

**QUEENSTOWN BANCORP  
OF MARYLAND, INC.**



**QUEENSTOWN**  
— BANK —

*Just the bank you need.™*

**2022**  
**ANNUAL REPORT**

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

In thousands, Except Per Share Data	2022	2021	2020	2019	2018
<b>PROFITABILITY</b>					
Net interest income	\$ 20,977	19,510	18,168	19,148	18,901
Noninterest income	1,709	1,653	1,394	1,536	1,349
Net gain (loss) on sales of real estate	-	6	8	51	53
Noninterest expenses	13,199	11,799	10,738	10,493	10,096
Provisions for credit losses	-	-	1,600	-	300
Income before taxes	9,487	9,370	7,232	10,242	9,907
Income tax expense	2,450	2,423	1,849	2,722	2,679
Net income	7,037	6,947	5,383	7,520	7,228
Return on average assets	1.05%	1.10%	1.01%	1.61%	1.53%
Return on average equity	9.22%	9.91%	7.88%	11.69%	12.00%
Net interest margin	3.21%	3.22%	3.55%	4.30%	4.16%
*Efficiency ratio	57.56%	55.15%	53.69%	50.24%	49.75%
Basic earnings per share	\$ 5.87	5.79	4.50	6.31	5.99
Dividends per share	\$ 2.50	2.50	2.50	2.75	2.25
<b>BALANCE SHEET</b>					
U.S. S.B.A. Paycheck Protection Program Loans	\$ 9	430	15,019	-	-
Loans-other	429,297	384,674	386,661	395,909	381,897
Total Loans	429,306	385,104	401,680	395,909	381,897
Allowance for loan losses	7,565	7,401	7,170	5,752	5,966
Loans, net of allowance for loan losses	421,741	377,703	394,510	390,157	375,931
Interest bearing deposits with banks	35,112	70,295	69,897	40,935	46,652
Securities available for sale	148,141	177,863	81,941	15,327	15,542
Total assets	650,619	658,087	576,977	473,122	465,011
Deposits	586,004	584,569	505,564	404,913	401,766
Tier I capital	76,045	72,325	68,180	65,600	61,192
Stockholders' equity	55,690	70,135	68,316	65,614	60,948
Shares outstanding	1,195,223	1,200,048	1,195,786	1,192,281	1,188,081
Book value of regulatory capital	\$ 63.62	60.26	57.02	55.02	51.50
Book value including unrealized loss on securities	\$ 46.59	58.43	57.13	55.03	51.30
Loans / Deposits	73.26%	65.88%	79.45%	97.78%	95.05%
Allowance for loan losses / Loans	1.76%	1.92%	1.79%	1.45%	1.56%
<b>REGULATORY CAPITAL RATIOS</b>					
<b>QUEENSTOWN BANK</b>					
Tier I leverage ratio	11.27%	10.77%	11.89%	13.88%	12.95%
Common equity risk based	16.64%	17.13%	18.37%	18.01%	17.38%
Tier I risk-based capital ratio	16.64%	17.13%	18.37%	18.01%	17.38%
Total risk based capital ratio	17.89%	18.39%	19.64%	19.26%	18.64%
<b>QUEENSTOWN BANCORP</b>					
Tier I leverage (avg. equity / avg. assets) ratio	11.30%	10.81%	11.92%	13.89%	12.95%
Common equity risk based	16.69%	17.22%	18.41%	18.02%	17.39%
Tier I risk based capital ratio	16.69%	17.22%	18.41%	18.02%	17.39%
Total risk based capital ratio	17.94%	18.47%	19.67%	19.27%	18.64%

\*Efficiency ratio: total noninterest expenses divided by tax equivalent net interest income plus noninterest income



## Queenstown Bancorp of Maryland, Inc.

To Fellow Shareholders:

*“Strength and growth come only through continuous effort and struggle.”*

~Napoleon Hill, author

We are off to a good start in 2023 but now is the time to reflect on 2022. We are pleased to share with you our 2022 financial report. The Bank continued to show strength and growth in 2022 as we have done for the past 123 years. While 2022 was a good year for the Bank, our success was earned through the direct efforts and struggles of our colleagues and customers alike. The first quarter started off with a similar dynamic to 2021 but things changed very rapidly once the Federal Reserve started to increase rates in March. Between March and December 2022, the Federal Reserve increased rates seven (7) times moving rates from 0.25% to 4.25%, one of the fastest rate increases in history. During this period, efforts were made to make the required adjustments to both our loan and deposit rates to maintain our profitability targets.

Our results for 2022 were very good, even in the midst of this period of economic uncertainty. I am proud of our team and how they navigated through this period to produce the results we delivered. Throughout all of this uncertainty, we managed to grow our loan portfolio and stabilize our deposit base. One of our biggest concerns has been how rate increases and inflation pressures would impact our customers and our portfolio. The credit profile of the loan portfolio remains strong, and the Bank maintains a healthy loan loss reserve. We are sensitive to the struggles that this economic environment has had on our customers and pledge to work with them through this period.

Net income for the year ended December 31, 2022, was \$7 million (\$5.87 per common share) compared to \$6.9 million (\$5.79 per common share) for the same period of 2021. These earnings resulted in a 1.05% Return on Average Assets and 9.22% Return on Average Tier I Capital. Net income for 2021 included one-time fee income from the S.B.A. Paycheck Protection Program. Excluding these fees, net income would have been \$5.8 million (\$4.84 per common share) for 2021. Net interest income increased \$1.5 million to \$21 million for 2022, compared to \$19.5 for 2021. There was no loan loss provision for 2022, nor 2021. The Bank has experienced net recoveries of loan losses of \$164 thousand for 2022, and net recoveries of

loan losses of \$231 thousand for 2021. The Bank remains very well capitalized with the ratio of common equity to risk-based total assets of 16.64% as of December 31, 2022. Tier I regulatory common equity grew from \$72 million as of December 31, 2021 to \$75.8 million as of December 31, 2022.

We continue to deliver products and services that you, our customers, are looking for by investing in technology and introducing new services that add efficiency to your financial lives. We will continue to navigate through this period and keep our focus on prudent growth, credit quality and technology. In the near term, it is expected that economic uncertainty will persist, but we are confident that through the efforts of both our colleagues and customers, we will continue to serve the community well in 2023.

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

**2022**

**ANNUAL REPORT**

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## SUMMARY FINANCIAL RESULTS

For the year ended December 31, 2022 net income was \$7 million, compared to net income of \$6.9 million for the year ended December 31, 2021. Net income per common share increased from \$5.79 for 2021, to \$5.87 for 2022. Dividends per share were \$2.50 per share for 2022 and 2021. These earnings resulted in a 1.05% Return on Average Assets. Net income for 2021 included one-time fee income from the S.B.A. Paycheck Protection Program of \$1.5 million. Excluding these fees, net income would have been \$5.8 million (\$4.84 per common share) for 2021.

### Net interest income

Net interest income increased from \$19.5 million for 2021, to \$21 million for 2022. The yield on earning assets was 3.44% for 2022, compared to 3.26% for 2021, adjusted for the impact of the S.B.A. fees. Interest bearing deposits costs decreased from .47% in 2021, to .38 % for 2022. This yield decline of .09% resulted in interest costs savings of \$214 thousand. Interest rates on deposits have risen significantly beginning in November of 2022 as Federal Funds rate hikes of 4.25% during 2022 are driving up deposit interest rates throughout the banking system.

### Provisions for loan losses and allowance for loan losses

There was no loan loss provisioning necessary for 2022 nor 2021. (See Table 3: Allowance for Loan Losses) Net loan recoveries were \$164 thousand for 2022, compared to loan recoveries of \$231 thousand for 2021.

### Noninterest income

Noninterest income increased \$50 thousand, to \$1.7 million for 2022. Service charges on deposit accounts increased \$107 thousand for 2022. Other income decreased \$57 thousand for 2022. Interchange fee income on debit card transactions and fee income on atm transactions account for the majority of this decrease.

### Noninterest expenses

Noninterest expenses increased \$1.4 million, from \$11.8 million for 2021, to \$13.1 million for 2022. Our efficiency ratio, the cost of producing \$1 of revenue, was \$.58 for 2022 compared to \$.55 for 2021.

### 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 2022 and 2021. The effective tax rate was 26% for 2022 and 2021.

## FINANCIAL CONDITION

Total assets were \$651 million at year end 2022, compared to \$658 million at year end 2021. Loan balances grew \$44 million for 2022. Loan growth was primarily achieved in our residential mortgages portfolios. (See Queenstown Bancorp of Maryland, Inc. and Subsidiary Consolidated Balance Sheets Page 1 and Table 3: Loans)

### Unrealized Holding Losses-Securities Available for Sale

The rapid rise in interest rates during 2022 has caused declines in the market value of securities available for sale. The Bank maintains sizeable borrowing capacity with the Federal Home Loan Bank of Atlanta to address any unexpected liquidity issues. (See Table 8 Borrowings and Credit Facilities)

### Deposits

Total deposits at December 31, 2022 were \$586 million, essentially unchanged from \$585 million at December 31, 2021. The mix of our deposits was also stable from year end 2021 to year end 2022. Sharp increases in certificate deposit rates that began in the fourth quarter of 2022 are shifting deposits away from low cost non-maturity accounts into higher cost time deposits during the first quarter of 2023. The cost of total interest bearing deposits declined from .47% for 2021 to .38% for 2022. The cost of interest bearing deposits through the first two months of 2023 has risen to 1.08%. Non-maturity transaction and savings accounts comprised 77% of total deposits at December 31, 2022, compared to 76% at December 31, 2021. The rising interest rate environment has resulted in non-maturity transaction and savings accounts comprising 73% of total deposits at February 28, 2023. (See Table 7: Deposits).

### Capital levels

Tier I regulatory capital increased \$3.7 million, from \$72.3 million at December 31, 2021, to \$76 million at December 31, 2022. The increase is comprised primarily of net income less cash dividends of \$4 million. All capital ratios remain well above the regulatory capital definition of a well capitalized. For the Company, the Tier I ratio decreased 53 basis points, from 17.22% to 16.69%. The total capital ratio decreased 53 basis points, from 18.47% to 17.94%. These ratios declined as loan balances grew and have become a larger percentage of total assets. The common equity leverage ratio increased 49 basis points, from 10.81% to 11.30%. (See Table 8: Stockholders' Equity)

For the Bank, the Tier I ratio decreased 49 basis points, from 17.13% to 16.64%. The total capital ratio decreased 50 basis points, from 18.39% to 17.89%. The common equity leverage ratio increased 50 basis points, from 10.77% to 11.27%. (See Table 8: Stockholders' Equity)

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

(Dollars in thousands)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 7,077	4,536
Interest bearing deposits with banks	35,112	70,295
Total cash and cash equivalents	42,189	74,831
Securities available for sale (at fair value)	148,141	177,863
Securities held to maturity (at amortized cost)	3,239	-
Federal Home Loan Bank stock (at cost)	579	302
Loans	429,306	385,104
Less allowance for loan losses	(7,565)	(7,401)
Loans, net	421,741	377,703
Premises and equipment, net	6,236	6,301
Bank owned life insurance	15,224	14,829
Deferred income taxes	10,284	3,365
Accrued interest receivable	2,059	1,741
Prepaid expenses	378	296
Other assets	549	856
<b>TOTAL ASSETS</b>	<b>\$650,619</b>	<b>658,087</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Noninterest bearing deposits	\$179,286	188,993
Interest bearing deposits	406,718	395,576
Total deposits	586,004	584,569
Advances from Federal Home Loan Bank	5,000	-
Accrued expenses and other liabilities	3,925	3,383
Total liabilities	594,929	587,952
Common stock - \$10 par value; shares authorized 10,000,000, shares issued and outstanding 1,195,223 and 1,200,248 , respectively	11,952	12,002
Additional paid in capital	339	615
Retained earnings	63,754	59,708
Accumulated other comprehensive (loss) income	(20,355)	(2,190)
Total stockholders' equity	55,690	70,135
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$650,619</b>	<b>658,087</b>



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

(Dollars in thousands, except per share information)

	Years Ended		
	2022	2021	2020
<b>INTEREST INCOME:</b>			
Interest and fees on loans	\$ 18,736	\$ 19,378	19,837
Interest and dividends on investment securities	2,890	1,608	566
Other interest income	902	288	485
Total interest income	22,528	21,274	20,888
<b>INTEREST EXPENSE:</b>			
Interest on deposits	1,550	1,764	2,720
Interest on borrowings	1	-	-
Total interest expense	1,551	1,764	2,720
Net interest income	20,977	19,510	18,168
Provision for loan losses	-	-	1,600
Net interest income after provision for loan losses	20,977	19,510	16,568
<b>NONINTEREST INCOME:</b>			
Service charges on deposit accounts	470	363	402
Other income	1,239	1,290	992
Net gain on sales of real estate	-	6	8
Total noninterest income	1,709	1,659	1,402
<b>NONINTEREST EXPENSES:</b>			
Salaries and employee benefits	7,861	7,259	6,695
Data processing and electronic banking expenses	1,172	1,009	987
Occupancy expense	728	669	622
Equipment expenses	496	458	415
FDIC insurance premiums	181	166	110
Other expenses	2,761	2,238	1,909
Total noninterest expenses	13,199	11,799	10,738
Income before income taxes	9,487	9,370	7,232
Income tax expense	2,450	2,423	1,849
Net income	\$ 7,037	\$ 6,947	5,383
Basic net income per common share	\$ 5.87	\$ 5.79	4.50
Diluted net income per common share	\$ 5.81	\$ 5.75	4.47
Basic weighted average common shares outstanding	1,199,084	1,199,302	1,195,322
Diluted weighted average common shares outstanding	1,211,471	1,208,576	1,205,044

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

(Dollars in thousands)

	Years Ended		
	2022	2021	2020
Net income	\$ 7,037	\$ 6,947	5,383
Other comprehensive income (loss), before tax:			
Securities available for sale:			
Unrealized holding (losses) gains arising during the period	(25,061)	(3,211)	169
Other comprehensive (loss) income , before tax	(25,061)	(3,211)	169
Income tax effect	6,896	885	(47)
Other comprehensive (loss) income, net of tax	(18,165)	(2,326)	122
Total comprehensive (loss) income	<u>\$ (11,128)</u>	<u>\$ 4,621</u>	<u>5,505</u>

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

For the Years Ended December 31, 2022, 2021 and 2020

(Dollars in thousands, except per share information)

	Common Stock		Additional paid- in capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Totals
	Shares	Par Value				
Balances at January 1, 2020	1,192,281	\$ 11,923	309	53,368	14	65,614
Net Income	-	-	-	5,383	-	5,383
Other comprehensive income, 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 loss, 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
Net Income	-	-	-	7,037	-	7,037
Other comprehensive (loss), net of tax	-	-	-	-	(18,165)	(18,165)
Restricted stock issued	1,055	11	55	-	-	66
Stock options exercised	1,920	19	54	-	-	73
Stock option compensation	-	-	15	-	-	15
Stock repurchases	(8,000)	(80)	(400)	-	-	(480)
Cash dividends (\$2.50 per share)	-	-	-	(2,991)	-	(2,991)
Balances at December 31, 2022	<u>1,195,223</u>	<u>\$ 11,952</u>	<u>339</u>	<u>63,754</u>	<u>(20,355)</u>	<u>55,690</u>

**QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

	Years Ended		
	2022	2021	2020
<b>OPERATING ACTIVITIES:</b>			
Net Income	\$ 7,037	6,947	5,383
Adjustments to reconcile net income to net cash provided by operating activities:			
Premium amortization on securities	1,200	996	236
Depreciation and amortization	441	446	395
Provision for loan losses	-	-	1,600
Deferred tax (benefit)	(22)	(61)	(1,304)
Stock option compensation	15	32	31
Net changes in:			
Accrued interest receivable	(318)	499	(650)
Accrued expenses and other liabilities	542	286	502
Prepaid expenses	(82)	33	(32)
Other operating activities	107	(392)	384
Net cash provided by operating activities	<u>8,920</u>	<u>8,786</u>	<u>6,545</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of securities available-for-sale	(12,646)	(116,620)	(73,589)
Proceeds from calls and maturities of securities available-for-sale	-	5,000	2,450
Principal payments received on securities available-for-sale	12,923	11,509	4,458
Net (increase) decrease in loans	(44,327)	16,773	(6,635)
Purchases of FHLB stock	(277)	-	(7)
Proceeds from redemptions of FHLB stock	-	137	-
Purchases of bank owned life insurance	-	(3,000)	-
Purchases of premises and equipment	(376)	(421)	(942)
Proceeds from sales of real estate	104	29	97
Net cash (used) by investing activities	<u>(44,599)</u>	<u>(86,593)</u>	<u>(74,168)</u>
<b>FINANCING ACTIVITIES:</b>			
Net increase (decrease) in deposits	1,435	79,005	100,651
Proceeds from FHLB borrowings	5,000	-	-
Stock options exercised	73	134	155
Stock repurchases	(480)	-	-
Dividends paid	(2,991)	(3,001)	(2,989)
Net cash provided by financing activities	<u>3,037</u>	<u>76,138</u>	<u>97,817</u>
Net (decrease) increase in cash and cash equivalents	(32,642)	(1,669)	30,194
Cash and cash equivalents at beginning of year	74,831	76,500	46,306
Cash and cash equivalents at end of year	<u>\$42,189</u>	<u>\$ 74,831</u>	<u>76,500</u>
<b>Supplemental disclosures:</b>			
Interest payments	\$ 1,490	1,904	2,747
Income tax payments	2,453	2,509	3,043
<b>Noncash investing and financing activities:</b>			
Transfers to other real estate	\$ 104	-	-

**TABLE 1: AVERAGE BALANCES AND NET INTEREST INCOME ANALYSIS**

Taxable Equivalent Basis - In Thousands (1)	Years Ended December 31								
	2022			2021			2020		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
<b>EARNING ASSETS</b>									
Loans (2)	\$ 404,290	18,747	4.64%	\$ 391,351	19,395	4.96%	\$ 398,398	19,866	4.99%
Securities (3)	182,969	2,914	1.59%	122,985	1,679	1.37%	32,941	583	1.77%
Interest bearing deposits									
with banks and federal funds sold	67,936	889	1.31%	94,562	288	0.30%	83,058	485	0.58%
Total earning assets	655,195	22,550	3.44%	608,898	21,362	3.51%	514,397	20,934	4.07%
<b>NON-EARNING ASSETS</b>									
Cash and due from banks	\$ 3,321			\$ 3,452			\$ 2,897		
Premises and equipment, net	6,276			6,447			5,870		
All other assets, net	20,698			19,672			18,180		
Securities market value adjustment	(13,102)			(806)			100		
Less: allowance for loan losses	(7,471)			(7,239)			(6,136)		
Total assets	664,917			631,230			535,208		
<b>INTEREST-BEARING LIABILITIES</b>									
Savings and time deposits	\$ 408,396	1,550	0.38%	\$ 378,373	1,764	0.47%	\$ 332,770	2,720	0.82%
FHLB borrowings	27	1	3.70%	-	-	-	-	-	-
Total interest bearing liabilities	\$ 408,423	1,551	0.38%	\$ 378,373	1,764	0.47%	\$ 332,770	2,720	0.82%
<b>OTHER LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
Demand deposits	\$ 191,627			\$ 179,472			\$ 131,293		
Other liabilities	3,088			3,256			2,835		
Stockholders' equity	61,779			70,129			68,310		
Total liabilities and stockholders' equity	664,917			631,230			535,208		
<b>Net interest income and net interest margin (4)</b>									
		21,000	3.21%		19,598	3.22%		18,214	3.54%
<b>Interest rate spread (5)</b>									
			3.06%			3.04%			3.25%

(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, 2022			
	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
<b>Available-for-sale</b>				
U.S. treasuries and government agencies	\$ 24,934	-	2,770	22,164
State and municipal	37,414	-	6,562	30,852
Mortgage backed	108,394	39	18,191	90,242
Corporate debt	5,482	-	599	4,883
<b>Totals</b>	<b>\$ 176,224</b>	<b>39</b>	<b>28,122</b>	<b>148,141</b>

	December 31, 2022			
	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
<b>Held to maturity</b>				
Mortgage backed	\$ 3,239	-	186	3,053

	December 31, 2021			
	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
<b>Available-for-sale</b>				
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
<b>Totals</b>	<b>\$ 180,886</b>	<b>\$ 230</b>	<b>\$ 3,253</b>	<b>\$ 177,863</b>

The unrealized losses that exist are the result of changes in market interest rates since original purchases. These unrealized losses are considered temporary in nature and will recover over time as these securities approach maturity. The Company has sufficient liquidity to hold these securities for an adequate period of time, to allow for an eventual recovery in fair value.

### TABLE 3: LOANS

At December 31, 2022 and 2021 loans were as follows:

	2022	2021
Real estate:		
Construction and land development	\$ 39,138	37,215
Secured by farmland	27,214	31,253
Commercial	138,499	133,916
Residential	204,985	160,124
Commercial and agricultural	13,711	16,444
Consumer	5,759	6,152
Total	<u>\$ 429,306</u>	<u>385,104</u>

A summary of current, past due, and nonaccrual loans as of December 31, 2022 and 2021 was as follows:

	Current	30-89 Days Past Due	90 Days or more Past Due and accruing	Nonaccrual	Total
As of December 31, 2022					
Real estate:					
Construction and land development loans	\$ 39,138	-	-	-	39,138
Secured by farmland	27,214	-	-	-	27,214
Commercial	138,484	15	-	-	138,499
Residential	204,375	477	27	106	204,985
Commercial and agricultural	13,640	4	67	-	13,711
Consumer	5,759	-	-	-	5,759
Total	<u>\$ 428,610</u>	<u>496</u>	<u>94</u>	<u>106</u>	<u>429,306</u>
Percentage of loan portfolio	99.84%	0.12%	0.02%	0.02%	100%
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	16,444	-	-	-	16,444
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	99.42%	0.10%	0.11%	0.38%	100%

**TABLE 4: ALLOWANCE FOR LOAN LOSSES**

Changes in the allowance for loan losses for the year ended December 31, 2022 and 2021 were as follows:

As of December 31, 2022	
Beginning Balance	\$ 7,401
Provision for loan losses	-
Net charge-offs:	
Charge-offs	(21)
Recoveries	185
Net recoveries (charge-offs)	<u>164</u>
Ending balance	<u>\$ 7,565</u>

As of December 31, 2021	
Beginning Balance	\$ 7,170
Provision for loan losses	-
Net charge-offs:	
Charge-offs	(109)
Recoveries	340
Net (charge-offs) recoveries	<u>231</u>
Ending balance	<u>\$ 7,401</u>

**TABLE 5: NONPERFORMING ASSETS**

In Thousands	As of December 31	
	2022	2021
Nonaccrual loans	\$ 106	1,465
Accruing loans 90 days or more past due	94	418
Total nonperforming assets	<u>200</u>	<u>1,883</u>
Tier I capital	\$ 75,826	71,971
Percentage of nonperforming assets to Tier I capital	0.26%	2.62%
Allowance for loan losses	\$ 7,565	7,401
Percentage of nonperforming assets to allowance for loan losses	2.64%	25.44%

## 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, 2022 and 2021. 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, 2022					
Pass	\$ 39,138	203,788	160,780	13,644	417,350
Criticized accrual	-	1,091	4,933	67	6,091
Criticized nonaccrual	-	106	-	-	106
Total	\$ 39,138	204,985	165,713	13,711	423,547
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	\$ 37,215	160,124	165,169	16,014	378,522
		2022	2021		
Criticized accrual loans		\$ 6,091	4,562		
Criticized nonaccrual loans		106	1,465		
Total criticized loans		\$ 6,197	6,027		
Allowance for loan losses		\$ 7,565	7,401		
Tier I capital		75,826	71,971		
Totals		\$ 83,391	79,372		
Total criticized loans to the allowance for loan losses plus Tier I capital		7.4%	7.6%		



## TABLE 7: DEPOSITS

A breakdown of interest bearing deposits at December 31, 2022 and 2021 by type of account were as follows:

	2022	2021
Savings and money market	\$ 196,709	174,355
Interest bearing demand	74,086	84,273
Time deposits through \$ 250,000	114,869	109,795
Time deposits of more than \$250,000	21,054	27,153
Total interest bearing deposits	<u>\$ 406,718</u>	<u>395,576</u>

At December 31, 2022, the scheduled maturities of time deposits were as follows:

2023	\$ 89,689
2024	27,788
2025	7,845
2026	6,554
2027	4,047
	<u>\$ 135,923</u>

Interest on deposits for the years ended December 31, 2022, 2021 and 2020 consisted of the following:

	2022	2021	2020
Savings and money market	\$ 357	245	197
Interest bearing demand	473	213	253
Time deposits more than \$ 250,000	133	325	583
Other time deposits	587	981	1,687
Total interest on deposits	<u>\$ 1,550</u>	<u>1,764</u>	<u>2,720</u>

## 8. BORROWINGS AND CREDIT FACILITIES

Short-term borrowings consist of advances from the Federal Home Loan Bank of Atlanta with original maturities of up to one year and federal funds purchased from correspondent banks. There was a \$5 million daily adjustable rate credit advance from the FHLB of Atlanta outstanding at December 31, 2022. There were no short term borrowings outstanding at December 31, 2021.

At December 31, 2022, credit available under the FHLB credit facility approximates \$93 million with advances of \$5 million and letters of credit issued for the benefit of public funds depositors of \$37 million outstanding. The Bank is required to maintain an investment in stock of the FHLB in the amount of \$579 thousand as a condition for the credit facility. The Bank has also pledged its portfolios of 1-4 family first and second mortgage loans, home equity loans, multi-family mortgages and mortgages secured by farmland as collateral for this credit facility. Certain qualifying commercial mortgages are also pledged as collateral for this credit facility. Principal balances outstanding on these mortgage loans total approximately \$285 million at December 31, 2022.

## TABLE 9: 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, 2022, the capital levels of the Company and the Bank exceed all capital adequacy requirements to which they are subject.

As of December 31, 2022, 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, 2022				
Total capital (to risk weighted assets):				
Company (consolidated)	\$81,764	17.94%	8%	
Bank	81,546	17.89%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	76,044	16.69%	6%	
Bank	75,826	16.64%	6%	8%
Common equity tier I				
Company (consolidated)	76,044	16.69%	4.50%	
Bank	75,826	16.64%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	76,044	11.30%	4%	
Bank	75,826	11.27%	4%	5%
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%

## Queenstown Bank of Maryland

<b>Main Office</b> 7101 Main Street P.O. Box 120 Queenstown, MD 21658 Phone: 410-827-8881 Fax: 410-827-8190 Branch Manager: Sam Creel	<b>Grasonville Branch</b> 3701 Main Street P.O. Box 138 Grasonville, MD 21638 Phone: 410-827-6101 Fax: 410-827-4916 Branch Manager: Patricia Murchake	<b>Chester Branch</b> 1423 Main Street P.O. Box 239 Chester, MD 21619 Phone: 410-643-2258 Fax: 410-643-7694 Branch Manager: Erin Collier
<b>Benton's Crossing Branch</b> 101 Main Street P.O. Box 1035 Stevensville, MD 21666 Phone: 410-604-0881 Fax: 410-604-0883 Branch Manager: Nitza Hall	<b>Centreville Branch</b> 115 Coursevall Drive P.O. Box 177 Centreville, MD 21617 Phone: 410-758-8747 Fax: 410-758-8767 Branch Manager: Karen Dean	<b>Easton Branch</b> 274 North Washington Street P.O. Box 1899 Easton, MD 21601 Phone: 410-819-8686 Fax: 410-819-5813 Branch Manager: Cynthia Alt
<b>Ridgely Branch</b> 204 A East 6 <sup>th</sup> Street P.O. Box 1098 Ridgely, MD 21660 Phone: 410-634-2071 Fax: 410-634-2459 Branch Manager: Kathy Kendall	<b>Church Hill Branch</b> 1005 Sudlersville Rd P.O. Box 269 Church Hill, MD 21623 Phone: 410-556-6417 Fax: 410-556-6479 Branch Manager: Kathy Kendall	<b>Cambridge Branch</b> 110 Dorchester Ave Cambridge, MD 21613 Phone: 410-330-8888 Branch Manager: Michelle Airey

Patrick E. Thompson	Chairman of the Board
Kevin B. Cashen	President/CEO
James P. Shaw	Senior Vice President/CFO
Eric Johnson	Senior Vice President
Peggy E. Lewis	Senior Vice President/CRO
C. Franklin Russum	Senior Vice President
Tracy Whitby-Fairall	Senior Vice President/COO
Christina Wilkins	Senior Vice President
Brooke Horney	Senior Vice President/CCO
Jessica Fox	Senior Vice President
Deanna Lintz	Senior Vice President
Kathryn Clark	Senior Vice President
Michael Lucas	Senior Vice President
D.Trevor Carouge	Vice President
Karen Dean	Vice President
Teresa Hood	Vice President
Heather Jarrell	Vice President
Rose Kleckner	Vice President
Timothy McCarter	Vice President
Gene Spear	Vice President

## 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**