



*Your Partner In Correspondent Banking*

May 14, 2010

Dear Fellow Shareholders:

Your Bank sustained a loss of \$13,000 for the three months ended March 31, 2010 after adding \$191,000 to the Allowance for Loan Losses. For the same period last year, we earned \$110,000 with a \$3,000 addition to the allowance.

As of March 31, 2010, our non-performing assets (NPAs) were 4.9% and the loan loss reserve was 3.0% of total loans outstanding. The increase in NPAs from December 31, 2009 is a result of three loans moving to non-accrual status. Loan volume has been flat since year end.

At quarter ending March 31, 2010, our total risk based capital ratio was 12% which exceeds the 10% ratio to be considered a well capitalized bank under regulatory guidelines. Our cash and securities were 24.1% of total assets as of March 31, 2010. Accordingly, our capital ratios and liquidity remain strong.

Your management team continues to focus on credit quality and moderate loan growth. We have taken a conservative approach to setting aside reserves while maintaining our well capitalized status.

Our annual meeting will be held on May 25<sup>th</sup> at 2:00 p.m. at our office in Towson and we hope you can join us.

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

Sincerely,

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MARYLAND FINANCIAL BANK

*Your Partner In Correspondent Banking*

## SELECTED FINANCIAL INFORMATION

(As of March 31)

<u>Statements of Income (\$000)</u> (3 months ended March 31)	<u>2010</u> (Unaudited)	<u>2009</u> (Unaudited)		
Net Interest Income	\$ 625	\$ 431		
Loan Loss Provision	191	3		
Other Income	35	54		
Operating Expenses	477	371		
Preferred Stock Discount Accretion	5	1		
Income Tax Benefit	-	-		
Net Income (Loss) Available to Common Shareholders	<u>\$ (13)</u>	<u>\$ 110</u>		
<u>Balance Sheet (\$000)</u>				
Cash	\$ 91	\$ 68		
Interest Bearing Deposits	13,661	21,533		
Investments	5,400	3,764		
Fed Funds Sold	-	10		
Loans	60,799	53,627		
Allowance for Loan Losses	<u>(1,884)</u>	<u>(794)</u>		
Loans (net)	<u>\$ 58,915</u>	<u>\$ 52,833</u>		
Total Assets	79,122	78,932		
Deposits/Fed Funds Purchased	20,587	35,317		
CD's	51,259	35,989		
Total Deposits	<u>\$ 71,846</u>	<u>\$ 71,306</u>		
Capital	6,831	7,185		
Non-Performing Assets - % Total Assets	4.95%	2.42%		
Loan Loss Reserve - % Total Loans	3.10%	1.48%		
Tier 1 Leverage Ratio	8.33%	5.00% *	9.83%	5.00% *
Total Risk Based Capital Ratio	12.00%	10.00% *	13.31%	10.00% *

\*Amount required to be well capitalized under regulatory guidelines.