



---

June 30, 2024

# Investor Presentation



# Forward-Looking Statements

This investor presentation contains future oral and written statements of Shore Bancshares, Inc. (the "Company" or "SHBI") and its wholly-owned banking subsidiary, Shore United Bank, N.A. (the "Bank"), and its management, which may contain statements about future events that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by references to a future period or periods or by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "will," "should," "plan," and other similar terms or expressions. Forward-looking statements include but are not limited to: (i) projections and estimates of revenues, expenses, income or loss, earnings or loss per share, and other financial items, including our financial results for the second quarter of 2024, (ii) statements of plans, objectives and expectations of the Company or its management, (iii) statements of future economic performance, and (iv) statements of assumptions underlying such statements. Forward-looking statements should not be relied on because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the Company and the Bank. These risks, uncertainties and other factors may cause the actual results, performance, and achievements of the Company and the Bank to be materially different from the anticipated future results, performance or achievements expressed in, or implied by, the forward-looking statements. Factors that could cause such differences include, but are not limited to, the effect of acquisitions we have made or may make, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions, and/or the failure to effectively integrate an acquisition target into our operations; recent adverse developments in the banking industry highlighted by high-profile bank failures and the potential impact of such developments on customer confidence, liquidity, and regulatory responses to these developments; changes in general economic, political, or industry conditions; geopolitical concerns, including the ongoing wars in Ukraine and the Middle East; uncertainty in U.S. fiscal and monetary policy, including the interest rate policies of the Board of Governors of the Federal Reserve System; inflation/deflation, interest rate, market, and monetary fluctuations; volatility and disruptions in global capital and credit markets; competitive pressures on product pricing and services; success, impact, and timing of our business strategies, including market acceptance of any new products or services; the impact of changes in financial services policies, laws, and regulations, including those concerning taxes, banking, securities, and insurance, and the application thereof by regulatory bodies; potential changes in federal policy and at regulatory agencies as a result of the upcoming 2024 presidential election; cybersecurity threats and the cost of defending against them, including the costs of compliance with potential legislation to combat cybersecurity at a state, national, or global level; the Company's evaluation of the effect of the credit card fraud on the Company's internal controls over financial reporting and its ability to remediate the existing material weakness identified in its internal control over financial reporting; the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures; and other factors that may affect our future results. Therefore, the Company can give no assurance that the results contemplated in the forward-looking statements will be realized. For more information about these factors, please see our reports filed with or furnished to the Securities and Exchange Commission (the "SEC"), including the Company's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q on file with the SEC, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Any forward-looking statements contained in this investor presentation are made as of the date hereof, and the Company undertakes no duty, and specifically disclaims any duty, to update or revise any such statements, whether as a result of new information, future events or otherwise, except as required by applicable law. This investor presentation has been prepared by the Company solely for informational purposes based on its own information, as well as information from public sources. Certain of the information contained herein may be derived from information provided by industry sources. The Company believes such information is accurate and that the sources from which it has been obtained are reliable. However, the Company has not independently verified such information and cannot guarantee the accuracy of such information. This investor presentation has been prepared to assist interested parties in making their own evaluation of the Company and does not purport to contain all of the information that may be relevant. In all cases, interested parties should conduct their own investigation and analysis of the Company and the data set forth in the investor presentation and other information provided by or on behalf of the Company. This investor presentation is not an offer to sell securities and it is not soliciting an offer to buy securities in any state where the offer or sale is not permitted. Neither the SEC nor any other regulatory body has approved or disapproved of the securities of the Company or passed upon the accuracy or adequacy of this presentation. Any representation to the contrary is a criminal offense.

## **Non-GAAP Financials**

This investor presentation includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures and the Company's reported results prepared in accordance with GAAP. Numbers in this presentation may not sum due to rounding. Pursuant to the requirements of Regulation G, the Company has provided reconciliations within this presentation, as necessary, of the non-GAAP financial measures to the most directly comparable GAAP financial measures. For more details on the Company's non-GAAP measures, refer to the Appendix in this presentation.

# Shore Bancshares, Inc. (NASDAQ: SHBI)

## Balance Sheet (\$ Billions)

	2020	2021	2022	2023	2024 Q1	2024 Q2
Assets	\$ 1.93	\$ 3.46	\$ 3.48	\$ 6.01	\$ 5.83	\$ 5.86
Gross Portfolio Loans	1.45	2.12	2.56	4.64	4.65	4.71
Deposits	1.70	3.03	3.01	5.39	5.18	5.15
NPAs <sup>(1)</sup> / Assets	0.32 %	0.09 %	0.11 %	0.23 %	0.28 %	0.31 %
ACL / NPAs + BEFDs <sup>(1)</sup>	104.77 %	160.07 %	199.29 %	418.59 %	350.46 %	318.21 %
TCE / Tangible Assets (Non-GAAP) <sup>(2)</sup>	9.18 %	8.25 %	8.67 %	6.78 %	7.11 %	7.23 %
Risk-Based Capital Ratio	14.25 %	15.36 %	13.91 %	11.48 %	11.68 %	11.82 %

## Financial Performance

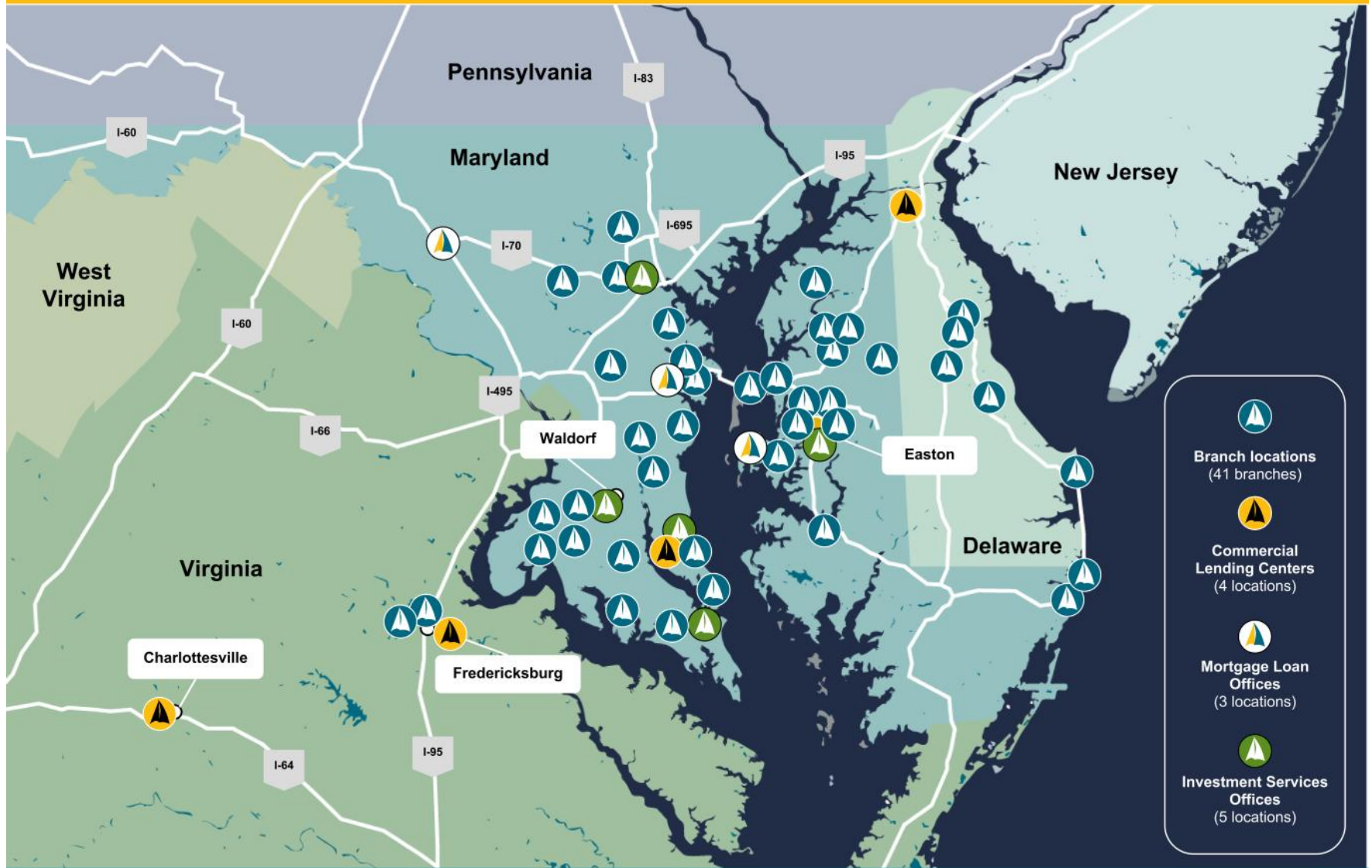
	2020	2021	2022	2023	2024 Q1	2024 Q2
ROAA	0.92 %	0.66 %	0.90 %	0.24 %	0.57 %	0.77 %
ROAA (Non-GAAP) <sup>(2)</sup>	0.94 %	0.95 %	0.99 %	0.58 %	0.94 %	0.91 %
ROATCE (Non-GAAP) <sup>(2)</sup>	9.04 %	11.34 %	11.96 %	7.74 %	13.39 %	12.85 %
Cost of Deposits	0.43 %	0.22 %	0.33 %	1.71 %	2.23 %	2.19 %
Net Interest Margin ("NIM")	3.27 %	2.94 %	3.15 %	3.11 %	3.08 %	3.11 %
Efficiency Ratio (Non-GAAP) <sup>(2)</sup>	59.56 %	61.15 %	61.18 %	61.62 %	62.37 %	61.05 %
Diluted Earnings Per Share	\$ 1.27	\$ 1.17	\$ 1.57	\$ 0.42	\$ 0.25	\$ 0.34
TBV Per Share (Non-GAAP) <sup>(2)</sup>	\$ 14.92	\$ 14.12	\$ 14.87	\$ 12.06	\$ 12.24	\$ 12.54



(1) Allowance for Credit Losses ("ACL"), Nonperforming Assets ("NPAs") includes Other Real Estate Owned ("OREO"), Loan Modifications to Borrowers Experiencing Financial Difficulty ("BEFDs")





(2) Return on Average Assets ("ROAA"), Tangible Common Equity ("TCE"), Tangible Assets, Return on Average TCE ("ROATCE"), Efficiency Ratio, and Tangible Book Value ("TBV") are non-GAAP measures - see reconciliations in Appendix

# Suburban and Rural Branches Support Dominant Maryland Franchise and Growing Presence in Virginia and Delaware



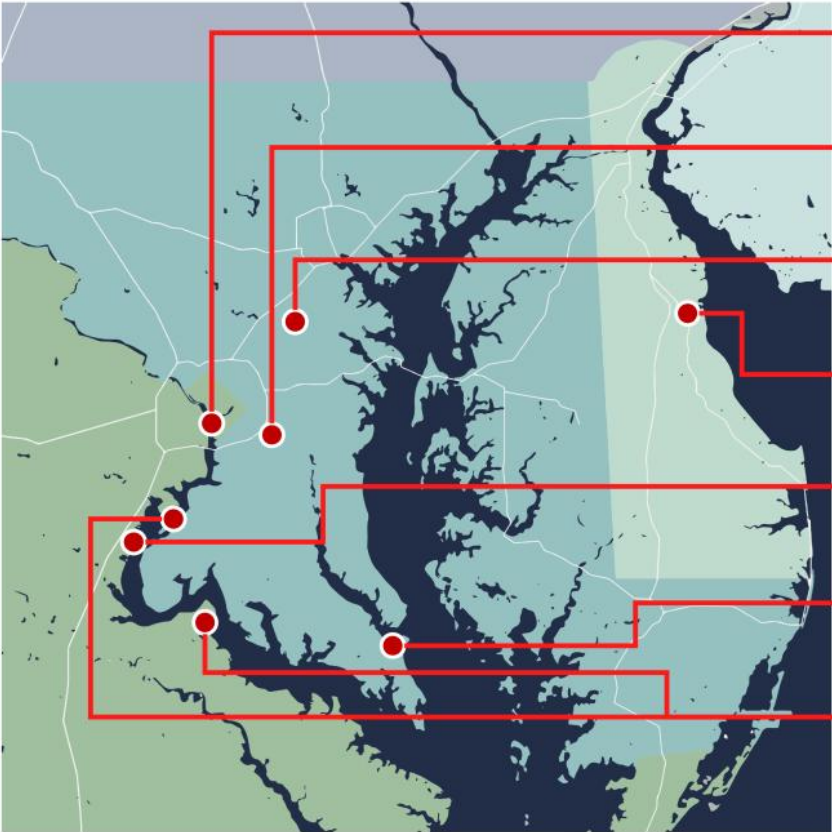
# Investment Opportunity

\$6 billion community bank with dominant market share in Central and Southern Maryland and established presence in Delaware and Virginia

 <p>Improving Profitability</p>	<p><b>2024 Q2</b></p> <ul style="list-style-type: none"><li>• EPS and ROATCE of <b>\$0.34</b> per diluted share and <b>8.70%</b>, respectively</li><li>• ROAA of <b>0.77%</b> and <b>0.91%</b> (Non-GAAP)</li></ul> <p><b>2024 Q1</b></p> <ul style="list-style-type: none"><li>• EPS and ROATCE of <b>\$0.25</b> per diluted share and <b>6.38%</b>, respectively</li><li>• ROAA of <b>0.57%</b> and <b>0.94%</b> (Non-GAAP)</li></ul>
 <p>Dominant Deposit Market Shares Support Dynamic Growth Markets</p>	<ul style="list-style-type: none"><li>• 25.78% deposit market share in Maryland<sup>(1)</sup></li><li>• Non-interest deposits at 30.8% of total deposits at Q2 2024</li><li>• 2024 Median Household income is \$97,364 in MD, \$76,379 in DE, \$89,172 in VA, vs. \$75,874 for the US</li><li>• Government spending provides economic stability</li></ul>
 <p>Continued Strong Credit Performance</p>	<ul style="list-style-type: none"><li>• 0.31% Q2 2024 NPAs / Assets</li><li>• 0.15% 2020 to Q2 2024 Average NPAs / Assets</li><li>• 318.21% Q2 2024 Reserves / Nonperforming Assets</li><li>• 1.24% Q2 2024 Reserves / Gross Loans</li><li>• \$1.5 million 2024 YTD Net Charge Offs</li><li>• \$2.8 million 2020 to Q2 2024 Cumulative Net Charge-Offs</li></ul>
 <p>Expense Management and Technology Will Enhance Operating Leverage</p>	<ul style="list-style-type: none"><li>• Multiple initiatives are intended to improve operating leverage over time but are currently inflating expenses</li><li>• Total FTE's have been reduced by 72 (11%) since merger with TCFC closed on July 1, 2023</li><li>• Announced closure of two branches and consolidation of two offices by Q3 2024</li></ul>

<sup>(1)</sup> Per FDIC Annual Market Share Data published in July 2023 for the Maryland counties of Calvert, Charles, St. Mary's., Talbot, Queen Anne's, Caroline, Worcester and Dorchester

# Federal Agency Presence Insulates Economy in Operating Markets



Defense Intelligence Agency & Defense Intelligence Analysis Center – Joint Base Anacostia-Bolling



Air Force One – Andrews AFB



National Security Agency Fort Meade



Dover AFB



US Marines – Quantico



Naval Air Station Patuxent River



Naval Support Facility at Indian Head  
Naval Surface Warfare –  
Naval Support Facility at Dahlgren

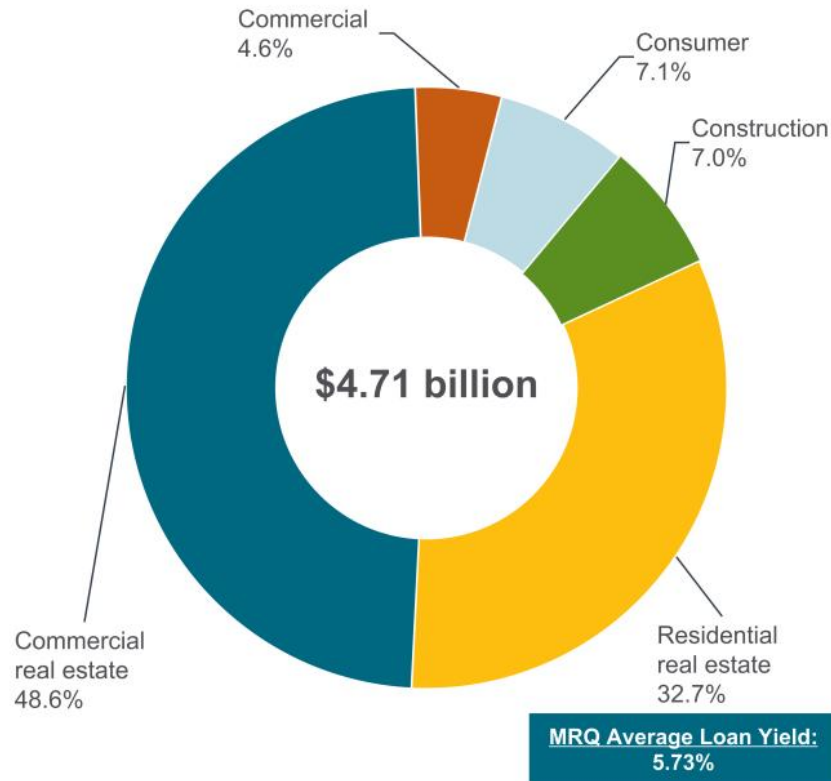


**Additional major Federal Agency presence:**

- Federal Aviation Administration (FAA)  
Unmanned Aerial Vehicle (UAV) Drones Program
- Homeland Security
- FBI & DEA – Quantico (Prince William County)

# Loan Portfolio

## Loan Composition (June 30, 2024 - MRQ)



Concentrations as a percentage of total capital as of June 30, 2024:

- CRE Concentration Ratio = 368.7%
- Construction Concentration Ratio = 58.6%

(Dollar Value in Thousands)	As of June 30, 2024	
Loan Type	Balance	% of Total
<b>Construction</b>	\$ 327,876	6.97 %
1-4 family residential	118,131	
CRE Lot Loans	29,418	
Land Development	44,573	
Commercial Const Non 1-4 Family	117,920	
Consumer RE Lot Loans	17,834	
<b>Residential real estate</b>	<b>1,539,591</b>	<b>32.72 %</b>
Secured by 1-4 family-revolving	104,763	
Secured by 1-4 family-closed end	1,160,605	
Secured by multifamily	258,618	
Mortgage division	15,605	
<b>Commercial real estate</b>	<b>2,287,497</b>	<b>48.61 %</b>
Secured by farmland	56,911	
Secured by owner-occupied	754,073	
Secured by other	1,476,513	
<b>Commercial</b>	<b>218,985</b>	<b>4.64 %</b>
Commercial and industrial loans	218,985	
<b>Consumer</b>	<b>324,480</b>	<b>6.90 %</b>
Classic Auto	124,734	
Boats	199,746	
<b>Credit Cards</b>	<b>7,308</b>	<b>0.16 %</b>
<b>Gross loans</b>	<b>\$ 4,705,737</b>	<b>100.00 %</b>

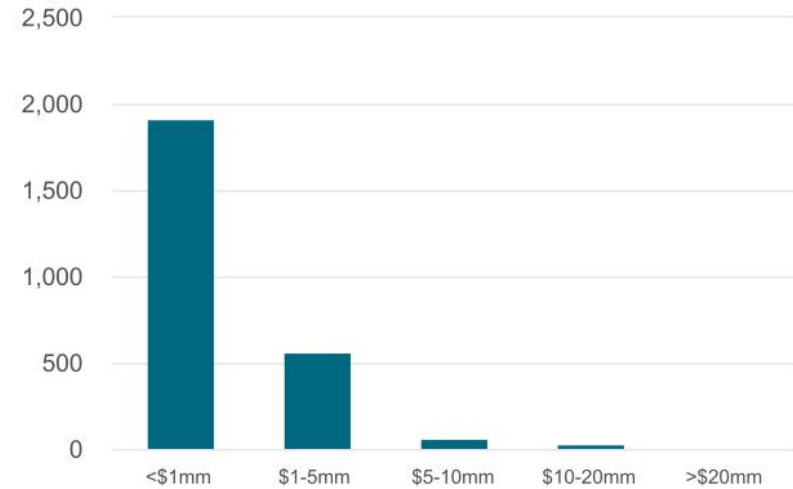
# Commercial Real Estate Portfolio Details

## CRE Portfolio Metrics at June 30, 2024

Average loan size	\$1.01mm
Average LTV*	56.0%
DSC (non-owner occupied)	1.70x
% with guaranty (by \$ / by #)	85% / 84%
Past due 30-89 days	\$1.2mm / 0.04% of total CRE
Nonaccrual	\$6.04mm / 0.21% of total CRE
Special mention	\$23.8mm / 0.84% of total CRE
Classified	\$6.36mm / 0.23% of total CRE

\*Loan to Value ("LTV") collateral values are based on the most recent appraisal, which varies from the initial loan boarding to interim credit reviews

## Number of Loans by Balance

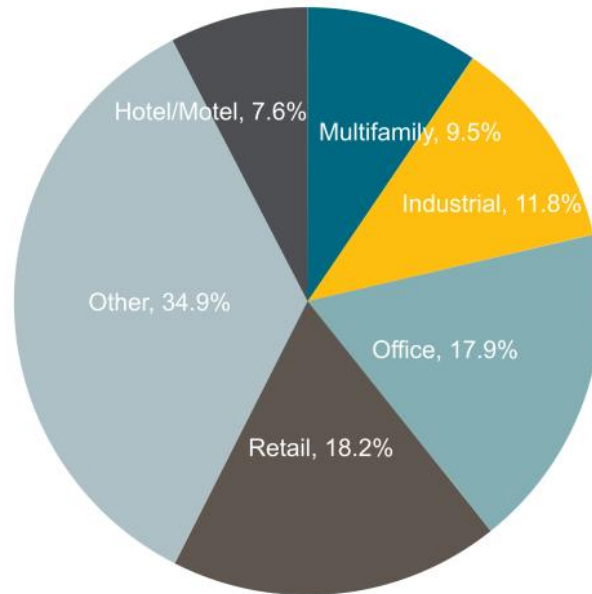


- Loans secured by office properties represented 10.7% of our total loan portfolio.
- CRE portfolio is 26.8% owner occupied, 52.4% non-owner occupied, 11.6% construction, and 9.2% multifamily.
- 74% of CRE loans are below \$1 million dollars.
- Office CRE loans compose 17.9% of total CRE loans and 10.7% of total loans.
- 1.0% and 2.8% of total CRE Loans are repricing in the years 2024 and 2025, respectively.

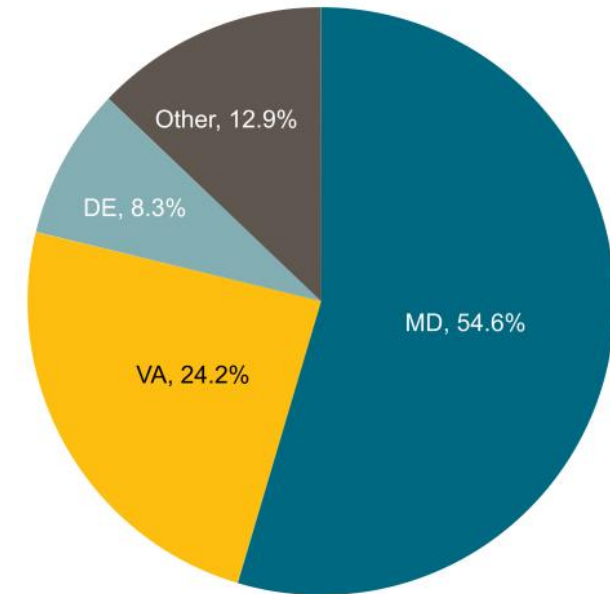


# Commercial Real Estate Portfolio Details

CRE Portfolio Composition (As of June 30, 2024)



Geography (As of June 30, 2024)



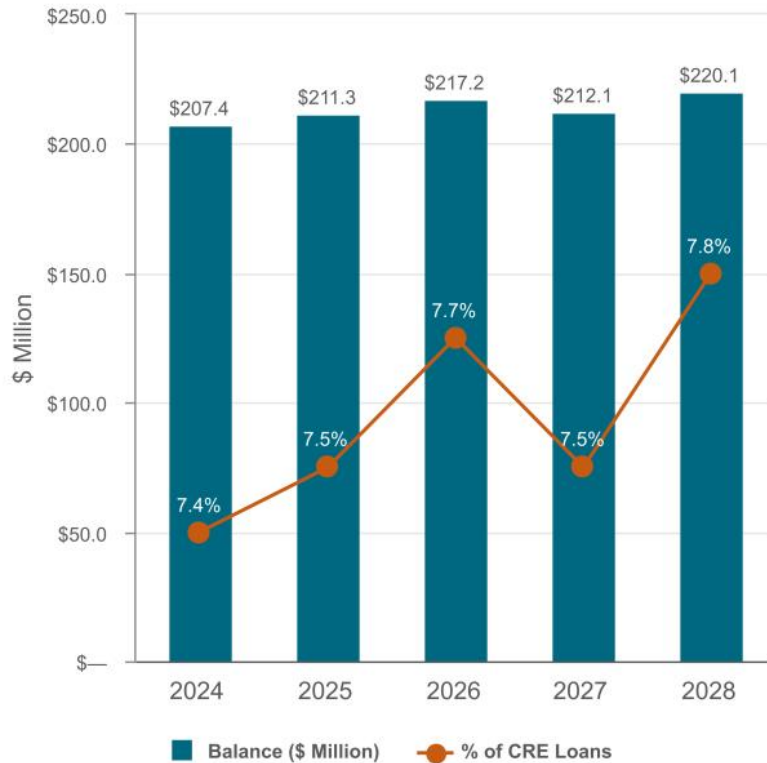
CRE Portfolio Composition	Amount (\$000)	% of CRE Loans
Multifamily	\$ 268,015	9.5 %
Industrial	333,547	11.8 %
Retail	512,773	18.2 %
Other	983,462	34.9 %
Hotel/Motel	214,410	7.6 %
Office	504,869	17.9 %
<b>Grand Total</b>	<b>\$ 2,817,076</b>	<b>100.0 %</b>

Office			
Location	Loan Count	Amount (\$000)	% of Total Office
Metropolitan <sup>(1)</sup>	14	\$ 14,110	2.8 %
Suburban	335	380,684	75.4 %
Rural	158	110,075	21.8 %
<b>Grand Total</b>	<b>507</b>	<b>\$ 504,869</b>	<b>100.0 %</b>

(1) Metropolitan includes major cities of Baltimore, Alexandria and Washington DC

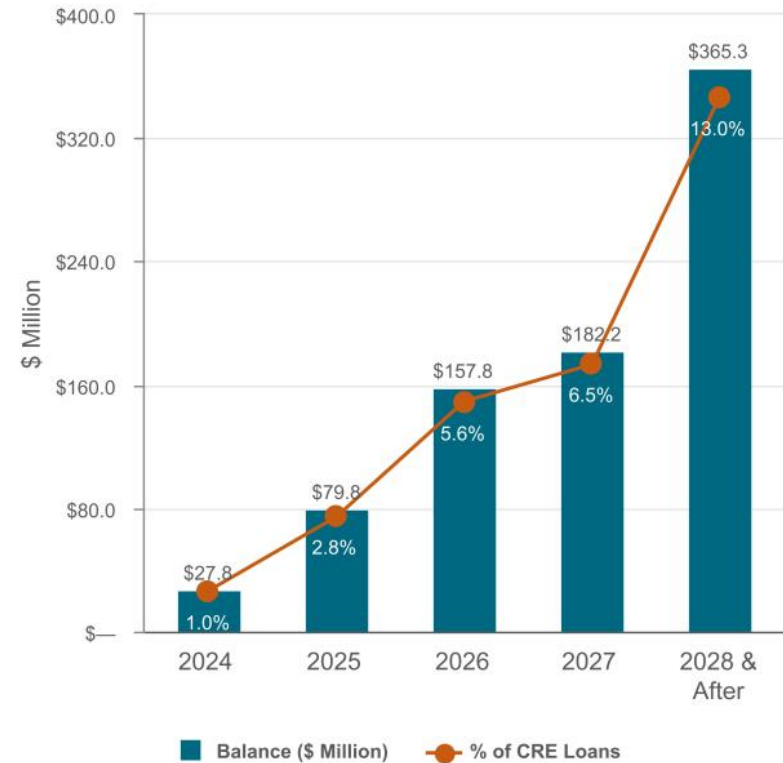
# Commercial Real Estate Portfolio Details

CRE Maturity Schedule (As of June 30, 2024)



- CRE loans scheduled to mature in 2029 and after are \$1.7 billion or 62.1% of the Total CRE Loans

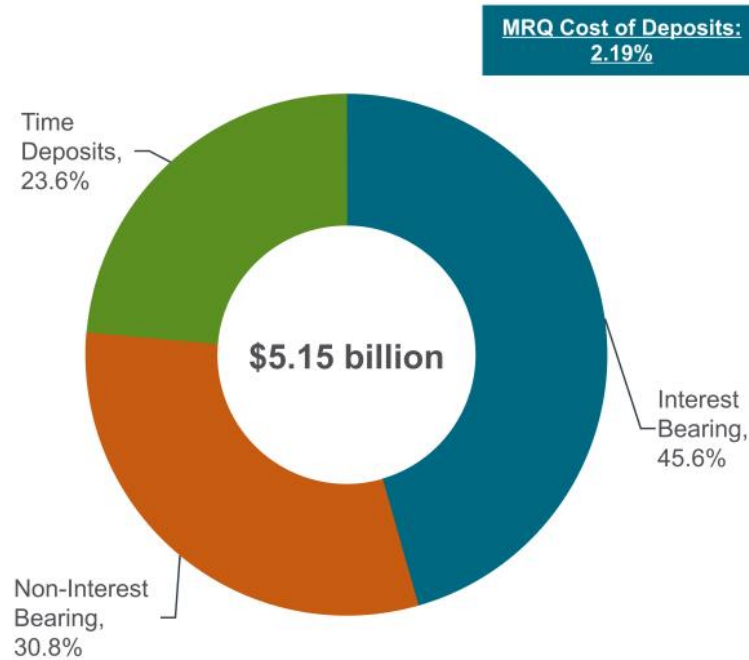
CRE Repricing Schedule (As of June 30, 2024)



- Fixed Rate CRE loans scheduled to reprice are \$1.5 billion or 54.7%
- Floating Rate CRE loans scheduled to reprice are \$461.3 million or 16.4%

# Deposit Portfolio

## Deposit Composition (June 30, 2024 - MRQ)

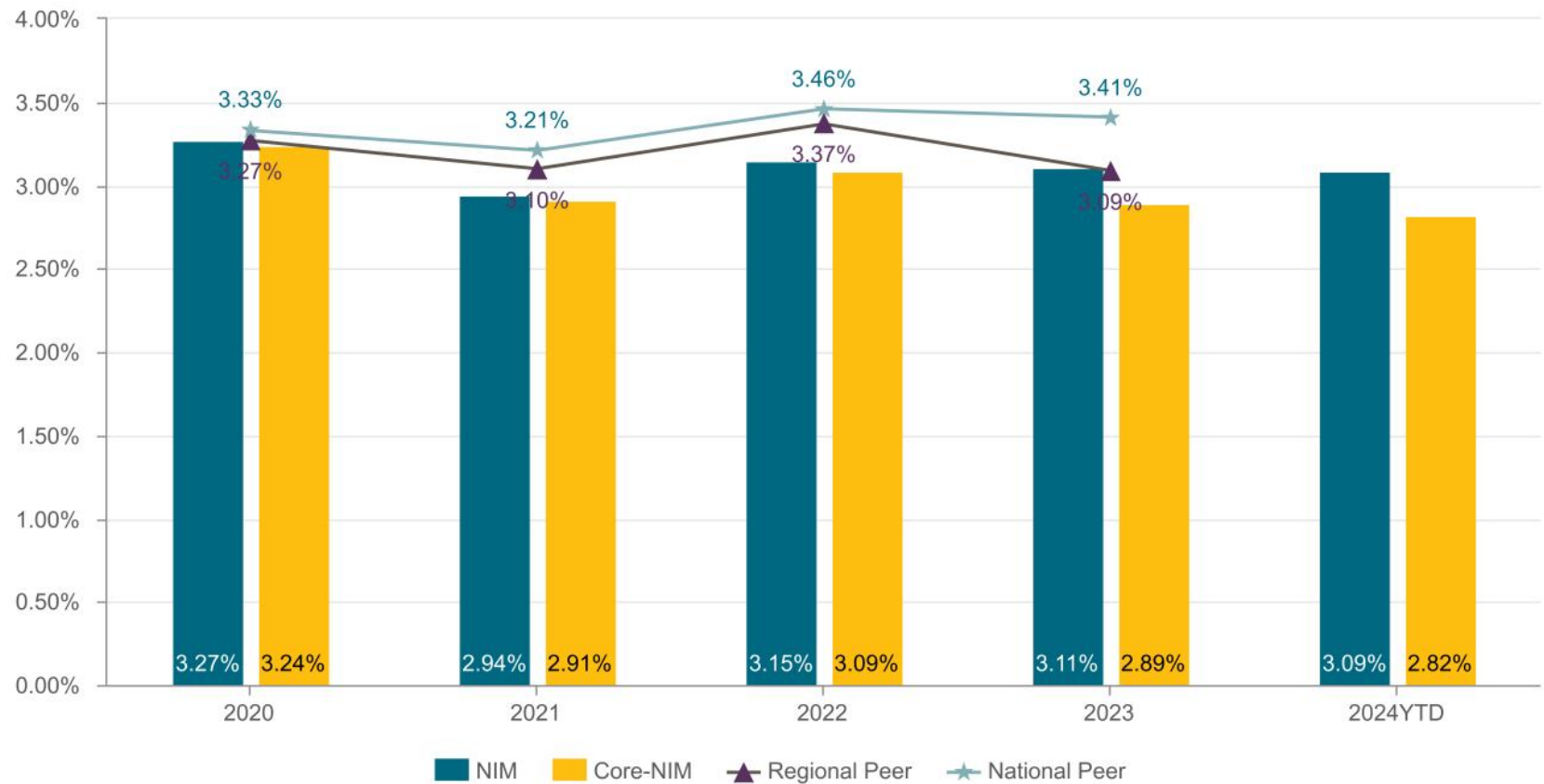


(Dollar Value in Thousands)	As of June 30, 2024		
	Balance	% of Total	Average Rate (%)
Non-interest Bearing Demand	\$ 1,587,252	30.8 %	0.00
Interest Bearing Demand	658,512	12.8 %	2.63
Money Market & Savings	1,689,343	32.8 %	2.45
CDs \$100,000 or more	792,382	15.4 %	4.04
Other Time	421,396	8.2 %	3.91
<b>Total Deposits</b>	<b>\$ 5,148,885</b>	<b>100.0 %</b>	<b>2.98</b>
Total Cost of Interest Bearing Deposits			2.98
Total Cost of Funds (Including Borrowings) <sup>(1)</sup>			2.34

(1) Includes Non-interest bearing deposits

- Deposit franchise positions Bank to succeed in a variety of rate environments
- Non-interest bearing deposits have increased to 30.8% of total deposits during Q2 2024 from 23.2% in Q1 2024
- 18.4% of deposits are uninsured (Net of pledged securities 15.9%)
- \$620.8 million of the deposits were indexed to Fed Funds at June 30, 2024

# NIM and Core NIM<sup>1</sup>



## Q2 vs Q1 2024

- Net Interest margin increased from 3.08% in Q1 2024 to 3.11% in Q2 2024
- Average Loan Yields increased from 5.69% in Q1 2024 to 5.76% in Q2 2024
- Cost of Deposits decreased from 2.23% in Q1 2024 to 2.19% in Q2 2024

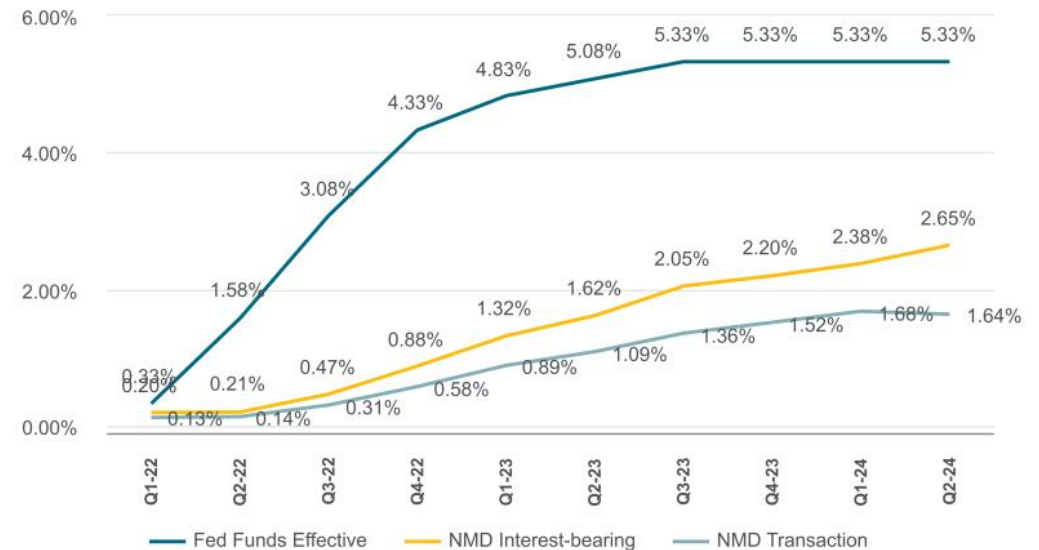
<sup>1</sup> Core NIM excludes net accretion income - see Non-GAAP reconciliations in Appendix.

# Balance Sheet Composition and Deposit Betas

## Balance Sheet Composition

% of Assets	2023	2024 Q2
Cash	6.20 %	2.37 %
Investments	10.38 %	10.76 %
Loans, excluding PPP	76.26 %	79.25 %
Other Assets	7.17 %	7.62 %
NMD - Noninterest-bearing	20.93 %	27.07 %
NMD - Interest-bearing	48.97 %	40.04 %
CDs	19.71 %	20.70 %
<b>Total Deposits</b>	<b>89.61 %</b>	<b>87.80 %</b>
Advances	0.00 %	1.38 %
Other	1.89 %	1.90 %
Equity	8.50 %	8.92 %

## Non-maturity deposit<sup>1</sup> costs have remained well below market rates



- Investment Portfolio effective duration = 3.8 years
- 4.9% of loan portfolio reprices monthly with an additional 1.3% scheduled to reprice in the next year
- Loan portfolio effective duration - 2.2 years (based on management estimates)
- Strong noninterest-bearing deposit concentration - 30.8% of total deposits at June 30, 2024.
- Loan betas have significantly outpaced deposit betas in first six months of 2024
- The Company's ALCO model assumes a deposit beta of 40%, which is much higher than actual experience for the first six months of 2024
- The Company expects NIM to remain stable or increase slightly for the remainder of 2024 based on assets repricing faster than liabilities

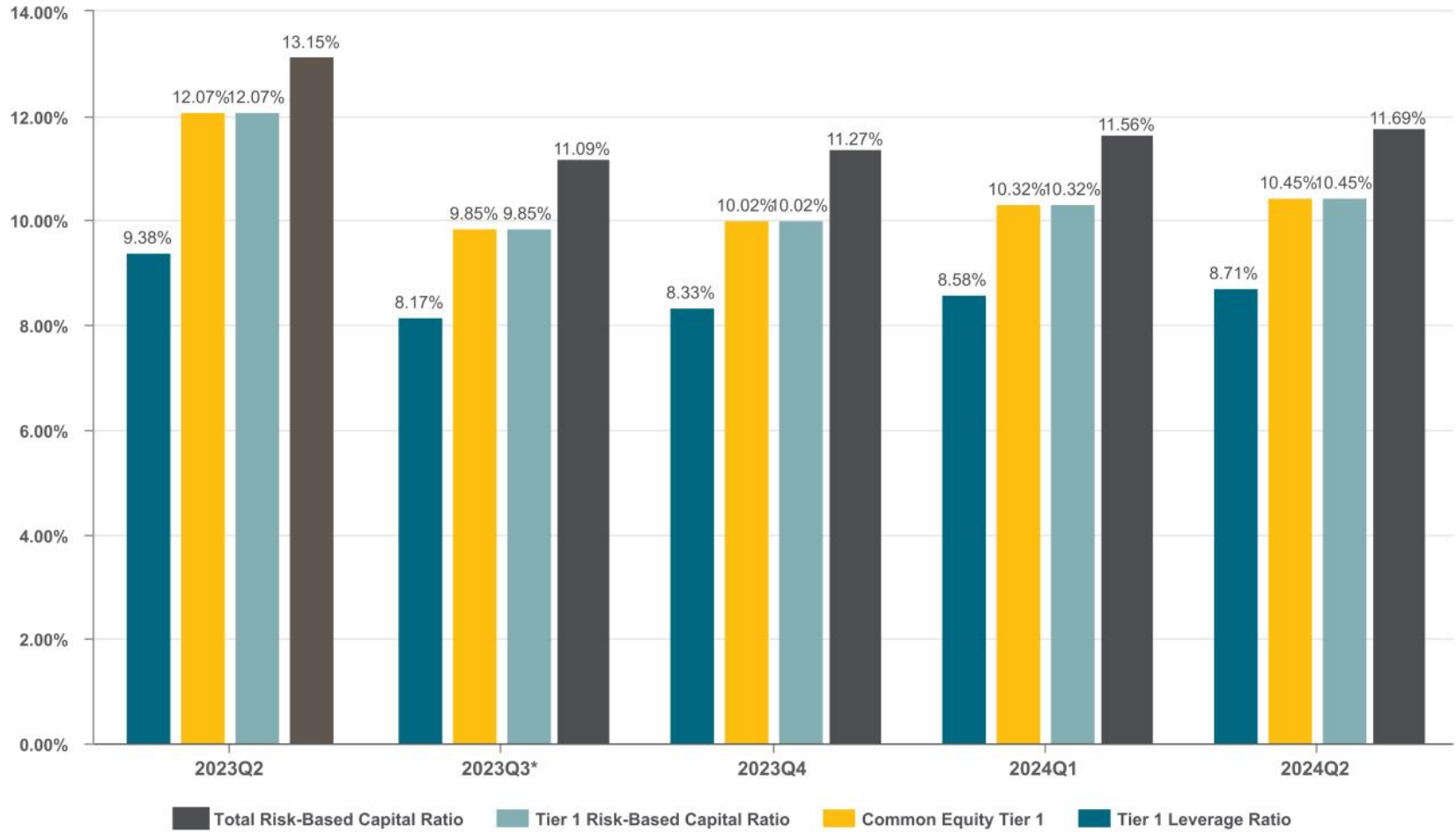
<sup>1</sup>Non-maturity transaction accounts include both non-interest bearing and interest-bearing deposit accounts

## Credit Quality Statistics

(Dollar value in thousands)	2020	2021	2022	2023	2024 Q1	2024 Q2
<b>Non-performing Assets</b>						
Nonaccrual Loans	\$ 5,455	\$ 2,004	\$ 1,908	\$ 12,784	\$ 12,776	\$ 14,837
90+ or More Days Past Due	804	508	1,841	738	1,560	414
Other Real Estate Owned	—	532	197	179	2,024	3,126
Total Non-Performing Assets	\$ 6,259	\$ 3,044	\$ 3,946	\$ 13,701	\$ 16,360	\$ 18,377
Performing BEFDs <sup>(1)</sup>	\$ 6,997	\$ 5,667	\$ 4,405	\$ —	\$ —	\$ —
<b>Total NPAs + BEFDs<sup>(1)</sup></b>	<b>\$ 13,256</b>	<b>\$ 8,711</b>	<b>\$ 8,351</b>	<b>\$ 13,701</b>	<b>\$ 16,360</b>	<b>\$ 18,377</b>
NPAs / Assets (%)	0.32	0.09	0.11	0.23	0.28	0.31
NPAs + BEFDs / Assets (%)	0.69	0.25	0.24	0.23	0.28	0.31
Average rate on performing BEFDs (%)	4.34	4.35	4.24	—	—	—
<b>Reserves</b>						
Loan Loss Reserve	\$ 13,888	\$ 13,944	\$ 16,643	\$ 57,351	\$ 57,336	\$ 58,478
Reserves / Gross Loans (%)	0.95	0.66	0.65	1.24	1.23	1.24
Reserves / Nonaccrual Loans (%)	254.59	695.81	872.27	448.62	448.78	394.14
Reserves / NPAs + BEFDs (%)	104.77	160.07	199.29	418.59	350.46	318.21
<b>Net Charge-offs</b>						
Net Charge-Offs (Recoveries)	\$ 519	\$ (414)	\$ (774)	\$ 2,019	\$ 565	\$ 886

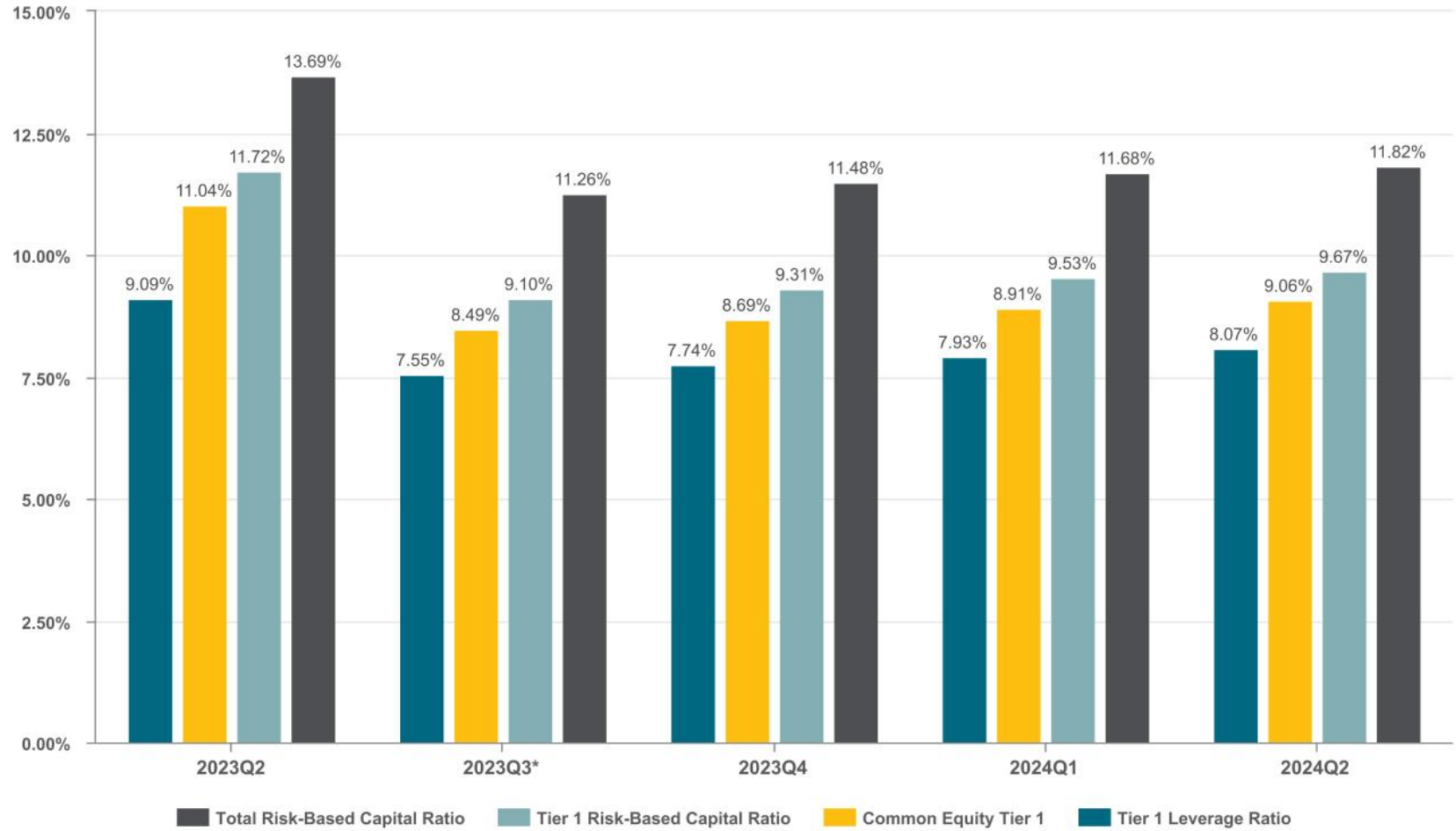
(1) FASB eliminated accounting guidance for troubled debt restructurings ("TDRs") and replaced with the new disclosure loan modifications to borrowers' experiencing financial difficulties ("BEFDs") in March 2022.

## Quarterly Capital Ratios (Bank Only)



\*Decrease in capital ratios due to merger of equals with TCFC on July 1, 2023.

# Quarterly Capital Ratios (Holding Company)



\*Decrease in capital ratios due to merger of equals with TCFC on July 1, 2023.



# Expense Control Remains a Top Priority

## Shore United Bank leadership has a history of careful expense management

- Current investments are inflating expenses but are expected to improve operating efficiency over time
- Salaries and Benefits currently represent 50% of non-interest expense

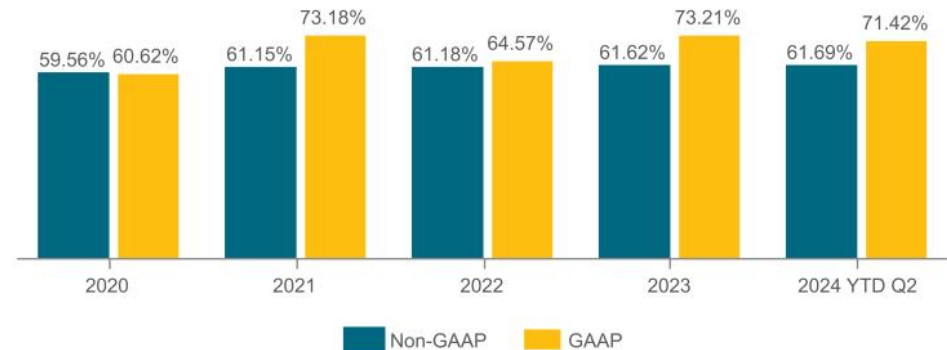
## Multiple expense reduction initiatives underway

- *Headcount reduction* - Total FTE's have been reduced by 72 (11%) since merger with TCFC closed on July 1, 2023
- *Facility rationalization* - 1 redundant branch closed, 1 redundant branch scheduled for closure, 2 offices consolidated
- *Technology investments* - Leveraging ITMs in branches has resulted in reduced staffing levels

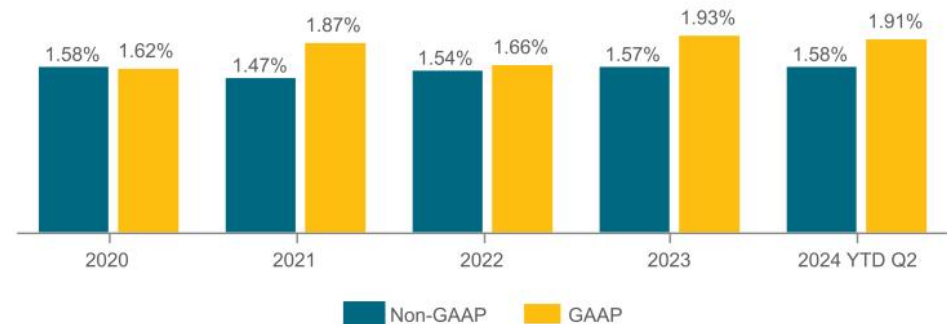
## Continued improvements in expense ratios anticipated

- Efficiency ratios for Q2 2024 and Q1 2024 were 61.05% and 62.37%, respectively
- Net Operating Expense to Average Assets for Q2 2024 and Q1 2024 were 1.55% and 1.62%, respectively

## Efficiency Ratio<sup>(1)</sup>



## Net Operating Expense / Average Assets<sup>(1)</sup>



<sup>1</sup> Efficiency and Net Operating Expense ratios are non-GAAP financial measures - see Non-GAAP reconciliations in Appendix

# Appendix

---

**Shore Bancshares** 

**Shore United Bank** 

# Financial Highlights

Balance Sheet (dollars in thousands, except share data)	For the Years Ended		Three Months Ended		Six Months Ended	
	2022	2023	6/30/2023	06/30/2024	6/30/2023	06/30/2024
Total Assets	\$ 3,477,276	\$ 6,010,918	\$ 3,641,631	\$ 5,864,017	\$ 3,641,631	\$ 5,864,017
Gross Portfolio Loans (GPLs) <sup>1</sup>	2,556,107	4,641,010	2,753,223	4,705,737	2,753,223	4,705,737
Deposits	3,009,784	5,386,120	2,937,526	5,148,885	2,937,526	5,148,885
Tangible Common Equity <sup>2</sup>	364,285	511,135	363,140	522,783	363,140	522,783
<b>Consolidated Capital (%)</b>						
Tangible Common Equity / Tangible Assets <sup>2</sup>	8.67 %	6.78 %	8.26 %	7.23 %	8.26 %	7.23 %
Tier 1 Leverage Ratio	9.52 %	7.74 %	9.09 %	8.07 %	9.09 %	8.07 %
Tier 2 Risk-Based Ratio	13.91 %	11.48 %	13.69 %	11.82 %	13.69 %	11.82 %
TBV Per Share <sup>2</sup>	\$ 14.87	\$ 12.06	\$ 14.83	\$ 12.54	\$ 14.83	\$ 12.54
<b>Asset Quality</b>						
NPAs / Assets <sup>3</sup>	0.11 %	0.23 %	0.13 %	0.31 %	0.17 %	0.31 %
NCOs / Average Portfolio Loans	(0.03)%	0.06 %	0.00 %	0.02 %	0.00 %	0.03 %
NPLs <sup>3</sup> + OREO / GPLs + OREO	0.15 %	0.30 %	0.17 %	0.39 %	0.17 %	0.39 %
ACL / NPLs <sup>3</sup>	443.9 %	424.1 %	833.5 %	394.1 %	833.5 %	394.1 %
<b>Profitability</b>						
Net Income	\$ 31,177	\$ 11,228	\$ 4,018	\$ 11,234	\$ 10,475	\$ 19,418
ROAA	0.90 %	0.24 %	0.45 %	0.77 %	0.59 %	0.67 %
ROAA (Non-GAAP) <sup>2</sup>	0.99 %	0.58 %	0.58 %	0.91 %	0.71 %	0.92 %
Pre-tax Pre-provision ("PTPP") ROAA <sup>2</sup>	1.28 %	0.97 %	0.69 %	1.18 %	0.92 %	0.97 %
ROACE	8.76 %	2.54 %	4.49 %	8.70 %	5.83 %	7.54 %
ROACE (Non-GAAP) <sup>2</sup>	11.96 %	7.74 %	7.08 %	12.85 %	8.57 %	13.08 %
ROATCE <sup>2</sup>	11.45 %	4.50 %	7.16 %	12.85 %	8.57 %	13.08 %
Net Interest Margin	3.15 %	3.11 %	2.68 %	3.11 %	2.93 %	3.09 %
Core Net Interest Margin <sup>2</sup>	3.09 %	2.89 %	2.64 %	2.83 %	2.88 %	2.82 %
Efficiency Ratio	64.57 %	73.21 %	77.76 %	66.23 %	72.30 %	71.42 %
Efficiency Ratio (Non-GAAP) <sup>2</sup>	61.18 %	61.62 %	71.76 %	61.05 %	67.49 %	61.69 %
Net Operating Expenses / Average Assets <sup>2</sup>	1.54 %	1.57 %	1.64 %	1.55 %	1.65 %	1.58 %
Diluted EPS	\$ 1.57	\$ 0.42	\$ 0.20	\$ 0.34	\$ 0.53	\$ 0.58
Diluted EPS (Non-GAAP) <sup>2</sup>	\$ 1.72	\$ 1.02	\$ 0.26	\$ 0.40	\$ 0.63	\$ 0.80

<sup>1</sup> Gross portfolio loans and US SBA loans are inclusive of net deferred costs and fees.

<sup>2</sup> Non-GAAP financial measures. Refer to Appendix to this presentation for a reconciliation.

<sup>3</sup> NPLs include nonaccrual loans and BEFDs. NPAs include NPLs and OREO.

## Non-GAAP Reconciliation

“Tangible book value per share” is defined as tangible stockholders’ equity less preferred equity and intangible assets divided by total common shares outstanding. We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets.

(dollars in thousands, except share data)	For the Years Ended										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Stockholders' Equity	\$ 83,527	\$ 92,976	\$ 101,448	\$ 111,327	\$ 120,235	\$ 127,385	\$ 127,810	\$ 122,513	\$ 121,249	\$ 114,026	\$ 103,299
Intangible Assets	7,571	14,181	13,845	13,508	22,390	21,875	21,360	18,518	16,662	16,270	15,974
Preferred Equity	—	—	—	—	—	—	—	—	—	—	—
Tangible Common Equity	<u>\$ 75,956</u>	<u>\$ 78,795</u>	<u>\$ 87,603</u>	<u>\$ 97,819</u>	<u>\$ 97,845</u>	<u>\$ 105,510</u>	<u>\$ 106,450</u>	<u>\$ 103,995</u>	<u>\$ 104,587</u>	<u>\$ 97,756</u>	<u>\$ 87,325</u>
Shares Outstanding	8,101,190	8,272,797	8,335,478	8,383,395	8,380,530	8,404,684	8,418,963	8,443,436	8,457,359	8,457,359	8,471,289
Tangible Book Value per Share	\$ 9.37	\$ 9.53	\$ 10.51	\$ 11.67	\$ 11.68	\$ 12.55	\$ 12.64	\$ 12.32	\$ 12.37	\$ 11.56	\$ 10.31

(dollars in thousands, except share data)	For the Years Ended										YTD
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	06/30/2024
Stockholders' Equity	\$ 140,469	\$ 146,967	\$ 154,299	\$ 163,736	\$ 183,185	\$ 192,802	\$ 195,019	\$ 350,693	\$ 364,285	\$ 511,135	\$ 522,783
Intangible Assets	13,262	13,142	13,010	21,241	20,375	19,770	19,237	70,956	68,813	111,356	106,211
Preferred Equity	—	—	—	—	—	—	—	—	—	—	—
Tangible Common Equity	<u>\$ 127,207</u>	<u>\$ 133,825</u>	<u>\$ 141,289</u>	<u>\$ 142,495</u>	<u>\$ 162,810</u>	<u>\$ 173,032</u>	<u>\$ 175,782</u>	<u>\$ 279,737</u>	<u>\$ 295,472</u>	<u>\$ 399,779</u>	<u>\$ 416,572</u>
Total Assets	\$ 1,100,402	\$ 1,135,143	\$ 1,160,271	\$ 1,393,860	\$ 1,483,076	\$ 1,559,235	\$ 1,933,315	\$ 3,460,136	\$ 3,477,276	\$ 6,010,918	\$ 5,864,017
Intangible Assets	13,262	13,142	13,010	21,241	20,375	19,770	19,237	70,956	68,813	111,356	106,211
Tangible Assets	<u>\$ 1,087,140</u>	<u>\$ 1,122,001</u>	<u>\$ 1,147,261</u>	<u>\$ 1,372,619</u>	<u>\$ 1,462,701</u>	<u>\$ 1,539,465</u>	<u>\$ 1,914,078</u>	<u>\$ 3,389,180</u>	<u>\$ 3,408,463</u>	<u>\$ 5,899,562</u>	<u>\$ 5,757,806</u>
Shares Outstanding	12,618,513	12,631,160	12,664,797	12,688,224	12,749,497	12,500,372	11,783,380	19,807,533	19,864,956	33,161,532	33,214,522
Tangible Book Value per Share	\$ 10.08	\$ 10.59	\$ 11.16	\$ 11.23	\$ 12.77	\$ 13.84	\$ 14.92	\$ 14.12	\$ 14.87	\$ 12.06	\$ 12.54
GAAP Book Value	\$ 11.13	\$ 11.64	\$ 12.18	\$ 12.90	\$ 14.37	\$ 15.42	\$ 16.55	\$ 17.71	\$ 18.34	\$ 15.41	\$ 15.74

## Non-GAAP Reconciliation

“Efficiency ratio” is defined as recurring non-interest expense less foreclosed real estate (OREO) expenses and valuation allowances, less merger and acquisition costs, less amortization of intangible assets divided by operating revenue. Operating revenue is equal to net interest income plus non-interest income excluding gains and losses on securities, foreclosed real estate and sales of impaired loans. In our judgment, the adjustments made to non-interest expense and operating revenue allow investors and analysts to better assess our operating expenses in relation to our core operating revenue by removing the volatility that is associated with certain one-time items and other discrete items that are unrelated to our core business. “Efficiency ratio as reported” is defined as non-interest expense divided by operating revenue. This is the ratio that appears in the Company’s SEC filings.

(dollars in thousands, except share data)	For the Years Ended				Three Months Ended		Six Months Ended	
	2020	2021	2022	2023	6/30/2023	06/30/2024	6/30/2023	06/30/2024
Non-Interest Expense	\$ 38,399	\$ 56,806	\$ 80,322	\$ 123,329	\$ 21,608	\$ 33,499	\$ 42,501	\$ 70,197
OREO Valuation Allowance & Expenses	(56)	(2)	(44)	2	—	—	1	—
Amortization of Intangible Assets	(533)	(734)	(1,988)	(6,105)	(435)	(2,569)	(876)	(5,145)
Merger Expenses	—	(8,530)	(2,098)	(17,356)	(1,197)	—	(1,888)	—
Credit Card Fraud Losses <sup>1</sup>	—	—	—	—	—	—	—	(4,323)
Adjusted Non-Interest Expense (Numerator)	\$ 37,810	\$ 47,540	\$ 76,192	\$ 99,870	\$ 19,976	\$ 30,930	\$ 39,738	\$ 60,729
Net Interest Income	\$ 52,597	\$ 64,130	\$ 101,302	\$ 135,307	\$ 22,494	\$ 42,140	\$ 48,158	\$ 83,275
Taxable-equivalent adjustment	141	121	155	253	51	82	92	161
Taxable-equivalent net interest income	\$ 52,738	\$ 64,251	\$ 101,457	\$ 135,560	\$ 22,545	\$ 42,222	\$ 48,250	\$ 83,436
Non-Interest Income	\$ 10,749	\$ 13,498	\$ 23,086	\$ 33,159	\$ 5,294	\$ 8,440	\$ 10,628	\$ 15,007
Investment securities losses (gains)	—	—	—	2,166	—	—	—	—
Bargain purchase gain	—	—	—	(8,816)	—	—	—	—
Adjusted noninterest income	\$ 10,749	\$ 13,498	\$ 23,086	\$ 26,509	\$ 5,294	\$ 8,440	\$ 10,628	\$ 15,007
Operating Revenue (Denominator)	\$ 63,487	\$ 77,749	\$ 124,543	\$ 162,069	\$ 27,839	\$ 50,662	\$ 58,878	\$ 98,443
Average Assets	\$ 1,709,997	\$ 2,317,597	\$ 3,444,981	\$ 4,663,539	\$ 3,596,311	\$ 5,839,328	\$ 3,551,573	\$ 5,807,076
Reported Efficiency Ratio	60.6%	73.2%	64.6%	73.2%	77.8%	66.2%	72.3%	71.4%
Efficiency Ratio	59.6%	61.2%	61.2%	61.6%	71.8%	61.1%	67.5%	61.7%
Reported Non-interest Expense/Average Assets	2.25%	2.45%	2.33%	2.64%	2.41%	2.31%	2.41%	2.43%
Operating Non-interest Expense/Average Assets	2.21%	2.05%	2.21%	2.14%	2.23%	2.13%	2.26%	2.10%
Reported Net Operating Expense/Average Assets <sup>2</sup>	1.62%	1.87%	1.66%	1.93%	1.82%	1.73%	1.81%	1.91%
Operating Net Operating Expense/Average Assets <sup>2</sup>	1.58%	1.47%	1.54%	1.57%	1.64%	1.55%	1.65%	1.58%

<sup>1</sup>Noninterest expense in the first six months of 2024 included a \$4.3 million related to an isolated credit card fraud incident. Our investigation determined that no information systems of the Bank were compromised, and no employee fraud was involved.

<sup>2</sup>Net operating expense is non-interest expense offset by non-interest income.

## Non-GAAP Reconciliation

We believe core net interest margin, which reflects our net interest margin before the impact of U.S. SBA PPP loan interest and average balances, accretion interest on acquired loans and prepayment penalties of long-term debt, allows investors to better assess our net interest margin in relation to our core net interest margin by removing the volatility associated with volatility and temporary interest income and interest expense for comparable institutions. We also believe that during a crisis such as the COVID-19 pandemic, this information is useful as the impact of the pandemic on net interest income of various institutions will likely vary based on the geography of the communities served by a particular institution.

### Net Interest Margin ("NIM") and Core NIM<sup>1</sup>

(dollars in thousands)	For the Years Ended				Three Months Ended		Six Months Ended	
	2020	2021	2022	2023	06/30/2023	06/30/2024	06/30/2023	06/30/2024
Average Interest-Earning Assets ("IEAs")	\$ 1,611,004	\$ 2,185,123	\$ 3,220,672	\$ 4,356,855	\$ 3,369,183	\$ 5,459,961	\$ 3,324,682	\$ 5,423,871
Adjusted Average IEAs	\$ 1,611,004	\$ 2,185,123	\$ 3,220,672	\$ 4,356,855	\$ 3,369,183	\$ 5,459,961	\$ 3,324,682	\$ 5,423,871
Net Interest Income	\$ 52,597	\$ 64,130	\$ 101,302	\$ 135,307	\$ 22,549	\$ 42,222	\$ 48,250	\$ 83,436
Less: Accretion Interest	(330)	(440)	(1,902)	(9,392)	(342)	(3,803)	(736)	(7,410)
Adjusted Net Interest Income	\$ 52,267	\$ 63,690	\$ 99,400	\$ 125,915	\$ 22,207	\$ 38,419	\$ 47,514	\$ 76,026
NIM	3.27%	2.94%	3.15%	3.11%	2.68%	3.11%	2.93%	3.09%
Core NIM	3.24%	2.91%	3.09%	2.89%	2.64%	2.83%	2.88%	2.82%

<sup>1</sup> Core NIM excludes net accretion income.

## Non-GAAP Reconciliation

We believe core net interest margin, which reflects our net interest margin before the impact of U.S. SBA PPP loan interest and average balances, accretion interest on acquired loans and prepayment penalties of long-term debt, allows investors to better assess our net interest margin in relation to our core net interest margin by removing the volatility associated with volatility and temporary interest income and interest expense for comparable institutions. We also believe that during a crisis such as the COVID-19 pandemic, this information is useful as the impact of the pandemic on net interest income of various institutions will likely vary based on the geography of the communities served by a particular institution.

### Net Interest Margin ("NIM") and Core NIM<sup>1</sup>

(dollars in thousands)	For the Quarters Ended							
	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
Average Interest-Earning Assets ("IEAs")	\$ 3,210,233	\$ 3,206,591	\$ 3,279,686	\$ 3,369,183	\$ 5,404,572	\$ 5,339,833	\$ 5,387,782	\$ 5,459,961
Less: Average SBA PPP Loans	—	—	—	—	—	—	—	—
Adjusted Average IEAs	\$ 3,210,233	\$ 3,206,591	\$ 3,279,686	\$ 3,369,183	\$ 5,404,572	\$ 5,339,833	\$ 5,387,782	\$ 5,459,961
Net Interest Income	\$ 27,351	\$ 26,943	\$ 25,705	\$ 22,494	\$ 45,622	\$ 41,525	\$ 41,135	\$ 42,140
Less: Accretion Interest	(454)	(666)	(683)	(53)	(4,447)	(2,751)	(3,607)	(3,803)
Adjusted Net Interest Income	\$ 26,897	\$ 26,277	\$ 25,022	\$ 22,441	\$ 41,175	\$ 38,774	\$ 37,528	\$ 38,337
NIM	3.38%	3.35%	3.18%	2.68%	3.35%	3.09%	3.08%	3.11%
Core NIM	3.32%	3.25%	3.09%	2.67%	3.02%	2.88%	2.80%	2.82%

<sup>1</sup> Core NIM excludes net accretion income.

## Non-GAAP Reconciliation

During 2023, our operating results were impacted by one-time expenses related to the merger equal with The Community Financial Corporation ("TCFC"). We believe that investors would benefit from analyzing our profitability and expense metrics excluding this one-time item.

(dollars in thousands, except share data)	For the Years Ended				Three Months Ended		Six Months Ended	
	2020	2021	2022	2023	6/30/2023	06/30/2024	6/30/2023	06/30/2024
Net Income (as reported)	\$ 15,730	\$ 15,368	\$ 31,177	\$ 11,228	\$ 4,018	\$ 11,234	\$ 10,475	\$ 19,418
Amortization of Intangible Assets, net of tax	398	533	1,471	4,254	317	1,924	637	3,903
Merger Expenses, net of tax	—	6,189	1,552	11,637	872	—	1,373	—
Credit Card Fraud Losses, net of tax	—	—	—	—	—	—	—	3,279
<b>Non-GAAP Operating Net Income</b>	<b>\$ 16,128</b>	<b>\$ 22,090</b>	<b>\$ 34,200</b>	<b>\$ 27,119</b>	<b>\$ 5,207</b>	<b>\$ 13,158</b>	<b>\$ 12,485</b>	<b>\$ 26,600</b>
Reported Return on Average Assets	0.92%	0.66%	0.90%	0.24%	0.45%	0.77%	0.59%	0.67%
Operating Return on Average Assets	0.94%	0.95%	0.99%	0.58%	0.58%	0.91%	0.71%	0.92%
Reported Return on Average Common Equity	7.95%	6.86%	8.76%	2.54%	4.44%	8.70%	5.83%	7.54%
Operating Return on Average Common Equity	9.04%	11.24%	11.96%	7.74%	7.08%	12.85%	8.57%	13.08%
Reported Diluted Earnings Per Share	\$ 1.27	\$ 1.17	\$ 1.57	\$ 0.42	\$ 0.20	\$ 0.34	\$ 0.53	\$ 0.58
Operating Diluted Earnings Per Share	\$ 1.30	\$ 1.68	\$ 1.72	\$ 1.02	\$ 0.26	\$ 0.40	\$ 0.63	\$ 0.80
Average Assets	\$ 1,709,997	\$ 2,317,597	\$ 3,444,981	\$ 4,663,539	\$ 3,596,311	\$ 5,839,328	\$ 3,551,573	\$ 5,807,076
Average Equity	\$ 197,969	\$ 224,055	\$ 355,850	\$ 441,790	\$ 363,225	\$ 519,478	\$ 362,205	\$ 517,727
Average Goodwill and Core Deposit Intangible	(19,498)	(27,535)	(69,845)	(91,471)	(68,172)	(107,594)	(68,388)	(108,881)
Average Tangible Equity	\$ 178,471	\$ 196,520	\$ 286,005	\$ 350,319	\$ 295,053	\$ 411,884	\$ 293,817	\$ 408,846
Weighted Average Common Shares Outstanding	12,380,000	13,119,000	19,847,000	26,572,000	19,903,000	33,215,000	19,895,000	33,337,000



## Non-GAAP Reconciliation

"Tangible common equity (or "TCE")" is defined as stockholders' equity less preferred equity and intangible assets. "Tangible assets (or "TA")" are defined as total assets less intangible assets. We believe that the TCE/TA and the Return on Average Tangible Equity ("ROATCE") ratios are important to many investors in the marketplace who are interested in changes from period to period exclusive of changes in preferred equity and intangible assets. Our calculation of ROATCE excludes the amortization of core deposits and merger costs.

### Common Equity to Assets and TCE to TA

(dollars in thousands, except share data)	For the Years Ended				Year to Date	
	2020	2021	2022	2023	6/30/2023	06/30/2024
Stockholders' Equity	\$ 195,019	\$ 350,693	\$ 364,285	\$ 511,135	\$ 363,140	\$ 522,783
Intangible Assets	(19,237)	(70,956)	(68,813)	(111,356)	(67,937)	(106,211)
Tangible Common Equity	\$ 175,782	\$ 279,737	\$ 295,472	\$ 399,779	\$ 295,203	\$ 416,572
Total Assets	\$ 1,933,315	\$ 3,460,136	\$ 3,477,276	\$ 6,010,918	\$ 3,641,631	\$ 5,864,017
Intangible Assets	(19,237)	(70,956)	(68,813)	(111,356)	(67,937)	(106,211)
Tangible Assets	\$ 1,914,078	\$ 3,389,180	\$ 3,408,463	\$ 5,899,562	\$ 3,573,694	\$ 5,757,806
Shares Outstanding	11,783,380	19,807,533	19,864,956	33,161,532	19,907,000	33,214,522
Common Equity to Assets	10.09%	10.14%	10.48%	8.50%	9.97%	8.92%
Tangible Common Equity/Tangible Assets	9.18%	8.25%	8.67%	6.78%	8.26%	7.23%

### Return on Average Common Equity ("ROACE") and Return on Average Tangible Common Equity ("ROATCE")

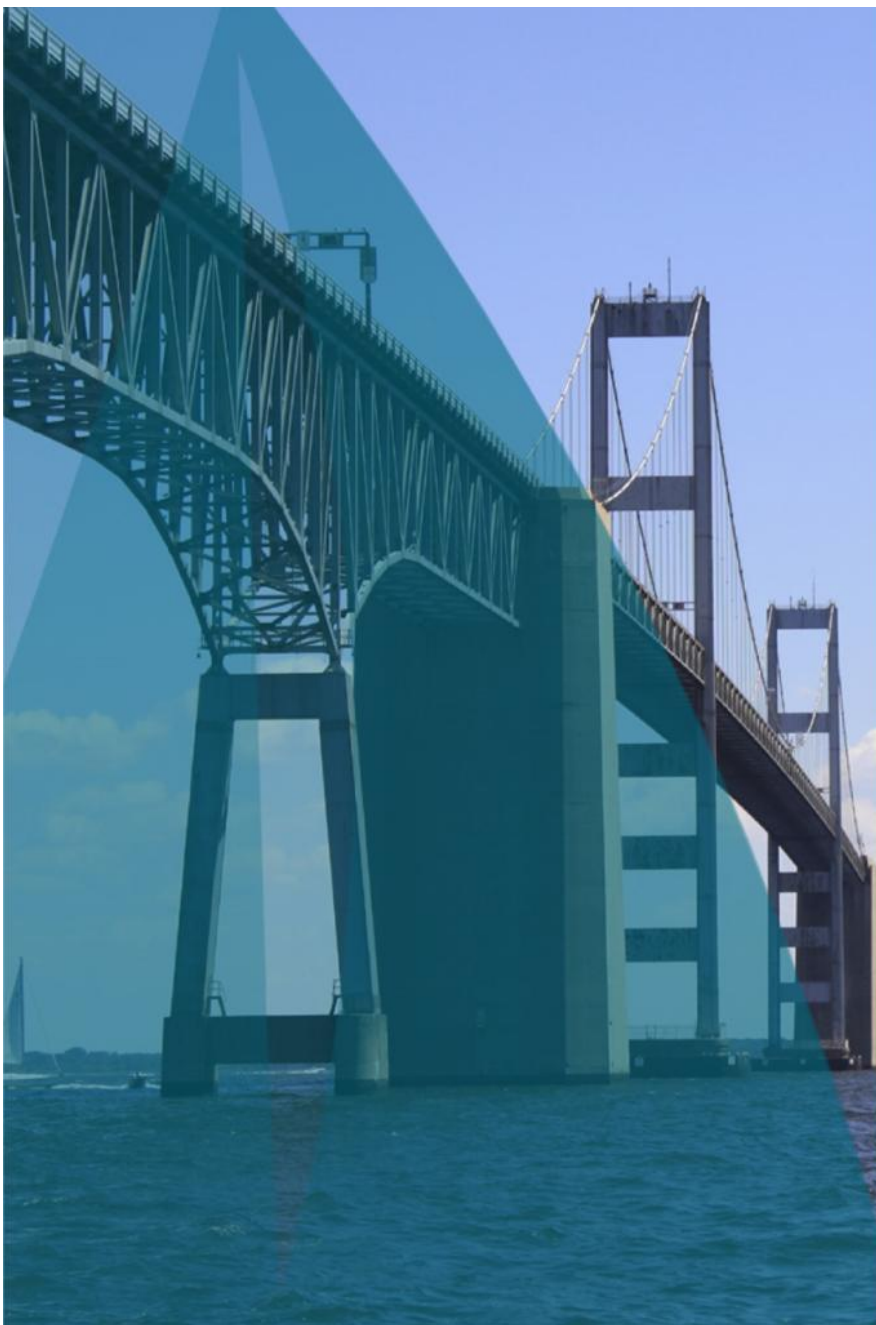
(dollars in thousands, except share data)	For the Years Ended				Three Months Ended		Six Months Ended	
	2020	2021	2022	2023	6/30/2023	06/30/2024	6/30/2023	06/30/2024
Net Income (as reported)	\$ 15,730	\$ 15,368	\$ 31,177	\$ 11,228	\$ 4,018	\$ 11,234	\$ 10,475	\$ 19,418
Amortization of Intangible Assets, net of tax	398	548	1,471	4,254	317	1,924	637	3,903
Merger Expenses, net of tax	—	6,363	1,552	11,637	872	—	1,373	—
Credit Card Fraud Losses, net of tax	—	—	—	—	—	—	—	3,279
Non-GAAP Operating Net Income	\$ 16,128	\$ 22,279	\$ 34,200	\$ 27,119	\$ 5,207	\$ 13,158	\$ 12,485	\$ 26,600
ROACE	7.95%	6.86%	8.76%	2.54%	4.44%	8.70%	5.83%	7.54%
ROATCE	9.04%	11.34%	11.96%	7.74%	7.08%	12.85%	8.57%	13.08%
Average Common Equity	\$ 197,969	\$ 224,055	\$ 355,850	\$ 441,790	\$ 363,225	\$ 519,478	\$ 362,205	\$ 517,727
Average Tangible Common Equity	\$ 178,474	\$ 196,520	\$ 286,005	\$ 350,319	\$ 295,053	\$ 411,884	\$ 293,817	\$ 408,846

## Non-GAAP Reconciliation

We believe that pre-tax pre-provision income, which reflects our profitability before income taxes and loan loss provisions, allows investors to better assess our operating income and expenses in relation to our core operating revenue by removing the volatility that is associated with credit provisions and different state income tax rates for comparable institutions. We also believe that during a crisis such as the COVID-19 pandemic, this information is useful as the impact of the pandemic on the loan loss provisions of various institutions will likely vary based on the geography of the communities served by a particular institution.

### Pre-Tax Pre-Provision ROAA, ROAE and ROATCE

(dollars in thousands)	For the Years Ended				Three Months Ended		Six Months Ended	
	2020	2021	2022	2023	6/30/2023	06/30/2024	6/30/2023	06/30/2024
Net Income (as reported)	\$ 15,730	\$ 15,368	\$ 31,177	\$ 11,228	\$ 4,018	\$ 11,234	\$ 10,475	\$ 19,418
Provision for Credit Losses and Unfunded Commitments	3,900	(358)	1,925	30,953	667	2,081	1,880	2,488
Income Taxes	5,317	5,812	10,964	2,956	1,495	3,766	3,930	6,179
Non-GAAP PTPP Income	<u>\$ 24,947</u>	<u>\$ 20,822</u>	<u>\$ 44,066</u>	<u>\$ 45,137</u>	<u>\$ 6,180</u>	<u>\$ 17,081</u>	<u>\$ 16,285</u>	<u>\$ 28,085</u>
PTPP ROAA	1.46%	0.90%	1.28%	0.97%	0.69%	1.18%	0.92%	0.97%
PTPP ROACE	12.60%	9.29%	12.38%	10.22%	6.82%	13.22%	9.07%	10.91%
PTPP ROATCE	13.98%	10.60%	15.41%	12.88%	8.40%	16.68%	11.18%	13.81%
Average Assets	\$ 1,709,997	\$ 2,317,597	\$ 3,444,981	\$ 4,663,539	\$ 3,596,311	\$ 5,839,328	\$ 3,551,573	\$ 5,807,076
Average Equity	\$ 197,969	\$ 224,055	\$ 355,850	\$ 441,790	\$ 363,225	\$ 519,478	\$ 362,205	\$ 517,727
Average Tangible Common Equity	\$ 178,474	\$ 196,520	\$ 286,005	\$ 350,319	\$ 295,053	\$ 411,884	\$ 293,817	\$ 408,846



**Shore Bancshares**



Parent of:

**Shore United Bank**



NASDAQ: SHBI

---

## Investor Presentation

### Second Quarter 2024

Shore Bancshares, Inc. is the largest independent financial holding company headquartered on the Eastern Shore of Maryland. It is the parent company of Shore United Bank, N.A. The Bank operates 30 full-service branches in Baltimore County, Howard County, Kent County, Queen Anne's County, Caroline County, Talbot County, Dorchester County, Anne Arundel County and Worcester County in Maryland, Kent County and Sussex County in Delaware and in Accomack County, Virginia. The Company engages in trust and wealth management services through Wye Financial Partners, a division of Shore United Bank, N.A. The Company also engages in title work for real estate transactions through Mid-Maryland Title Company, Inc. ("Title Company"). As a result of the acquisition of TCFC, which was effective July 1, 2023, the Bank now operates 41 full-service branches in the above locations as well as Calvert County, St Mary's County, and Charles County in Maryland and Fredericksburg City and Spotsylvania County in Virginia.

© 2024 Shore Bancshares, Inc.