NEWS RELEASE

# Shore Bancshares Reports Third Quarter and Nine-Month Results

2015-10-22

EASTON, Md., Oct. 22, 2015 /PRNewswire/ -- Shore Bancshares, Inc. (NASDAQ - SHBI) reported net income of $1.909 million or $0.15 per diluted common share for the third quarter of 2015, compared to net income of $1.627 million or $0.13 per diluted common share for the second quarter of 2015, and net income of $1.262 million or $0.10 per diluted common share for the third quarter of 2014. The Company reported net income of $4.9 million or $0.39 per diluted common share for the first nine months of 2015, compared to net income of $3.8 million or $0.37 per diluted common share for the first nine months of 2014.

When comparing the third quarter of 2015 to the second quarter of 2015, the primary reasons for the improved results were increases in net interest income and noninterest income of $327 thousand and $117 thousand, respectively, coupled with a decrease in provision for credit losses of $130 thousand. When comparing the third quarter of 2015 to the third quarter of 2014, improved results were due to an increase in net interest income of $374 thousand, followed by decreases in both the provision for credit losses and noninterest expense of $365 thousand and $423 thousand, respectively. When comparing the first nine months of 2015 to the first nine months of 2014, improved earnings were due to an increase in net interest income of $826 thousand and a decline in the provision for credit losses of $1.1 million. Noninterest expense decreased $1.4 million, which almost entirely offset by a decline in noninterest income of $1.5 million primarily due to the sale of Tri-State General Insurance Agency, LTD ("Tri-State") late in the second quarter of 2014.

"We are pleased to report a third consecutive quarter of improved earnings as well as the first dividend paid to stockholders since 2012," said Lloyd L. "Scott" Beatty, Jr., president and chief executive officer. "Our strong core deposits have allowed us to fund healthy loan growth in 2015, providing quarterly and year to date increases in net interest income. As the loan portfolio continues to grow, we have placed a high priority on attaining new customer deposits and relationships."

## Balance Sheet Review

Total assets were $1.118 billion at September 30, 2015, a $17.4 million, or 1.6%, increase when compared to $1.100 billion at the end of 2014. The increase in total assets was primarily the result of an increase in gross loans of $66.3 million or 12% annualized loan growth for the period, which was funded by decreases in cash, interest-bearing deposits with other banks, and investment securities of $6.8 million, $27.1 million, and $16.1 million, respectively.

Total deposits at September 30, 2015 increased $10.4 million, or 1.1%, when compared to December 31, 2014. The increase in total deposits was mainly due to an increase in noninterest-bearing deposits of $27.1 million, partially offset by a decline in interest-bearing demand deposits of $16.7 million. Total stockholders' equity increased $5.4 million, or 3.9%, when compared to the end of 2014. At September 30, 2015, the ratio of total equity to total assets was 13.05% and the ratio of total tangible equity to total tangible assets was 12.02%, higher than the 12.77% and 11.70%, respectively, at December 31, 2014.

Total assets at September 30, 2015 increased $21.5 million, or 2.0%, when compared to total assets at September 30, 2014. The increase in total assets was primarily due to an increase in gross loans of $72.0 million, or 10.2%. The increase was offset by decreases in cash, interest-bearing deposits with other banks, and investment securities available for sale of $9.5 million, $37.7 million, and $2.8 million, respectively, which were used to fund the loan growth. Total deposits increased $18.8 million, or 2.0%, when compared to September 30, 2014. The increase in total deposits was mainly due to an increase in non-interest bearing deposits of $30.7 million, money market and savings deposits of $20.0 million, and interest-bearing checking of $6.0 million, offset by a decrease in time deposits of $38.0 million. Total stockholders' equity increased $7.2 million, or 2.0%, when compared to September 30, 2014.

## Review of Quarterly Financial Results

Net interest income was $9.0 million for the third quarter of 2015, compared to $8.7 million for the second quarter of 2015 and $8.6 million for the third quarter of 2014. The increase in net interest income when compared to the second quarter of 2015 and the third quarter of 2014 was primarily due to higher volumes on loans coupled with lower rates paid on interest-bearing deposits. The increased volume on loans offset the downward repricing on loan renewals having a negative impact on yields. These factors allowed the Company's net interest margin to remain flat at 3.43% for both the third and second quarter of 2015, and improve compared to 3.38% for the third quarter of 2014.

The provision for credit losses was $410 thousand for the three months ended September 30, 2015. The comparable amounts were $540 thousand and $775 thousand for the three months ended June 30, 2015 and September 30, 2014, respectively. The lower level of provision for credit losses when comparing the third quarter of 2015 to the second quarter of 2015 was primarily due to declines in nonaccrual loans and net charge-offs. The lower level of provision for credit losses when comparing the third quarter of 2015 to the third quarter of 2014 was primarily due to declines in net charge-offs. Net charge-offs were $229 thousand for the third quarter of 2015, $421 thousand for the second quarter of 2015 and $1.2 million for the third quarter of 2014. The ratio of annualized net charge-offs to average loans was 0.12% for the third quarter of 2015, 0.23% for the second quarter of 2015 and .70% for the third quarter of 2014. The ratio of the allowance for credit losses to period-end loans was 1.04% at September 30, 2015, lower than 1.07% at June 30, 2015 and 1.22% at September 30, 2014, which reflects loan growth and lower provisioning due to management's assessment of the improved credit quality in the loan portfolio.

At September 30, 2015, nonperforming assets were $16.0 million, a decrease of $500 thousand, or 3.1%, when compared to June 30, 2015. Additionally, accruing troubled debt restructurings ("TDRs") decreased $1.9 million, or 10.5% compared to June 30, 2015. When comparing September 30, 2015 to September 30, 2014, nonperforming assets decreased $1.5 million, or 8.5%, and accruing TDRs decreased $8.8 million, or 34.9%. The positive trend in nonperforming assets and TDRs when comparing September 30, 2015 to September 30, 2014 resulted from the Company's continued workout efforts and modest improvement in economic conditions in the Company's market area. The ratio of nonperforming assets to total assets was 1.43%, 1.53% and 1.60% at September 30, 2015, June 30, 2015 and September 30, 2014, respectively. In addition, the ratio of accruing TDRs to total assets at September 30, 2015 was 1.47%, compared to 1.69% at June 30, 2015 and 2.30% at September 30, 2014.

Total noninterest income for the third quarter of 2015 increased $117 thousand, or 3.1%, when compared to the second quarter of 2015 and decreased $89 thousand, or 2.2%, when compared to the third quarter of 2014. The increase from the second quarter of 2015 was primarily due to increases in service charges on deposit accounts and insurance agency commissions, offset by decreases in trust and fee income and in income from an insurance agency investment. The decrease from the third quarter of 2014 was due to lower insurance agency commissions and trust and investment fees. The third quarter of 2015 compared to the third quarter of 2014 experienced a significant increase of $151 thousand in service charges on deposit accounts in the 2015 period due to an initiative to raise bank fees beginning in the third quarter of 2014.

Total noninterest expense for the third quarter of 2015 increased $96 thousand, or 1.0%, when compared to the second quarter of 2015 and decreased $423 thousand, or 4.3%, when compared to the third quarter of 2014. The slight increase in noninterest expenses from the second quarter of 2015 was primarily due to higher salaries and wages due to an additional payroll day, legal and professional fees and customer related expenses, partially offset by lower FDIC insurance premiums and write-downs of other real estate owned. The decrease in noninterest expenses from the third quarter of 2015 compared to the third quarter of 2014 was primarily due to a decline in salaries and wages, lower FDIC insurance assessments and lower costs associated with customer collections and real estate expenses on other real estate owned property.

## Review of Nine-Month Financial Results

Net interest income for the first nine months of 2015 was $26.2 million, an increase of 3.3% when compared to the first nine months of 2014. The increase was primarily due to significant growth of average loans of approximately $28.1 million and the decline in average interest-bearing deposits of $18.7 million. The decrease in the average yield on loans and the increase in average earning assets in the 2015 period compared to the 2014 period resulted in a slight decrease in the net interest margin from 3.46% to 3.43%.

The provisions for credit losses for the nine months ended September 30, 2015 and 2014 were $1.6 million and $2.7 million, respectively, while net charge-offs were $1.2 million and $4.8 million, respectively. The ratio of year-to-date annualized net charge-offs to average loans was 0.22% for the first nine months of 2015 and 0.91% for the first nine months of 2014.

Total noninterest income for the nine months ended September 30, 2015 decreased $1.5 million, or 11.5%, when compared to the same period in 2014, primarily due to the sale of Tri-State late in the second quarter of 2014. Tri-State attributed $2.1 million in insurance agency commissions and fees in 2014, along with a $114 thousand gain on sale. The loss of Tri-State income in the 2015 period was partially, offset by increases in retail insurance commissions of $428 thousand and service charges on deposit accounts and other loan fees of $490 thousand contributed to the net decline.

Total noninterest expense for the nine months ended September 30, 2015 decreased $1.5 million, or 4.9%, when compared to the same period in 2014. The decrease was primarily due to declines in wholesale insurance agency expenses related to Tri-State of $906 thousand, FDIC insurance premiums of $301 thousand and write-downs of other real estate owned of $378 thousand. Salaries and employee benefits also declined $242 thousand more than offset by increases in legal and professional fees of $504 thousand.

## Shore Bancshares Information

Shore Bancshares, Inc. is a financial holding company headquartered in Easton, Maryland and is the largest independent bank holding company located on Maryland's Eastern Shore. It is the parent company of two Maryland chartered commercial banks, The Talbot Bank of Easton, Maryland, and CNB; one retail insurance producer firm, The Avon-Dixon Agency, LLC, with two specialty lines, Elliot Wilson Insurance (Trucking), and Jack Martin and Associates (Marine); and an insurance premium finance company, Mubell Finance, LLC. Shore Bancshares, Inc. engages in the trust services business through the trust department at CNB under the name "Wye Financial & Trust". Additional information is available at **www.shorebancshares.com**.

## Forward-Looking Statements

The statements contained herein that are not historical facts are forward-looking statements (as defined by the Private Securities Litigation Reform Act of 1995) based on management's current expectations and beliefs concerning future developments and their potential effects on the Company. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of the Company. There can be no assurance that future developments affecting the Company will be the same as those anticipated by management. These statements are evidenced by terms such as "anticipate," "estimate," "should," "expect," "believe," "intend," and similar expressions. Although these statements reflect management's good faith beliefs and projections, they are not guarantees of future performance and they may not prove true. These projections involve risk and uncertainties that could cause actual results to differ materially from those addressed in the forward-looking statements. For a discussion of these risks and uncertainties, see the section of the periodic reports filed by Shore Bancshares, Inc. with the Securities and Exchange Commission entitled "Risk Factors".

The Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

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Financial Highlights
(Dollars in thousands, except per share data)

| | For the Three Months Ended September 30, | | | For the Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| PROFITABILITY FOR THE PERIOD | | | | | | |
| Net interest income | $ 9,010 | $ 8,636 | 4.3 % | $ 26,232 | $ 25,406 | 3.3 % |
| Provision for credit losses | 410 | 775 | (47.1) | 1,600 | 2,700 | (40.7) |
| Noninterest income | 3,905 | 3,994 | (2.2) | 11,778 | 13,310 | (11.5) |
| Noninterest expense | 9,396 | 9,819 | (4.3) | 28,400 | 29,851 | (4.9) |
| Income before income taxes | 3,109 | 2,036 | 52.7 | 8,010 | 6,165 | 29.9 |
| Income tax expense | 1,200 | 774 | 55.0 | 3,065 | 2,340 | 31.0 |
| Net income | $ 1,909 | $ 1,262 | 51.3 | $ 4,945 | $ 3,825 | 29.3 |
| Return on average assets | 0.68 % | 0.46 % | 22 bp | 0.60 % | 0.48 % | 12 bp |
| Return on average equity | 5.23 | 3.61 | 162 | 4.61 | 4.26 | 35 |
| Return on average tangible equity (1) | 5.81 | 4.06 | 175 | 5.14 | 4.98 | 16 |
| Net interest margin | 3.43 | 3.38 | 5 | 3.43 | 3.46 | (3) |
| Efficiency ratio - GAAP | 72.66 | 77.60 | (494) | 74.61 | 76.97 | (236) |
| Efficiency ratio - Non-GAAP (1) | 72.39 | 77.33 | (494) | 74.34 | 76.76 | (242) |
| PER SHARE DATA | | | | | | |
| Basic net income per common share | $ 0.15 | $ 0.10 | 50.0 % | $ 0.39 | $ 0.37 | 5.4 % |
| Diluted net income per common share | 0.15 | 0.10 | 50.0 | 0.39 | 0.37 | 5.4 |
| Dividends paid per common share | 0.02 | - | 100.0 | 0.02 | - | 100.0 |
| Book value per common share at period end | 11.55 | 10.99 | 5.1 | | | |
| Tangible book value per common share at period end (1) | 10.51 | 9.94 | 5.7 | | | |
| Market value at period end | 9.72 | 9.00 | 8.0 | | | |
| Market range: | | | | | | |
| High | 9.72 | 9.03 | 7.6 | 9.94 | 10.49 | (5.2) |
| Low | 9.37 | 8.96 | 4.6 | 8.51 | 8.57 | (0.7) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| AVERAGE BALANCE SHEET DATA | | | | | | | | | | |
| Loans | $ 763,306 | $ 705,637 | 8.2 | % | $ 735,474 | $ 707,347 | 4.0 | % | | |
| Investment securities | 230,222 | 221,537 | 3.9 | | 238,684 | 187,126 | 27.6 | | | |
| Earning assets | 1,044,230 | 1,015,767 | 2.8 | | 1,024,744 | 984,397 | 4.1 | | | |
| Assets | 1,111,361 | 1,093,103 | 1.7 | | 1,094,962 | 1,062,266 | 3.1 | | | |
| Deposits | 953,826 | 940,312 | 1.4 | | 939,387 | 926,421 | 1.4 | | | |
| Stockholders' equity | 144,897 | 138,615 | 4.5 | | 143,360 | 120,180 | 19.3 | | | |
| CREDIT QUALITY DATA AT PERIOD END | | | | | | | | | | |
| Net charge-offs | $ 229 | $ 1,245 | (81.6) | % | $ 1,197 | $ 4,819 | (75.2) | % | | |
| Nonaccrual loans | $ 13,143 | $ 12,718 | 3.3 | | | | | | | |
| Loans 90 days past due and still accruing | 4 | - | 100.0 | | | | | | | |
| Other real estate owned | 2,884 | 4,799 | (39.9) | | | | | | | |
| Total nonperforming assets | 16,031 | 17,517 | (8.5) | | | | | | | |
| Accruing troubled debt restructurings (TDRs) | 16,431 | 25,246 | (34.9) | | | | | | | |
| Total nonperforming assets and accruing TDRs | $ 32,462 | $ 42,763 | (24.1) | | | | | | | |
| CAPITAL AND CREDIT QUALITY RATIOS | | | | | | | | | | |
| Period-end equity to assets | 13.05 % | 12.65 % | 40 | bp | | | | | | |
| Period-end tangible equity to tangible assets (1) | 12.02 | 11.58 | 44 | | | | | | | |
| Annualized net charge-offs to average loans | 0.12 | 0.70 | (58) | | 0.22 % | 0.91 % | (69) | bp | | |
| Allowance for credit losses as a percent of: | | | | | | | | | | |
| Period-end loans | 1.04 | 1.22 | (18) | | | | | | | |
| Nonaccrual loans | 61.61 | 67.67 | (606) | | | | | | | |
| Nonperforming assets | 50.51 | 49.13 | 138 | | | | | | | |
| Accruing TDRs | 49.28 | 34.09 | 1,519 | | | | | | | |
| Nonperforming assets and accruing TDRs | 24.95 | 20.12 | 483 | | | | | | | |
| As a percent of total loans: | | | | | | | | | | |
| Nonaccrual loans | 1.69 | 1.80 | (11) | | | | | | | |
| Accruing TDRs | 2.11 | 3.58 | (147) | | | | | | | |
| Nonaccrual loans and accruing TDRs | 3.80 | 5.38 | (158) | | | | | | | |
| As a percent of total loans+other real estate owned: | | | | | | | | | | |
| Nonperforming assets | 2.06 | 2.47 | (41) | | | | | | | |
| Nonperforming assets and accruing TDRs | 4.16 | 6.02 | (186) | | | | | | | |
| As a percent of total assets: | | | | | | | | | | |
| Nonaccrual loans | 1.18 | 1.16 | 2 | | | | | | | |
| Nonperforming assets | 1.43 | 1.60 | (17) | | | | | | | |
| Accruing TDRs | 1.47 | 2.30 | (83) | | | | | | | |
| Nonperforming assets and accruing TDRs | 2.90 | 3.90 | (100) | | | | | | | |

(1) See the reconciliation table on page 12 of 12.

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Shore Bancshares, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)



| | September 30, 2015 | December 31, 2014 | September 30, 2014 | September 30, 2015 compared to December 31, 2014 | September 30, 2015 compared to September 30, 2014 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and due from banks | $ 17,401 | $ 24,211 | $ 26,879 | (28.1) % | (35.3) % |
| Interest-bearing deposits with other banks | 41,345 | 68,460 | 79,045 | (39.6) | (47.7) |
| Federal funds sold | 7,430 | 3,552 | 3,715 | 109.2 | 100.0 |
| Investment securities available for sale (at fair value) | 220,434 | 236,108 | 223,273 | (6.6) | (1.3) |
| Investment securities held to maturity | 4,192 | 4,630 | 4,732 | (9.5) | (11.4) |
| Loans | 777,062 | 710,746 | 705,042 | 9.3 | 10.2 |
| Less: allowance for credit losses | (8,098) | (7,695) | (8,606) | 5.2 | (5.9) |
| Loans, net | 768,964 | 703,051 | 696,436 | 9.4 | 10.4 |
| Premises and equipment, net | 16,958 | 16,275 | 15,229 | 4.2 | 11.4 |
| Goodwill | 11,931 | 11,931 | 11,931 | - | - |
| Other intangible assets, net | 1,231 | 1,331 | 1,364 | (7.5) | (9.8) |
| Other real estate owned, net | 2,884 | 3,691 | 4,799 | (21.9) | (39.9) |
| Other assets | 25,043 | 27,162 | 28,882 | (7.8) | (13.3) |
| Total assets | $ 1,117,813 | $ 1,100,402 | $ 1,096,285 | 1.6 | 2.0 |
| LIABILITIES | | | | | |
| Noninterest-bearing deposits | $ 220,945 | $ 193,814 | $ 190,197 | 14.0 | 16.2 |
| Interest-bearing deposits | 738,489 | 755,190 | 750,455 | (2.2) | (1.6) |
| Total deposits | 959,434 | 949,004 | 940,652 | 1.1 | 2.0 |
| Short-term borrowings | 6,480 | 4,808 | 10,755 | 34.8 | (39.7) |
| Accrued expenses and other liabilities | 6,012 | 6,121 | 6,204 | (1.8) | (3.1) |
| Total liabilities | 971,926 | 959,933 | 957,611 | 1.2 | 1.5 |
| STOCKHOLDERS' EQUITY | | | | | |
| Common stock, par value $0.01; authorized 35,000,000 shares | 126 | 126 | 126 | - | - |
| Additional paid in capital | 63,767 | 63,533 | 63,524 | 0.4 | 0.4 |
| Retained earnings | 81,187 | 76,494 | 75,269 | 6.1 | 7.9 |
| Accumulated other comprehensive income (loss) | 807 | 316 | (245) | 155.4 | 429.4 |
| Total stockholders' equity | 145,887 | 140,469 | 138,674 | 3.9 | 5.2 |
| Total liabilities and stockholders' equity | $ 1,117,813 | $ 1,100,402 | $ 1,096,285 | 1.6 | 2.0 |
| Period-end common shares outstanding | 12,630 | 12,618 | 12,615 | 0.1 | 0.1 |
| Book value per common share | $ 11.55 | $ 11.13 | $ 10.99 | 3.8 | 5.1 |

Consolidated Statements of Operations
(In thousands, except per share data)

| | For the Three Months Ended September 30, | | | For the Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| INTEREST INCOME | | | | | | |
| Interest and fees on loans | $ 8,912 | $ 8,788 | 1.4 % | $ 25,984 | $ 26,475 | (1.9) % |
| Interest and dividends on investment securities: | | | | | | |
| Taxable | 892 | 850 | 4.9 | 2,748 | 2,040 | 34.7 |
| Tax-exempt | 2 | 3 | (33.3) | 8 | 9 | (11.1) |
| Interest on federal funds sold | 1 | 1 | - | 2 | 1 | 100.0 |
| Interest on deposits with other banks | 30 | 44 | (31.8) | 82 | 139 | (41.0) |
| Total interest income | 9,837 | 9,686 | 1.6 | 28,824 | 28,664 | 0.6 |
| INTEREST EXPENSE | | | | | | |
| Interest on deposits | 824 | 1,046 | (21.2) | 2,581 | 3,244 | (20.4) |
| Interest on short-term borrowings | 3 | 4 | (25.0) | 11 | 14 | (21.4) |
| Total interest expense | 827 | 1,050 | (21.2) | 2,592 | 3,258 | (20.4) |
| NET INTEREST INCOME | 9,010 | 8,636 | 4.3 | 26,232 | 25,406 | 3.3 |
| Provision for credit losses | 410 | 775 | (47.1) | 1,600 | 2,700 | (40.7) |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 8,600 | 7,861 | 9.4 | 24,632 | 22,706 | 8.5 |
| NONINTEREST INCOME | | | | | | |
| Service charges on deposit accounts | 769 | 618 | 24.4 | 2,061 | 1,778 | 15.9 |
| Trust and investment fee income | 360 | 496 | (27.4) | 1,279 | 1,382 | (7.5) |
| Insurance agency commissions | 2,107 | 2,176 | (3.2) | 6,514 | 7,789 | (16.4) |
| Other noninterest income | 669 | 704 | (5.0) | 1,924 | 2,361 | (18.5) |
| Total noninterest income | 3,905 | 3,994 | (2.2) | 11,778 | 13,310 | (11.5) |
| NONINTEREST EXPENSE | | | | | | |
| Salaries and wages | 4,468 | 4,689 | (4.7) | 13,174 | 13,295 | (0.9) |
| Employee benefits | 935 | 934 | 0.1 | 3,015 | 3,136 | (3.9) |
| Occupancy expense | 600 | 565 | 6.2 | 1,837 | 1,769 | 3.8 |
| Furniture and equipment expense | 223 | 225 | (0.9) | 711 | 741 | (4.0) |
| Data processing | 800 | 741 | 8.0 | 2,451 | 2,240 | 9.4 |
| Directors' fees | 117 | 131 | (10.7) | 356 | 375 | (5.1) |
| Amortization of intangible assets | 34 | 34 | - | 100 | 168 | (40.5) |
| Insurance agency commissions expense | - | - | - | - | 906 | (100.0) |
| FDIC insurance premium expense | 243 | 399 | (39.1) | 933 | 1,234 | (24.4) |
| Write-downs of other real estate owned | 7 | 290 | (97.6) | 88 | 466 | (81.1) |
| Other noninterest expenses | 1,969 | 1,811 | 8.7 | 5,735 | 5,521 | 3.9 |
| Total noninterest expense | 9,396 | 9,819 | (4.3) | 28,400 | 29,851 | (4.9) |
| Income before income taxes | 3,109 | 2,036 | 52.7 | 8,010 | 6,165 | 29.9 |
| Income tax expense | 1,200 | 774 | 55.0 | 3,065 | 2,340 | 31.0 |
| NET INCOME | $ 1,909 | $ 1,262 | 51.3 | $ 4,945 | $ 3,825 | 29.3 |
| Weighted average shares outstanding - basic | 12,630 | 12,615 | 0.1 | 12,627 | 10,381 | 21.6 |
| Weighted average shares outstanding - diluted | 12,640 | 12,625 | 0.1 | 12,637 | 10,393 | 21.6 |
| Basic net income per common share | $ 0.15 | $ 0.10 | 50.0 | $ 0.39 | $ 0.37 | 5.4 |
| Diluted net income per common share | 0.15 | 0.10 | 50.0 | 0.39 | 0.37 | 5.4 |
| Dividends paid per common share | 0.02 | - | - | 0.02 | - | - |



Consolidated Average Balance Sheets
(Dollars in thousands)

| | For the Three Months Ended September 30, | | | | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | Average balance | Yield/ rate | Average balance | Yield/ rate | Average balance | Yield/ rate | Average balance | Yield/ rate |
| Earning assets | | | | | | | | |
| Loans | $ 763,306 | 4.64 % | $ 705,637 | 4.95 % | $ 735,474 | 4.73 % | $ 707,347 | 5.02 % |
| Investment securities | | | | | | | | |
| Taxable | 229,979 | 1.55 | 221,105 | 1.54 | 238,316 | 1.54 | 186,694 | 1.46 |
| Tax-exempt | 243 | 5.01 | 432 | 4.19 | 368 | 4.39 | 432 | 4.20 |
| Federal funds sold | 2,341 | 0.10 | 1,378 | 0.06 | 2,689 | 0.09 | 1,519 | 0.05 |
| Interest-bearing deposits | 48,361 | 0.25 | 87,215 | 0.20 | 47,897 | 0.23 | 88,405 | 0.21 |
| Total earning assets | 1,044,230 | 3.74 % | 1,015,767 | 3.79 % | 1,024,744 | 3.77 % | 984,397 | 3.90 % |
| Cash and due from banks | 17,434 | | 24,445 | | 19,128 | | 22,516 | |
| Other assets | 57,891 | | 61,989 | | 59,172 | | 65,154 | |
| Allowance for credit losses | (8,194) | | (9,098) | | (8,082) | | (9,801) | |
| Total assets | $ 1,111,361 | | $ 1,093,103 | | $ 1,094,962 | | $ 1,062,266 | |
| Interest-bearing liabilities | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Demand deposits | $ 184,471 | 0.13 % | $ 183,094 | 0.14 % | $ 177,633 | 0.13 % | $ 176,000 | 0.14 % |
| Money market and savings deposits | 242,830 | 0.14 | 225,670 | 0.12 | 239,605 | 0.14 | 222,979 | 0.12 |
| Certificates of deposit $100,000 or more | 148,617 | 0.92 | 166,806 | 1.11 | 152,389 | 0.96 | 172,422 | 1.12 |
| Other time deposits | 163,224 | 0.82 | 179,533 | 0.98 | 166,338 | 0.86 | 183,259 | 1.03 |
| Interest-bearing deposits | 739,142 | 0.44 | 755,103 | 0.55 | 735,965 | 0.47 | 754,660 | 0.57 |
| Short-term borrowings | 6,501 | 0.24 | 7,946 | 0.21 | 6,235 | 0.25 | 8,636 | 0.22 |
| Total interest-bearing liabilities | 745,643 | 0.44 % | 763,049 | 0.55 % | 742,200 | 0.47 % | 763,296 | 0.57 % |
| Noninterest-bearing deposits | 214,684 | | 185,209 | | 203,422 | | 171,761 | |
| Accrued expenses and other liabilities | 6,137 | | 6,230 | | 5,980 | | 7,029 | |
| Stockholders' equity | 144,897 | | 138,615 | | 143,360 | | 120,180 | |
| Total liabilities and stockholders' equity | $ 1,111,361 | | $ 1,093,103 | | $ 1,094,962 | | $ 1,062,266 | |
| Net interest spread | | 3.30 % | | 3.24 % | | 3.30 % | | 3.33 % |
| Net interest margin | | 3.43 % | | 3.38 % | | 3.43 % | | 3.46 % |

Shore Bancshares, Inc.
Financial Highlights By Quarter
(Dollars in thousands, except per share data)



| | 3rd quarter 2015 (3Q 15) | 2nd quarter 2015 (2Q 15) | 1st quarter 2015 (1Q 15) | 4th quarter 2014 (4Q 14) | 3rd quarter 2014 (3Q 14) | 3Q 15 compared to 2Q 15 | 3Q 15 compared to 3Q 14 |
|---|---|---|---|---|---|---|---|
| PROFITABILITY FOR THE PERIOD | | | | | | | |
| Taxable-equivalent net interest income | $ 9,027 | $ 8,701 | $ 8,560 | $ 8,659 | $ 8,659 | 3.7 % | 4.2 % |
| Less: Taxable-equivalent adjustment | 17 | 18 | 21 | 23 | 23 | (5.6) | (26.1) |
| Net interest income | 9,010 | 8,683 | 8,539 | 8,636 | 8,636 | 3.8 | 4.3 |
| Provision for credit losses | 410 | 540 | 650 | 650 | 775 | (24.1) | (47.1) |
| Noninterest income | 3,905 | 3,788 | 4,085 | 3,471 | 3,994 | 3.1 | (2.2) |
| Noninterest expense | 9,396 | 9,300 | 9,704 | 9,510 | 9,819 | 1.0 | (4.3) |
| Income before income taxes | 3,109 | 2,631 | 2,270 | 1,947 | 2,036 | 18.2 | 52.7 |
| Income tax expense | 1,200 | 1,004 | 861 | 721 | 774 | 19.5 | 55.0 |
| Net income | $ 1,909 | $ 1,627 | $ 1,409 | $ 1,226 | $ 1,262 | 17.3 | 51.3 |
| Return on average assets | 0.68 % | 0.60 % | 0.53 % | 0.44 % | 0.46 % | 8 bp | 22 bp |
| Return on average equity | 5.23 | 4.56 | 4.03 | 3.48 | 3.61 | 67 | 162 |
| Return on average tangible equity (1) | 5.81 | 5.08 | 4.50 | 3.91 | 4.06 | 73 | 175 |
| Net interest margin | 3.43 | 3.43 | 3.43 | 3.35 | 3.38 | - | 5 |
| Efficiency ratio - GAAP | 72.66 | 74.47 | 76.74 | 78.40 | 77.60 | (181) | (494) |
| Efficiency ratio - Non-GAAP (1) | 72.39 | 74.20 | 76.48 | 78.28 | 77.33 | (181) | (494) |
| PER SHARE DATA | | | | | | | |
| Basic net income per common share | $ 0.15 | $ 0.13 | $ 0.11 | $ 0.10 | $ 0.10 | 15.4 % | 50.0 % |
| Diluted net income per common share | 0.15 | 0.13 | 0.11 | 0.10 | 0.10 | 15.4 | 50.0 |
| Dividends paid per common share | 0.02 | - | - | - | - | 100.0 | 100.0 |
| Book value per common share at period end | 11.55 | 11.35 | 11.31 | 11.13 | 10.99 | 1.8 | 5.1 |
| Tangible book value per common share at period end (1) | 10.51 | 10.31 | 10.26 | 10.08 | 9.94 | 1.9 | 5.7 |
| Market value at period end | 9.72 | 9.43 | 9.18 | 9.34 | 9.00 | 3.1 | 8.0 |
| Market range: | | | | | | | |
| High | 9.72 | 9.55 | 9.30 | 9.34 | 9.03 | 1.8 | 7.6 |
| Low | 9.37 | 9.43 | 9.03 | 9.34 | 8.96 | (0.6) | 4.6 |
| AVERAGE BALANCE SHEET DATA | | | | | | | |
| Loans | $ 763,306 | $ 727,800 | $ 714,780 | $ 707,484 | $ 705,637 | 4.9 % | 8.2 % |
| Investment securities | 230,222 | 241,684 | 244,300 | 232,803 | 221,537 | (4.7) | 3.9 |
| Earning assets | 1,044,230 | 1,016,172 | 1,013,490 | 1,026,061 | 1,015,767 | 2.8 | 2.8 |
| Assets | 1,111,361 | 1,085,857 | 1,087,401 | 1,103,355 | 1,093,103 | 2.3 | 1.7 |
| Deposits | 953,826 | 931,637 | 932,460 | 950,720 | 940,312 | 2.4 | 1.4 |
| Stockholders' equity | 144,897 | 143,266 | 141,884 | 139,676 | 138,615 | 1.1 | 4.5 |
| CREDIT QUALITY DATA AT PERIOD END | | | | | | | |
| Net charge-offs | $ 229 | $ 421 | $ 547 | $ 1,561 | $ 1,245 | (45.6) % | (81.6) % |
| Nonaccrual loans | $ 13,143 | $ 14,009 | $ 12,913 | $ 13,467 | $ 12,718 | (6.2) | 3.3 |
| Loans 90 days past due and still accruing | 4 | 35 | 36 | 87 | - | (88.6) | 100.0 |
| Other real estate owned | 2,884 | 2,498 | 3,469 | 3,691 | 4,799 | 15.5 | (39.9) |
| Total nonperforming assets | $ 16,031 | $ 16,542 | $ 16,418 | $ 17,245 | $ 17,517 | (3.1) | (8.5) |
| Accruing troubled debt restructurings (TDRs) | $ 16,431 | $ 18,353 | $ 16,644 | $ 16,674 | $ 25,246 | (10.5) | (34.9) |
| Total nonperforming assets and accruing TDRs | $ 32,462 | $ 34,895 | $ 33,062 | $ 33,919 | $ 42,763 | (7.0) | (24.1) |
| | - | - | - | - | - | - | - |
| CAPITAL AND CREDIT QUALITY RATIOS | | | | | | | |
| Period-end equity to assets | 13.05 % | 13.22 % | 13.05 % | 12.77 % | 12.65 % | (17) bp | 40 bp |
| Period-end tangible equity to tangible assets (1) | 12.02 | 12.16 | 11.98 | 11.70 | 11.58 | (14) | 44 |
| Annualized net charge-offs to average loans | 0.12 | 0.23 | 0.31 | 0.88 | 0.70 | (11) | (58) |
| Allowance for credit losses as a percent of: | | | | | | | |
| Period-end loans | 1.04 | 1.07 | 1.08 | 1.08 | 1.22 | (3) | (18) |
| Nonaccrual loans | 61.61 | 56.51 | 60.39 | 57.14 | 67.67 | 511 | (606) |
| Nonperforming assets | 50.51 | 47.86 | 47.50 | 44.62 | 49.13 | 266 | 138 |
| Accruing TDRs | 49.28 | 43.14 | 46.85 | 46.15 | 34.09 | 614 | 1,519 |
| Nonperforming assets and accruing TDRs | 24.95 | 22.69 | 23.59 | 22.69 | 20.12 | 226 | 483 |
| As a percent of total loans: | | | | | | | |
| Nonaccrual loans | 1.69 | 1.89 | 1.79 | 1.89 | 1.80 | (20) | (11) |
| Accruing TDRs | 2.11 | 2.48 | 2.31 | 2.35 | 3.58 | (37) | (147) |
| Nonaccrual loans and accruing TDRs | 3.80 | 4.37 | 4.10 | 4.24 | 5.38 | (57) | (158) |
| As a percent of total loans+other real estate owned: | | | | | | | |
| Nonperforming assets | 2.06 | 2.22 | 2.26 | 2.41 | 2.47 | (16) | (41) |
| Nonperforming assets and accruing TDRs | 4.16 | 4.69 | 4.56 | 4.75 | 6.02 | (53) | (186) |
| As a percent of total assets: | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Nonaccrual loans | 1.18 | 1.29 | 1.18 | 1.22 | 1.16 | (11) | 2 |
| Nonperforming assets | 1.43 | 1.53 | 1.50 | 1.57 | 1.60 | (10) | (17) |
| Accruing TDRs | 1.47 | 1.69 | 1.52 | 1.52 | 2.30 | (22) | (83) |
| Nonperforming assets and accruing TDRs | 2.90 | 3.22 | 3.02 | 3.09 | 3.90 | (32) | (100) |

(1) See the reconciliation table on page 12 of 12.

Shore Bancshares, Inc.
Consolidated Statements of Operations By Quarter
(In thousands, except per share data)



| | 3Q 15 | 2Q 15 | 1Q 15 | 4Q 14 | 3Q 14 | 3Q 15 compared to 2Q 15 | 3Q 15 compared to 3Q 14 |
|---|---|---|---|---|---|---|---|
| INTEREST INCOME | | | | | | | |
| Interest and fees on loans | $ 8,912 | $ 8,581 | $ 8,491 | $ 8,665 | $ 8,788 | 3.9 % | 1.4 % |
| Interest and dividends on investment securities: | | | | | | | |
| Taxable | 892 | 932 | 924 | 917 | 850 | (4.3) | 4.9 |
| Tax-exempt | 2 | 3 | 3 | 3 | 3 | (33.3) | (33.3) |
| Interest on federal funds sold | 1 | - | 1 | - | 1 | 100.0 | - |
| Interest on deposits with other banks | 30 | 26 | 26 | 40 | 44 | 15.4 | (31.8) |
| Total interest income | 9,837 | 9,542 | 9,445 | 9,625 | 9,686 | 3.1 | 1.6 |
| INTEREST EXPENSE | | | | | | | |
| Interest on deposits | 824 | 856 | 901 | 985 | 1,046 | (3.7) | (21.2) |
| Interest on short-term borrowings | 3 | 3 | 5 | 4 | 4 | - | (25.0) |
| Total interest expense | 827 | 859 | 906 | 989 | 1,050 | (3.7) | (21.2) |
| NET INTEREST INCOME | 9,010 | 8,683 | 8,539 | 8,636 | 8,636 | 3.8 | 4.3 |
| Provision for credit losses | 410 | 540 | 650 | 650 | 775 | (24.1) | (47.1) |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 8,600 | 8,143 | 7,889 | 7,986 | 7,861 | 5.6 | 9.4 |
| NONINTEREST INCOME | | | | | | | |
| Service charges on deposit accounts | 769 | 658 | 634 | 629 | 618 | 16.9 | 24.4 |
| Trust and investment fee income | 360 | 450 | 469 | 478 | 496 | (20.0) | (27.4) |
| Investment securities gains | - | - | - | 23 | - | - | - |
| Insurance agency commissions | 2,107 | 1,932 | 2,475 | 1,736 | 2,176 | 9.1 | (3.2) |
| Other noninterest income | 669 | 748 | 507 | 605 | 704 | (10.6) | (5.0) |
| Total noninterest income | 3,905 | 3,788 | 4,085 | 3,471 | 3,994 | 3.1 | (2.2) |
| NONINTEREST EXPENSE | | | | | | | |
| Salaries and wages | 4,468 | 4,393 | 4,313 | 4,305 | 4,689 | 1.7 | (4.7) |
| Employee benefits | 935 | 924 | 1,156 | 956 | 934 | 1.2 | 0.1 |
| Occupancy expense | 600 | 611 | 626 | 570 | 565 | (1.8) | 6.2 |
| Furniture and equipment expense | 223 | 233 | 255 | 234 | 225 | (4.3) | (0.9) |
| Data processing | 800 | 868 | 783 | 766 | 741 | (7.8) | 8.0 |
| Directors' fees | 117 | 116 | 123 | 99 | 131 | 0.9 | (10.7) |
| Amortization of intangible assets | 34 | 33 | 33 | 33 | 34 | 3.0 | - |
| FDIC insurance premium expense | 243 | 306 | 384 | 402 | 399 | (20.6) | (39.1) |
| Write-downs of other real estate owned | 7 | 54 | 27 | 192 | 290 | (87.0) | (97.6) |
| Other noninterest expenses | 1,969 | 1,762 | 2,004 | 1,953 | 1,811 | 11.7 | 8.7 |
| Total noninterest expense | 9,396 | 9,300 | 9,704 | 9,510 | 9,819 | 1.0 | (4.3) |
| Income before income taxes | 3,109 | 2,631 | 2,270 | 1,947 | 2,036 | 18.2 | 52.7 |
| Income tax expense | 1,200 | 1,004 | 861 | 721 | 774 | 19.5 | 55.0 |
| NET INCOME | $ 1,909 | $ 1,627 | $ 1,409 | $ 1,226 | $ 1,262 | 17.3 | 51.3 |
| Weighted average shares outstanding - basic | 12,630 | 12,629 | 12,625 | 12,617 | 12,615 | 0.0 | 0.1 |
| Weighted average shares outstanding - diluted | 12,640 | 12,638 | 12,633 | 12,626 | 12,625 | 0.0 | 0.1 |
| Basic net income per common share | $ 0.15 | $ 0.13 | $ 0.11 | $ 0.10 | $ 0.10 | 15.4 | 50.0 |
| Diluted net income per common share | 0.15 | 0.13 | 0.11 | 0.10 | 0.10 | 15.4 | 50.0 |
| Dividends paid per common share | 0.02 | - | - | - | - | - | - |

Shore Bancshares, Inc.
Consolidated Average Balance Sheets By Quarter
(Dollars in thousands)



| | 3Q 15 | | 2Q 15 | | 1Q 15 | | 4Q 14 | | 3Q 14 | | Average balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average balance | Yield/ rate | Average balance | Yield/ rate | Average balance | Yield/ rate | Average balance | Yield/ rate | Average balance | Yield/ rate | 3Q 15 compared to 2Q 15 | 3Q 15 compared to 3Q 14 |
| Earning assets | | | | | | | | | | | | |
| Loans | $ 763,306 | 4.64 % | $ 727,800 | 4.74 % | $ 714,780 | 4.83 % | $ 707,484 | 4.87 % | $ 705,637 | 4.95 % | 4.9 % | 8.2 % |
| Investment securities | | | | | | | | | | | | |
| Taxable | 229,979 | 1.55 | 241,254 | 1.55 | 243,869 | 1.52 | 232,371 | 1.58 | 221,105 | 1.54 | (4.7) | 4.0 |
| Tax-exempt | 243 | 5.01 | 430 | 4.21 | 431 | 4.19 | 432 | 4.19 | 432 | 4.19 | (43.5) | (43.8) |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Federal funds sold | 2,341 | 0.10 | | 2,931 | 0.09 | | 2,801 | 0.09 | | 2,962 | 0.07 | | 1,378 | 0.06 | | (20.1) | 69.9 |
| Interest-bearing deposits | 48,361 | 0.25 | | 43,757 | 0.24 | | 51,609 | 0.20 | | 82,812 | 0.19 | | 87,215 | 0.20 | | 10.5 | (44.5) |
| Total earning assets | 1,044,230 | 3.74 | % | 1,016,172 | 3.77 | % | 1,013,490 | 3.79 | % | 1,026,061 | 3.73 | % | 1,015,767 | 3.79 | % | 2.8 | 2.8 |
| Cash and due from banks | 17,434 | | | 18,723 | | | 21,268 | | | 24,329 | | | 24,445 | | | (6.9) | (28.7) |
| Other assets | 57,891 | | | 59,045 | | | 60,611 | | | 61,370 | | | 61,989 | | | (2.0) | (6.6) |
| Allowance for credit losses | (8,194) | | | (8,083) | | | (7,968) | | | (8,405) | | | (9,098) | | | 1.4 | (9.9) |
| Total assets | $ 1,111,361 | | | $ 1,085,857 | | | $ 1,087,401 | | | $ 1,103,355 | | | $ 1,093,103 | | | 2.3 | 1.7 |
| Interest-bearing liabilities | | | | | | | | | | | | | | | | | |
| Demand deposits | $ 184,471 | 0.13 | % | $ 171,274 | 0.12 | % | $ 177,071 | 0.13 | % | $ 183,251 | 0.13 | % | $ 183,094 | 0.14 | % | 7.7 | 0.8 |
| Money market and savings deposits | 242,830 | 0.14 | | 238,173 | 0.14 | | 237,755 | 0.14 | | 233,441 | 0.12 | | 225,670 | 0.12 | | 2.0 | 7.6 |
| Certificates of deposit $100,000 or more | 148,617 | 0.92 | | 152,478 | 0.97 | | 156,154 | 1.00 | | 163,813 | 1.06 | | 166,806 | 1.11 | | (2.5) | (10.9) |
| Other time deposits | 163,224 | 0.82 | | 166,277 | 0.85 | | 169,584 | 0.90 | | 173,695 | 0.95 | | 179,533 | 0.98 | | (1.8) | (9.1) |
| Interest-bearing deposits | 739,142 | 0.44 | | 728,202 | 0.47 | | 740,564 | 0.49 | | 754,200 | 0.52 | | 755,103 | 0.55 | | 1.5 | (2.1) |
| Short-term borrowings | 6,501 | 0.24 | | 4,872 | 0.23 | | 7,340 | 0.27 | | 6,356 | 0.23 | | 7,946 | 0.21 | | 33.4 | (18.2) |
| Total interest-bearing liabilities | 745,643 | 0.44 | % | 733,074 | 0.47 | % | 747,904 | 0.49 | % | 760,556 | 0.52 | % | 763,049 | 0.55 | % | 1.7 | (2.3) |
| Noninterest-bearing deposits | 214,684 | | | 203,435 | | | 191,896 | | | 196,520 | | | 185,209 | | | 5.5 | 15.9 |
| Accrued expenses and other liabilities | 6,137 | | | 6,082 | | | 5,717 | | | 6,603 | | | 6,230 | | | 0.9 | (1.5) |
| Stockholders' equity | 144,897 | | | 143,266 | | | 141,884 | | | 139,676 | | | 138,615 | | | 1.1 | 4.5 |
| Total liabilities and stockholders' equity | $ 1,111,361 | | | $ 1,085,857 | | | $ 1,087,401 | | | $ 1,103,355 | | | $ 1,093,103 | | | 2.3 | 1.7 |
| Net interest spread | | 3.30 | % | | 3.30 | % | | 3.30 | % | | 3.21 | % | | 3.24 | % | | |
| Net interest margin | | 3.43 | % | | 3.43 | % | | 3.43 | % | | 3.35 | % | | 3.38 | % | | |



Shore Bancshares, Inc.
Reconciliation of Generally Accepted Accounting Principles (GAAP) and Non-GAAP Measures
(In thousands, except per share data)

| | 3Q 15 | 2Q 15 | 1Q 15 | 4Q 14 | 3Q 14 | YTD 9/30/2015 | YTD 9/30/2014 |
|---|---|---|---|---|---|---|---|
| The following reconciles return on average equity and return on average tangible equity (Note 1): | | | | | | | |
| Net income | $ 1,909 | $ 1,627 | $ 1,409 | $ 1,226 | $ 1,262 | $ 4,945 | $ 3,825 |
| Net income - annualized (A) | $ 7,574 | $ 6,526 | $ 5,714 | $ 4,864 | $ 5,007 | $ 6,611 | $ 5,114 |
| Net income, excluding net amortization of intangible assets | $ 1,930 | $ 1,647 | $ 1,429 | $ 1,246 | $ 1,283 | $ 5,006 | $ 3,927 |
| Net income, excluding net amortization of intangible assets - annualized (B) | $ 7,657 | $ 6,606 | $ 5,795 | $ 4,943 | $ 5,090 | $ 6,693 | $ 5,250 |
| Average stockholders' equity (C) | $ 144,897 | $ 143,266 | $ 141,884 | $ 139,676 | $ 138,615 | $ 143,360 | $ 120,180 |
| Less: Average goodwill and other intangible assets | (13,182) | (13,215) | (13,248) | (13,281) | (13,315) | (13,215) | (14,842) |
| Average tangible equity (D) | $ 131,715 | $ 130,051 | $ 128,636 | $ 126,395 | $ 125,300 | $ 130,145 | $ 105,338 |
| Return on average equity (GAAP) (A)/(C) | 5.23 % | 4.56 % | 4.03 % | 3.48 % | 3.61 % | 4.61 % | 4.26 % |
| Return on average tangible equity (Non-GAAP) (B)/(D) | 5.81 % | 5.08 % | 4.50 % | 3.91 % | 4.06 % | 5.14 % | 4.98 % |
| The following reconciles GAAP efficiency ratio and non-GAAP efficiency ratio (Note 2): | | | | | | | |
| Noninterest expense (E) | $ 9,396 | $ 9,300 | $ 9,704 | $ 9,510 | $ 9,819 | $ 28,400 | $ 29,851 |
| Less: Amortization of intangible assets | (34) | (33) | (33) | (33) | (34) | (100) | (168) |
| Adjusted noninterest expense (F) | $ 9,362 | $ 9,267 | $ 9,671 | $ 9,477 | $ 9,785 | $ 28,300 | $ 29,683 |
| Taxable-equivalent net interest income (G) | $ 9,027 | $ 8,701 | $ 8,560 | $ 8,659 | $ 8,659 | $ 26,289 | $ 25,475 |
| Taxable-equivalent net interest income excluding nonrecurring adjustment (H) | $ 9,027 | $ 8,701 | $ 8,560 | $ 8,659 | $ 8,659 | $ 26,289 | $ 25,475 |
| Noninterest income (I) | $ 3,905 | $ 3,788 | $ 4,085 | $ 3,471 | $ 3,994 | $ 11,778 | $ 13,310 |
| Less: Investment securities (gains)/losses | - | - | - | (23) | - | - | - |
| Other nonrecurring (gains)/losses | - | - | - | - | - | - | (114) |
| Adjusted noninterest income (J) | $ 3,905 | $ 3,788 | $ 4,085 | $ 3,448 | $ 3,994 | $ 11,778 | $ 13,196 |
| Efficiency ratio (GAAP) (E)/(G)+(I) | 72.66 % | 74.47 % | 76.74 % | 78.40 % | 77.60 % | 74.61 % | 76.97 % |
| Efficiency ratio (Non-GAAP) (F)/(H)+(J) | 72.39 % | 74.20 % | 76.48 % | 78.28 % | 77.33 % | 74.34 % | 76.76 % |
| The following reconciles book value per common share and tangible book value per common share (Note 1): | | | | | | | |
| Stockholders' equity (K) | $ 145,887 | $ 143,402 | $ 142,746 | $ 140,469 | $ 138,674 | | |
| Less: Goodwill and other intangible assets | (13,162) | (13,195) | (13,228) | (13,262) | (13,295) | | |
| Tangible equity (L) | $ 132,725 | $ 130,207 | $ 129,518 | $ 127,207 | $ 125,379 | | |
| Shares outstanding (M) | 12,630 | 12,630 | 12,625 | 12,618 | 12,615 | | |
| Book value per common share (GAAP) (K)/(M) | $ 11.55 | $ 11.35 | $ 11.31 | $ 11.13 | $ 10.99 | | |
| Tangible book value per common share (Non-GAAP) (L)/(M) | $ 10.51 | $ 10.31 | $ 10.26 | $ 10.08 | $ 9.94 | | |
| The following reconciles equity to assets and tangible equity to tangible assets (Note 1): | | | | | | | |
| Stockholders' equity (N) | $ 145,887 | $ 143,402 | $ 142,746 | $ 140,469 | $ 138,674 | | |
| Less: Goodwill and other intangible assets | (13,162) | (13,195) | (13,228) | (13,262) | (13,295) | | |
| Tangible equity (O) | $ 132,725 | $ 130,207 | $ 129,518 | $ 127,207 | $ 125,379 | | |
| Assets (P) | $ 1,117,813 | $ 1,084,352 | $ 1,094,128 | $ 1,100,402 | $ 1,096,285 | | |
| Less: Goodwill and other intangible assets | (13,162) | (13,195) | (13,228) | (13,262) | (13,295) | | |
| Tangible assets (Q) | $ 1,104,651 | $ 1,071,157 | $ 1,080,900 | $ 1,087,140 | $ 1,082,990 | | |
| Period-end equity/assets (GAAP) (N)/(P) | 13.05 % | 13.22 % | 13.05 % | 12.77 % | 12.65 % | | |
| Period-end tangible equity/tangible assets (Non-GAAP) (O)/(Q) | 12.02 % | 12.16 % | 11.98 % | 11.70 % | 11.58 % | | |

Note 1: Management believes that reporting tangible equity and tangible assets more closely approximates the adequacy of capital for regulatory purposes.

Note 2: Management believes that reporting the non-GAAP efficiency ratio more closely measures its effectiveness of controlling cash-based operating activities.

To view the original version on PR Newswire, visit:**http://www.prnewswire.com/news-releases/shore-bancshares-reports-third-quarter-and-nine-month-results-300163853.html**

SOURCE Shore Bancshares, Inc.