

**QUEENSTOWN BANCORP
OF MARYLAND, INC.**



QUEENSTOWN
— BANK —

Just the bank you need.™

2025
ANNUAL REPORT

"I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel."

Maya Angelou

Dear Fellow Shareholders,

We are pleased to provide you with this, our Annual Report for FY 2025. Why Queenstown Bank? At Queenstown Bank, we don't believe that all "banking" is created equal. We think it is important that we make you feel welcomed, supported and important. For over 125 years, we have made it our mission to serve our community in such a way to create that environment where you feel welcomed, supported and important. We still believe that "community banking" has its place on the eastern shore. We believe in it so much that we have adopted a vision statement that embodies community banking – "Working together to enhance the lives of our Colleagues, Customers and Community every day." Over the past several years, there has been much change in the banking market on the eastern shore but the one constant that is still here is Queenstown Bank. We appreciate your faith in us as a shareholder and/or customer and will continue to try to deliver on the promise of the best community bank on the eastern shore.

The Bank had a good year in 2025. Net income for 2025 was \$5.7 million (\$4.76 per common share) compared to \$ 5.5 million (\$4.61 per common share) for 2024. Net interest income was \$20.3 million for 2025 and \$ 19.5 million for 2024. Continued strong credit performance resulted in no loan loss provision for 2025. The Bank experienced net recoveries of loans previously charged off of \$35 thousand in 2025, compared to net recoveries of \$178 thousand for 2024. Losses on securities sales of \$ 121 thousand were recognized in 2025. These sales of covid-era securities were reinvested in higher yielding assets to improve the net interest income of the Company going forward. The Bank remains very well capitalized with the ratio of common equity to risk-based total assets of 18.20% as of December 31, 2025. Tier I regulatory common equity grew from \$81.5 million at December 31, 2024 to \$83.9 million at December 31, 2025.

We saw improvement over last year's performance and the Bank is well positioned financially to succeed while navigating the changes in the economy. The Bank is in a very strong capital position, liquidity remains strong, asset quality remains high and the loan loss reserve is healthy.

Loan growth was 2.7% for the year while deposit growth was 7.49%. Our Net Interest Margin has stabilized and we are seeing some improvement in our overall cost of deposits as deposit rates have declined over the course of 2025. Our goal for 2026 is to increase loan growth across our footprint and beyond.

These have been exciting times for the Bank. Construction of our new branch in Cambridge, Maryland is moving along well and the branch is expected to open by Spring 2026. This location should help expand our market deeper into the eastern shore of Maryland. In early January 2026, we announced the promotion of Eric Johnson to President of the Bank. Eric joined the Bank in 2022 as our Chief Lending Officer and is positioned to move the Bank forward. Our goals are to focus on technology, prudent growth, our associates and credit quality.

As we move into 2026 and beyond, we are excited about playing our part in making the eastern shore a group of great communities that are economically vibrant while focused on families and friendships. We will continue to serve as your “community bank” where you will always be welcomed, supported and important to us.

Sincerely,



Kevin B. Cashen
Chief Executive Officer

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

In thousands, Except Per Share Data	2025	2024	2023	2022	2021
PROFITABILITY					
Net interest income	\$ 20,322	19,511	20,193	20,977	19,510
Noninterest income	2,076	1,794	1,783	1,709	1,659
Net (loss) gain on sales of securities	(121)	(356)	(660)	-	-
Noninterest expenses	14,734	13,952	13,705	13,199	11,799
Provisions for credit losses	-	(360)	(700)	-	-
Income before taxes	7,543	7,357	8,311	9,487	9,370
Income tax expense	1,851	1,841	2,150	2,450	2,423
Net income	5,692	5,516	6,161	7,037	6,947
Return on average assets	0.81%	0.80%	0.92%	1.05%	1.10%
Return on risk based average assets	1.23%	1.18%	1.31%	1.57%	1.77%
Return on average equity	8.03%	8.52%	10.51%	11.39%	9.91%
Net interest margin	2.97%	2.86%	3.02%	3.21%	3.22%
*Efficiency ratio	65.10%	64.79%	61.94%	57.56%	55.15%
PER SHARE DATA					
Basic net income	\$ 4.76	4.61	5.15	5.87	5.79
Diluted net income	4.73	4.58	5.10	5.81	5.75
Dividends per share	2.50	2.50	2.50	2.50	2.50
Book value	61.95	55.37	52.32	46.59	58.43
Shares outstanding	1,194,728	1,195,209	1,197,300	1,195,223	1,200,048
BALANCE SHEET					
Loans	457,129	445,078	457,399	429,306	385,104
Allowance for credit losses	6,587	6,552	6,734	7,565	7,401
Loans, net of allowance for credit losses	450,542	438,526	450,665	421,741	377,703
Interest bearing deposits with banks	99,273	81,836	48,190	35,112	70,295
Securities available for sale	117,134	125,060	136,404	148,141	177,863
Total assets	714,601	688,363	679,279	650,619	658,087
Deposits	635,372	591,118	591,384	586,004	584,569
Borrowings	-	25,000	20,000	5,000	-
Tier I capital	84,388	81,760	79,009	76,045	72,325
Stockholders' equity	74,012	66,175	62,649	55,690	70,135
Loans / Deposits	71.95%	75.29%	77.34%	73.26%	65.88%
Allowance for credit losses / Loans	1.44%	1.47%	1.47%	1.76%	1.92%
REGULATORY CAPITAL RATIOS					
QUEENSTOWN BANK					
Tier I leverage ratio	11.52%	11.56%	11.37%	11.27%	10.77%
Common equity risk based	18.20%	17.78%	16.60%	16.64%	17.13%
Tier I risk-based capital ratio	18.20%	17.78%	16.60%	16.64%	17.13%
Total risk based capital ratio	19.45%	19.03%	17.85%	17.89%	18.39%

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

2025

ANNUAL REPORT

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SUMMARY FINANCIAL RESULTS

Net income for 2025 was \$5.7 million (\$4.76 per common share), compared to net income of \$5.5 million (\$4.61 per common share) for 2024. Dividends per share were \$2.50 per share for 2025 and 2024. These earnings resulted in a 0.81% Return on Average Assets and 8.03% Return on Average Equity.

Net interest income

Net interest income increased from \$19.5 million for 2024, to \$20.3 million for 2025. The yield on earning assets was 4.52% for 2025, compared to 4.47% for 2024. (See Table 1) Interest bearing deposits costs increased from 2.27% in 2024, to 2.35% for 2025.

Provisions for credit losses and allowance for credit losses

Continued strong credit performance resulted in no loan loss provisioning for 2025. There was a loan loss benefit of \$360 thousand for 2024. (See Table 4: Allowance for Credit Losses) Net loan recoveries were \$35 thousand for 2025, compared to net loan recoveries of \$178 thousand for 2024.

Noninterest income

Noninterest income increased \$282 thousand, to \$2 million for 2025. Interchange income on debit card transactions increased \$271 thousand accounting for most of this increase. Losses on sales of covid-era securities were reinvested in higher yielding assets to improve the net interest income of the Company going forward.

Noninterest expenses

Noninterest expenses increased \$782 thousand, from \$13.9 million for 2024, to \$14.7 million for 2025. Our efficiency ratio, the cost of producing \$1 of revenue, was \$.65 for 2025 and 2024.

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 2025 and 2024. The effective tax rate was 25% for 2025 and 2024.

FINANCIAL CONDITION

Total assets were \$715 million at year end 2025, compared to \$688 million at year end 2024. Loan balances increased \$12 million for 2025. (See Queenstown Bancorp of Maryland, Inc. and Subsidiary Consolidated Balance Sheets Page 1 and Table 3: Loans)

Total deposits at December 31, 2025 were \$635 million, compared to \$591 million at 2024 year end. This increase of \$44 million was mostly centered in short-term certificates of deposit that increased \$33 million. The increase in deposits enabled us to payoff a short-term borrowing from the Federal Reserve Bank of Richmond's Bank Term Funding Program. Non-maturity transaction and savings accounts comprised 63% of total deposits at December 31, 2025, compared to 66% at December 31, 2024. (See Table 7: Deposits).

Tier I regulatory capital increased \$2.6 million, from \$81.7 million at December 31, 2024, to \$84.3 million at December 31, 2025. The increase is comprised of net income less cash dividends of \$2.6 million. All capital ratios remain well above the regulatory capital definition of well capitalized. For the Company, the Tier I ratio increased 45 basis points, from 17.82% to 18.27%. The total capital ratio increased 45 basis points, from 19.07% to 19.52%. The common equity leverage ratio decreased 2 basis points, from 11.59% to 11.57%. The net unrealized holding losses on available-for-sale securities, which is not a component of regulatory capital, gained \$5.2 million in 2025, after gains of \$ 1.1 million in 2024. (See Table 9: Stockholders' Equity)

For the Bank, the Tier I ratio increased 42 basis points, from 17.78% to 18.20%. The total capital ratio increased 42 basis points, from 19.03% to 19.45%. The common equity leverage ratio decreased 4 basis points, from 11.56% to 11.52%. (See Table 9: Stockholders' Equity)

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

(Dollars in thousands)

	December 31	
	2025	2024
ASSETS		
Cash and due from banks	\$ 5,442	5,876
Interest bearing deposits with banks	99,273	81,836
Total cash and cash equivalents	104,715	87,712
Securities available for sale (at fair value)	117,134	125,060
Securities held to maturity (at amortized cost)	8,198	2,731
Federal Home Loan Bank stock (at cost)	527	521
Loans	457,129	445,078
Less allowance for credit losses	(6,587)	(6,552)
Loans, net	450,542	438,526
Premises and equipment, net	7,179	6,619
Bank owned life insurance	16,560	16,091
Deferred income taxes	6,304	8,222
Accrued interest receivable	2,116	2,013
Prepaid expenses	592	460
Other assets	734	408
TOTAL ASSETS	\$714,601	688,363
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest bearing deposits	\$172,201	165,661
Interest bearing deposits	463,171	425,457
Total deposits	635,372	591,118
Short-term borrowings	-	25,000
Accrued expenses and other liabilities	5,217	6,070
Total liabilities	640,589	622,188
Common stock - \$10 par value; shares authorized 10,000,000, shares issued and outstanding 1,194,728 and 1,195,209, respectively	11,947	11,952
Additional paid in capital	288	358
Retained earnings	72,153	69,450
Accumulated other comprehensive loss	(10,376)	(15,585)
Total stockholders' equity	74,012	66,175
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$714,601	688,363

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

(Dollars in thousands, except per share information)

	Years Ended		
	2025	2024	2023
INTEREST INCOME:			
Interest and fees on loans	\$ 24,761	24,207	22,552
Interest and dividends on investment securities	2,586	2,975	3,186
Other interest income	3,647	3,348	2,290
Total interest income	<u>30,994</u>	<u>30,530</u>	<u>28,028</u>
INTEREST EXPENSE:			
Interest on deposits	10,640	9,638	7,059
Interest on borrowings	32	1,381	776
Total interest expense	<u>10,672</u>	<u>11,019</u>	<u>7,835</u>
Net interest income	20,322	19,511	20,193
Provision for credit losses	-	(360)	(700)
Net interest income after provision for credit losses	<u>20,322</u>	<u>19,871</u>	<u>20,893</u>
NONINTEREST INCOME:			
Service charges on deposit accounts	483	494	509
Income on life insurance policies	453	439	398
Other income	1,140	861	876
Net loss on sales of securities	(121)	(356)	(660)
Total noninterest income	<u>1,955</u>	<u>1,438</u>	<u>1,123</u>
NONINTEREST EXPENSES:			
Salaries and employee benefits	9,225	8,629	8,295
Data processing and electronic banking expenses	1,201	1,178	1,338
Occupancy expense	789	735	745
Equipment expenses	496	501	486
FDIC insurance premiums	311	312	305
Other expenses	2,712	2,597	2,536
Total noninterest expenses	<u>14,734</u>	<u>13,952</u>	<u>13,705</u>
Income before income taxes	7,543	7,357	8,311
Income tax expense	1,851	1,841	2,150
Net income	<u>\$ 5,692</u>	<u>5,516</u>	<u>6,161</u>
Basic net income per common share	\$ 4.76	4.61	5.15
Diluted net income per common share	\$ 4.73	4.58	5.10
Basic weighted average common shares outstanding	1,195,510	1,195,435	1,196,656
Diluted weighted average common shares outstanding	1,202,421	1,203,518	1,207,900

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

(Dollars in thousands)

	Years Ended		
	2025	2024	2023
Net income	\$ 5,692	5,516	6,161
Other comprehensive income (loss), before tax:			
Securities available for sale:			
Net change in unrealized losses	7,307	1,905	5,691
Net losses on sales reclassified into earnings	(121)	(356)	(660)
Other comprehensive income , before tax	7,186	1,549	5,031
Income tax effect	(1,977)	(425)	(1,385)
Other comprehensive income , net of tax	5,209	1,124	3,646
Total comprehensive income	<u>\$ 10,901</u>	<u>6,640</u>	<u>9,807</u>

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

For the Years Ended December 31, 2025, 2024 and 2023

(Dollars in thousands, except per share information)

	Common Stock		Additional paid- in capital	Retained Earnings	Accumulated Other Comprehensive Income	Totals
	Shares	Par Value				
	Balances at January 1, 2023	1,195,223			\$ 11,952	
Net income	-	-	-	6,161	-	6,161
Other comprehensive income, 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 loss, 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	1,195,209	11,952	358	69,450	(15,585)	66,175
Net income	-	-	-	5,692	-	5,692
Other comprehensive income, net of tax	-	-	-	-	5,209	5,209
Restricted stock issued	2,123	21	90	-	-	111
Stock options exercised	2,640	26	70	-	-	96
Stock repurchases	(5,244)	(52)	(230)	-	-	(282)
Cash dividends (\$2.50 per share)	-	-	-	(2,989)	-	(2,989)
Balances at December 31, 2025	1,194,728	\$ 11,947	288	72,153	(10,376)	74,012

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

(Dollars in thousands)

	Years Ended		
	2025	2024	2023
OPERATING ACTIVITIES:			
Net Income	\$ 5,692	5,516	6,161
Adjustments to reconcile net income to net cash provided by operating activities:			
Premium amortization on securities	764	805	946
Depreciation and amortization	420	454	456
Provision for credit losses, including unfunded commitments	-	(360)	(700)
Loss on sales of securities	121	356	660
Deferred tax expense (benefit)	(60)	(33)	283
Stock option compensation	-	-	15
Net changes in:			
Accrued interest receivable	(103)	215	(169)
Accrued expenses and other liabilities	(853)	824	1,253
Prepaid expenses	(132)	70	(152)
Other operating activities	(715)	(7)	(583)
Net cash provided by operating activities	<u>5,134</u>	<u>7,840</u>	<u>8,170</u>
INVESTING ACTIVITIES:			
Purchases of securities available-for-sale	(2,000)	-	-
Purchases of securities held-to-maturity	(5,730)	-	-
Proceeds from sales of securities available-for-sale	1,847	3,691	6,660
Proceeds from calls and maturities of securities available-for-sale	2,000	-	-
Principal payments received on securities available-for-sale	12,411	8,350	8,545
Principal payments received on securities held-to-maturity	264	269	257
Net (increase) decrease in loans	(12,016)	12,423	(28,313)
Purchases of FHLB stock	(6)	(28)	-
Proceeds from redemptions of FHLB stock	-	-	86
Purchases of bank owned life insurance	-	-	-
Purchases of premises and equipment	(980)	(867)	(426)
Proceeds from sales of real estate	-	-	-
Net cash provided (used) by investing activities	<u>(4,210)</u>	<u>23,838</u>	<u>(13,191)</u>
FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	44,254	(266)	5,380
Proceeds from borrowings	-	25,000	20,000
Repayment of borrowings	(25,000)	(20,000)	(5,000)
Stock options exercised	96	109	9
Stock repurchases	(282)	(374)	(11)
Dividends paid	(2,989)	(2,988)	(2,993)
Net cash provided by financing activities	<u>16,079</u>	<u>1,481</u>	<u>17,385</u>
Net increase (decrease) in cash and cash equivalents	17,003	33,159	12,364
Cash and cash equivalents at beginning of year	87,712	54,553	42,189
Cash and cash equivalents at end of year	<u>\$104,715</u>	<u>87,712</u>	<u>54,553</u>
Supplemental disclosures:			
Interest payments	\$ 10,602	10,542	6,334
Income tax payments	1,864	1,736	2,061
Noncash investing and financing activities:			

TABLE 1: AVERAGE BALANCES AND NET INTEREST INCOME ANALYSIS

Taxable Equivalent Basis - In Thousands (1)	Years Ended December 31								
	2025			2024			2023		
	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)	\$ 453,802	24,804	5.47%	455,449	24,241	5.32%	445,128	22,573	5.07%
Securities (3)	143,890	2,606	1.81%	158,324	3,003	1.90%	172,701	3,218	1.86%
Interest bearing deposits									
with banks and federal funds sold	89,136	3,646	4.09%	70,617	3,347	4.74%	52,485	2,300	4.38%
Total earning assets	<u>686,828</u>	<u>31,056</u>	<u>4.52%</u>	<u>684,390</u>	<u>30,591</u>	<u>4.47%</u>	<u>670,314</u>	<u>28,091</u>	<u>4.19%</u>
NON-EARNING ASSETS									
Cash and due from banks	\$ 2,507			2,226			2,960		
Premises and equipment, net	6,831			6,006			6,224		
All other assets, net	21,806			21,101			20,325		
Securities market value adjustment	(12,854)			(16,431)			(19,782)		
Less: allowance for credit losses	(6,581)			(6,811)			(7,480)		
Total assets	<u>\$ 698,537</u>			<u>690,481</u>			<u>672,561</u>		
INTEREST-BEARING LIABILITIES									
Savings and time deposits	\$ 453,225	10,640	2.35%	\$ 425,269	9,645	2.27%	\$ 419,169	7,059	1.68%
Borrowings	548	32	5.84%	29,044	1,381	4.75%	16,603	776	4.67%
Total interest bearing liabilities	<u>\$ 453,773</u>	<u>10,672</u>	<u>2.35%</u>	<u>\$ 454,313</u>	<u>11,026</u>	<u>2.43%</u>	<u>\$ 435,772</u>	<u>7,835</u>	<u>1.80%</u>
OTHER LIABILITIES AND STOCKHOLDERS' EQUITY									
Demand deposits	\$ 169,236			166,357			174,506		
Other liabilities	4,633			5,064			3,637		
Stockholders' equity	70,895			64,747			58,646		
Total liabilities and stockholders' equity	<u>\$ 698,537</u>			<u>690,481</u>			<u>672,561</u>		
Net interest income and net interest margin (4)									
		20,384	2.97%		19,565	2.86%		20,256	3.02%
Interest rate spread (5)									
			2.17%			2.04%			2.39%

(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, 2025			
	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
Available-for-sale				
U.S. treasuries and government agencies	\$ 18,500	11	943	17,568
State and municipal	26,260	-	2,755	23,505
Mortgage backed	81,205	6	10,384	70,827
Corporate debt	5,486	10	262	5,234
Totals	\$ 131,451	27	14,344	117,134

	December 31, 2025			
	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
Held to maturity				
Mortgage backed	\$ 7,198	-	135	7,063
Corporate debt	1,000	-	9	991
Totals	\$ 8,198	-	144	8,054

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

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, 2025 and 2024 loans were as follows:

	2025	2024
Real estate:		
Construction and land development	\$ 24,785	26,480
Secured by farmland	26,333	30,654
Commercial	156,523	158,147
Residential	230,047	211,690
Commercial and agricultural	15,024	12,605
Consumer	4,417	5,502
Total	<u>\$ 457,129</u>	<u>445,078</u>

A summary of current, past due, and nonaccrual loans as of December 31, 2025 and 2024 was as follows:

	Current	30-89 Days Past Due	90 Days or more Past Due and accruing	Nonaccrual	Total
As of December 31, 2025					
Real estate:					
Construction and land development loans	\$ 24,715	-	70	-	24,785
Secured by farmland	26,333	-	-	-	26,333
Commercial	156,501	-	22	-	156,523
Residential	228,597	1,278	172	-	230,047
Commercial and agricultural	14,539	-	-	485	15,024
Consumer	4,407	10	-	-	4,417
Total	<u>\$ 455,092</u>	<u>1,288</u>	<u>264</u>	<u>485</u>	<u>457,129</u>
Percentage of loan portfolio	99.55%	0.28%	0.06%	0.11%	100%
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%

TABLE 4: ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses for the year ended December 31, 2025 and 2024 were as follows:

As of December 31, 2025	
Beginning Balance	\$ 6,552
Provision for loan losses	-
Net charge-offs:	
Charge-offs	(53)
Recoveries	88
Net recoveries	<u>35</u>
Ending balance	<u>\$ 6,587</u>

As of December 31, 2024	
Beginning Balance	\$ 6,734
Provision for loan losses	(360)
Net charge-offs:	
Charge-offs	(30)
Recoveries	208
Net recoveries	<u>178</u>
Ending balance	<u>\$ 6,552</u>

TABLE 5: NONPERFORMING ASSETS

In Thousands	As of December 31	
	2025	2024
Nonaccrual loans	\$ 485	550
Accruing loans 90 days or more past due	264	133
Total nonperforming assets	<u>\$ 749</u>	<u>683</u>
Tier I capital	\$ 83,982	81,537
Allowance for loan losses	6,587	6,552
Total	<u>\$ 90,569</u>	<u>88,089</u>
Percentage of nonperforming assets to Tier I capital Plus the allowance for loan losses	0.83%	0.78%

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, 2025 and 2024. 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, 2025					
Pass	\$ 24,715	228,660	179,726	14,539	447,640
Criticized accrual	70	1,387	3,130	-	4,587
Criticized nonaccrual	-	-	-	485	485
Total	\$ 24,785	230,047	182,856	15,024	452,712
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
		2025	2024		
Criticized accrual loans	\$	4,587	5,784		
Criticized nonaccrual loans		485	550		
Total criticized loans	\$	5,072	6,334		
Allowance for loan losses	\$	6,587	6,552		
Tier I capital		83,982	81,537		
Totals	\$	90,569	88,089		
Total criticized loans to the allowance for loan losses plus Tier I capital		5.6%	7.2%		

TABLE 7: DEPOSITS

A breakdown of interest bearing deposits at December 31, 2025 and 2024 by type of account were as follows:

	2025	2024
Savings and money market	\$ 150,534	146,563
Interest bearing demand	78,195	76,134
Time deposits through \$ 250,000	177,797	159,811
Time deposits of more than \$250,000	56,645	42,949
Total interest bearing deposits	<u>\$ 463,171</u>	<u>425,457</u>

At December 31, 2025, the scheduled maturities of time deposits were as follows:

2026	\$ 210,737
2027	19,244
2028	1,115
2029	740
2030	2,606
	<u>\$ 234,442</u>

Interest on deposits for the years ended December 31, 2025, 2024 and 2023 consisted of the following:

	2025	2024	2023
Savings and money market	\$ 973	809	738
Interest bearing demand	1,656	1,452	1,329
Time deposits more than \$ 250,000	1,658	1,517	1,042
Other time deposits	6,353	5,860	3,950
Total interest on deposits	<u>\$ 10,640</u>	<u>9,638</u>	<u>7,059</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. There were no advances outstanding from either lender at December 31, 2025. There was a \$25 million advance outstanding from the Federal Reserve Bank of Richmond Discount Window at December 31, 2024. The advance matured in January 2025 with an interest rate of 4.76%.

At December 31, 2025, credit available under the FHLB credit facility approximates \$87 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 \$527 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 \$302 million at December 31, 2025. Securities pledged to the Federal Reserve Bank of Richmond Discount Window have approximate principal balances of \$49 million at December 31, 2025. Credit available from the Federal Reserve Bank of Richmond Discount Window approximates \$42 million at December 31, 2025.

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, 2025, the capital levels of the Company and the Bank exceed all capital adequacy requirements to which they are subject.

As of December 31, 2025, 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, 2025				
Total capital (to risk weighted assets):				
Company (consolidated)	\$90,167	19.52%	8%	
Bank	89,761	19.45%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	84,388	18.27%	6%	
Bank	83,982	18.20%	6%	8%
Common equity tier I				
Company (consolidated)	84,388	18.27%	4.50%	
Bank	83,982	18.20%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	84,388	11.57%	4%	
Bank	83,982	11.52%	4%	5%
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%

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
Kenny Kreiser
Patrick J. Palmer
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 – 2026
Eric Johnson	2026

Queenstown Bank
of Maryland

ESTABLISHED 1899

Member
FDIC