

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, **Kevin B. Cashen**

Name of the Holding Company Director and Official

Chief Executive Officer

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

03/20/2020

Date of Signature

For holding companies *not* registered with the SEC—

Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
 will be sent under separate cover
 is not prepared

For Federal Reserve Bank Use Only

RSSD ID _____
 C.I. _____

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2019

Month / Day / Year

No LEI

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Queenstown Bancorp of Maryland, Inc

Legal Title of Holding Company

P.O. Box 120

(Mailing Address of the Holding Company) Street / P.O. Box

Queenstown	MD	21658
City	State	Zip Code

7101 Main Street

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

James P. Shaw **Chief Financial Officer**

Name Title

410-827-8881

Area Code / Phone Number / Extension

410-827-4343

Area Code / FAX Number

jshaw@queenstownbank.com

E-mail Address

queenstownbank.com

Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission?	0=No 1=Yes	0
In accordance with the General Instructions for this report (check only one),		
1. a letter justifying this request is being provided along with the report	<input type="checkbox"/>	
2. a letter justifying this request has been provided separately ...	<input type="checkbox"/>	
NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."		

2. FR Y-6	
Organizational Chart	
Queenstown Bancorp of Maryland, Inc.	Queenstown Bancorp of Maryland Inc. owns 100% of the
No LEI	outstanding common stock of Queenstown Bank of Maryland
Queenstown, MD	
Incorporated in Maryland	
Queenstown Bank of Maryland	
549300MPX7PJGFD8HA09	
Queenstown, MD	
Incorporated in Maryland	
2b FR Y-6	
Submitted electronically on 3/13/2020	
3.1 FR Y-6	
None	
3.2 FR Y-6	
None	

QUEENSTOWN BANCORP OF MARYLAND, INC.

Report Item 4: Directors and Officers	Principal Occupation	Title or position with Queenstown Bancorp	Title or position with Queenstown Bank	Other Entities & Ownership Percentage	Bancorp Common Stock Shares Owned	Bancorp Common Stock Percent Owned or Controlled
Kevin B. Cashen Queenstown, MD	Queenstown Bank of MD Queenstown Bancorp of MD	President & CEO	President & CEO	None	100	0.01%
Bernard A. Cheezum, Jr. Centreville, MD	Willow Construction, LLC	Director	Director	Willow Construction, LLC - 44%	325	0.03%
W. Thomas Davis, Jr. Centreville, MD	Davis, Moore, Shearon & Associates, LLC	Director	Director	DMS Associates LLC - 40% Centreville Land Holdings LLC - 33.3%	1325	0.11%
James R. Friel, III Queenstown, MD	S.E.W. Friel Vegetable Cannery Executive	Director	Director	Friel Lumber Company LLC - 25% S.E.W. Friel, LLC - 25% Steamboat Village LLC - 40%	6,432	0.54%
Chad Helfenbein Stevensville, MD	Fellows, Helfenbein, Newnam Funeral Home	Director	Director	Eastern Shore Exodus - 25% Western Shore Exodus - 25% Dogwood Caskets, LLC - 25% Dogwood Travel Protection, LLC - 25%	120	0.01%
J. Thomas Rhodes, Jr. Queenstown, MD	Queenstown Bank of MD	Director	Director	Bennett's Outlet - 25%	14,707	1.23%
Tracy T. Schulz Chester, MD	Fisherman's Inn & Crab Deck	Director	Director	Fisherman's Crab Deck - 33.3% Fisherman's Inn - 33.33% Schulz Associates, LLLP - 33.33% Lee Road LLC - 100% Schulz Development, LLC - 25% Sandy Meadow II LLC - 100% Dream Farm, LLC - 100%	24,292	2.04%
James P. Shaw Queenstown, MD	CFO Queenstown Bancorp of MD & Queenstown Bank of MD	CFO	CFO	None	2,843	0.24%
Patrick E. Thompson Queenstown, MD	Attorney - Braden, Thompson & Poltrack, LLP	Chairman of the Board	Chairman of the Board	Braden, Thompson, Poltrack & Mundy LLP - 25% St. Claire Suites, LLC - 25%	5,041	0.42%
* 4.4.B - N/A - Queenstown Bancorp of MD, Inc. owns 100% of the outstanding common stock of Queenstown Bank of MD.						
**All Directors & Officers live in the USA.						

Results: A list of branches for your depository institution: **QUEENSTOWN BANK OF MARYLAND (ID_RSSD: 429021)**.
 This depository institution is held by **QUEENSTOWN BANCORP OF MARYLAND, INC. (2618614)** of **QUEENSTOWN, MD**.
 The data are as of **12/31/2019**. Data reflects information that was received and processed through **03/05/2020**.

Reconciliation and Verification Steps

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions

- OK:** If the branch information is correct, enter 'OK' in the **Data Action** column.
- Change:** If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
- Close:** If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
- Delete:** If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
- Add:** If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
 If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:

To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of **Change, Close, Delete, or Add**.
 The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	429021	QUEENSTOWN BANK OF MARYLAND	7101 MAIN STREET	QUEENSTOWN	MD	21658	QUEEN ANNES	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	
OK		Full Service	3283279	CENTREVILLE BRANCH	115 COURSEVALL DR	CENTREVILLE	MD	21617	QUEEN ANNES	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	
OK		Full Service	250029	CHESTER BRANCH	1423 MAIN ST	CHESTER	MD	21619	QUEEN ANNES	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	
OK		Full Service	4306492	CHURCH HILL BRANCH	1005 SUDLERSVILLE ROAD	CHURCH HILL	MD	21623	QUEEN ANNES	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	
OK		Full Service	3283288	EASTON BRANCH	274 N WASHINGTON STREET	EASTON	MD	21601	TALBOT	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	
OK		Full Service	307820	GRASONVILLE BRANCH	3701 MAIN ST	GRASONVILLE	MD	21638	QUEEN ANNES	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	
OK		Full Service	3956461	RIDGELY BRANCH	204 EAST 6TH STREET SUITE A	RIDGELY	MD	21660	CAROLINE	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	
OK		Full Service	2637606	BENTON'S CROSSING BRANCH	101 MAIN ST	STEVENSVILLE	MD	21666	QUEEN ANNES	UNITED STATES	Not Required	Not Required	QUEENSTOWN BANK OF MARYLAND	429021	

QUEENSTOWN BANCORP OF MARYLAND, INC.



QUEENSTOWN
— BANK —

Just the bank you need.™

2019
ANNUAL REPORT

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

In thousands, Except Per Share Data	2019	2018	2017	2016	2015
PROFITABILITY					
Net interest income	\$ 19,148	\$ 18,901	\$ 18,122	\$ 17,959	\$ 17,927
Noninterest income	1,366	1,206	1,102	1,160	1,192
Net gain (loss) on sales of other real estate owned	51	53	167	(38)	(136)
Securities gains	-	-	-	-	22
Noninterest expenses	10,323	9,953	9,590	9,633	9,579
Provisions for credit losses	-	300	600	990	1,241
Income before taxes	10,242	9,907	9,201	8,458	8,185
Income tax expense before deferred tax writedown	2,722	2,679	3,556	3,242	3,076
Net income before deferred tax writedown	7,520	7,228	5,645	5,216	5,109
Deferred tax writedown	-	-	400	-	-
Net income	7,520	7,228	5,245	5,216	5,109
Return on average assets	1.61%	1.53%	1.10%	1.13%	1.15%
Return on average equity	11.69%	12.00%	9.06%	9.58%	10.09%
Net interest margin	4.30%	4.16%	3.96%	4.08%	4.29%
*Efficiency ratio (excluding other real estate gains(losses))	50.24%	49.40%	49.58%	49.95%	49.44%
Basic earnings per share before deferred tax writedown	\$ 6.31	\$ 5.99	\$ 4.52	\$ 4.14	\$ 4.06
Basic earnings per share	\$ 6.31	\$ 5.99	\$ 4.20	\$ 4.14	\$ 4.06
Dividends per share	\$ 2.75	\$ 2.25	\$ 1.25	\$ 1.15	\$ 1.00
BALANCE SHEET					
Loans	\$ 395,909	\$ 381,897	\$ 377,627	\$ 386,044	\$ 393,672
Allowance for loan losses	5,752	5,966	5,297	5,910	5,908
Loans, net of allowance for loan losses	390,157	375,931	372,330	380,134	387,764
Interest bearing deposits with banks	40,935	46,652	59,088	49,134	29,906
Total assets	473,122	465,011	464,719	462,685	447,126
Deposits	404,913	401,766	404,552	405,341	393,525
Stockholders' equity	65,614	60,948	58,075	55,500	51,847
Shares outstanding	1,192,281	1,188,081	1,226,125	1,259,330	1,259,330
Book value per share	\$ 55.03	\$ 51.30	\$ 47.36	\$ 44.07	\$ 41.17
Loans / Deposits	97.78%	95.05%	93.34%	95.24%	100.04%
Allowance for loan losses / Loans	1.45%	1.56%	1.40%	1.53%	1.50%
REGULATORY CAPITAL RATIOS					
QUEENSTOWN BANK					
Tier I leverage (avg. equity / avg. assets) ratio	13.88%	12.95%	12.15%	11.76%	11.47%
Common equity risk based	18.01%	17.38%	17.45%	16.05%	14.89%
Tier I risk-based capital ratio	18.01%	17.38%	17.45%	16.05%	14.89%
Total risk based capital ratio	19.26%	18.64%	18.71%	17.30%	16.14%
QUEENSTOWN BANCORP					
Tier I leverage (avg. equity / avg. assets) ratio	13.89%	12.95%	12.15%	11.77%	11.48%
Common equity risk based	18.02%	17.39%	17.46%	16.05%	14.89%
Tier I risk based capital ratio	18.02%	17.39%	17.46%	16.05%	14.89%
Total risk based capital ratio	19.27%	18.64%	18.71%	17.31%	16.15%

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



Queenstown Bancorp of Maryland, Inc.

To Fellow Stockholders:

“People are very open-minded about new things, as long as they're exactly like the old ones.”

Charles F. Kettering

On July 9, 2019, the Queenstown Bank of Maryland celebrated its 120th anniversary serving the people of Queen Anne’s and surrounding counties. During that time, lots of things have changed about the banking industry but the Bank has remained as a constant in our community. While it is difficult to look 120 years into the future, the Bank plans to continue to serve the local community while adapting to the evolving banking market. Our challenge is to find ways to maintain our deep roots while being open-minded to the “new things” that are radically changing our industry. The first on-line banking website was not launched in the United States until 1994, only 25 years ago. Today, we have an entire generation of young people who have only known a world where they can do everything on their smartphone and often ask, “why would I need to go to a bank branch?” To address this question and provide the services that people need and expect, open-mindedness and a lot of hard work will be required. The Bank is very focused on enhancing our suite of digital products, strengthening our cybersecurity infrastructure, expanding our marketing/social media efforts, renovating our branch network and expanding our efforts on the commercial loan and deposit front. All of this will take the full time and energy of the very dedicated staff we have here at the Bank.

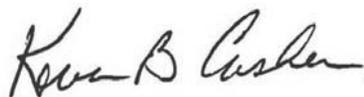
As we reflect on our performance in 2019, we are very happy to report that the Bank had an outstanding year. Net income for the year end of 2019 was \$7.5 million, an increase of \$292 thousand from the same period in 2018, a 4% increase. These earnings resulted in a 1.61% Return on Average Assets and 11.69% Return on Average Equity. Net income per share increased from \$5.99 to \$6.31 per share in 2019. Net interest income increased \$247 thousand to \$19.1 million for the year end of 2019. There was no provision for loan losses for 2019. The Company continues to maintain a very attractive Efficiency Ratio, the industry standard for effective expense control, at 50.24%. Stockholders' equity at December 31, 2019 increased by \$4.67 million to \$65.6 million from December 31, 2018. The Bank remains very well capitalized with the ratio of common equity to assets increasing from 12.95% at December 31, 2018 to 13.88% at December 31, 2019. Book value per share was \$55.03 at December 31, 2019, up \$3.73 from December 31, 2018, representing an increase of 7.3%. With this strong performance, the Bank was able to increase the dividend for the year to \$2.75 per share, a 22% increase.

The current outlook for 2020 is good with most economists projecting a solid year with no recessionary pressures. While interest rates and the market are projected to remain stable, there are some risks out there relating to the upcoming national election and certain issues from around the world that could impact the global economy. The Bank does project that the historically low interest rate environment will continue to challenge our Net Interest Margin this year. The Bank has also committed to certain investments in technology, people and infrastructure to position the Bank for the future which will also impact the Bank's Net Income in 2020.

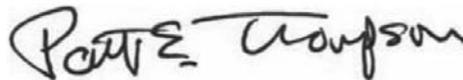
We will continue to be open-minded about the new things going on in the banking industry and will selectively tackle those that will have the greatest positive impact on our shareholders, institution and our community.

We appreciate your continued support and welcome your feedback. Please feel free to refer us 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

2019

ANNUAL REPORT

TABLE OF CONTENTS

FINANCIAL STATEMENTS	<u>Page(s)</u>
SUMMARY FINANCIAL RESULTS	
Consolidated Balance Sheets	1
Consolidated Statements of Income	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Stockholders' Equity	3
Consolidated Statements of Cash Flows	4
Table 1: Average Balances and Net Interest Income Analysis	5
Table 2: Loans	6
Table 3: Allowance for Loan Losses	7
Table 4: Nonperforming Assets	7
Table 5: Criticized Loans	8
Table 6: Deposits	9
Table 7: Stockholders' Equity	10

This financial report summarizes the most significant financial reports for our banking operation. The audited financial statements with all requisite footnotes are available on our website queenstownbank.com. If you do not have access to the internet and desire a copy of the audited financial statements please contact us at 410-827-8881.

SUMMARY FINANCIAL RESULTS

For the year ended December 31, 2019 net income was \$7.52 million, compared to net income of \$7.23 million for the year ended December 31, 2018. Net income per common share increased from \$5.99 for 2018, to \$6.31 for 2019, an increase of 4%. The increase in net income combined with our strong capital position resulted in a dividend per share increase of \$.50, from \$2.25 per share for 2018, to \$2.75 per share for 2019.

Net interest income

Net interest income increased from \$18.9 million for 2018, to \$19.1 million for 2019. The yield on earning assets increased from 4.63% for 2018, to 4.85% for 2019. Interest bearing deposits costs rose from .69% for 2018, to .82% for 2019. Continued growth of lower cost non-maturity deposits reduced the funding dependency on higher cost certificates of deposit.

Provisions for loan losses and allowance for loan losses

The continuation of low levels of loan losses resulted in no provision for loan losses for 2019. The provision for loan losses was \$300 thousand for 2018. (See Table 3: Allowance for Loan Losses)
Net loan losses were \$214 thousand for 2019, compared to loan recoveries of \$369 thousand for 2018.

Noninterest income

Noninterest income, excluding other real estate owned gains, increased \$160 thousand, to \$1.4 million for 2019. Service charges on deposit accounts decreased \$40 thousand, from \$634 thousand for 2018, to \$594 thousand for 2019. Other income was \$772 thousand for 2019, compared to \$572 thousand for 2018. Interchange fee income on debit card transactions and income on bank owned life insurance policies account for the majority of this increase.

Noninterest expenses

Noninterest expenses increased \$370 thousand, from \$9.9 million for 2018, to \$10.3 million for 2019. Our efficiency ratio, the cost of producing \$1 of revenue, remained stable at \$.50 for 2019 compared to \$.49 for 2018. Our efficiency ratio of \$.50 is significantly lower than our FDIC peer group efficiency ratio of \$.64.

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 \$2.7 million for 2019 and 2018. The effective tax rate was 27% for 2019 and 2018. Included in income tax expense for 2017 was a \$400 thousand writedown of our net deferred tax assets, resulting from the passage of the new tax law in 2017. The new tax law reduced the federal corporate tax rate from 34% to 21%, thereby reducing the benefits of future deferred tax deductions.

FINANCIAL CONDITION

Total assets were \$473 million at year end 2019, compared to \$465 million at year end 2018. The loan portfolio increased from \$381.8 million at December 31, 2018, to \$395.9 million at December 31, 2019. Liquidity remains strong with \$41 million in short term interest bearing deposits with banks that will provide for future loan growth as prudent opportunities arise. (See Queenstown Bancorp of Maryland, Inc. and Subsidiary Consolidated Balance Sheets Page 1 and Table 1 Average Balances and Net Interest Income Analysis)

Deposits

Total deposits at December 31, 2019 were \$404.9 million, an increase of \$3.2 million, from \$401.7 million at December 31, 2018. The mix of our deposits improved significantly, as demand and non-maturity interest bearing balances grew \$13.4 million. This significant core deposit growth helped contain the increase in the cost of funds for interest bearing deposits. The cost of total interest bearing deposits increased from .69% for year end 2018, to .82% for year end 2019. Non-maturity transaction and savings accounts comprised 64% of total deposits at December 31, 2019, compared to 61% at December 31, 2018. (See Table 6: Deposits).

Capital levels

Stockholders' equity increased \$4.7 million, from \$60.9 million at December 31, 2018, to \$65.6 million at December 31, 2019. The increase is comprised primarily of net income less cash dividends of \$4.2 million. For the Company, the Tier I ratio increased 63 basis points, from 17.39% to 18.02%. The total capital ratio increased 63 basis points, from 18.64% to 19.27%. The common equity leverage ratio increased 94 basis points, from 12.95% to 13.89%. (See Table 7: Stockholders' Equity)

For the Bank, the Tier I ratio increased 63 basis points, from 17.38% to 18.01%. The total capital ratio increased 62 basis points, from 18.64% to 19.26%. The common equity leverage ratio increased 93 basis points, from 12.95% to 13.88%. All Bank capital ratios exceed the regulatory capital definition of well capitalized. (See Table 7: Stockholders' Equity)

QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31	
	2019	2018
ASSETS		
Cash and due from banks	\$ 5,371	5,875
Interest bearing deposits with banks	40,935	46,652
Total cash and cash equivalents	46,306	52,527
Securities available-for-sale (at fair value)	15,327	15,542
Federal Home Loan Bank stock (at cost)	432	432
Loans	395,909	381,897
Less allowance for loan losses	(5,752)	(5,966)
Loans, net	390,157	375,931
Premises and equipment, net	5,799	5,461
Bank owned life insurance	11,472	11,141
Other real estate	89	50
Deferred income taxes	1,163	1,616
Accrued interest receivable	1,590	1,628
Prepaid expenses	297	333
Other assets	490	350
TOTAL ASSETS	\$ 473,122	465,011
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest bearing deposits	\$ 105,530	104,778
Interest bearing deposits	299,383	296,988
Total deposits	404,913	401,766
Accrued expenses and other liabilities	2,595	2,297
Total liabilities	407,508	404,063
 Common stock - \$10 par value; shares authorized 10,000,000, shares issued and outstanding 1,192,281 and 1,188,081 , respectively		
	11,923	11,881
Additional paid in capital	309	184
Retained earnings	53,368	49,127
Accumulated other comprehensive income (loss)	14	(244)
Total stockholders' equity	65,614	60,948
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 473,122	465,011

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

(Dollars in thousands, except per share information)

	Years Ended		
	2019	2018	2017
INTEREST INCOME:			
Interest and fees on loans	\$ 20,284	19,458	19,227
Interest and dividends on investment securities	435	376	252
Other interest income	884	1,224	801
Total interest income	21,603	21,058	20,280
INTEREST EXPENSE:			
Interest on deposits	2,455	2,157	2,158
Net interest income	19,148	18,901	18,122
Provisions for loan losses	-	300	600
Net interest income after provisions for loan losses	19,148	18,601	17,522
NONINTEREST INCOME:			
Service charges on deposit accounts	594	634	621
Other income	772	572	481
Net gain (loss) on sales of other real estate	51	53	167
Total noninterest income	1,417	1,259	1,269
NONINTEREST EXPENSES:			
Salaries and employee benefits	6,573	6,207	6,051
Data processing and electronic banking expenses	1,047	865	778
Occupancy expense	638	707	628
Equipment expenses	351	345	347
FDIC insurance premiums	62	137	189
Other real estate expenses	19	141	126
Other expenses	1,633	1,551	1,471
Total noninterest expenses	10,323	9,953	9,590
Income before income taxes	10,242	9,907	9,201
Income tax expense	2,722	2,679	3,956
Net income	\$ 7,520	7,228	5,245
Basic net income per common share	\$ 6.31	5.99	4.20
Diluted net income per common share	\$ 6.28	5.98	4.20
Basic weighted average common shares outstanding	1,191,168	1,205,830	1,249,663
Diluted weighted average common shares outstanding	1,197,659	1,208,487	1,249,852

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

	Years Ended		
	2019	2018	2017
Net income	\$ 7,520	7,228	5,245
Other comprehensive income (loss), before tax:			
Securities available for sale:			
Unrealized holding gains (losses) arising during the period	356	(244)	36
Other comprehensive income (loss), before tax	356	(244)	36
Income tax effect	(98)	67	(14)
Other comprehensive income (loss), net of tax	258	(177)	22
Total comprehensive income	<u>\$ 7,778</u>	<u>7,051</u>	<u>5,267</u>

QUEENSTOWN BANCORP OF MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2019, 2018 and 2017
(Dollars in thousands, except per share information)

	<u>Common Stock</u>		Additional	Retained	Accumulated	Total
	Shares	Par Value	paid -in capital	Earnings	Other Comprehensive Income (Loss)	
Balances at January 1, 2017	1,259,330	\$ 12,593	139	42,846	(78)	55,500
Net Income	-	-	-	5,245	-	5,245
Other comprehensive income, net of tax	-	-	-	-	22	22
Reclassification of remaining tax effects on deferred tax assets on securities available for sale	-	-	-	11	(11)	-
Stock repurchases	(33,205)	(332)	-	(830)	-	(1,162)
Stock option compensation	-	-	15	-	-	15
Cash dividends (\$1.25 per share)	-	-	-	(1,545)	-	(1,545)
Balances at December 31, 2017	1,226,125	12,261	154	45,727	(67)	58,075
Net Income	-	-	-	7,228	-	7,228
Other comprehensive (loss), net of tax	-	-	-	-	(177)	(177)
Stock repurchases	(38,514)	(385)	-	(1,155)	-	(1,540)
Stock options exercised	470	5	11	-	-	16
Stock option compensation	-	-	19	-	-	19
Cash dividends (\$2.25 per share)	-	-	-	(2,673)	-	(2,673)
Balances at December 31, 2018	1,188,081	11,881	184	49,127	(244)	60,948
Net Income	-	-	-	7,520	-	7,520
Other comprehensive income, net of tax	-	-	-	-	258	258
Stock options exercised	4,200	42	106	-	-	148
Stock option compensation	-	-	19	-	-	19
Cash dividends (\$2.75 per share)	-	-	-	(3,279)	-	(3,279)
Balances at December 31, 2019	<u>1,192,281</u>	<u>\$ 11,923</u>	<u>309</u>	<u>53,368</u>	<u>14</u>	<u>65,614</u>

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

(Dollars in thousands)

	Years Ended		
	2019	2018	2017
OPERATING ACTIVITIES:			
Net Income	\$ 7,520	7,228	5,245
Adjustments to reconcile net income to net cash provided by operating activities:			
Premium amortization on securities	45	67	90
Depreciation and amortization	372	368	376
Net (gain) loss on sales of other real estate	(51)	(53)	(167)
Provision for loan losses	-	300	600
Deferred tax expense (benefit)	355	(585)	455
Stock option compensation	19	19	15
Net changes in:			
Accrued interest receivable	38	(131)	(48)
Accrued expenses and other liabilities	298	205	248
Prepaid expenses	36	(17)	6
Other operating activities	17	432	111
Net cash provided by operating activities	<u>8,649</u>	<u>7,833</u>	<u>6,931</u>
INVESTING ACTIVITIES:			
Purchases of securities available-for-sale	(2,327)	(4,968)	(4,830)
Proceeds from calls and maturities of securities available-for-sale	1,000	-	500
Principal payments received on securities available-for-sale	1,854	1,471	2,444
Net (increase) decrease in loans	(14,982)	(4,435)	5,689
Purchases of FHLB stock	-	(2)	(14)
Purchases of bank owned life insurance	-	(5,000)	-
Purchases of premises and equipment	(710)	(469)	(180)
Purchases and improvements of other real estate	-	-	(32)
Proceeds from sales of other real estate	279	1,289	1,531
Net cash (used) provided by investing activities	<u>(14,886)</u>	<u>(12,114)</u>	<u>5,108</u>
FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	3,147	(2,786)	(789)
Purchases of common stock	-	(1,540)	(1,151)
Stock options exercised	148	16	-
Dividends paid	(3,279)	(2,673)	(1,545)
Net cash (used) provided by financing activities	<u>16</u>	<u>(6,983)</u>	<u>(3,485)</u>
Net (decrease) increase in cash and cash equivalents	(6,221)	(11,264)	8,554
Cash and cash equivalents at beginning of year	52,527	63,791	55,237
Cash and cash equivalents at end of year	<u>\$ 46,306</u>	<u>52,527</u>	<u>63,791</u>
Supplemental disclosures:			
Interest payments	\$ 2,435	2,121	2,185
Income tax payments	2,503	3,173	3,497
Noncash investing and financing activities:			
Transfers to other real estate	266	-	1,311

TABLE 1: AVERAGE BALANCES AND NET INTEREST INCOME ANALYSIS

Taxable Equivalent Basis - In Thousands (1)	Years Ended December 31								
	2019			2018			2017		
	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)	\$ 388,259	20,313	5.23%	\$ 373,442	19,493	5.22%	\$ 377,730	19,337	5.12%
Securities – taxable (3)	15,306	440	2.87%	14,779	383	2.59%	11,503	259	2.25%
Interest bearing deposits									
with banks and federal funds sold	42,212	884	2.09%	67,343	1,224	1.82%	71,488	799	1.12%
Total earning assets	445,777	21,637	4.85%	455,564	21,100	4.63%	460,721	20,395	4.43%
NON-EARNING ASSETS									
Cash and due from banks	\$ 2,678			\$ 2,224			\$ 2,205		
Premises and equipment, net	5,627			5,306			5,445		
All other assets, net	18,343			14,729			15,619		
Less: allowance for loan losses	(5,913)			(5,684)			(5,819)		
Total assets	466,512			472,139			478,171		
INTEREST-BEARING LIABILITIES									
Savings and time deposits	\$ 298,501	2,457	0.82%	\$ 312,304	2,157	0.69%	\$ 327,028	2,158	0.66%
OTHER LIABILITIES AND STOCKHOLDERS' EQUITY									
Demand deposits	\$ 101,504			\$ 97,530			\$ 91,276		
Other liabilities	2,185			2,044			2,008		
Stockholders' equity	64,322			60,261			57,859		
Total liabilities and stockholders' equity	466,512			472,139			478,171		
Net interest income and net interest margin (4)		19,180	4.30%		18,943	4.16%		18,237	3.96%
Interest rate spread (5)			4.03%			3.94%			3.77%

(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: LOANS

At December 31, 2019 and 2018 loans were as follows:

	2019	2018
Real estate:		
Construction and land development	\$ 30,011	23,763
Secured by farmland	36,192	38,265
Commercial	119,378	114,768
Residential	185,586	177,873
Commercial and agricultural	17,590	19,624
Consumer	7,152	7,604
Total	<u>\$ 395,909</u>	<u>381,897</u>

A summary of current, past due, and nonaccrual loans as of December 31, 2019 and 2018 was as follows:

	Current	30-89 Days Past Due	90 Days or more Past Due and accruing	Nonaccrual	Total
As of December 31, 2019					
Real estate:					
Construction and land development loans	\$ 29,337	-	674	-	30,011
Secured by farmland	31,910	3,512	-	770	36,192
Commercial	117,920	137	-	1,321	119,378
Residential	182,020	2,280	633	653	185,586
Commercial and agricultural	17,518	51	21	-	17,590
Consumer	7,073	79	-	-	7,152
Total	<u>\$ 385,778</u>	<u>6,059</u>	<u>1,328</u>	<u>2,744</u>	<u>395,909</u>
Percentage of loan portfolio	97.4%	1.5%	0.4%	0.7%	100%
As of December 31, 2018					
Real estate:					
Construction and land development loans	\$ 23,731	-	-	32	23,763
Secured by farmland	35,763	1,475	229	798	38,265
Commercial	113,465	955	-	348	114,768
Residential	174,899	1,299	183	1,492	177,873
Commercial and agricultural	18,967	106	551	-	19,624
Consumer	7,574	30	-	-	7,604
Total	<u>\$ 374,399</u>	<u>3,865</u>	<u>963</u>	<u>2,670</u>	<u>381,897</u>
Percentage of loan portfolio	98.0%	1.0%	0.3%	0.7%	100%

TABLE 3: ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the year ended December 31, 2019 and 2018 were as follows:

As of December 31, 2019	
Beginning Balance	\$ 5,966
Provision for loan losses	-
Net charge-offs:	
Charge-offs	(346)
Recoveries	132
Net (charge-offs) recoveries	<u>(214)</u>
Ending balance	<u>\$ 5,752</u>
As of December 31, 2018	
Beginning Balance	\$ 5,297
Provision for loan losses	300
Net charge-offs:	
Charge-offs	(165)
Recoveries	534
Net recoveries (charge-offs)	<u>369</u>
Ending balance	<u>\$ 5,966</u>

TABLE 4: NONPERFORMING ASSETS

In Thousands	As of December 31	
	2019	2018
Nonaccrual loans	\$ 2,744	2,670
Accruing loans 90 days or more past due	1,328	963
Total nonperforming loans	<u>4,072</u>	<u>3,633</u>
Other real estate acquired through loan foreclosures	89	50
Total nonperforming assets	<u>\$ 4,161</u>	<u>3,683</u>
Tier I capital	\$ 65,572	61,163
Percentage of nonperforming assets to Tier I capital	6.35%	6.02%
Allowance for loan losses	\$ 5,752	5,966
Allowance for loan losses to total nonperforming loans	141.3%	164.2%

TABLE 5: 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, 2019 and 2018. 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
As of December 31, 2019				
Pass	\$ 29,291	182,454	149,921	17,103
Criticized accrual	720	2,479	3,558	487
Criticized nonaccrual	-	653	2,091	-
Total	\$ 30,011	185,586	155,570	17,590
As of December 31, 2018				
Pass	\$ 23,654	173,753	147,089	18,985
Criticized accrual	77	2,628	4,798	639
Criticized nonaccrual	32	1,492	1,146	-
Total	\$ 23,763	177,873	153,033	19,624

	2019	2018
Criticized accrual loans	\$ 7,244	8,142
Criticized nonaccrual loans	2,744	2,670
Total criticized loans	\$ 9,988	10,812
Allowance for loan losses	\$ 5,752	5,966
Tier I capital	65,572	61,163
Totals	\$ 71,324	67,129
Total criticized loans to the allowance for loan losses plus Tier I capital	14.0%	16.1%

TABLE 6: DEPOSITS

A breakdown of interest bearing deposits at December 31, 2019 and 2018 by type of account were as follows:

	2019	2018
Savings and money market	\$ 102,457	100,754
Interest bearing demand	49,335	38,443
Time deposits of less than \$100,000	63,555	66,463
Time deposits of \$100,000 through \$250,000	56,401	60,178
Time deposits of more than \$250,000	27,635	31,150
Total interest bearing deposits	<u>\$ 299,383</u>	<u>296,988</u>

At December 31, 2019, the scheduled maturities of time deposits were as follows:

2020	\$ 71,677
2021	56,816
2022	13,776
2023	2,436
2024	2,886

Interest on deposits for the years ended December 31, 2019, 2018 and 2017 consisted of the following:

	2019	2018	2017
Savings and money market	\$ 167	167	153
Interest bearing demand	186	122	69
Time deposits more than \$ 250,000	472	575	600
Other time deposits	1,631	1,293	1,336
Total interest on deposits	<u>\$ 2,456</u>	<u>2,157</u>	<u>2,158</u>

TABLE 7: 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, 2019, the capital levels of the Company and the Bank exceed all capital adequacy requirements to which they are subject.

As of December 31, 2019, 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, 2019				
Total capital (to risk weighted assets):				
Company (consolidated)	\$ 70,166	19.27%	8%	
Bank	70,138	19.26%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	65,600	18.02%	6%	
Bank	65,572	18.01%	6%	8%
Common equity tier I				
Company (consolidated)	65,600	18.02%	4.50%	
Bank	65,572	18.01%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	65,600	13.89%	4%	
Bank	65,572	13.88%	4%	5%
As of December 31, 2018				
Total capital (to risk weighted assets):				
Company (consolidated)	\$ 65,611	18.64%	8%	
Bank	65,582	18.64%	8%	10%
Tier I capital (to risk weighted assets):				
Company (consolidated)	61,192	17.39%	6%	
Bank	61,163	17.38%	6%	8%
Common equity tier I				
Company (consolidated)	61,192	17.39%	4.50%	
Bank	61,163	17.38%	4.50%	6.50%
Tier I capital (to average assets):				
Company (consolidated)	61,192	12.95%	4%	
Bank	61,163	12.95%	4%	5%

Queenstown Bank of Maryland

Branch Information

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

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

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
Branch Manager: Dora Torres

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

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

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

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

Officers

Patrick E. Thompson	Chairman of the Board
Kevin B. Cashen	President/CEO
James P. Shaw	Senior Vice President/CFO
Peggy E. Lewis	Senior Vice President/CCBIA
C. Franklin Russum	Senior Vice President
Tracy Whitby-Fairall	Senior Vice President/COO
Christina Wilkins	Senior Vice President
Brooke Horney	Senior Vice President
Jessica Fox	Senior Vice President
Deanna Lintz	Senior Vice President
JoEllen Calloway	Vice President
Karen Dean	Vice President
Patricia Tarr	Vice President
Katie Anderson	Vice President
Heather Jarrell	Vice President
Michael Lucas	Vice President
Rose Kleckner	Vice President
Kathryn Clark	Vice President
Tammy Taylor	Vice President
Linda Chance	Assistant Vice President
Karen Clough	Assistant Vice President
Heather Dodd	Assistant Vice President
Patricia Murchake	Assistant Vice President
Kathleen Kendall	Assistant Vice President
Brittany Bordley	Assistant Vice President
Warren Phillips	Assistant Vice President
Cynthia Alt	Assistant Vice President
James W. Willey	Assistant Vice President
Holly Rhodes	Assistant Vice President

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

Directors

Kevin B. Cashen
Bernard "Andy" Cheezum, Jr.
Wm. Thomas Davis, Jr.
James R. Friel, III
Chad M. Helfenbein
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