

# REVERE BANK

October 31, 2012

Dear Fellow Shareholder:

We are pleased to report another strong quarter of both income and balance sheet growth. Pre-tax net income for the third quarter was \$403 thousand compared to \$319 thousand last quarter and \$149 thousand for the third quarter last year. Year-to-date pre-tax net income was \$906 thousand versus \$221 thousand for the same period last year.

As we noted last quarter, in June we recognized the benefit of our net deferred tax asset by eliminating our valuation allowance. This tax benefit was primarily created by the net loss carryforwards sustained during our startup period. Those losses were ordinary and expected. Accounting for this benefit increased our September year-to-date after tax net income to a total of \$3.35 million. Realizing this benefit improved our capital ratios by increasing our capital by \$2.60 million. Having realized the benefit of our net deferred tax asset, we are now provisioning for income taxes. For the next 15 months, we will focus our discussion on pre-tax net income to best provide you an apples to apples comparison of our financial results.

We closed the third quarter with \$373 million in assets, \$310 million in loans and \$327 million in deposits. Loans have grown 68% or \$125 million since September 30, 2011 and 9% or \$25 million during the third quarter of 2012. Deposits have grown 59% or \$122 million since September 30, 2011 and 12% or \$35 million during the third quarter of 2012. We will continue to aggressively pursue deposits for the foreseeable future as we are confident we can deploy all deposits attracted into quality loans.

Our net interest margin for the first nine months was 3.81% compared to 3.78% for the same period last year, a 3 basis point improvement. This stable net interest margin, combined with our significant balance sheet growth, resulted in net interest income increasing 57% or \$3.16 million during the first nine months to \$8.70 million from \$5.54 million for the same period last year.

While increased operating expenses are necessary to support our growth we continue to benefit from economies of scale. As mentioned in previous letters, the efficiency ratio measures how we are managing operating expense growth relative to balance sheet growth. We are pleased that our efficiency ratio (the smaller the better) improved further in the third quarter, and year-to-date stands at 77.05% versus 82.76% during the same period last year.

Our credit quality remains very strong. At the end of the third quarter, we had no non-performing loans and no loans past due more than 30 days. And we had no charge-offs during the period. Our credit statistics remain among the best in the country and while they are impossible to maintain at these levels over the long-term, we will always strive to be among the best relative to our peers. The allowance for loan losses stood at 1.29% of loans outstanding at the end of the quarter.

Our new capital campaign to help fund our continued strong growth is underway and is scheduled to end December 7, 2012. You should have received an Offering Circular and Subscription Agreement in mid September via email or U.S. mail. The demand for our services and loans is high by small- and medium-sized businesses and we can meet this demand while providing a superior return for our shareholders. If you have questions about the Offering, or need additional materials, please call or email either of us. In addition, our materials are available on the Investor Relations page of our website, [www.reverebank.com/About/InvestorRelations](http://www.reverebank.com/About/InvestorRelations). If you have not yet done so, we encourage you to consider increasing your investment in Revere Bank. We believe our future is very bright.

As mentioned last quarter, we are endeavoring to increase deposits at an even faster pace to meet loan demand. In early October, using local print media and customer outreach, we expanded our deposit campaign promoting three separate CD offers at highly attractive above market rates. We encourage you to take a look at our offers accessible via the orange ticker bar on our website or at [http://www.reverebank.com/Your\\_Vote.pdf](http://www.reverebank.com/Your_Vote.pdf). Your deposits help your bank and can improve your personal interest income.

On behalf of our directors and co-workers, thank you for your continued support and referrals. We are very excited about your Bank's future and appreciate your investment in Revere.

Sincerely,



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**Balance Sheet**  
**(Unaudited)**

(Dollars in thousands)	<u>September 30, 2012</u>	<u>December 31, 2011</u>	<u>September 30, 2011</u>
<b>Assets</b>			
Cash and due from banks	\$ 29,582	\$ 7,227	\$ 16,239
Federal funds sold	-	-	1,400
Investment portfolio	31,305	38,480	36,693
Loans	310,357	222,253	185,153
Allowance for loan loss	(4,018)	(2,858)	(2,503)
Other assets	5,798	2,789	2,273
Total Assets	<u>\$ 373,024</u>	<u>\$ 267,891</u>	<u>\$ 239,255</u>
<b>Liabilities and Stockholder's Equity</b>			
Non-interest bearing deposits	\$ 39,704	\$ 31,345	\$ 27,160
Interest bearing deposits	<u>286,837</u>	<u>198,173</u>	<u>177,785</u>
Total deposits	326,541	229,518	204,945
Federal funds purchased and other borrowings	15,000	11,000	7,000
Other liabilities	<u>1,482</u>	<u>797</u>	<u>761</u>
Total Liabilities	343,023	241,315	212,706
Stockholders' equity	<u>30,001</u>	<u>26,576</u>	<u>26,549</u>
Total Liabilities and Stockholder's Equity	<u>\$ 373,024</u>	<u>\$ 267,891</u>	<u>\$ 239,255</u>
<b>Capital Ratios</b>			
Tier 1 leverage ratio	8.06%	10.31%	11.42%
Tier 1 risk-based capital ratio	9.12%	11.60%	13.60%
Total risk-based capital ratio	10.37%	12.85%	14.85%
<b>Asset Quality</b>			
Non accrual loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total non-performing assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## Statement of Income and Expense (Unaudited)

(Dollars in thousands)	<u>Nine months ended September 30, 2012</u>	<u>Nine months ended September 30, 2011</u>	<u>Three months ended September 30, 2012</u>	<u>Three months ended September 30, 2011</u>
<b>Interest Income</b>				
Interest and fees on loans	\$ 10,433	\$ 6,646	\$ 3,919	\$ 2,518
Interest on securities	504	759	137	244
Interest on federal funds sold and other	20	18	6	7
Total interest income	<u>10,957</u>	<u>7,423</u>	<u>4,062</u>	<u>2,769</u>
<b>Interest Expense</b>				
Interest on deposits	2,183	1,854	769	656
Interest on other borrowed funds	80	27	36	9
Total Interest expense	<u>2,263</u>	<u>1,881</u>	<u>805</u>	<u>665</u>
Net Interest Income	8,694	5,542	3,257	2,104
Provision for loan loss	1,160	770	440	310
Net Interest Income after Provision	<u>7,534</u>	<u>4,772</u>	<u>2,817</u>	<u>1,794</u>
<b>Other Income</b>				
Non-Interest Income	260	173	102	58
Gain on Sale of Securities	11	6	-	-
Total other income	<u>271</u>	<u>179</u>	<u>102</u>	<u>58</u>
<b>Non-Interest Expense</b>				
Salaries and employee benefits	4,338	2,923	1,608	1,053
Occupancy and equipment	1,002	688	340	228
Other non-interest expense	1,559	1,119	568	422
Total Non-Interest Expense	<u>6,899</u>	<u>4,730</u>	<u>2,516</u>	<u>1,703</u>
Net Income before taxes	906	221	403	149
Taxes	(2,441)	-	159	-
Net Income	<u>\$ 3,347</u>	<u>\$ 221</u>	<u>\$ 244</u>	<u>\$ 149</u>
Net Income before provision for loan loss	<u>\$ 4,507</u>	<u>\$ 991</u>	<u>\$ 684</u>	<u>\$ 459</u>
Efficiency Ratio	77.05%	82.76%	74.90%	78.77%