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 June 30, 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, 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 July 31, 2026, the registrant had 18,474,470 shares of Class A common stock outstanding.

FORM 10-Q
June 30, 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)

	June 30, 2026	December 31, 2025
ASSETS:		
Cash and due from banks	$ 7,892	$ 6,027
Interest-bearing deposits in banks	110,262	32,450
Total cash and cash equivalents	118,154	38,477
Investment securities held to maturity, net of allowance of $0 and $2, respectively (fair value of $124,177 and $142,508, respectively)	136,127	153,941
Investment securities available for sale, at fair value	332,859	307,490
Federal Home Loan Bank stock, at cost	13,395	9,323
Loans held for investment, net of allowance of $26,701 and $25,500, respectively	2,295,684	2,163,757
Accrued interest receivable	11,670	11,661
Premises and equipment, net	4,664	4,247
Bank owned life insurance	60,427	59,424
Deferred tax assets, net	17,512	18,046
Lease right-of-use asset	12,625	5,519
Other assets	16,584	19,655
Total assets	$ 3,019,701	$ 2,791,540
LIABILITIES:		
Deposits:		
Non-interest bearing demand deposits	$ 618,062	$ 583,860
Savings and money market deposits	1,251,598	1,186,422
Interest-bearing demand deposits	49,721	46,989
Time deposits	532,890	527,809
Total deposits	2,452,271	2,345,080
Federal Home Loan Bank advances	240,900	158,250
Subordinated notes, net	39,376	39,300
Lease liability	12,625	5,519
Accrued interest and other liabilities	41,291	26,208
Total liabilities	2,786,463	2,574,357
Commitments and contingencies (See Notes 6 and 11)		
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 June 30, 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 June 30, 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 June 30, 2026 and December 31, 2025	-	-
Common stock - Class A Voting; $1.00 par value; 45,000,000 shares authorized; 18,459,470 issued and outstanding as of June 30, 2026, 18,137,885 issued and outstanding as of December 31, 2025	18,459	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 June 30, 2026 and December 31, 2025	-	-
Additional paid-in capital on common stock	281,864	278,852
Accumulated deficit	(35,690)	(49,542)
Accumulated other comprehensive loss	(31,395)	(30,265)
Total stockholders' equity	233,238	217,183
Total liabilities and stockholders' equity	$ 3,019,701	$ 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 June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Interest income:				
Loans, including fees	$ 34,899	$ 31,946	$ 67,688	$ 62,191
Investment securities	3,858	3,432	7,269	6,456
Interest-bearing deposits in financial institutions	823	776	1,655	1,485
Total interest income	39,580	36,154	76,612	70,132
Interest expense:				
Interest-bearing demand deposits	311	285	621	623
Savings and money market deposits	8,478	9,410	16,611	18,745
Time deposits	4,628	4,343	9,328	8,261
Federal Home Loan Bank advances	976	1,082	2,016	2,354
Subordinated notes	800	-	1,601	-
Total interest expense	15,193	15,120	30,177	29,983
Net interest income before provision for credit losses	24,387	21,034	46,435	40,149
Provision for credit losses	1,267	1,031	2,068	1,712
Net interest income after provision for credit losses	23,120	20,003	44,367	38,437
Non-interest income:				
Service fees	2,601	2,402	5,701	4,733
Gain on sale of securities available for sale, net	-	-	14	-
Gain on sale of loans held for sale, net	-	151	106	676
Other non-interest income	959	817	1,889	1,677
Total non-interest income	3,560	3,370	7,710	7,086
Non-interest expense:				
Salaries and employee benefits	8,537	7,954	17,107	15,590
Occupancy	1,369	1,337	2,685	2,621
Regulatory assessments and fees	397	396	881	817
Consulting and legal fees	583	263	1,144	456
Network and information technology services	524	564	1,084	1,069
Other operating expense	2,556	2,120	4,776	4,133
Total non-interest expense	13,966	12,634	27,677	24,686
Income before income tax expense	12,714	10,739	24,400	20,837
Income tax expense	3,636	2,599	5,971	5,039
Net income	$ 9,078	$ 8,140	$ 18,429	$ 15,798
Per share information:				
Earnings per share, basic	$ 0.49	$ 0.41	$ 1.01	$ 0.79
Earnings per share, diluted	$ 0.49	$ 0.40	$ 1.00	$ 0.78
Cash dividends declared	$ 0.125	$ 0.10	$ 0.250	$ 0.20

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net income	$ 9,078	$ 8,140	$ 18,429	$ 15,798
Other comprehensive (loss) income:				
Unrealized gain (loss) on investment securities available for sale	286	(895)	(1,922)	3,778
Reclassification adjustment for amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	99	67	167	134
Reclassification adjustment for realized gains included in net income	-	-	(14)	-
Unrealized gain (loss) on cash flow hedge	14	(28)	111	(186)
Tax effect	(444)	217	528	(944)
Total other comprehensive (loss) income, net of tax	(45)	(639)	(1,130)	2,782
Total comprehensive income	$ 9,033	$ 7,501	$ 17,299	$ 18,580

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 March 31, 2026	18,257,400	$ 18,257	$ 278,812	$ (42,473)	$ (31,350)	$ 223,246
Net income	-	-	-	9,078	-	9,078
Other comprehensive loss	-	-	-	-	(45)	(45)
Exercise of stock options	202,070	202	2,178	-	-	2,380
Dividend payment	-	-	-	(2,295)	-	(2,295)
Stock-based compensation	-	-	874	-	-	874
Balance at June 30, 2026	18,459,470	$ 18,459	$ 281,864	$ (35,690)	$ (31,395)	$ 233,238
Balance at March 31, 2025	20,048,385	$ 20,048	$ 308,313	$ (62,160)	$ (41,113)	$ 225,088
Net income	-	-	-	8,140	-	8,140
Other comprehensive loss	-	-	-	-	(639)	(639)
Exercise of stock options	30,000	30	195	-	-	225
Dividend payment	-	-	-	(2,005)	-	(2,005)
Stock-based compensation	-	-	774	-	-	774
Balance at June 30, 2025	20,078,385	$ 20,078	$ 309,282	$ (56,025)	$ (41,752)	$ 231,583

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

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	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	-		-		-		18,429		-		18,429
Other comprehensive loss	-		-		-		-		(1,130)		(1,130)
Repurchase of Class A common stock	(53,475)		(53)		(948)		-		-		(1,001)
Restricted stock issued	147,490		147		(147)		-		-		-
Exercise of stock options	227,570		227		2,344		-		-		2,571
Dividend payment	-		-		-		(4,577)		-		(4,577)
Stock-based compensation	-		-		1,763		-		-		1,763
Balance at June 30, 2026	18,459,470	$	18,459	$	281,864	$	(35,690)	$	(31,395)	$	233,238
Balance at December 31, 2024	19,924,632	$	19,925	$	307,810	$	(67,813)	$	(44,534)	$	215,388
Net income	-		-		-		15,798		-		15,798
Other comprehensive income	-		-		-		-		2,782		2,782
Repurchase of Class A common stock	(9,671)		(10)		(164)		-		-		(174)
Restricted stock issued	124,424		124		(124)		-		-		-
Exercise of stock options	39,000		39		278		-		-		317
Dividend payment	-		-		-		(4,010)		-		(4,010)
Stock-based compensation	-		-		1,482		-		-		1,482
Balance at June 30, 2025	20,078,385	$	20,078	$	309,282	$	(56,025)	$	(41,752)	$	231,583

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

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

	Six Months Ended June 30, 2026	2025
Cash flows from operating activities:		
Net income	$ 18,429	$ 15,798
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	2,068	1,712
Depreciation and amortization	345	298
Accretion of premiums on investment securities, net	(784)	(728)
Amortization of deferred loan fees, net	314	280
Stock-based compensation	1,763	1,482
Gain on sale of available for sale securities, net	(14)	-
Gain on sale of loans held for sale, net	(106)	(676)
Proceeds from the sale of loans held for sale	1,329	9,745
Origination of loans held for sale	(1,223)	(9,069)
Increase in cash surrender value of bank owned life insurance	(1,003)	(955)
Amortization of subordinated debt issuance costs	76	-
Deferred income tax expense	1,168	5,039
Net change in operating assets and liabilities:		
Accrued interest receivable	(9)	(340)
Other assets	3,075	(6,585)
Accrued interest and other liabilities	14,498	16,667
Net cash provided by operating activities	39,926	32,668
Cash flows from investing activities:		
Proceeds from maturities and pay-downs of investment securities held to maturity	17,950	6,044
Purchase of investment securities available for sale	(75,083)	(31,676)
Proceeds from maturities and pay-downs of investment securities available for sale	11,428	11,063
Proceeds from sales of investment securities available for sale	37,181	-
Net increase in loans held for investment	(89,635)	(71,439)
Purchase of loans held for investment	(44,090)	(70,015)
Additions to premises and equipment	(762)	(94)
Purchase of bank owned life insurance	-	(4,000)
Proceeds from the redemption of Federal Home Loan Bank stock	16,167	8,170
Purchase of Federal Home Loan Bank stock	(20,239)	(5,727)
Net cash used in investment activities	(147,083)	(157,674)
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock, net	2,571	317
Cash dividends paid	(4,577)	(4,010)
Repurchase of Class A common stock	(1,001)	(174)
Net increase in deposits	107,191	161,657
Proceeds from FHLB advances	448,500	117,000
Repayments on Federal Home Loan Bank advances	(365,850)	(172,000)
Net cash provided by financing activities	186,834	102,790
Net increase (decrease) in cash and cash equivalents	79,677	(22,216)
Cash and cash equivalents at beginning of period	38,477	77,035
Cash and cash equivalents at end of period	$ 118,154	$ 54,819
Supplemental disclosure of cash flow information:		
Interest paid	$ 28,968	$ 29,167
Taxes paid	$ 532	$ -
Lease liabilities	$ 7,106	$ -

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):

	June 30, 2026			
Available-for-sale:	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Government Agency	$ 11,883	$ -	$ (1,028)	$ 10,855
Collateralized mortgage obligations	84,406	-	(17,307)	67,099
Mortgage-backed securities - residential	34,909	108	(6,026)	28,991
Mortgage-backed securities - commercial	215,345	171	(8,517)	206,999
Municipal securities	5,191	-	(966)	4,225
Bank subordinated debt securities	14,578	226	(114)	14,690
	$ 366,312	$ 505	$ (33,958)	$ 332,859

	June 30, 2026			
Held-to-maturity:	**Amortized Cost**	**Unrecognized Gains**	**Unrecognized Losses**	**Fair Value**
U.S. Government Agency	$ 37,328	$ 67	$ (3,266)	$ 34,129
Collateralized mortgage obligations	48,762	705	(5,646)	43,821
Mortgage-backed securities - residential	35,188	628	(3,294)	32,522
Mortgage-backed securities - commercial	14,849	-	(1,144)	13,705
	$ 136,127	$ 1,400	$ (13,350)	$ 124,177
Allowance for credit losses - securities held-to-maturity	-			
Securities held-to maturity, net of allowance for credit losses	$ 136,127			

	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 June 30, 2026, there were no investment securities that were transferred from AFS to HTM. For the three months ended June 30, 2026, total amortization out of AOCL for net unrealized losses on securities transferred in 2022 from AFS to HTM was $99 thousand and $67 thousand for the three months ended June 30, 2025. At June 30, 2026, the fair value of the transferred securities was $83.4 million and the balance of the remaining unamortized loss was $8.8 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 June 30, 2026 and December 31, 2025, all HTM securities held by the Company were rated investment grade.

At June 30, 2026, the Company's HTM securities portfolio consisted entirely of U.S. government and U.S. agency-issued bonds and mortgage-backed securities with an amortized cost of $136.1 million. Due to the explicit or implicit guarantees associated with these securities, management determined that no ACL was required as of June 30, 2026. The Company utilizes a PD/LGD methodology to estimate expected credit losses for HTM securities exposed to non-government credit risk. As of December 31, 2025, the ACL for HTM securities was $2 thousand. The carrying value of HTM securities represents amortized cost less the related ACL.

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 June 30, 2026 and as of December 31, 2025.

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):

	June 30, 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	$ 5,072	$ (129)	$ 5,783	$ (899)	$ 10,855	$ (1,028)
Collateralized mortgage obligations	3,760	(129)	63,339	(17,178)	67,099	(17,307)
Mortgage-backed securities - residential	-	-	21,886	(6,026)	21,886	(6,026)
Mortgage-backed securities - commercial	114,454	(1,368)	60,238	(7,149)	174,692	(8,517)
Municipal securities	-	-	4,225	(966)	4,225	(966)
Bank subordinated debt securities	1,731	(19)	6,396	(95)	8,127	(114)
	$ 125,017	$ (1,645)	$ 161,867	$ (32,313)	$ 286,884	$ (33,958)

	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. The Company does not intend to sell the investments before recovery of its amortized cost basis, which may be at maturity, and it is more likely than not that the Company will not be required to sell the securities before maturity.

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 and six months ended June 30, 2026 and 2025 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Available-for-sale:	2026	2025	2026	2025
Proceeds from sale and call of securities	$ -	$ -	$ 37,181	$ -
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	
June 30, 2026:	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ -	$ -	$ -	$ -
Due after one year through five years	2,000	1,990	-	-
Due after five years through ten years	17,769	16,925	-	-
Due after ten years	-	-	-	-
U.S. Government Agency	11,883	10,855	37,328	34,129
Collateralized mortgage obligations	84,406	67,099	48,762	43,821
Mortgage-backed securities - residential	34,909	28,991	35,188	32,522
Mortgage-backed securities - commercial	215,345	206,999	14,849	13,705
	$ 366,312	$ 332,859	$ 136,127	$ 124,177

At June 30, 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 June 30, 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 June 30, 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 June 30, 2026, the Bank had a total of $223.6 million in deposits under the public funds program and pledged to the State of Florida for these public funds were twenty-three bonds with an aggregate fair value of $56.3 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):

	June 30, 2026		December 31, 2025	
	Total	Percent of Total	Total	Percent of Total
Residential real estate	$ 356,747	15.4 %	$ 307,692	14.1 %
Commercial real estate	1,314,367	56.6 %	1,244,835	57.0 %
Commercial and industrial	300,265	13.0 %	295,548	13.5 %
Correspondent banks	137,912	6.0 %	127,968	5.9 %
Consumer and other	207,404	9.0 %	207,215	9.5 %
Total gross loans	2,316,695	100.0 %	2,183,258	100.0 %
Plus: Deferred fees/costs	5,690		5,999	
Total loans net of deferred fees/costs	2,322,385		2,189,257	
Less: Allowance for credit losses	26,701		25,500	
Total net loans	$ 2,295,684		$ 2,163,757	

At June 30, 2026 and December 31, 2025, the Company had $660.1 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 and six months ended June 30, 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 June 30, 2026						
Beginning balance	$ 5,270	$ 9,932	$ 5,330	$ 1,018	$ 4,552	$ 26,102
Provision for credit losses (1)	222	184	407	76	(2)	887
Recoveries	8	-	1	-	-	9
Charge-offs	(296)	-	-	-	(1)	(297)
Ending Balance	$ 5,204	$ 10,116	$ 5,738	$ 1,094	$ 4,549	$ 26,701
Six Months Ended June 30, 2026						
Beginning balance	$ 5,908	$ 9,476	$ 4,814	$ 1,015	$ 4,287	$ 25,500
Provision for credit losses (2)	(422)	640	919	79	269	1,485
Recoveries	14	-	5	-	-	19
Charge-offs	(296)	-	-	-	(7)	(303)
Ending Balance	$ 5,204	$ 10,116	$ 5,738	$ 1,094	$ 4,549	$ 26,701

(1) Provision for credit losses excludes a $380 thousand provision due to unfunded commitments included in accrued interest and other liabilities.

(2) Provision for credit losses excludes a $585 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 June 30, 2025						
Beginning balance	$ 5,115	$ 9,197	$ 4,434	$ 817	$ 5,177	$ 24,740
Provision for credit losses (1)	356	294	73	57	115	895
Recoveries	6	-	1	-	1	8
Charge-offs	-	-	-	-	(710)	(710)
Ending Balance	$ 5,477	$ 9,491	$ 4,508	$ 874	$ 4,583	$ 24,933
Six Months Ended June 30, 2025						
Beginning balance	$ 5,121	$ 8,788	$ 4,633	$ 654	$ 4,874	$ 24,070
Provision for credit losses (2)	344	703	(131)	220	431	1,567
Recoveries	12	-	6	-	1	19
Charge-offs	-	-	-	-	(723)	(723)
Ending Balance	$ 5,477	$ 9,491	$ 4,508	$ 874	$ 4,583	$ 24,933

(1) Provision for credit losses excludes a $134 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a $2 thousand provision related to investment securities held to maturity.

(2) Provision for credit losses excludes a $144 thousand provision due to unfunded commitments included in accrued interest and other liabilities a $1 thousand provision related to investment securities held to maturity.

At June 30, 2026, the ACL for loans was $26.7 million, compared to $25.5 million at December 31, 2025. The $ 1.2 million increase was primarily driven by growth in the loan portfolio, partially offset by reductions in qualitative factor adjustments resulting from improved credit quality trends identified through loan quality reviews, particularly within the commercial real estate ("CRE") and commercial and industrial ("C&I") portfolios.

Charge offs related to loans for the three months ended June 30, 2026 were $297 thousand, of which $1 thousand related to loans originated in 2026 and $296 thousand related to loans originated in 2025. Charge offs related to loans for the six months ended June 30, 2026 were $303 thousand, of which $7 thousand related to loans originated in 2026 and $296 thousand related to loans originated in 2025.

Charge offs for the three months ended June 30, 2025 totaled $710 thousand, of which $709 thousand related to loans originated in 2022 and $1 thousand related to loans originated in 2025. Charge offs related to loans for the six months ended June 30, 2025 totaled $723 thousand, of which $709 thousand related to loans originated in 2022 and $14 thousand related to loans originated in 2025.

The ACL and the outstanding balances in the specified loan categories as of June 30, 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
June 30, 2026:						
Allowance for credit losses:						
Individually evaluated	$ 87	$ -	$ 13	$ -	$ -	$ 100
Collectively evaluated	5,117	10,116	5,725	1,094	4,549	26,601
Balances, end of period	$ 5,204	$ 10,116	$ 5,738	$ 1,094	$ 4,549	$ 26,701
Loans:						
Individually evaluated	$ 4,550	$ -	$ 1,218	$ -	$ -	$ 5,768
Collectively evaluated	352,197	1,314,367	299,047	137,912	207,404	2,310,927
Balances, end of period	$ 356,747	$ 1,314,367	$ 300,265	$ 137,912	$ 207,404	$ 2,316,695
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.

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

	As of June 30, 2026							
	Term Loans by Origination Year							
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Total
Residential real estate								
Pass	$ 77,731	$ 63,118	$ 78,207	$ 30,802	$ 21,915	$ 66,205	$ 15,891	$ 353,869
Special Mention	-	518	452	-	-	400	-	1,370
Substandard	-	415	989	-	-	104	-	1,508
Total	77,731	64,051	79,648	30,802	21,915	66,709	15,891	356,747
Commercial real estate								
Pass	209,748	226,699	161,919	97,731	257,817	341,269	5,961	1,301,144
Special Mention	-	-	-	8,405	-	3,115	-	11,520
Substandard	-	-	-	-	-	1,703	-	1,703
Total	209,748	226,699	161,919	106,136	257,817	346,087	5,961	1,314,367
Commercial and industrial								
Pass	23,226	72,197	60,469	52,128	30,676	38,088	21,297	298,081
Special Mention	-	-	-	-	-	773	-	773
Substandard	-	-	72	356	-	983	-	1,411
Total	23,226	72,197	60,541	52,484	30,676	39,844	21,297	300,265
Correspondent banks								
Pass	130,852	7,060	-	-	-	-	-	137,912
Total	130,852	7,060	-	-	-	-	-	137,912
Consumer and other								
Pass	9,177	55,213	33,778	35,453	50,070	20,337	3,376	207,404
Total	9,177	55,213	33,778	35,453	50,070	20,337	3,376	207,404
Total Loans								
Pass	450,734	424,287	334,373	216,114	360,478	465,899	46,525	2,298,410
Special Mention	-	518	452	8,405	-	4,288	-	13,663
Substandard	-	415	1,061	356	-	2,790	-	4,622
Doubtful	-	-	-	-	-	-	-	-
Total	$ 450,734	$ 425,220	$ 335,886	$ 224,875	$ 360,478	$ 472,977	$ 46,525	$ 2,316,695

	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
Doubtful	-	-	-	-	-	-	-	-
Total	$ 569,849	$ 366,225	$ 246,780	$ 389,466	$ 210,027	$ 349,555	$ 51,356	$ 2,183,258

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 June 30, 2026 and December 31, 2025 (in thousands):

	Accruing					
As of June 30, 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	$ 2,876	$ -	$ -	$ 2,876	$ -	$ 2,876
1-4 family residential	271,352	1,228	-	272,580	1,284	273,864
Condo residential	79,783	-	-	79,783	224	80,007
	354,011	1,228	-	355,239	1,508	356,747
Commercial real estate:						
Land and construction	53,073	-	-	53,073	-	53,073
Multi-family residential	324,711	-	-	324,711	-	324,711
Condo commercial	68,666	-	-	68,666	-	68,666
Commercial property	867,917	-	-	867,917	-	867,917
	1,314,367	-	-	1,314,367	-	1,314,367
Commercial and industrial:						
Secured	280,212	-	-	280,212	640	280,852
Unsecured	19,413	-	-	19,413	-	19,413
	299,625	-	-	299,625	640	300,265
Correspondent banks	137,912	-	-	137,912	-	137,912
Consumer and other	207,404	-	-	207,404	-	207,404
Total	$ 2,313,319	$ 1,228	$ -	$ 2,314,547	$ 2,148	$ 2,316,695

As of December 31, 2025:	Accruing Current	Accruing Past Due 30-89 Days	Accruing Past Due 90 Days or > and Still Accruing	Total Accruing	Non-Accrual	Total Loans
Residential real estate:						
Home equity lines of credit and other	$ 1,538	$ -	$ -	$ 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 June 30, 2026 and as of December 31, 2025 (in thousands):

	June 30, 2026 Non-accrual Loans With No Related Allowance	June 30, 2026 Non-accrual Loans With Related Allowance	June 30, 2026 Total Non-accruals
Residential real estate	$ 1,444	$ 64	$ 1,508
Commercial and industrial	640	-	640
Total	$ 2,084	$ 64	$ 2,148

	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 and six months ended June 30, 2026 and 2025. Interest income on these loans for the three months ended June 30, 2026 and 2025, would have been approximately $42 thousand and $29 thousand, respectively, had these loans performed in accordance with their original terms. Interest income on these loans for the six months ended June 30, 2026 and 2025, would have been approximately $77 thousand and $80 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 June 30, 2026 and December 31, 2025 (in thousands):

	June 30, 2026	
	Collateral Type	
	Residential Real Estate	Specific Reserve
Residential real estate	$ 1,565	$ 64
Commercial and industrial	72	-
Total	$ 1,637	$ 64

	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 an 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 no new modifications to borrowers experiencing financial difficulties for the three months ended June 30, 2026 and one new modification to borrowers experiencing financial difficulties for the six months ended June 30, 2026. The Company had no new modifications to borrowers experiencing financial difficulties for the three and six months ended June 30, 2025. The following table presents newly restructured loans, by type of modification, which occurred during the six months ended June 30, 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 June 30, 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 was no commitment to lend additional funds to this customer.

There were no existing loan modifications that subsequently defaulted during either the three or the six months ended June 30, 2026 and 2025.

4. LEASES

The Company leases certain banking facilities and office space under non-cancelable operating lease agreements. During the six months ended June 30, 2026, the Company exercised renewal options and modified certain lease arrangements, including extensions of the Coral Gables branch and Doral branch/headquarters leases for additional five-year terms. These lease modifications resulted in the remeasurement of operating lease liabilities and corresponding right-of-use assets. Operating lease right-of-use assets and lease liabilities totaled $ 12.6 million at June 30, 2026, compared to $5.5 million at December 31, 2025. The lease modifications were measured using an incremental borrowing rate of 4.27%. The Company's incremental borrowing rate is based on the FHLB advances rate matching or nearing the lease term. There were no material changes to the Company's lease accounting policies from those disclosed in Note 4, Leases, included in the Annual Report on Form 10-K for the year ended December 31, 2025.

5. INCOME TAXES

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

	Six Months Ended June 30,	
	2026	2025
Pre-tax income:		
Domestic	$ 24,400	$ 20,837
Total pre-tax income	$ 24,400	$ 20,837
Current tax expense:		
Federal	$ 4,745	$ -
State	58	-
Total current	4,803	-
Deferred tax expense:		
Federal	140	3,948
State	1,028	1,091
Deferred income tax expense	1,168	5,039
Total income tax expense	$ 5,971	$ 5,039

The actual income tax expense for the six months ended June 30, 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):

	Six Months Ended June 30,			
	2026		2025	
	Amount	% Pre-tax Income	Amount	% Pre-tax Income
Computed tax at the statutory federal income tax rate	$ 5,124	21.00%	$ 4,376	21.00%
Increase (decrease) resulting from:				
State income taxes, net of federal tax benefit (1)	1,122	4.60%	905	4.34%
Bank owned life insurance income	(257)	(1.05%)	(242)	(1.16%)
Benefit from stock-based compensation	(377)	(1.55%)	-	-
Section 162(m) limitation	322	1.32%	-	-
Other adjustments, net	37	0.15%	-	-
Total tax expense	$ 5,971	24.47%	$ 5,039	24.18%

(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):

	June 30, 2026	December 31, 2025
Deferred tax assets:		
Net operating loss	$ 191	$ 1,039
Allowance for credit losses	6,831	6,463
Lease liability	3,230	1,399
Unrealized losses on available for sale securities	10,826	10,270
Equity compensation	948	973
Accruals	324	721
Other, net	163	268
Deferred tax assets:	22,513	21,133
Deferred tax liabilities:		
Deferred loan cost	(1,456)	(1,520)
Lease right of use asset	(3,230)	(1,399)
Deferred expenses	(256)	(154)
Cash flow hedge	(24)	(5)
Depreciable property	(35)	(9)
Deferred tax liabilities	(5,001)	(3,087)
Net deferred tax assets	$ 17,512	$ 18,046

The Company has approximately $5.3 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 for 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 six months ended June 30, 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.

6. 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 June 30, 2026 and December 31, 2025 (in thousands):

	June 30, 2026	December 31, 2025
Commitments to grant loans and unfunded lines of credit	$ 205,573	$ 161,606
Standby and commercial letters of credit	3,646	2,700
Total	$ 209,219	$ 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.

Changes in the ACL for the three and six months ended June 30, 2026 and 2025 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Beginning balance	$ 957	$ 581	$ 752	$ 571
Provision for credit losses - off-balance sheet arrangements	380	134	585	144
Total	$ 1,337	$ 715	$ 1,337	$ 715

7. 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 June 30, 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 1.04 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.

During the three months ended June 30, 2026, one interest rate swap agreement matured. As of June 30, 2026, the Company had no outstanding interest rate swap agreements.

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 paid a fixed rate of 3.47% and received a variable rate based on the weighted -average three-months compounded USD SOFR. The swap had a maturity of 0.42 years.

During the quarter ended December 31, 2025, the Company unwound a separate interest rate swap designated as a cash flow hedge of certificate of deposit with notional amount of $ 25 million. 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 that was unwound during the quarter 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 122 and 94 interest rate swaps with loan customers with an aggregate notional amount of $401.9 million and $310.8 million at June 30, 2026 and December 31, 2025, respectively. At June 30, 2026, these interest rate swaps mature between 2027 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
June 30, 2026:					
Derivatives designated as cash flow hedges:					
Interest rate swaps	$ 100,000	$ -	Other assets/Accrued interest and other liabilities	$ 92	$ -
Derivatives not designated as hedging instruments:					
Interest rate swaps related to customer loans	$ 401,882	$ 7,037	Other assets/Accrued interest and other liabilities	$ 6,615	$ 6,615
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

8. 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 June 30, 2026 and December 31, 2025 for each of the fair value hierarchy levels (in thousands):

	June 30, 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	$ -	$ 10,855	$ -	$ 10,855	$ -	$ 14,144	$ -	$ 14,144
Collateralized mortgage obligations	-	67,099	-	67,099	-	75,828	-	75,828
Mortgage-backed securities - residential	-	28,991	-	28,991	-	29,917	-	29,917
Mortgage-backed securities - commercial	-	206,999	-	206,999	-	168,108	-	168,108
Municipal securities	-	4,225	-	4,225	-	4,263	-	4,263
Bank subordinated debt securities	-	14,690	-	14,690	-	15,230	-	15,230
Total	-	332,859	-	332,859	-	307,490	-	307,490
Derivative assets	-	6,707	-	6,707	-	9,767	-	9,767
Total assets at fair value	$ -	$ 339,566	$ -	$ 339,566	$ -	$ 317,257	$ -	$ 317,257
Derivative liabilities	$ -	$ 6,615	$ -	$ 6,615	$ -	$ 9,786	$ -	$ 9,786
Total liabilities at fair value	$ -	$ 6,615	$ -	$ 6,615	$ -	$ 9,786	$ -	$ 9,786

Fair Value Measurements on a Nonrecurring Basis

Collateral Dependent Loans Measured for Expected Credit Losses: Fair values of collateral-dependent real estate loans are based on recent real estate appraisals less estimated costs of sale, repossession, and/or holding costs. Appraisals are performed by independent third-party appraisers and may utilize a sales comparison approach, cost approach, income approach, or a combination of these methodologies.

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a nonrecurring basis at June 30, 2026 and December 31, 2025:

June 30, 2026				Range		
Financial Instrument	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Minimum	Maximum	Weighted average
Collateral dependent loans - residential loans	$ -	Sales comparison approach	Third-party appraisals and estimated valuation adjustments for disposition costs, senior liens, and SBA participation interests.	10.0%	100.0%	100%

December 31, 2025				Range		
Financial Instrument	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Minimum	Maximum	Weighted average
Collateral dependent loans - residential loans	$ 2,583	Sales comparison approach	Third party appraisals	0%	0%	0%

At June 30, 2026, the Company measured one collateral-dependent residential real estate loan at fair value on a nonrecurring basis. The fair value of the collateral-dependent loan was determined using the appraised value of the underlying real estate collateral, adjusted for the estimated impact of senior lien positions, SBA participation interests, and estimated costs to sell. The application of these adjustments resulted in a fair value below the amortized cost, which was recognized through a charge-off and reflected in the carrying value of the loan. The resulting fair value attributable to the Company's exposure was approximately of $0. The loan had an outstanding amortized cost basis of approximately $64 thousand and a specific reserve of $64 thousand at June 30, 2026.

As of December 31, 2025, collateral-dependent loans classified within Level 3 of the fair value hierarchy had an aggregate fair value of $2.6 million and no specific reserve, as the appraised value of the underlying collateral exceeded the outstanding loan balance.

As of June 30, 2026 and December 31, 2025, the Company did not have any other 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 June 30, 2026 and December 31, 2025 (in thousands):

			Fair Value Hierarchy		
	Carrying Amount	Level 1	Level 2	Level 3	Fair Value Amount
June 30, 2026:					
Financial Assets:					
Cash and due from banks	$ 7,892	$ 7,892	$ -	$ -	$ 7,892
Interest-bearing deposits in banks	$ 110,262	$ 110,262	$ -	$ -	$ 110,262
Investment securities held to maturity, net	$ 136,127	$ -	$ 124,177	$ -	$ 124,177
Loans held for investment, net	$ 2,295,684	$ -	$ -	$ 2,335,350	$ 2,335,350
Accrued interest receivable	$ 11,670	$ -	$ 1,512	$ 10,158	$ 11,670
Financial Liabilities:					
Non-interest bearing demand deposits	$ 618,062	$ 618,062	$ -	$ -	$ 618,062
Savings and money market deposits	$ 1,251,598	$ 1,251,598	$ -	$ -	$ 1,251,598
Interest-bearing demand deposits	$ 49,721	$ 49,721	$ -	$ -	$ 49,721
Time deposits	$ 532,890	$ -	$ 531,300	$ -	$ 531,300
FHLB advances	$ 240,900	$ -	$ 240,622	$ -	$ 240,622
Subordinated notes, net	$ 39,376	$ -	$ 35,785	$ -	$ 35,785
Accrued interest payable	$ 3,334	$ -	$ 3,334	$ -	$ 3,334
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

9. STOCKHOLDERS' EQUITY

Common Stock

There were no stock repurchases during the three months ended June 30, 2026. During the six months ended June 30, 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 share repurchase programs. At June 30, 2026, 474,834 shares remained authorized for repurchase under the Company's 2024 share repurchase program. The Company's 2022 share repurchase program has been fully utilized.

There were no stock repurchases during the three months ended June 30, 2025. During the six months ended June 30, 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. The repurchases were made pursuant to the Company's publicly announced repurchase programs. As of June 30, 2025, 528,309 shares remained authorized for repurchase under the Company's two stock repurchase programs.

There were no restricted stock awards issued in the three months ended June 30, 2026. During the six months ended June 30, 2026, the Company issued 147,490 shares of Class common A stock to employees as restricted stock awards pursuant to the Company's 2015 equity incentive plan.

There were no restricted stock awards issued in the three months ended June 30, 2025. During the six months ended June 30, 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 June 30, 2026 and December 31, 2025 were 18,459,470 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 June 30, 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:

Six Months Ended June 30, 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
April 20, 2026	May 15, 2026	June 5, 2026	$ 0.125	$ 2.3 million

Six Months Ended June 30, 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
April 21, 2025	May 15, 2025	June 5, 2025	$ 0.10	$ 2.0 million

The Bank exceeded all regulatory capital requirements and remained above "well-capitalized" guidelines as of June 30, 2026 and December 31, 2025. At June 30, 2026, the total risk-based capital ratio for the Bank was 13.68%.

See Note 12, Subsequent Events, for information regarding dividends declared in July 2026.

10. 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 basic and diluted earnings per common share class for the three and six months ended June 30, 2026 and 2025 (in thousands, except share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	Class A		Class A	
Basic EPS				
Numerator:				
Net income available to common shares	$ 9,078	$ 8,140	$ 18,429	$ 15,798
Denominator:				
Weighted average shares outstanding	18,346,946	20,059,264	18,280,860	20,040,205
Earnings per share, basic	$ 0.49	$ 0.41	$ 1.01	$ 0.79
Diluted EPS				
Numerator:				
Net income available to common shares	$ 9,078	$ 8,140	$ 18,429	$ 15,798
Denominator:				
Weighted average shares outstanding for basic EPS	18,346,946	20,059,264	18,280,860	20,040,205
Add: Dilutive effects of assumed exercises of stock options	162,626	236,530	162,626	259,380
Weighted avg. shares including dilutive potential common shares	18,509,572	20,295,794	18,443,486	20,299,585
Earnings per share, diluted	$ 0.49	$ 0.40	$ 1.00	$ 0.78
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.

11. 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.

12. SUBSEQUENT EVENTS

Dividends

On July 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 September 4, 2026, to stockholders of record as of the close of business on August 17, 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 and six months ended June 30, 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;
- 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;
- 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, any 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 ocurring 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 $9.1 million or $0.49 per diluted share of common stock for the three months ended June 30, 2026 compared to $8.1 million or $0.40 per diluted share of common stock for the three months ended June 30, 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 June 30, 2026 compared to at or for the quarter ended June 30, 2025 and as of December 31, 2025 and annualized where appropriate:

- Net interest income before provision for credit losses for the three months ended June 30, 2026 increased $3.4 million or 15.9% to $24.4 million from $21.0 million for the quarter ended June 30, 2025.

- Net interest margin (“NIM”) expanded to 3.49% for the three months ended June 30, 2026 compared to 3.28% for the three months ended June 30, 2025.

- Total assets surpassed $3.0 billion at June 30, 2026, representing an increase of $300.2 million or 11.0% from June 30, 2025 and an increase of $228.2 million or 16.5% annualized from December 31, 2025.

- Total loans held for investment (net of deferred cost/fees) were $2.3 billion at June 30, 2026, representing an increase of $209.0 million or 9.9% from June 30, 2025 and an increase of $133.1 million or 12.3% annualized from December 31, 2025.

- Total deposits were $2.5 billion at June 30, 2026, representing an increase of $116.6 million or 5.0% from June 30, 2025 and an increase of $107.2 million or 9.2% annualized from December 31, 2025.

- Annualized return on average assets for the quarter ended June 30, 2026 was 1.26% compared to 1.22% for the quarter ended June 30, 2025.

- Annualized return on average stockholders’ equity for the quarter ended June 30, 2026 was 15.90% compared to 14.29% for quarter ended June 30, 2025.

- The ACL to total loans was 1.15% at June 30, 2026 compared to 1.16% at December 31, 2025.

- Non-performing loans to total loans was 0.09% at June 30, 2026 and 0.14% at December 31, 2025.

- At June 30, 2026, the total risk-based capital ratios for the Company and the Bank were 13.88% and 13.68%, respectively.

- Tangible book value per common share (a non-GAAP measure) was $12.64 at June 30, 2026, representing an increase of $1.11 or 9.6% annualized from $11.53 at June 30, 2025. At June 30, 2026, tangible book value per common share was negatively affected by ($1.70) due to an accumulated comprehensive loss of $31.4 million. At June 30, 2025, tangible book value per common share was negatively affected by ($2.08) due to an accumulated comprehensive loss of $41.8 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.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared based on the application of U.S. Generally Accepted Accounting Principles ("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):

	June 30, 2026	December 31, 2025
Consolidated Balance Sheets:		
Total assets	$ 3,019,701	$ 2,791,540
Total loans [(1)]	$ 2,322,385	$ 2,189,257
Total deposits	$ 2,452,271	$ 2,345,080
Total stockholders' equity	$ 233,238	$ 217,183

(1) Loan amounts include deferred fees/costs.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Consolidated Statements of Operations:				
Net interest income before provision for credit losses	$ 24,387	$ 21,034	$ 46,435	$ 40,149
Total non-interest income	$ 3,560	$ 3,370	$ 7,710	$ 7,086
Total non-interest expense	$ 13,966	$ 12,634	$ 27,677	$ 24,686
Net income	$ 9,078	$ 8,140	$ 18,429	$ 15,798
Profitability:				
Efficiency ratio	49.97%	51.77%	51.12%	52.26%
Net interest margin	3.49%	3.28%	3.38%	3.18%

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 June 30, 2026 compared to the three months ended June 30, 2025

Net income increased $938 thousand to $9.1 million for the three months ended June 30, 2026 from $8.1 million for the same period in 2025. The $938 thousand or 11.5% increase in net income was primarily driven by growth in the average loan portfolio and expansion of net interest margin resulting from lower funding costs. These benefits were partially offset by higher non-interest expense, income tax expense, and provision for credit losses.

Six months ended June 30, 2026 compared to the six months ended June 30, 2025

Net income increased $2.6 million to $18.4 million for the six months ended June 30, 2026 from $15.8 million for the same period in 2025. The $2.6 million or 16.7% increase in the net income was primarily driven by higher income from a larger loan portfolio and, to a lesser extent, an increase in service fees. The increase in income was partially offset by an increase in non-interest expense, income tax expense, and provision for credit losses 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.

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 June 30,					
	2026			2025		
	Average (1) Balance	Interest	Yield/Rate (2)	Average (1) Balance	Interest	Yield/Rate (2)
Assets						
Interest-earning assets:						
Loans held for investment(3)	$ 2,258,965	$ 34,899	6.20%	$ 2,057,445	$ 31,946	6.23%
Investment securities (4)	461,849	3,858	3.35%	449,624	3,432	3.06%
Other interest-earnings assets	80,640	823	4.09%	63,974	776	4.87%
Total interest-earning assets	2,801,454	39,580	5.67%	2,571,043	36,154	5.64%
Non-interest-earning assets	99,271			106,155		
Total assets	$ 2,900,725			$ 2,677,198		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 51,711	311	2.41%	$ 46,694	285	2.45%
Savings and money market deposits	1,280,578	8,478	2.66%	1,211,513	9,410	3.12%
Time deposits	524,474	4,628	3.54%	452,361	4,343	3.85%
Total interest-bearing deposits	1,856,763	13,417	2.90%	1,710,568	14,038	3.29%
FHLB advances	100,685	976	3.89%	116,527	1,082	3.72%
Subordinated notes, net	39,351	800	8.15%	-	-	- %
Total interest-bearing liabilities	1,996,799	15,193	3.05%	1,827,095	15,120	3.32%
Non-interest-bearing demand deposits	632,198			580,121		
Other non-interest-bearing liabilities	42,795			41,490		
Total liabilities	2,671,792			2,448,706		
Stockholders' equity	228,933			228,492		
Total liabilities and stockholders' equity	$ 2,900,725			$ 2,677,198		
Net interest income		$ 24,387			$ 21,034	
Net interest spread (5)			2.62%			2.32%
Net interest margin (6)			3.49%			3.28%

(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.

	Six Months Ended June 30,					
	2026			2025		
	Average Balance [1]	Interest	Yield/Rate [2]	Average Balance [1]	Interest	Yield/Rate [2]
Assets						
Interest-earning assets:						
Loans held for investment[3]	$ 2,218,574	$ 67,688	6.15 %	$ 2,022,345	$ 62,191	6.18 %
Investment securities [4]	458,076	7,269	3.20 %	443,314	6,456	2.93 %
Other interest-earnings assets	92,980	1,655	3.59 %	69,547	1,485	4.29 %
Total interest-earning assets	2,769,630	76,612	5.58 %	2,535,206	70,132	5.56 %
Non-interest earning assets	98,273			106,885		
Total assets	$ $2,867,903			$ 2,642,091	$	
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 51,904	$ 621	2.41 %	$ 50,133	$ 623	2.50 %
Savings and money market deposits	1,268,565	16,611	2.64 %	1,205,305	18,745	3.13 %
Time deposits	529,094	9,328	3.56 %	426,081	8,261	3.90 %
Total interest-bearing deposits	1,849,563	26,560	2.90 %	1,681,519	27,629	3.30 %
FHLB advances	105,339	2,016	3.86 %	127,674	2,354	3.71 %
Subordinated notes, net	39,332	1,601	8.21 %	-	-	-
Total interest-bearing liabilities	1,994,234	30,177	3.05 %	1,809,193	29,983	3.33 %
Non-interest bearing demand deposits	608,622			571,627		
Other non-interest-bearing liabilities	39,449			37,247		
Total liabilities	2,642,305			2,418,067		
Stockholders' equity	225,598			224,024		
Total liabilities and stockholders' equity	$ $2,867,903			$ 2,642,091		
Net interest income		$ 46,435			$ 40,149	
Net interest spread [5]			2.53 %			2.23 %
Net interest margin [6]			3.38 %			3.18 %

(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 June 30, 2026 compared to the three months ended June 30, 2025

Net interest income before the provision for credit losses was $24.4 million for the three months ended June 30, 2026, an increase of $3.4 million or 15.9%, from $21.0 million for the same period in 2025. This growth was primarily driven by higher income from a larger loan portfolio and lower rates paid on interest-bearing deposits. This increase was partially offset by interest expense associated with the subordinated notes issued during 2025.

The NIM was 3.49% for the three months ended June 30, 2026 and 3.28% for the same period in 2025. The 21-basis point increase in net interest margin was primarily attributable to a reduction in the weighted average rates paid on interest-bearing deposits, particularly savings and money market accounts, together with a favorable earning asset mix.

Six months ended June 30, 2026 compared to the six months ended June 30, 2025

Net interest income before the provision for credit losses was $46.4 million for the six months ended June 30, 2026, an increase of $6.3 million or 15.7%, from $40.1 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 deposit between periods.

The NIM was 3.38% for the six months ended June 30, 2026 and 3.18% for the same period in 2025. The NIM expansion of 20 basis points reflects primarily the decrease in the weighted average interest rate paid on interest-bearing deposits, 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 investment securities portfolio, recent historical and projected future economic conditions, our internal assessment of the credit quality of the loan and investment securities portfolios and net charge-offs.

Three months ended June 30, 2026 compared to the three months ended June 30, 2025

The provision for credit losses was $1.3 million for the three months ended June 30, 2026 compared to $1.0 million for the same period in 2025. The increase in the provision for credit losses primarily reflects growth in the loan portfolio and off-balance sheet arrangements, which increased the level of estimated expected credit losses under CECL.

Six months ended June 30, 2026 compared to the six months ended June 30, 2025

The provision for credit losses was $2.1 million for the six months ended June 30, 2026 compared to $1.7 million for the same period in 2025. The increase in the provision for credit losses primarily reflects growth in the loan portfolio, which increased the level of estimated expected credit losses under CECL.

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 June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Service fees	$ 2,601	$ 2,402	$ 5,701	$ 4,733
Gain on sale of securities available for sale, net	-	-	14	-
Gain on sale of loans held for sale, net	-	151	106	676
Other non-interest income	959	817	1,889	1,677
Total non-interest income	$ 3,560	$ 3,370	$ 7,710	$ 7,086

Three months ended June 30, 2026 compared to the three months ended June 30, 2025

Non-interest income for the three months ended June 30, 2026 increased $190 thousand or 5.6%, compared to the same period in 2025. This increase was primarily driven by a $322 thousand increase in loan prepayment penalty income reported under service fees compared to the same period last year.

Six months ended June 30, 2026 compared to the six months ended June 30, 2025

Non-interest income for the six months ended June 30, 2026 increased $624 thousand or 8.8%, compared to the same period in 2025. This increase was primarily driven by $1.6 million increase in income generated by the Company's loan swap program reported under service fees in the Consolidated Statements of Operations. This increase was partially offset by a decrease in gain on sale of loans during the quarter ended June 30, 2026.

Non-Interest Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Salaries and employee benefits	$ 8,537	$ 7,954	$ 17,107	$ 15,590
Occupancy	1,369	1,337	2,685	2,621
Regulatory assessment and fees	397	396	881	817
Consulting and legal fees	583	263	1,144	456
Network and information technology services	524	564	1,084	1,069
Other operating	2,556	2,120	4,776	4,133
Total non-interest expense	$ 13,966	$ 12,634	$ 27,677	$ 24,686

Three months ended June 30, 2026 compared to the three months ended June 30, 2025

Non-interest expense for the three months ended June 30, 2026 increased $1.3 million or 10.5%, compared to the same period in 2025. This increase was primarily driven by an increase of $583 thousand in salaries and employee benefits due to an increase of $236 thousand in salaries associated with additional full-time employees and an increase of $228 thousand in health insurance and 401(k) expense. Additionally, consulting and legal fees increase by $320 mainly due to $290 thousand reimbursement of legal expenses recognized during the second quarter of 2025, which reduced legal expense in the prior-year period. Other operating expenses increased by $436 thousand due mainly to $312 thousand excise tax expense paid in the quarter ended June 30, 2026.

Six months ended June 30, 2026 compared to the six months ended June 30, 2025

Non-interest expense for the six months ended June 30, 2026 increased $3.0 million or 12.1%, compared to the same period in 2025. The increase was primarily driven by an increase of $1.5 million in salaries and employee benefits, consisting of $666 thousand related to merit increases and new full-time employee salaries, $580 thousand increase in health insurance and 401(k) expense, and a $349 thousand increase in additional stock-based compensation expense. In addition, consulting and legal fees increased $688 thousand, primarily due to an increase of $405 thousand in legal fees due to the reimbursement of legal expenses recognized during the second quarter of 2025, which reduced legal expense in the prior-year period. Other non-interest expenses increased by $643 thousand, mainly due to increase of $285 thousand in excise tax expense and increase of $83 thousand in ATM expense for the six months ended June 30, 2026.

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 June 30, 2026 compared to the three months ended June 30, 2025

Income tax expense for the three months ended June 30, 2026 was $3.6 million as compared to $2.6 million for the same period in 2025. The effective tax rate for the three months ended June 30, 2026 was 28.60% compared to 24.20% for the same period in 2025.

Six months ended June 30, 2026 compared to the six months ended June 30, 2025

Income tax expense for the six months ended June 30, 2026 was $6.0 million as compared to $5.0 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 six months ended June 30, 2026 was 24.47% compared to 24.18% for the same period in 2025.

For a further discussion of income taxes, see Note 5 “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 June 30, 2026 were $3.02 billion, an increase of $228.2 million, or 16.5% annualized, over total assets of $2.79 billion at December 31, 2025. Total loans, net of deferred fees/costs, increased $133.1 million, or 12.3% annualized, to $2.32 billion at June 30, 2026 compared to $2.19 billion at December 31, 2025. Total deposits increased by $107.2 million, or 9.2% annualized, to $2.45 billion at June 30, 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 June 30, 2026.

At quarter end, HTM securities included $136.1 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. Using the PD/LGD methodology and considering that there are no HTM securities exposed to non-government credit risk, the Company estimated an allowance for credit losses ("ACL") of $0 as of June 30, 2026. For periods where there was an ACL for HTM securities recorded the book value for debt securities classified as HTM represents amortized cost less ACL.

Aggregate AFS and HTM investment securities increased $7.6 million to $469.0 million at June 30, 2026 from $461.4 million at December 31, 2025.

As of June 30, 2026, investment securities with a market value of $56.3 million were pledged to secure public deposits. The investment portfolio does not contain any tax-exempt securities.

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

	June 30, 2026		December 31, 2025	
Available-for-sale:	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
U.S. Government Agency	$ 11,883	$ 10,855	$ 15,169	$ 14,144
Collateralized mortgage obligations	84,406	67,099	92,871	75,828
Mortgage-backed securities - residential	34,909	28,991	35,865	29,917
Mortgage-backed securities - commercial	215,345	206,999	174,622	168,108
Municipal securities	5,191	4,225	5,196	4,263
Bank subordinated debt securities	14,578	14,690	15,284	15,230
	$ 366,312	$ 332,859	$ 339,007	$ 307,490
Held-to-maturity:				
U.S. Government Agency	$ 37,328	$ 34,129	$ 41,158	$ 37,970
Collateralized mortgage obligations	48,762	43,821	51,431	46,786
Mortgage-backed securities - residential	35,188	32,522	37,221	34,718
Mortgage-backed securities - commercial	14,849	13,705	15,088	14,051
Corporate bonds	-	-	9,045	8,983
	$ 136,127	$ 124,177	$ 153,943	$ 142,508
Allowance for credit losses - securities held-to-maturity	-		(2)	
Securities held-to maturity, net of allowance for credit losses	$ 136,127		$ 153,941	

The following table shows the weighted average yields, categorized by contractual maturity, for investment securities as of June 30, 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	$ -	-	$ -	-	$ -	-	$ 11,883	3.43%	$ 11,883	3.43%
Collateralized mortgage obligations	-	-	-	-	-	-	84,406	1.56%	84,406	1.56%
MBS - residential	-	-	-	-	-	-	34,909	2.43%	34,909	2.43%
MBS - commercial	-	-	4,996	4.55%	4,906	4.81%	205,443	4.38%	215,345	4.40%
Municipal securities	-	-	-	-	5,191	1.87%	-	-	5,191	1.87%
Bank subordinated debt securities	-	-	2,000	7.86%	12,578	5.81%	-	-	14,578	6.09%
	$ -	-	$ 6,996	5.50%	$ 22,675	4.69%	$ 336,641	3.44%	$ 366,312	3.56%
Held-to-maturity:										
U.S. Government Agency	$ 4,988	1.24%	$ 18,041	1.31%	$ 1,483	2.85%	$ 12,816	1.85%	$ 37,328	1.55%
Collateralized mortgage obligations	-	-	-	-	-	-	48,762	1.65%	48,762	1.65%
MBS - residential	21	2.98%	8,874	1.65%	-	-	26,293	2.29%	35,188	2.13%
MBS - commercial	-	-	3,034	1.63%	-	-	11,815	2.57%	14,849	2.37%
	$ 5,009	1.25%	$ 29,949	1.44%	$ 1,483	2.85%	$ 99,686	1.95%	$ 136,127	1.83%

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.

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

	June 30, 2026		December 31, 2025	
	Total	Percent of Total	Total	Percent of Total
Residential real estate	$ 356,747	15.4 %	$ 307,692	14.1 %
Commercial real estate	1,314,367	56.6 %	1,244,835	57.0 %
Commercial and industrial	300,265	13.0 %	295,548	13.5 %
Correspondent banks	137,912	6.0 %	127,968	5.9 %
Consumer and other	207,404	9.0 %	207,215	9.5 %
Total gross loans	2,316,695	100.0 %	2,183,258	100.0 %
Plus: Deferred fees/costs	5,690		5,999	
Total loans net of deferred fees/costs	2,322,385		2,189,257	
Less: Allowance for credit losses	26,701		25,500	
Total net loans	$ 2,295,684		$ 2,163,757	

Total loans, net of deferred fees/costs, increased by $133.1 million, or 12.3% annualized to $2.32 billion, at June 30, 2026 compared to December 31, 2025. The commercial 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 56.6% of the total gross loan portfolio as of June 30, 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 June 30, 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	$ 7,064	$ 83,310	$ 65,616	$ 200,757	$ 356,747
Commercial real estate	71,847	590,427	647,640	4,453	1,314,367
Commercial and industrial	12,401	111,248	133,331	43,285	300,265
Correspondent banks	137,912	-	-	-	137,912
Consumer and other	3,579	1,238	21,910	180,677	207,404
Total gross loans	$ 232,803	$ 786,223	$ 868,497	$ 429,172	$ 2,316,695
Interest rate sensitivity:					
Fixed interest rates	$ 187,594	$ 201,973	$ 159,167	$ 302,650	$ 851,384
Floating or adjustable rates	45,209	584,250	709,330	126,522	1,465,311
Total gross loans	$ 232,803	$ 786,223	$ 868,497	$ 429,172	$ 2,316,695

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 June 30, 2026, approximately 63% of the loan portfolio has adjustable/variable rates and 37% 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):

	June 30, 2026				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential real estate	$ 353,869	$ 1,370	$ 1,508	$ -	$ 356,747
Commercial real estate	1,301,144	11,520	1,703	-	1,314,367
Commercial and industrial	298,081	773	1,411	-	300,265
Correspondent banks	137,912	-	-	-	137,912
Consumer and other	207,404	-	-	-	207,404
	$ 2,298,410	$ 13,663	$ 4,622	$ -	$ 2,316,695

	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):

	June 30, 2026	December 31, 2025
Non-accrual loans	$ 2,148	$ 3,138
Loans past due over 90 days and still accruing	-	-
Total non-performing loans	$ 2,148	$ 3,138
Other real estate owned	-	-
Total non-performing assets	$ 2,148	$ 3,138
Asset quality ratios:		
Allowance for credit losses to total loans	1.15%	1.16%
Allowance for credit losses to non-performing loans	1,243%	813%
Non-performing loans to total loans	0.09%	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 June 30, 2026						
Beginning balance	$ 5,270	$ 9,932	$ 5,330	$ 1,018	$ 4,552	$ 26,102
Provision for credit losses (1)	222	184	407	76	(2)	887
Recoveries	8	-	1	-	-	9
Charge-offs	(296)	-	-	-	(1)	(297)
Ending Balance	$ 5,204	$ 10,116	$ 5,738	$ 1,094	$ 4,549	$ 26,701
Average loans	$ 354,678	$ 1,275,161	$ 292,088	$ 128,762	$ 208,276	$ 2,258,965
Net charge-offs (recoveries) to average loans (2)	0.33%	- %	(0.00)%	- %	0.00%	0.05%
Six Months Ended June 30, 2026						
Beginning balance	$ 5,908	$ 9,476	$ 4,814	$ 1,015	$ 4,287	$ 25,500
Provision for credit losses (3)	(422)	640	919	79	269	1,485
Recoveries	14	-	5	-	-	19
Charge-offs	(296)	-	-	-	(7)	(303)
Ending Balance	$ 5,204	$ 10,116	$ 5,738	$ 1,094	$ 4,549	$ 26,701
Average loans	$ 329,736	$ 1,271,120	$ 264,440	$ 128,783	$ 224,495	$ 2,218,574
Net charge-offs (recoveries) to average loans (2)	0.17%	- %	(0.00)%	- %	0.01%	0.03%

(1) Provision for credit losses excludes a $380 thousand provision due to unfunded commitments included in accrued interest and other liabilities.

(2) Annualized.

(3) Provision for credit losses excludes a $585 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 June 30, 2025						
Beginning balance	$ 5,115	$ 9,197	$ 4,434	$ 817	$ 5,177	$ 24,740
Provision for credit losses (1)	356	294	73	57	115	895
Recoveries	6	-	1	-	1	8
Charge-offs	-	-	-	-	(710)	(710)
Ending Balance	$ 5,477	$ 9,491	$ 4,508	$ 874	$ 4,583	$ 24,933
Average loans	$ 299,857	$ 1,167,698	$ 265,465	$ 101,776	$ 222,649	$ 2,057,445
Net charge-offs (recoveries) to average loans (2)	(0.01)%	- %	(0.00)%	- %	1.28%	0.14%
Six Months Ended June 30, 2025						
Beginning balance	$ 5,121	$ 8,788	$ 4,633	$ 654	$ 4,874	$ 24,070
Provision for credit losses (3)	344	703	(131)	220	431	1,567
Recoveries	12	-	6	-	1	19
Charge-offs	-	-	-	-	(723)	(723)
Ending Balance	$ 5,477	$ 9,491	$ 4,508	$ 874	$ 4,583	$ 24,933
Average loans	$ 300,560	$ 1,155,436	$ 261,377	$ 94,516	$ 210,456	$ 2,022,345
Net charge-offs (recoveries) to average loans (2)	(0.01)%	- %	(0.00)%	- %	0.69%	0.07%

(1) Provision for credit losses excludes a $134 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a $2 thousand provision related to investment securities held to maturity.

(2) Annualized.

(3) Provision for credit losses excludes $144 thousand provision due to unfunded commitments included in accrued interest and a $1 thousand provision related to investment securities held to maturity.

The Federal Open Market Committee (“FOMC”) economic forecasts as of June 30, 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 June 30, 2026, for every 100 basis point increase in the HPI, the forecast reduces reserves by approximately $241 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 June 30, 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 $6.0 million, or 22.3%, 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 June 30, 2026, the combined cash surrender value of all bank-owned life insurance ("BOLI") policies was $60.4 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 June 30,			
	2026		2025	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest bearing demand deposits	$ 632,198	0.00%	$ 580,121	0.00%
Interest-bearing demand deposits	51,711	2.41%	46,694	2.45%
Saving and money market deposits	1,280,578	2.66%	1,211,513	3.12%
Time deposits	524,474	3.54%	452,361	3.85%
Total	$ 2,488,961	2.16%	$ 2,290,689	2.46%

The Company has a granular deposit portfolio with outstanding balances comprised of 57.1% in commercial deposits, 26.0% in personal deposits, 9.1% in public funds (which are partially collateralized) and 7.8% in brokered deposits. The brokered deposits balance at June 30, 2026 was $190.9 million and $256.8 million at December 31, 2025.

As of June 30, 2026, the Company has approximately 21 thousand deposit accounts with the majority of which were personal accounts, approximately 12 thousand or 58.6%. The estimated average account size in our deposit portfolio was approximately $118 thousand as of June 30, 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 55% at June 30, 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 $176.1 million at June 30, 2026 and was $183.2 million at December 31, 2025.

The following table shows scheduled maturities of uninsured time deposits as of June 30, 2026 (in thousands):

	June 30, 2026
Three months or less	$ 68,697
Over three through six months	17,702
Over six through twelve months	57,687
Over twelve months	51,597
	$ 195,683

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 June 30, 2026, escrow balances totaled $23.5 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 June 30, 2026, we had $112.0 million of fixed-rate advances and $128.9 million of daily-rate advances outstanding with the FHLB, with weighted average interest rates of 3.82% and 3.88%, maturing in July 2026 and September 2026 for the fixed-rate advances and May 2027 for the daily-rate advance , as detailed in the table below.

The following table presents the FHLB advances as of June 30, 2026 (in thousands):

June 30, 2026			
Interest Rate	Type of Rate	Maturity Date	Amount
3.82%	Fixed	July 13, 2026	37,000
3.82%	Fixed	July 23, 2026	5,000
3.81%	Fixed	July 29, 2026	30,000
3.84%	Fixed	September 09, 2026	40,000
3.88%	Daily	May 24, 2027	128,900
			$ 240,900

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 June 30, 2026, there were no outstanding balances with any of these additional liquidity sources.

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 $39.4 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 June 30, 2026 was $1.3 million 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):

	June 30, 2026	December 31, 2025
Commitments to grant loans and unfunded lines of credit	$ 205,573	$ 161,606
Standby and commercial letters of credit	3,646	2,700
Total	$ 209,219	$ 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 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 June 30, 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.

The Bank's interest rate risk profile is fairly neutral, with no significant change in overall sensitivity. While the funding mix shifted modestly, core deposits remained essentially flat, and the Bank's Year 1 liability-sensitive positioning was unchanged. All modeled NII and EVE results continued to remain within ALCO policy limits across all rate shock scenarios.

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.

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.

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 June 30, 2026, the Company had $428 million in available liquidity on balance sheet, including $314 million in unpledged securities (excluding Unencumbered HTM securities) available to use as collateral and $114 million in excess cash. The Company had an additional $309 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.

Capital Adequacy

As of June 30, 2026, the Company and the Bank were well capitalized under the FRB's and FDIC's prompt corrective action framework. We also follow the capital conservation buffer framework, and as of June 30, 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 Company and the Bank at the dates indicated (in thousands, except ratios).

The Company's consolidated regulatory capital amounts and ratios:

	Actual		Minimum Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2026						
Total risk-based capital	$ 325,362	13.88 %	$ 187,482	8.00 %	$ 234,352	10.00 %
Tier 1 risk-based capital	$ 257,948	11.01 %	$ 140,611	6.00 %	$ 187,482	8.00 %
Common equity tier 1 capital	$ 257,948	11.01 %	$ 105,458	4.50 %	$ 152,329	6.50 %
Leverage ratio	$ 257,948	8.81 %	$ 117,132	4.00 %	$ 146,415	5.00 %
December 31, 2025						
Total risk-based capital	$ 305,225	13.91 %	$ 175,565	8.00 %	$ 219,457	10.00 %
Tier 1 risk-based capital	$ 239,671	10.92 %	$ 131,674	6.00 %	$ 175,565	8.00 %
Common equity tier 1 capital	$ 239,671	10.92 %	$ 98,756	4.50 %	$ 142,647	6.50 %
Leverage ratio	$ 239,671	8.46 %	$ 113,285	4.00 %	$ 141,606	5.00 %

The Bank's regulatory capital amounts and ratios:

	Actual		Minimum Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2026						
Total risk-based capital	$ 320,052	13.68 %	$ 187,185	8.00 %	$ 233,981	10.00 %
Tier 1 risk-based capital	$ 292,014	12.48 %	$ 140,389	6.00 %	$ 187,185	8.00 %
Common equity tier 1 capital	$ 292,014	12.48 %	$ 105,291	4.50 %	$ 152,088	6.50 %
Leverage ratio	$ 292,014	9.97 %	$ 117,144	4.00 %	$ 146,430	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 %

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				
	6/30/2026	3/31/2026	12/31/2025	9/30/2025	6/30/2025
Pre-tax pre-provision ("PTPP") income:(1)					
Net income	$ 9,078	$ 9,351	$ 1,363	$ 8,939	$ 8,140
Plus: Income tax expense	3,636	2,335	1,911	2,866	2,599
Plus: Provision for credit losses	1,267	801	480	105	1,031
PTPP income	$ 13,981	$ 12,487	$ 3,754	$ 11,910	$ 11,770
PTPP return on average assets:(1)					
PTPP income	$ 13,981	$ 12,487	$ 3,754	$ 11,910	$ 11,770
Average assets	$ 2,900,725	$ 2,834,717	$ 2,799,863	$ 2,798,115	$ 2,677,198
PTPP return on average assets (2)	1.93%	1.79%	0.53%	1.69%	1.76%
Operating net income:(1)					
Net income	$ 9,078	$ 9,351	$ 1,363	$ 8,939	$ 8,140
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	$ 9,078	$ 8,722	$ 8,057	$ 8,960	$ 8,140
Operating return on average assets:(1)					
Operating net income	$ 9,078	$ 8,722	$ 8,057	$ 8,960	$ 8,140
Average assets	$ 2,900,725	$ 2,834,717	$ 2,799,863	$ 2,798,115	$ 2,677,198
Operating return on average assets (2)	1.26%	1.25%	1.14%	1.27%	1.22%
Operating return on average equity:(1)					
Operating net income	$ 9,078	$ 8,722	$ 8,057	$ 8,960	$ 8,140
Average equity	$ 228,933	$ 222,226	$ 212,393	$ 225,316	$ 228,492
Operating return on average equity (2)	15.90%	15.92%	15.05%	15.78%	14.29%
Operating Revenue:(1)					
Net interest income	$ 24,387	$ 22,048	$ 22,207	$ 21,274	$ 21,034
Plus: Non-interest income	3,560	4,150	(4,178)	3,684	3,370
Less: Net gains (losses) on sale of securities	-	14	(7,498)	(28)	-
Operating revenue	$ 27,947	$ 26,184	$ 25,527	$ 24,986	$ 24,404
Operating Efficiency Ratio:(1)					
Total non-interest expense	$ 13,966	$ 13,711	$ 14,275	$ 13,048	$ 12,634
Operating revenue	$ 27,947	$ 26,184	$ 25,527	$ 24,986	$ 24,404
Operating efficiency ratio	49.97%	52.36%	55.92%	52.22%	51.77%

(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.

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

	As of or For the Three Months Ended				
	6/30/2026	3/31/2026	12/31/2025	9/30/2025	6/30/2025
Tangible book value per common share (at period-end):[(1)(4)]					
Total stockholders' equity	$ 233,238	$ 223,246	$ 217,183	$ 209,095	$ 231,583
Less: Intangible assets	-	-	-	-	-
Tangible stockholders' equity[(3)]	$ 233,238	$ 223,246	$ 217,183	$ 209,095	$ 231,583
Total shares issued and outstanding (at period-end):					
Total common shares issued and outstanding	18,459,470	18,257,400	18,137,885	18,107,385	20,078,385
Tangible book value per common share[(2)]	$ 12.64	$ 12.23	$ 11.97	$ 11.55	$ 11.53
Operating diluted net income per common share:[(1)]					
Operating net income	$ 9,078	$ 8,722	$ 8,057	$ 8,960	$ 8,140
Total weighted average diluted shares of common stock	18,509,572	18,454,006	18,348,725	19,755,820	20,295,794
Operating diluted net income per common share:	$ 0.49	$ 0.47	$ 0.44	$ 0.45	$ 0.40
Tangible Common Equity/Tangible Assets[(1)(4)]					
Tangible stockholders' equity[(3)]	$ 233,238	$ 223,246	$ 217,183	$ 209,095	$ 231,583
Tangible total assets[(3)]	$ 3,019,701	$ 2,845,735	$ 2,791,540	$ 2,767,945	$ 2,719,474
Tangible Common Equity/Tangible Assets	7.72%	7.84%	7.78%	7.55%	8.52%

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

(2) Excludes the dilutive effect, if any, of shares of common stock issuable upon exercise of outstanding stock options.

(3) Since the Company has no intangible assets, tangible stockholders' equity and tangible total assets are the same amounts as stockholders' equity and total assets,

(4) The decrease in total stockholders' equity in September 2025 was primarily driven by the repurchase of 2.0 million shares of Class A common stock, as previously disclosed.

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 June 30, 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.

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 to the 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 June 30, 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)
April 1 - 30, 2026	-	$ -	-	474,834
May 1 - 31, 2026	-	$ -	-	474,834
June 1 - 30, 2026	-	$ -	-	474,834
Total	-	$ -	-	

(1) As of June 30, 2026 there were 474,834 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 June 30, 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 June 30, 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 June 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, 2025 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, 2025, 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).
10.3	Change in Control Agreement between U.S. Century Bank and Sergio Garrido dated as of July 6, 2026. *,**
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 June 30, 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.

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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)	August 7, 2026
/s/ Robert Anderson Robert Anderson	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 7, 2026

Exhibit 10.3

CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT (the "Agreement") is made as of the 6th day of July 2026 by and between U.S. Century Bank, with Corporate Offices located at 2301 NW 87th Ave., Doral, FL 33172 (hereinafter called the "Bank") and Mr. Sergio Garrido ("Executive").

WHEREAS, as consideration for Executive's continued employment with the Bank as Senior Vice President and Chief Credit Officer, the parties hereto, intending to be legally bound, agree as follows:

1. Payment Upon Change in Control. In the event of a Change in Control (as defined herein) during the term of this Agreement, the Bank agrees to pay Executive a cash payment equal to one times the Base Annual Salary of Executive received during the one (1) year period prior to the Change in Control, to be paid within thirty (30) days of the consummation of the Change in Control. The Bank's provision of this benefit to Executive is made without regard to whether, or for how long, Executive remains employed with the surviving company subsequent to the Change in Control.

2. Change in Control. "Change in Control" shall mean the occurrence of an event described in (i), (ii), (iii), or (iv) below:

(i) Any person or group (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than USCB Financial Holdings, Inc. (the "Company"), an affiliate of the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company or the Bank or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the beneficial owner (within the meaning of Rule 13(d)(3) under the Exchange Act, directly or indirectly (which shall include securities issuable upon conversion, exchange or otherwise) or securities representing 50% or more of the combined voting power of the Company's or the Bank's then-outstanding securities entitled generally to vote for the election of directors.

(ii) Consummation of an agreement to merge or consolidate with another entity (other than a majority-controlled subsidiary of the Company) unless the Company's stockholders immediately before the merger or consolidation own more than 50% of the combined voting power of the resulting entity's voting securities (giving effect to the conversion or exchange of securities issued in the merger or consolidation to the other entity that are convertible or exchangeable for voting securities) entitled generally to vote for the election of directors.

(iii) Consummation of an agreement (including, without limitation, an agreement of liquidation) to sell or otherwise dispose of all or substantially all of the business or assets of the Company or the Bank; or

(iv) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason during any 12 month period to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election by the stockholders of the Company is approved by a vote of at least a majority of directors then constituting the Incumbent Board shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board.

Notwithstanding the foregoing, no event shall constitute a Change in Control unless such event shall also constitute a change in control as defined in Section 409A of the Internal Revenue Code of 1986, as amended.

3. Severability. Should any provision of this Agreement be declared or determined by any court of competent jurisdiction to be unenforceable or invalid for any reason, the validity of the remaining parts, term or provisions of this Agreement shall not be affected thereby and the invalid or unenforceable part, term or provision shall be deemed not to be a part of this Agreement.

4. Applicable Law/Forum. This Agreement has been entered into and shall be governed by and construed under the internal laws of the State of Florida, without regard to conflicts of laws or principles. All suits, proceedings and other actions relating to, arising out of or in connection with this Agreement will be submitted solely to the in personam jurisdiction of the United States District Court for the Southern District of Florida ("Federal Court") or to the Circuit Court in Broward County or MiamiDade County. Executive hereby waives any claims against or objections to such in personam jurisdiction and venue.

5. Notice. All notices and other communications hereunder shall be in writing and shall be deemed to have been given only if and when personally delivered or three (3) business days after mailing, postage prepaid, registered or certified mail, or when delivered (and receipted for) by an express delivery service, addressed in each case as follows. As to notices provided to the Bank, notices shall be sent to the Human Resources Department at the address of the Bank listed in the introductory paragraph of this Agreement. As to notices to Executive, notices shall be sent to the address provided below in the signature block hereto. Executive and the Bank may change the address for the giving of notices.

6. Complete Agreement. This Agreement represents the complete agreement between Executive and the Bank regarding the subject matter of this Agreement. All prior agreements between the Bank and Executive with respect to the specific matters agreed to herein are hereby superseded and shall have no force or effect. This Agreement is in no way dependent upon the performance of any other contract or agreement that may have been or may be entered into between Executive and the Bank and remains in effect during the pendency of this Agreement. As such, the breach or alleged breach of any other contract or agreement is no defense to enforcement of this Agreement.

7. Amendments in Writing. No amendment, modification, waiver, or other change to this Agreement shall in any event be effective unless the same shall be in writing, specifically identifying this Agreement and the provision intended to be changed and signed by the Bank and Executive, and each such change shall be effective only in the specific instance and for the specific purpose for which it is given. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by Executive and the Bank.

8. Term of the Agreement. Subject to the terms hereof, the term of this Agreement shall commence on the date hereof and terminate on December 31, 2028 (the "Initial Term"). Prior to December 31, 2026 (the "Extension Anniversary Date") and each annual anniversary thereafter of the Extension Anniversary Date, the Board of Directors of the Bank or the Compensation Committee thereof shall consider and review (with appropriate corporate documentation thereof, and after taking into account all relevant factors, including Executive's performance hereunder) a one-year extension of the term of this Agreement. If the Board of Directors or the Compensation Committee thereof approve such an extension, then the term of this Agreement shall be so extended as of the Extension Anniversary Date or any relevant annual anniversary of such date unless Executive gives written notice to the Bank of Executive's election not to extend the term, with such written notice to be given not less than thirty (30) days prior to the Extension Anniversary Date or any relevant annual anniversary of such date. If the Board of Directors elects not to extend the term, it shall give written notice of such decision to Executive not less than thirty (30) days prior to the Extension Anniversary Date or any annual anniversary of such date. If any party gives timely

notice that the term will not be extended as of the Extension Anniversary Date or any annual anniversary of such date, then this Agreement and the rights and obligations provided herein shall terminate at the conclusion of its remaining term. References herein to the term of this Agreement shall refer both to the Initial Term and successive terms as the term of this Agreement is extended in accordance with the terms hereof.

9. Regulatory Actions. The following provisions shall be applicable to the parties hereto or any successor thereto, and shall be controlling in the event of a conflict with any other provision of this Agreement, including without limitation Section 1 hereof:

(i) If Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs pursuant to notice served under Section 8(e)(3) or Section 8(g)(1) of the Federal Deposit Insurance Act ("FDIA")(12 U.S.C. §§1818(e)(3) and 1818(g)(1)), the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank will: (i) pay Executive all or part of the compensation withheld while its obligations under this Agreement were suspended, and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

(ii) If Executive is removed from office and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or Section 8(g)(1) of the FDIA (12 U.S.C. §§1818(e)(4) and (g)(1)), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of Executive and the Bank as of the date of termination shall not be affected.

(iii) If the Bank is in default, as defined in Section 3(x)(1) of the FDIA (12 U.S.C. §1813(x)(1)), all obligations under this Agreement shall terminate as of the date of default, but vested rights of Executive and the Bank as of the date of termination shall not be affected.

(iv) Notwithstanding any other provision of this Agreement to the contrary, any payments made to Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the FDIA (12 U.S.C. §1828(k)) and 12 C.F.R. Part 359.

10. Nature of Obligations. Nothing contained herein shall be deemed to create other than a terminable at will employment relationship between the Bank and Executive, and the Bank may terminate Executive's employment at any time, subject to providing any payments specified herein in accordance with the terms hereof.

11. Acknowledgment. Executive acknowledges that Executive has read this Agreement in full and completely understands all of its terms and obligations and enters into this Agreement freely and voluntarily, and after having the opportunity to consult with representatives of Executive's own choosing and that Executive's agreement is freely given.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above mentioned.

U.S. Century Bank

By: /s/Jessica Goldberg

Title: Senior Vice President/Director of Human Resources

Executive

/s/Sergio Garrido

Print Name: Sergio Garrido

Address: [Redacted]

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: August 7, 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: August 7, 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 June 30, 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: August 7, 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 June 30, 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: August 7, 2026