

HARFORD BANK

A TOKEN FOR FINANCIAL ACHIEVEMENT



ANNUAL REPORT
2010



A Token For Financial Achievement

HARFORD BANK

Tokens offer a glimpse into a unique financial practice of Harford County business owners between 1850 and 1950. Stamped with the employers' initials, tokens were used to pay cannery workers for every bushel of tomatoes picked to every bucket of corn cut. These tokens would be traded in for currency or used to purchase goods and services which were honored by local merchants. Merchants would later sell them back to the canneries. This efficient payment system reduced bookkeeping tasks and established a self-supporting economy. The fiscal stability established by local cooperation is what Harford Bank continues to promote by creating opportunities and building trust within the community.





To Our Shareholders, Customers and Friends

On behalf of the directors, officers and entire staff, we are extremely proud to present our 2010 annual report highlighting our 46th year of success. In fact, our net income was the second best in the Bank's history, an excellent result for another challenging year. As you know, Harford and Cecil Counties, as well as the State of Maryland, have experienced some economic recovery with much of the improvement yet to be realized. Our continued profitability and capital strength has allowed us to pay a 2010 cash dividend of \$.70 per share on an adjusted basis. The last cash dividend was the 173rd consecutive quarterly dividend paid by the Bank. Also, a 3% stock dividend was paid to our shareholders in December 2010 representing the 19th consecutive year a stock dividend has been paid by the Bank. Management continues to pursue a strategy to enhance shareholder value by using capital to finance growth, both internal and external, and when capital is not needed for that purpose, returning it to the shareholders in dividends. The Bank repurchased 6,498 shares of common stock during 2010. In 2010, return on average assets, a key measure of profitability, was .73% compared to .66% in 2009; and return on average equity was 7.69% compared to 6.78% in 2009. At December 31, 2010, our total assets were \$276,693,766 and our net income for the year was \$1,967,139, representing a 19.45% increase over 2009. Net loan volume increased to \$212,193,865 in 2010 and deposits were 10.26% higher compared to 2009, reducing the need for the Bank to borrow additional funds. The Bank's current stockholder's equity (book value) is \$24.91 compared to \$23.71 in 2009. Loans are the major portion of our earning assets and our loan portfolio is the largest in the Bank's history. It is important to emphasize that our loan losses have been managed effectively, as reflected in the analysis of loans and allowance for loan losses found in the notes to financial statements in this annual report. The allowance for loan losses to total loans was 1.15% at the end of the

year. The Bank's capital and operating efficiency ratios are all within industry and regulatory guidelines. During the year ahead we will remain focused on core deposit retention, capital management, and compliance with new regulatory requirements and mandates. Also, our 8th branch, located in Hickory, Maryland, will be open in April 2011. This branch is designed to utilize green technology and will be Eco-friendly. Continued investments in technology and product enhancements have ensured that our core bank operations, products and services are effectively meeting the current and future needs of our customers. For example, merchant remote deposit capture was successfully implemented for our commercial customer base in 2010.

These financial successes were realized through the extraordinary effort and dedication of our talented and devoted family of directors, officers and employees. The Bank remains a dedicated corporate citizen within our community. Finally, our goal is to continue profitable growth while maintaining the quality of our assets, which is accomplished by adhering to conservative underwriting standards through all economic cycles. Harford Bank will continue to evolve and will remain true to our ideals of quality service, conservativemanagement and a disciplined approach to growth. On behalf of the Board of Directors, we give you our sincere thanks for your continued support and trust in the Bank. We are optimistic about our future and remain firmly committed to enhancing your value as a shareholder of Harford Bank.


JOHN S. KARAS
CHAIRMAN

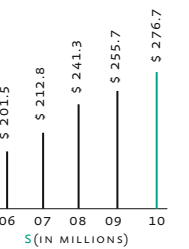
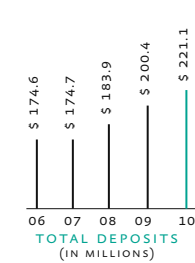
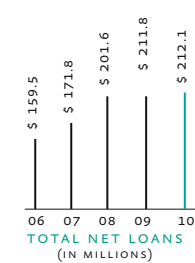
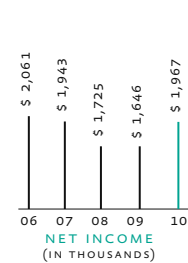

CHARLES H. JACOBS, JR.
PRESIDENT





Financial Highlights

DECEMBER 31,	2010	2009	% CHANGE 2010 OVER 2009
BALANCE SHEET			
Total assets	\$ 276,693,766	\$ 255,738,678	8.19%
Average total assets	267,693,339	251,126,163	6.60%
Total deposits	221,057,606	200,494,379	10.26%
Total loans (NET)	212,193,865	211,844,227	0.17%
Investment securities	26,676,214	15,722,507	69.67%
Stockholders' equity	25,988,757	24,504,309	6.06%
Average stockholders' equity	25,570,547	24,303,796	5.21%
INCOME STATEMENT			
Net interest income	\$ 10,746,558	\$ 9,718,777	10.58%
Noninterest revenue	1,477,093	1,522,676	-2.99%
Noninterest expenses	8,008,228	7,912,265	1.21%
Net income	1,967,139	1,646,822	19.45%
PER SHARE DATA (2009 restated for December, 2010 3% stock dividend)			
Net income per common share	\$ 1.90	\$ 1.59	19.50%
Cash dividends declared	0.70	0.69	1.45%
Stockholders' equity (BOOK VALUE)	24.91	23.71	5.06%
RATIOS			
Return on average assets	0.73%	0.66%	
Return on average equity	7.69%	6.78%	
Loans/total assets	76.69%	82.84%	
Stockholders' equity/total assets	9.39%	9.58%	
Allowance for loan losses/loans	1.15%	1.21%	
Net loans to deposits	95.99%	105.66%	





Report of Independent Registered Public Accounting Firm

We have audited the accompanying balance sheets of Harford Bank as of December 31, 2010, 2009, and 2008, and the related statements of income, stockholders' equity, and cash flows for each of the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Bank's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidencesupporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harford Bank as of December 31, 2010, 2009, and 2008, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Baltimore, Maryland
March 16, 2011

Rowles & Company LLP

ROWLES
& Company, LLP



BALANCE SHEETS

DECEMBER 31,	2010	2009	2008
ASSETS			
Cash and due from banks	\$ 5,802,693	\$ 7,793,071	\$ 8,614,427
Federal funds sold and Federal Home Loan Bank deposit	11,204,394	1,125,724	761,274
Cash and cash equivalents	17,007,087	8,918,795	9,375,701
Interest-bearing deposits in other banks	-	1,494,000	2,000,000
Securities held to maturity (fair value of \$26,545,513 , \$15,898,760, and \$13,302,356)	26,676,214	15,722,507	12,962,582
Federal Home Loan Bank stock, at cost	1,769,300	1,974,100	1,856,600
Loans, net	212,193,865	211,844,227	201,614,224
Bank premises and equipment	8,759,962	7,739,297	7,887,069
Prepaid income tax	125,683	-	-
Accrued interest receivable	978,261	854,830	843,809
Deferred income taxes	788,724	842,372	366,939
Bank owned life insurance	4,288,137	4,068,329	3,920,031
Foreclosed real estate	2,639,000	567,048	-
Other assets	1,467,533	1,713,173	506,648
	\$ 276,693,766	\$ 255,738,678	\$ 241,333,603
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits			
Noninterest-bearing	\$ 35,138,847	\$ 30,763,946	\$ 31,151,164
Interest-bearing	185,918,759	169,730,433	152,759,296
Total deposits	221,057,606	200,494,379	183,910,460
Federal funds purchased	-	-	2,600,000
Federal Home Loan Bank advances	28,428,571	29,285,714	30,142,857
Accrued interest payable	268,452	316,446	401,791
Income taxes payable	-	408,961	145,407
Dividend payable	198,254	170,568	97,894
Other liabilities	752,126	558,301	342,556
	250,705,009	231,234,369	217,640,965
Stockholders' equity			
Common stock, par value \$10 per share; authorized 5,000,000 shares; issued and outstanding 1,043,443.7 shares in 2010, 1,003,338.4 shares in 2009, and 978,794.8 shares in 2008	10,434,437	10,033,384	9,787,948
Surplus	11,928,624	11,533,953	11,131,217
Undivided profits	3,625,696	2,936,972	2,773,473
	25,988,757	24,504,309	23,692,638
	\$ 276,693,766	\$ 255,738,678	\$ 241,333,603

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31,	2010	2009	2008
INTEREST REVENUE			
Loans, including fees	\$ 13,620,487	\$ 13,277,884	\$ 12,280,729
Investment securities held to maturity	415,596	408,208	533,908
Federal funds sold and Federal Home Loan Bank deposit	17,576	14,434	110,017
Deposits in other banks	6,089	38,161	4,361
Other	8,490	6,177	43,212
Total interest revenue	14,068,238	13,744,864	12,972,227
INTEREST EXPENSE			
Deposits	2,342,012	3,010,608	3,752,571
Borrowed funds	979,668	1,015,479	722,631
Total interest expense	3,321,680	4,026,087	4,475,202
Net interest income	10,746,558	9,718,777	8,497,025
PROVISION FOR LOAN LOSSES			
Net interest income after provision for loan losses	1,225,000	862,463	319,992
NONINTEREST REVENUE			
Service charges on deposit accounts	997,128	1,054,497	1,138,625
Earnings on bank owned life insurance	149,808	148,298	146,622
Other fees and commissions	330,157	319,881	406,451
Total noninterest revenue	1,477,093	1,522,676	1,691,698
NONINTEREST EXPENSES			
Salaries and benefits	4,119,289	4,043,182	3,707,248
Occupancy	631,328	598,500	584,695
Furniture and equipment	427,821	489,410	597,524
Data processing expense	691,901	607,956	477,860
Professional fees	151,970	118,884	133,003
Director and committee fees	191,322	182,021	178,463
Stationery and supplies	151,566	146,135	161,052
FDIC and State Assessments	365,317	468,682	86,983
Advertising	97,840	122,507	149,724
Net losses and write-downs of repossessed assets and foreclosed real estate	207,453	113,166	124,322
Other operating	972,421	1,021,822	1,096,655
Total noninterest expenses	8,008,228	7,912,265	7,297,529
Income before income taxes	2,990,423	2,466,725	2,571,202
INCOME TAXES			
Net income	\$ 1,967,139	\$ 1,646,822	\$ 1,725,592
Basic earnings per share	\$ 1.90	\$ 1.59	\$ 1.66
Diluted earnings per share	\$ 1.90	\$ 1.59	\$ 1.65

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK			UNDIVIDED PROFITS
	SHARES	PAR VALUE	SURPLUS	
BALANCE, DECEMBER 31, 2007	956,575.7	\$ 9,565,757	\$ 10,617,918	\$ 2,956,152
Net income	-	-	-	1,725,592
Cash dividends, \$.84 per share	-	-	-	(884,168)
Common stock issued				
Options exercised, including tax benefit of \$14,384	4,687.0	46,870	83,378	-
Dividend reinvestment plan	11,873.0	118,730	375,828	-
3% stock dividend	28,510.6	285,106	738,997	(1,024,103)
Stock compensation expense	-	-	37,064	-
Stock acquired and cancelled	(22,851.5)	(228,515)	(721,968)	-
BALANCE, DECEMBER 31, 2008	978,794.8	9,787,948	11,131,217	2,773,473
Net income	-	-	-	1,646,822
Cash dividends, \$.69 per share	-	-	-	(717,607)
Common stock issued				
Options exercised, including tax benefit	927.0	9,270	20,383	-
Dividend reinvestment plan	7,721.0	77,210	168,186	-
3% stock dividend	29,225.8	292,258	473,458	(765,716)
Stock compensation expense	-	-	32,974	-
Stock acquired and cancelled	(13,330.2)	(133,302)	(292,265)	-
BALANCE, DECEMBER 31, 2009	1,003,338.4	10,033,384	11,533,953	2,936,972
Net income	-	-	-	1,967,139
Cash dividends, \$.70 per share	-	-	-	(731,334)
Common stock issued				
Options exercised, including tax benefit	920.0	9,200	18,271	-
Stock sold and dividend reinvestment	15,290.2	152,902	176,758	-
3% stock dividend	30,393.4	303,934	243,147	(547,081)
Stock compensation expense	-	-	39,037	-
Stock acquired and cancelled	(6,498.3)	(64,983)	(82,542)	-
BALANCE, DECEMBER 31, 2010	1,043,443.7	\$ 10,434,437	\$ 11,928,624	\$ 3,625,696

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2010			2009			2008		
CASH FLOWS FROM OPERATING ACTIVITIES									
Interest received	\$	13,985,403	\$	13,788,443	\$	13,013,410			
Fees and commissions received		1,492,878		1,526,497		1,690,378			
Interest paid		(3,369,674)		(4,111,432)		(4,523,599)			
Cash paid to suppliers and employees		(7,127,443)		(8,432,117)		(6,711,305)			
Income taxes paid		(1,504,280)		(1,031,782)		(879,562)			
		3,476,884		1,739,609		2,589,322			
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from maturities of investment securities		14,232,460		10,340,000		7,056,100			
Purchase of investment securities		(25,221,241)		(13,096,760)		(5,431,494)			
Purchases and redemption of FHLB stock		204,800		(117,500)		(863,900)			
Proceeds from maturities of (purchase of) certificates of deposit		1,494,000		506,000		(2,000,000)			
Loans originated, net of principal repayments		(4,369,160)		(11,956,231)		(30,241,024)			
BOLI investment purchase		(70,000)		-		-			
Proceeds from sale of foreclosed real estate		532,987		145,765		594,677			
Purchases of premises, equipment, and software		(1,404,480)		(349,114)		(214,677)			
		(14,600,634)		(14,527,840)		(31,100,318)			
CASH FLOWS FROM FINANCING ACTIVITIES									
Net increase in time deposits		5,749,442		6,990,722		6,689,666			
Net increase in other deposits		14,813,785		9,593,197		2,476,425			
Advances from FHLB		-		-		19,600,000			
Repayment of FHLB advances		(857,143)		(3,457,143)		(857,143)			
Dividends paid		(703,648)		(644,933)		(1,049,338)			
Dividends reinvested		329,660		245,396		494,558			
Stock options exercised, including tax benefit		27,471		29,653		130,248			
Stock acquired and cancelled		(147,525)		(425,567)		(950,483)			
		19,212,042		12,331,325		26,533,933			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,088,292		(456,906)		(1,977,063)			
Cash and cash equivalents at beginning of year		8,918,795		9,375,701		11,352,764			
Cash and cash equivalents at end of year	\$	17,007,087	\$	8,918,795	\$	9,375,701			

YEARS ENDED DECEMBER 31,	2010	2009	2008
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income	\$ 1,967,139	\$ 1,646,822	\$ 1,725,592
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Depreciation and amortization	405,690	476,904	518,754
Provision for loan losses	1,225,000	862,463	319,992
Deferred income taxes	53,648	(475,433)	(176,216)
Amortization of premiums and accretion of discounts, net	35,074	(3,165)	(14,595)
Gain on call of securities	-	-	(1,320)
Loss on disposition of building and equipment	15,785	3,821	-
Loss on disposition of foreclosed real estate	184,061	93,187	111,323
Stock-based compensation expense	39,037	32,974	37,064
Decrease (increase) in			
Accrued interest receivable	(123,431)	(11,021)	(30,333)
Prepaid income tax	(125,683)	-	-
Cash surrender value of BOLI	(149,808)	(148,298)	(146,622)
Other assets	207,980	(1,190,364)	(69,693)
Increase (decrease) in			
Deferred loan fees and costs	5,522	57,765	86,111
Accrued interest payable	(47,994)	(85,345)	(48,397)
Income taxes payable	(408,961)	263,554	142,264
Other liabilities	193,825	215,745	135,398
	<u>\$ 3,476,884</u>	<u>\$ 1,739,609</u>	<u>\$ 2,589,322</u>
Non-Cash Transactions:			
Transfer of loans to foreclosed real estate	\$ 2,789,000	\$ 567,048	\$ -

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies reflected in the financial statements conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions may affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NATURE OF OPERATIONS

Harford Bank provides a full range of banking services to customers located in Harford and Cecil Counties and surrounding areas of northeastern Maryland.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

INTEREST-BEARING DEPOSITS IN OTHER BANKS

Interest-bearing deposits mature within one year and are carried at cost.

INVESTMENT SECURITIES

Management has classified all securities as held to maturity. Management has the intent and ability to hold all securities to maturity. These securities are recorded at amortized cost which is cost adjusted for amortization of premiums and accretion of discounts to maturity. Premiums and discounts are recognized in interest revenue using the interest method over the term of the securities.

FEDERAL HOME LOAN BANK STOCK

As a member of the Federal Home Loan Bank, the Bank is required to purchase stock based on its total assets. Additional stock is purchased and redeemed based on the outstanding Federal Home Loan Bank advances to the Bank. The stock is carried at cost.

LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at face value, adjusted for the allowance for loan losses, and deferred origination fees and costs.

Interest on loans is accrued based on the principal amounts outstanding. Origination fees and costs are recognized as an adjustment to the related loan yield using an approximate interest method. The accrual of interest is discontinued when any portion of the principal or interest is ninety days past due and collateral is insufficient to discharge the debt in full. Past due status is based on the contractual terms of the loan.

Loans are considered impaired when, based on current information, management considers it unlikely that the collection of principal and interest payments will be made according to contractual terms. Generally, loans are not reviewed for impairment until the accrual of interest has been discontinued. If collection of principal is evaluated as doubtful, all payments are applied to principal.

Management considers a loan to be a troubled debt restructured loan when the terms have been renegotiated to a below market condition to provide a reduction of interest or deferral of principal or interest as a result of the deteriorating financial position of the borrower.

The allowance for loan losses represents an amount, which in management's judgment, will be adequate to absorb probable losses on existing loans that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectibility of loans. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrowers' ability to pay, overall portfolio quality, and review of specific problem areas. If the current economy or real estate market were to suffer a severe downturn, the estimate for uncollectible accounts would need to be increased. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

BANK PREMISES AND EQUIPMENT

Land is carried at cost. Buildings, furniture, equipment, and leasehold improvements are recorded at cost, less accumulated depreciation and amortization computed principally on the straight-line method over the estimated lives of the assets.

FORECLOSED REAL ESTATE

Real estate acquired through foreclosure is recorded at the lower of cost or fair value on the date acquired. Losses incurred at the time of acquisition of the property are charged to the allowance for loan losses. Subsequent reductions in the estimated value of the property are included in noninterest expense.

INCOME TAXES

The provision for income taxes includes taxes payable for the current year and deferred income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

PER SHARE DATA

Basic earnings per share are determined by dividing net income by the weighted average number of shares of common stock outstanding after giving retroactive effect to stock dividends. Diluted earnings per share are determined by including the average dilutive shares of common stock equivalents outstanding during the periods, calculated using the treasury stock method.

The weighted average number of common shares outstanding and dilutive common equivalent number of shares are as follows:

	2010	2009	2008
Weighted average common shares	1,037,785	1,033,569	1,042,236
Weighted average dilutive equivalent shares	249	524	4,130

STOCK-BASED COMPENSATION

The Bank accounts for employee and director stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock based compensation at the date of grant. The Bank accounts for stock based compensation in accordance with FASB ASC Topic 718, "Stock Compensation" under the modified prospective method. This standard requires public companies to recognize compensation expense related to stock based compensation awards in their income statements over the period during which an individual is required to provide service in exchange for such award. For the years ended December 31, 2010, 2009, and 2008, the Bank recorded stock based compensation expense of \$39,037, \$32,974, and \$37,064, respectively.

The weighted average fair value of options granted during 2010, 2009, and 2008 has been estimated using the Black-Scholes option pricing model with the following assumptions:

	2010	2009	2008
Dividend yield	2.71%	2.96%	2.37%
Risk-free interest rate	2.73%	1.54%	3.15%
Expected volatility	13.7% - 22.6%	12.5% - 18.9%	6.5% - 11.9%
Weighted average volatility	15.20%	14.26%	9.62%
Expected term (in years)	2.3-7.0	1.3-6.5	1.2 - 6.5

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Subsequent events

The Bank has evaluated events and transactions subsequent to December 31, 2010 through March 16, 2011, the date these financial statements were issued. No significant subsequent events were identified that would affect the presentation of the financial statements.

2. CASH AND CASH EQUIVALENTS

The Bank normally carries balances with other banks that exceed the federally insured limit. However, under the Dodd-Frank regulatory reform changes all funds in a "noninterest-bearing transaction account" are insured in full by the FDIC from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. The average balance carried in unsecured federal funds sold to the same banks was \$7,250,703, \$5,349,300, and \$4,490,078 for 2010, 2009, and 2008, respectively.

Banks are required to carry noninterest-bearing cash reserves at specified percentages of deposit balances. The Bank's normal amount of cash on hand and on deposit with other banks is sufficient to satisfy the reserve requirements.

3. SECURITIES HELD TO MATURITY

Investment securities are summarized as follows:

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
DECEMBER 31, 2010				
U.S. government agency	\$ 12,027,808	\$ 14,742	\$ 2,772	\$ 12,039,778
Mortgage-backed securities	4,858,791	-	93,930	4,764,861
Asset-backed securities	3,867,246	16,737	54,596	3,829,387
U.S. treasury notes	2,102,529	10,768	-	2,113,297
State and municipal	3,819,840	976	22,626	3,798,190
	<u>\$ 26,676,214</u>	<u>\$ 43,223</u>	<u>\$ 173,924</u>	<u>\$ 26,545,513</u>
DECEMBER 31, 2009				
U.S. government agency	\$ 12,485,764	\$ 167,362	\$ 8,247	\$ 12,644,879
U.S. treasury notes	2,105,204	-	5,689	2,099,515
State and municipal	1,131,539	22,827	-	1,154,366
	<u>\$ 15,722,507</u>	<u>\$ 190,189</u>	<u>\$ 13,936</u>	<u>\$ 15,898,760</u>
DECEMBER 31, 2008				
U.S. government agency	\$ 10,488,542	\$ 318,549	\$ 5,791	\$ 10,801,300
State and municipal	2,474,040	27,016	-	2,501,056
	<u>\$ 12,962,582</u>	<u>\$ 345,565</u>	<u>\$ 5,791</u>	<u>\$ 13,302,356</u>

Investment securities with unrealized losses as of December 31, 2010 are as follows:

	LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE
U.S. government agency	\$ 2,772	\$ 2,000,800	\$ -	\$ -	\$ 2,772	\$ 2,000,800
Mortgage-backed securities	93,930	4,764,860	-	-	93,930	4,764,860
Asset-backed securities	54,596	2,189,360	-	-	54,596	2,189,360
State and municipal	22,626	3,127,128	-	-	22,626	3,127,128
	<u>\$ 173,924</u>	<u>\$ 12,082,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,924</u>	<u>\$ 12,082,148</u>

3. SECURITIES HELD TO MATURITY (CONT.)

The securities experiencing a market loss as of December 31, 2010, are considered to be temporarily impaired. Currently, the unrealized losses do not exceed twelve months. Management has the intent and ability to hold these securities until maturity. In most cases, temporary impairment is caused by market interest rate fluctuations.

Contractual maturities and the amount of pledged securities at December 31, 2010, 2009, and 2008, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	DECEMBER 31, 2010		DECEMBER 31, 2009		DECEMBER 31, 2008	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Maturing						
Within one year	\$ 6,778,166	\$ 6,792,238	\$ 5,951,981	\$ 6,124,010	\$ 3,532,852	\$ 3,602,705
Over one to five years	10,736,456	10,732,119	9,770,526	9,774,750	9,429,730	9,699,651
Greater than five years	435,555	426,910	-	-	-	-
Mortgage-backed and asset-backed securities	8,726,037	8,594,246	-	-	-	-
	<u>\$ 26,676,214</u>	<u>\$ 26,545,513</u>	<u>\$ 15,722,507</u>	<u>\$ 15,898,760</u>	<u>\$ 12,962,582</u>	<u>\$ 13,302,356</u>
Pledged securities	<u>\$ 15,039,300</u>	<u>\$ 15,057,471</u>	<u>\$ 14,189,931</u>	<u>\$ 14,343,832</u>	<u>\$ 10,488,542</u>	<u>\$ 10,801,300</u>

Securities are pledged to secure deposits of federal and local governments.

4. LOANS

The Bank makes loans to customers located primarily in Harford County and surrounding areas. Substantial portions of the Bank's loans are secured by residential and commercial real estate. The performance of the loan portfolio will be influenced by the regional real estate market and economy.

Major classifications of loans are as follows:

	2010	2009	2008
Real estate			
Construction, development and other land loans	\$ 13,794,715	\$ 13,826,966	\$ 10,625,260
Secured by farmland	2,811,032	2,339,390	2,655,122
Residential	58,437,061	60,076,352	60,798,762
Commercial	102,598,028	100,158,590	88,463,748
Commercial	15,985,503	16,469,587	18,634,961
Lease financing	445,276	438,606	511,568
Consumer	20,807,251	21,332,262	21,922,856
	<u>214,878,866</u>	<u>214,641,753</u>	<u>203,612,277</u>
Deferred fees, net of costs	(209,235)	(203,714)	(145,949)
Allowance for loan losses	(2,475,766)	(2,593,812)	(1,852,104)
	<u>\$ 212,193,865</u>	<u>\$ 211,844,227</u>	<u>\$ 201,614,224</u>

4. LOANS (CONT.)

The maturity distribution of the loan portfolio follows:

	2010	2009	2008
Maturing within one year	\$ 61,622,981	\$ 49,594,544	\$ 49,787,677
Maturing over one to five years	88,531,430	91,927,620	86,387,113
Maturing over five years	64,724,455	73,119,589	67,437,487
	<u>\$ 214,878,866</u>	<u>\$ 214,641,753</u>	<u>\$ 203,612,277</u>
Variable rate loans included above	<u>\$ 38,536,809</u>	<u>\$ 47,717,468</u>	<u>\$ 36,767,365</u>

A table of the recorded investment in loans that were impaired and risk rated at December 31, 2010 follows:

DESCRIPTION OF LOANS	RECORDED INVESTMENT IN IMPAIRED LOANS	UNPAID PRINCIPAL BALANCE	INVESTMENT FOR WHICH THERE IS RELATED ALL	INVESTMENT FOR WHICH THERE IS NO RELATED ALL
Residential Real Estate	\$ 1,391,486	\$ 1,391,486	\$ 1,028,743	\$ 362,746
Commercial Real Estate	5,973,377	5,973,377	4,333,498	1,639,876
Construction and Land Development	1,110,409	1,110,409	1,110,409	-
Commercial Loans	25,731	25,731	25,731	-
Total Impaired Loans	<u>\$ 8,501,003</u>	<u>\$ 8,501,003</u>	<u>\$ 6,498,381</u>	<u>\$ 2,002,622</u>

Following are two loan tables for the years ended December 31, 2010, 2009 and 2008.

Table 1 beginning on page 25 illustrates total impaired loans segmented by those with and without a related allowance recorded.

Table 2 on page 27 represents the allowance for credit losses and loan balances that are individually evaluated for impairment and loan balances collectively evaluated for possible impairment.

	2010	RECORDED INVESTMENT	CURRENT LOAN BALANCE	RELATED ALLOWANCE	RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
WITH NO RELATED ALLOWANCE RECORDED						
Residential real estate	\$ 362,746	\$ 362,746	\$ -	\$ 364,313	\$ 13,081	
Commercial real estate	1,639,876	1,639,876	-	1,626,184	72,689	
Construction and land development	-	-	-	-	-	
Commercial loans	-	-	-	-	-	
WITH AN ALLOWANCE RECORDED						
Residential real estate	1,028,743	1,028,743	79,724	1,006,428	67,509	
Commercial real estate	4,333,498	4,333,498	335,296	4,351,680	296,945	
Construction and land development	1,110,409	1,110,409	299,874	1,110,409	55,308	
Commercial loans	25,731	25,731	5,146	25,754	362	
TOTAL						
Residential real estate	1,391,489	1,391,489	79,724	1,370,741	80,590	
Commercial real estate	5,973,374	5,973,374	335,296	5,977,864	369,634	
Construction and land development	1,110,409	1,110,409	299,874	1,110,409	55,308	
Commercial loans	25,731	25,731	5,146	25,754	362	
TOTAL	<u>\$ 8,501,003</u>	<u>\$ 8,501,003</u>	<u>\$ 720,040</u>	<u>\$ 8,484,768</u>	<u>\$ 505,894</u>	

4. LOANS (CONT.)

2009	RECORDED INVESTMENT	CURRENT LOAN BALANCE	RELATED ALLOWANCE	RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
WITH NO RELATED ALLOWANCE RECORDED					
Residential real estate	\$ 82,442	\$ 82,442	\$ -	\$ 80,949	\$ 2,966
Commercial real estate	2,517,933	2,517,933	-	2,518,106	146,510
Construction and land development	164,160	164,160	-	164,160	4,781
Commercial loans	-	-	-	-	-
WITH AN ALLOWANCE RECORDED					
Residential real estate	1,765,062	1,765,062	218,484	1,773,107	86,189
Commercial real estate	1,653,438	1,653,438	125,908	1,659,697	104,326
Construction and land development	3,542,584	3,542,584	452,177	3,546,721	167,380
Commercial loans	-	-	-	-	-
TOTAL					
Residential real estate	1,847,504	1,847,504	218,484	1,854,056	89,155
Commercial real estate	4,171,371	4,171,371	125,908	4,177,803	250,836
Construction and land development	3,706,744	3,706,744	452,177	3,710,881	172,161
Commercial loans	-	-	-	-	-
TOTAL	\$ 9,725,619	\$ 9,725,619	\$ 796,569	\$ 9,742,740	\$ 512,152
2008					
WITH NO RELATED ALLOWANCE RECORDED					
Residential real estate	\$ 400,000	\$ 400,000	\$ -	\$ 400,000	\$ 21,589
Commercial real estate	1,482,617	1,482,617	-	1,490,040	93,059
Construction and land development	-	-	-	-	-
Commercial loans	-	-	-	-	-
Consumer	11,947	11,947	-	12,862	978
WITH AN ALLOWANCE RECORDED					
Residential real estate	2,921,242	2,921,242	270,958	2,924,377	121,514
Commercial real estate	379,097	379,097	15,164	382,593	27,264
Construction and land development	-	-	-	-	-
Commercial loans	-	-	-	-	-
Consumer	-	-	-	-	-
TOTAL					
Residential real estate	3,321,242	3,321,242	270,958	3,324,377	143,103
Commercial real estate	1,861,714	1,861,714	15,164	1,872,633	120,323
Construction and land development	-	-	-	-	-
Commercial loans	-	-	-	-	-
Consumer	11,947	11,947	-	12,862	978
TOTAL	\$ 5,194,903	\$ 5,194,903	\$ 286,122	\$ 5,209,872	\$ 264,404

4. LOANS (CONT.)

2010	UNALLOCATED	COMMERCIAL	RESIDENTIAL REAL ESTATE	FARMLAND & COMMERCIAL REAL ESTATE	CONSTRUCTION AND LAND DEVELOPMENT	PERSONAL	MOBILE HOMES	OVERDRAFT LINES	TOTAL
ALLOWANCE FOR CREDIT LOSSES									
Beginning balance	\$ 15,052	\$ 272,408	\$ 579,486	\$ 1,149,115	\$ 510,924	\$ 3,881	\$ 58,622	\$ 4,324	\$ 2,593,812
Charge-offs	-	(750,744)	(475,424)	-	-	(46,283)	(73,385)	(9,912)	(1,355,748)
Recoveries	-	12,145	-	-	-	-	-	557	12,702
Provision	(15,052)	739,867	359,859	138,462	(135,625)	55,331	74,615	7,543	1,225,000
Ending balance	\$ -	\$ 273,676	\$ 463,921	\$ 1,287,577	\$ 375,299	\$ 12,929	\$ 59,852	\$ 2,512	\$ 2,475,766
Ending balance allocated to:									
Loans individually evaluated for impairment	\$ -	\$ 5,146	\$ 79,724	\$ 335,296	\$ 299,874	\$ -	\$ -	\$ -	\$ 720,040
Loans collectively evaluated for impairment	-	268,530	384,197	952,281	75,425	12,929	59,852	2,512	1,755,726
	\$ -	\$ 273,676	\$ 463,921	\$ 1,287,577	\$ 375,299	\$ 12,929	\$ 59,852	\$ 2,512	\$ 2,475,766
2009									
ALLOWANCE FOR CREDIT LOSSES									
Beginning balance	\$ -	\$ 332,429	\$ 638,887	\$ 753,768	\$ 53,126	\$ 8,869	\$ 58,282	\$ 6,743	\$ 1,852,104
Charge-offs	-	-	(65,000)	-	-	(4,366)	(49,726)	(13,383)	(132,475)
Recoveries	-	4,000	-	-	-	120	5,605	1,996	11,721
Provision	15,052	(64,021)	5,599	395,347	457,798	(742)	44,461	8,968	862,462
Ending balance	\$ 15,052	\$ 272,408	\$ 579,486	\$ 1,149,115	\$ 510,924	\$ 3,881	\$ 58,622	\$ 4,324	\$ 2,593,812
Ending balance allocated to:									
Loans individually evaluated for impairment	\$ -	\$ -	\$ 218,483	\$ 125,908	\$ 452,178	\$ -	\$ -	\$ -	\$ 796,569
Loans collectively evaluated for impairment	15,052	272,408	361,003	1,023,207	58,746	3,881	58,622	4,324	1,797,243
	\$ 15,052	\$ 272,408	\$ 579,486	\$ 1,149,115	\$ 510,924	\$ 3,881	\$ 58,622	\$ 4,324	\$ 2,593,812
2008									
ALLOWANCE FOR CREDIT LOSSES									
Beginning balance	\$ 118,579	\$ 213,320	\$ 310,407	\$ 741,466	\$ 58,812	\$ 25,979	\$ 53,128	\$ -	\$ 1,521,691
Charge-offs	-	-	-	-	-	(11,122)	(21,404)	(19,962)	(52,488)
Recoveries	-	32,000	-	-	-	26,000	4,909	4,909	62,909
Provision	(118,579)	87,109	328,480	12,302	(5,686)	(31,988)	26,558	21,796	319,992
Ending balance	\$ -	\$ 332,429	\$ 638,887	\$ 753,768	\$ 53,126	\$ 8,869	\$ 58,282	\$ 6,743	\$ 1,852,104
Ending balance allocated to:									
Loans individually evaluated for impairment	\$ -	\$ -	\$ 270,958	\$ 15,164	\$ -	\$ -	\$ -	\$ -	\$ 286,122
Loans collectively evaluated for impairment	-	332,429	367,929	738,604	53,126	8,869	58,282	6,743	1,565,982
	\$ -	\$ 332,429	\$ 638,887	\$ 753,768	\$ 53,126	\$ 8,869	\$ 58,282	\$ 6,743	\$ 1,852,104

4. LOANS (CONT.)

Credit Quality Indicators. As part of the on-going monitoring of the quality of the Bank's loan portfolio management tracks certain credit quality indicators.

The Bank does not credit score new loans however utilizes a risk grading system applied to all loans. Loans are risk rated on the scale listed below:

GRADE 1 AND 2 — These grades include “pass grade” loans to borrowers of acceptable credit quality and risk.

GRADE 3 — This grade includes loans that are on Management’s “watch list” and is intended to be utilized on a temporary basis for pass grade borrowers where a significant risk-modifying action is anticipated in the near future.

GRADE 4 — This grade is for “Other Assets Especially Mentioned” or “Special Mention” in accordance with regulatory guidelines. This grade is intended to be temporary and includes loans to borrowers whose credit quality has clearly deteriorated and are at risk of further decline unless active measures are taken to correct the situation. This grade may include loans not fully secured where a specific valuation allowance may be necessary.

GRADE 5 — This grade includes “Substandard” loans, in accordance with regulatory guidelines, for which accrual of interest may have stopped. This grade includes loans that are past due or not fully secured where a specific valuation allowance may be necessary.

The following table illustrates classified loans by class. Classified loans include loans in Risk Grades 3, 4, and 5.

	PASS	WATCH	SPECIAL MENTION	SUBSTANDARD	TOTAL			
2010								
Real estate consumer	\$	2,557,085	\$	958,122	\$	433,364	\$	3,948,571
Real estate commercial		6,987,796		2,728,729		3,244,648		12,961,173
Construction & land development		1,727,683		-		1,110,409		2,838,092
Commercial		2,336,261		-		25,731		2,361,992
Consumer Loans		19,602		-		-		19,602
	\$	13,628,427	\$	3,686,851	\$	4,814,152	\$	22,129,430
2009								
Real estate consumer	\$	821,995	\$	536,073	\$	1,311,429	\$	2,669,497
Real estate commercial		1,939,416		-		4,171,372		6,110,788
Construction & land development		647,659		370,503		3,336,242		4,354,404
Commercial		1,083,137		-		-		1,083,137
Consumer Loans		27,991		-		-		27,991
	\$	4,520,198	\$	906,576	\$	8,819,043	\$	14,245,817
2008								
Real estate consumer	\$	703,588	\$	885,403	\$	2,435,839	\$	4,024,830
Real estate commercial		3,982,720		1,861,713		-		5,844,433
Construction & land development		-		-		-		-
Commercial		3,078,935		-		-		3,078,935
Consumer Loans		-		-		11,947		11,947
	\$	7,765,243	\$	2,747,116	\$	2,447,786	\$	12,960,145

4. LOANS (CONT.)

The following table analyzes the age of Past Due Loans for the years ended December 31, 2010, 2009, and 2008:

	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 90 DAYS	TOTAL PAST DUE	CURRENT	TOTAL LOANS	LOANS OVER 90 DAYS AND ACCRUING					
2010												
Commercial	\$	49,756	\$	25,731	\$	-	\$	75,487				
Commercial real estate												
Construction		2,148,484		-		2,148,484		11,646,231				
Other		1,226,947		-		1,226,947		104,182,113				
Consumer												
Consumer-mobile homes		494,013		250,315		35,686		780,014				
Consumer-other		60,626		-		-		60,626				
Residential real estate		1,230,473		305,829		494,893		2,031,195				
Total	\$	5,210,299	\$	581,875	\$	530,579	\$	6,322,753				
								\$	208,556,113			
									\$	214,878,866		
										\$	35,686	
2009												
Commercial	\$	120,135	\$	-	\$	-	\$	120,135				
Commercial real estate												
Construction		-		845,578		1,750,756		2,596,334				
Other		2,414,883		1,378,482		378,005		4,171,370				
Consumer												
Consumer-mobile homes		670,981		266,953		-		937,934				
Consumer-other		218,382		29,542		-		247,924				
Residential real estate		386,689		82,442		954,236		1,423,367				
Total	\$	3,811,070	\$	2,602,997	\$	3,082,997	\$	9,497,064				
									\$	205,144,689		
										\$	214,641,753	
											\$	748,507
2008												
Commercial	\$	3,901	\$	-	\$	-	\$	3,901				
Commercial real estate												
Construction		-		-		-		-				
Other		706,211		-		304,716		1,010,927				
Consumer												
Consumer-mobile homes		321,506		94,898		-		416,404				
Consumer-other		246,380		-		-		246,380				
Residential real estate		1,072,261		203,715		632,048		1,908,024				
Total	\$	2,350,259	\$	298,613	\$	936,764	\$	3,585,636				
									\$	200,026,641		
										\$	203,612,277	
											\$	-

4. LOANS (CONT.)

The following table summarizes nonaccrual loans at December 31, 2010, 2009, and 2008.

	2010	2009	2008
Nonaccrual loans			
Commercial	\$ -	\$ -	\$ -
Commercial real estate			
Commercial real estate construction and land development	-	2,225,833	
Commercial real estate other	-	-	304,716
Residential real estate	901,742	1,395,086	632,049
Consumer			
Mobile homes	49,484	37,476	-
Other	-	1,543	3,160
	<u>\$ 951,226</u>	<u>\$ 3,659,938</u>	<u>\$ 939,925</u>
Interest not accrued on nonaccrual loans	\$ 60,806	\$ 104,804	\$ 27,022

As of December 31, 2010, 2009, and 2008 management had classified **\$5,323,498**, \$8,519,407, and \$3,187,083, respectively, as troubled debt restructures (TDR). Under a troubled debt restructured loan, interest rates may be reduced to current market rates or principal reductions may be deferred for a set period of time. On the current TDR loans the customer is expected to pay the full principal balance owed.

The table below shows trouble debt restructured loans by classification for December 31, 2010, 2009 and 2008.

	2010		2009		2008	
	NUMBER OF OF CONTRACTS	OUTSTANDING LOAN BALANCE	NUMBER OF OF CONTRACTS	OUTSTANDING LOAN BALANCE	NUMBER OF OF CONTRACTS	OUTSTANDING LOAN BALANCE
Troubled Debt Restructurings						
Residential real estate	3	\$ 900,522	3	\$ 1,111,677	2	\$ 956,351
Commercial real estate	4	3,312,567	5	4,071,489	-	-
Construction and land development	1	1,110,409	4	3,336,241	3	2,230,732
	<u>8</u>	<u>\$ 5,323,498</u>	<u>12</u>	<u>\$ 8,519,407</u>	<u>5</u>	<u>\$ 3,187,083</u>

5. CREDIT COMMITMENTS

Outstanding loan commitments, unused lines of credit, and letters of credit were as follows:

	2010	2009	2008
Commitments to extend credit			
Loan origination commitments	\$ 4,716,900	\$ 2,761,800	\$ 9,405,000
Unused consumer real estate construction	480,000	-	-
Unused home equity lines of credit	6,468,055	6,856,690	6,885,110
Unused overdraft lines of credit	2,549,224	2,549,057	2,630,652
Unused commercial lines of credit	14,453,202	21,415,770	17,353,934
	<u>\$ 28,667,381</u>	<u>\$ 33,583,317</u>	<u>\$ 36,274,696</u>
Letters of credit	<u>\$ 2,898,053</u>	<u>\$ 1,854,918</u>	<u>\$ 1,740,635</u>

Loan commitments and lines of credit are agreements to lend to a customer as long as there is no violation of any condition to the contract. Loan commitments generally have variable interest rates, fixed expiration dates, and may require payment of a fee. Lines of credit generally have variable interest rates. Such lines do not represent future cash requirements because it is unlikely that all customers will draw upon their lines in full at any time. Letters of credit are commitments issued to guarantee the performance of a customer to a third party.

5. CREDIT COMMITMENTS (CONT.)

The Bank's exposure to credit loss in the event of nonperformance by the customer is the contractual amount of the commitment. Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. Management is not aware of any accounting loss to be incurred by funding these commitments.

6. RELATED PARTY TRANSACTIONS

The officers and directors of the Bank enter into loan transactions with the Bank in the ordinary course of business. These loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with unrelated borrowers. The following table shows the activity in related party loans for the three years ended December 31.

	2010	2009	2008
Beginning balance	\$ 7,209,060	\$ 5,781,634	\$ 4,036,557
Advances	956,916	3,077,435	5,715,647
Payments	(784,555)	(1,650,009)	(3,970,570)
Ending balance	<u>\$ 7,381,421</u>	<u>\$ 7,209,060</u>	<u>\$ 5,781,634</u>

In addition to the outstanding balances listed above, the officers and directors of the Bank have **\$1,710,556** in unused loans committed but not funded as of December 31, 2010.

The Bank obtains services from firms in which owners are also members of the Board of Directors. Fees charged for these services are at similar rates charged by unrelated parties for similar work. Amounts paid to these related parties totaled **\$26,132**, \$74,807, and \$16,659 during the years ended December 31, 2010, 2009, and 2008, respectively.

Deposits from the officers and directors of the Bank were **\$4,330,243**, \$4,603,096, and \$5,127,944, at December 31, 2010, 2009, and 2008, respectively.

7. BANK PREMISES AND EQUIPMENT

A summary of bank premises and equipment and the related depreciation and amortization follows:

	LIVES	2010	2009	2008
Land		\$ 3,191,486	\$ 3,191,486	\$ 3,191,486
Building and improvements	15 - 60 YEARS	5,833,061	4,589,622	4,462,540
Leasehold improvements	10 - 19 YEARS	512,942	502,742	502,743
Furniture, fixtures, and equipment	3 - 10 YEARS	2,728,150	2,929,649	2,882,380
		<u>12,265,639</u>	<u>11,213,499</u>	<u>11,039,149</u>
Accumulated depreciation		<u>3,505,677</u>	<u>3,474,202</u>	<u>3,152,080</u>
Net bank premises and equipment		<u>\$ 8,759,962</u>	<u>\$ 7,739,297</u>	<u>\$ 7,887,069</u>
Depreciation expense		<u>\$ 349,793</u>	<u>\$ 402,655</u>	<u>\$ 458,276</u>
Computer software included in other assets and the related amortization are as follows:				
Cost	3 YEARS	\$ 433,941	\$ 423,054	\$ 413,966
Accumulated amortization		<u>363,405</u>	<u>314,858</u>	<u>321,931</u>
Net computer software		<u>\$ 70,536</u>	<u>\$ 108,196</u>	<u>\$ 92,035</u>
Amortization expense		<u>\$ 55,897</u>	<u>\$ 60,478</u>	<u>\$ 47,811</u>

The Bank owns property in Bel Air, Maryland and began construction on a new Branch in July, 2010. The Bank anticipates that construction will be completed by the end of February, 2011 with an estimated cost of \$1,170,000 excluding furniture and equipment.

8. LEASE COMMITMENTS

The Bank leases various banking facilities under noncancellable operating leases expiring on various dates through 2021.

As of December 31, 2010, future minimum payments, by year and in the aggregate, of noncancellable operating leases are as follows:

YEAR	AMOUNT
2011	\$ 118,141
2012	120,606
2013	118,875
2014	118,034
2015	115,356
2016 AND AFTER	688,350
	<u>\$ 1,279,362</u>

The Bank has leased excess parking spaces at its main office for a two year term at an annual rate of \$2,160.

Rent expense for 2010, 2009 and 2008, was **\$116,856**, \$115,949, and \$116,136, respectively.

9. BORROWINGS AND AVAILABLE LINES OF CREDIT

Federal Home Loan Bank advances are summarized as follows:

MATURITY DATE	INTEREST RATE	2010	2009	2008	INTEREST FREQUENCY
JANUARY 24, 2011	3.450%	\$ 428,571	\$ 1,285,714	\$ 2,142,857	MONTHLY
OCTOBER 31, 2017	3.760%	6,000,000	6,000,000	6,000,000	QUARTERLY
DECEMBER 29, 2017	2.990%	5,000,000	5,000,000	5,000,000	QUARTERLY
JUNE 20, 2018	3.930%	7,000,000	7,000,000	7,000,000	QUARTERLY
SEPTEMBER 19, 2018	2.913%	10,000,000	10,000,000	10,000,000	QUARTERLY
		<u>\$ 28,428,571</u>	<u>\$ 29,285,714</u>	<u>\$ 30,142,857</u>	

Federal Home Loan Bank advances as of December 31, 2010 will require principal repayments as follows:

YEAR	PRINCIPAL REDUCTION
2011	\$ 428,571
2012	-
2013	-
2014	-
2015	-
AFTER FIVE YEARS	28,000,000
	<u>\$ 28,428,571</u>

The Bank may borrow up to 25% of its reported total assets from the FHLB through any combination of notes or line of credit advances. The line of credit interest rate is a variable rate set daily by the lender. The notes payable and the line of credit are secured by a floating lien on all of the Bank's residential first mortgage loans, home equity loans and commercial real estate loans. The Bank was required to purchase shares of capital stock in the FHLB as a condition to obtaining the line of credit. Based on collateral available, the Bank could borrow an additional \$10,036,000 from the FHLB as of December 31, 2010.

9. BORROWINGS AND AVAILABLE LINES OF CREDIT (CONT.)

The Bank is also eligible to borrow from the Federal Reserve Bank (FRB) Discount Window. This credit line will be secured by the Bank's consumer loan portfolio. Based on collateral available the Bank could borrow an additional \$13,209,000 from the FRB Discount Window as of December 31, 2010.

CDARS —The Certificate of Deposit Account Registry Service is a form of brokered deposits and we have been involved in this program since June 2005. In addition to allowing us to offer our own clients enhanced FDIC insurance coverage, CDARS also allows us to fund our balance sheet through their One-Way Buy program. This is a competitive bid process conducted each week. The Bank believes that this will be a viable source of funds in a crisis situation so long as we retain our well capitalized status. Currently, the Bank may borrow up to 10% of its reported total assets or \$27,669,376 at December 31, 2010.

In addition to the line of credit available from FHLB and the Federal Reserve, the Bank has unsecured credit lines with correspondent banks for \$2,000,000 and additional secured line of \$3,000,000.

10. RETIREMENT PLAN

The Bank has a profit sharing plan qualifying under section 401(k) of the Internal Revenue Code. The plan covers all full-time employees with one year of service who have reached 21 years of age. The Bank's contribution is determined annually by the Board of Directors. The expense for the plan totaled **\$120,000** in 2010, \$110,000 in 2009, and \$105,000 in 2008.

In 2006, the Bank offered Supplemental Executive Retirement Plans (SERPS) to its executive officers providing for retirement income benefits. The Bank accrues the present value of these benefits over the remaining number of years to the executives' retirement dates. As of December 31, 2010, the Bank has recorded a liability of **\$421,837** related to these benefits. The expense for the SERPS totaled **\$101,235** during the year ended December 31, 2010.

11. INTEREST-BEARING DEPOSITS

Major classifications of interest-bearing deposits are as follows:

	2010	2009	2008
Money market and NOW	\$ 72,217,607	\$ 63,489,042	\$ 53,410,248
Savings	22,966,647	21,256,328	21,354,707
Certificates of deposit	90,734,505	84,985,063	77,994,341
	<u>\$ 185,918,759</u>	<u>\$ 169,730,433</u>	<u>\$ 152,759,296</u>

Maturities of certificates of deposit are as follows:

	2010	2009	2008
Maturing within twelve months	\$ 61,933,804	\$ 58,707,896	\$ 58,689,460
Maturing over one to three years	22,884,906	19,347,288	11,465,611
Maturing over three to five years	5,915,795	6,929,879	7,839,270
	<u>\$ 90,734,505</u>	<u>\$ 84,985,063</u>	<u>\$ 77,994,341</u>
Certificates of deposit of \$100,000 or greater included above:			
Non-brokered	\$ 36,612,649	\$ 34,823,035	\$ 31,727,290
CDARS Networks	5,622,717	1,270,927	271,361
	<u>\$ 42,235,366</u>	<u>\$ 36,093,962</u>	<u>\$ 31,998,651</u>

Interest expense for interest-bearing deposits is as follows:

	2010	2009	2008
Money market and NOW	\$ 367,632	\$ 405,182	\$ 592,385
Savings	66,626	91,380	119,661
Certificates of deposit	1,907,754	2,514,046	3,040,525
	<u>\$ 2,342,012</u>	<u>\$ 3,010,608</u>	<u>\$ 3,752,571</u>

12. INCOME TAXES

The components of income tax expense are as follows:

	2010	2009	2008
Current			
Federal	\$ 833,143	\$ 1,046,212	\$ 830,312
State	199,356	249,124	191,514
	<u>1,032,499</u>	<u>1,295,336</u>	<u>1,021,826</u>
Deferred			
Federal	(1,343)	(375,563)	(132,492)
State	(7,872)	(99,870)	(43,724)
	<u>(9,215)</u>	<u>(475,433)</u>	<u>(176,216)</u>
	<u>\$ 1,023,284</u>	<u>\$ 819,903</u>	<u>\$ 845,610</u>

The components of the deferred income taxes are as follows:

Provision for loan losses	\$ (124,316)	\$ (344,308)	\$ (126,221)
Interest revenue	(11,178)	(36,672)	(9,450)
Reposessed asset valuation allowance	47,348	(11,820)	-
Depreciation	29,562	(9,253)	(4,426)
Nonqualified employee benefit	39,932	(68,885)	(36,015)
Nonqualified stock option expense	6,123	(4,032)	(4,759)
Deferred loan origination costs	3,314	(463)	4,655
	<u>(9,215)</u>	<u>(475,433)</u>	<u>(176,216)</u>

The components of the net deferred tax assets are as follows:

Deferred tax assets			
Allowance for loan losses	\$ 817,103	\$ 989,051	\$ 644,742
Allowance for losses on reposessed assets	59,168	11,819	-
Nonaccrual interest	23,985	41,340	10,659
Nonqualified employee benefit	166,394	126,462	57,577
Nonqualified stock option expense	30,636	24,514	20,482
	<u>1,097,286</u>	<u>1,193,186</u>	<u>733,460</u>
Deferred tax liabilities			
Discount accretion	915	10,153	16,143
Depreciation	219,676	249,376	258,630
Deferred loan origination costs	87,971	91,285	91,748
	<u>308,562</u>	<u>350,814</u>	<u>366,521</u>
Net deferred tax asset	<u>\$ 788,724</u>	<u>\$ 842,372</u>	<u>\$ 366,939</u>

The differences between the federal income tax rate of 34 percent and the effective tax rate for the Bank are reconciled as follows:

	2010	2009	2008
Statutory federal income tax rate	34.0 %	34.0 %	34.0
Increase (decrease) resulting from state income taxes, net of federal income tax benefit	4.2	4.0	3.8
Tax-exempt income	(5.9)	(5.5)	(5.7)
Nondeductable expenses	1.9	0.8	0.8
	<u>34.2 %</u>	<u>33.3 %</u>	<u>32.9 %</u>

13. STOCK OPTION AND PURCHASE PLANS

The Bank has adopted a stock option plan for directors and officers. Option exercise prices are equal to the fair market value of the stock on the date of grant. The Bank has also adopted a qualified employee stock purchase plan that allows the Bank to grant options to employees to acquire shares of common stock through payroll deductions or direct payment over a twenty-seven month period from the dates of the grants. In general, options to directors vest immediately upon grant. Officer options vest after three years.

The total number of shares originally authorized for stock options was **226,745**, restated for stock dividends as of December 31, 2010. A total of **102,301** shares remain available for grant.

Information with respect to stock options is as follows for the year ended December 31:

	2010		2009		2008	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	49,554	\$ 33.20	42,019	\$ 34.05	38,214	\$ 31.30
Options granted	18,937	21.87	10,128	29.20	10,742	38.29
Options exercised	(953)	28.99	(988)	30.16	(5,904)	24.68
Options expired	(3,522)	32.61	(1,605)	32.13	(1,033)	29.85
Outstanding, end of year	<u>64,016</u>	<u>\$ 29.94</u>	<u>49,554</u>	<u>\$33.20</u>	<u>42,019</u>	<u>\$ 34.05</u>

During the year ended December 31, 2010 and 2009 there were no shares relinquished by individuals exercising options in accordance with the Bank's stock option plans. During the year ended December 31, 2008, 728 shares of stock were relinquished by individuals exercising options.

The weighted average grant date fair value of options granted was **\$2.78**, \$3.26, and \$4.61 during the years ended December 31, 2010, 2009, and 2008, respectively.

A summary of information about stock options outstanding is as follows at December 31, 2010:

	WEIGHTED AVERAGE EXERCISE PRICE	TOTAL SHARES	AVERAGE REMAINING LIFE (YEARS)	VESTED SHARES
	\$ 25.87	898	0.67	898
	24.67	1,140	1.50	1,140
	27.11	1,417	2.58	1,417
	30.36	6,161	3.33	6,161
	32.71	6,204	4.33	6,204
	34.43	7,658	5.17	7,658
	38.16	4,812	6.17	4,812
	39.81	7,655	7.42	3,606
	30.40	7,478	8.25	3,501
	22.33	16,362	9.33	6,798
	25.84	1,788	0.50	1,788
	18.98	2,443	1.58	2,444
	<u>\$ 29.94</u>	<u>64,016</u>	<u>4.24</u>	<u>46,427</u>

Intrinsic value on December 31, 2010

\$ 74,928 \$ 41,647

13. STOCK OPTION AND PURCHASE PLANS (CONT.)

At December 31, 2010, 2009, and 2008, options to purchase **46,427**, 39,614, and 33,801 shares of the Bank's common stock, respectively, were vested and exercisable at weighted average prices of **\$30.61**, \$32.55, and \$33.08, respectively.

At December 31, 2010, there was **\$20,131** of total unrecognized compensation expense related to nonvested stock options to be recognized over the next three years.

The stock options exercised during the year ended December 31, 2010, had no intrinsic value, however the intrinsic value of options exercised during the years ended December 31, 2009, and 2008, was \$1,676, and \$84,687, respectively.

14. CAPITAL STANDARDS

The Federal Reserve Board and the Federal Deposit Insurance Corporation have adopted risk-based capital standards for banking organizations. These standards require ratios of capital to assets for minimum capital adequacy and to be classified as well capitalized under prompt corrective action provisions. As of December 31, 2010, 2009, and 2008, the capital ratios and minimum capital requirements are as follows:

(IN THOUSANDS) DECEMBER 31, 2010	ACTUAL		MINIMUM CAPITAL ADEQUACY		TO BE WELL CAPITALIZED	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
Total capital (to risk-weighted assets)	\$ 28,465	13.0%	\$ 17,446	8.0%	\$ 21,808	10.0%
Tier 1 capital (to risk-weighted assets)	25,989	11.8%	8,723	4.0%	13,085	6.0%
Tier 1 capital (to average assets)	25,989	9.3%	11,126	4.0%	13,909	5.0%
DECEMBER 31, 2009						
Total capital (to risk-weighted assets)	\$ 27,097	12.5%	\$ 17,157	8.0%	\$ 21,446	10.0%
Tier 1 capital (to risk-weighted assets)	24,503	11.3%	8,579	4.0%	12,868	6.0%
Tier 1 capital (to average assets)	24,503	9.5%	10,302	4.0%	12,877	5.0%
DECEMBER 31, 2008						
Total capital (to risk-weighted assets)	\$ 25,544	12.2%	\$ 16,758	8.0%	\$ 20,948	10.0%
Tier 1 capital (to risk-weighted assets)	23,692	11.3%	8,379	4.0%	12,569	6.0%
Tier 1 capital (to average assets)	23,692	10.0%	9,514	4.0%	11,894	5.0%

Tier 1 capital consists of common stock, surplus, and undivided profits. Total capital includes a limited amount of the allowance for loan losses. In calculating risk-weighted assets, specified risk percentages are applied to each category of asset and off-balance sheet items.

Failure to meet the capital requirements could affect the Bank's ability to pay dividends and accept deposits and may significantly affect the operations of the Bank.

In its most recent regulatory report the Bank was categorized as well capitalized under the prompt corrective action regulations. Management knows of no events or conditions that should change this classification.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value. FASB ASC Topic 820 also establishes a hierarchy for determining fair value measurement. The hierarchy includes three levels and is based upon the valuation techniques used to measure assets and liabilities.

The fair value hierarchy is as follows:

LEVEL 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

LEVEL 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

LEVEL 3: Significant unobservable inputs that reflect a Bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

During the period ended December 31, 2010 the Bank did not measure any financial assets or liabilities on a recurring or nonrecurring basis other than foreclosed real estate. Nonrecurring fair value adjustments to foreclosed real estate owned reflect values that are based on the real estate's observable market price or current appraised value of the collateral. Since the market for foreclosed real estate is not active, nonrecurring fair value adjustments based on the current offered price or appraised value of the collateral are classified as Level 2. The carrying value of foreclosed real estate at December 31, 2010 was \$2,639,000.

The estimated fair value of the Bank's financial instruments equals the carrying value of the instruments except as follows. The fair values of a significant portion of these financial instruments are estimates derived using present value techniques and may not be indicative of the net realizable or liquidation values. Also, the calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

	DECEMBER 31, 2010		DECEMBER 31, 2009		DECEMBER 31, 2008	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets						
Investment securities	\$ 26,676,214	\$ 26,545,513	\$ 15,722,507	\$ 15,898,760	\$ 12,962,582	\$ 13,302,356
Investment Certificates of Deposit	-	-	1,494,000	1,496,238	2,000,000	2,003,655
Loans, net	212,193,865	211,945,486	211,844,227	214,437,058	201,614,224	201,840,597
Financial liabilities						
Interest-bearing deposits	\$ 185,918,759	\$ 191,676,249	\$ 169,730,433	\$ 170,400,383	\$ 152,759,296	\$ 153,330,412
FHLB advances	28,428,571	29,770,410	29,285,714	31,275,666	30,142,857	29,384,341

The fair values of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified within level 1 or level 2 of the fair value hierarchy. As required the Bank does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment -grade and high-yield corporate bonds, less liquid mortgage products, less liquid equities, state, and municipal obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Level 3 are positions that are not traded markets or are subject to transfer restrictions. Valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair value of fixed-rate loans is estimated to be the present value of scheduled payments discounted using interest rates currently in effect for loans of the same class and term. The fair value of variable-rate loans, including loans with a demand feature, is estimated to equal the carrying amount. The valuation of loans is adjusted for possible loan losses.

The fair value of interest-bearing checking, savings, and money market deposit accounts is equal to the carrying amount. The fair value of fixed-maturity time deposits is estimated based on interest rates currently offered for deposits of similar remaining maturities.

It is not practicable to estimate the fair value of outstanding loan commitments, unused lines of credit, and letters of credit.

16. LEGAL PROCEEDINGS

The Bank is party to various legal actions normally associated with a financial institution. In management’s opinion, the effect of these actions will not be material to the financial condition of the Bank.

17. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations:

	THREE MONTHS ENDED			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
2010				
Interest revenue	\$ 3,591,852	\$ 3,562,641	\$ 3,518,480	\$ 3,395,265
Interest expense	778,429	838,002	851,492	853,757
Net interest income	2,813,423	2,724,639	2,666,988	2,541,508
Provision for loan losses	375,000	375,000	250,000	225,000
Net income	432,675	525,498	519,679	489,287
Basic earnings per share	0.42	0.50	0.50	0.48
Diluted earnings per share	0.41	0.50	0.50	0.48
2009				
Interest revenue	\$ 3,443,244	\$ 3,508,919	\$ 3,445,650	\$ 3,347,051
Interest expense	934,178	987,121	1,017,330	1,087,458
Net interest income	2,509,066	2,521,798	2,428,320	2,259,593
Provision for loan losses	383,866	133,599	132,499	212,499
Net income	400,345	551,375	342,105	352,997
Basic earnings per share	0.39	0.53	0.33	0.35
Diluted earnings per share	0.39	0.53	0.33	0.34
2008				
Interest revenue	\$ 3,325,892	\$ 3,239,199	\$ 3,180,052	\$ 3,227,084
Interest expense	1,178,480	1,118,483	1,078,234	1,100,005
Net interest income	2,147,412	2,120,716	2,101,818	2,127,079
Provision for loan losses	79,998	79,998	79,998	79,998
Net income	439,755	426,698	388,635	470,504
Basic earnings per share	0.43	0.42	0.39	0.46
Diluted earnings per share	0.43	0.41	0.38	0.46

INSIDE FRONT COVER

J.G.D. & F.H.J 10.00 / (BLANK)
Jacob Gladden Durham &
Frank Hays Jacobs
Bel Air, MD

J.G.D. & F.H.J 4 / (BLANK)
Jacob Gladden Durham &
Frank Hays Jacobs
Bel Air, MD

NO 2-3 (LEFT TO RIGHT)
W.O. MICHAEL 5 / 5
Fountain Green, MD

G.D.G. / (BLANK)
George Dever Gorrell
1957-1939
Churchville, MD

G.D.G. / (BLANK)
George Dever Gorrell
1957-1939
Churchville, MD

B / (BLANK)
William A. Bodt
Churchville, MD

F.W. SMITH / \$10*
Fred W. Smith
Belcamp, MD

POST EXCHANGE ABERDEEN
PROVING GROUNDS 10 / 10
Aberdeen Proving Grounds
1920-1940
Aberdeen, MD

CCP 4 / (BLANK)
Clarence C. Pusey
Aberdeen, MD
Drawbridge, MD

NHH / (BLANK)
Noble H. Hopkins
Havre de Grace, MD

J. SMITH MICHAEL ABERDEEN,
MD / 20.00*
Aberdeen, MD

J.M. MICHAEL COMPANY /
ONE BUCKET*
Aberdeen, MD

JBB / 50
James Bramwell Baker
1845-1912
Aberdeen, MD
Middletown, DE

W.A. DURHAM / (BLANK)
William Abel Durham
1831-1924
Coopstown, MD

G.L.S. \$5.00 / (BLANK)
George L. Smith
1900-1927
Benson, MD

R.F. & G.H.M 50 / (BLANK)
Robert Franklin &
George Hays Mitchell
1909-1917
Aberdeen, MD

J.B. BAKER / 25*
James Bramwell Baker
1845-1912
Aberdeen, MD
Middletown, DE

W.O. MICHAEL / 5*
Fountain Green, MD

N.P.L. CO. 1 / (BLANK)
Unknown Company

W.A. DURHAM 500 / (BLANK)
William Abel Durham
Coopstown, MD

E.B. / (BLANK)
Eugene Billingslea
Churchville, MD

J.M. MICHAEL COMPANY /
ONE BUCKET
Aberdeen, MD

D.E.M. & CO. \$5 / (BLANK)
Daniel Edward Mitchell
1896-1897
Spesutie Island, MD

J.S.M. & BRO. 50 BUCKETS /
(BLANK)
John S. Mitchell & Bro.: E. Lewis
Aberdeen, MD

BONNIE BLINK CORN HUSKING,
ONE DAY’S WORK FOR WIDOWS
& ORPHANS / “CARRY ON”*
Bonnie Blink
NOV. 11, 1930 (token date)

J.B. BAKER / 3
James Bramwell Baker
1845-1912
Aberdeen, MD
Middletown, DE

POST EXCHANGE ABERDEEN
PROVING GROUNDS 10 / 10*
Aberdeen Proving Grounds
1920-1940
Aberdeen, MD

H.A.G. 4 / (BLANK)
Harry A. Gilbert
Barclay, MD
Aberdeen, MD

JBB / 50*
James Bramwell Baker
1845-1912
Aberdeen, MD
Middletown, DE

J.T.N. 3 / (BLANK)
James T. Norris
1898-1919
Van Bibber, MD

BODT \$1.00 / (BLANK)
William A. Bodt
Churchville, MD

GEO. A. BAKER ABERDEEN, MD / 3*
George Allen Baker
1856-1909
Aberdeen, MD

J. SMITH MICHAEL
ABERDEEN, MD / 20.00
J. Smith Michael
Aberdeen, MD

R.L.M. CORN / (BLANK)
Ramsley Lee Magress
1909-1927
Emmorton, MD

NO 4
J. SMITH MICHAEL
ABERDEEN, MD / 20.00
J. Smith Michael
Aberdeen, MD

NO 7
J.G.D. & F.H.J. 25 / (BLANK)
Jacob Gladden Durham &
Frank Hays Jacobs
Bel Air, MD

J.G.D. & F.H.J. 4 / (BLANK)
Jacob Gladden Durham &
Frank Hays Jacobs
Bel Air, MD

NO 8-9
POST EXCHANGE ABERDEEN
PROVING GROUNDS 10 / 10*
Aberdeen Proving Grounds
1920-1940
Aberdeen, MD

F.W. SMITH GROWER AND
PACKER OF SCOTLAND BRAND
CORN AND TOMATOES, R.F.D.
BELCAMP, MD / \$5
Fred W. Smith
Belcamp, MD

W. A. B. 25 / (BLANK)
William A. Bodt
Churchville, MD

JBB / 1B (BUCKET)*
James Bramwell Baker
1845-1912
Aberdeen, MD
Middletown, DE

D.E.M. & CO 25 / (BLANK)
Daniel Edward Mitchell
1898-1897
Spesutie Island, MD

H.A.O. 5 / (BLANK)
Henry Amos Osborn
1887-1919
Havre de Grace, MD

JBB / 1 (BUCKET)
James Bramwell Baker
1845-1912
Aberdeen, MD
Middletown, DE

J. B. BAKER / 3
James Bramwell Baker
1856-1909
Aberdeen, MD
Middletown, DE

S.N. 50 / (BLANK)
Samuel Norris
1887-1942
Abingdon, MD

NO 11
D.E.M. & CO. \$5 / (BLANK)
1896-1897
Spesutie Island, MD

NO 12
N.P.L. CO. 1 / (BLANK)
Unknown Company

NO 13
JBB / 50
James Bramwell Baker
1845-1912
Aberdeen, MD
Middletown, DE

NO 15
J. SMITH MICHAEL ABERDEEN,
MD / 20.00
Aberdeen, MD

NO 16
BONNIE BLINK CORN HUSKING,
ONE DAY’S WORK FOR WIDOWS
& ORPHANS / “CARRY ON”
Bonnie Blink
NOV. 11, 1930 (token date)

BACK COVER
POST EXCHANGE ABERDEEN
PROVING GROUNDS 10 / 10
Aberdeen Proving Grounds
Aberdeen, MD

DIRECTORS

JOHN S. KARAS

Chairman of the Board
Harford Bank
Attorney at Law
Partner, Karas, Bradford & Donlick
Principal in B. Michael & Sons, Inc.
JAABB Karas Family, LLC

CHARLES H. JACOBS, JR.

President
Chief Executive Officer
Harford Bank

TONY L. BENNETT

Managing Partner
Famous and Spang Associates

CAROLYN WILSON EVANS

Attorney at Law
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VISION STATEMENT

Harford Bank is an independent, locally owned and managed, full-service bank, responsive to the needs of our community and our customers. We are committed to providing stable and challenging employment and equitable return to our shareholders.

THANKS

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