

# Waterford

BANCORP, INC.

February 23, 2010

Dear Shareholder,

We are extremely pleased to report that in our second full year of operation Waterford Bancorp, Inc. generated pre-tax operating income of \$542,000. Net income after tax was an even better \$2,063,000, reflecting a \$1,521,000 income tax benefit from the net operating loss generated before we reached profitability.

In spite of the challenges of the economy we continue to attract high quality business and consumer customers. Total assets increased \$62 million or 41% to finish the year at \$212 million. Net loans increased \$55 million or 55%. Credit quality remained strong as we continue to stay disciplined in our underwriting.

The above financial results also had a positive impact on the Waterford Bancorp, Inc. common stock price, increasing from \$25 per share to \$30 per share. The stock price valuation was performed by Austin Associates, LLC as of December 31, 2009.

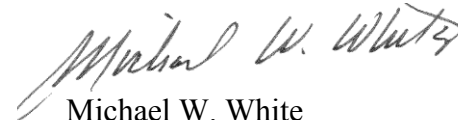
We would very much like to review the results with you in more detail at our upcoming Annual Meeting of Shareholders. **Please mark your calendar to save the date – Wednesday, April 21 at 5:30 p.m., at the Inverness Club.** In addition to looking back at 2009, we will give you our outlook for 2010. The Shareholders' Meeting will be followed by a reception. Your Notice of the Annual Meeting of Shareholders and Proxy Statement will be mailed to you in the near future.

On behalf of the Board of Directors and staff, we sincerely hope we will see you at the Meeting.

Sincerely,



Michael R. Miller  
Chairman & CEO



Michael W. White  
President & COO



Lawrence C. Boyer  
EVP