



## ANNUAL USE OF CAPITAL SURVEY - 2009

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Howard Bancorp, Inc.

Person to be contacted regarding this report:	George Coffman
UST Sequence Number:	818
CPP Funds Received:	5,983,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	02/27/2009
Date Repaid <sup>1</sup> :	N/A

RSSD: (For Bank Holding Companies)	3386910
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	57776
City:	Ellicott City
State:	Maryland

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	\$5MM of the funds received were downstreamed to Howard Bank, Bancorp's sole banking subsidiary in order to increase the bank's small business lending capacity without damaging the bank's well capitalized status. The commercial loan portfolio increased 24% in the 12 month period
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	All loan categories increased with most growth occurring in the commercial real estate and commercial and industrial loan portfolios. Borrowers are all local entities and are all small and medium sized businesses.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	To the extent that some proceeds (~\$900m) were left at the holding company for future bank capital needs, liquidity was marginally increased with cash, Fed Funds and Treasury bills being the investment vehicles of choice.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	As the economy weakened for our local small business borrowers, the additional capital down-streamed to the bank allowed the bank to substantially , especially in the last quarter of the year ,increase the specific loan loss reserves.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Some portion of the specific reserves taken in 2009 migrated to chargeoffs as a small number of loans resulted in total or partial losses. Additionally, re valuation of one OREO property resulted in a loss. These provisions and losses were taken without losing the bank's well capitalized status .
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The small portion held at the holding company provided a reserve for the company.

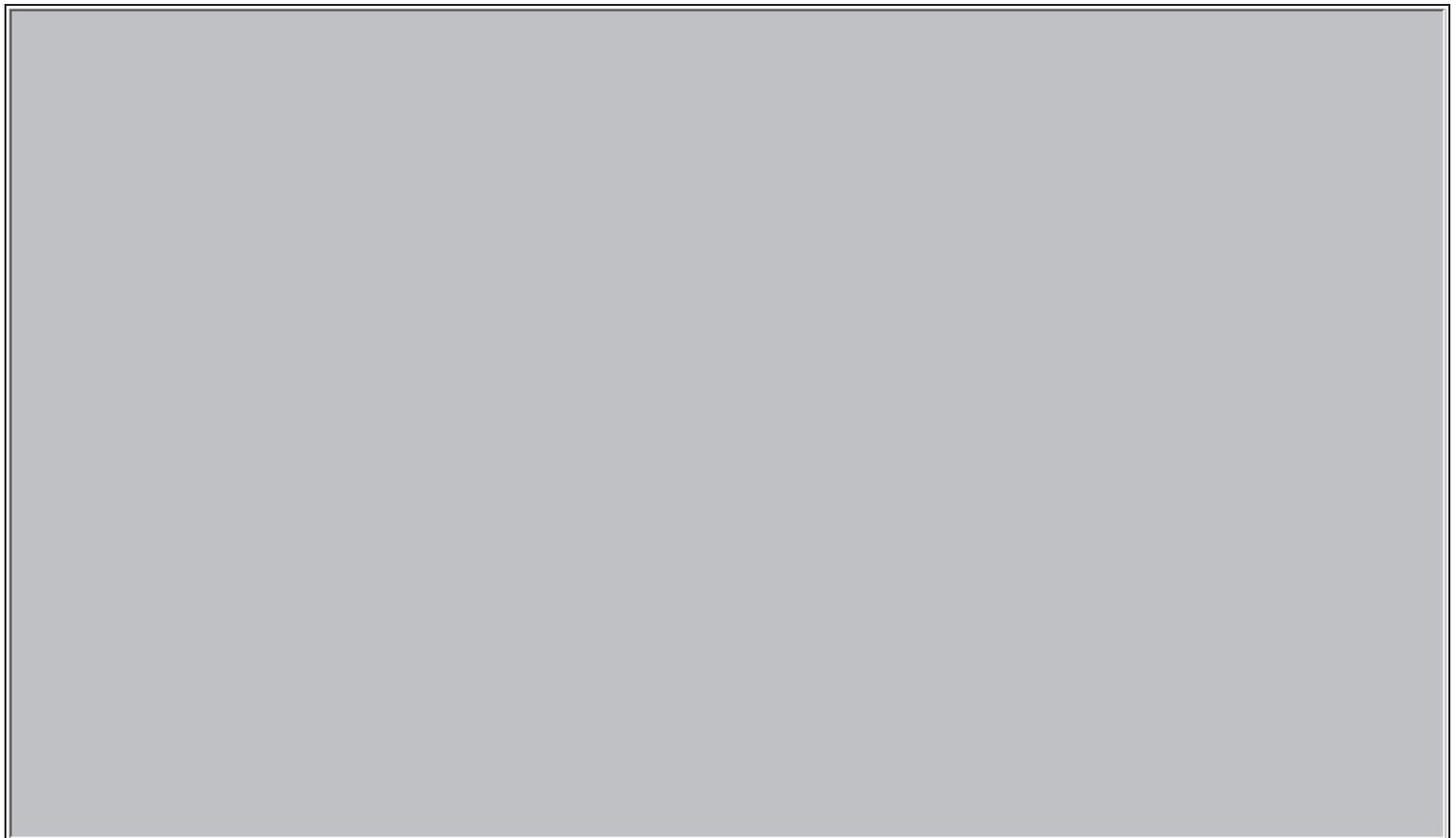
What actions were you able to avoid because of the capital infusion of CPP funds?

The bank was able to stay actively involved in lending to our targeted small business customers - not calling loans to existing borrowers, meeting the working capital needs of existing borrowers, and acquiring new business borrowers most of whom felt ignored by larger institutions . We were also able to keep in place small residential mortgage programs that focused on community public servants- teachers, police officers, firefighters, and hospital workers). We did not have to stop lending as a small portion of our loan portfolio came under stress and required more significant provisioning. Normally growing while provisioning places so much strain on the capital of a bank that one or the other must be restrained. We were able to shore up our allowance, recognize some diminishment in asset values and still create new, high quality loan assets only because of the CPP capital infusion. We were also able to defer going to the capital markets to undertake these activities at a time when new share issuance can result in substantial dilution for shareholders. Given our largely local community shareholder base, this meant that we were able to improve the long term investment returns for these local shareholders. When the additional provisioning caused a loss , we did not have to cut staff ( although we did freeze positions' compensation)

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We could not have grown the loan portfolio to the extent that we did ( \$40MM- over 20% from early March through December of 2009) without the CPP funds. We were also able to continue to make contributions to local not for profits ( approximately \$50,000) . We were able to increase our physical presence and provide additional customer access in a new contiguous geography ( Anne Arundel County). We were also able to retain staff , add credit administration staff and add relationship management staff .

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.