

QUEENSTOWN BANCORP OF MARYLAND, INC.



QUEENSTOWN
— BANK —

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2021
ANNUAL REPORT

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

In thousands, Except Per Share Data	2021	2020	2019	2018	2017
PROFITABILITY					
Net interest income	\$ 19,510	18,168	19,148	18,901	18,122
Noninterest income	1,653	1,394	1,536	1,349	1,102
Net gain (loss) on sales of real estate	6	8	51	53	167
Noninterest expenses	11,799	10,738	10,493	10,096	9,590
Provisions for credit losses	-	1,600	-	300	600
Income before taxes	9,370	7,232	10,242	9,907	9,201
Income tax expense before deferred tax writedown	2,423	1,849	2,722	2,679	3,556
Net income before deferred tax writedown	6,947	5,383	7,520	7,228	5,645
Deferred tax writedown	-	-	-	-	400
Net income	6,947	5,383	7,520	7,228	5,245
Return on average assets	1.10%	1.01%	1.61%	1.53%	1.10%
Return on average equity	9.91%	7.88%	11.69%	12.00%	9.06%
Net interest margin	3.22%	3.55%	4.30%	4.16%	3.96%
*Efficiency ratio (excluding other real estate gains(losses))	55.15%	53.69%	50.24%	49.75%	49.58%
Basic earnings per share before deferred tax writedown	\$ 5.79	4.50	6.31	5.99	4.52
Basic earnings per share	\$ 5.79	4.50	6.31	5.99	4.20
Dividends per share	\$ 2.50	2.50	2.75	2.25	1.25
BALANCE SHEET					
U.S. S.B.A. Paycheck Protection Program Loans	\$ 430	15,019	-	-	-
Loans-other	384,674	386,661	395,909	381,897	377,627
Total Loans	385,104	401,680	395,909	381,897	377,627
Allowance for loan losses	7,401	7,170	5,752	5,966	5,297
Loans, net of allowance for loan losses	377,703	394,510	390,157	375,931	372,330
Interest bearing deposits with banks	70,295	69,897	40,935	46,652	59,088
Securities available for sale	177,863	81,941	15,327	15,542	12,356
Total assets	658,087	576,977	473,122	465,011	464,719
Deposits	584,569	505,564	404,913	401,766	404,552
Stockholders' equity	70,135	68,316	65,614	60,948	58,075
Shares outstanding	1,200,048	1,195,786	1,192,281	1,188,081	1,226,125
Book value per share	\$ 58.44	57.13	55.03	51.30	47.36
Loans / Deposits	65.88%	79.45%	97.78%	95.05%	93.34%
Allowance for loan losses / Loans	1.92%	1.79%	1.45%	1.56%	1.40%
REGULATORY CAPITAL RATIOS					
QUEENSTOWN BANK					
Tier I leverage ratio	10.77%	11.89%	13.88%	12.95%	12.15%
Common equity risk based	17.13%	18.37%	18.01%	17.38%	17.45%
Tier I risk-based capital ratio	17.13%	18.37%	18.01%	17.38%	17.45%
Total risk based capital ratio	18.39%	19.64%	19.26%	18.64%	18.71%
QUEENSTOWN BANCORP					
Tier I leverage (avg. equity / avg. assets) ratio	10.81%	11.92%	13.89%	12.95%	12.15%
Common equity risk based	17.22%	18.41%	18.02%	17.39%	17.46%
Tier I risk based capital ratio	17.22%	18.41%	18.02%	17.39%	17.46%
Total risk based capital ratio	18.47%	19.67%	19.27%	18.64%	18.71%

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



Queenstown Bancorp of Maryland, Inc.

To Fellow Stockholders:

"It always seems impossible until it is done."

~Nelson Mandela

As we prepared to draft this letter to summarize our performance for 2021, we took the time to review our 2020 letter to see what was said about the state of the Bank and the state of the world in early 2021. Like many people, we assumed, at that time, that the worst of the Covid Pandemic was behind us, and that the world would return to normal in short order. We seemed to make progress on that front through early Spring but the Delta variant and the Omnicom variant had other ideas about the duration of this long journey. At times during the past two years, things seemed "impossible". We asked ourselves, how will we get through this, will there be enough hospital beds, will the vaccine work, etc. As bankers, we asked ourselves, how will we keep the branches open to serve our customers, how do we protect the health and well-being of our colleagues and customers, how will we process so many Pay-check Protection Program ("PPP") loans, etc. While asking such questions, we kept moving forward, solving problems and helping each other. While we will not say we are "done", we will say we have persevered.

For the Bank, 2021 was the year to take the lessons learned from 2020 and try to make the necessary changes and improvements to enhance our entire product offering and expand our digital banking platform. Our very dedicated team identified a series of new products and services that will allow our customers to operate more independently and more efficiently. Those new products and upgrades included:

- **Instant Issue Debit Cards** – you can receive a new or replacement debit card right at the Branch.
- **Notifi** – a platform to notify you electronically when there is activity on your account.
- **Zelle** – fast, easy and secure way to instantly send money to family and friends
- **Check Free for Small Business** – on-line bill pay - easy and efficient way to pay bills
- **Wire Xchange / Wire Manager** – on-line automation of our wire platform - remote capabilities
- **Statement Advantage** – enhanced statement and notification platform
- **Positive Pay** – cash management tool to add security to the issuance of checks

Each of these products requires a significant commitment of time and resources to complete. At times it felt like it would be "impossible" to accomplish all of this in one year but when the clock turned to the new year, all of the projects were "done". We continue to enhance our digital banking platform for businesses and consumers as we gear up for our 2022 projects.

We also performed well on the financial front. Net income for the year end of 2021 was \$6.9 million, an increase of \$1.6 million from the same period in 2020, a 29% increase. These earnings resulted in a 1.10% Return on Average Assets and 9.91% Return on Average Equity. Net income per share increased from \$4.50 to \$5.79 per share in 2021. Net interest income increased \$1.4 million to \$19.5 million for the year end of 2021. Strong credit performance metrics, combined with net recoveries of \$231 thousand, resulted in no loan loss provision for 2021. Regulatory capital increased \$4.1 million in 2021. The Bank remains very well capitalized with the ratio of common equity to risk-based total assets of 17.13% as of December 31, 2021. The dividends paid in 2021 and 2020 were \$2.50 per share.

As we head into 2022, we continue to be challenged with many obstacles. During 2020 and 2021, the economy was significantly influenced by the stimulus money that was pumped into the economy by the Federal Government. At the same time, we experienced supply chain problems that can be attributed to a number of things including the Pandemic. As we transition to an environment with less extra Federal stimulus activity and worsening supply chain problems, further challenges will arise. We have begun 2022 with significant inflation and a Federal Reserve positioned to raise rates from their historic lows. More recently, we are faced with a full-scale invasion of Ukraine by Russia that will further alter the state of the economy. The Bank's balance sheet is very healthy, and the Bank is positioned well to navigate through the current economic situation, but we all must be cautious through these troubling times.

We appreciate your continued support and welcome your feedback. Please feel free to refer us to a friend or acquaintance who is looking for the kind of local bank that you have found here at Queenstown Bank. Also, please feel free to contact us should you have an interest in buying or selling stock in Queenstown Bancorp, Inc. We can be reached at 410-827-8881.

Yours truly,



Kevin B. Cashen
President & CEO



Patrick E. Thompson
Chairman of the Board

2021

ANNUAL REPORT

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SUMMARY FINANCIAL RESULTS

For the year ended December 31, 2021 net income was \$6.9 million, compared to net income of \$5.3 million for the year ended December 31, 2020. Net income per common share increased from \$4.50 for 2020, to \$5.79 for 2021, an increase of 29%. Dividends per share were \$2.50 per share for 2021 and 2020.

Net interest income

Net interest income increased from \$18.1 million for 2020, to \$19.5 million for 2021. The yield on earning assets decreased from 4.07% for 2020, to 3.51% for 2021. Income related to the S.B.A. Paycheck Protection loan program increased \$1.1 million for 2021. Nearly all of these loans have been paid off during 2021, with balances outstanding declining from \$15 million at December 31, 2020 to \$430 thousand at December 31, 2021. Interest bearing deposits costs decreased significantly in 2021, declining from .82% for 2020, to .47% for 2021. This yield decline of .35% resulted in interest costs savings of \$956 thousand. Interest rate reductions were primarily on maturing certificates of deposit. Growth of lower cost non-maturity deposits also contributed to our lower funding costs.

Provisions for loan losses and allowance for loan losses

The concern over possible loan loss impacts, from the COVID 19 pandemic lead recession, resulted in loan loss provisions of \$1.6 million for 2020. Pandemic related credit issues have not occurred to date, therefore there was no loan loss provisioning necessary for 2021. (See Table 3: Allowance for Loan Losses) Net loan recoveries were \$231 thousand for 2021, compared to loan losses of \$182 thousand for 2020. Payment deferrals were granted in 2020, relating to our COVID 19 credit relief program. Loans totaling \$77 million received payment deferrals, repayments have since been re-established on all of these loans.

Noninterest income

Noninterest income increased \$257 thousand, to \$1.6 million for 2021. Service charges on deposit accounts decreased \$39 thousand for 2021. Other income increased \$298 thousand for 2021. Interchange fee income on debit card transactions and income on bank owned life insurance policies account for the majority of this increase.

Noninterest expenses

Noninterest expenses increased \$1.1 million, from \$10.7 million for 2020, to \$11.8 million for 2021. Our efficiency ratio, the cost of producing \$1 of revenue, was \$.55 for 2021 compared to \$.54 for 2020.

Income taxes

Income tax provisions are primarily adjusted for non-taxable income before applying applicable federal and state income tax rates. Income tax expense was \$2.4 million for 2021 and \$1.8 million for 2020. The effective tax rate was 26% for 2021 and 2020.

FINANCIAL CONDITION

Total assets were \$658 million at year end 2021, compared to \$577 million at year end 2020. Deposits grew by \$79 million in 2021. This significant increase in deposits combined with mortgage prepayments and S.B.A. Paycheck Protection loan payoffs have resulted in significant growth of the securities portfolio. During 2021, the Bank's securities portfolio has grown \$99 million, while the loan portfolio has contracted by \$17 million. Payoffs of S.B.A. Paycheck Protection loans account for \$14.5 million of the decrease in outstanding loan balances. (See Queenstown Bancorp of Maryland, Inc. and Subsidiary Consolidated Balance Sheets Page 1 and Table 1 Average Balances and Net Interest Income Analysis)

Deposits

Total deposits at December 31, 2021 were \$585 million, an increase of \$79 million, from \$506 million at December 31, 2020. The mix of our deposits continues to shift towards lower cost non-maturity deposits, as demand and non-maturity interest bearing balances grew \$99 million. This non-maturity deposit growth was 125% of total deposit growth, as time deposits decreased \$20 million. The cost of total interest bearing deposits declined from .82% for 2020 to .47% for 2021. Non-maturity transaction and savings accounts comprised 77% of total deposits at December 31, 2021, compared to 69% at December 31, 2020. (See Table 6: Deposits).

Capital levels

Tier I regulatory capital increased \$4.2 million, from \$68.1 million at December 31, 2020, to \$72.3 million at December 31, 2021. The increase is comprised primarily of net income less cash dividends of \$3.9 million. Strong asset growth has resulted in lower capital ratios for the Company and the Bank at December 31, 2021. All capital ratios remain well above the regulatory capital definition of well capitalized. For the Company, the Tier I ratio decreased 119 basis points, from 18.41% to 17.22%. The total capital ratio decreased 120 basis points, from 19.67% to 18.47%. The common equity leverage ratio decreased 111 basis points, from 11.92% to 10.81%. (See Table 7: Stockholders' Equity)

For the Bank, the Tier I ratio decreased 124 basis points, from 18.37% to 17.13%. The total capital ratio decreased 125 basis points, from 19.64% to 18.39%. The common equity leverage ratio decreased 112 basis points, from 11.89% to 10.77%. (See Table 7: Stockholders' Equity)

QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31	
	2021	2020
ASSETS		
Cash and due from banks	\$ 4,536	6,603
Interest bearing deposits with banks	70,295	69,897
Total cash and cash equivalents	74,831	76,500
Securities available-for-sale (at fair value)	177,863	81,941
Federal Home Loan Bank stock (at cost)	302	439
Loans	385,104	401,680
Less allowance for loan losses	(7,401)	(7,170)
Loans, net	377,703	394,510
Premises and equipment, net	6,301	6,346
Bank owned life insurance	14,829	11,819
Deferred income taxes	3,365	2,420
Accrued interest receivable	1,741	2,240
Prepaid expenses	296	329
Other assets	856	433
TOTAL ASSETS	\$ 658,087	576,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest bearing deposits	\$ 188,993	150,727
Interest bearing deposits	395,576	354,837
Total deposits	584,569	505,564
Accrued expenses and other liabilities	3,383	3,097
Total liabilities	587,952	508,661
Common stock - \$10 par value; shares authorized 10,000,000, shares issued and outstanding 1,200,248 and 1,195,786 , respectively	12,002	11,958
Additional paid in capital	615	460
Retained earnings	59,708	55,762
Accumulated other comprehensive (loss) income	(2,190)	136
Total stockholders' equity	70,135	68,316
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 658,087	576,977

QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share information)

	Years Ended		
	2021	2020	2019
INTEREST INCOME:			
Interest and fees on loans	\$ 19,378	19,837	20,284
Interest and dividends on investment securities	1,608	566	435
Other interest income	288	485	884
Total interest income	21,274	20,888	21,603
INTEREST EXPENSE:			
Interest on deposits	1,764	2,720	2,455
Net interest income	19,510	18,168	19,148
Provision for loan losses	-	1,600	-
Net interest income after provision for loan losses	19,510	16,568	19,148
NONINTEREST INCOME:			
Service charges on deposit accounts	363	402	594
Other income	1,290	992	942
Net gain on sales of real estate	6	8	51
Total noninterest income	1,659	1,402	1,587
NONINTEREST EXPENSES:			
Salaries and employee benefits	7,259	6,695	6,573
Data processing and electronic banking expenses	1,009	987	1,047
Occupancy expense	669	622	638
Equipment expenses	458	415	351
FDIC insurance premiums	166	110	62
Other expenses	2,238	1,909	1,822
Total noninterest expenses	11,799	10,738	10,493
Income before income taxes	9,370	7,232	10,242
Income tax expense	2,423	1,849	2,722
Net income	\$ 6,947	5,383	7,520
Basic net income per common share	\$ 5.79	4.50	6.31
Diluted net income per common share	\$ 5.75	4.47	6.28
Basic weighted average common shares outstanding	1,199,302	1,195,322	1,191,168
Diluted weighted average common shares outstanding	1,208,576	1,205,044	1,197,659

QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Years Ended		
	2021	2020	2019
Net income	\$ 6,947	5,383	7,520
Other comprehensive income (loss), before tax:			
Securities available for sale:			
Unrealized holding (losses) gains arising during the period	(3,211)	169	356
Other comprehensive (loss) income, before tax	(3,211)	169	356
Income tax effect	885	(47)	(98)
Other comprehensive (loss) income, net of tax	(2,326)	122	258
Total comprehensive income	\$ 4,621	5,505	7,778

QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2021, 2020 and 2019

(Dollars in thousands, except per share information)

	<u>Common Stock</u>		Additional paid -in	Retained	Accumulated Other Comprehensive	
	Shares	Par Value	capital	Earnings	Income (Loss)	Total
Balances at January 1, 2019	1,188,081	\$ 11,881	184	49,127	(244)	60,948
Net Income	-	-	-	7,520	-	7,520
Other comprehensive (loss), net of tax	-	-	-	-	258	258
Stock options exercised	4,200	42	106	-	-	148
Stock option compensation	-	-	19	-	-	19
Cash dividends (\$2.75 per share)	-	-	-	(3,279)	-	(3,279)
Balances at December 31, 2019	1,192,281	11,923	309	53,368	14	65,614
Net Income	-	-	-	5,383	-	5,383
Other comprehensive (loss), net of tax	-	-	-	-	122	122
Stock options exercised	3,505	35	120	-	-	155
Stock option compensation	-	-	31	-	-	31
Cash dividends (\$2.50 per share)	-	-	-	(2,989)	-	(2,989)
Balances at December 31, 2020	1,195,786	11,958	460	55,762	136	68,316
Net Income	-	-	-	6,947	-	6,947
Other comprehensive income, net of tax	-	-	-	-	(2,326)	(2,326)
Restricted stock issued	562	5	28	-	-	33
Stock options exercised	3,900	39	95	-	-	134
Stock option compensation	-	-	32	-	-	32
Cash dividends (\$2.50 per share)	-	-	-	(3,001)	-	(3,001)
Balances at December 31, 2021	1,200,248	\$ 12,002	615	59,708	(2,190)	70,135

QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Years Ended		
	2021	2020	2019
OPERATING ACTIVITIES:			
Net Income	\$ 6,947	5,383	7,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Premium amortization on securities	996	236	45
Depreciation and amortization	446	395	372
Net (gain) on sales of real estate	(6)	(8)	(51)
Provision for loan losses	-	1,600	-
Deferred tax (benefit) expense	(61)	(1,304)	355
Stock option compensation	32	31	19
Net changes in:			
Accrued interest receivable	499	(650)	38
Accrued expenses and other liabilities	286	502	298
Prepaid expenses	33	(32)	36
Other operating activities	(386)	392	17
Net cash provided by operating activities	8,786	6,545	8,649
INVESTING ACTIVITIES:			
Purchases of securities available-for-sale	(116,620)	(73,589)	(2,327)
Proceeds from calls and maturities of securities available-for-sale	5,000	2,450	1,000
Principal payments received on securities available-for-sale	11,509	4,458	1,854
Net decrease (increase) in loans	16,773	(6,635)	(14,982)
Purchases of FHLB stock	-	(7)	-
Proceeds from redemptions of FHLB stock	137	-	-
Purchases of bank owned life insurance	(3,000)	-	-
Purchases of premises and equipment	(421)	(942)	(710)
Proceeds from sales of real estate	29	97	279
Net cash (used) by investing activities	(86,593)	(74,168)	(14,886)
FINANCING ACTIVITIES:			
Net increase in deposits	79,005	100,651	3,147
Stock options exercised	134	155	148
Dividends paid	(3,001)	(2,989)	(3,279)
Net cash provided by financing activities	76,138	97,817	16
Net (decrease) increase in cash and cash equivalents	(1,669)	30,194	(6,221)
Cash and cash equivalents at beginning of year	76,500	46,306	52,527
Cash and cash equivalents at end of year	\$ 74,831	76,500	46,306
Supplemental disclosures:			
Interest payments	\$ 2,277	2,747	2,435
Income tax payments	2,509	3,043	2,503
Noncash investing and financing activities:			
Transfers to other real estate	\$ -	-	266

TABLE 1: AVERAGE BALANCES AND NET INTEREST INCOME ANALYSIS

Taxable Equivalent Basis - In Thousands (1)	Years Ended December 31								
	2021			2020			2019		
	Interest		Average	Interest		Average	Interest		Average
	Average	Income/	Yield/	Average	Income/	Yield/	Average	Income/	Yield/
	Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate
EARNING ASSETS									
Loans (2)	\$ 391,351	19,395	4.96%	\$ 398,398	19,866	4.99%	\$ 388,259	20,313	5.23%
Securities (3)	122,985	1,679	1.37%	32,941	583	1.77%	15,306	440	2.87%
Interest bearing deposits									
with banks and federal funds sold	94,562	288	0.30%	83,058	485	0.58%	42,212	884	2.09%
Total earning assets	608,898	21,362	3.51%	514,397	20,934	4.07%	445,777	21,637	4.85%
NON-EARNING ASSETS									
Cash and due from banks	\$ 3,452			\$ 2,897			\$ 2,678		
Premises and equipment, net	6,447			5,870			5,627		
All other assets, net	19,672			18,180			18,343		
Less: allowance for loan losses	(7,239)			(6,136)			(5,913)		
Total assets	631,230			535,208			466,512		
INTEREST-BEARING LIABILITIES									
Savings and time deposits	\$ 378,373	1,764	0.47%	\$ 332,770	2,720	0.82%	\$ 298,501	2,455	0.82%
OTHER LIABILITIES AND STOCKHOLDERS' EQUITY									
Demand deposits	\$ 179,472			\$ 131,293			\$ 101,504		
Other liabilities	3,256			2,835			2,185		
Stockholders' equity	70,129			68,310			64,322		
Total liabilities and stockholders' equity	631,230			535,208			466,512		
Net interest income and net interest margin (4)									
		19,598	3.22%		18,214	3.54%		19,182	4.30%
Interest rate spread (5)									
			3.04%			3.25%			4.03%

(1) The taxable equivalent basis is computed using applicable federal and state tax rates.

(2) The average loan balances exclude nonaccrual loans.

(3) The average balances for debt and equity securities exclude the effect of their mark-to-market adjustment, if any.

(4) Net interest margin is computed by dividing net interest income by total earning assets.

(5) Interest rate spread equals the earning asset yield minus the interest-bearing liabilities yield.

TABLE 2: SECURITIES

The amortized cost, gross unrealized gains and losses, and fair values of securities are as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized	Gross Unrealized	Fair Value
		Gains	Losses	
Available-for-sale				
U.S. treasuries and government agencies	\$ 27,136	94	285	26,945
State and municipal	37,845	69	709	37,205
Mortgage - backed	112,894	67	2,224	110,737
Corporate debt	3,011	-	35	2,976
Totals	<u>\$ 180,886</u>	<u>230</u>	<u>3,253</u>	<u>177,863</u>

	December 31, 2020			
	Amortized Cost	Gross Unrealized	Gross Unrealized	Fair Value
		Gains	Losses	
Available-for-sale				
U.S. treasuries and government agencies	\$ 12,626	1	54	12,573
State and municipal	23,509	229	69	23,669
Mortgage - backed	45,617	241	159	45,699
Totals	<u>\$ 81,752</u>	<u>471</u>	<u>282</u>	<u>81,941</u>

TABLE 3: LOANS

At December 31, 2021 and 2020 loans were as follows:

	2021	2020
Real estate:		
Construction and land development	\$ 37,215	30,602
Secured by farmland	31,253	34,028
Commercial	133,916	123,378
Residential	160,124	178,022
Commercial and agricultural	16,014	13,916
U.S. S.B.A. Paycheck Protection Program	430	15,019
Consumer	6,152	6,715
Total	<u>\$ 385,104</u>	<u>401,680</u>

A summary of current, past due, and nonaccrual loans as of December 31, 2021 and 2020 was as follows:

	Current	30-89 Days Past Due	90 Days or more Past Due and accruing	Nonaccrual	Total
As of December 31, 2021					
Real estate:					
Construction and land development loans	\$ 37,215	-	-	-	37,215
Secured by farmland	30,693	-	-	560	31,253
Commercial	132,708	128	314	766	133,916
Residential	159,643	238	104	139	160,124
Commercial and agricultural	16,014	-	-	-	16,014
U.S. S.B.A. Paycheck Protection Program	430	-	-	-	430
Consumer	6,149	3	-	-	6,152
Total	<u>\$ 382,852</u>	<u>369</u>	<u>418</u>	<u>1,465</u>	<u>385,104</u>
Percentage of loan portfolio	99.4%	0.1%	0.1%	0.4%	100%

As of December 31, 2020

Real estate:					
Construction and land development loans	\$ 30,602	-	-	-	30,602
Secured by farmland	33,170	283	-	575	34,028
Commercial	122,158	327	-	893	123,378
Residential	175,771	995	696	560	178,022
Commercial and agricultural	13,876	40	-	-	13,916
U.S. S.B.A. Paycheck Protection Program	15,019	-	-	-	15,019
Consumer	6,679	36	-	-	6,715
Total	<u>\$ 397,275</u>	<u>1,681</u>	<u>696</u>	<u>2,028</u>	<u>401,680</u>
Percentage of loan portfolio	98.9%	0.4%	0.2%	0.5%	100%

TABLE 4: ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the year ended December 31, 2021 and 2020 were as follows:

As of December 31, 2021

Beginning Balance	\$ 7,170
Provision for loan losses	-
Net charge-offs:	
Charge-offs	(109)
Recoveries	340
Net recoveries (charge-offs)	231
Ending balance	<u>\$ 7,401</u>

As of December 31, 2020

Beginning Balance	\$ 5,752
Provision for loan losses	1,600
Net charge-offs:	
Charge-offs	(358)
Recoveries	176
Net (charge-offs) recoveries	(182)
Ending balance	<u>\$ 7,170</u>

TABLE 5: NONPERFORMING ASSETS

In Thousands	As of December 31	
	2021	2020
Nonaccrual loans	\$ 1,465	2,028
Accruing loans 90 days or more past due	418	696
Total nonperforming assets	<u>1,883</u>	<u>2,724</u>
Tier I capital	\$ 71,971	67,998
Percentage of nonperforming assets to Tier I capital	2.62%	4.01%
Allowance for loan losses	\$ 7,401	7,170
Allowance for loan losses to total nonperforming loans	393.0%	263.2%

TABLE 6: CRITICIZED LOANS

The following table summarizes the loan risk ratings applied to the Company's real estate mortgages and commercial loans as of December 31, 2021 and 2020. Criticized loans are considered inadequately protected by the current paying capacity of the borrower or of the collateral pledged, if any. These loans have weaknesses that may jeopardize the liquidation of the debt. Loans not meeting the definition of criticized are considered pass rated loans.

	Real estate construction	Real estate residential	Real estate commercial and farmland	Commercial and agriculture	Totals
As of December 31, 2021					
Pass	\$ 37,215	159,520	159,746	16,014	372,495
Criticized accrual	-	465	4,097	-	4,562
Criticized nonaccrual	-	139	1,326	-	1,465
Total	<u>\$ 37,215</u>	<u>160,124</u>	<u>165,169</u>	<u>16,014</u>	<u>378,522</u>
As of December 31, 2020					
Pass	\$ 29,814	174,924	151,758	13,666	370,162
Criticized accrual	788	2,538	4,180	250	7,756
Criticized nonaccrual	-	560	1,468	-	2,028
Total	<u>\$ 30,602</u>	<u>178,022</u>	<u>157,406</u>	<u>13,916</u>	<u>379,946</u>

	2021	2020
Criticized accrual loans	\$ 4,562	7,756
Criticized nonaccrual loans	1,465	2,028
Total criticized loans	<u>\$ 6,027</u>	<u>9,784</u>
Allowance for loan losses	\$ 7,401	7,170
Tier I capital	71,971	67,998
Totals	<u>\$ 79,372</u>	<u>75,168</u>
Total criticized loans to the allowance for loan losses plus Tier I capital	7.6%	13.0%

TABLE 7: DEPOSITS

A breakdown of interest bearing deposits at December 31, 2021 and 2020 by type of account were as follows:

	2021	2020
Savings and money market	\$ 174,355	131,014
Interest bearing demand	84,273	66,987
Time deposits through \$ 250,000	109,795	119,102
Time deposits of more than \$250,000	27,153	37,734
Total interest bearing deposits	<u>\$ 395,576</u>	<u>354,837</u>

At December 31, 2021, the scheduled maturities of time deposits were as follows:

2022	\$ 81,124
2023	35,770
2024	4,443
2025	9,839
2026	5,772
	<u>\$ 136,948</u>

Interest on deposits for the years ended December 31, 2021, 2020 and 2019 consisted of the following:

	2021	2020	2019
Savings and money market	\$ 245	197	166
Interest bearing demand	213	253	186
Time deposits more than \$ 250,000	325	583	472
Other time deposits	981	1,687	1,631
Total interest on deposits	<u>\$ 1,764</u>	<u>2,720</u>	<u>2,455</u>

TABLE 8: STOCKHOLDERS' EQUITY

The Company and the Bank are subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Regulatory non-objection may be required to pay certain dividends. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory capital practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain amounts and ratios (as set forth in the following table) of total and Tier 1 Capital (as defined in the regulations) to risk-weighted assets (as defined). As of December 31, 2021, the capital levels of the Company and the Bank exceed all capital adequacy requirements to which they are subject.

As of December 31, 2021, the most recent notification from the Bank's primary regulators categorized the Bank as well capitalized under the prompt corrective action regulations. To be categorized as well capitalized, a bank must maintain a minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following tables. There are no conditions or events since the last notifications that management believes have changed the Bank's category. Actual capital amounts and ratios are presented in the following table for the Company and the Bank.

	Actual		For Capital	To Be Well Capitalized
	Amount	Ratio	Adequacy Purposes	Under Prompt Corrective Action Provisions
As of December 31, 2021				
Total capital (to risk weighted assets):				
Company (consolidated)	\$ 77,602	18.47%	8%	
Bank	77,248	18.39%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	72,325	17.22%	6%	
Bank	71,971	17.13%	6%	8%
Common equity tier I				
Company (consolidated)	72,325	17.22%	4.50%	
Bank	71,971	17.13%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	72,325	10.81%	4%	
Bank	71,971	10.77%	4%	5%
As of December 31, 2020				
Total capital (to risk weighted assets):				
Company (consolidated)	\$ 72,841	19.67%	8%	
Bank	72,655	19.64%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	68,180	18.41%	6%	
Bank	67,998	18.37%	6%	8%
Common equity tier I				
Company (consolidated)	68,180	18.41%	4.50%	
Bank	67,998	18.37%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	68,180	11.92%	4%	
Bank	67,998	11.89%	4%	5%



Just the bank you need.™

Main Office

7101 Main Street
P.O. Box 120
Queenstown, MD 21658
Phone: 410.827.8881
Fax: 410.827.8190

Benton's Crossing Branch

101 Main Street
P.O. Box 1035
Stevensville, MD 21666
Phone: 410.604.0881
Fax: 410.604.0883

Ridgely Branch

206 A East 6th Street
P.O. Box 1098
Ridgely, MD 21660
Phone: 410.634.2071
Fax: 410.634.2459

Grasonville Branch

3701 Main Street
P.O. Box 138
Grasonville, MD 21638
Phone: 410.827.6101
Fax: 410.827.4916

Centreville Branch

115 Coursevall Drive
P.O. Box 177
Centreville, MD 21617
Phone: 410.758.8747
Fax: 410.758.8767

Church Hill Branch

1005 Sudlersville Rd.
P.O. Box 269
Church Hill, MD 21623
Phone: 410.556.6417
Fax: 410.556.6479

Chester Branch

1423 Main Street
P.O. Box 239
Chester, MD 21619
Phone: 410.643.2258
Fax: 410.643.7694

Easton Branch

274 North Washington Street
P.O. Box 1899
Easton, MD 21601
Phone: 410.819.8686
Fax: 410.819.5813

Loan Production Office

108 Dorchester Avenue
Cambridge, MD 21613
Phone: 410.556.6417
Fax: 410.819.6759

Officers

Patrick E. Thompson - Chairman of the Board
Tracy T. Schulz - Vice-Chairman of the Board
Kevin B. Cashen - President & Chief Executive Officer
James P. Shaw - Senior Vice President, Chief Financial Officer
Peggy E. Lewis - Senior Vice President, Chief Risk Officer
C. Franklin Russum - Senior Vice President, Senior Lender
Tracy Whitby-Fairall - Senior Vice President, Chief Operations Officer
Christina Wilkins - Senior Vice President, Corporate Secretary
Brooke Horney - Senior Vice President, Chief Credit Officer
Jessica Fox - Senior Vice President, Loan Administration Officer
Deanna Lintz - Senior Vice President, Chief Retail Banking Officer
Michael Lucas - Senior Vice President, Loan Officer
Kathryn Clark - Senior Vice President, Commercial Loan Officer
Karen Dean - Vice President, Branch Manager
Heather Jarrell - Vice President, Banking Operations Officer
Rose Kleckner - Vice President, Compliance Officer
Trevor Carouge - Vice President, Commercial Loan Officer
Tim McCarter - Vice President, Loan Officer
Gene Spear - Vice President, IT Manager
Teresa Hood - Vice President, Chief Security Officer
Linda Chance - Assistant Vice President, Card Services Manager
Karen Clough - Assistant Vice President, Regional Loan Officer
Warren Phillips - Assistant Vice President, Collections Manager
Lori Smith - Assistant Vice President, Credit Administration
Brandon Silverstein - Assistant Vice President, Marketing Manager
Connie Crossman - Assistant Vice President, Human Resources Administrator
Brenda Forbes-Butler - Assistant Vice President, Regional Loan Officer
Peggy Hall - Assistant Vice President, Loan Servicing Supervisor
Jessica Callahan - Assistant Vice President, Network Operations Specialist
Alyssa Martin - Assistant Vice President, Deposit Operations Manager
Cynthia Alt - Assistant Vice President, Branch Manager
Sam Creel - Assistant Vice President, Branch Manager
Brian Feltz - Assistant Vice President, Branch Manager
Nitza Hall - Assistant Vice President, Branch Manager
Kathleen Kendall - Assistant Vice President, Branch Manager
Patricia Murchake - Assistant Vice President, Branch Manager

Queenstown Bancorp of Maryland, Inc. & Queenstown Bank of Maryland

Directors

Amy I. Brandt
Kevin B. Cashen
Bernard "Andy" Cheezum, Jr.
Wm. Thomas Davis, Jr.
James R. Friel, III
Chad M. Helfenbein
Patrick J. Palmer
J. Thomas Rhodes, Jr.
Tracy T. Schulz
Patrick E. Thompson

History

Queenstown Bank of Maryland is located in the town of Queenstown, in the State of Maryland. Queenstown Bank of Maryland was incorporated April 19, 1899, and officially opened for business on July 1, 1899. We are currently the second oldest locally established bank in Queen Anne's County. Originally it was known as Queenstown Savings Bank of Queen Anne's County, the name was changed to Queenstown Bank of Maryland by the actions of the Maryland State Legislature in 1910.

Presidents

DeCoursey W. Thom	Founder – 1899
Dr. Charles Cockey	1899 – 1904
William C. McConnor	1904 – 1919
Eugene L. Dudley	1919 – 1925
W. E. King	1925 – 1927
H. B. W. Mitchell	1928 – 1931
S. E. W. Friel, Sr.	1931
Dr. Norman R. Hitch	1932 – 1939
Thomas Marsalis	1940 – 1956
Horace M. Morgan	1957 – 1960
James R. Friel	1960 – 1983
Albert V. Stant	1983 – 1992
J. Thomas Rhodes, Jr.	1992 – 2017
Kevin B. Cashen	2017 – Present

Queenstown Bank
of Maryland

ESTABLISHED 1899

Member
FDIC