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## Chairman's Message

Dear Shareholders, Customers and Friends:

I am pleased to report the bank earned \$194,000 in net income in the second quarter, 2010. This represents the third consecutive quarter of profitability. Earnings year-to-date total \$286,000 and that compares to a loss of \$663,000 for the same period in 2009.

Total loans grew 12% from year-end to \$112 million. This represents a slowing in loan growth during a period of cautious economic activity. The bank's asset quality continues to remain strong with no NPA's (Non-Performing Assets).

Total deposits of \$122 million increased 2% over year-end totals. During the second quarter, deposits declined \$2 million as the bank continues to manage the net interest margin and focus on developing lower cost, core deposits.

Liquidity is excellent with \$27 million in Cash & Due From Banks and Fed Funds Sold.

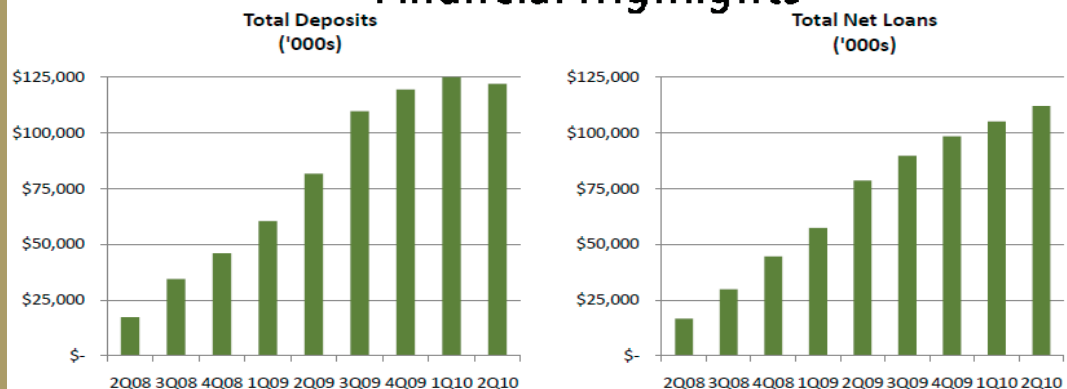
Capital remains strong at 13.3% and ranks among the strongest in the Houston market. The Reserve for Loan Loss is 1.20% of period end loans and is considered adequate considering the strong asset quality.

The Board of Directors and Management are developing a plan to capitalize on opportunities presented during a period of slow economic growth, a changing regulatory environment and increased competition for quality earning assets.

Your continued support is appreciated and we welcome your business referrals.

W. Allen Gage  
Chairman and CEO

## Financial Highlights



## Client Showcase

Memorial City Bank is pleased to introduce SL Pathology Leasing of Texas as a new and valued customer relationship. SL Pathology Leasing of Texas' parent company, SightLine Health, LLC, manages and operates non-invasive medical treatment centers. Memorial City Bank has contributed the senior financing for build-out and start-up costs associated with their new pathology lab facility located at 9150 South Main, just south of downtown Houston. This new center will specialize in urology, internal medicine, gynecology, gastroenterology and colon pathological testing procedures. SightLine Health partners with local area doctors to create ventures focused on supplying health care options to patients.

Originally founded in 2005 by Houston native, T. J. Farnsworth, SightLine Health currently operates 3 minimally invasive and non-invasive oncology centers in Texas. This location will be the company's first pathology lab in Houston. Our new relationship with SightLine Health reflects the bank's commitment to establish a strong presence in the medical field and fits well in the bank's growing commercial loan portfolio. The total relationship includes a \$1,064,000 loan and initial deposits in excess of \$300,000.

## Recent Business Transactions

Memorial City Bank's seasoned lending staff has the experience and expertise to structure and facilitate a full range of loan requests. Commercial and industrial loans, including working capital lines, business acquisition loans and professional/medical lending are a few of the types of facilities we provide. If you have a new financing need or would like to move your relationship from another bank, please give us a call. Ask for Rob Adams, Alan Croley, Warren Kovar, Dan Lang or Robert Mrlik at (713) 973-8000.

<p>Marketing &amp; Advertising Company \$465,000 Equipment and Rolling Stock Purchases</p> 	<p>Medical Laboratory Facility \$1,064,000 Equipment and Leasehold Improvement Financing</p> 	<p>Franchise Restaurant Start Up \$280,000 SBA 7A Term Loan</p> 
<p>Home Energy Solutions Firm \$450,000 Equipment and Rolling Stock Purchases</p> 	<p>Chemical Marketing Firm \$1,250,000 Line of Credit - Finance Working Capital Needs</p> 	<p>Residential Real Estate Investment Firm \$500,000 Line of Credit - Single Family Real Estate Purchases</p> 

## **New Senior Commercial Lender Hired**

Memorial City Bank is pleased to announce that Alan Croley has recently joined as Senior Vice President – Commercial Lending. Alan has 28 years of commercial banking experience in the Houston market. Historically, his portfolio has included clients with commercial, small business, and real estate borrowing needs. Alan's primary responsibilities will be to establish a portfolio of small- to medium-sized commercial customers from the manufacturing, engineering, commercial real estate, and service industries. He and his family have lived in the Memorial area for more than 20 years. Alan is active in local Boy Scouts of America activities and is a proud former student of Texas A&M University. The next time you are in the bank, please stop by his office for a visit ... AND to apply for a business loan!

## **Protecting Commercial Accounts Made Easy**

We are delighted to highlight one of the many effective and useful services available to our commercial account customers. **Positive Pay** is a service whereby customers electronically share their register of the checks that they have written with the bank. The bank then will only pay checks listed and received that are exact matches (i.e., amount, payee, check number) with those posted in the register. This service is an effective fraud prevention solution for companies that routinely issue large numbers of checks.

The **Positive Pay** system dramatically reduces the risk of theft and fraud by alerting the bank, and in turn our customers, whenever a non-matching item is presented for payment. This significantly reduces the risk that stolen, altered or counterfeit checks are paid on customer accounts. Please contact a Memorial City Bank representative for additional information regarding this valuable service.

Memorial City Bank has many useful and helpful solutions for your business banking needs. Let us customize *our* Commercial Services to meet *your* business needs.

## **Directors**

### **Melvyn A. Anhalt, M.D.**

Urologist, Memorial Urology Associates, PA

### **Jake Davis**

CEO, Shormax, LLC

### **W. Allen Gage**

Chairman and CEO, Memorial City Bank

### **William A. Gage, Jr.**

Managing Partner, Buck Keenan, LLP

### **David Kelley**

Chief Financial Officer, MetroNational Corporation

### **Gerald Merfish**

Owner/Partner, Merfish Pipe & Supply/Pipe Exchange

### **David F. Mobley, M.D., F.A.C.S.**

Urologist, Medical Director, Mobley Research Center

### **Robert Mrlik**

President, Memorial City Bank

### **Gifford Nielsen**

President, Nielsen & Nielsen, LLC

### **Irving Pozmantier**

President, Pozmantier Insurance Consulting Services, LLC

### **John Quinlan**

Attorney, Commercial Real Estate Developer

## **Senior Officers**

### **W. Allen Gage**

Chairman and CEO

### **Robert Mrlik**

President

### **Rosalie Groendes**

Executive Vice President & Chief Administrative Officer

### **Jim McCutchen**

Executive Vice President & Chief Credit Officer

### **Alan Croley**

Senior Vice President - Commercial Lending

### **Rob Adams**

Vice President - Commercial Lending

### **Warren Kovar**

Vice President - Business Development

### **Dan Lang**

Vice President - Commercial Lending



## ATM Now Available

Our Convenience Center is equipped with a drive-up ATM, which is available 24-hours a day for your use.

## FDIC Insurance

Last year FDIC Insurance coverage was temporarily increased from \$100,000 to \$250,000 per depositor. The increased coverage that was set to expire 12/31/09 has now been extended through 12/31/13.



### Locations & Hours:

#### Main Office:

820 Gessner, Suite 140  
Houston, TX 77024

#### Hours:

Monday - Friday  
9am - 4pm  
Closed Saturdays

#### Convenience Center:

10097 Katy Freeway  
Houston, TX 77024

#### Hours:

Monday - Friday  
Lobby 9am - 4pm  
Drive-Thru 8am - 6pm  
Saturday  
Lobby Closed  
Drive-Thru 9am - Noon

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