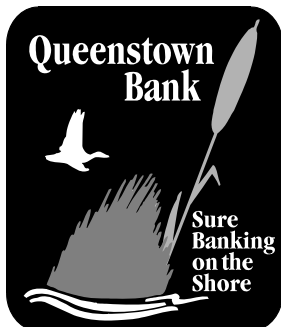


QUEENSTOWN BANCORP OF MARYLAND INC. AND SUBSIDIARY
FINANCIAL PERFORMANCE SUMMARY & RATIOS

In thousands, Except Per Share Data	2016	2015	2014	2013	2012
PROFITABILITY					
Net interest income	\$ 17,959	\$ 17,927	\$ 17,014	\$ 16,194	\$ 15,997
Noninterest income	1,160	1,214	1,211	1,299	1,303
Securities gains	-	22	476	-	-
Noninterest expenses	9,671	9,715	9,768	10,455	9,590
Provisions for credit losses	990	1,241	3,000	3,900	6,203
Income before taxes	8,458	8,185	5,933	3,138	1,507
Income tax expense	3,242	3,076	2,231	1,102	447
Net income	5,216	5,109	3,702	2,036	1,060
Return on average assets	1.13%	1.15%	0.83%	0.45%	0.24%
Return on average equity	9.58%	10.09%	7.84%	4.54%	2.41%
Net interest margin	4.08%	4.29%	4.09%	3.90%	3.91%
*Efficiency ratio (excluding other real estate losses)	49.95%	49.44%	51.95%	53.69%	53.36%
Basic earnings per share	\$ 4.14	\$ 4.06	\$ 2.94	\$ 1.62	\$ 0.84
Dividends per share	\$ 1.15	\$ 1.00	\$ 0.60	\$ 0.40	\$ 0.25
BALANCE SHEET					
Loans	\$ 386,044	\$ 393,672	\$ 383,135	\$ 376,462	\$ 372,210
Allowance for loan losses	5,910	5,908	6,035	5,647	4,684
Loans, net of allowance for loan losses	380,134	387,764	377,100	370,815	367,526
Interest bearing deposits with banks	49,134	29,906	24,366	32,708	36,727
Total assets	462,685	447,126	438,092	441,651	448,691
Deposits	405,341	393,525	388,213	395,131	403,476
Stockholders' equity	55,500	51,847	48,091	45,158	43,990
Shares outstanding	1,259,330	1,259,330	1,259,330	1,259,330	1,262,370
Book value per share	\$ 44.07	\$ 41.17	\$ 38.19	\$ 35.89	\$ 34.85
Loans / Deposits	95.24%	100.04%	98.69%	95.28%	92.25%
Allowance for loan losses / Loans	1.53%	1.50%	1.58%	1.50%	1.26%
REGULATORY CAPITAL RATIOS					
QUEENSTOWN BANK					
Tier I leverage (avg. equity / avg. assets) ratio	11.76%	11.47%	10.77%	9.94%	9.65%
Common equity risk based	16.05%	14.89%	14.11%	13.43%	12.65%
Tier I risk-based capital ratio	16.05%	14.89%	14.11%	13.43%	12.65%
Total risk based capital ratio	17.30%	16.14%	15.37%	14.68%	13.90%
QUEENSTOWN BANCORP					
Tier I leverage (avg. equity / avg. assets) ratio	11.77%	11.48%	10.78%	9.95%	9.66%
Common equity risk based	16.05%	14.89%	14.12%	13.44%	12.66%
Tier I risk based capital ratio	16.05%	14.89%	14.12%	13.44%	12.66%
Total risk based capital ratio	17.31%	16.15%	15.38%	14.69%	13.92%

*Efficiency ratio: total noninterest expenses excluding other real estate losses divided by tax equivalent net interest income plus noninterest income



Queenstown Bancorp of Maryland, Inc.

To Fellow Stockholders:

We are pleased to report continued strong financial results were achieved in 2016. During 2016, Queenstown Bancorp achieved increased core nonmaturity deposit balances, as well as increases in net income and dividends to stockholders. Continued progress in reductions of troubled assets and their related costs were a significant factor in our net income growth of 2016. Although competitive pricing pressures continue to make loan growth difficult, we believe our commitment to improved credit processes will continue to result in better overall financial performance for the Bank, and an improved credit experience for our customers.

FINANCIAL PERFORMANCE

Dividends to Stockholders Increases 15%:

Strong earnings in 2016 resulted in increasing our annual dividend by 15% to \$1.15 per share for 2016, from \$1.00 per share for 2015. Net income was \$5.2 million for 2016, compared to \$5.1 million for 2015. Continued improvement in credit performance resulted in a decrease in provisions for credit losses from \$1.2 million for 2015, to \$990 thousand for 2016. Carrying expenses and losses on sales of foreclosed real estate were reduced from \$526 thousand for 2015, to \$284 thousand for 2016.

Net Interest Margin:

The net interest margin declined from 4.29% for 2015, to 4.08% for 2016. The margin decline resulted primarily from a decline in loan balances and an increase in interest bearing deposits with banks. Despite this decline in the margin, net interest income grew slightly from \$17.93 million for 2015, to \$17.96 million for 2016. This increase resulted from growth in lower cost nonmaturity core deposits that reduced the cost of funds on interest bearing deposits from .74% for 2015, to .67% for 2016.

The elevated levels of interest bearing deposits with banks will enable the Bank to take advantage of the expected gradual rise in market interest rates as well as provide for potential loan growth.

Credit Quality:

Continued reductions in nonperforming assets were achieved in 2016. Nonperforming assets were reduced from \$7.6 million at December 31, 2015, to \$6.6 million at December 31, 2016. Net loan losses have also improved, falling from \$1.4 million for 2015, to \$988 thousand for 2016. The ratio of criticized loans (loans considered inadequately protected by the current paying capacity of the borrower or of the collateral pledged) to the allowance for loan losses plus Tier I capital has been reduced from 34.9% at December 31, 2015 to 30.6% at December 31, 2016.

Capital:

Capital ratios remain well above the regulatory capital definition of well capitalized financial institutions (See Table 7). The maintenance of these capital levels enables Queenstown Bancorp to remain well positioned for future growth opportunities and continue to provide dividends to our stockholders while meeting the capital expectations of our regulators.

MOVING FORWARD

Queenstown Bancorp continues building on the momentum of the strong deposit, earnings and dividend growth produced in 2016. Improved credit performance and conditions will be critical factors in producing further advances in financial performance in 2017. Queenstown Bank is well positioned and fully committed to develop and maintain individualized friendly long term banking relationships with our present and future customers. We remain fully invested in the success and growth of the Mid-Shore communities that we serve.

APPRECIATION

Your Board of Directors, management and employees sincerely appreciate the loyalty and patience of our stockholders as we continue building the value of your investment. Stock is available for purchase, please contact us if interested. Your referrals of business help us grow the value of your investment and are greatly appreciated.

We sincerely appreciate your continued support and encouragement.

Yours truly,



J. Thomas Rhodes, Jr.
President



Patrick E. Thompson
Chairman of the Board