governance consisting of oversight by the Board and ALCO, and active involvement of senior management; appropriate strategies, policies, procedures, and limits used to identify and mitigate liquidity risk; comprehensive liquidity risk measurement and monitoring systems (including assessments of the current and prospective cash flows or sources and uses of funds) that are commensurate with the complexity and business activities of the Company; active management of intraday liquidity and collateral; an appropriately diverse mix of existing and potential future funding sources; adequate levels of highly liquid marketable securities free of legal, regulatory, or operational impediments, that can be used to meet liquidity needs in stressful situations; comprehensive contingency funding plans that sufficiently address potential adverse liquidity events and emergency cash flow requirements; and internal controls and internal audit processes sufficient to determine the adequacy of the institution's liquidity risk management process.

We expect funds to be available from several basic banking activity sources, including the core deposit base, the repayment and maturity of loans and investment security cash flows. Other potential funding sources include federal funds purchased, brokered certificates of deposit, listing certificates of deposit, Fed Funds lines and borrowings from the FHLB Atlanta. Accordingly, our liquidity resources were at sufficient levels to fund loans and meet other cash needs as necessary. As of March 31, 2026, the Company had $336 million in available liquidity on balance sheet, including $261 million in unpledged securities (excluding Unencumbered HTM securities) available to use as collateral and $79 million in excess cash. The Company had an additional $457 million in off-balance sheet liquidity, excluding access to brokered deposits and other off-balance sheet sources of funding.

Management believes current liquidity levels remain appropriate relative to the Bank's risk appetite, balance sheet size, and anticipated funding needs under both base case and stressed scenarios.

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Capital Adequacy

As of March 31, 2026, the Bank was well capitalized under the FDIC's prompt corrective action framework. We also follow the capital conservation buffer framework, and as of March 31, 2026, we exceeded the capital conversation buffer in all capital ratios, according to our actual ratios. The following table presents the capital ratios for the Bank at the dates indicated (in thousands, except ratios).

	Actual		Minimum Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2026						
Total risk-based capital	$ 309,408	13.96 %	$ 177,286	8.00 %	$ 221,607	10.00 %
Tier 1 risk-based capital	$ 282,348	12.74 %	$ 132,964	6.00 %	$ 177,286	8.00 %
Common equity tier 1 capital	$ 282,348	12.74 %	$ 99,723	4.50 %	$ 144,045	6.50 %
Leverage ratio	$ 282,348	9.88 %	$ 114,333	4.00 %	$ 142,917	5.00 %
December 31, 2025						
Total risk-based capital	$ 299,596	13.67 %	$ 175,387	8.00 %	$ 219,234	10.00 %
Tier 1 risk-based capital	$ 273,342	12.47 %	$ 131,541	6.00 %	$ 175,387	8.00 %
Common equity tier 1 capital	$ 273,342	12.47 %	$ 98,655	4.50 %	$ 142,502	6.50 %
Leverage ratio	$ 273,342	9.65 %	$ 113,296	4.00 %	$ 141,620	5.00 %

The Company is not subject to regulatory capital ratios imposed by Basel III on bank holding companies because the Company is deemed to be a small bank holding company.

Impact of Inflation

Our Consolidated Financial Statements and related notes have been prepared in accordance with U.S. GAAP, which require the measurement of financial position and operating results in terms of historical dollars, without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is mostly reflected in the increased cost of operations; inflation can negatively impact overhead expenses and other variable expenses. Unlike most industrial companies, nearly all our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than the effects of inflation. Periods of high inflation are often accompanied by relatively higher interest rates, and periods of low inflation are accompanied by relatively lower interest rates. Inflationary conditions may also influence customer deposit behavior, loan demand, and pricing dynamics, which management considers as part of its ongoing balance-sheet and earnings planning processes.

Reconciliation and Management Explanation of Non-GAAP Financial Measures

Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating the Company's underlying performance trends. Further, management uses these measures in managing and evaluating the Company's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. The following table reconciles the non-GAAP financial measurement of operating net income available to common shareholders for the periods presented (in thousands, except per share data):

USCB FINANCIAL HOLDINGS, INC.
NON-GAAP FINANCIAL MEASURES (UNAUDITED)
(Dollars in thousands)

	As of or For the Three Months Ended				
	3/31/2026	12/31/2025	9/30/2025	6/30/2025	3/31/2025
Pre-tax pre-provision ("PTPP") income:[1]					
Net income	$ 9,351	$ 1,363	$ 8,939	$ 8,140	$ 7,658
Plus: Income tax expense	2,335	1,911	2,866	2,599	2,440
Plus: Provision for credit losses	801	480	105	1,031	681
PTPP income	$ 12,487	$ 3,754	$ 11,910	$ 11,770	$ 10,779
PTPP return on average assets:[1]					
PTPP income	$ 12,487	$ 3,754	$ 11,910	$ 11,770	$ 10,779
Average assets	$ 2,834,717	$ 2,799,863	$ 2,798,115	$ 2,677,198	$ 2,606,593
PTPP return on average assets [2]	1.79%	0.53%	1.69%	1.76%	1.68%
Operating net income:[1]					
Net income	$ 9,351	$ 1,363	$ 8,939	$ 8,140	$ 7,658
Less: Net gains (losses) on sale of securities	14	(7,498)	(28)	-	-
Less: Tax effect on sale of securities	(4)	1,900	7	-	-
Plus: Tax (benefit) liability expense from prior periods	(619)[3]	1,096 [4]	-	-	-
Operating net income	$ 8,722	$ 8,057	$ 8,960	$ 8,140	$ 7,658
Operating return on average assets:[1]					
Operating net income	$ 8,722	$ 8,057	$ 8,960	$ 8,140	$ 7,658
Average assets	$ 2,834,717	$ 2,799,863	$ 2,798,115	$ 2,677,198	$ 2,606,593
Operating return on average assets [2]	1.25%	1.14%	1.27%	1.22%	1.19%
Operating return on average equity:[1]					
Operating net income	$ 8,722	$ 8,057	$ 8,960	$ 8,140	$ 7,658
Average equity	$ 222,226	$ 212,393	$ 225,316	$ 228,492	$ 219,505
Operating return on average equity [2]	15.92%	15.05%	15.78%	14.29%	14.15%
Operating Revenue:[1]					
Net interest income	$ 22,048	$ 22,207	$ 21,274	$ 21,034	$ 19,115
Plus: Non-interest income	4,150	(4,178)	3,684	3,370	3,716
Less: Net gains (losses) on sale of securities	14	(7,498)	(28)	-	-
Operating revenue	$ 26,184	$ 25,527	$ 24,986	$ 24,404	$ 22,831
Operating Efficiency Ratio:[1]					
Total non-interest expense	$ 13,711	$ 14,275	$ 13,048	$ 12,634	$ 12,052
Operating revenue	$ 26,184	$ 25,527	$ 24,986	$ 24,404	$ 22,831
Operating efficiency ratio	52.36%	55.92%	52.22%	51.77%	52.79%

(1) The Company believes these non-GAAP measurements are key indicators of the ongoing earnings power of the Company.

(2) Annualized.

(3) The Company recognized a $619 thousand income tax benefit in first quarter of 2026 due to an adjustment to the deferred tax asset calculation from 2025.

(4) State tax liability expenses for 2024 and for the first three quarters of 2025 were recognized during the fourth quarter of 2025. The state tax expense is related to taxes due on interest income on loans whose collateral are located outside of the State of Florida.

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USCB FINANCIAL HOLDINGS, INC.
NON-GAAP FINANCIAL MEASURES (UNAUDITED)
(Dollars in thousands, except per share data)

	As of or For the Three Months Ended				
	3/31/2026	12/31/2025	9/30/2025	6/30/2025	3/31/2025
Tangible book value per common share (at period-end):[1]					
Total stockholders' equity	$ 223,246	$ 217,183	$ 209,095	$ 231,583	$ 225,088
Less: Intangible assets	-	-	-	-	-
Tangible stockholders' equity[2]	$ 223,246	$ 217,183	$ 209,095	$ 231,583	$ 225,088
Total shares issued and outstanding (at period-end):					
Total common shares issued and outstanding	18,257,400	18,137,885	18,107,385	20,078,385	20,048,385
Tangible book value per common share[3]	$ 12.23	$ 11.97	$ 11.55	$ 11.53	$ 11.23
Operating diluted net income per common share:[1]					
Operating net income	$ 8,722	$ 8,057	$ 8,960	$ 8,140	$ 7,658
Total weighted average diluted shares of common stock	18,454,006	18,348,725	19,755,820	20,295,794	20,319,535
Operating diluted net income per common share:	$ 0.47	$ 0.44	$ 0.45	$ 0.40	$ 0.38
Tangible Common Equity/Tangible Assets[1]					
Tangible stockholders' equity	$ 223,246	$ 217,183	$ 209,095	$ 231,583	$ 225,088
Tangible total assets[2]	$ 2,845,735	$ 2,791,540	$ 2,767,945	$ 2,719,474	$ 2,677,382
Tangible Common Equity/Tangible Assets	7.84%	7.78%	7.55%	8.52%	8.41%

(1) The Company believes these non-GAAP measurements are key indicators of the ongoing earnings power of the Company.
(2) Since the Company has no intangible assets, tangible stockholders’ equity and tangible total assets are the same amounts as stockholders’ equity and total assets, respectively, as calculated under GAAP.
(3) Excludes the dilutive effect, if any, of shares of common stock issuable upon exercise of outstanding stock options.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”)) as of March 31, 2026. Based on that evaluation, management believes that, as of the end of the period covered by this Form 10-Q, the Company's disclosure controls and procedures were effective to collect, process, and disclose the information required to be disclosed in the reports filed or submitted under the Exchange Act within the required time periods.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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PART II

Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings. We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of banking and other applicable regulations, competition law, labor laws and consumer protection laws, as well as claims or litigation relating to intellectual property, securities, breach of contract and tort. We intend to defend ourselves vigorously against any pending or future claims and litigation.

There can be no assurance that any future legal proceedings to which we are a party will not be decided adversely to our interests and have a material adverse effect on our financial condition and operations.

Item 1A. Risk Factors

For detailed information about certain risk factors that could materially affect our business, financial condition, or future results, see “Part I, Item 1A – Risk Factors” of the 2025 Form 10-K.There have been no material changes t this risk factors disclosed in the 2025 Form 10-K.

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

(a) None.

(b) Not applicable.

(c) The Company’s repurchases of equity securities for the three months ended March 31, 2026 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs (1)
January 1 - 31, 2026	30,889	$ 19.17	30,889	497,420
February 1 - 28, 2026	-	$ -	-	497,420
March 1 - 31, 2026	22,586	$ 18.12	22,586	474,834
Total	53,475	$ 18.73	53,475	

(1) As of March 31, 2026 there were 474,834 number of shares available for repurchase under the outstanding share repurchase program:

- On January 24, 2022, the Company announced its initial stock repurchase program to repurchase up to 750,000 shares of Class A common stock. The Company completed the repurchase of all remaining shares authorized under this program during the quarter ended March 31, 2026.

- On April 22, 2024, the Company announced the adoption of a second repurchase program to repurchase up to 500,000 shares of Class A common stock to commence upon completion of its first repurchase program.

Item 3. Defaults Upon Senior Securities

(a) Not applicable
(b) Not applicable

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) Not applicable
(b) Not applicable

(c) During the three months ended March 31, 2026, none of the Company's directors or Section 16 reporting persons adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of the SEC's Regulation S-K).

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Item 6. Exhibits

Exhibit No.	Description of Exhibit
2.1	Agreement and Plan of Share Exchange, dated December 27, 2021, by and between U.S. Century Bank and USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
3.1	Articles of Incorporation, as amended, of USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (File No. 001-41196) filed with the Securities and Exchange Commission on August 11, 2023).
3.2	Amended and Restated Bylaws of USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on July 26, 2023).
4.1	Side Letter Agreement, dated December 30, 2021, between USCB Financial Holdings, Inc., U.S. Century Bank, Priam Capital Fund II, LP, Patriot Financial Partners II, L.P. and Patriot Financial Partners Parallel II, L.P. (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.2	Registration Rights Agreement, dated March 17, 2015, between U.S. Century Bank, Priam Capital Fund II, LP, Patriot Financial Partners II, L.P., Patriot Financial Partners Parallel II, L.P., and certain other shareholders of U.S. Century Bank (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.3	Assignment and Assumption of Agreement, dated December 30, 2021, between U.S. Century Bank and USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.4	Description of USCB Financial Holdings, Inc.'s securities (incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K (File No. 001-41196) filed with the Securities and Exchange Commission on March 22, 2024).
4.5	Indenture, dated August 14, by and between USCB Financial Holdings, Inc. and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on August 14, 2025).
4.6	Form of 7.625% Fixed-to-Floating Rate Subordinated Note due 2035 (included as Exhibit A-1 and Exhibit A-2 to the Indenture referenced in Exhibit 4.5 hereto (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on August 14, 2025).
4.7	Mutual Termination Agreement, dated as of April 29, 2026, between USCB Financial Holdings, Inc., U.S. Century Bank, Patriot Financial Partners II, L.P. and Patriot Financial Partners Parallel II, L.P. (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on May 1, 2026).
10.1	Form of Subordinated Note Purchase Agreement, dated August 14, 2024, by and among USCB Financial Holdings, Inc. and certain qualified institutional buyers (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on August 14, 2025).
10.2	Form of Registration Rights Agreement, dated August 14, 2025, by and among USCB Financial Holdings, Inc. and certain institutional buyers (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on August 14, 2025).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.**
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.**
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.***
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.***
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2026 formatted in Inline XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statements of Changes in Stockholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), (vi) Notes to Consolidated Financial Statements (unaudited).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management Contract or Compensatory plan or arrangement.
** Filed herewith.
*** Furnished hereby.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USCB FINANCIAL HOLDINGS, INC.
(Registrant)

Signature	Title	Date
/s/ Luis de la Aguilera Luis de la Aguilera	Chairman, President and Chief Executive Officer (Principal Executive Officer)	May 8, 2026
/s/ Robert Anderson Robert Anderson	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	May 8, 2026

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Luis de la Aguilera, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USCB Financial Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Luis de la Aguilera
Luis de la Aguilera
Chairman, President and Chief Executive Officer

Date: May 8, 2026

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert Anderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USCB Financial Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert Anderson

Robert Anderson
Chief Financial Officer

Date: May 8, 2026

Exhibit 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of USCB Financial Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Luis de la Aguilera, as President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Luis de la Aguilera
Luis de la Aguilera
Chairman, President and Chief Executive Officer

Date: May 8, 2026

Exhibit 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of USCB Financial Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Anderson, as Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Anderson

Robert Anderson
Chief Financial Officer

Date: May 8, 2026