



MARYLAND FINANCIAL BANK

*Your Partner In Correspondent Banking*

August 21, 2009

Dear Fellow Shareholders:

We are pleased to enclose Maryland Financial Bank's Unaudited Financial Statements for the period ending June 30, 2009. Your Bank is currently doing business with more than 85 community banks in our market. And, while the current economic climate has been very challenging to all banks, the majority of community banks are well capitalized, profitable and lending to their customers.

### **Earnings**

For the first six months of 2009, MFB had operating profits of \$178,000; however, we felt it prudent to add an additional \$219,000 to our allowance, which resulted in a loss of \$41,000. Our loss for six months was \$41,000 compared to a loss of \$27,000 for the same period last year. We felt it was prudent to increase our allowance by an additional \$150,000 compared to last year. And, while we expensed a \$30,000 special FDIC Assessment, our operating expenses did not increase over the twelve-month period.

### **Capital & Liquidity**

Our total risk-based capital ratio at June 30, 2009 was 12.87 percent. To be considered well capitalized, the ratio must be 10 percent or higher. Also, the Federal Reserve approved our Bank for a borrowing facility up to \$15 million. Accordingly, our liquidity is very strong.

### **Asset Quality**

As of June 30, 2009, our non-performing assets increased to 3.3 percent of total assets compared to 1.4 percent on June 30, 2008. Loans past due 30–89 days as a percentage of total loans, improved to 1.3 percent at June 30, 2009, compared to 2.5 percent at June 30, 2008. Your management team is focused on credit quality, and we expect the commercial real estate market to become more challenging. We recently hired Andy Hines as our Chief Credit Officer. With an extensive background in credit, Andy is charged with monitoring existing credits in our portfolio and the underwriting of new loans.



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### **Asset Growth**

Our loans grew \$3.1 million or six percent for the twelve months ending June 30, 2009. They were funded by increases in capital and deposits. Our loan pipeline continues to build, and, as of August 7, 2009, our loans outstanding were \$59 million.

### **Strategic Partners**

Attached is a list of the Bank's strategic partners. Pay particular attention to both Bank Realty LP, which is one of the few sources of capital for community banks, and Mackenzie Capital, who can provide equity for slow moving real estate projects. Call us for an introduction.

### **Future Communications**

We are still trying to collect e-mail addresses for all of our stockholders for the purpose of improving communications and reducing postage expense. If you have not yet done so, please forward your e-mail address to [jkopajtic@mdfinbank.com](mailto:jkopajtic@mdfinbank.com).

Thank you for your continued support and please feel free to contact either of us.

A handwritten signature in blue ink, appearing to read "R Hook", written in a cursive style.

Richard E. Hook, IV  
Chairman of the Board  
410-296-1533  
[rhook@mdfinbank.com](mailto:rhook@mdfinbank.com)

A handwritten signature in blue ink, appearing to read "Robert R. Chafey", written in a cursive style.

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