

Queenstown Bank

7101 Main Street • P.O. Box 120
Queenstown, Maryland 21658

QUEENSTOWN - Queenstown Bancorp of Maryland, Inc. reported its financial results for the nine months ended September 30, 2016.

Net income was \$3.8 million, or \$3.08 per share, for the nine months ended September 30, 2016, compared to net income of \$3.7 million, or \$2.96 per share for the same nine months of 2015. These earnings result in a return on average assets of 1.12% and a return on average stockholders' equity of 9.44%.

Stable interest income on loans combined with lower funding costs achieved by strong nonmaturity deposit growth produced net interest income of \$13.4 million for the first nine months of 2016, compared to \$13.3 million for the same nine months of 2015. Nonmaturity deposits grew from \$205 million at September 30, 2015 to \$220 million at September 30, 2016. Loans outstanding at September 30, 2016 were \$388.4 million compared to \$394.3 million at September 30, 2015. The 2015 loan balances included short term commercial construction loan balances that paid off in early 2016. Excluding these loan balances, loan balances are essentially unchanged from 2015. Loan portfolio yields are stable at 5.15% for the nine months ended September 30, 2016, compared to 5.18% for the same nine months of 2015.

The provision for loan losses was reduced from \$941 thousand for the first nine months of 2015, to \$810 thousand for the first nine months of 2016. Nonperforming loans placed on a nonaccrual status have been sharply reduced from \$7 million at September 30, 2015 to \$4.7 million at September 30, 2016. The allowance for loan losses as a percentage of total loans was 1.43 % at September 30, 2015, compared to 1.54% at September 30, 2016.

Noninterest expenses have decreased from \$7.3 million for the nine months ended September 30, 2015, to \$7.2 million for the nine months ended September 30, 2016. Noninterest expense controls have improved our efficiency ratio, the cost of producing \$1 of revenue, to 49.95 % for the nine months ended September 30, 2016, compared to 50.13 % for the nine months ended September 30, 2015. This efficiency ratio remains one of the best efficiency ratios of all independent banks in Maryland.

Stock is available for purchase. Recent prices that we are aware of range from \$28 - \$31 per share. Please contact us if interested in purchasing available shares of stock.

Queenstown Bank has eight mid-shore offices, including the main office in Queenstown and branches in Chester, Benton's Crossing, Grasonville, Centreville, Easton, Ridgely and Church Hill.

#####

QUEENSTOWN BANK OF MARYLAND				
FINANCIAL PERFORMANCE SUMMARY & RATIOS				Budget
	September 30,	September 30,	%	September 30,
(Dollars in thousands, except per share data)	2016	2015	change	2016
PROFITABILITY				
Net interest income	\$ 13,493	\$ 13,378	0.86%	\$ 13,425
Noninterest income	827	883	-6.34%	854
Securities gains	-	20		-
Noninterest expenses	7,214	7,346	-1.80%	7,480
Income before credit losses, securities gains, other real estate expenses & income taxes	7,348	7,321	0.37%	7,038
Provisions for loan and other credit losses	810	941	-13.92%	749
Income before taxes	6,296	5,974	5.39%	6,050
Income tax expense	2,416	2,248	7.47%	2,322
Net income	3,880	3,726	4.13%	3,728
Return on average assets	1.12%	1.13%		1.14%
Return on average equity	9.44%	9.95%		9.67%
Net interest margin	4.13%	4.31%		4.25%
*Efficiency ratio excluding oreo gains (losses)	49.95%	50.13%		51.17%
BALANCE SHEET				
Loans	\$ 388,489	\$ 394,368	-1.49%	
Loan loss reserve	5,990	5,652	5.98%	
Loans, net of loan loss reserve	382,499	388,716	-1.60%	
Interest bearing deposits with banks	55,629	32,466	71.35%	
Total assets	469,519	451,587	3.97%	
Deposits	411,829	398,049	3.46%	
Borrowings	-	-		
Stockholders' equity	55,736	51,708	7.79%	
Loans / Deposits	94.33%	99.08%		
Loan loss reserve / Loans	1.54%	1.43%		
REGULATORY CAPITAL RATIOS				
QUEENSTOWN BANK -				capital
Tier I leverage ratio	11.86%	11.58%	7.00%	policy
Common equity risk based	16.05%	14.65%	7.00%	
Tier I risk-based capital ratio	16.05%	14.65%	8.50%	
Total risk based capital ratio	17.30%	15.91%	10.50%	
Total risk weighted assets	346,819	352,461		
Total average assets quarter to date	469,100	446,008		
Tier I	\$ 55,650	51,648		
Total capital	\$ 60,008	56,069		