HARBOR BANKSHARES CORPORATION
25 West Fayette Street
Baltimore, Maryland 21201

April 19, 2021

To Our Shareholders:

On behalf of our Board of Directors, I cordially invite you to attend the 2021 Annual Meeting of Shareholders of Harbor Bankshares Corporation (the "Corporation"). The Annual Meeting of Shareholders will be held in a virtual-only format via Zoom on Wednesday, May 19, 2021, at 9:00 A.M. Eastern Daylight Time. The formal Notice of Annual Meeting appears on the next page.

At the Annual Meeting, you will be asked to reelect Delores G. Kelley, Erich W. March and Stanley W. Tucker as Class II Directors for three-year terms and to ratify the appointment of Yount, Hyde & Barbour, P.C. as the independent public accounting firm for the Corporation for the year ending December 31, 2021. **The Board of Directors recommends that shareholders vote FOR reelection of the three Class II Directors and FOR the ratification of Yount, Hyde & Barbour, P.C. as the Corporation's independent public accounting firm.**

The enclosed proxy statement gives you detailed information about the Annual Meeting and related matters.

It is important that your views be represented whether or not you virtually attend the Annual Meeting. Your vote is important, whether you own a few shares or many. We urge you to vote your shares either virtually at the Annual Meeting or by returning your proxy as soon as possible.

Sincerely,

/s/Joseph Haskins, Jr.
Chairman and CEO

HARBOR BANKSHARES CORPORATION
25 West Fayette Street
Baltimore, Maryland 21201

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 19, 2021

To Our Shareholders:

The Annual Meeting of Shareholders of Harbor Bankshares Corporation will be held in a virtual-only format via Zoom on Wednesday, May 19, 2021, at 9:00 A.M. Eastern Daylight Time. The meeting will be accessible at:

Join Zoom Meeting: **https://zoom.us/j/98176392407?pwd=bHFxRDdyK1ZITTdjcVhLRnRDL0t6Zz09**
Dial in: 1-301-715-8592
Meeting ID: 981 7639 2407
Passcode: 156202

There will not be a physical meeting. You will be entitled to virtually participate in the Annual Meeting only if you were a stockholder of record of the Corporation as of the close of business on the Record Date for the Annual Meeting, or if you hold a valid proxy for the Annual Meeting received from a stockholder of record on that date. If you hold your shares through an intermediary, such as a bank or broker, you must register in advance. Please refer to the section of this Proxy Statement entitled **Attending the Meeting** for instructions on how to register.

The Annual Meeting of Shareholders will be held for the following purposes:

- To elect three Class II Directors, each to serve for a three-year term;
- To ratify the appointment of Yount, Hyde & Barbour, P.C. as the independent public accounting firm for the Corporation for the year ending December 31, 2021; and
- To act upon such other matters as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Note: The Board of Directors is not aware of any other business to come before the Annual Meeting.

The Board of Directors has fixed the close of business on March 30, 2021, as the Record Date for determination of shareholders entitled to vote at the Annual Meeting. The Harbor Bankshares Corporation's Board of Directors unanimously recommends that you vote **FOR** the election of the three Class II Directors and **FOR** the ratification of Yount, Hyde & Barbour, P.C. as the Corporation's independent public accounting firm.

Only shareholders of record of Harbor Bankshares Corporation voting common stock at the close of business on the record date will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof. To grant a proxy to vote your shares, you may complete and return the enclosed proxy card. You also may vote virtually at the Annual Meeting. Please vote promptly whether or not you expect to attend the Annual Meeting.

You are requested to fill in and sign the enclosed Form of Proxy and to mail it in the enclosed envelope. The Proxy will not be used if you attend and choose to vote virtually at the Annual Meeting. **Executed but unmarked proxies will be voted FOR the election of the three Class II Directors and FOR the ratification of Yount, Hyde & Barbour, P.C. as the Corporation's independent public accounting firm.**

Harbor Bankshares Corporation's only class of voting stock is its common stock, par value $0.01 per share. A complete list of shareholders entitled to vote at the Annual Meeting will be available for inspection by any shareholder at the offices of Harbor Bankshares Corporation during ordinary business hours for a period of at least ten days prior to the Annual Meeting.

By Order of the Board of Directors,

/s/George F. Vaeth, Jr.
Corporate Secretary

Baltimore, Maryland
April 19, 2021

Your Vote Is Important. Please promptly sign, date, and return the enclosed proxy card. If you attend the Annual Meeting and decide that you wish to vote virtually or for any other reason desire to revoke your proxy, you can do so at any time prior to its use.

HARBOR BANKSHARES CORPORATION
25 West Fayette Street
Baltimore, Maryland 21201

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 19, 2021

INTRODUCTION

This Proxy Statement is being sent to holders of the common stock, $0.01 par value, of Harbor Bankshares Corporation, a Maryland corporation ("Harbor" or the "Corporation"), in connection with the solicitation of proxies by the Board of Directors of Harbor for use at the 2021 Annual Meeting of Shareholders The Annual Meeting of Shareholders will be held in a virtual-only format via Zoom on Wednesday, May 19, 2021, at 9:00 A.M. Eastern Daylight Time, and at any adjournment or postponement of the meeting. Information on how to join the meeting virtually is included in the Notice of Annual Meeting of Shareholders. The Annual Meeting of Shareholders will be held for the following purposes:

- To elect three Class II Directors, each to serve for a three-year term;
- To ratify the appointment of Yount, Hyde & Barbour, P.C. as the independent public accounting firm for the Corporation for the year ending December 31, 2021; and
- To act upon such other matters as may properly come before the Annual Meeting or any adjournments or postponements thereof.

This Proxy Statement and the accompanying form of proxy are being sent to Harbor shareholders on or about April 19, 2021.

Only shareholders of record of voting common stock at the close of business on March 30, 2021, the record date, are entitled to notice of and to vote at the annual meeting and any adjournment or postponement of the meeting. As of March 30, 2021, there were 1,146,099 shares of Harbor common stock, par value $0.01 per share, outstanding, consisting of 1,112,304 shares of voting common stock and 33,795 shares of nonvoting common stock.

The cost of soliciting proxies will be borne by Harbor. In addition to the solicitation of proxies by mail, Harbor also may solicit proxies personally or by telephone or other means through its directors, officers, and regular employees. Harbor also will request persons, firms, and corporations holding shares in their names or in the name of nominees that are beneficially owned by others to send proxy materials to and obtain proxies from those beneficial owners and will reimburse the holders for their reasonable expenses in doing so.

PROPOSAL I—ELECTION OF DIRECTORS

The Charter and By-laws of the Corporation provide that the directors shall be classified into three classes as equal in number as possible, with each director serving a three-year term. Currently, the Board of Directors of the Corporation and The Harbor Bank of Maryland ("Bank") is composed of nine members with each of the Classes (I, II and III) consisting of three members each. The terms of the Class II Directors are scheduled to expire at the 2021 annual meeting or until their respective successors have been duly elected and qualified.

Directors are elected by a plurality of the votes cast by the holders of shares of common stock present virtually or represented by proxy.

Directors to be elected at the 2021 Annual Meeting to serve until the 2024 Annual Meeting (Class II)

Delores G. Kelley	Dr. Kelley has served as a director of the Corporation since its formation in 1992 and of the Bank since 1980. She is a retired educator and Senator in the Maryland State Senate.
Erich W. March	Mr. March has served as a director of the Corporation since its formation in 1992 and of the Bank since 1980. He is Vice President of March Funeral Homes, Inc.

Stanley W. Tucker	Mr. Tucker has served as a director of the Corporation and of the Bank since 1996. He is President of Meridian Management Company, Inc., which is the managing general partner of MMG Ventures, L.P., an investment management company.

Continuing Directors

The following information is provided with respect to directors who will continue to serve as directors of the Corporation until the expiration of their terms at the times indicated.

Directors continuing to serve until the 2022 Annual Meeting (Class III)

James Scott, Jr.	Mr. Scott has served as a director of the Corporation and the Bank since 2000. He is a principal of Penan & Scott P.C., an accounting firm. Mr. Scott is a certified public accountant.
George F. Vaeth, Jr.	Mr. Vaeth has served as a director of the Corporation since its formation in 1992 and of the Bank since 1980. He has served as Secretary of the Corporation since its formation and of the Bank since 1986. He is a retired architect.
Yitzhak Zelmanovitch	Mr. Zelmanovitch has served as a director of the Corporation and of the Bank since 2019. He is President of Founders' Impact, Inc., formerly known as East Coast Capital Holdings, Ltd, a specialized business investment company and a licensee of the Small Business Administration that provides debt and equity capital to community-oriented financial service businesses.

Directors continuing to serve until the 2023 Annual Meeting (Class I)

James H. DeGraffenreidt, Jr.	Mr. DeGraffenreidt has served as a director of the Corporation and of the Bank since 1996. He is retired Chairman and Chief Executive Officer of WGL Holdings, Inc., distributors of natural gas.
Joseph Haskins, Jr.	Mr. Haskins has served as a director of the Corporation since its formation in 1992 and of the Bank since 1980. He has served as Chairman, President and CEO of the Corporation from its formation in 1992 through June 2020 and Chairman, President and Chief Executive Officer of the Bank from 1987 through June 2020. Since 2020, he has served as Chairman and CEO of the Corporation and the Bank.
Kevin M. Johnson	Mr. Johnson has served as a director of the Corporation and the Bank since 2011. He is President of Commercial Interiors, Inc., a construction company.

Security Ownership of Certain Beneficial Owners and Management

There were 1,146,099 shares of the Common Stock issued and outstanding on March 30, 2021, of which 1,112,304 were shares of voting common stock. The following table shows the beneficial ownership of the voting common stock as of this date by: (1) each of Harbor's current named executive officers and directors and (2) all of Harbor's current directors and executive officers as a group.

Name of Beneficial Owner(1)(2)	Number of Shares Beneficially Owned(3)	Percentage of Shares Beneficially Owned(4)
Joseph Haskins, Jr. (5)	98,549	8.58%
Yitzhak Zelmanovitch (6)	75,463	6.57%
George F. Vaeth, Jr. (7)	43,260	3.77%
James Scott, Jr. (8)	23,161	2.02%
Erich W. March (9)	17,620	1.53%
Kevin M. Johnson (10)	12,833	1.12%
James H. DeGraffenreidt, Jr. (11)	11,992	1.04%
Delores G. Kelley (12)	10,162	*
Stanley W. Tucker (13)	4,062	*
John D. Lewis (14)	13,944	1.21%
Kimberly Levine (15)	5,000	*
All Directors and executive officers as a group (11 persons) (16)	316,046	27.53%

* Less than 1%

(1) Unless otherwise specified, the address of these persons is c/o Harbor Bankshares Corporation, 25 West Fayette Street, Baltimore, Maryland 21201.

(2) Persons named in this table have sole or shared voting and/or investment power over the shares shown. Numbers of shares also include shares awarded by the Corporation to executive officers under a three-year vesting schedule to be issued subsequent to the Record Date.

(3) Unless otherwise specified, the number of shares shown represents shares of Common Stock.

(4) Percentages are calculated based on 1,112,304 shares of Common Stock outstanding and 35,891 shares of Common Stock awarded by the Corporation to senior officers under a three-year vesting schedule to be issued subsequent to the Record Date.

(5) Represents 85,199 shares of Common Stock, (including 600 shares of Common Stock held beneficially owned by a child and 4,200 shares of Common Stock held by an IRA account maintained by T. Rowe Price) and 13,350 shares of Common Stock awarded by the Corporation under a three year vesting schedule to be issued subsequent to the Record Date.

(6) Represents 75,463 shares of Common Stock owned by Mr. Zelmanovitch (including 13,234 shares owned by a corporation over which Mr. Zelmanovitch has the power to vote).

(7) Represents 43,260 shares of Common Stock owned by Mr. Vaeth.

(8) Represents 23,161 shares of Common Stock (including 3,225 shares jointly owned by Mr. Scott and his wife and 3,430 shares held by a brokerage, jointly owned by Mr. Scott and his wife).

(9) Represents 17,620 shares of Common Stock (including 15,453 shares owned by a corporation over which Mr. March has the power to vote).

(10) Represents 12,833 shares of Common Stock owned by Mr. Johnson.

(11) Represents 11,922 shares of Common Stock owned by Mr. DeGraffenreidt.

(12) Represents 10,162 shares of Common Stock (including 2,183 shares jointly owned by Dr. Kelley and her husband and 154 shares beneficially owned by a child).

(13) Represents 4,062 shares of Common Stock owned by Mr. Tucker.

(14) Represents 6,756 shares of Common Stock owned by Mr. Lewis, President & Chief Operating Officer of Harbor Bankshares Corporation and The Harbor Bank of Maryland and 7,188 shares of Common Stock awarded by the Corporation under a three-year vesting schedule to be issued subsequent to the Record Date.

(15) Represents 5,000 shares of Common Stock awarded by the Corporation to Ms. Levine, Executive Vice President and Chief Financial Officer, under a three-year vesting schedule to be issued subsequent to the Record Date.

(16) Represents 290,508 shares of Common Stock and 25,538 shares of Common Stock awarded by the Corporation to executive officers under a three-year vesting schedule to be issued subsequent to the Record Date.

PROPOSAL II—RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

General

The Corporation's Audit Committee has retained Yount, Hyde & Barbour, P.C. as independent public accountants to audit the Corporation's 2020 and 2021 consolidated financial statements. Dixon Hughes Goodman, LLP audited the Corporation's consolidated financial statements for 2019. A representative of Yount, Hyde and Barbour, P.C. is expected to be present at the Annual Meeting, with the opportunity to make a statement if he or she decides and will respond to appropriate questions.

THE ANNUAL MEETING

Purpose

This proxy statement is furnished to shareholders of Harbor in connection with the solicitation of proxies by Harbor's Board of Directors for use at the Annual Meeting.

Date, Place and Time of Annual Meeting

The Annual Meeting of Harbor's shareholders will be held in a virtual-only format via Zoom on Wednesday, May 19, 2021, at 9:00 A.M. Eastern Daylight Time.

Shares Entitled to Vote; Quorum and Vote Required

The holders of record of the outstanding shares of Harbor voting common stock at the close of business on March 30, 2021, will be entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement of the Annual Meeting. At the close of business on that date, there were 1,112,304 shares of Harbor common stock issued and outstanding and entitled to vote at the Annual Meeting.

At the Annual Meeting Harbor shareholders will be entitled to one vote for each share of Harbor common stock owned of record on the record date. The holders of a majority of the Harbor common stock must be present, either virtually or by proxy, to constitute a quorum at the meeting. Shares of Harbor common stock present virtually or represented by proxy, including shares whose holders abstain or do not vote and shares held of record by a broker or nominee that are voted on any matter, will be counted for purposes of determining whether a quorum exists at the Annual Meeting.

On the record date, the directors and executive officers of Harbor and the Bank (11 persons) were entitled to vote, in the aggregate, 316,046 shares of Harbor common stock (including an award to executive officers of 25,538 shares of common stock to be issued subsequent to the Record Date and subject to a three-year vesting schedule), or approximately 27.53% of the outstanding shares of Harbor voting common.

A list of shareholders will be available for examination by holders of the Harbor common stock for any purpose related to the Annual Meeting during the 10 days prior to the Annual Meeting at its offices at 25 West Fayette Street, Baltimore, MD 21201.

Voting Procedures and Revocation of Proxies

Proxies, in the form enclosed, that are properly executed by the shareholders and returned to Harbor Bankshares Corporation and not subsequently revoked, will be voted in accordance with the instructions indicated on the proxies. Any properly executed proxy on which voting instructions are not specified will be voted FOR the election of the three nominated Class II Directors and FOR the ratification of Yount, Hyde & Barbour, P.C. as the Corporation's independent public accounting firm. The proxy also grants authority to the shareholders designated in the proxy to vote in accordance with their own judgment if an unscheduled matter is properly brought before the meeting.

If you are the record holder of your shares, you may revoke any proxy given pursuant to this solicitation by the Harbor Board of Directors at any time before it is voted at the Annual Meeting by:

- Giving written notice to the Secretary of Harbor; or
- Executing a proxy bearing a later date filed with the Secretary of Harbor at or before the meeting; or
- Attending and voting virtually at the meeting. Attendance without voting at the Annual Meeting will not in and of itself constitute revocation of a proxy.

All written notices of revocation and other communications with respect to revocation of proxies should be sent to: Harbor Bankshares Corporation, 25 West Fayette Street, Baltimore, MD 21201 Attention: Kimberly Levine, Executive Vice President and Chief Financial Officer. If you hold your shares in street name with a bank or broker, you must contact the bank or broker if you wish to revoke your proxy.

Attending the Annual Meeting

All of our shareholders are invited to virtually attend the Annual Meeting. If you are a beneficial owner of Harbor common stock held by a broker, bank or other nominee (i.e., in "street name"), you must register in advance to attend the Annual Meeting by submitting proof of proxy authority reflecting the Harbor Bankshares Corporation shares you hold, along with your name and email address no later than 5:00 p.m. Eastern Daylight Time on May 17, 2021, to: Harbor Bankshares Corporation, 25 West Fayette Street, Baltimore, MD 21201 Attention: Kimberly Levine, Executive Vice President and Chief Financial Officer. A recent brokerage statement or a letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of Harbor common stock held in street name virtually at the Annual Meeting, you will have to get a written proxy in your name from the broker, bank, or other nominee who holds your shares.

Annual Report

Our Annual Report to Shareholders for the fiscal year ended December 31, 2020 is being mailed to you with this proxy statement.

Solicitation of Proxies and Expenses

This proxy solicitation is made by the Board of Directors of Harbor. Harbor is responsible for its expenses incurred in preparing, assembling, printing, and mailing this proxy statement. Proxies will be solicited through the mail. Additionally, directors, officers and other employees of Harbor or its subsidiaries may solicit proxies in person, by telephone or other means of communications. None of these people will receive any special compensation for solicitation activities. Harbor will reimburse banks, brokers, and other custodians, nominees, and fiduciaries for their reasonable expenses in forwarding the proxy materials to beneficial owners.

OTHER MATTERS

Management of Harbor knows of no other business to be presented at the Annual Meeting, other than procedural matters relating to the conduct of the Annual Meeting, but if other matters do properly come before the Annual Meeting, unless otherwise instructed, it is intended that the persons named in the proxy card will vote shares according to their best judgment.

By Order of the Board of Directors

/s/Joseph Haskins, Jr.
Chairman and CEO

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