



Your Partner In Correspondent Banking

December 7, 2010

Dear Fellow Shareholders:

Your Bank earned a profit of \$29,000 for the quarter ending September 30, 2010 compared to a loss of \$233,000 for the same period last year. For the nine months ending September 30, 2010, the Bank lost \$326,000 compared to a loss of \$274,000 for the same period last year. The YTD losses for 2010 and 2009 were a result of \$814,000 and \$623,000 loan loss provision respectively.

As of September 30, 2010, our non-performing loans were 7.3% of total loans and the loan loss reserve was 2.5% of total loans outstanding. We believe our non-performing loans peaked in May of this year, and have steadily moved downward since then. We had no loans in the 30-89 day past due category as of September 30, 2010. All of our asset quality ratios have continued to improve on a month to month basis.

At September 30, 2010, our total risk based capital ratio was 11.7% which exceeds the 10% ratio to be considered a well capitalized bank under regulatory guidelines. Our cash and securities were 25% of total liabilities as of September 30, 2010. Accordingly, our capital ratio and liquidity remain strong.

Our profitability continued in October and November and we continue to focus our efforts on maintaining credit quality and reducing non performing loans. We have attached to this letter, selected financial information for the quarter and year to date.

Thank you for your continued support and please feel free to contact us if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Rick".

Richard E. Hook, IV
Chairman of the Board
410-296-1533
rhook@mdfinbank.com

A handwritten signature in blue ink that reads "Bob".

Robert R. Chafey
President & CEO
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SELECTED FINANCIAL INFORMATION

(As of September 30)

	<u>2010</u> (Unaudited) (nine months ended September 30)	<u>2009</u> (Unaudited) (nine months ended September 30)	<u>2010</u> (Unaudited) (three months ended September 30)	<u>2009</u> (Unaudited) (three months ended September 30)
Statements of Income (\$000)				
Net Interest Income	\$ 1,757	\$ 1,504	\$ 601	\$ 624
Loan Loss Provision	814	623	138	404
Other Income	103	111	29	3
Operating Expenses	1,358	1,221	457	439
Preferred Stock Dividends and Discount Accretion	14	45	6	17
Income Tax Benefit	-	-	-	-
Net Loss Available to Common Shareholders	<u>\$ (326)</u>	<u>\$ (274)</u>	<u>\$ 29</u>	<u>\$ (233)</u>
Balance Sheet (\$000)				
Cash	\$ 111	\$ 77		
Interest Bearing Deposits	12,262	21,581		
Investments	5,802	5,086		
Loans	57,957	61,947		
Allowance for Loan Losses	(1,453)	(1,413)		
Loans (net)	<u>\$ 56,504</u>	<u>\$ 60,534</u>		
Other Real Estate Owned	1,535	-		
Total Assets	\$ 77,786	\$ 88,008		
Deposits/Fed Funds Purchased	\$ 21,758	\$ 30,091		
CD's	49,104	50,600		
Total Deposits	<u>\$ 70,862</u>	<u>\$ 80,691</u>		
Capital	\$ 6,520	\$ 6,829		
Asset Quality				
Non-Performing Loans -				
% Total Loans	7.33%	2.82%		
Loans 30-89 Days Past Due-				
% Total Loans	0.00%	1.20%		
Loan Loss Reserve - % Total Loans	2.51%	2.28%		
Performance Ratios				
Efficiency Ratio	80.60%	67.10%		
Net Interest Spread	2.21%	3.05%		
Book Value	\$ 12.85	\$ 13.73		
Capital Ratios				
Tier 1 Leverage	8.45%	5.00% *	8.36%	5.00% *
Tier 1 Risk-Based Capital	10.45%	6.00% *	10.36%	6.00% *
Total Risk Based Capital	11.71%	10.00% *	11.62%	10.00% *

*Amount required to be well capitalized under regulatory guidelines.