

QUEENSTOWN BANCORP OF MARYLAND, INC.



QUEENSTOWN
— BANK —

Just the bank you need.™

2024
ANNUAL REPORT



Queenstown Bancorp of Maryland, Inc.

“The journey of a thousand miles begins with a single step.”

Lao Tzu, Chinese Taoist philosopher

Dear Fellow Shareholders,

We are pleased to provide our Annual Report for FY 2024. On July 1, 2024, we celebrated our 125th Anniversary of serving the banking needs of the Eastern Shore of Maryland. A milestone such as this gives us the opportunity to sit back and reflect on where we have come from and where we are going – the journey. One can argue as to whether our “journey of a thousand miles” started on that fateful Saturday in 1899 or whether it starts today but the journey continues with our next “single step”. Every day, we take the next step in our journey to be the best community bank on the Eastern Shore by focusing on our customers, colleagues and the community. We strive to provide the best service and offer the best products to our customers, we work hard to create an environment where our employees can learn and grow, and we remain committed to supporting our community to maintain the wonderful environment in which we live.

At times, the journey is not easy, but we continue to move forward to serve you well. The past two years have been challenging times in the banking industry with a significant increase in interest rates, several failed banks and a particularly challenging regulatory environment. On the bright side, we have continued to grow our market footprint, our credit quality has remained strong and we have invested in our technology platform to offer the products and protections our customers demand. As we look forward, we are hopeful that the economy will further strengthen and we will return to an environment where banks can flourish.

Considering some of the headwinds faced by banks in 2024, we are proud of our results for the year. The Bank grew from \$679 million to \$688 million with our deposits remaining flat and our loan portfolio decreasing slightly. The Bank had Net Income of \$5.5 million compared 2023 Net Income of \$6.1 million. This drop was anticipated as the full impact of higher deposit costs were realized in 2024. Our yield on earning assets increased to 4.47% from 4.19% while our costs on interest bearing deposits increased from 1.68% to 2.27%. Even with a lower Net Income, we were able to maintain our dividend of \$2.50 per share for the year.

The Bank remains very well capitalized with Tier 1 regulatory capital increasing \$2.5 million to \$81.5 million. The Tier 1 capital ratio increased to 17.78% from 16.60%. Shareholder Equity increased 5.63% to \$66.2 million and loan loss reserves remain steady at 1.47%, in the top quartile in the State.

As we move into 2025, we are excited that our prospects are improving with a declining rate environment and a more balanced regulatory approach. We are mindful that there are geopolitical issues facing the market and it will take time to assess how all of that will impact the banking industry. Our pledge is to continue our journey and maintain our reputation as the best local community bank.

Yours truly,

A handwritten signature in blue ink that reads "Kevin B. Cashen". The signature is fluid and cursive, with the first name "Kevin" and last name "Cashen" clearly legible.

Kevin B. Cashen
President & CEO

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

In thousands, Except Per Share Data	2024	2023	2022	2021	2020
PROFITABILITY					
Net interest income	\$ 19,511	\$ 20,193	20,977	19,510	18,168
Noninterest income	1,794	1,783	1,709	1,659	1,402
Net (loss) gain on sales of securities	(356)	(660)	-	-	-
Noninterest expenses	13,952	13,705	13,199	11,799	10,738
Provisions for credit losses	(360)	(700)	-	-	1,600
Income before taxes	7,357	8,311	9,487	9,370	7,232
Income tax expense	1,841	2,150	2,450	2,423	1,849
Net income	5,516	6,161	7,037	6,947	5,383
Return on average assets	0.80%	0.92%	1.05%	1.10%	1.01%
Return on average equity	8.52%	10.51%	11.39%	9.91%	7.88%
Net interest margin	2.86%	3.02%	3.21%	3.22%	3.55%
*Efficiency ratio	64.79%	61.94%	57.56%	55.15%	53.69%
PER SHARE DATA					
Basic net income	\$ 4.61	\$ 5.15	5.87	5.79	4.50
Diluted net income	\$ 4.58	\$ 5.10	5.81	5.75	4.47
Dividends per share	\$ 2.50	\$ 2.50	2.50	2.50	2.50
Book value	\$ 55.37	\$ 52.32	46.59	58.43	57.13
Shares outstanding	1,195,209	1,197,300	1,195,223	1,200,048	1,195,786
BALANCE SHEET					
U.S. S.B.A. Paycheck Protection Program Loans	\$ 2	\$ 6	9	430	15,019
Loans-other	445,076	457,393	429,297	384,674	386,661
Total Loans	445,078	457,399	429,306	385,104	401,680
Allowance for loan losses	6,552	6,734	7,565	7,401	7,170
Loans, net of allowance for loan losses	438,526	450,665	421,741	377,703	394,510
Interest bearing deposits with banks	81,836	48,190	35,112	70,295	69,897
Securities available for sale	125,060	136,404	148,141	177,863	81,941
Total assets	688,363	679,279	650,619	658,087	576,977
Deposits	591,118	591,384	586,004	584,569	505,564
Borrowings	25,000	20,000	5,000	-	-
Tier I capital	81,760	79,009	76,045	72,325	68,180
Stockholders' equity	66,175	62,649	55,690	70,135	68,316
Loans / Deposits	75.29%	77.34%	73.26%	65.88%	79.45%
Allowance for loan losses / Loans	1.47%	1.47%	1.76%	1.92%	1.79%
REGULATORY CAPITAL RATIOS					
QUEENSTOWN BANK					
Tier I leverage ratio	11.56%	11.37%	11.27%	10.77%	11.89%
Common equity risk based	17.78%	16.60%	16.64%	17.13%	18.37%
Tier I risk-based capital ratio	17.78%	16.60%	16.64%	17.13%	18.37%
Total risk based capital ratio	19.03%	17.85%	17.89%	18.39%	19.64%

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

2024

ANNUAL REPORT

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SUMMARY FINANCIAL RESULTS

Net income for 2024 was \$5.5 million (\$4.61 per common share), compared to net income of \$6.1 million (\$5.15 per common share) for 2023. Dividends per share were \$2.50 per share for 2024 and 2023. These earnings resulted in a 0.80% Return on Average Assets and 8.52% Return on Average Equity.

Net interest income

Net interest income decreased from \$20.1 million for 2023, to \$19.5 million for 2024. The yield on earning assets was 4.47% for 2024, compared to 4.19% for 2023. (See Table 1) Interest bearing deposits costs increased from 1.68% in 2023, to 2.27% for 2024.

Provisions for loan losses and allowance for loan losses

Continued strong credit performance resulted in a loan loss provisioning benefit for 2024 of \$360 thousand, compared to \$700 thousand for 2023. (See Table 4: Allowance for Loan Losses) Net loan recoveries were \$178 thousand for 2024, compared to net loan charge-offs of \$63 thousand for 2023.

Noninterest income

Noninterest income increased \$11 thousand, to \$1.8 million for 2024. Service charges on deposit accounts decreased \$15 thousand and income on life insurance policies increased \$41 thousand. Losses on sales of covid-era securities were reinvested in much higher yielding loans to improve the net interest income of the Company going forward.

Noninterest expenses

Noninterest expenses increased \$247 thousand, from \$13.7 million for 2023, to \$13.9 million for 2024. Our efficiency ratio, the cost of producing \$1 of revenue, was \$.65 for 2024 compared to \$.62 for 2023.

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 \$1.8 million for 2024, compared to \$2.1 million in 2023. The effective tax rate was 25% for 2024 compared to 26% in 2023.

FINANCIAL CONDITION

Total assets were \$688 million at year end 2024, compared to \$679 million at year end 2023. Loan balances declined \$12 million for 2024. Higher interest rates and election uncertainty seemed to combine to constrain loan demand in 2024. (See Queenstown Bancorp of Maryland, Inc. and Subsidiary Consolidated Balance Sheets Page 1 and Table 3: Loans)

Total deposits at December 31, 2024 and 2023 were \$ 591 million. Increases in certificate deposit rates that began in the fourth quarter of 2022 has shifted deposits away from low cost non-maturity accounts into higher cost time deposits. That trend slowed significantly in 2024. Non-maturity transaction and savings accounts comprised 66% of total deposits at December 31, 2024, compared to 67% at December 31, 2023. (See Table 7: Deposits).

Tier I regulatory capital increased \$2.4 million, from \$79.3 million at December 31, 2023, to \$81.7 million at December 31, 2024. The increase is comprised primarily of net income less cash dividends of \$2.6 million. All capital ratios remain well above the regulatory capital definition of a well capitalized. For the Company, the Tier I ratio increased 115 basis points, from 16.67% to 17.82%. The total capital ratio increased 115 basis points, from 17.92% to 19.07%. The common equity leverage ratio increased 17 basis points, from 11.42% to 11.59%. The net unrealized holding losses on available-for-sale securities, which is not a component of regulatory capital, gained \$1.2 million in 2024. (See Table 9: Stockholders' Equity)

For the Bank, the Tier I ratio increased 118 basis points, from 16.60% to 17.78%. The total capital ratio increased 118 basis points, from 17.85% to 19.03%. The common equity leverage ratio increased 19 basis points, from 11.37% to 11.56%. (See Table 9: Stockholders' Equity)

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

(Dollars in thousands)

	December 31	
	2024	2023
ASSETS		
Cash and due from banks	\$ 5,876	\$ 6,363
Interest bearing deposits with banks	81,836	48,190
Total cash and cash equivalents	87,712	54,553
Securities available for sale (at fair value)	125,060	136,404
Securities held to maturity (at amortized cost)	2,731	2,999
Federal Home Loan Bank stock (at cost)	521	493
Loans	445,078	457,399
Less allowance for loan losses	(6,552)	(6,734)
Loans, net	438,526	450,665
Premises and equipment, net	6,619	6,205
Bank owned life insurance	16,091	15,637
Deferred income taxes	8,222	8,616
Accrued interest receivable	2,013	2,228
Prepaid expenses	460	530
Other assets	408	949
TOTAL ASSETS	\$688,363	\$679,279
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest bearing deposits	\$165,661	\$171,032
Interest bearing deposits	425,457	420,352
Total deposits	591,118	591,384
Advances from Federal Home Loan Bank	25,000	20,000
Accrued expenses and other liabilities	6,070	5,246
Total liabilities	622,188	616,630
Common stock - \$10 par value; shares authorized 10,000,000, shares issued and outstanding 1,195,209 and 1,197,300, respectively	11,952	11,973
Additional paid in capital	358	463
Retained earnings	69,450	66,922
Accumulated other comprehensive (loss) income	(15,585)	(16,709)
Total stockholders' equity	66,175	62,649
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$688,363	\$679,279

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

(Dollars in thousands, except per share information)

	Years Ended		
	2024	2023	2022
INTEREST INCOME:			
Interest and fees on loans	\$ 24,207	\$ 22,552	\$ 18,736
Interest and dividends on investment securities	2,975	3,186	2,890
Other interest income	3,348	2,290	902
Total interest income	30,530	28,028	22,528
INTEREST EXPENSE:			
Interest on deposits	9,638	7,059	1,550
Interest on borrowings	1,381	776	1
Total interest expense	11,019	7,835	1,551
Net interest income	19,511	20,193	20,977
Provision for loan losses, including unfunded commitments	(360)	(700)	-
Net interest income after provision for loan losses	19,871	20,893	20,977
NONINTEREST INCOME:			
Service charges on deposit accounts	494	509	470
Other income	1,300	1,274	1,239
Net (loss) on sales of securities	(356)	(660)	-
Total noninterest income	1,438	1,123	1,709
NONINTEREST EXPENSES:			
Salaries and employee benefits	8,629	8,295	7,861
Data processing and electronic banking expenses	1,178	1,338	1,172
Occupancy expense	735	745	728
Equipment expenses	501	486	496
FDIC insurance premiums	312	305	181
Other expenses	2,597	2,536	2,761
Total noninterest expenses	13,952	13,705	13,199
Income before income taxes	7,357	8,311	9,487
Income tax expense	1,841	2,150	2,450
Net income	\$ 5,516	\$ 6,161	\$ 7,037
Basic net income per common share	\$ 4.61	\$ 5.15	\$ 5.87
Diluted net income per common share	\$ 4.58	\$ 5.10	\$ 5.81
Basic weighted average common shares outstanding	1,195,435	1,196,656	1,199,084
Diluted weighted average common shares outstanding	1,203,518	1,207,900	1,211,471

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

(Dollars in thousands)

	Years Ended		
	2024	2023	2022
Net income	\$ 5,516	\$ 6,161	\$ 7,037
Other comprehensive income (loss), before tax:			
Securities available for sale:			
Net change in unrealized gains (losses)	1,807	5,508	(25,061)
Net losses on sales reclassified into earnings	(258)	(478)	-
Other comprehensive income (loss) , before tax	1,549	5,030	(25,061)
Income tax effect	(425)	(1,384)	6,896
Other comprehensive income (loss), net of tax	1,124	3,646	(18,165)
Total comprehensive income (loss)	<u>\$ 6,640</u>	<u>\$ 9,807</u>	<u>(11,128)</u>

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

For the Years Ended December 31, 2024, 2023 and 2022

(Dollars in thousands, except per share information)

	<u>Common Stock</u>		Additional		Accumulated	
	Shares	Par Value	paid-in capital	Retained Earnings	Other Comprehensive Income (Loss)	Totals
Balances at January 1, 2022	1,200,248	\$ 12,002	615	59,708	(2,190)	70,135
Net Income	-	-	-	7,037	-	7,037
	-	-	-	-	(18,165)	(18,165)
Other comprehensive income, net of tax	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	1,195,223	11,952	339	63,754	(20,355)	55,690
Net Income	-	-	-	6,161	-	6,161
Other comprehensive loss, net of tax	-	-	-	-	3,646	3,646
Restricted stock issued	2,066	21	112	-	-	133
Stock options exercised	240	2	6	-	-	8
Stock option compensation	-	-	15	-	-	15
Stock repurchases	(229)	(2)	(9)	-	-	(11)
Cash dividends (\$2.50 per share)	-	-	-	(2,993)	-	(2,993)
Balances at December 31, 2023	1,197,300	11,973	463	66,922	(16,709)	62,649
Net Income	-	-	-	5,516	-	5,516
Other comprehensive income, net of tax	-	-	-	-	1,124	1,124
Restricted stock issued	2,187	22	117	-	-	139
Stock options exercised	2,900	29	80	-	-	109
Stock repurchases	(7,178)	(72)	(302)	-	-	(374)
Cash dividends (\$2.50 per share)	-	-	-	(2,988)	-	(2,988)
Balances at December 31, 2024	<u>1,195,209</u>	<u>\$ 11,952</u>	<u>358</u>	<u>69,450</u>	<u>(15,585)</u>	<u>66,175</u>

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

	Years Ended		
	2024	2023	2022
OPERATING ACTIVITIES:			
Net Income	\$ 5,516	\$ 6,161	7,037
Adjustments to reconcile net income to net cash provided by operating activities:			
Premium amortization on securities	805	946	1,200
Depreciation and amortization	454	456	441
Provision for loan losses, including unfunded commitments	(360)	(700)	-
Loss on sales of securities	356	660	-
Deferred tax expense (benefit)	(33)	283	(22)
Stock option compensation	-	15	15
Net changes in:			
Accrued interest receivable	215	(169)	(318)
Accrued expenses and other liabilities	824	1,253	542
Prepaid expenses	70	(152)	(82)
Other operating activities	(7)	(583)	107
Net cash provided by operating activities	7,840	8,170	8,920
INVESTING ACTIVITIES:			
Purchases of securities available-for-sale	-	-	(9,310)
Purchases of securities held-to-maturity	-	-	(3,336)
Proceeds from sales of securities available-for-sale	3,691	6,660	-
Proceeds from calls and maturities of securities available-for-sale	-	-	-
Principal payments received on securities available-for-sale	8,350	8,545	12,815
Principal payments received on securities held-to-maturity	269	257	108
Net decrease (increase) in loans	12,423	(28,313)	(44,327)
Purchases of FHLB stock	(28)	-	(277)
Proceeds from redemptions of FHLB stock	-	86	-
Purchases of bank owned life insurance	-	-	-
Purchases of premises and equipment	(867)	(426)	(376)
Proceeds from sales of real estate	-	-	104
Net cash provided (used) by investing activities	23,838	(13,191)	(44,599)
FINANCING ACTIVITIES:			
Net (decrease) increase in deposits	(266)	5,380	1,435
Proceeds from borrowings	25,000	20,000	5,000
Repayment of borrowings	(20,000)	(5,000)	-
Stock options exercised	109	9	73
Stock repurchases	(374)	(11)	(480)
Dividends paid	(2,988)	(2,993)	(2,991)
Net cash provided by financing activities	1,481	17,385	3,037
Net increase (decrease) in cash and cash equivalents	33,159	12,364	(32,642)
Cash and cash equivalents at beginning of year	54,553	42,189	74,831
Cash and cash equivalents at end of year	\$87,712	\$ 54,553	\$ 42,189
Supplemental disclosures:			
Interest payments	\$10,542	6,334	1,490
Income tax payments	1,736	2,061	2,453
Noncash investing and financing activities:			
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								
	2024			2023			2022		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
EARNING ASSETS									
Loans (2)	\$ 455,449	24,241	5.32%	\$ 445,128	22,573	5.07%	\$ 404,290	18,747	4.64%
Securities (3)	158,324	3,003	1.90%	172,701	3,218	1.86%	182,969	2,914	1.59%
Interest bearing deposits									
with banks and federal funds sold	70,617	3,347	4.74%	52,485	2,300	4.38%	67,936	889	1.31%
Total earning assets	684,390	30,591	4.47%	670,314	28,091	4.19%	655,195	22,550	3.44%
NON-EARNING ASSETS									
Cash and due from banks	\$ 2,226			\$ 2,960			\$ 3,321		
Premises and equipment, net	6,006			6,224			6,276		
All other assets, net	21,101			20,325			20,698		
Securities market value adjustment	(16,431)			(19,782)			(13,102)		
Less: allowance for loan losses	(6,811)			(7,480)			(7,471)		
Total assets	690,481			672,561			664,917		
INTEREST-BEARING LIABILITIES									
Savings and time deposits	\$ 425,269	9,645	2.27%	\$ 419,169	7,059	1.68%	\$ 408,396	1,550	0.38%
Borrowings	29,044	1,381	4.75%	16,603	776	4.67%	27	1	3.70%
Total interest bearing liabilities	\$ 454,313	11,026	2.43%	\$ 435,772	7,835	1.80%	\$ 408,423	1,551	0.38%
OTHER LIABILITIES AND STOCKHOLDERS' EQUITY									
Demand deposits	\$ 166,357			\$ 174,506			\$ 191,627		
Other liabilities	5,064			3,637			3,088		
Stockholders' equity	64,747			58,646			61,779		
Total liabilities and stockholders' equity	690,481			672,561			664,917		
Net interest income and net interest margin (4)		19,565	2.86%		20,256	3.02%		20,999	3.21%
Interest rate spread (5)			2.04%			2.39%			3.06%

(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, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. treasuries and government agencies	\$ 21,935	8	1,883	20,060
State and municipal	26,492	-	4,217	22,275
Mortgage backed	92,651	2	15,041	77,612
Corporate debt	5,485	6	378	5,113
Totals	\$ 146,563	16	21,519	125,060

December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity				
Mortgage backed	\$ 2,731	-	161	2,570

December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. treasuries and government agencies	\$ 23,112	19	2,215	20,916
State and municipal	29,718	-	4,477	25,241
Mortgage backed	101,143	2	15,584	85,561
Corporate debt	5,483	-	797	4,686
Totals	\$ 159,456	\$ 21	\$ 23,073	\$ 136,404

December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity				
Mortgage backed	\$ 2,999	-	160	2,839

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, 2024 and 2023 loans were as follows:

	2024	2023
Real estate:		
Construction and land development	\$ 26,480	\$ 34,732
Secured by farmland	30,654	29,082
Commercial	158,147	165,520
Residential	211,690	207,466
Commercial and agricultural	12,605	14,736
Consumer	5,502	5,863
Total	<u>\$ 445,078</u>	<u>457,399</u>

A summary of current, past due, and nonaccrual loans as of December 31, 2024 and 2023 was as follows:

	Current	30-89 Days Past Due	90 Days or more Past Due and accruing	Nonaccrual	Total
As of December 31, 2024					
Real estate:					
Construction and land development loans	\$ 26,379	101	-	-	26,480
Secured by farmland	30,595	-	59	-	30,654
Commercial	157,780	367	-	-	158,147
Residential	210,856	792	42	-	211,690
Commercial and agricultural	12,023	-	32	550	12,605
Consumer	5,502	-	-	-	5,502
Total	<u>\$ 443,135</u>	<u>1,260</u>	<u>133</u>	<u>550</u>	<u>445,078</u>
Percentage of loan portfolio	99.56%	0.28%	0.04%	0.12%	100%

As of December 31, 2023

Real estate:					
Construction and land development loans	\$ 34,732	-	-	-	34,732
Secured by farmland	28,970	112	-	-	29,082
Commercial	164,602	-	-	918	165,520
Residential	206,770	474	222	-	207,466
Commercial and agricultural	14,064	-	-	672	14,736
Consumer	5,848	15	-	-	5,863
Total	<u>\$ 454,986</u>	<u>601</u>	<u>222</u>	<u>1,590</u>	<u>457,399</u>
Percentage of loan portfolio	99.47%	0.13%	0.05%	0.35%	100%

TABLE 4: ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the year ended December 31, 2024 and 2023 were as follows:

As of December 31, 2024

Beginning Balance	\$ 6,734
Provision for loan losses	(360)
Net charge-offs:	
Charge-offs	(30)
Recoveries	208
Net recoveries (charge-offs)	178
Ending balance	<u>\$ 6,552</u>

As of December 31, 2023

Beginning Balance	\$ 7,565
Provision for loan losses	(768)
Net charge-offs:	
Charge-offs	(221)
Recoveries	158
Net (charge-offs) recoveries	(63)
Ending balance	<u>\$ 6,734</u>

TABLE 5: NONPERFORMING ASSETS

In Thousands	As of December 31	
	2024	2023
Nonaccrual loans	\$ 550	1,590
Accruing loans 90 days or more past due	133	222
Total nonperforming assets	<u>683</u>	<u>1,812</u>
Tier I capital	\$ 81,537	79,009
Allowance for loan losses	6,552	6,734
Total	<u>\$ 88,089</u>	<u>85,743</u>
Percentage of nonperforming assets to Tier I capital plus plus the allowance for loan losses	0.78%	2.11%

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, 2024 and 2023. 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, 2024					
Pass	\$ 26,355	210,688	184,176	12,023	433,242
Criticized accrual	125	1,002	4,625	32	5,784
Criticized nonaccrual	-	-	-	550	550
Total	\$ 26,480	211,690	188,801	12,605	439,576
As of December 31, 2023					
Pass	\$ 34,657	206,107	189,482	14,064	444,310
Criticized accrual	75	1,359	4,202	-	5,636
Criticized nonaccrual	-	-	918	672	1,590
Total	\$ 34,732	207,466	194,602	14,736	451,536
		2024	2023		
Criticized accrual loans	\$	5,784	5,636		
Criticized nonaccrual loans		550	1,590		
Total criticized loans	\$	6,334	7,226		
Allowance for loan losses	\$	6,552	6,734		
Tier I capital		81,537	79,009		
Totals	\$	88,089	85,743		
Total criticized loans to the allowance for loan losses plus Tier I capital		7.2%	8.4%		

TABLE 7: DEPOSITS

A breakdown of interest bearing deposits at December 31, 2024 and 2023 by type of account were as follows:

	2024	2023
Savings and money market	\$ 146,563	\$ 155,182
Interest bearing demand	76,134	68,242
Time deposits through \$ 250,000	159,811	152,061
Time deposits of more than \$250,000	42,949	44,867
Total interest bearing deposits	<u>\$ 425,457</u>	<u>420,352</u>

At December 31, 2024, the scheduled maturities of time deposits were as follows:

2025	\$ 132,864
2026	66,089
2027	2,538
2028	688
2029	581
	<u>\$ 202,760</u>

Interest on deposits for the years ended December 31, 2024, 2023 and 2022 consisted of the following:

	2024	2023	2022
Savings and money market	\$ 809	\$ 738	357
Interest bearing demand	1,452	1,329	473
Time deposits more than \$ 250,000	1,517	1,042	133
Other time deposits	5,860	3,950	587
Total interest on deposits	<u>\$ 9,638</u>	<u>7,059</u>	<u>1,550</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 advances from the Federal Reserve Bank of Richmond Discount Window Bank Term Funding Program (BTFP). There was a \$25 million advance outstanding under the BTFP at December 31, 2024. The advance matures in January 2025 with an interest rate of 4.76%. There was a \$ 20 million BTFP advance outstanding at December 31, 2023, that matured and was paid off in April of 2024.

At December 31, 2024, credit available under the FHLB credit facility approximates \$95 million , letters of credit issued for the benefit of public funds depositors of \$45 million are outstanding. The Bank is required to maintain an investment in stock of the FHLB in the amount of \$521 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 \$294 million at December 31, 2024. Securities pledged to the BTFP have approximate principal balances of \$ 51 million at December 31, 2024.

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, 2024, the capital levels of the Company and the Bank exceed all capital adequacy requirements to which they are subject.

As of December 31, 2024, 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, 2024				
Total capital (to risk weighted assets):				
Company (consolidated)	\$87,505	19.07%	8%	
Bank	87,282	19.03%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	81,760	17.82%	6%	
Bank	81,537	17.78%	6%	8%
Common equity tier I				
Company (consolidated)	81,760	17.82%	4.50%	
Bank	81,537	17.78%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	81,760	11.59%	4%	
Bank	81,537	11.56%	4%	5%
As of December 31, 2023				
Total capital (to risk weighted assets):				
Company (consolidated)	\$85,318	17.92%	8%	
Bank	84,969	17.85%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	79,357	16.67%	6%	
Bank	79,009	16.60%	6%	8%
Common equity tier I				
Company (consolidated)	79,357	16.67%	4.50%	
Bank	79,009	16.60%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	79,357	11.42%	4%	
Bank	79,009	11.37%	4%	5%

Queenstown Bank of Maryland

Main Office

7101 Main Street
P.O. Box 120
Queenstown, MD 21658
Phone: 410-827-8881
Fax: 410-827-8190

Grasonville Branch

3701 Main Street
P.O. Box 138
Grasonville, MD 21638
Phone: 410-827-6101
Fax: 410-827-4916

Chester Branch

1423 Main Street
P.O. Box 239
Chester, MD 21619
Phone: 410-643-2258
Fax: 410-643-7694

Benton's Crossing Branch

101 Main Street
P.O. Box 1035
Stevensville, MD 21666
Phone: 410-604-0881
Fax: 410-604-0883

Centreville Branch

115 Coursevall Drive
P.O. Box 177
Centreville, MD 21617
Phone: 410-758-8747
Fax: 410-758-8767

Easton Branch

274 North Washington Street
P.O. Box 1899
Easton, MD 21601
Phone: 410-819-8686
Fax: 410-819-5813

Ridgely Branch

204 A East 6th Street
P.O. Box 1098
Ridgely, MD 21660
Phone: 410-634-2071
Fax: 410-634-2459

Church Hill Branch

1005 Sudlersville Rd
P.O. Box 269
Church Hill, MD 21623
Phone: 410-556-6417
Fax: 410-556-6479

Cambridge Branch

110 Dorchester Ave
Cambridge, MD 21613
Phone: 410-330-8888

James R. Friel, III
Kevin B. Cashen
James P. Shaw
Eric Johnson
Tracy Whitby-Fairall
Brooke Horney
Deanna Lintz
C. Franklin Russum
Christina Wilkins
Kathryn Clark
Michael Lucas
Jessica Fox
Heather Jarrell
Teresa Hood
Rose Kleckner
Timothy McCarter
Gene Spear
Natalie Lentz

Chairman of the Board
President/CEO
Executive Vice President/CFO
Executive Vice President / CLO
Executive Vice President/CRO
Executive Vice President/CCO
Executive Vice President/ CRBO
Senior Vice President
Senior Vice President
Senior Vice President
Senior Vice President
Senior Vice President
Senior Vice President
Vice President
Vice President
Vice President
Vice President
Vice President

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

Directors

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

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