



MARYLAND FINANCIAL BANK

Your Partner In Correspondent Banking

November 30, 2009

Dear Fellow Shareholders:

Your bank continues to be pro-active in setting aside additional reserves to bolster our Allowance for Loan Losses. While we have not sustained a loan loss since the Bank was formed in November, 2004, we feel it is prudent to build reserves in times of economic uncertainty.

Asset Quality

As of September 30, 2009, our non-performing assets (NPAs) were 1.98% compared to 1.47% as of September 30, 2008. If you compare our NPA's to June 30, 2009, they have improved from 3.3% to 1.99%. Our loans past due 30-89 days as of September 30, 2009 were 1.2% compared to 1.06% as of September 30, 2008. Our loan loss reserve was 2.28% of total loans. Your management team is clearly focused on credit quality and booking quality loans.

Capital & Liquidity

Your bank's total risk based capital ratio was 11.62% as of September 30, 2009. To be considered a well capitalized bank under regulatory guidelines, the ratio must be at least 10%. We have unused liquidity lines of credit totaling \$16 million from the Federal Reserve and the Federal Home Loan Bank. Our cash and securities were 33% of total liabilities at quarter end. Accordingly, our capital and liquidity positions remain very strong.

Earnings

As you can see from the attached financials, we lost \$274,000 for the nine months ending September 30, 2009 after taking \$623,000 in loan loss provisions. We continue to be profitable on an operating basis. Our results for the month of October, 2009, showed pre-tax earnings of \$72,000. Our efficiency ratio was 76% at September 30, 2009 compared to 91% for the same period last year. Our year-to-date expenses are up 6.5% over last year due to the FDIC special assessment and additional personnel expense in Credit Administration.



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Loan Growth

Our loan demand remains strong with loans increasing \$10.9 million or 21% since September, 2008. Loans grew 11% during the third quarter and we continue to see quality loan participation from our community bank customers.

Banking Opportunities

The banking dynamics in our market are changing as large money center banks pull back their lending in our community. This has created opportunities for local community banks and Maryland Financial Bank. While we think that economic conditions will be challenging for some time, we are very bullish on the long term future of community banking in our region. We are, however, concerned about the pace of regulatory change and its ultimate effect on community banks.

Strategic Partners

Attached is a list of the Bank’s strategic partners. Please 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 and permanent financing for slower moving real estate projects. Please call us for an introduction. We also offer loan review in our subsidiary; MFB Advisory Services, LLC.

Direct Lending

Under our charter as a Bankers Bank, we can lend directly to officers and directors of community banks. We have developed several very attractive direct loan products. Please call or email us for additional information.

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

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