OLD LINE BANCSHARES INC
Form S-4/A
December 02, 2010

As filed with the U.S. Securities and Exchange Commission on December 2, 2010

Registration No. 333-170464

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 1
to
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Old Line Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**6022**	**20-0154352**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1525 Pointer Ridge Place
Bowie, Maryland 20716
(301) 430-2544
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

James W. Cornelsen
President and Chief Executive Officer
Old Line Bancshares, Inc.
1525 Pointer Ridge Place
Bowie, Maryland 20716
(301) 430-2544
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Frank E. Bonaventure, Esq. **Ober, Kaler, Grimes & Shriver, P.C.** **120 E. Baltimore Street** **Baltimore, Maryland 21202** **(410) 685-1120**	**Thomas B. Watts** **Chairman and Chief Executive Officer** **Maryland Bankcorp, Inc.** **46930 South Shangri La Drive** **Lexington Park, Maryland 20653** **(301) 645-5644**	**Leonard J. Rubin, Esq.** **Nelson Mullins Riley & Scarborough LLP** **101 Constitution Avenue, NW** **Suite 900** **Washington, DC 20001** **(202) 712-2885**

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)	o
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)	o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

OLD LINE BANCSHARES, INC. **MARYLAND BANKCORP, INC.**

Joint Proxy Statement/Prospectus

Merger Proposal Your Vote is Very Important

The boards of directors of Old Line Bancshares, Inc. and Maryland Bankcorp, Inc. have agreed to a strategic combination of the two companies under the terms of an Agreement and Plan of Merger, dated as of September 1, 2010, as amended. Under the terms of the merger agreement, Maryland Bankcorp will be merged with and into Old Line Bancshares, with Old Line Bancshares surviving the merger.

If the merger is completed, Maryland Bankcorp stockholders will have the right to receive for each share of Maryland Bankcorp stock they own, at their election, shares of common stock of Old Line Bancshares or cash (subject to proration) with a value generally equal to the aggregate consideration to be paid in the merger ($20 million, subject to adjustment) divided by the number of outstanding shares of common stock of Maryland Bankcorp on the closing date of the merger. The number of shares of Maryland Bankcorp common stock for which the holders may elect cash is subject to proration to account for the fact that the aggregate cash consideration to be paid to holders of Maryland Bankcorp common stock in the merger will not exceed 5% of the aggregate merger consideration (not including cash paid for fractional shares), unless increased by Old Line Bancshares in its sole discretion. Cash will be paid in lieu of any fractional shares. The value of the per-share merger consideration will fluctuate with the average price of shares of Old Line Bancshares common stock, as calculated under the merger agreement, which takes into account market prices and the price of stock issuance by Old Line Bancshares, as further described in the attached joint proxy statement/prospectus. Such fluctuations may also affect the total consideration to be paid to stockholders of Maryland Bankcorp in the merger.

After the merger, Old Line Bancshares stockholders will continue to own their existing shares of Old Line Bancshares common stock. Old Line Bancshares common stock is traded on the NASDAQ Capital Market under the symbol OLBK.

Stockholders of each of Old Line Bancshares and Maryland Bankcorp will be asked to vote on approval of the merger agreement and the merger at the applicable special meeting for each company. We cannot complete the merger unless we obtain the required approval of the stockholders of each of Old Line Bancshares and Maryland Bankcorp. The merger agreement and the merger must be approved by the affirmative vote of holders of two-thirds of the outstanding shares of common stock of Maryland Bankcorp and by holders of a majority of the outstanding shares of common stock of Old Line Bancshares.

The Boards of Directors of Maryland Bankcorp, Inc. and Old Line Bancshares, Inc. recommend that you vote FOR approval of the merger agreement and the merger.

You should read this document and all annexes carefully. Before making a decision on how to vote, you should consider the Risk Factors discussion beginning on page 18 of this document.

Neither the Securities and Exchange Commission, nor any bank regulatory agency, nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense. The securities offered through this document are not savings accounts, deposits or other obligations of a bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other government agency.

This joint proxy statement/prospectus is dated December 1, 2010 and is first being mailed to Old Line Bancshares, Inc. stockholders and Maryland Bankcorp, Inc. stockholders on or about December 13, 2010.

OLD LINE BANCSHARES, INC.
1525 Pointer Ridge Place
Bowie, Maryland 20716
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JANUARY 27, 2011 AT 5:00 P.M.

A Special Meeting of Stockholders of Old Line Bancshares, Inc., a Maryland corporation, will be held on January 27, 2011, at 5:00 P.M, local time, at Old Line Bancshares, Inc. s office located at 1525 Pointer Ridge Place, Bowie, Maryland for the purpose of considering and voting upon the following:

1. A proposal to approve the Agreement and Plan of Merger dated September 1, 2010, as amended, by and between Old Line Bancshares, Inc. and Maryland Bankcorp, Inc., pursuant to which Maryland Bankcorp, Inc. will merge with and into Old Line Bancshares, Inc., with Old Line Bancshares, Inc. as the surviving entity, and the merger contemplated by the merger agreement, as more fully described in the accompanying joint proxy statement/prospectus.

2. A proposal to adjourn the meeting to a later date or dates, if necessary, to permit further solicitation of additional proxies in the event there are not sufficient votes at the time of the meeting to approve the matters to be considered by the stockholders at the meeting, as more fully described in the accompanying joint proxy statement/prospectus.

3. To act upon any other matter that may properly come before the special meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on December 1, 2010 will be entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

Whether or not you plan to attend the special meeting, we urge you to return the enclosed proxy form in order to indicate your vote as soon as possible. To complete the merger, the merger agreement and the merger must be approved by the holders of a majority of the issued and outstanding common stock of Old Line Bancshares, Inc. Abstentions, the failure to vote and shares that you have not authorized your broker to vote will have the same effect as votes against approval of the merger agreement and the merger. Whether or not you intend to attend the special meeting, please vote as promptly as possible **by signing, dating and mailing the proxy card, by telephone by calling 1-800-690-6903 and following the voice mail prompts or over the Internet by following the instructions at www.proxyvote.com. You will need information from your proxy card or electronic delivery notice to submit your proxy.**

If your shares are held in the name of a broker, bank or other fiduciary, please follow the instructions on the voting instruction card provided by such person.

You may revoke your proxy at any time prior to or at the meeting by written notice to Old Line Bancshares, Inc., by executing a proxy bearing a later date, or by attending the meeting and voting in person.

If you wish to attend the special meeting and vote in person and your shares are held in the name of a broker, trust, bank or other nominee, you must bring with you a proxy or letter from the broker, trustee, bank or nominee to confirm your beneficial ownership of the shares.

You are cordially invited to attend the meeting in person.

By Order of the Board of Directors,

/s/ Christine M. Rush

Christine M. Rush, Secretary

Bowie, Maryland
December 2, 2010

MARYLAND BANKCORP, INC.
46930 South Shangri La Drive
Lexington Park, Maryland 20653
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JANUARY 27, 2011 AT 10:00 A.M.

A Special Meeting of Stockholders of Maryland Bankcorp, Inc., a Maryland corporation, will be held on January 27, 2011, at 10:00 A.M., local time, at Maryland Bankcorp, Inc. s main office located at 46930 South Shangri La Drive, Lexington Park, Maryland for the purpose of considering and voting upon the following:

1. A proposal to approve the Agreement and Plan of Merger dated September 1, 2010, as amended, by and between Old Line Bancshares, Inc. and Maryland Bankcorp, Inc., pursuant to which Maryland Bankcorp, Inc. will merge with and into Old Line Bancshares, Inc., with Old Line Bancshares, Inc. as the surviving entity, and the merger contemplated by the merger agreement, as more fully described in the accompanying joint proxy statement/prospectus.

2. A proposal to adjourn the meeting to a later date or dates, if necessary, to permit further solicitation of additional proxies in the event there are not sufficient votes at the time of the meeting to approve the matters to be considered by the stockholders at the meeting, as more fully described in the accompanying joint proxy statement/prospectus.

3. To act upon any other matter that may properly come before the special meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on December 1, 2010 will be entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

Whether or not you plan to attend the special meeting, we urge you to return the enclosed proxy form in order to indicate your vote as soon as possible. To complete the merger, the merger agreement and the merger must be approved by the holders of two-thirds of the issued and outstanding common stock of Maryland Bankcorp. Abstentions, the failure to vote and shares that you have not authorized your broker to vote will have the same effect as votes against approval of the merger agreement and the merger. Whether or not you intend to attend the special meeting, please vote as promptly as possible by signing and returning the enclosed proxy card in the postage-paid envelope provided. If your shares are held in the name of a broker, bank or other fiduciary, please follow the instructions on the voting instruction card provided by such person.

You may revoke your proxy at any time prior to or at the meeting by written notice to Maryland Bankcorp, Inc., by executing a proxy bearing a later date, or by attending the meeting and voting in person.

If you wish to attend the special meeting and vote in person and your shares are held in the name of a broker, trust, bank or other nominee, you must bring with you a proxy or letter from the broker, trustee, bank or nominee to confirm your beneficial ownership of the shares.

You are cordially invited to attend the meeting in person.

By Order of the Board of Directors,

/s/ Lawrence H. Wright
Lawrence H. Wright, Secretary

Lexington Park, Maryland
December 2, 2010

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETINGS

The following are some questions that you, as a stockholder of Old Line Bancshares or Maryland Bankcorp, may have regarding the merger agreement, the merger and the other matters being considered at the special meetings and the answers to those questions. Old Line Bancshares and Maryland Bankcorp urge you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the special meetings. Additional important information is also contained in the annexes to this document.

Q: Why am I receiving this document?

A: Old Line Bancshares and Maryland Bankcorp have agreed to the merger of Maryland Bankcorp with and into Old Line Bancshares, which we refer to as the merger, pursuant to the terms of a merger agreement that is described in this document. A copy of the merger agreement and the amendment thereto (which we refer to, collectively, as the merger agreement), is attached to this document as Annex A.

In order to complete the merger, Maryland state law requires that stockholders of Old Line Bancshares and Maryland Bankcorp vote to approve the merger agreement and the merger. In addition, the rules of the NASDAQ Stock Market LLC require that Old Line Bancshares stockholders approve the merger since the shares it will issue to Maryland Bankcorp stockholders in the merger will be in excess of 20% of its current outstanding shares of common stock and voting power.

In addition, both Old Line Bancshares and Maryland Bankcorp stockholders will be asked to vote on a proposal to adjourn their special meetings to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meetings to approve the matters to be considered by the stockholders.

Old Line Bancshares and Maryland Bankcorp will hold separate special meetings to obtain these approvals. This document contains important information about the merger and the meetings of the stockholders of Old Line Bancshares and Maryland Bankcorp, and you should read it carefully. The enclosed voting materials allow you to vote your shares without actually attending your respective stockholder meeting.

Your vote is important. We encourage you to vote as soon as possible.

Q: When and where will the stockholder meetings be held?

A: The Old Line Bancshares special meeting will be held at its office located at 1525 Pointer Ridge Place, Bowie, Maryland, on January 27, 2011 at 5:00 P.M. The Maryland Bankcorp special meeting will be held at its main office located at 46930 South Shangri La Drive, Lexington Park, Maryland, on January 27, 2011 at 10:00 A.M.

Q: How do I vote?

A: *Old Line Bancshares*. If you are a stockholder of record of Old Line Bancshares as of the record date, you may vote in person by attending the Old Line Bancshares special meeting or by signing and returning the enclosed proxy card in the postage-paid envelope provided. You may also vote by telephone by calling 1-800-690-6903 and following the voice mail prompts or over the Internet by following the instructions at www.proxyvote.com.

Maryland Bankcorp. If you are a stockholder of record of Maryland Bankcorp as of the record date, you may vote in person by attending the Maryland Bankcorp special meeting or by signing and returning the enclosed proxy card in the postage-paid envelope provided.

If you hold shares of common stock of Old Line Bancshares or Maryland Bankcorp in the name of a bank, broker or other nominee, please follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented and voted at your stockholder meeting.

Q: What vote is required to approve each proposal?

A: *Old Line Bancshares*. The proposal at the Old Line Bancshares special meeting to approve the merger agreement and the merger requires the affirmative vote of holders of a majority of the outstanding shares of Old Line Bancshares common stock entitled to vote on the proposal.

As of the record date directors and executive officers of Old Line Bancshares and their affiliates are entitled to vote 14.24% of the shares of the Old Line Bancshares common stock outstanding.

Maryland Bankcorp. The proposal at the Maryland Bankcorp special meeting to approve the merger agreement and the merger requires the affirmative vote of holders of two-thirds of the outstanding shares of Maryland Bankcorp common stock entitled to vote on the proposal.

The directors of Maryland Bankcorp and Maryland Bank & Trust have agreed, in writing, to vote their shares in support of the merger and the merger agreement. As of the record date such directors and their affiliates are entitled to vote 45.33% of the shares of the Maryland Bankcorp common stock outstanding. In addition, Maryland Bank & Trust holds 53,742 shares (8.32%) for its employee stock plan, which will be voted for approval of the merger agreement and the merger.

Each of the special meetings may be adjourned, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the proposal. The affirmative vote of the holders of a majority of the common shares cast on the matter at these special meetings is required to adjourn such special meeting.

Q: How do the boards of directors of each of Old Line Bancshares and Maryland Bankcorp recommend that I vote on the merger agreement and the merger?

A: The boards of directors of each of Old Line Bancshares and Maryland Bankcorp recommend that you vote **FOR** approval of the merger agreement and the merger.

Q: How many votes do I have?

A: *Old Line Bancshares*. You are entitled to one vote for each share of Old Line Bancshares common stock that you owned as of the record date. *Maryland Bankcorp*. You are entitled to one vote for each share of Maryland Bankcorp common stock that you owned as of the record date.

Q: What will happen if I fail to vote or I abstain from voting?

A: If you fail to vote, fail to instruct your bank, broker or other nominee to vote or abstain from voting, it will have the same effect as a vote against the proposal to approve the merger agreement and the merger. Assuming a quorum (that is, holders of at least a majority of the outstanding shares of common stock of the applicable company as of the record date) is present, an abstention or the failure to vote, however, will have no effect on the proposal to approve the adjournment of the respective special meetings, if necessary, to solicit additional proxies.

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?

A: No. If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), your broker, bank or other nominee will not vote your shares of Old Line Bancshares or Maryland Bankcorp common stock unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this joint proxy statement/prospectus. Please note that you may not vote shares held in street name by returning a proxy card directly to Old Line Bancshares or Maryland Bankcorp or by voting in person at your special meeting unless you provide a legal proxy, which you must obtain from your bank, broker or nominee.

Q: What will happen if I return my proxy card without indicating how to vote?

A: If you sign and return your proxy card without indicating how to vote on any particular proposal, the Old Line Bancshares common stock or Maryland Bankcorp common stock represented by your proxy will be voted in favor of that proposal.

Q: What if I fail to submit my proxy card or to instruct my broker, bank or other nominee to vote?

A: If you fail to properly submit your proxy card or otherwise vote as instructed on the proxy card, or fail to properly instruct your broker, bank or other nominee to vote your shares of Old Line Bancshares common stock or Maryland Bankcorp common stock and you do not attend the applicable special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote against approval of the merger agreement and the merger.

Q: Can I change my vote after I have returned a proxy or voting instruction card?

A: Yes. You can change your vote at any time before your proxy is voted at your special meeting. You can do this in one of three ways:

- you can send a signed notice of revocation;
- you can grant a new, valid proxy bearing a later date; or
- if you are a holder of record, you can attend your special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to the Secretary of Old Line Bancshares or Secretary of Maryland Bankcorp, as appropriate, no later than the beginning of the applicable special meeting. If your shares are held in street name by your bank, broker or other nominee, you should follow the directions you receive from your bank, broker or other nominee to change your voting instructions, or contact your broker, bank or other nominee if no such instructions are provided.

Q: Am I entitled to dissenters rights or similar rights?

A: Yes, if you are a Maryland Bankcorp stockholder. Under Maryland law, Maryland Bankcorp stockholders may exercise their rights as objecting stockholders to demand the payment of the fair value of their shares of Maryland Bankcorp common stock in connection with the merger. These rights are occasionally referred to as dissenters rights in this joint proxy statement/prospectus. The provisions of Maryland law governing dissenters rights are

complex, and you should study them carefully if you wish to exercise these rights. Multiple steps must be taken to properly exercise and perfect such rights. A copy of Sections 3-201 through 3-213 of the Maryland General Corporation Law (MGCL) is included with this joint proxy statement/prospectus as Annex D.

If you are an Old Line Bancshares stockholder, you are not entitled to dissenters rights in connection with the merger.

Q: What are the material United States federal income tax consequences of the merger to stockholders?

A: In general, for United States federal income tax purposes, Maryland Bankcorp stockholders are not expected to recognize a gain or loss on the exchange of their Maryland Bankcorp common stock for Old Line Bancshares common stock. Maryland Bankcorp stockholders that receive only cash in exchange for their Maryland Bankcorp common stock will recognize gain or loss on the transaction, and Maryland Bankcorp stockholders that receive a combination of cash and Old Line Bancshares common stock in exchange for their Maryland Bankcorp common stock will typically recognize gain (but not loss) on the transaction. Maryland Bankcorp stockholders will have to recognize a gain in connection with cash received in lieu of fractional shares of Old Line Bancshares common stock. Old Line Bancshares stockholders will have no tax consequences as a result of the merger.

Maryland Bankcorp stockholders are urged to consult their tax advisor for a full understanding of the tax consequences of the merger to them since tax matters are very complicated and in many cases, tax consequences of the merger will depend on your particular facts and circumstances. See The Merger Agreement and the Merger Certain Federal Income Tax Consequences beginning at page 96.

Q: When do you expect the merger to be completed?

A: Old Line Bancshares and Maryland Bankcorp are working to complete the merger by March 31, 2011. However, the merger is subject to various federal and state regulatory approvals and other conditions, in addition to approval by the stockholders of both companies, and it is possible that factors outside the control of both companies could result in the merger being completed at a later time, or not at all. There may be a substantial amount of time between the respective Old Line Bancshares and Maryland Bankcorp special meetings and the completion of the merger. Old Line Bancshares and Maryland Bankcorp hope to complete the merger as soon as reasonably practicable.

Q: What do I need to do now?

Carefully read and consider the information contained in this document, including its annexes. After you have carefully read these materials, as soon as possible either (i) indicate on the attached proxy card how you want your shares to be voted, then sign, date and mail the proxy card in the enclosed postage-paid envelope (or, if you are an Old Line Bancshares stockholder, you may also vote by phone or via the Internet as otherwise instructed in this document, or (ii) if you hold your shares in street name, follow the voting instructions provided by your bank, broker or other nominee to direct it how to vote your shares, so that your shares may be represented and voted at the Old Line Bancshares or Maryland Bankcorp special meeting.

Q: What will I receive in the merger?

A: *Old Line Bancshares*. You will continue to hold your shares of common stock in Old Line Bancshares after the merger.

Maryland Bankcorp. In exchange for your shares of common stock in Maryland Bankcorp, you will receive, at your election and subject to proration as described herein, shares of common stock of Old Line Bancshares and/or cash, as further described in this joint proxy statement/prospectus.

Q: Do I need to do anything with my shares of Maryland Bankcorp or Old Line Bancshares common stock now?

A: No. Please do not send in your Maryland Bankcorp stock certificates with your proxy card. If the merger is approved, then you will be sent a letter of transmittal that will include instructions for sending in your Maryland Bankcorp stock certificates. This letter of transmittal is separate from the election form included with this document sent to Maryland Bankcorp stockholders, which includes instructions regarding making an election with respect to the consideration you will receive in the merger.

Each share of common stock of Old Line Bancshares outstanding will continue to remain outstanding as a share of Old Line Bancshares common stock after the merger. As a result, if you are an Old Line Bancshares stockholder, you are not required to take any action with respect to your Old Line Bancshares common stock certificates.

Q: Whom should I call if I have any questions?

A: Old Line Bancshares or Maryland Bankcorp stockholders who have questions about the merger or the other matters to be voted on at the special stockholder meetings or desire additional copies of this document or additional proxy cards should contact:

If you are an Old Line Bancshares stockholder:

Christine M. Rush
Executive Vice President & Chief Financial Officer

Old Line Bancshares, Inc.
1525 Pointer Ridge Place
Bowie, Maryland 20716
Phone: (301) 430-2544
Fax: (301) 430-2545

If you are a Maryland Bankcorp stockholder:

Lawrence H. Wright
Senior Vice President & Secretary Maryland Bankcorp, Inc.
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SUMMARY

This summary highlights selected information from this joint proxy statement/ prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document to fully understand the merger and the related transactions. Each item in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail. Unless otherwise indicated in this joint proxy statement/prospectus or the context otherwise requires, all references in this joint proxy statement/prospectus to Old Line Bancshares refer to Old Line Bancshares, Inc., all references to Maryland Bankcorp refer to Maryland Bankcorp, Inc. and all references to Maryland Bank & Trust refer to Maryland Bank & Trust Company, N.A.

The Companies

Old Line Bancshares, Inc. (see page 110)

Old Line Bancshares, Inc.
1525 Pointer Ridge Place
Bowie, Maryland 20716
Telephone: (301) 430-2544

Old Line Bancshares was incorporated under the laws of the State of Maryland on April 11, 2003 to serve as the holding company of Old Line Bank. On May 22, 2003, the stockholders of Old Line Bank approved the reorganization of Old Line Bank into a holding company structure pursuant to which Old Line Bank became a subsidiary of Old Line Bancshares. The reorganization became effective on September 15, 2003. Old Line Bancshares also owns an approximately $1.0 million investment in a Maryland limited liability company named Pointer Ridge Office Investment, LLC (Pointer Ridge), which owns the commercial office building in which Old Line Bancshares leases and operates its main headquarters as well as a branch of Old Line Bank. Old Line Bancshares owns 62.50% of Pointer Ridge.

Old Line Bank is a trust company chartered under Subtitle 2 of Title 3 of the Financial Institutions Article of the Annotated Code of Maryland. Old Line Bank was originally chartered in 1989 as a national bank under the title Old Line National Bank. In June 2002, Old Line Bank converted to a Maryland-chartered trust company exercising the powers of a commercial bank, and received a Certificate of Authority to do business from the Maryland Commissioner of Financial Regulation.

Old Line Bank does not exercise trust powers and its regulatory structure is the same as a Maryland chartered commercial bank. Old Line Bank is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation insures its deposits. Old Line Bank engages in a general commercial banking business, making various types of loans and accepting deposits. Old Line Bank markets its financial services to small to medium sized businesses, entrepreneurs, professionals, consumers and high net worth clients. Its current primary market area is the suburban Maryland (Washington, D.C. suburbs) counties of Prince George s, Charles, Anne Arundel and northern St. Mary s.

As of September 30, 2010, Old Line Bancshares had consolidated assets, deposits and stockholders equity of approximately $411.2 million, $341.1 million and $37.8 million, respectively.

Old Line Bancshares common stock is listed and traded on the NASDAQ Capital Market under the symbol OLBK.

Maryland Bankcorp, Inc. (see page 188)

Maryland Bankcorp, Inc.
46930 South Shangri La Drive
Lexington Park, Maryland 20653
Telephone: (301) 645-5644

Maryland Bankcorp was organized on September 28, 2001 to become the holding company for Maryland Bank & Trust, and pursuant to a stock exchange between Maryland Bankcorp and Maryland Bank & Trust, Maryland Bank & Trust became a wholly-owned subsidiary of Maryland Bankcorp on that date.

Maryland Bank & Trust was originally incorporated in 1959 as a Maryland state chartered bank, and became a national bank in 1997. Maryland Bank & Trust is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation insures its deposits.

Maryland Bank & Trust provides a full range of banking services to individuals and corporate customers primarily in its market area. Deposit accounts include savings, checking, money market, individual retirement accounts and certificates of deposit. Lending products include real estate loans, personal loans and commercial loans. Maryland Bank & Trust s primary market area is Southern Maryland.

As of September 30, 2010, Maryland Bankcorp had consolidated assets, deposits and stockholders equity of approximately $346.5 million, $291.1 million and $25.1 million, respectively.

The Special Meetings

Date, Time and Place of Special Meetings (see page 29)

Old Line Bancshares will hold a special meeting of stockholders on January 27, 2011 at 5:00 P.M., local time at its office located at 1525 Pointer Ridge Place, Bowie, Maryland. The Old Line Bancshares board of directors has set the close of business on December 1, 2010 as the record date for determining stockholders entitled to notice of, and to vote at, the special meeting. On the record date, there were 3,888,105 shares of Old Line Bancshares common stock outstanding.

Maryland Bankcorp will hold a special meeting of stockholders on January 27, 2011 at 10:00 A.M., local time, at its main office located at 46930 South Shangri La Drive, Lexington Park, Maryland. The Maryland Bankcorp board of directors has set the close of business on December 1, 2010 as the record date for determining stockholders entitled to notice of, and to vote at, the special meeting. On the record date, there were 646,626 shares of Maryland Bankcorp common stock outstanding.

Matters to be Considered at the Special Meetings (see page 29)

At the meeting, you will be asked to vote on a proposal to approve the merger agreement and the merger pursuant to which Maryland Bankcorp will merge with and into Old Line Bancshares, and on a proposal to adjourn the meeting to solicit additional proxies, if necessary, in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement and the merger and any other business that properly arises during the special meeting or any adjournment or postponement thereof.

Under the terms of the merger agreement, Old Line Bancshares will acquire Maryland Bankcorp by merging Maryland Bankcorp with and into Old Line Bancshares. Maryland Bankcorp will cease to exist as a separate entity. Old Line Bancshares will pay consideration of $20.0 million, subject to adjustment for certain operating losses, asset quality changes and merger-related expenses incurred by Maryland Bankcorp.

Pursuant to a separate agreement, it is anticipated that immediately after the merger, Maryland Bank & Trust, the bank operating subsidiary of Maryland Bankcorp, will merge with and into Old Line Bank, with Old Line Bank being the surviving bank.

A copy of the merger agreement is attached to this document as Annex A.

Maryland Bankcorp Stockholders May Elect to Receive Cash, Shares of Old Line Bancshares Common Stock or a Combination of Cash and Stock (see page 74).

If you are a Maryland Bankcorp stockholder, you may choose to exchange some or all of your shares for cash and some or all of your shares for Old Line Bancshares common stock, subject to the limitations described below. An election form is included with this joint proxy statement/prospectus, which asks your preference for cash and/or stock. You will have until February 15, 2011 to make your election and return your election form, unless you are notified in writing of an earlier election deadline.

If you do not return a properly completed and executed election form by the election deadline, you will be deemed to have elected to receive Old Line Bancshares common stock for your Maryland Bankcorp shares. Complete information on the election procedure can be found in the section entitled The Merger Agreement and the Merger Terms of the Merger

Election and Exchange Procedures. You should note that, in general, the value of the consideration you will receive for each share of Maryland Bankcorp common stock that you own will equal the $20.0 million aggregate consideration to be paid in the merger, as adjusted pursuant to the merger agreement, divided by the number of shares of Maryland Bankcorp common stock outstanding on the closing date of the merger, which should be 646,626 shares. Assuming no adjustments to the aggregate merger consideration or changes in the number of shares of Maryland Bankcorp common stock outstanding, the value of the per-share merger consideration will be $30.9298 (any cash due will be rounded down to the nearest whole cent). The value of the per-share cash consideration and the per-share stock consideration will generally be equal, although the value of the per-share stock consideration may be slightly higher in some limited circumstances, and the value of the per-share stock consideration may not be based solely on recent trading prices of Old Line Bancshares common stock.

In addition, the holders of not more than 5% of the outstanding shares of Maryland Bankcorp common stock will receive cash consideration and the holders of up to 100% but not less than 95% of the outstanding shares of Maryland Bankcorp common stock will receive shares of Old Line Bancshares common stock. If the holders of more than 5% of the outstanding shares of Maryland Bankcorp common stock elect to receive cash or exercise their dissenters rights (see Maryland Bankcorp Stockholders Have Dissenters Rights in Connection with the Merger), those persons who elected to receive cash will receive a portion of their merger consideration in the form of shares of Old Line Bancshares common stock instead. However, all the holders of Maryland Bankcorp common stock who elect to receive shares of Old Line Bancshares common stock will receive Old Line Bancshares common stock.

Thus, you may not receive exactly the form of consideration that you elect, and you may receive a *pro rata* portion of cash and Old Line Bancshares common stock even if you elect to receive all cash. See The Merger Agreement and the Merger Terms of the Merger Election and Exchange Procedures and The Merger Agreement and the Merger Terms of the Merger Allocation Procedures and Proration.

Each of the Old Line Bancshares and Maryland Bankcorp Boards of Directors Recommend Stockholder Approval (see page 29 and page 31).

Each of the Old Line Bancshares and Maryland Bankcorp boards of directors believes that the merger is in the best interests of its respective stockholders and Old Line Bancshares and Maryland Bankcorp, respectively, and recommends that you vote **FOR** approval of the merger agreement and the merger.

Consideration is Fair from a Financial Point of View According to Old Line Bancshares Financial Advisor (see page 48).

Danielson Associates, LLC (Danielson) delivered a written opinion to the Old Line Bancshares board of directors that, as of September 1, 2010, and subject to the qualifications and limitations on the review by Danielson in rendering its opinion, the terms of the merger agreement are fair, from a financial point of view, to Old Line Bancshares stockholders. The opinion is attached to this document as Annex B. You should read the entire opinion carefully in connection with your consideration of the proposed merger. Pursuant to an engagement letter, Old Line Bancshares has agreed to pay Danielson an advisory fee, including the provision of its fairness opinion, of $115,000. Old Line Bancshares paid Danielson an initial non-refundable retainer fee of $15,000 upon execution of the engagement letter. Old Line Bancshares paid to Danielson $35,000 upon signing the merger agreement and $10,000 upon Danielson s presentation of its opinion to the board. Old Line Bancshares will pay Danielson an additional $55,000 upon the closing of the merger. Old Line Bancshares has also agreed to reimburse Danielson s out-of-pocket expenses incurred in connection with its engagement and to indemnify Danielson against certain liabilities arising out of the performance of its obligations under the engagement letter. The opinion is directed at Old Line Bancshares board of directors and does not constitute a recommendation to any holder of Old Line Bancshares common stock as to how any stockholder should vote on any of the proposals to be considered at the special meeting.

Consideration is Fair from a Financial Point of View According to Maryland Bankcorp s Financial Advisor (see page 61).

Monocacy Financial Advisors, LLC (Monocacy) delivered a written opinion to the Maryland Bankcorp board of directors that, as of September 1, 2010, and subject to the qualifications and limitations on the review by Monocacy in rendering its opinion, the consideration to be received by stockholders of Maryland Bankcorp pursuant to the terms of the merger agreement is fair, from a financial point of view, to Maryland Bankcorp stockholders. The opinion is

attached to this document as Annex C. You should read the entire opinion carefully in connection with your consideration of the proposed merger. Pursuant to an engagement letter, Maryland Bankcorp has agreed to pay Monocacy an aggregate advisory fee in an

amount up to 1.5% of the aggregate merger consideration (including holding company debt assumed and other items of value), or approximately $390,000 (assuming no adjustments to the aggregate merger consideration pursuant to the merger agreement). Maryland Bankcorp has already paid Monocacy an initial non-refundable retainer fee of $15,000 upon the execution of the engagement letter, $25,000 upon Monocacy s delivery of its fairness opinion, and approximately $78,000 (20% of the total fee) upon the execution of the merger agreement. Maryland Bankcorp will pay Monocacy the balance of its fee upon completion of certain milestones as follows: 10% of the total fee upon mailing of this joint proxy statement/ prospectus; 10% of the total fee upon the receipt of approval of the merger agreement and the merger by Maryland Bankcorp s stockholders; and the remaining balance (approximately 60% of the total fee) upon the closing of the merger. Maryland Bankcorp has also agreed to reimburse certain of Monocacy s reasonable out-of-pocket expenses up to $10,000 (or more with Maryland Bankcorp s consent) incurred in connection with its engagement and to indemnify Monocacy against certain liabilities arising out of rendering its opinion. The opinion is directed at Maryland Bankcorp s board of directors and does not constitute a recommendation to any holder of Maryland Bankcorp common stock as to how any stockholder should vote on any of the proposals to be considered at the special meeting.

Approval of at Least 66 2/3% of the Outstanding Shares of Maryland Bankcorp Common Stock on the Record Date of December 1, 2010 is Required for the Merger (see page 32).

Approval of holders of at least 66 2/3% of the outstanding shares of Maryland Bankcorp common stock on the record date December 1, 2010 is required to approve the merger agreement and the merger. Each holder of shares of Maryland Bankcorp common stock outstanding on the record date will be entitled to one vote for each share held. The vote required for approval of the merger agreement and the merger is a percentage of all outstanding shares of Maryland Bankcorp common stock. Therefore, abstentions, a failure to vote and broker non-votes will have the same effect as a vote against approval of the merger agreement and the merger.

The affirmative vote of a majority of the shares voted at the special meeting is required to approve the adjournment of the meeting to solicit additional proxies. Therefore, abstentions, the failure to vote and broker non-votes will have no effect on the outcome of the proposal to adjourn the special meeting, if necessary.

Approval of a Majority of the Outstanding Shares of Old Line Bancshares Common Stock on the Record Date of December 1, 2010 is Required for the Merger (see page 29).

Pursuant to Old Line Bancshares articles of incorporation, because the merger agreement and the merger have been approved by Old Line Bancshares board of directors, holders of a majority of the outstanding shares of Old Line Bancshares common stock on the record date must approve the merger agreement and the merger. Each holder of shares of Old Line Bancshares common stock outstanding on the record date will be entitled to one vote for each share held.

The vote required for approval of the merger agreement and the merger is a percentage of all outstanding shares of Old Line Bancshares common stock. Therefore, abstentions, a failure to vote and broker non-votes will have the same effect as a vote against approval of the merger agreement and the merger.

The affirmative vote of a majority of the shares voted on the matter at the special meeting is required to approve the adjournment of the meeting to solicit additional proxies. Therefore, abstentions, the failure to vote and broker non-votes will have no effect on the outcome of the proposal to adjourn the special meeting, if necessary.

Maryland Bankcorp and Maryland Bank & Trust Directors have Agreed to Vote in Favor of the Merger (see page 93).

The directors of Maryland Bankcorp and Maryland Bank & Trust have agreed, in writing, to vote all shares of Maryland Bankcorp common stock for which they are the record or beneficial owner for approval of the merger agreement and the merger. As of the record date, such directors and their affiliates are entitled to vote 45.33% of the shares of the Maryland Bankcorp common stock outstanding. In addition, Maryland Bank & Trust holds 53,742 shares of Maryland Bankcorp common stock or approximately 8.32% of the shares of Maryland Bankcorp common stock outstanding as of the record date, for its employee stock plan, which will be voted for approval of the merger agreement and the merger.

Old Line Bancshares Directors have Approved the Merger Agreement and are Expected to Vote in Favor of the Merger (see page 30).

Directors of Old Line Bancshares have sole or shared voting power over 686,056 shares of Old Line Bancshares common stock or approximately 17.65% of the shares of Old Line Bancshares common stock outstanding as of the record

date. The Old Line Bancshares directors have approved the merger agreement and the merger and are expected to vote for approval the merger agreement and the merger.

Maryland Bankcorp Directors and Management may have Interests in the Merger that Differ from your Interests (see page 92).

The directors and executive officers of Maryland Bankcorp have interests in the merger as directors and employees that are different from yours as a Maryland Bankcorp stockholder. These interests include, among others, provisions in the merger agreement regarding the Old Line Bancshares board positions, payments to be made to Maryland Bankcorp directors and executive officers pursuant to non-competition agreements they will enter into with Old Line Bancshares and continuation of Maryland Bankcorp s obligations under executive supplemental retirement plans and a director supplemental retirement plan, as well as indemnification and insurance provisions of the merger agreement.

Maryland Bankcorp s board of directors was aware of these interests and considered them in approving and recommending the merger.

Regulatory Approval or No Objection Must be Obtained and Other Conditions Must be Satisfied Before the Merger Will be Completed (see page 89).

Old Line Bancshares and Maryland Bankcorp s obligations to complete the merger are subject to various conditions that are usual and customary for this kind of transaction, including obtaining approval from the Board of Governors of the Federal Reserve System (the Federal Reserve Board) and the Maryland Commissioner of Financial Regulation (the Maryland Commissioner) for the merger, approval of the Maryland Commissioner of the bank merger and no objection of the Office of the Comptroller of the Currency (the OCC) to the bank merger (which is included in any references to regulatory approvals in this document). Old Line Bancshares filed the appropriate applications for approval on November 26, 2010 with the Federal Reserve Board and November 29, 2010 with the Maryland Commissioner and the OCC. In addition to the required regulatory approvals, the merger will only be completed if certain conditions, including the following, are met:

- Old Line Bancshares and Maryland Bankcorp stockholders approve the merger agreement and the merger at the special meetings;

- Each party receives an opinion from its counsel or independent certified public accountants that:
  - Ø The merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code); and
  - Ø With respect to the opinion received by Maryland Bankcorp, any gain realized in the merger will be recognized only to the extent of cash or other property (other than Old Line Bancshares common stock) received in the merger, including cash received in lieu of fractional share interests; and
- Neither party has breached any of its representations or obligations under the merger agreement.

The merger agreement attached to this document as Annex A describes other conditions that must be met before the merger may be completed.

Amendment or Termination of the Merger Agreement is Possible (see page 87).

Maryland Bankcorp and Old Line Bancshares may agree to terminate the merger agreement and not complete the merger at any time before the merger is completed. Each company also may unilaterally terminate the merger agreement in certain circumstances including:

- The merger is not completed on or prior to May 31, 2011, if the failure to complete the transaction by that date is not due to a material breach of the merger agreement by the party seeking to terminate it.

- A definitive written denial of a required regulatory approval, if the failure to obtain regulatory approval is not due to a breach of the merger agreement by the party seeking to terminate it.

The other party has materially breached any representation, warranty, covenant or other agreement in the merger agreement, and such breach remains uncured 30 days after receipt by such party of written notice of such breach (provided that if such breach cannot reasonably be cured within such 30-day period but may reasonably be cured within 60 days and cure is being diligently pursued, then termination can occur only after expiration of such 60-day period).

Old Line Bancshares or Maryland Bankcorp s stockholders do not approve the merger agreement at their respective special meetings.

The conditions to closing have not been satisfied or waived.

The other party s board of directors withdraws its recommendation to stockholders to approve the merger agreement and the merger.

If Maryland Bankcorp or any Maryland Bankcorp subsidiary enters into a definitive term sheet, letter of intent or similar agreement with a view to being acquired by any other person other than Old Line Bancshares, or to sell a material portion of its assets.

In addition, Maryland Bankcorp may terminate the merger agreement:

If the average price (as defined in the merger agreement) of Old Line Bancshares common stock is less than $6.00, unless Old Line Bancshares increases the aggregate merger consideration as set forth in the merger agreement.

If Old Line Bancshares or any Old Line Bancshares subsidiary enters into a definitive term sheet, letter of intent or similar agreement to merge, as a result of which Old Line Bancshares is not the surviving entity or Old Line Bancshares directors as of September 1, 2010 do not comprise the majority of the surviving entity s board of directors, with any person other than Maryland Bankcorp, and the Maryland Bankcorp board of directors determines, with written advice of counsel, that such transaction is not in the best interests of Maryland Bankcorp s stockholders.

Old Line Bancshares and Maryland Bankcorp can agree to amend the merger agreement in any way. Either company can waive any of the requirements of the other company in the merger agreement, except that neither company can waive any required regulatory approval, stockholder approval or the absence of any order, decree or injunction preventing the transactions contemplated by the merger agreement.

Maryland Bankcorp Must Pay a Termination Fee to Old Line Bancshares if the Merger Agreement is Terminated Under Certain Circumstances (see page 88).

Maryland Bankcorp must pay Old Line Bancshares a termination fee in the amount of $750,000 if the merger agreement is terminated in connection with:

The entry by Maryland Bankcorp or any Maryland Bankcorp subsidiary into a definitive term sheet, letter of intent or similar agreement to be acquired by someone else or to sell a material portion of its assets (an alternative transaction), provided that Old Line Bancshares is not in material breach of any material representation, warranty, covenant or other agreement of the merger agreement.

Maryland Bankcorp s material breach of the merger agreement (provided that Old Line Bancshares is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement).

The Maryland Bankcorp board of directors withdrawing, changing or modifying its recommendation to stockholders to approve the merger agreement and the merger.

The failure of the merger to close by May 31, 2011 or receive all necessary regulatory approvals or consents and the failure to so close or receive such approvals or consents was directly caused by the knowing, willful and intentional actions or inactions of Maryland Bankcorp (provided Old Line Bancshares is not then in material

breach of any material representation, warranty, covenant or other agreement contained in the merger agreement).

In addition, Maryland Bankcorp has agreed to pay a fee of $1,000,000 to Old Line Bancshares if Maryland Bankcorp terminates the merger agreement after it enters into an alternative transaction after receipt of written advice from its counsel that the failure to do so shall constitute a breach of Maryland Bankcorp s directors fiduciary duty under Maryland law.

Old Line Bancshares Must Pay a Termination Fee to Maryland Bankcorp if the Merger Agreement is Terminated Under Certain Circumstances (see page 89)

Old Line Bancshares has agreed to pay a fee of $750,000 to Maryland Bankcorp if Maryland Bankcorp terminates the merger agreement in connection with:

Old Line Bancshares material breach of the merger agreement (provided that Maryland Bankcorp is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement).

The Old Line Bancshares board of directors withdrawing, changing or modifying its recommendation to stockholders to approve the merger agreement and the merger.

The failure of the merger to close by May 31, 2011 or receive all necessary regulatory approvals or consents and the failure to so close or receive such approvals or consents was directly caused by the knowing, willful and intentional actions or inactions of Old Line Bancshares (provided Maryland Bankcorp is not then in material breach of any material representation, warranty, covenant or other agreement contained in the merger agreement).

Rights of Old Line Bancshares Stockholders Differ from those of Maryland Bankcorp Stockholders (see pages 105).

When the merger is completed, Maryland Bankcorp stockholders who receive Old Line Bancshares common stock as consideration in the merger will become Old Line Bancshares stockholders. The rights of Old Line Bancshares stockholders differ from the rights of Maryland Bankcorp stockholders in certain important ways. Most of these have to do with provisions in Old Line Bancshares articles of incorporation and bylaws that differ from those of Maryland Bankcorp.

Maryland Bankcorp Stockholders Have Dissenters Rights in Connection with the Merger (see page 100).

Maryland Bankcorp stockholders are entitled to exercise dissenters rights with respect to the merger and, if the merger is completed and they perfect their dissenters rights, to receive payment in cash for the fair value of their shares of Maryland Bankcorp common stock instead of their share of the aggregate merger consideration. In general, to preserve their dissenters rights, Maryland Bankcorp stockholders who wish to exercise these rights must:

Deliver a written objection to the merger to Maryland Bankcorp at or before Maryland Bankcorp s special meeting of stockholders;

Not vote their shares for approval of the merger agreement and the merger;

Within 20 days after the merger is consummated, deliver a written demand to Old Line Bancshares stating the number of shares of Maryland Bankcorp common stock for which they demand payment; and

Comply with the other procedures set forth in Sections 3-201 through 3-213 of the MGCL.

The text of Sections 3-201 through 3-213 of the MGCL governing dissenters rights is included with this joint proxy statement/prospectus as Annex D. Failure to comply with the procedures described in Annex D will result in the loss of dissenters rights under the MGCL. We urge you to carefully read the text of Sections 3-201 through 3-213 of the MGCL governing dissenters rights.

MARKET PRICE AND DIVIDEND INFORMATION, RELATED STOCKHOLDER MATTERS

Old Line Bancshares common stock is listed and trades on the NASDAQ Capital Market of the NASDAQ Stock Market LLC under the symbol OLBK. As of December 1, 2010, there were 3,888,105 shares of Old Line Bancshares common stock outstanding, which were held by 242 holders of record, and outstanding options that were exercisable on that date (or within 60 days of that date) for 276,224 additional shares of Old Line Bancshares common stock.

There is no established trading market for the Maryland Bankcorp common stock; Maryland Bankcorp common stock trades only sporadically under the symbol MBKP. As of December 1, 2010, there were 646,626 shares of Maryland Bankcorp common stock outstanding, which were held by 357 holders of record.

The number of stockholders for each of Old Line Bancshares and Maryland Bankcorp noted above does not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

The following table shows, for the indicated periods, the high and low sales prices per share for Old Line Bancshares common stock, as reported on the NASDAQ Capital Market, and dividends declared and paid per share of Old Line Bancshares and Maryland Bankcorp common stock.

	Old Line Bancshares			Maryland Bankcorp		
	High	Low	Dividend Declared	High(1)	Low(1)	Dividend Declared
2007						
First Quarter	$11.05	$ 9.80	$0.03	$44.00	$42.75	$
Second Quarter	11.09	9.60	0.03	49.50	41.00	
Third Quarter	10.25	8.50	0.03	45.50	43.00	
Fourth Quarter	9.60	7.50	0.03	47.00	45.00	0.75
2008						
First Quarter	9.35	7.51	0.03			
Second Quarter	8.75	6.71	0.03	42.00	40.00	
Third Quarter	8.00	6.01	0.03	40.00	30.00	
Fourth Quarter	8.00	5.50	0.03	30.50	25.00	0.40
2009						
First Quarter	6.60	4.03	0.03	22.50	21.50	
Second Quarter	6.98	5.21	0.03	16.00	10.00	
Third Quarter	7.25	5.90	0.03	16.00	16.00	
Fourth Quarter	6.77	6.00	0.03	15.50	13.00	
2010						
First Quarter	7.65	7.44	0.03	14.50	13.00	
Second Quarter	8.09	7.44	0.03	14.60	14.60	
Third Quarter	8.99	7.0215	0.03			

(1) Source: Bloomberg Businessweek. Based on sporadic trades during the relevant time period.

On August 25, 2010, the last full trading day before public announcement of the execution of the merger agreement on which shares of Old Line Bancshares common stock were traded on the NASDAQ Capital Market, and November 26, 2010, the last practicable trading date before the date of this document on which shares of Old Line Bancshares common stock were traded, the high, low and closing sales prices for Old Line Bancshares common stock were as follows:

August 25, 2010			November 26, 2010		
High	**Low**	**Closing**	**High**	**Low**	**Closing**
$7.95	$7.94	$7.95	$8.20	$8.20	$8.20

On April 30, 2010, the last day prior to public announcement of the execution of the merger agreement and the date of this joint proxy statement/prospectus on which trades in Maryland Bankcorp common stock were reported, the high, low and closing prices for Maryland Bankcorp common stock was $14.60.

MARKET VALUE OF SECURITIES

The following table sets forth the market value per share of Old Line Bancshares common stock, the market value per share of Maryland Bankcorp common stock and the equivalent market value per share of Maryland Bankcorp common stock on August 25, 2010 (the last business day preceding public announcement of the merger on which shares of Old Line Bancshares common stock were traded on the NASDAQ Capital Market) and November 26, 2010 (the latest practicable trading day before the date of this document on which shares of Old Line Bancshares common stock were traded). The equivalent market value per share of Maryland Bankcorp common stock indicated in the tables is shown assuming both a cash election and a stock election and at various assumed average prices of Old Line Bancshares common stock based on recent trading prices and stock issuances of Old Line Bancshares as defined in the merger agreement. The figures also assume that (i) there are no adjustments to the aggregate merger consideration for certain operating losses, asset quality changes and merger-related expenses as provided in the merger agreement, and (ii) 646,626 shares of Maryland Bankcorp common stock are outstanding on the closing date. See The Merger Agreement and the Merger Terms of the Merger What Maryland Bankcorp Stockholders Will Receive in the Merger.

The historical market values per share of Old Line Bancshares common stock and the historical market value of Old Line Bancshares common stock used to determine the equivalent market value per share of Maryland Bankcorp common stock are the per-share closing sales prices on August 25, 2010 and November 26, 2010, respectively, as reported by the NASDAQ Stock Market LLC. The historical market values per share of Maryland Bankcorp common stock are the per-share closing sales prices on April 30, 2010, the last date on which shares of Maryland Bankcorp were traded and reported as of the applicable dates, as reported by Bloomberg Businessweek.

August 25, 2010

			Maryland Bankcorp	
Average Price of:	Old Line Bancshares Historical	Maryland Bankcorp Historical	Equivalent Market Value for Stock Election (1)	Equivalent Market Value for Cash Election
$ 12.50	$7.95	$14.60	$ 24.66	$ 31.97
$ 12.00	$7.95	$14.60	$ 24.31	$ 31.47
$ 11.45	$7.95	$14.60	$ 23.92	$ 30.92
$ 11.00	$7.95	$14.60	$ 24.82	$ 30.92
$ 10.50	$7.95	$14.60	$ 25.82	$ 30.92
$ 10.00	$7.95	$14.60	$ 24.77	$ 30.92
$ 9.50	$7.95	$14.60	$ 26.27	$ 30.92
$ 9.00	$7.95	$14.60	$ 27.77	$ 30.92
$ 8.50	$7.95	$14.60	$ 29.27	$ 30.92
$ 8.00	$7.95	$14.60	$ 30.77	$ 30.92
$ 7.63	$7.95	$14.60	$ 32.20	$ 30.92
$ 7.50	$7.95	$14.60	$ 32.20	$ 30.40
$ 7.00	$7.95	$14.60	$ 32.17	$ 28.37
$ 6.50	$7.95	$14.60	$ 32.14	$ 26.35
$ 6.00	$7.95	$14.60	$ 32.12	$ 24.32
$ 5.50	$7.95	$14.60	$ 32.09	$ 22.30
$ 5.00	$7.95	$14.60	$ 32.06	$ 20.28
$ 4.50	$7.95	$14.60	$ 32.03	$ 18.25

(1) Includes value of cash that would be paid in lieu of fractional shares of Old Line Bancshares common stock.

November 26, 2010

Average Price of:	Old Line Bancshares Historical	Maryland Bankcorp Historical	Maryland Bankcorp Equivalent Market Value for Stock Election (1)	Equivalent Market Value for Cash Election
$ 12.50	$8.20	$14.60	$ 25.16	$ 30.92
$ 12.00	$8.20	$14.60	$ 24.81	$ 30.92
$ 11.45	$8.20	$14.60	$ 24.42	$ 30.92
$ 11.00	$8.20	$14.60	$ 25.32	$ 30.92
$ 10.50	$8.20	$14.60	$ 26.32	$ 30.92
$ 10.00	$8.20	$14.60	$ 25.52	$ 30.92
$ 9.50	$8.20	$14.60	$ 27.02	$ 30.92
$ 9.00	$8.20	$14.60	$ 28.52	$ 30.92
$ 8.50	$8.20	$14.60	$ 30.02	$ 30.92
$ 8.00	$8.20	$14.60	$ 31.52	$ 30.92
$ 7.63	$8.20	$14.60	$ 33.20	$ 30.92
$ 7.50	$8.20	$14.60	$ 33.20	$ 30.40
$ 7.00	$8.20	$14.60	$ 33.17	$ 28.37
$ 6.50	$8.20	$14.60	$ 33.14	$ 26.35
$ 6.00	$8.20	$14.60	$ 33.12	$ 24.32
$ 5.50	$8.20	$14.60	$ 33.09	$ 22.30
$ 5.00	$8.20	$14.60	$ 33.06	$ 20.28
$ 4.50	$8.20	$14.60	$ 33.04	$ 18.25

(1) Includes value of cash that would be paid in lieu of fractional shares of Old Line Bancshares common stock.

COMPARATIVE PER SHARE DATA

The Old Line Bancshares and Maryland Bankcorp historical and the unaudited pro forma combined Old Line Bancshares and Maryland Bankcorp equivalent per share financial data for the nine months ended September 30, 2010 is presented below. This information should be considered together with the financial statements and related notes of Old Line Bancshares and Maryland Bankcorp and with the unaudited pro forma combined financial data included under Consolidated Pro Forma Financial Information found elsewhere in this joint proxy statement/prospectus.

Unaudited Pro Forma Comparative Per Share Data
For The Nine Months Ended September 30, 2010
(Amounts in Thousands, except per share data)

	Old Line Bancshares	**Maryland Bankcorp**	**Proforma Combined**	**Proforma Equivalent Maryland Bankcorp Share[1]**
For the nine months ended September 30, 2010				
Basic earnings (loss) per common share	$0.34	$ (1.62)	$0.14	$ 0.54
Diluted earnings (loss) per common share	0.34	(1.62)	0.14	0.54
Dividends Paid:				
For the nine months ended September 30, 2010	$0.09	$	$0.09	$ 0.35

Book Value:				
As of September 30, 2010	$9.58	$38.84	$8.99	$34.61

1) Pro forma equivalent per share amount is calculated by multiplying the pro forma combined per share amount by an assumed exchange ratio of 3.85 as outlined in Footnote 1 to the unaudited pro forma combined balance sheet and statement of income.

Unaudited Pro Forma Comparative Per Share Data
For The Year Ended December 31, 2009
(Amounts in Thousands, except per share data)

	Old Line Bancshares	Maryland Bankcorp	Proforma Combined	Proforma Equivalent Maryland Bankcorp Share[1]
For the year ended December 31, 2009				
Basic earnings (loss) per common share	$ 0.40	$ (5.93)	$ (0.24)	$ (0.92)
Diluted earnings (loss) per common share	0.40	(5.93)	(0.24)	(0.92)
Dividends Paid:				
For the year ended December 31, 2009	$ 0.12	$	$ 0.12	$ 0.46
Book Value:				
As of December 31, 2009	$ 9.31	$ 40.36	$ 8.98	$ 34.57

1) Pro forma equivalent per share amount is calculated by multiplying the pro forma combined per share amount by an assumed exchange ratio of 3.85 as outlined in Footnote 1 to the unaudited pro forma combined balance sheet and statement of income.

RISK FACTORS

In addition to the other information contained in this joint proxy statement/prospectus, including the matters addressed under the caption Caution Regarding Forward-Looking Statements, you should carefully consider the following risk factors in deciding whether to vote for approval of the merger agreement and the merger.

Risk Factors Related to the Merger in General

Old Line Bancshares may fail to realize all of the anticipated benefits of the merger. The success of the merger will depend, in part, on Old Line Bancshares ability to realize the anticipated benefits and cost savings from combining the businesses of Old Line Bancshares and Maryland Bankcorp. To realize these anticipated benefits and cost savings, however, Old Line Bancshares must successfully combine the businesses of Old Line Bancshares and Maryland Bankcorp. If Old Line Bancshares is unable to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected.

Old Line Bancshares and Maryland Bankcorp have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the loss of key depositors or other bank customers, the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect Old Line Bancshares and Maryland Bankcorp s ability to maintain their relationships with their respective clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts between the two companies may, to some extent, also divert management attention and resources. These integration matters could have an adverse effect on each of Old Line Bancshares and Maryland Bankcorp during such transition period.

The market price of Old Line Bancshares common stock after the merger may be affected by factors different from those affecting the shares of Old Line Bancshares or Maryland Bankcorp currently. The businesses of Old Line Bancshares and Maryland Bankcorp differ and, accordingly, the results of operations of the combined company and the market price of the combined company s shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of Old Line Bancshares and Maryland Bankcorp. For a discussion of the businesses of Old Line Bancshares and Maryland Bankcorp and of certain factors to consider in connection with those businesses, see Business of Old Line Bancshares, Inc., Business of Old Line Bank, Business of Maryland Bankcorp, Inc. and Business of Maryland Bank & Trust Company, N.A.

If the merger is not completed, Old Line Bancshares and Maryland Bankcorp will have incurred substantial expenses without realizing the expected benefits. Old Line Bancshares and Maryland Bankcorp have incurred substantial expenses in connection with the execution of the merger agreement and the merger. The completion of the merger depends on the satisfaction of specified conditions, including the approval of the stockholders of Old Line Bancshares and Maryland Bankcorp and the receipt of regulatory approvals. There is no guarantee that these conditions will be met. If the merger is not completed, these expenses could have a material adverse impact on the financial condition of Old Line Bancshares and/or Maryland Bankcorp because they would not have realized the expected benefits.

The merger must be approved by multiple governmental agencies. Before the merger may be completed, various approvals, consents or no-objections must be obtained from the Federal Reserve Board, the OCC and the Maryland Commissioner. These governmental entities may impose conditions on the completion of the merger or require changes to the terms of the merger. Although Old Line Bancshares and Maryland Bankcorp do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of Old Line Bancshares following the merger, any of which might have a material adverse effect on Old Line Bancshares following the merger. Old Line Bancshares is not obligated to complete the merger if the regulatory approvals received in connection with the completion of the merger include any conditions or requirements that, in the reasonable opinion of its board of directors, would so materially and adversely impact the economic or business benefits to Old Line Bancshares following the merger as to render consummation of the merger inadvisable, but Old Line Bancshares could choose to waive this condition.

Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of Old Line Bancshares and Maryland Bankcorp. If the merger is not completed, the ongoing businesses of Old Line Bancshares and Maryland Bankcorp may be adversely affected and Old Line Bancshares and Maryland Bankcorp will be subject to several risks, including the following:

Maryland Bankcorp may be required, under certain circumstances, to pay Old Line Bancshares a termination fee of either $750,000 or $1,000,000 under the merger agreement;

Old Line Bancshares may be required, under certain circumstances, to pay Maryland Bankcorp a termination fee of $750,000 under the merger agreement;

Old Line Bancshares and Maryland Bankcorp will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

Under the merger agreement, Maryland Bankcorp is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies; and

Matters relating to the merger may require substantial commitments of time and resources by Old Line Bancshares and Maryland Bankcorp management that could otherwise have been devoted to other opportunities that may have been beneficial to Old Line Bancshares and Maryland Bankcorp as independent companies, as the case may be; and Maryland Bankcorp and Maryland Bank & Trust will still be subject to the provisions of the agreement with the OCC described in the section headed Additional Risk Factors Relating to Maryland Bankcorp ***Maryland Bank & Trust has entered into a written agreement with the OCC which may result in adverse results to Maryland Bankcorp s operations.***

In addition, if the merger is not completed, Old Line Bancshares and/or Maryland Bankcorp may experience negative reactions from the financial markets and from their respective customers and employees. Old Line Bancshares and/or Maryland Bankcorp also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against Old Line Bancshares or Maryland Bankcorp to perform their respective obligations under the merger agreement. If the merger is not completed, Old Line Bancshares and Maryland Bankcorp cannot assure their stockholders that the risks described above will not materialize and will not materially affect the business, financial results and stock prices of Old Line Bancshares and/or Maryland Bankcorp.

Old Line Bancshares and Maryland Bankcorp may choose not to proceed with the merger if it is not completed by May 31, 2011. Either Old Line Bancshares or Maryland Bankcorp may terminate the merger agreement if the merger has not been completed by May 31, 2011. See The Merger Agreement and the Merger Terms of the Merger Termination. There can be no assurance that all conditions to the merger will have been satisfied by May 31, 2011. See The Merger Agreement and the Merger Terms of the Merger Conditions to the Merger.

Risk Factors Relating to Old Line Bancshares Business

This section discusses risks relating to Old Line Bancshares business and includes risks we will continue to face after the merger. References in this subsection to we and our refer to Old Line Bancshares, Inc. and its subsidiaries.

If economic conditions deteriorate further, our borrowers ability to repay loans declines and the value of the collateral securing our loans decreases, these conditions could adversely affect our results of operations and financial condition. Changes in prevailing economic conditions, including declining real estate values, changes in interest rates which may cause a decrease in interest rate spreads, adverse employment conditions, the monetary and fiscal policies of the federal government and other significant external events may adversely affect our financial results. Because a significant portion of our loan portfolio is comprised of real estate related loans, continued decreases in real estate values could adversely affect the value of property used as collateral for loans in our portfolio. Although the adverse economic climate during the past two years has not severely impacted us due to our strict underwriting standards, further adverse changes in the economy, including increased unemployment or the economy moving back into a recession, could have a negative effect on the ability of our borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings.

If U.S. markets and economic conditions continue to deteriorate, our liquidity could be adversely affected. Old Line Bank must maintain sufficient liquidity to ensure sufficient cash flow is available to satisfy current and future financial obligations including demand for loans and deposit withdrawals, funding of operating costs and other

corporate purposes. We obtain funding through deposits and various short-term and long-term wholesale borrowings, including federal funds purchased, unsecured borrowings, brokered certificates of deposits and borrowings from the Federal Home Loan Bank of Atlanta and others. Economic uncertainty and disruptions in the financial system may adversely affect our liquidity. Dramatic declines in the housing market during the past three years, falling real estate prices and increased foreclosures and

unemployment, have resulted in significant asset value write-downs by financial institutions, including government-sponsored entities and investment banks. These investment write-downs have caused financial institutions to seek additional capital. Should we experience a substantial deterioration in our financial condition or should disruptions in the financial markets restrict our funding, it would negatively impact our liquidity. To mitigate this risk, we closely monitor our liquidity and maintain a line of credit with the Federal Home Loan Bank and have received approval to borrow from the Federal Reserve Bank of Richmond.

Our need to comply with extensive and complex governmental regulation could have an adverse effect on our business and our growth strategy. The banking industry is subject to extensive regulation by state and federal banking authorities. Many of these regulations are intended to protect depositors, the public or the Federal Deposit Insurance Corporation (FDIC) insurance funds, not stockholders. Regulatory requirements affect our lending practices, capital structure, investment practices, dividend policy, ability to attract and retain personnel and many other aspects of our business. These requirements may constrain our rate of growth and changes in regulations could adversely affect us. The burden imposed by these federal and state regulations may place banks in general, and Old Line Bank specifically, at a competitive disadvantage compared to less regulated competitors. In addition, the cost of compliance with regulatory requirements could adversely affect our ability to operate profitably.

In addition, because federal regulation of financial institutions changes regularly and is the subject of constant legislative debate, we cannot forecast how federal regulation of financial institutions may change in the future and impact our operations. In light of the performance of and government intervention in the financial sector, we fully expect there will be significant changes to the banking and financial institutions regulatory agencies in the near future. We further anticipate that additional laws and regulations may be enacted in response to the ongoing financial crisis that could have an impact on our operations. Changes in regulation and oversight, including in the form of changes to statutes, regulations or regulatory policies or changes in interpretation or implementation of statutes, regulations or policies, could affect the service and products we offer, increase our operating expenses, increase compliance challenges and otherwise adversely impact our financial performance and condition. In addition, the burden imposed by these federal and state regulations may place banks in general, and Old Line Bank specifically, at a competitive disadvantage compared to less regulated competitors.

The recently enacted Dodd-Frank Act may adversely impact our results of operations, liquidity or financial condition. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act). The Dodd-Frank Act represents a comprehensive overhaul of the U.S. financial services industry. Among other things, the Dodd-Frank Act establishes the new federal Bureau of Consumer Financial Protection (the BCFP), includes provisions affecting corporate governance and executive compensation disclosure at all Securities and Exchange Commission (SEC) reporting companies and that allow financial institutions to pay interest on business checking accounts, broadens the base for FDIC insurance assessments, and includes new restrictions on how mortgage brokers and loan originators may be compensated. The Dodd-Frank Act requires the BCFP and other federal agencies to implement many new and significant rules and regulations to implement its various provisions, and the full impact of the Dodd-Frank Act on our business will not be known for years until regulations implementing the statute are adopted and implemented. As a result, we cannot at this time predict the extent to which the Dodd-Frank Act will impact our business, operations or financial condition. However, compliance with these new laws and regulations may require us to make changes to our business and operations and will likely result in additional costs and a diversion of management s time from other business activities, any of which may adversely impact our results of operations, liquidity or financial condition.

Because Old Line Bank serves a limited market area in Maryland, economic downturn in our market area could more adversely affect us than it affects our larger competitors that are more geographically diverse. Our current primary market area consists of the suburban Maryland (Washington, D.C. suburbs) counties of Prince George s, Anne Arundel, Charles and northern St. Mary s. We have expanded in Prince George s County and Anne Arundel County, Maryland and may expand in contiguous northern and western counties, such as Montgomery County and Howard County, Maryland, and after the merger we will have branches in Calvert and St. Mary s Counties as well. However, broad geographic diversification is not currently part of our community bank focus. Overall, during 2008, 2009 and the first half of 2010, the business environment negatively impacted many businesses and households

in the United States and worldwide. Although the economic decline has not impacted the suburban Maryland and Washington D.C. suburbs as adversely as other areas of the United States, it has caused an increase in unemployment and business failures and a decline in property values. As a result, if our market area continues to suffer an economic downturn, it may more severely affect our business and financial condition than it affects larger bank competitors. Our larger competitors serve more geographically diverse market areas, parts of which may not be affected by the same economic conditions that may exist in our market area. Further, unexpected changes in the national and local economy may adversely affect our ability to attract deposits and to make loans. Such risks

are beyond our control and may have a material adverse effect on our financial condition and results of operations and, in turn, the value of our securities.

We depend on the services of key personnel. The loss of any of these personnel could disrupt our operations and our business could suffer. Our success depends substantially on the skills and abilities of our senior management team, including James W. Cornelsen, our President and Chief Executive Officer, Joseph E. Burnett, our Executive Vice President and Chief Lending Officer, Christine M. Rush, our Executive Vice President, Chief Financial Officer and Chief Credit Officer and Sandi F. Burnett, our Executive Vice President and College Park Team Leader. They provide valuable services to us and would be difficult to replace. Although we have entered into employment agreements with these executives, with the exception of Ms. Burnett, the existence of such agreements does not assure that we will retain their services. Further, Ms. Burnett is not party to an employment agreement with us and could terminate her employment at any time.

Also, our growth and success and our future growth and success, in large part, is and we anticipate will be due to the relationships maintained by our banking executives with our customers. The loss of services of one or more of these executives or other key employees could have a material adverse effect on our operations and our business could suffer. The experienced commercial lenders that we have hired are not a party to any employment agreement with us and they could terminate their employment with us at any time and for any reason.

The federal agencies that regulate us are currently considering placing restrictions on executive compensation. This could cause the employment contracts with our management team to no longer be valid and this may effectively make our senior executive officers employees at will and could harm our ability to retain these individuals and our ability to attract and retain other key employees.

Our growth and expansion strategy may not be successful. Our ability to grow depends upon our ability to attract new deposits, identify loan and investment opportunities and maintain adequate capital levels. We may also grow through acquisitions of existing financial institutions or branches thereof. There are no guarantees that our expansion strategies will be successful. Also, in order to effectively manage our anticipated and/or actual loan growth we have and may continue to make additional investments in equipment and personnel, which also will increase our non-interest expense.

We opened a new branch in Crofton in Anne Arundel County, Maryland and a new branch in Bowie in Prince George s County, Maryland during 2009. In addition, we will acquire ten new branches pursuant to the merger. With respect to these branches or any other branches that we may open, we may not be able to correctly identify profitable or growing markets for such new branches. If we were to acquire another financial institution or branch thereof, we may not be able to integrate the institution or branch into our operations. Also, the costs to start up new branch facilities or to acquire existing financial institutions or branches thereof, and the additional costs to operate these facilities, will increase our non-interest expense. It may also be difficult to adequately and profitably manage the anticipated growth from the new branches or acquisitions and we may not be able to maintain the relatively low levels of charge-offs and nonperforming loans that we have experienced.

If we grow too quickly and are not able to control costs and maintain asset quality, growth could materially and adversely affect our financial performance.

Our focus on commercial and real estate loans may increase the risk of credit losses. We offer a variety of loans including commercial business loans, commercial real estate loans, construction loans, home equity loans and consumer loans. We secure many of our loans with real estate (both residential and commercial) in the Maryland suburbs of Washington, D.C. During 2008, 2009 and 2010, property values declined in our market, energy prices were volatile, and there were rising private sector layoffs and unemployment, which caused consumer lending to slow. Although we believe our credit underwriting adequately considers these factors, further weakness in the economy and the real estate market could adversely affect our customers ability to repay their loans, which in turn could adversely impact us.

Our concentrations of loans in various categories may also increase the risk of credit losses. We currently invest more than 25% of our capital in various loan types and industry segments, including commercial real estate loans, marine loans and loans to the hospitality industry (hotels/motels). While recent declines in the local commercial real estate market have not caused the collateral securing our loans to exceed acceptable loan to value ratios, a further

deterioration in the commercial real estate market could cause deterioration in the collateral securing these loans and/or a decline in our customers earning capacity. This could negatively impact us. Although we have made a large portion of our hospitality loans to long-term, well established operators in strategic locations, a continued decline in the occupancy rate in these

facilities could negatively impact their earnings. This could adversely impact their ability to repay their loan which would adversely impact our net income.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease. We maintain an allowance for loan losses that we believe is adequate for absorbing any potential losses in our loan portfolio. Management, through a periodic review and consideration of the loan portfolio, determines the amount of the allowance for loan losses. Although we believe the allowance for loan losses is adequate to absorb probable losses in our loan portfolio, even under normal economic conditions, we cannot predict such losses with certainty. The unprecedented volatility experienced in the financial and capital markets during the last two to three years makes this determination even more difficult as processes we use to estimate the allowance for loan losses may no longer be dependable because they rely on complex judgments, including forecasts of economic conditions that may not be accurate. As a result, we cannot be sure that our allowance is or will be adequate in the future. If management s assumptions and judgments prove to be incorrect and the allowance for loan losses is inadequate to absorb future losses, our earnings will suffer.

As of September 30, 2010, commercial and industrial, construction, and commercial real estate mortgage loans comprise approximately 86.68% of our loan portfolio. We expect this figure to be approximately 80.00% after the merger. These types of loans are generally viewed as having more risk of default than residential real estate or consumer loans and typically have larger balances than residential real estate loans and consumer loans. A deterioration of one or a few of these loans could cause a significant increase in non-performing loans. Such an increase could result in a net loss of earnings from these loans, an increase in the provision for loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our financial condition and results of operations.

Further, we do not have the experience with Maryland Bank & Trust s loan portfolio that we have with Old Line Bank s loan portfolio. As a result, it may be more difficult for us to accurately provision for the portion of our loan portfolio, subsequent to the merger, that was originated by Maryland Bank & Trust.

Our profitability depends on interest rates and changes in monetary policy may impact us. Our results of operations depend to a large extent on our net interest income, which is the difference between the interest expense incurred in connection with our interest bearing liabilities, such as interest on deposit accounts, and the interest income received from our interest earning assets, such as loans and investment securities. Interest rates, because they are influenced by, among other things, expectations about future events, including the level of economic activity, federal monetary and fiscal policy, and geo-political stability, are not predictable or controllable. Additionally, competitive factors heavily influence the interest rates we can earn on our loan and investment portfolios and the interest rates we pay on our deposits. Community banks are often at a competitive disadvantage in managing their cost of funds compared to the large regional, super-regional or national banks that have access to the national and international capital markets. These factors influence our ability to maintain a stable net interest margin.

We seek to maintain a neutral position in terms of the volume of assets and liabilities that mature or re-price during any period so that we may reasonably predict our net interest margin. However, interest rate fluctuations, loan prepayments, loan production and deposit flows are constantly changing and influence our ability to maintain this neutral position. Generally speaking, our earnings are more sensitive to fluctuations in interest rates the greater the variance in the volume of assets and liabilities that mature and re-price in any period. The extent and duration of the sensitivity will depend on the cumulative variance over time, the velocity and direction of interest rates, and whether we are more asset sensitive. Accordingly, we may not be successful in maintaining this neutral position and, as a result, our net interest margin may suffer.

The market value of our investments could negatively impact stockholders equity. We have designated approximately 50.61% of our investment securities portfolio (and 11.59% of total assets) at September 30, 2010 as available for sale. We expect this figure to be 78.43% of our investment securities portfolio (and 11.39% of total assets) after the merger. Temporary unrealized gains and losses in the estimated value of the available for sale portfolio are marked to market and are reflected as a separate item in stockholders equity, net of taxes. As of September 30, 2010, we had temporary unrealized gains in our available for sale portfolio of $557,129 (net of taxes). As a result of the recent economic recession and the continued economic slowdown, several municipalities have

reported budget deficits and companies have reported lower earnings. These budget deficits and lower earnings could cause temporary and other-than temporary impairment charges in our investment securities portfolio and cause us to report lower net income and a decline in stockholders equity.

Old Line Bancshares future issuances of common stock in connection with acquisitions or otherwise could dilute your ownership of Old Line Bancshares. We may use our common stock to acquire other companies or to make investments in banks and other complementary businesses in the future. We may also issue common stock, or securities convertible into common stock, through public or private offerings, in order to raise additional capital in connection with future acquisitions, to satisfy regulatory capital requirements or for general corporate purposes. Any such stock issuances would dilute your ownership interest in Old Line Bancshares and may dilute the per-share value of the common stock.

Old Line Bancshares future acquisitions, if any, may cause Old Line Bancshares to become more susceptible to adverse economic events. While we currently have no plans to acquire additional financial institutions, we may do so in the future if an attractive acquisition opportunity arises that is consistent with our business plan. Any future business acquisitions could be material to Old Line Bancshares, and the degree of success achieved in acquiring and integrating these businesses into Old Line Bancshares could have a material effect on the value of Old Line Bancshares common stock. In addition, any acquisition could require Old Line Bancshares to use substantial cash or other liquid assets or to incur debt. In those events, Old Line Bancshares could become more susceptible to future economic downturns and competitive pressures.

Additional capital may not be available when needed or required by regulatory authorities. We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support our business or to finance future acquisitions, if any, or we may otherwise elect or be required to raise additional capital, including in connection with the merger. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control and financial performance. Current conditions in the capital markets are such that traditional sources of capital may not be available to us on reasonable terms if we needed to raise additional capital. Accordingly, we may not be able to raise additional capital if needed or on terms that are favorable or otherwise not dilutive to existing stockholders. If we cannot raise additional capital when needed, it may have a material adverse effect on our financial condition, results of operations and prospects.

Old Line Bank faces substantial competition which could adversely affect our growth and operating results. Old Line Bank operates in a competitive market for financial services and faces intense competition from other financial institutions both in making loans and in attracting deposits. Many of these financial institutions have been in business for many years, are significantly larger, have established customer bases, have greater financial resources and lending limits than Old Line Bank, and are able to offer certain services that we are not able to offer. If Old Line Bank cannot attract deposits and make loans at a sufficient level, its operating results will suffer, as will its opportunities for growth.

We face limits on our ability to lend. We are limited in the amount we can loan to a single borrower by the amount of our capital. Generally, under current law, we may lend up to 15% of our unimpaired capital and surplus to any one borrower. As of September 30, 2010, we were able to lend approximately $5.8 million to any one borrower; the merger will increase this amount by approximately $2.3 million. This amount is significantly less than that of many of our competitors and may discourage potential borrowers who have credit needs in excess of our legal lending limit from doing business with us. We generally try to accommodate larger loans by selling participations in those loans to other financial institutions, but this strategy is not always available. We may not be able to attract or maintain customers seeking larger loans and we may not be able to sell participations in such loans on terms we consider favorable.

Additional Risk Factors Associated with Maryland Bankcorp

Maryland Bank & Trust has entered into a written agreement with the OCC which may result in adverse results to Maryland Bankcorp s operations. On February 10, 2006, Maryland Bankcorp s wholly owned subsidiary, Maryland Bank & Trust, entered into a written agreement with its primary regulator, the OCC. Under the terms of the written agreement, Maryland Bank & Trust agreed to take certain actions relating to its lending operations and capital compliance. See The Merger Agreement and the Merger Regulatory Matters Regarding Maryland Bank & Trust.

The written agreement includes timeframes to implement the compliance requirements for Maryland Bank & Trust contained therein, including requirements to report to the OCC. The written agreement also requires Maryland

Bank & Trust to establish a committee of its board of directors that will be responsible for overseeing compliance with the written agreement.

Maryland Bank & Trust has taken steps to comply with the requirements of the written agreement. At September 30, 2010, Maryland Bank & Trust meets, and believes it will continue to meet, the capital ratios stipulated by the written agreement.

The impact of the written agreement on Maryland Bankcorp s operations as well as deteriorating credit markets may have an adverse impact on the financial condition and operations including maintaining acceptable liquidity levels and may negatively impact the financial condition, results of operations, and business operations of the combined company after the merger. Old Line Bank, however, will not be subject to the written agreement after the bank merger.

Maryland Bankcorp s asset quality may continue to deteriorate prior to completion of the merger. Maryland Bankcorp s non-performing assets, including OREO, were $18.3 million at September 30, 2010, compared to $10.9 million at December 31, 2009. Non-performing assets, including OREO, as a percentage of total assets were 5.29% at September 30, 2010, compared to 3.19% at December 31, 2009. Net charge-offs for the nine months ended September 30, 2010 were $2.2 million, compared to $1.6 million in the same period of 2009. Should these adverse trends continue, they may have an adverse effect on Maryland Bankcorp s financial and capital positions and, upon consummation of the merger, Old Line Bancshares financial and capital positions.

Maryland Bankcorp s loan portfolio is concentrated in commercial real estate and in certain geographic areas. Maryland Bankcorp s commercial real estate loans totaled $115.3 million as of September 30, 2010, or 51.26% of its loan portfolio. Additionally, its construction and development loans totaled $38.8 million as of September 30, 2010, or 17.2% of its loan portfolio. Approximately 92% of Maryland Bankcorp s loans were originated in Maryland.

Commercial real estate loans are typically larger than residential real estate loans and consumer loans and depend on sales, in the case of construction and development loans, and cash flows, in the case of other commercial real estate loans, from the property to service the debt. Sales and cash flows have been and may continue to be affected significantly by general economic conditions, and a further deterioration in the markets where its collateral is located could increase the likelihood of default. Because Maryland Bankcorp s loan portfolio contains a high concentration of commercial real estate loans with relatively large balances, the deterioration of a few of these loans could cause a significant percentage increase in its non-performing loan balances. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for loan losses and an increase in charge-offs, all of which could have a material adverse effect on the financial condition and results of operations of Maryland Bankcorp, and, upon consummation of the merger, of Old Line Bancshares.

Old Line Bancshares could record future impairment losses on Maryland Bankcorp s holdings of investment securities available for sale. Maryland Bankcorp s investment portfolio of securities available for sale includes U.S. Department of the Treasury (U.S. Treasury) and agency securities, municipal securities, and mortgage backed securities. Maryland Bankcorp routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment (OTTI) has occurred. According to established OTTI accounting rules and Maryland Bankcorp s OTTI policy statements, Maryland Bankcorp asserts that it did not have any temporary impairment charge to recognize during the quarter ended September 30, 2010. If the merger with Old Line Bancshares is completed, Old Line Bancshares will take ownership of the investment portfolio securities and record them at their fair value as of the closing date. A number of factors or combinations of factors could cause Old Line Bancshares to conclude in one or more future reporting periods that an unrealized loss that exists with respect to these securities constitutes an additional impairment that is other than temporary, which could result in material losses to Old Line Bancshares. These factors include, but are not limited to, failure to make scheduled principal and interest payments, an increase in the severity of the unrealized loss on a particular security, an increase in the continuous duration of the unrealized loss without an improvement in value or changes in market conditions and/or industry or issuer specific factors that would render Old Line Bancshares unable to forecast a full recovery in value. In addition, the fair values of these investment securities could decline if the overall economy and the financial condition of some of the issuers continue to deteriorate and there remains limited liquidity for these securities.

Risk Factors as they Relate to Maryland Bankcorp Stockholders in Connection with the Merger

Maryland Bankcorp s directors and executive officers have financial interests in the merger that are different from, or in addition to, the interests of Maryland Bankcorp stockholders. In considering the information contained in this document, you should be aware that Maryland Bankcorp s directors and executive officers have financial interests in the merger that are different from, or in addition to, the interests of Maryland Bankcorp stockholders. The Maryland Bankcorp and Maryland Bank & Trust directors who collectively hold approximately 45.33% of the

outstanding Maryland Bankcorp stock have agreed to vote in favor of the merger proposal. This agreement may have the effect of discouraging persons from making a proposal to acquire Maryland Bankcorp. Further, certain executive officers of Maryland Bankcorp have entered into, and each director of Maryland Bankcorp will have the opportunity to enter into, a non-compete agreement with Old Line Bancshares that will provide them with cash payments in exchange for their agreement not to compete with Old Line Bancshares for a certain period of time after the merger is consummated. Under these agreements, Thomas B. Watts, the

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Chairman of the Board and Chief Executive Officer of Maryland Bankcorp, and G. Thomas Daugherty, the President of Maryland Bankcorp, will each receive a total of $200,000 over two years in exchange for their agreement not to compete with Old Line Bancshares for a three-year period. Each non-employee director of Maryland Bankcorp will have the opportunity to enter into a similar agreement providing for a cash payment of $50,000 to be paid upon the closing of the merger. Old Line Bancshares and Old Line Bank have also agreed to increase the size of their boards of directors to include two persons selected by Maryland Bankcorp, which the merger agreement contemplates will be Messrs. Watts and Daugherty, who will be compensated for their service on the board of directors of Old Line Bank. These and certain other additional interests of Maryland Bankcorp s directors and executive officers are described in detail in The Merger Agreement and the Merger Interests of Directors, Officers and Others in the Merger. These circumstances may cause some of Maryland Bankcorp directors and executive officers to view the proposed transaction differently than you view it.

Maryland Bankcorp stockholders may not receive the form of merger consideration that they elect. Depending on the elections made by all Maryland Bankcorp stockholders, certain Maryland Bankcorp stockholders who elect to receive cash consideration may instead receive shares of Old Line Bancshares common stock for all or a portion of their shares of Maryland Bankcorp common stock.

If Maryland Bankcorp stockholders oversubscribe for the available pool of cash, those Maryland Bankcorp stockholders electing to receive cash will have the amount of cash they selected reduced on a *pro rata* basis and will receive all or a portion of their consideration in the form of shares of Old Line Bancshares common stock. The *pro rata* allocation process will be administered by Old Line Bancshares exchange agent in accordance with the merger agreement. Accordingly, at the time Maryland Bankcorp stockholders vote on the proposal to approve the merger agreement and the merger, unless they elect to take Old Line Bancshares common stock they will not know the form of merger consideration that they will receive, regardless of their election prior to the merger. In addition, a Maryland Bankcorp stockholder may receive a *pro rata* amount of Old Line Bancshares common stock even if he or she has elected to receive all cash. Further, to the extent that Maryland Bankcorp stockholders receive all or a portion of the merger consideration in a form that they did not elect, they also will not know the tax consequences that will result upon the exchange of their shares of Maryland Bankcorp common stock. See The Merger Agreement and the Merger Certain Federal Income Tax Consequences.

Because the aggregate merger consideration is subject to adjustment and the value of the Old Line Bancshares common stock for purposes of the common stock portion of the merger consideration will fluctuate only within certain limits, and is not based solely on market value, Maryland Bankcorp stockholders will not know until the effective time of the merger the value of the consideration they will receive in the merger. Upon completion of the merger, each share of Maryland Bankcorp common stock will be converted into the right to receive merger consideration consisting of shares of Old Line Bancshares common stock and/or cash pursuant to the terms of the merger agreement. The value of the merger consideration to be received by Maryland Bankcorp stockholders will be based on the $20.0 million aggregate merger consideration, as adjusted as provided in the merger agreement for certain operating losses, asset quality changes and merger-related expenses incurred by Maryland Bankcorp, as well as for changes in the average price of Old Line Bancshares common stock, as defined in the merger agreement, if the average price is above $11.45 or below $7.63. Assuming there are no adjustments to the aggregate merger consideration , the value of the per-share merger consideration, based on 646,626 shares of Maryland Bankcorp common stock outstanding, would be $30.9298. The per-share merger consideration will be reduced if the aggregate merger consideration is adjusted, however, and these calculations will not be completed until the closing of the merger.

In addition, the number of shares of Old Line Bancshares common stock that will be received for each share of Maryland Bankcorp common stock for which the common stock consideration is paid in the merger will be determined by dividing the per-share merger consideration value by the average price of a share of Old Line Bancshares common stock (the exchange ratio), subject to upper and lower limits on the average price above and below which the exchange ratio will be fixed. The average price takes into account both recent trading prices and the price of stock issuances by Old Line Bancshares within the 90-day period ending five days prior to the closing date of the merger. As a result, the average price may vary from the market price of the Old Line Bancshares common stock

based solely on trading prices on the NASDAQ Stock Market. Any increase in the average price over the market price will have the effect of decreasing the number of shares of Old Line Bancshares common stock issued for each share of Maryland Bankcorp common stock as compared to a situation where the exchange ratio was based solely on recent trading prices. Therefore, if the average price exceeds the market price, stockholders of Maryland Bankcorp who receive the common stock merger consideration will receive fewer shares of Old Line Bancshares common stock in exchange for their Maryland Bankcorp shares than they would have received if the exchange ratio were based solely on recent trading prices, and, as a result, the value they receive in exchange for their shares could be lower than if the exchange ratio was based solely on recent trading prices.

Further, the exchange ratio will not be adjusted if the average price exceeds $11.45 or is below $7.63. Therefore, if the average price of Old Line Bancshares common stock falls below $7.63, the exchange ratio will remain fixed at the same amount as if the average price were $7.63. As a result, the value of shares of Old Line Bancshares common stock that a Maryland Bankcorp stockholder receives in the merger will decline correspondingly with declines in the average price of Old Line Bancshares common stock below $7.63 prior to and as of the date the merger consideration is received.

Accordingly, at the time of the special meeting of Maryland Bankcorp stockholders and prior to the election deadline, Maryland Bankcorp stockholders will not know or be able to calculate the amount of the consideration they will receive, the exchange ratio that will be used to determine the number of shares of Old Line Bancshares common stock that they would receive upon completion of the merger, or the value of any shares of Old Line Bancshares common stock they would receive upon completion of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the businesses, operations and prospects of Old Line Bancshares and regulatory considerations. Many of these factors are beyond Old Line Bancshares control. You should obtain current market quotations for shares of Old Line Bancshares common stock

Maryland Bankcorp has the option, but is not required, to terminate the merger agreement if the average price of the Old Line Bancshares common stock falls below $6.00, although Maryland Bankcorp does not have this option if Old Line Bancshares, in its sole discretion, increases the aggregate merger consideration as set forth in the merger agreement. Maryland Bankcorp cannot predict at this time whether or not its board of directors would exercise its right to terminate the merger agreement if these conditions were met. The merger agreement does not provide for a resolicitation of Maryland Bankcorp stockholders in the event that the conditions are met and the Maryland Bankcorp board nevertheless chooses to complete the transaction. Maryland Bankcorp s board of directors has made no decision as to whether it would exercise its right to terminate the merger agreement. In considering whether to exercise its right to terminate the merger agreement, Maryland Bankcorp s board of directors would take into account all the relevant facts and circumstances that exist at the time and would consult with its financial advisor and legal counsel.

The merger agreement limits Maryland Bankcorp s ability to pursue alternative transactions to the merger and requires Maryland Bankcorp to pay a termination fee if it does. The merger agreement prohibits Maryland Bankcorp and its directors, officers, representatives and agents, subject to narrow exceptions, from initiating, encouraging, soliciting or entering into discussions with any third party regarding alternative acquisition proposals. The prohibition limits Maryland Bankcorp s ability to pursue offers from other possible acquirers that may be superior from a financial point of view. If Maryland Bankcorp receives an unsolicited proposal from a third party that is superior from a financial point of view to that made by Old Line Bancshares and the merger agreement is terminated, Maryland Bankcorp would be required to pay a termination fee of either $750,000 or $1,000,000. This fee makes it less likely that a third party will make an alternative acquisition proposal.

The federal income tax consequences of the merger for Maryland Bankcorp stockholders will be dependent upon the merger consideration received. The federal income tax consequences of the merger to you will depend upon the merger consideration you receive. In general, if you exchange your shares of Maryland Bankcorp common stock solely for cash, you will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the cash you receive and your adjusted tax basis in your Maryland Bankcorp common stock. If you receive solely Old Line Bancshares common stock in exchange for your Maryland Bankcorp common stock, you generally will not recognize any gain or loss for federal income tax purposes. However, you generally will have to recognize gain or loss in connection with cash received in lieu of fractional shares of Old Line Bancshares common stock. If you receive a combination of cash and Old Line Bancshares common stock in the transaction, you generally will not recognize loss but will recognize gain, if any, to the extent of any cash received. For a more detailed discussion of the federal income tax consequences of the transaction to you, see The Merger Agreement and the Merger Certain Federal Income Tax Consequences.

After the merger is completed, Maryland Bankcorp stockholders who receive Old Line Bancshares common stock for some or all of their shares of Maryland Bankcorp common stock will become Old Line Bancshares stockholders and will have different rights that may be less advantageous than their current rights. Upon completion of the merger, Maryland Bankcorp stockholders who receive Old Line Bancshares common stock for

some or all of their shares of Maryland Bankcorp common stock will become Old Line Bancshares stockholders. Differences in Maryland Bankcorp s articles of incorporation and bylaws and Old Line Bancshares articles of incorporation and bylaws will result in changes to the rights of Maryland Bankcorp stockholders who become Old Line Bancshares stockholders. For more information, see Comparison of the Stockholder Rights. A stockholder of Maryland Bankcorp may conclude that his, her or its current rights under Maryland Bankcorp s articles of incorporation and bylaws are more advantageous than the rights they may have as an Old Line Bancshares stockholder under Old Line Bancshares articles of incorporation and bylaws.

Maryland Bankcorp s stockholders will have less influence as stockholders of Old Line Bancshares than as stockholders of Maryland Bankcorp. Maryland Bankcorp stockholders currently have the right to vote in the election of the board of directors of Maryland Bankcorp and on other matters affecting Maryland Bankcorp. The stockholders of Maryland Bankcorp as a group will own approximately 37.87% of the combined organization (Old Line Bancshares and Maryland Bankcorp). When the merger occurs, each stockholder that receives shares of Old Line Bancshares common stock will become a stockholder of Old Line Bancshares with a percentage ownership of the combined organization much smaller than such stockholder s percentage ownership of Maryland Bankcorp. Because of this, stockholders of Maryland Bankcorp will have less influence on the management and policies of Old Line Bancshares than they now have on the management and policies of Maryland Bankcorp.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include statements regarding, among other things:

(1) The effects and benefits of the merger, including: (a) future financial operating results and performance; (b) the expected consummation of the merger including the timing thereof; (c) the expected pro forma effects of the merger, and (d) plans and objectives of Old Line Bancshares management for future operations of the combined company.

(2) With respect to Old Line Bancshares: (a) Old Line Bancshares objectives, expectations and intentions, including (i) branch and market expansion, (ii) statements regarding anticipated changes in revenue, expenses, net interest income and income, (iii) that merger related expenses will cause lower than expected earnings until completion of the merger and that the merger will be accretive to earnings by the end of 2011, (iv) hiring and acquisition intentions, (v) maintenance of our net interest margin, (vi) expectations regarding leasing space in our Crain Highway location and income from Pointer Ridge, (vii) future sources of earnings/income, (viii) Old Line Bancshares belief that it has identified any problem assets and that its borrowers will continue to remain current on their loans, (ix) Old Line Bancshares being well positioned to capitalize on potential opportunities in a healthy economy, and (x) Old Line Bancshares continued growth in customer relationships; (b) sources of liquidity; (c) the allowance for loan losses; (d) expected loan, deposit and asset growth; (e) losses on and intentions with respect to investment securities; (f) anticipated receipt of all amounts due in connection with the sale of a foreclosed property; (g) interest rate sensitivity; (h) expected income from new branches and the loan production team hired in 2009 as well as the new branches and employees we will acquire as a result of the merger offsetting related expenses; (i) earnings on Old Line Bancshares BOLI; (j) improving earnings per share and stockholder value; and (k) financial and other goals and plans.

(3) With respect to Maryland Bankcorp: (a) Maryland Bankcorp and Maryland Bank & Trust continuing to comply with minimum capital requirements; (b) that Maryland Bank & Trust does not anticipate any material losses from off-balance sheet instruments; and (c) liquidity, including having the necessary procedures in place to determine liquidity needs and having sufficient liquidity.

You can identify forward-looking statements because they are not historical facts and often include the use of forward-looking terminology such as believes, expects, intends, may, will, should, anticipates, plans or terminology. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Actual results could differ materially from those currently anticipated due to a number of factors, including, but not limited to:

- The businesses of Maryland Bankcorp may not be integrated into Old Line Bancshares successfully or such integration may be more difficult, time-consuming or costly than expected;
- Expected revenue synergies and cost savings from the merger may not be fully realized, or realized within the expected timeframe;
- Disruption in the parties businesses as a result of the announcement and pendency of the merger;

Revenues following the merger may be lower than expected;

Customer and employee relationships and business operations may be disrupted by the merger;

The ability to obtain required regulatory and stockholder approvals;

The ability to complete the merger in the expected timeframe may be more difficult, time-consuming or costly than expected, or the merger may not be completed at all;

Changes in loan default and charge-off rates;

Changes in demand for loan products or other financial services;

Reductions in deposit levels necessitating increased borrowings to fund loans and investments;

Deterioration in economic conditions or a slower than anticipated recovery in Old Line Bank s and Maryland Bank & Trust s target markets or nationally;

Continued increases in the unemployment rate in Old Line Bank s and Maryland Bank & Trust s target markets;

Changes in interest rates;

Changes in laws, regulations, policies and guidelines impacting our ability to collect on outstanding loans or otherwise negatively impacting Old Line Bank s and Maryland Bank & Trust s business;

The ability of Old Line Bank to retain key personnel;

The ability of Old Line Bancshares and Old Line Bank to successfully implement our growth and expansion strategy;

The risk of loan losses;

Potential conflicts of interest associated with Old Line Bancshares interest in Pointer Ridge;

Changes in competitive, governmental, regulatory, technological and other factors that may affect Old Line Bancshares or Maryland Bankcorp specifically or the banking industry generally;

The other risks discussed in this joint proxy statement/prospectus, in particular in the Risk Factors section of this document; and

Other risk factors detailed from time to time in filings made by Old Line Bancshares with the SEC.

Forward-looking statements speak only as of the date they are made. You should not place undue reliance on any forward-looking statements. Old Line Bancshares and Maryland Bankcorp undertake no obligation to update or clarify these forward-looking statements to reflect factual assumptions, circumstances or events that have changed after such a forward-looking statement was made.

THE OLD LINE BANCSHARES SPECIAL MEETING

Date, Time and Place

Old Line Bancshares will hold a special meeting of its stockholders at its office located at 1525 Pointer Ridge Place, Bowie, Maryland, at 5.00 P.M. on January 27, 2011.

Purpose of the Special Meeting

At the special meeting, Old Line Bancshares stockholders will be asked to consider and vote upon proposals to:

- Approve the merger agreement between Old Line Bancshares and Maryland Bankcorp and the merger of Maryland Bankcorp with and into Old Line Bancshares;
- Adjourn the special meeting if more time is needed to solicit proxies; and
- Transact any other business that may properly be brought before the special meeting.

Recommendation of the Board of Directors of Old Line Bancshares

The Old Line Bancshares board of directors has determined that the merger is advisable and in the best interests of Old Line Bancshares and its stockholders and recommends that Old Line Bancshares stockholders vote FOR approval of the merger agreement and the merger.

Record Date; Stockholders Entitled to Vote

Stockholders of record at the close of business on December 1, 2010, which the Old Line Bancshares board of directors has set as the record date, are entitled to notice of and to vote at the special meeting. As of the close of business on that date, there were outstanding and entitled to vote 3,888,105 shares of common stock, $0.01 par value per share, each of which is entitled to one vote.

Quorum

The presence, in person or by proxy, of stockholders entitled to cast a majority of all the votes entitled to be cast at the special meeting (or 1,944,052 shares of Old Line Bancshares common stock) will be necessary to constitute a quorum for the transaction of business at the special meeting. Abstentions are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the special meeting.

Under Maryland law, broker non-votes are also counted for purposes of determining the presence or absence of a quorum for the transaction of business at special meetings. In general, with respect to shares held in street name, the holders of record have the authority to vote shares for which their customers do not provide voting instructions only on certain routine, uncontested items. In the case of non-routine or contested items, the institution holding street name shares cannot vote the shares if it has not received voting instructions. These are considered to be broker non-votes. Since there are no routine items to be voted on at the special meeting, nominee record holders of Old Line Bancshares common stock that do not receive voting instructions from the beneficial owners of such shares will not be able to return a proxy card with respect to such shares; as a result, these shares will not be considered present at the special meeting and will not count towards the satisfaction of a quorum.

Vote Required

Old Line Bancshares articles of incorporation provide that the approval of certain transactions, including a merger, requires the vote of a majority of the shares of each class of Old Line Bancshares capital stock entitled to vote thereon, if the merger has been approved by a majority of its board of directors. As a result, the proposal at the Old Line Bancshares special meeting to approve the merger agreement and the merger requires the affirmative vote of holders of a majority of the outstanding shares of Old Line Bancshares common stock entitled to vote on the proposal. The affirmative vote of the holders of a majority of the shares of common stock cast on the matter is required to adjourn the special meeting to solicit additional proxies, if necessary.

Directors and executive officers of Old Line Bancshares and their affiliates, who beneficially own approximately 14.24% of Old Line Bancshares common stock outstanding as of the record date, are expected to vote for approval of the merger agreement and the merger.

Abstentions and Failure to Vote

Because approval of the merger agreement and the merger requires the affirmative vote of the holders of more than 50% of the outstanding shares of Old Line Bancshares common stock entitled to vote at the special meeting, abstentions, the failure to vote and broker non-votes will have the same effect as votes against this matter. In other words, if you are an Old Line Bancshares stockholder and fail to vote, fail to instruct your broker or nominee to vote, or vote to abstain, it will have the effect of a vote *against* the proposal to approve the merger agreement and the merger. Accordingly, the Old Line Bancshares board of directors urges you to submit your proxy to vote as instructed below.

As noted above, approval of the proposal to adjourn the special meeting to solicit additional proxies, if necessary, requires the affirmative vote of at least a majority of all votes cast on the matter at the special meeting. Abstentions, the failure to vote and broker non-votes are not included in calculating votes cast with respect to this proposal and therefore will have no effect on the outcome of this proposal (assuming a quorum is present).

Voting of Proxies

The enclosed proxy with respect to the Old Line Bancshares special meeting is solicited by the board of directors of Old Line Bancshares. The board of directors has selected John Suit and Suhas Shah or either of them, to act as proxies with full power of substitution.

Whether or not you plan to attend the special meeting, you may submit a proxy to vote your shares via Internet, telephone or mail as outlined below. You will need information from your proxy card or electronic delivery notice to submit your proxy to vote your shares by Internet or telephone.

By Internet: Go to www.proxyvote.com and follow the instructions.

By Telephone: Call 1-800-690-6903 and follow the voice mail prompts.

By Mail: Mark your vote, sign your name exactly as it appears on your proxy card, date your proxy card and return it in the envelope provided.

All proxies will be voted as directed by the stockholder on the proxy form. A proxy, if executed and not revoked, will be voted in the following manner (unless it contains instructions to the contrary, in which event it will be voted in accordance with such instructions):

FOR approval of the merger agreement and the merger; and

FOR approval of the proposal to adjourn the special meeting to solicit additional proxies, if necessary.

At the date hereof, management has no knowledge of any business that will be presented for consideration at the special meeting and that would be required to be set forth in this joint proxy statement/prospectus or in the related Old Line Bancshares proxy card, other than the matters set forth in the Notice of Special Meeting of Stockholders of Old Line Bancshares. In accordance with Maryland law, business transacted at the Old Line Bancshares special meeting will be limited to those matters set forth in the notice. Nonetheless, if any other matter is properly presented at the Old Line Bancshares special meeting for consideration, proxies will be voted in the discretion of the proxy holder on such matter.

Your vote is important. Accordingly, please sign and return the enclosed proxy card, or indicate your vote by phone or Internet as described above, as soon as possible whether or not you intend to attend the Old Line Bancshares special meeting.

Shares held in Street Name

If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares if you wish

them to be counted. Please follow the voting instructions provided by your bank, broker or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Old Line Bancshares or by voting in person at the meeting unless you provide a legal proxy, which you must obtain from your bank, broker or other nominee. Further, brokers who hold shares of Old Line Bancshares common stock on behalf of their customers may not give a proxy to Old Line Bancshares to vote those shares without specific instructions from their customers.

If you are an Old Line Bancshares stockholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares at the special meeting.

Your vote is important. Accordingly, please sign and return your broker s instructions whether or not you plan to attend the Old Line Bancshares special meeting in person.

Revocability of Proxies

A proxy is revocable at any time prior to or at the special meeting by written notice to Old Line Bancshares, by executing a proxy bearing a later date, or by attending the special meeting and voting in person. A written notice of revocation of a proxy should be sent to the Secretary, Old Line Bancshares, Inc., 1525 Pointer Ridge Place, Bowie, Maryland 20716, and will be effective if received by the Secretary prior to the special meeting. The presence of a stockholder at the special meeting alone will not automatically revoke such stockholder s proxy.

Solicitation of Proxies

Old Line Bancshares will pay the costs of soliciting proxies from Old Line Bancshares stockholders. These costs may include reasonable out of pocket expenses in forwarding proxy materials to beneficial owners. Old Line Bancshares will reimburse brokers and other persons for their reasonable expenses in forwarding proxy materials to customers who are beneficial owners of the common stock of Old Line Bancshares registered in the name of nominees.

In addition to solicitation by mail, officers and directors of Old Line Bancshares may solicit proxies personally or by telephone. Old Line Bancshares will not specifically compensate these persons for soliciting such proxies, but may reimburse them for reasonable out-of-pocket expenses, if any.

THE MARYLAND BANKCORP SPECIAL MEETING

Date, Time and Place

Maryland Bankcorp will hold a special meeting of its stockholders at its main office located at 46930 South Shangri La Drive, Lexington Park, Maryland, at 10:00 A.M. on January 27, 2011.

Purpose of the Special Meeting

At the special meeting, Maryland Bankcorp s stockholders will be asked to consider and vote upon proposals to:

Approve the merger agreement between Old Line Bancshares and Maryland Bankcorp and the merger of Maryland Bankcorp with and into Old Line Bancshares;

Adjourn the special meeting if more time is needed to solicit proxies; and

Transact any other business that may properly be brought before the special meeting.

Recommendation of the Board of Directors of Maryland Bankcorp

The Maryland Bankcorp board of directors has unanimously determined that the merger is advisable and in the best interests of Maryland Bankcorp and its stockholders and recommends that Maryland Bankcorp s stockholders vote FOR approval of the merger agreement and the merger.

Record Date; Stockholders Entitled to Vote

Stockholders of record at the close of business on December 1, 2010, which the Maryland Bankcorp board of directors has set as the record date, are entitled to notice of and to vote at the special meeting. As of the close of business on that date, there were outstanding and entitled to vote 646,626 shares of common stock, $0.01 par value per share, each of which is entitled to one vote.

Quorum

The presence, in person or by proxy, of stockholders entitled to cast a majority of all the votes entitled to be cast at the special meeting (or 323,314 shares of Maryland Bankcorp common stock) will be necessary to constitute a quorum for the transaction of business at the special meeting. Abstentions are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the special meeting.

Under Maryland law, broker non-votes are also counted for purposes of determining the presence or absence of a quorum for the transaction of business at special meetings. In general, with respect to shares held in street name, the holders of record have the authority to vote shares for which their customers do not provide voting instructions only on certain routine, uncontested items. In the case of non-routine or contested items, the institution holding street name shares cannot vote the shares if it has not received voting instructions. These are considered to be broker non-votes. Since there are no routine items to be voted on at the special meeting, nominee record holders of Maryland Bankcorp common stock that do not receive voting instructions from the beneficial owners of such shares will not be able to return a proxy card with respect to such shares; as a result, these shares will not be considered present at the special meeting and will not count towards the satisfaction of a quorum.

Vote Required

The proposal at the Maryland Bankcorp special meeting to approve the merger agreement and the merger requires the affirmative vote of holders of two-thirds of the outstanding shares of Maryland Bankcorp common stock entitled to vote on the proposal. The affirmative vote of the holders of a majority of the shares of common stock cast on the matter at the special meeting is required to adjourn the special meeting to solicit additional proxies, if necessary.

Directors of Maryland Bankcorp and Maryland Bank & Trust and their affiliates, who beneficially own approximately 45.33% of Maryland Bankcorp common stock as of the record date, have agreed in writing to vote for approval of the merger agreement and the merger. Maryland Bank & Trust holds 53,742 shares (8.32%) for its employee stock plan, which will be voted for approval of the merger agreement and the merger.

Abstentions and Failure to Vote

Because approval of the merger agreement and the merger requires the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of Maryland Bankcorp common stock entitled to vote at the special meeting, abstentions, the failure to vote and broker non-votes will have the same effect as votes against this matter. In other words, if you are a Maryland Bankcorp stockholder and fail to vote, fail to instruct your broker or nominee to vote, or vote to abstain, it will have the effect of a vote *against* the proposal to approve the merger agreement and the merger. Accordingly, the Maryland Bankcorp board of directors urges you to complete, date and sign the accompanying proxy and return it promptly in the enclosed, postage-paid envelope.

As noted above, approval of the proposal to adjourn the special meeting to solicit additional proxies, if necessary, requires the affirmative vote of at least a majority of all votes cast on the matter at the special meeting. Abstentions, the failure to vote and broker non-votes are not included in calculating votes cast with respect to this proposal and therefore will have no effect on the outcome of this proposal (assuming a quorum is present).

Voting of Proxies

The enclosed proxy with respect to the Maryland Bankcorp special meeting is solicited by the board of directors of Maryland Bankcorp. The board of directors has selected G. Thomas Daugherty and Frank Taylor or either of them, to act as proxies with full power of substitution.

Maryland Bankcorp requests that you sign the accompanying proxy and return it promptly in the enclosed, postage-paid envelope. Please mark your vote, sign your name exactly as it appears on your proxy card, date your proxy card and return it in the envelope provided.

All proxies will be voted as directed by the stockholder on the proxy form. A proxy, if executed and not revoked, will be voted in the following manner (unless it contains instructions to the contrary, in which event it will be voted in accordance with such instructions):

FOR approval of the merger agreement and the merger; and

FOR approval of the proposal to adjourn the special meeting to solicit additional proxies, if necessary.

At the date hereof, management has no knowledge of any business that will be presented for consideration at the special meeting and that would be required to be set forth in this joint proxy statement/prospectus or in the related Maryland Bankcorp proxy card, other than the matters set forth in the Notice of Special Meeting of Stockholders of Maryland Bankcorp. In accordance with Maryland law, business transacted at the Maryland Bankcorp special meeting will be limited to those matters set forth in the notice. Nonetheless, if any other matter is properly presented at the Maryland Bankcorp special meeting for consideration, proxies will be voted in the discretion of the proxy holder on such matter.

Your vote is important. Accordingly, please sign and return the enclosed proxy card as soon as possible whether or not you intend to attend the Maryland Bankcorp special meeting.

Shares held in Street Name

If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares if you wish them to be counted. Please follow the voting instructions provided by your bank, broker or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Maryland Bankcorp or by voting in person at the meeting unless you provide a legal proxy, which you must obtain from your bank, broker or other nominee. Further, brokers who hold shares of Maryland Bankcorp common stock on behalf of their customers may not give a proxy to Maryland Bankcorp to vote those shares without specific instructions from their customers.

If you are a Maryland Bankcorp stockholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares at the special meeting.

Your vote is important. Accordingly, please sign and return your broker s instructions whether or not you plan to attend the Maryland Bankcorp special meeting in person.

Revocability of Proxies

A proxy is revocable at any time prior to or at the special meeting by written notice to Maryland Bankcorp, by executing a proxy bearing a later date, or by attending the special meeting and voting in person. A written notice of revocation of a proxy should be sent to the Secretary, Maryland Bankcorp, Inc., 46930 South Shangri La Drive, Lexington Park, Maryland 20653 and will be effective if received by the Secretary prior to the special meeting. The presence of a stockholder at the special meeting alone will not automatically revoke such stockholder s proxy.

Solicitation of Proxies

Maryland Bankcorp will pay the costs of soliciting proxies from Maryland Bankcorp stockholders. These costs may include reasonable out of pocket expenses in forwarding proxy materials to beneficial owners. Maryland Bankcorp will reimburse brokers and other persons for their reasonable expenses in forwarding proxy materials to customers who are beneficial owners of the common stock of Maryland Bankcorp registered in the name of nominees.

In addition to solicitation by mail, officers and directors of Maryland Bankcorp may solicit proxies personally or by telephone. Maryland Bankcorp will not specifically compensate these persons for soliciting such proxies, but may reimburse them for reasonable out-of-pocket expenses, if any.

OWNERSHIP OF OLD LINE BANCSHARES COMMON STOCK

The following table sets forth, as of December 1, 2010, information with respect to the beneficial ownership of Old Line Bancshares common stock by each director, by its executive officers and by all of its directors and executive officers as a group, as well as information regarding each other person that Old Line Bancshares believes owns in excess of 5% of the outstanding common stock. Unless otherwise noted below, Old Line Bancshares believes that each person named in the table has or will have the sole voting and sole investment power with respect to each of the securities reported as owned by such person.

Name of Beneficial Owner and Addresses of 5% Owners	Number of Shares Owned	Number of Options Owned (1)	Total Number of Shares Beneficially Owned (2)	Percent of Class Owned(3)
Charles A. Bongar, Jr.(4)	26,660	5,100	31,760	0.82%
Joseph E. Burnett(5)	28,303	42,787	71,090	1.81%
Sandi F. Burnett	18,250	12,000	30,250	0.78%
Craig E. Clark(6)	151,599	5,100	156,699	4.02%
James W. Cornelsen	71,968	118,882	190,850	4.76%
John P. Davey	8,050	1,000	9,050	0.23%
Daniel W. Deming(7)	23,100	6,900	30,000	0.77%
James F. Dent	46,743	6,900	53,643	1.38%
Nancy L. Gasparovic	10,565	8,700	19,265	0.49%
Andre J. Gingles				0.00%
Frank Lucente(8)	104,212	6,000	110,212	2.83%
Gail D. Manuel(9)	13,075	6,000	19,075	0.49%
John D. Mitchell(10)	14,168	8,700	22,868	0.59%
Gregory S. Proctor, Jr.(11)	10,602	4,200	14,802	0.38%
Christine M. Rush(12)	5,807	40,955	46,762	1.19%
Suhas R. Shah	4,900	2,000	6,900	0.18%
John M. Suit, II	15,705	1,000	16,705	0.43%
All directors & executive officers as a group (16 people)	553,707	276,224	829,931	21.15%
Bay Pond Partners, L.P.(13) 75 State Street Boston, MA 02109	217,723		217,723	5.60%
Hot Creek Capital, LLC(14) 6900 South McCarran Boulevard, Suite 3040 Reno, Nevada 89509	317,998		317,998	8.18%
Banc Fund, VI L.P.(15) 20 North Wacker Drive, Suite 3300 Chicago, Illinois 60606	331,140		331,140	8.52%

(1) Indicates options exercisable within 60 days of December 1, 2010.

(2) The total number of shares beneficially owned includes shares of common stock owned by the named persons as of December 1, 2010 and shares of common stock subject to options held by the named persons that are exercisable as of, or within 60 days of December 1, 2010.

(3) The shares of common stock subject to options are deemed outstanding for the purpose of computing the percentage ownership of the person holding the options, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(4) Includes 941 shares of common stock held for the benefit of his grandson.

(5) Includes 1,620 shares of common stock held jointly with his spouse.

(6) Includes 64,763 shares of common stock held jointly with his spouse. Does not include 11,329 shares owned by an individual retirement account for the benefit of his spouse. Mr. Clark disclaims beneficial ownership in such shares. Does not include 4,800 shares of common stock held in trust for the benefit of his mother-in-law. His spouse is trustee of the trust. Mr. Clark disclaims beneficial ownership in such shares.

(7) Includes 7,840 shares of common stock held jointly with his spouse, 10,000 shares of common stock in Deming Associates, Inc. of which Mr. Deming is President and sole owner, and 1,000 shares of common stock in Livingston, Ltd. of which Mr. Deming is Vice President and fifty percent owner.

(8) Does not include 13,980 shares owned by an individual retirement account for the benefit of his spouse. Mr. Lucente disclaims beneficial ownership in such shares.

(9) Includes 2,983 shares of common stock held jointly with her spouse.

(10) Includes 300 shares of common stock held for the benefit of his grandchildren.

(11) Includes 2,000 shares of common stock held jointly with his spouse.

(12) Includes 860 shares of common stock held jointly with Mark O. Posten.

(13) Bay Pond Partners, L.P., a Delaware limited partnership, has reported in a Schedule 13G/A filed with the Securities and Exchange Commission on February 17, 2009 that it shares voting and investment power of 217,723 shares of common stock with Wellington Hedge Management, LLC, a Massachusetts limited liability company, which is the sole general partner of Bay Pond Partners.

(14) Hot Creek Capital, LLC has reported in a Schedule 13G/A filed with the Securities & Exchange Commission on January 27, 2009 that it shares voting and investment power of 317,998 shares of common stock as the General Partner, with Hot Creek Investors, L.P. and David M. Harvey, the principal member of Hot Creek Capital, LLC.

(15) Banc Fund VI L.P. an Illinois Limited partnership, Banc Fund VII L.P., an Illinois Limited Partnership and Banc Fund VIII L.P. an Illinois Limited Partnership jointly reported in a Schedule 13G/A filed with the Securities & Exchange Commission on January 11, 2010 that Banc Fund VI, L.P. has sole voting and investment power of 123,200 shares of common stock and that Banc Fund VII L.P. has sole voting and investment power of 207,940 shares of common stock. The general partner of BF VI is MidBanc VI L.P., whose principal business is to be a general partner of BF VI. The general partner of BF VII is MidBanc VII L.P., whose principal business is to be a general partner of BF VII. The general partner of BF VIII is MidBanc VIII L.P., whose principal business is to be a general partner of BF VIII. The general partner of MidBanc VI, MidBanc VII and MidBanc VIII is The Banc Funds Company, L.L.C., (TBFC), whose principal business is to be a general partner of MidBanc VI, MidBanc VII and MidBanc VIII. TBFC is an Illinois corporation whose principal shareholder is Charles J. Moore. Mr. Moore has voting and dispositive power over the securities of the issuer held by each of the previously named entities.

OWNERSHIP OF MARYLAND BANKCORP COMMON STOCK

The following table sets forth, as of December 1, 2010, unless otherwise noted, the number and percentage of shares of Maryland Bankcorp common stock that are beneficially owned by each of the named executive officers and directors of Maryland Bankcorp and all directors and executive officers of Maryland Bankcorp as a group, and each other person that Maryland Bankcorp believes owns in excess of 5% of its outstanding common stock. A person owns his shares directly as an individual unless otherwise indicated.

Name of Beneficial Owner	Number of Shares	Percentage of Class (1)
Named Executive Officers		
Thomas B. Watts (2)	178,091	27.54%
G. Thomas Daugherty (3)	191,846	29.67%
Lawrence H. Wright	235	*
Louise G. Czwartacki (4)	65	*
K. Brad Howard (5)	312	*
Outside Directors		
Bluford H. Putnam III	6,989	1.08%
Francis E. Taylor (6)	1,688	*
All directors and executive officers as a group (7 persons)	286,455	44.30%
5% Shareholders		
The Daugherty LLC (7) (8) P.O. Box 948 California, MD 20619	92,771	14.35%
Katherine D. Watts (9) (10) 46595 Millstone Landing Rd Lexington Park, MD 20653	71,920	11.12%
Maryland Bank & Trust Company, N.A. KSOP Plan P.O. Box 248 Waldorf, MD 20604	53,742	8.32%

* Less than one percent.

(1) Based on 646,626 shares outstanding as of September 30, 2010.

(2) Consists of: a) 11,384 shares as to which Mr. Watts has sole voting and investment power; b) 71,920 shares over which his wife has sole voting and investment power; c) 1,193 shares in a profit sharing plan as to which he has voting power; d) 823 shares in a profit sharing plan as to which he has voting and investment power; and e) 92,771 shares held by The Daugherty LLC, as to which his wife holds joint voting and investment power with Mr. Daugherty.

(3) Consists of: a) 74,724 shares as to which Mr. Daugherty has sole voting and investment power; b) 92,771 shares held by The Daugherty LLC as to which he holds joint voting and investment power with Ms. Watts; c) 8,636 shares in an IRA account as to which he has voting and investment power; and d) 15,715 shares over which his wife has sole voting and investment power.

(4) Consists of 65 shares held jointly with her husband.

(5) Consists of: a) 252 shares held jointly with his wife; b) 30 shares held jointly with his wife and a child; and c) 30 shares held jointly with his wife and a child.

(6) Consists of: a) 844 shares as to which Mr. Taylor has sole voting and investment power; b) 6,600 shares held jointly with a family member; and c) 366 shares, consisting of 122 shares held jointly with each of three family members.

(7) The Daugherty LLC is a Maryland limited liability company with two members, G. Thomas Daugherty and Katherine Watts.

(8) Included above in the 178,091 shares beneficially owned by Mr. Watts and also in the 191,846 shares beneficially owned by Mr. Daugherty.

(9) Only includes shares held directly in Ms. Watts name. Does not include 92,771 shares held by The Daugherty LLC, in which Ms. Watts holds joint voting and investment power with Mr. Daugherty, 11,384 shares held by her husband, 1,193 shares in a profit sharing plan as to which her husband has voting power, or 823 shares in a profit sharing plan as to which her husband has voting and investment power.

(10) Included above in the 178,091 shares beneficially owned by Mr. Watts.

THE MERGER AGREEMENT AND THE MERGER

The following information describes the material terms and provisions of the merger agreement and the merger. This discussion is subject, and qualified in its entirety by reference, to the merger agreement, as amended, which is incorporated herein by reference, and the financial advisor opinions attached as annexes to this joint proxy statement/prospectus.

Except for its status as the contractual document between the parties with respect to the merger described therein, the merger agreement attached as Annex A hereto is not intended to provide factual information about the parties. The representations and warranties contained in the merger agreement were made solely for the purposes of such agreement as of specified dates, and are not intended to provide factual, business or financial information about Old Line Bancshares or Maryland Bankcorp. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to stockholders or may have been used for purposes of allocating risk between Old Line Bancshares and Maryland Bankcorp rather than establishing matters as facts. For the foregoing reasons, you should not rely on the representations and warranties as accurate or complete or as characterizations of the actual state of facts as of any specified date. We urge you to read the full text of the merger agreement carefully.

General

The merger agreement provides that:

Maryland Bankcorp will merge with and into Old Line Bancshares with Old Line Bancshares as the surviving corporation;

If you are a stockholder of Maryland Bankcorp you will receive, at your election, cash (subject to proration as described herein) or shares of stock of Old Line Bancshares, in a dollar amount generally equal to the $20 million aggregate merger consideration, as adjusted as provided in the merger agreement, divided by the number of shares of common stock of Maryland Bankcorp outstanding on the closing date of the merger, provided that cash will be paid in lieu of fractional shares of Old Line Bancshares common stock and the aggregate cash consideration to be paid to stockholders of Maryland Bankcorp will not exceed 5% of the aggregate merger consideration, unless increased by Old Line Bancshares in its sole discretion, and subject to further adjustments as described in the merger agreement;

Pursuant to an Agreement and Plan of Merger by and between Old Line Bank and Maryland Bank & Trust, dated as of September 1, 2010, immediately after the merger Maryland Bank & Trust will be merged with and into Old Line Bank, with Old Line Bank as the surviving bank, which we refer to as the bank merger; and

Thomas B. Watts and G. Thomas Daugherty will be appointed as members of the Old Line Bancshares and Old Line Bank boards of directors.

Background of the Merger

From time to time over the past several years, each of Old Line Bancshares and Maryland Bankcorp s boards of directors and managements have separately considered various strategic alternatives as part of their continuing efforts to enhance each company s community banking franchise and to maximize stockholder value. Each company has considered strategic alternatives which include: continuing as an independent institution; acquiring branch offices or other community banks; establishing related lines of business; and entering into a strategic merger with similarly-sized institutions. In the case of Old Line Bancshares, these alternatives also included acquiring financial institutions with cultures similar to Old Line Bancshares. In the case of Maryland Bankcorp, these alternatives also included affiliation with another community financial institution with a culture similar to Maryland Bankcorp s.

In this regard, during the last five years, James W. Cornelsen, President and Chief Executive Officer of Old Line Bancshares, and Thomas B. Watts, Chairman of the Board and Chief Executive Officer of Maryland Bankcorp, had met at least twice to discuss the possibility of a merger between the two entities and their respective banks.

At the end of the third quarter of 2009, Chuck Schreck of Monocacy met with Mr. Watts to discuss the general bank operating environment. Messrs. Watts and Schreck discussed capital structure issues, lack of stock liquidity, stockholder

ownership structure, ability to raise non-dilutive Tier 1 capital (for example, trust preferred, non-cumulative perpetual preferred or traditional preferred), and general pricing levels of Tier 1 capital. Mr. Watts also provided background information about Maryland Bankcorp and Maryland Bank & Trust, including ownership and operating market, as well as the opportunities and challenges facing the bank.

Messrs. Schreck and Watts met for several follow up discussions during November 2009 that focused on the potential ability, if any, of Maryland Bankcorp to raise some form of Tier 1 capital (specific focus at this point excluded common equity) in order to simplify Maryland Bankcorp s common stock ownership structure by buying back shares of stock in the open market or privately negotiated deals, thereby potentially eliminating stockholders owning less than 400 to 1,000 shares, or approximately 4% to 10% of the total shares outstanding. Beyond the mechanics of any potential stock buyback, the discussion focused on Maryland Bankcorp s current market price of $12 to $15 per share over the last year, the low relative price to book multiple reflected in the market price per share (approximately 30% to 40% of book value per share), potential reasons for market-observed valuation parameters, traditional and non-traditional sources and types of capital, potential investor types and their required returns, potential non-financial requirements of these investor types, and Maryland Bankcorp s ability to successfully place and service these types of capital (including the underlying ability of Maryland Bankcorp s primary operating subsidiary, Maryland Bank & Trust, to service these forms of capital or to place a Tier 1 form of capital directly into Maryland Bank & Trust). Mr. Watts discussed the formal written agreement Maryland Bank & Trust had entered into with the OCC and provided additional information to assist in the review.

In early December 2009, Mr. Watts and G. Thomas Daugherty, President of Maryland Bankcorp, met with Mr. Schreck and Rodney Martin of Monocacy to discuss and review the concepts discussed in late November. These discussions and reviews focused on the general operating environment, the market for bank capital instruments (all forms including common stock), the historical and current financial performance of Maryland Bankcorp and Maryland Bank & Trust, the general regulatory environment for banks, the regulatory environment specifically regarding Maryland Bankcorp, the challenges facing banks in general through 2008 and 2009 in raising capital of all types, recent capital placements and pricing levels in the market for those capital placements, potential dilution challenges of a capital placement (public or private), and the ability or inability of Maryland Bankcorp to service the non-common equity capital instruments desired based on current financial performance and the formal regulatory agreement in place with the OCC. Monocacy representatives also provided a brief overview of the impact of injecting common equity or common equity equivalent capital instruments into Maryland Bankcorp, along with the challenges of this strategy in the current environment and the prohibitive dilution that would be incurred if Maryland Bankcorp pursued such a strategy.

After this review and discussion, Messrs. Watts and Daugherty asked Monocacy about the potential merger and acquisition valuation range of Maryland Bankcorp based upon information provided to date and the current environment. The inquiry was to focus primarily on one multi-billion dollar banking organization of particular interest, as well as two or three others that Messrs. Watts and Daugherty believed operated with a similar culture or operating philosophy and of similar size or larger. These institutions assets ranged in size between $1.5 billion to $8.0 billion. This initial review did not include Old Line Bancshares.

Within a couple of days, Mr. Schreck contacted Mr. Watts to discuss these findings and offer a plan of action to review these strategies under discussion. In this discussion, Mr. Schreck offered some additional alternatives related to potential institutions that may have interest in Maryland Bankcorp as an acquisition target or merger partner. In addition, they discussed a potential capital formation strategy, with emphasis on the expected challenges due to the environment and the likelihood of extensive dilution to ownership and underlying value based on expected pricing levels due to the current trading levels of Maryland Bankcorp. Mr. Watts discussed the potential capital needs due to the growth expected in the market where Maryland Bankcorp operated and the business being captured from recent mergers and acquisitions and customer disruption. The operating restrictions and requirements of the regulatory agreement were discussed in the same light as well. On December 7, 2009, Maryland Bankcorp formally engaged Monocacy to explore strategic alternatives as discussed.

In early January 2010, Messrs. Watts and Daugherty asked Monocacy to confidentially explore whether the three institutions identified may have an interest in pursuing a transaction of the kind they had discussed. Monocacy

provided feedback that there would in fact be varying levels of interest, and differing approaches, from these parties. Monocacy also indicated that several other institutions should have interest in a transaction of this type, including potential merger of equals opportunities.

In early February 2010, given the potential dilution and servicing challenges of injecting additional capital, Maryland Bankcorp asked Monocacy to prepare a confidential information memorandum describing the operations of

Maryland Bankcorp and to solicit confidentiality agreements from interested institutions. Monocacy provided an extensive list of institutions that were believed to have interest in Maryland Bankcorp. Maryland Bankcorp instructed Monocacy to focus on the larger institutions noted when making initial contacts.

After completing the confidential information memorandum in early March 2010, Monocacy contacted approximately 50 institutions on a no name, confidential basis describing the operational and financial characteristics of Maryland Bankcorp. All of these institutions were of the capacity to complete a transaction of this size and scope. The focus list included institutions in size from over $600 million in assets to over $100 billion in assets (and did not include Old Line Bancshares at this point).

Of these potential acquirers contacted, 14 signed confidentiality agreements and shortly thereafter received a confidential offering memorandum. Excluding one institution in excess of $50 billion in assets, these institutions ranged in size from just over $600 million to $16 billion in assets, with the average size approximating $3.5 billion in assets. Also during this timeframe, Monocacy discussed the potential transaction and met with the potential acquirers, responded to questions, and provided analytics showing the merits of a transaction with Maryland Bankcorp.

After distributing the confidential offering memoranda to these selected institutions, Monocacy advised that preliminary indications of interest should be provided to Monocacy no later than April 27, 2010, as Monocacy would be meeting with the Maryland Bankcorp board of directors to discuss the preliminary findings of the process to date. Also in early April 2010, prior to the preliminary response date of April 27, 2010, Monocacy and Maryland Bankcorp determined and agreed to contact additional institutions that may be smaller than those included on the original contact list but nonetheless financially and operationally capable of executing a transaction of this type, or potentially interested in a merger of equals transaction. Monocacy identified approximately ten additional institutions prior to the April 28, 2010 board meeting, identifying Old Line Bancshares as one of those institutions to be contacted. Monocacy continued to contact institutions that had delayed in responding to first contact overtures.

On April 20, 2010, Monocacy met with Mr. Cornelsen to discuss an acquisition opportunity on a no names, confidential basis. After discussing this potential opportunity, Mr. Cornelsen requested a confidentiality agreement in order to specifically determine the opportunity and receive a confidential information memorandum should Old Line Bancshares continue to have an interest upon full disclosure.

On April 21, 2010, Old Line Bancshares and Monocacy, as agent for Maryland Bankcorp, entered into the confidentiality agreement. Monocacy in turn provided the confidential offering memorandum to Old Line Bancshares.

On April 22, 2010, Old Line Bancshares board of directors authorized Old Line Bancshares to move forward with investigating a potential acquisition of Maryland Bankcorp and/or Maryland Bank & Trust, and appointed a special committee of the board of directors to review potential strategic opportunities in general (the Special Committee), including an acquisition of Maryland Bank & Trust.

On April 22, 2010, Monocacy met with Messrs. Watts and Daugherty to discuss the process and findings to date, including one written, non-binding expression of interest and two institutions requesting more time due to internal timing issues. Additionally, institutions receiving the confidential information memorandum later than the initial group requested more time as well. Old Line Bancshares was one of those institutions.

On April 27, 2010, Mr. Cornelsen met with David Danielson of Danielson and also conducted a conference call with Monocacy to discuss the possibility of Old Line Bancshares acquiring Maryland Bank & Trust.

On April 28, 2010, Monocacy met with the Maryland Bankcorp board of directors to discuss the process and findings to date. Monocacy informed the board of the written, non-binding expression of interest and the other institutions requesting more time and the specific reasons of each such institution. Monocacy informed the board that almost 60 institutions had been contacted, with varying degrees of success, and 19 confidential information memoranda had been delivered to institutions executing the required confidentiality agreement. Monocacy also provided summary information regarding the board s responsibilities in the evaluation of proposals, a summary of the proposals including estimated pricing statistics (approximating $18.3 million in the aggregate or $28.25 per share, 70% of book value per share) and underlying value, background information on each entity submitting an interest in Maryland Bankcorp, all letters of interest or correspondence received, current merger and acquisition pricing statistics in the Mid-Atlantic region (including Maryland and Virginia) and a summary of items to address as part of any potential response. Monocacy also briefly touched upon the impact and challenges of raising capital in the current environment and the potential dilution to ownership and underlying value.

At the end of the presentation, Monocacy suggested, if the board wished to proceed as and it resolved, that it form a Strategic Assessment Committee (SAC) to include not only Messrs. Watts and Daugherty but also additional Maryland Bankcorp board members and a member from the Maryland Bank & Trust board of directors. The members of the SAC, as constituted, included Messrs. Watts and Daugherty, Frank Taylor, and Edwin L. Kelly. In addition, Lawrence H. Wright, Senior Vice President and Secretary of Maryland Bankcorp and Senior Vice President and Chief Financial Officer of Maryland Bank & Trust, was included on all correspondence, as was counsel for Maryland Bankcorp.

The board then resolved to empower Maryland Bankcorp s management team, the SAC and Monocacy to move forward with Monocacy s recommendations. Those resolutions included: (a) reaching out to the institution that provided the non-binding expression of interest to seek clarity of the proposal (including increasing the level of consideration proposed) and addressing all of the issues requested by the board in the confidential offering memorandum; (b) reaching out to the institutions requiring more time due to their own internal timing conflicts and determining if an acceptable timeline exists for them to remain in the process; (c) reaching out to the institutions (as specifically approved, including Old Line Bancshares) requiring more time due to the late receipt of the confidential information memorandum and determining if an acceptable timeline exists to have them remain in the process, based upon their level of interest; (d) following up on the list of institutions not participating to date in order to determine why they did not participate and if they have any remaining interest in Maryland Bankcorp; (e) providing updated financial and operational information to those institutions continuing to have interest; (f) determining a timeline to receive updated proposals after discussing the current process with the remaining interested institutions; and (g) instructing Monocacy to communicate ongoing findings to management and the SAC as needed and required.

After the board meeting, management updated Monocacy on communications with the OCC as of April 27, 2010.

From late April 2010 through mid-May 2010, Monocacy provided updates as requested to the SAC and asked all interested institutions for updated, non-binding expressions of interest by May 14, 2010.

On May 3, 2010, Mr. Cornelsen, Christine M. Rush, Old Line Bancshares Executive Vice President, Chief Financial Officer and Secretary, Joseph E. Burnett, Executive Vice President of Old Line Bancshares, and the Special Committee met to discuss the potential opportunity of Old Line Bancshares to acquire Maryland Bankcorp/Maryland Bank & Trust. On May 6, 2010, Messrs. Cornelsen and Burnett, Ms. Rush and the Special Committee met with Danielson to discuss the merits of Old Line Bancshares acquiring Maryland Bankcorp/Maryland Bank & Trust and potential deal terms.

On May 10, 2010, Danielson sent an initial letter of intent to Monocacy with respect to a proposed merger of Maryland Bankcorp and Maryland Bank & Trust into Old Line Bancshares and Old Line Bank, respectively.

Monocacy received non-binding expressions of interest from two financial institutions (one of which was Old Line Bancshares) during the week of May 10, 2010. Monocacy updated management and the SAC later that week as to the preliminary terms of the proposals as well as the estimated pricing statistics and underlying values, updated background information on each institution submitting expressions of interest in Maryland Bankcorp, and updated current merger and acquisition pricing statistics in the Mid-Atlantic region (including Maryland and Virginia). In

addition, Monocacy disclosed that there appeared to be another institution that desired to provide a non-binding expression of interest based upon the review of the information but that it required more time due to senior management scheduling conflicts as well as a need to present the opportunity to its full board of directors. Monocacy relayed this information to the SAC and indicated that the proposed letter would not be forthcoming until approximately mid-June. Monocacy commented to the third institution that Maryland Bankcorp was continuing to move forward with its process in place but had made no concrete decisions as to

direction and indicated that the proposed letter should be presented to Monocacy as soon as possible for appropriate review by the Maryland Bankcorp board.

Therefore, as of May 14, 2010, the Maryland Bankcorp board of directors was in receipt of two non-binding expressions of interest (Old Line Bancshares and Party 2) and was expecting a third within 20 business days (Party 3).

Upon review of the proposals in place, Old Line Bancshares and Party 2 had each addressed the following items: (1) valuation (proposals within 3% of each other with Party 2 s offer slightly higher in gross consideration per share); (2) exchange ratio (both expressed as variable exchange ratios, though Old Line Bancshares was expressed as a variable exchange ratio along with the determining variables therein based upon each institution s book value per share, measured quarterly, through closing); (3) form of consideration (both stock and cash mixture of relatively similar proportions although Old Line Bancshares presented a non-voting, convertible preferred class of stock for Maryland Bankcorp stockholders owning more that 4% of the total pro forma company shares outstanding, with such shares convertible upon a change of control of the pro forma company in the future); (4) the potential for continuing advisory board participation (Old Line Bancshares offered a non-compete payment as described in Interests of Directors, Officers and Others in the Merger Director Noncompetition Agreements); (5) Maryland Bankcorp board invitations (Old Line Bancshares offered two positions and Party 2 offered one position); (6) employee displacement and severance (Old Line Bancshares as described in Terms of the Merger Employment; Severance and Party 2 silent as to specifics of severance, though offered); (7) contingencies (none other than normal and customary due diligence, regulatory approvals and stockholder approvals); and (8) timing to complete due diligence.

Early during the week of May 17, 2010, Maryland Bankcorp notified Old Line Bancshares and Party 2 that it would like to move forward with their conduct of non-exclusive due diligence on Maryland Bank & Trust.

On May 19, 2010, Old Line Bancshares sent a preliminary due diligence list to Monocacy.

On May 20, 2010, Monocacy delivered the Old Line Bancshares and Party 2 due diligence requests and timing parameters to management and the SAC. Monocacy also discussed and clarified the proposals provided with Old Line Bancshares and Party 2.

Monocacy worked with Maryland Bankcorp, Old Line Bancshares and Party 2 to provide as much due diligence information via secured access in order to limit direct on-site due diligence. Additionally, on-site due diligence was scheduled for June 11-13, 2010 for Old Line Bancshares and tentatively scheduled for the last week of June 2010 for Party 2. Other due diligence information passed securely through this timeframe to both institutions.

On May 24, 2010, Old Line Bancshares officially retained Danielson as its financial advisor with respect to a potential acquisition of Maryland Bankcorp and Maryland Bank & Trust.

On June 3, 2010, Monocacy representatives met with the two non-management members of the SAC at their request to discuss the process and challenges with respect thereto.

On June 7, 2010, Messrs. Watts, Daugherty, Martin and Schreck met with Mr. Cornelsen, Craig E. Clark, Chairman of the Board of Old Line Bancshares, and Mr. Danielson to discuss due diligence matters, synergies, cultural fit and potential deal terms.

On June 8, 2010, Messrs. Watts, Daugherty and Martin met with the management team of Party 2 to discuss the possible transaction and upcoming due diligence.

On June 9, 2010, Messrs. Watts, Daugherty, Schreck and Martin met with the management team of an initial institution (now indentified as Party 4) now wanting to re-enter the process after eliminating its specific timing obstacles.

On June 10, 2010, Monocacy met and discussed a transaction structure with one of the three original institutions identified (now identified as Party 5) early on to determine if it was still interested in Maryland Bankcorp. Though there was continued interest, the management team indicated they would contact Monocacy within 30 days to determine how Party 5 would proceed, if at all.

From June 11 through June 13, 2010, Old Line Bancshares, along with Danielson and other consultants, conducted on-site due diligence at Maryland Bank & Trust.

On June 17, 2010, Monocacy met with Maryland Bankcorp management, the SAC and Maryland Bankcorp s counsel to discuss the current process, findings to date, regulatory challenges and requirements and institutions still involved in the process. Monocacy noted due diligence questions asked by Old Line Bancshares and Party 2. Also, Monocacy indicated that Party 3 would be submitting a non-binding proposal in the next couple of days.

On June 18, 2010, Party 3 provided its non-binding proposal and Monocacy forwarded it to Maryland Bankcorp management and the SAC for review. Among other things, the proposal included a common stock component (publicly registered and traded) along with a non-voting, non-convertible, perpetual preferred stock component. Also, two positions were offered to join the board of directors of Party 3. Management, the SAC and Monocacy decided to review the offer closely and Monocacy was asked to clarify the proposal with Party 3 over the next week.

On June 22 and 23, 2010, Old Line Bancshares conducted follow-up due diligence at Maryland Bank & Trust with respect to its loan portfolio.

On June 22, 2010 Monocacy met with the management team of Party 2 to answer questions regarding the transaction, current due diligence information and upcoming on-site due diligence (including specific timing issues given calendar conflicts with Party 2). Also, Monocacy met with an additional institution (now identified as Party 6) that had signed a confidentiality agreement late in the process (June 17, 2010) to discuss the information memorandum, the process, expectations and procedures to continue. Party 6 indicated that it had a high level of interest at the right price and would get back to Monocacy fairly quickly. Party 6 was privately held and did not have a public currency as did Old Line Bancshares and Parties 2 through 5.

During the week of June 21, 2010, Maryland Bankcorp management and the SAC met with Monocacy to discuss the process to date, determine exact scheduling of on-site due diligence with Party 2, and to discuss Party 3 s non-binding proposal.

Monocacy indicated that the process was moving as expected. Monocacy noted that Party 2 s on-site due diligence would focus mostly on loan files and would occur after the July 4, 2010 holiday period (likely the week of July 12 due to scheduling conflicts and timing issues). Also, Party 3 s proposal was deemed inadequate (anywhere from 10% to 25% below where Old Line Bancshares and Party 2 s proposals were valued) as presented and the SAC asked Monocacy to indicate as such to Party 3, inviting them to update their proposal should they desire to do so.

Also, Monocacy and the SAC determined to ask all participants remaining in the process to complete due diligence reviews, as scheduled, and present their best and most refined non-binding expressions of interest by July 21, 2010, in anticipation of a SAC/ Maryland Bankcorp board meeting on July 22, 2010.

On July 9, 2010, Messrs. Cornelsen and Burnett, Ms. Rush and the Special Committee met with Danielson to discuss a revised letter of intent. Danielson presented and discussed the background on the transaction thus far, various options in structuring the deal, other key pricing considerations, non-financial considerations, the impact on Old Line Bancshares and the likely timeline for the transaction.

On July 13, 2010, Danielson sent to Monocacy a revised letter of intent with respect to Old Line Bancshares proposal to acquire Maryland Bankcorp and Maryland Bank & Trust. On July 13, 2010, Danielson sent a further revised letter of intent to Monocacy based on further conversations with Monocacy.

Between July 15 and July 30, 2010, Danielson, on behalf of Old Line Bancshares, and Monocacy, on behalf of Maryland Bankcorp, negotiated the terms of the letter of intent.

On July 15 and 16, 2010, Monocacy received updated, non-binding expressions of interest from both Old Line Bancshares and Party 2. Both Old Line Bancshares and Party 2 s proposals reflected findings of due diligence to that point and presented slightly altered proposals based on findings within credit due diligence.

At the July 22, 2010 SAC/board meeting, Monocacy presented the updated, non-binding expressions of interest received to date. Both Old Line Bancshares and Party 2 either submitted new letters or provided refinement. Party 3 declined to update their proposal. Party 4 was still reviewing its position as to whether to provide a proposal. Party 5 determined that it likely would not be submitting a proposal, though interested in Maryland Bankcorp, due to timing and market considerations. Party 6 determined not to move forward in the process at all.

Upon review of the proposals in place, Old Line Bancshares and Party 2 had addressed the following items, respectively: (1) valuation (proposals within 6% of each other with Party 2 s offer slightly higher in gross consideration per share, though both valuation ranges incorporated potential adjustments for credit summarized below); (2) exchange ratio (both expressed as variable exchange ratios, though Old Line Bancshares was expressed as a variable exchange ratio along with a collar substantively identical in structure to that discussed in Terms of the Merger and Party 2 provided no such detail but expected there to be a reasonable collar negotiated as part of any proposed transaction); (3) form of consideration (both stock and cash mixture of relatively similar proportions although Old Line Bancshares presented, again, a non-voting, convertible preferred class of stock for Maryland Bankcorp stockholders potentially owning more that 4% of the total pro forma company shares outstanding, with such shares convertible upon a change of control of the pro forma company in the future); (4) the potential for continuing advisory board participation (Old Line Bancshares offered non-compete payments as noted above); (5) Maryland Bankcorp board invitations (Old Line Bancshares offered two positions and Party 2 offered one position); (6) employee displacement and severance (Old Line Bancshares as noted above and Party 2 silent as to specifics of severance, though offered); (7) potential adjustments for credit deterioration beyond that expected as part of due diligence review (Old Line Bancshares addressed as substantively presented herein while Party 2 addressed credit in (a) a similar fashion as Old Line Bancshares with resulting pricing mechanics, (b) as a potential hold back and resolution of certain credit assets with resulting pricing mechanics, (c) a manner whereby members of the board or an outside entity would acquire credit assets at arm s length with resulting pricing mechanics, or (d) a potential acquisition of Maryland Bank & Trust with certain credit assets held back as part of consideration; (8) director and officer liability insurance (Old Line Bancshares specifically addressed this issue while Party 2 did generally); and (9) contingencies (none other than normal and customary ongoing due diligence, regulatory approvals and stockholder approvals).

In addition, Monocacy, the SAC and the Maryland Bankcorp board of directors reviewed the impact of the proposals to underlying book value, earnings and dividends. Also, a cursory review was undertaken to determine the ability of each institution to access the capital markets in the future, compared to that of Maryland Bankcorp as a standalone entity, with the resulting impact to proposed Maryland Bankcorp stockholder ownership and underlying value should the combined pro forma company choose to undertake that particular future strategy. The SAC, board of directors and Monocacy determined that Maryland Bankcorp was better off financially and operationally with either Old Line Bancshares or Party 2 versus a standalone basis and was also better off financially and operationally with either Old Line Bancshares or Party 2 even if the capital markets were accessed in the future.

The SAC and Maryland Bankcorp board empowered Monocacy to return to both Old Line Bancshares and Party 2 in order to solidify each proposal, clarify exact language regarding employee benefits and severance as requested, obtain commitments for consulting language and duties, obtain registered common stock in lieu of non-voting, convertible stock (for Old Line Bancshares only, a standstill for shares in excess of 4%, and only impacting the holdings of Messrs. Watts and Daugherty and their affiliates) and financially improve the proposed pricing levels.

On July 22, 2010, the Old Line Bancshares board of directors met with Messrs. Cornelsen and Burnett and Ms. Rush to discuss the potential acquisition of Maryland Bankcorp and review the current draft of the letter of intent. The board of directors then authorized Mr. Cornelsen to negotiate a final letter of intent and to make adjustments to the pricing and content of the letter of intent within certain parameters.

During the week of July 26, 2010, Monocacy contacted Old Line Bancshares and Party 2 to accomplish what the SAC and the Maryland Bankcorp board of directors requested in order to move forward. As part of the discussion, Maryland Bankcorp requested a face to face meeting with Old Line Bancshares to clarify certain aspects of the proposal in order to move forward. Therefore, on July 28, 2010, members of Maryland Bankcorp management, Monocacy, Old Line Bancshares management and Danielson met to discuss open items as desired by the SAC and the Maryland Bankcorp board of directors. Old Line Bancshares agreed to the proposed changes presented. Party 2 declined to provide any additional changes to their proposal.

On the evening of July 28, 2010, the SAC recommended its support for Old Line Bancshares and the Maryland Bankcorp board of directors moved to obtain a revised, non-binding expression of interest and also moved, subject to

counsel and Monocacy guidance, to negotiate a definitive agreement. Monocacy was also asked to determine an appropriate date for Maryland Bankcorp to perform due diligence on Old Line Bancshares.

On July 30, 2010, Danielson sent a final letter of intent, executed by Mr. Cornelsen on behalf of Old Line Bancshares and Old Line Bank, to Maryland Bankcorp.

On August 2, 2010 Maryland Bankcorp passed the appropriate resolution empowering Mr. Watts to execute the non-binding, expression of interest with Old Line Bancshares.

On August 3, 2010, Mr. Watts executed the letter of intent on behalf of Maryland Bankcorp and Maryland Bank & Trust. On August 3, 2010, Monocacy sent the fully executed letter of intent to Danielson.

During the period of August 16 through August 31, 2010, the parties, including their legal counsel and financial advisors, negotiated the terms of the merger, including the final terms of the merger agreement and the related documents, including the merger agreement between Old Line Bank and Maryland Bank & Trust and those agreements discussed in Interests of Directors, Officers and Others in the Merger.

On August 18, 2010, the parties executed an amended and restated confidentiality agreement with respect to the proposed merger.

On August 20, 2010, Maryland Bankcorp sent their due diligence request list for on-site and off-site due diligence to Old Line Bancshares.

On August 24, 2010, Old Line Bancshares legal counsel conducted on-site due diligence on Maryland Bank & Trust at its Waldorf location.

On August 26 and 27, 2010, Maryland Bankcorp, along with its legal counsel and financial advisor, conducted on-site due diligence on Old Line Bancshares and Old Line Bank at their Bowie headquarters. Old Line Bancshares also provided secure data for off-site due diligence data review.

On September 1, 2010, the board of directors of Old Line Bancshares met to consider the proposed merger with Maryland Bankcorp. At this meeting, the board of directors reviewed the final terms of the merger agreement and the related documents and discussed these matters with management and with Danielson as its financial advisor. Danielson also gave its presentation and presented its oral opinion that, subject to the qualifications and limitations on its review in rendering its opinion, the terms of the proposed merger agreement were fair, from a financial point of view, to Old Line Bancshares stockholders. The Old Line Bancshares board of directors approved the merger agreement and the merger, as well as the related documents, and authorized their execution.

Also on September 1, 2010, the Maryland Bankcorp board of directors met to consider the proposed merger with Old Line Bancshares. In addition to reviewing and discussing the final terms of the merger agreement and the merger, as well as the related documents, the board received the presentation and oral opinion of Monocacy that, subject to the qualifications and limitations on its review in rendering its opinion, the consideration to be received by stockholders of Maryland Bankcorp pursuant to the terms of the merger agreement was fair, from a financial point of view, to Maryland Bankcorp stockholders. At its meeting, the Maryland Bankcorp board of directors unanimously approved the merger agreement and the merger as well as the related documents.

After the approval of the boards of directors, on September 1, 2010, the parties executed the merger agreement and announced the merger.

On September 30, 2010, the parties executed an amendment to the merger agreement to clarify certain provisions of the merger agreement.

Old Line Bancshares   Reasons for the Merger

In evaluating acquisition opportunities, Old Line Bancshares looks for financial institutions with business philosophies that are similar to those of Old Line Bancshares and that operate in markets that geographically complement its operations. In evaluating acquisition opportunities, Old Line Bancshares also considers its long-range strategies, including financial, customer and employee strategies. Old Line Bancshares, from time to time, reviews its strategic plan to analyze its geographic scope, financial performance and growth opportunities. Old Line Bancshares has explored a number of opportunities to expand its presence east and southeast of Washington, D.C.; however, Old Line Bancshares   board of directors concluded that the acquisition of Maryland Bankcorp was the best opportunity to accomplish this business objective during the current timeframe. In connection with its approval of the merger with Maryland Bankcorp, Old Line Bancshares   board of directors reviewed the terms of the proposed acquisition and definitive agreements and their potential impact to Old Line Bancshares   constituencies. In reaching its decision to approve the merger agreement and the merger, Old Line Bancshares   board of directors considered a number of factors, including the following:

The acquisition of Maryland Bankcorp and Maryland Bank & Trust represents an attractive opportunity for Old Line Bank to broaden its geographic market while remaining a community bank;

The advantageous geographic location of Maryland Bank & Trust s branches as they relate to Old Line Bancshares   long-term strategic plan to expand its presence east and southeast of Washington, D.C., including expanding its presence in Charles and Prince George s Counties and gaining entry into Calvert and St. Mary s Counties as a result of Maryland Bank & Trust having branch locations there;

The expectation that the merger would be accretive to earnings in light of the potential cost savings and revenue enhancements;

The acquisition of Maryland Bankcorp and Maryland Bank & Trust will double Old Line Bank s branch locations and increase Old Line Bancshares   total assets by more than $349 million;

The increase in overall assets to more than $750 million will increase Old Line Bancshares   access to equity and debt markets;

The increase in shares outstanding will increase the visibility of and liquidity in Old Line Bancshares common stock;

The acquisition of Maryland Bankcorp will better position Old Line Bancshares to acquire other community banks in the future;

Maryland Bankcorp s customer service-oriented emphasis with local decision-making ability and a clear focus on the community and local customers, which are consistent with Old Line Bancshares   business approach;

Maryland Bankcorp s priority in serving the small and mid-size business sectors as well as individuals;

The potential operating efficiencies of combining the two entities, potential revenue enhancements, Maryland Bankcorp s asset quality, and fee income sources;

The financial condition, operating results and future prospects of Old Line Bancshares and Maryland Bankcorp;

Historical pro forma financial information on the merger, including, among other things, pro forma book value and earnings per share information, dilution analysis, and capital ratio impact information;

Acquisition of Maryland Bank & Trust would increase Old Line Bank s legal lending limits;

A review of comparable transactions, including a comparison of the price being paid in the merger with the prices paid in other comparable financial institution mergers;

Management s view, based on, among other things, such comparable transactions reviewed, that the consideration paid by Old Line Bancshares is fair to Old Line Bancshares and its stockholders from a financial point of view; and

Perceived opportunities to increase the combined company s commercial lending, and to reduce the combined company s operating expenses, following the merger.

The discussion and factors considered by Old Line Bancshares board of directors is not intended to be exhaustive, but includes all material factors considered. In approving the merger and the ancillary agreements discussed elsewhere in this document, Old Line Bancshares board did not specifically identify any one factor or group of factors as being more significant than any other factor in the decision making process. Rather, Old Line Bancshares board of directors based its recommendation on the totality of information presented to it. In addition, individual members of the board may have given differing weight or priority to different factors.

After deliberating with respect to the proposed merger with Maryland Bankcorp, considering, among other things, the factors discussed above and the opinion of Danielson discussed below, the Old Line Bancshares board of directors approved the merger agreement and the merger with Maryland Bankcorp and declared the merger advisable.

The emphasis of the Old Line Bancshares board s discussion, in considering the transaction, was on the strategic benefits and financial aspects of the transaction, particularly:

The enhanced franchise value discussed above, including pro forma market share information relating to deposits in Maryland Bank & Trust s branches;

The expectation that the merger would be accretive to earnings in light of the potential cost savings and revenue enhancements;

The increase in Old Line Bancshares total assets and branch locations resulting from the merger;

The belief that the merger will better position Old Line Bancshares to acquire other community banks in the future and increase its access to equity and debt markets; and

Perceived opportunities to increase the combined company s commercial lending, and to reduce the combined company s operating expenses, following the merger.

There can be no certainty that the above benefits of the merger anticipated by the Old Line Bancshares board of directors will occur. Actual results may vary materially from those anticipated. For more information on the factors that could affect actual results, see Caution Regarding Forward-Looking Statements and Risk Factors.

Maryland Bankcorp s Reasons for the Merger

The Maryland Bankcorp board of directors, with the assistance of its financial and legal advisors, evaluated and considered a variety of financial, legal and market considerations relating to its decision to proceed with the merger. The terms of the proposed merger, including the consideration to be received by Maryland Bankcorp s stockholders, are the result of arm s length negotiations between the representatives of Maryland Bankcorp and Old Line Bancshares. The decision of the board of directors to approve the merger, adopt the merger agreement, and recommend that stockholders approve the merger agreement was the result of extensive discussions and deliberation that took place over a period of over eight months, with scheduled formal discussions occurring at multiple meetings of the SAC, which was empowered to review and recommend direction to the Maryland Bankcorp board of directors (and set direction and scope for management during this process), multiple scheduled and special meetings of the Maryland Bankcorp board of directors, and numerous informal discussions among directors and management. Management participated in multiple meetings with Monocacy in reviewing all of its strategic options and also met, on multiple occasions, with prospective acquirers and merger partners in order to learn more about each of the organizations having interest in Maryland Bankcorp. The board of directors received multiple presentations from its financial advisor and legal counsel. The decision of the board of directors was without dissenting vote.

There is no single reason for the decision of the board of directors. No specific levels of importance were placed on any of the factors considered, and each director likely reached his/her decision by placing different weights on different factors.

The factors considered by the board of directors included, but were not limited to, the following:

- The financial value of the Old Line Bancshares proposal and the significant premium over the current market value of Maryland Bankcorp s common stock.

- Maryland Bankcorp s future prospects for enhancing stockholder value by continuing to operate as an independent bank holding company.

- The current environment that Maryland Bankcorp was operating in and the view that the operating environment may remain in its current state for a significant length of time.

- The formal regulatory agreement in place, noting the restrictions and challenges therein, along with the potential impact of an additional agreement placing even greater restrictions and challenges on Maryland Bankcorp or Maryland Bank & Trust.

- The extensive process conducted by Monocacy, thoroughly identifying all possible candidates potentially interested in Maryland Bankcorp, and that the process produced the best alternative and value for Maryland Bankcorp s stockholders and constituencies.

- The strategic nature of the proposed combination with Old Line Bancshares and the opportunity to create future financial value for the stockholders as a combined organization.

- The business, financial condition and earnings prospects of Old Line Bancshares and the apparent competence, experience, community banking philosophy and integrity of Old Line Bancshares and its management.

- The ability of Old Line Bancshares to access the capital markets, as and if needed, versus Maryland Bankcorp s ability to access the capital markets on a standalone basis, especially considering Old Line Bancshares past capital formation successes.

- The belief that, by creating and becoming part of a larger organization with greater resources, Maryland Bankcorp would be able to better serve its customers and communities and provide a broader array of products and services that will be competitive with other financial service providers in Southern Maryland.

- The contribution of key balance sheet and income statement measures to the combined organization compared to the receipt of ownership in the combined organization generally in excess of those contributions.

- The positive effects to earnings per share and dividends per share on an actual and underlying basis as determined by the exchange ratio and the ability of Maryland Bankcorp stockholders to receive cash dividends as part of longer term consideration.

- The fact that Old Line Bancshares common stock trades on the NASDAQ Stock Market with substantially higher trading volumes than Maryland Bankcorp s stock, and that following the merger Maryland Bankcorp s stockholders would benefit from this increased liquidity.

- Old Line Bancshares is categorized as well capitalized under banking regulations by a significant margin, has a strong liquidity position, and has remained consistently profitable during the challenging years of 2008 and 2009, as well as through the year to date period of June 30, 2010.

The fact that Old Line Bancshares has a history of paying consistent quarterly cash dividends to its stockholders.

That Maryland Bankcorp would have two seats on the Old Line Bancshares board and the Old Line Bank board after the effective time of the merger.

That although Old Line Bancshares issued preferred stock and warrants under the TARP Capital Purchase Program, it promptly repaid the preferred stock and repurchased the warrants under the TARP Capital Purchase Program within one year. Therefore, Old Line Bancshares is not subject to the dividend obligations associated with TARP preferred stock, is not subject to the restrictions applicable to participants in the TARP Capital

Purchase Program, and is not subject to the potential dilution associated with conversion of TARP preferred stock or the associated TARP warrants. The ability of Old Line Bancshares to swiftly exit the TARP Capital Purchase Program added a degree of comfort to the financial and operation strength of Old Line Bancshares given the regulatory oversight required to enter and exit the TARP Capital Purchase Program.

That the primarily stock-for-stock merger in the aggregate (but as elected by stockholders individually within the terms of the agreement) is a tax efficient structure for the transaction, which, unlike an all cash transaction, will not result in immediate realized capital gains to Maryland Bankcorp s stockholders.

That the merger would constitute a reorganization under section 368(a) of the Internal Revenue Code, and that it would be accounted for as an acquisition for accounting and financial reporting purposes.

The results of due diligence investigation by Maryland Bankcorp and Old Line Bancshares and their respective management teams and consultants.

All of the points discussed herein, along with the pro forma review of the combined organization, and the belief that the transaction should meet the requirements of the regulatory agencies in order to gain regulatory approval.

The oral and written opinion (and the supporting procedures followed) of Maryland Bankcorp s financial advisor that the per share consideration to be received by Maryland Bankcorp stockholders was fair to Maryland Bankcorp s stockholders from a financial point of view.

After thorough consideration of all factors it deemed relevant, Maryland Bankcorp s board of directors concluded that the merger agreement and the consideration to be paid under the merger agreement represented the best entire value reasonably available to Maryland Bankcorp s stockholders, and that the proposal was in the best interests of Maryland Bankcorp and its stockholders.

Opinion of Old Line Bancshares Financial Advisor

Old Line Bancshares retained Danielson Associates, LLC by letter agreement dated May 24, 2010, to act as its financial advisor in connection with a possible business combination with Maryland Bankcorp. As part of its engagement, Danielson delivered its written fairness opinion (the Danielson Fairness Opinion), dated as of September 1, 2010 (the date of the merger agreement) to Old Line Bancshares board of directors that, as of such date and based upon and subject to various considerations set forth in the opinion, the terms of the merger agreement are fair, from a financial point of view, to the stockholders of Old Line Bancshares.

The full text of Danielson s written letter opinion to Old Line Bancshares board of directors dated September 1, 2010, which sets forth the assumptions made, matters considered and qualifications and limitations of the review undertaken, is attached as Annex B to this joint proxy statement/prospectus. Old Line Bancshares stockholders are urged to read this opinion carefully in its entirety. The Danielson Fairness Opinion is directed only to the fairness of the terms of the merger agreement to the holders of Old Line Bancshares common stock from a financial point of view. It has been provided to Old Line Bancshares board of directors in connection with the board s evaluation of the merger, does not address the merits of the underlying decision by Old Line Bancshares to engage in the merger, and does not constitute a recommendation to any person as to how he or she should vote. The summary of the Danielson Fairness Opinion set forth below is qualified in its entirety by reference to the text of the full opinion.

Danielson, as part of its financial advisory business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions and valuations for corporate and other purposes. Old Line selected Danielson to act as its financial advisor based on Danielson s experience, including in connection with mergers and acquisitions of commercial banks and bank holding companies.

No limitations were imposed by Old Line Bancshares on the scope of Danielson s investigation or on the procedures followed by Danielson in rendering its opinion.

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The following is a summary of Danielson s opinion and is qualified in its entirety by reference to the full text of the opinion.

In its opinion, Danielson determined a fair value range for Maryland Bankcorp s common stock and that Old Line Bancshares common stock to be issued as consideration was fairly valued. Fair value is defined as the price at which Maryland Bankcorp and Old Line Bancshares common stock would change hands between a willing seller and a willing buyer with each having reasonable knowledge of the relevant facts.

In determining the value range of Maryland Bankcorp s common stock, Danielson s primary emphasis was on transaction prices paid relative to capital for banking institutions that had financial and market characteristics similar to that of Maryland Bankcorp. Adjustments were then considered relative to the differences between Maryland Bankcorp and the comparable transactions. In determining a fair value of Old Line Bancshares common stock, Danielson s primary emphasis was on the pricing multiples of comparable banks. Other analyses were also utilized as appropriate.

In rendering the opinion, Danielson:

Reviewed and analyzed the merger agreement.

Reviewed Old Line Bancshares and Maryland Bankcorp s audited consolidated balance sheets as of December 31, 2009, 2008 and 2007 and their related audited consolidated statements of income, statements of changes in stockholders equity and statements of cash flows for the fiscal years ending December 31, 2009, 2008 and 2007.

Reviewed Old Line Bancshares Annual Reports on Form 10-K for the years ended December 31, 2009, 2008 and 2007 and Quarterly Reports on Form 10-Q for the fiscal quarters ending June 30, 2010 and March 31, 2010.

Reviewed and analyzed other publicly available information regarding Old Line Bancshares and Maryland Bankcorp.

Reviewed certain non-public information including business plans, financial projections and third party loan reviews regarding Maryland Bankcorp.

Reviewed certain non-public information including business plans and financial projections regarding Old Line Bancshares.

Reviewed recent reported stock prices and trading activity of Old Line Bancshares and Maryland Bankcorp s common stock.

Discussed past and current operations, financial condition and future prospects of each company with senior executives of Old Line Bancshares and Maryland Bankcorp.

Reviewed and analyzed certain publicly available financial, transaction and stock market data of banking companies that Danielson selected as relevant to our analysis.

Conducted other analyses and reviewed other information Danielson considered necessary or appropriate.

Incorporated its assessment of the overall economic environment and market conditions, as well as its experience in mergers and acquisitions, bank stock valuations and other transactions.

In rendering its opinion, Danielson also relied upon and assumed, without independent verification, the accuracy, reasonableness and completeness of the information, projections and forecasts provided by Old Line Bancshares and Maryland Bankcorp. In particular, Danielson relied upon the results of Old Line Bancshares review of

Maryland Bankcorp s loan portfolio and discussions of the results and projections with executive management of Old Line Bancshares. Danielson does not assume any responsibility for the accuracy, reasonableness and completeness of the materials received.

Although Danielson evaluated the aggregate merger consideration to be paid by Old Line Bancshares in connection with the merger, it did not recommend the specific consideration payable in the merger, which was determined by Old Line Bancshares and Maryland Bankcorp.

Danielson s opinion is based on conditions as they existed, and the information received by Danielson, as of the date of the opinion and Danielson does not have any obligation to update, revise or reaffirm the opinion.

Danielson acted as Old Line Bancshares financial advisor in the merger. Pursuant to an engagement letter, Old Line Bancshares has agreed to pay Danielson an advisory fee, including the provision of its fairness opinion, totaling $115,000. Old Line Bancshares paid Danielson a $15,000 non-refundable retainer fee upon execution of the engagement letter, $35,000 upon the execution of the merger agreement and $10,000 upon Danielson s presentation of its financial opinion. Old Line Bancshares will pay Danielson the remaining $55,000 of its fee upon the closing of the merger. Old Line Bancshares has also agreed to reimburse Danielson s out-of-pocket expenses incurred in connection with its engagement and to indemnify Danielson against certain liabilities arising out of the performance of its obligations under the engagement letter.

In the past, Danielson has performed other services for Old Line Bancshares. Old Line Bancshares retained Danielson in 2009 to value the warrants it issued under the U.S. Treasury s Troubled Asset Relief Program (TARP) and was paid $8,500 for this service. Old Line Bancshares also paid Danielson $1,000 for an industry update presentation to its board of directions in March 2010. There have been no material relationships between Danielson or its affiliates and representatives and Old Line Bancshares or its affiliates during the past two years.

Transaction Summary

Danielson described the transaction, stating that Old Line Bancshares has offered to acquire all of the outstanding common stock of Maryland Bankcorp for consideration of $20 million, or $30.93 per share. The consideration is subject to adjustments for operating losses at Maryland Bankcorp, negative changes in asset quality at Maryland Bankcorp and transaction expense limits at Maryland Bankcorp. Consideration is also subject to a price collar based on the average price of Old Line Bancshares common stock over a 90-day period prior to closing, subject to certain qualifications.

If Old Line Bancshares average price is in a range from $7.63 to $11.45 per share, the consideration remains $20 million, unless subjected to an adjustment. If the average price is less than $7.63 per share the exchange ratio becomes fixed at 4.0537 per share and the consideration will be less than $20 million. If the average price exceeds $11.45 per share the exchange ratio becomes fixed at 2.7012 and the consideration will be more than $20 million.

Danielson explained that the consideration to be exchanged will be in Old Line Bancshares common stock and $1 million in cash, and that Old Line Bancshares had the option to increase cash up to certain limits. Also, if Old Line Bancshares average price falls below $6.00 per share, Maryland Bankcorp has the right to walk-away from the transaction, but Old Line Bancshares has the right to cure by increasing the consideration.

Analysis of Maryland Bankcorp

In its analysis of Maryland Bankcorp, Danielson considered the following:

The attractiveness of Maryland Bankcorp s market.

The financial condition of Maryland Bankcorp, in particular, its capital position, asset quality and deposit base.

The financial performance of Maryland Bankcorp, in particular, its recent losses, contributions to reserves and non-interest expenses.

The results of the loan review completed by Old Line Bancshares.

The current and historical stock prices of Maryland Bankcorp.

Other analyses as deemed appropriate.

To determine the fair value range of Maryland Bankcorp s common stock, Danielson considered various methodologies including: a) the sale prices of comparable institutions; b) return on investment calculations; c) premiums over a fair stock price; and d) liquidation value.

The opinion stated that recent sale prices of comparable institutions was the most commonly used methodology when there are sufficient comparisons, as it in effect lets the market set the fair sale value. Investment calculations such as discounted dividends are another popular method of determining value, but in this transaction it did not

provide a meaningful result as it requires actual or normalized earnings projected forward, which were too subjective. Premiums over a fair stock price were also not a viable measurement as Maryland Bankcorp s stock was too illiquid to be considered a good benchmark.

Liquidation value was also not a good method of valuation in this case as Maryland Bankcorp s asset quality issues and capital position did not threaten it as a going concern, but that Old Line Bancshares due diligence results did provide the basis for adjustment to book value, which was considered.

In utilizing these methodologies, Danielson considered the following:

The acquisition prices of banks and thrifts nationally since 2000 with deal values in excess of $10 million.

The acquisition prices of 15 Comparable Transactions (as defined below) of banks nationally that occurred in 2009 and in 2010 through August 31, 2010.

The differences between Maryland Bankcorp from the Comparable Transactions, in particular, the differences in market, asset quality, asset mix and deposit mix.

Results of Old Line Bancshares due diligence on Maryland Bankcorp s loans and real estate owned.

Danielson noted that in 2009 there were only 24 bank and thrift sales nationwide with a deal value in excess of $10 million, and the median prices were 116% of book and 119% of tangible book. Through the first eight months of 2010, there were 27 transactions meeting this same criterion, with a median price of 113% of book and 123% of tangible book. Prices times earnings during these two periods were of little value because of the generally depressed earnings for the selling banks. The greatly reduced activity also meant there were few, if any, local transactions to be utilized as comparisons.

National Bank and Thrift Sales*

	Number of Deals	Price Times Earnings	Price as a Percent of Book	Tang. Book	Assets
2010**	27	22.5X	113%	123%	12.1%
2009	24	18.0	116	119	9.9

* Bank and thrift sales excluding mergers of equals and transactions under $10 million in deal value.

** Through August 31, 2010.

Source: SNL Financial, Charlottesville, Virginia.

To get a meaningful number of comparable transactions, Danielson deemed it necessary not to limit the geography or the deal value at the low-end. The criteria used for the selling banks were deal values under $100 million, non-performing assets (NPAs) in excess of 2% of assets and tangible equity over 6% of assets. There were 15 such transactions that met this criterion (Comparable Transactions).

Comparable Transactions Description, Deposit Mix and Loan Mix*

		Selected Data	
Seller Full Name	Seller City, State	Non-Int. Bearing Deposits/ Deposits	Real Estate Backed Loans/ Loans
O.A.K. Financial Corporation	Byron Center, MI	4%	73%
Comm Bancorp, Inc.	Clarks Summit, PA	11	74
Union National Financial Corp.	Lancaster, PA	16	83
Napa Community Bank	Napa, CA	19	86
Shamrock Bank of Florida	Naples, FL	5	92

California Oaks State Bank	Thousand Oaks, CA	28	47
First Louisiana Bancshares, Inc.	Shreveport, LA	29	65
CB Bancorp, Inc.	Higginsport, OH	8	88

Seller Full Name	Seller City, State	Selected Data Non-Int. Bearing Deposits/ Deposits	Real Estate Backed Loans/ Loans
Yuma Community Bank	Yuma, AZ	30	86
Am Tru Inc.	Whiting, IN	11	85
Southwest Capital Bancshares, Inc.	Ft. Meyers, FL	10	85
Community National Corp.	Franklin, OH	17	95
Carolina Commerce Bank	Gastonia, NC	5	88
Timberland Bancshares, Inc.	El Dorado, AR	9	70
First Company	Cody, WY	17	64
Median (15 banks)		11%	85%
Maryland Bankcorp	Lexington Park, MD	31%	87%

* Whole bank transactions in 2009 and 2010 through August 31, 2010, with deal value under $100 million, where the selling bank had NPAs greater than 2% of assets and tangible equity greater than 6% of assets.

Source: SNL Financial, Charlottesville, Virginia.

Danielson noted that, of the 15 Comparable Transactions, only three involved banks in the Middle Atlantic region. Of the remaining 11 transactions, four were in the Midwest and the other eight were in either the South or Far West.

The median price to tangible book for the Comparable Transactions was 103%. If only the seven transactions with the selling bank having NPAs above 3% are utilized, the median price is a lower 81% of book. Medians relative to assets were 9.2% and 7.6%, respectively.

Danielson commented that it is difficult to establish fair value for troubled banks as reported financials often do not indicate how aggressively the selling bank had worked on its asset quality issues. The data for the Comparable Transactions, however, suggests that a fair value for a troubled bank with a relatively high level of NPAs and a capital base that was still in excess of 6% was roughly 80% of tangible book.

Comparable Transactions in 2009 & 2010*

Buyer Full Name/Seller Short Name	Deal Value (In mill.)	Times Earnings	Tang. Book	Assets	NPAs*/ Assets	Seller State
Chemical Financial Corporation/O.A.K.	$77.5		109%	9.2%	2.10%	MI
FNB Corporation/Comm	67.8		127	10.6	3.89	PA
Donegal Group, Inc./Union National	25.2		87	5.6	2.83	PA
Rabobank Group/Napa Community	25.0	40.5X	158	15.0	2.40	CA
Florida Shores Bancorp, Inc./Shamrock	22.1		122	35.0	4.62	FL
California United Bank/California Oaks	17.3		103	12.6	2.19	CA
Community Trust Financial Corporation/First Louisiana	16.8	25.0	145	12.0	2.42	LA
Merchants Bancorp, Inc./CB Bancorp	10.8	22.6	100	9.7	4.64	OH

Foothills Bank/Yuma Community	10.5	18.3	186	14.5	2.96	AZ
Horizon Bancorp/Am Tru	9.6		152	7.9	2.33	IN
Stonegate Bank/Southwest Capital	9.4		61	7.6	6.24	FL
NB&T Financial Group / Community National	6.9		81	6.9	4.68	OH
Carolina Trust Bank / Carolina Commerce	5.2		53	5.1	2.33	NC
Southern Bancorp, Inc./Timberland	5.0		76	3.7	4.68	AR
Glacier Bancorp, Inc./First Company	2.2		58	5.9	3.44	WY
Median (15 banks)			103%	9.2%	2.96%	
Median NPAs over 3% (7 banks)			81%	7.6%	4.64%	
Maryland Bankcorp					5.34%	MD

* NPAs includes loans more than 90 days past due and still accruing and restructured loans.
Source: SNL Financial, Charlottesville, Virginia.

To determine Maryland Bankcorp s fair sale value, Danielson noted that it is also necessary to consider how it differs from the selling banks in the Comparable Transactions and make adjustments based on the differences, if any. Areas typically used in making adjustments are profitability, capital, growth, size, market, asset mix and quality, deposit mix, management and unique considerations.

Danielson continued that, in the case of a troubled bank such as Maryland Bankcorp, profits, growth and management are usually not reasons for an adjustment as most, or all, the selling banks in the Comparable Transactions had losses or profits that were not meaningful, low growth or negative growth and management teams that would likely be replaced by the buyer. Also, since capital level was a prerequisite for choosing the comparative transactions, it was not a differentiating factor. Thus, the pertinent areas for differences to consider are market, asset mix and quality, deposit mix and any unique considerations.

When the various components of Maryland Bankcorp s fair sale value are considered, there is reason for a positive upward value adjustment for its market and deposit mix and a downward adjustment for its asset quality. These adjustments, in Danielson s opinion, were offsetting.

While a liquidation analysis was not deemed applicable, Danielson did consider the result of Old Line Bancshares due diligence on Maryland Bankcorp s loans and real estate owned. While the result was not an attempt to determine what the loans or real estate might be sold for in the open market, it implied that using Old Line Bancshares methodology, a discount to equity of several million dollars was applicable.

Valuation Applied to Maryland Bankcorp

The primary measurement of value used by Danielson in its valuation of Maryland Bankcorp common stock is the sale prices of comparable banks. The traditional multiples used to measure value under this method are price times earnings, price-to-book and price-to-assets. Price times earnings is the best measurement of value when earnings are normal or can be normalized, but when industry-wide bank earnings are low and the bank being analyzed is posting losses, this measurement does not yield a meaningful result and so was not utilized. Price-to-assets is used as a primary measurement of value only when price-to-earnings or price-to-book cannot be used. In this case, price-to-book does provide a meaningful measurement of value and was emphasized by Danielson.

Summary of Valuation Multiples

	Price/ Earnings	Median Price/ Tang. Book	Price/ Assets	Number In Group
National 2009*	18.0X	119%	9.9%	24
National 2010**	22.5	123	12.1	27
Comparable Group***		103	9.2	15
Most Comparable (NPAs >3%)***		81	7.6	7
Old Line Bancshares/Maryland Bankcorp****		80%	5.8%	

* Bank and thrift deals with an announced transaction value of more than $10 million announced in 2009.

** Bank and thrift deals with an announced transaction value of more than $10 million announced between January 1, 2010 and August 31, 2010.

*** Bank deals with the selling bank s NPAs over 2% of assets and tangible equity over 6% of assets as of the quarter preceding the announcement. Announced between January 1, 2009 and August 31, 2010.

**** Based on Maryland Bankcorp s assets of $342.8 million and equity of $25.138 and an announced deal value of $20 million.

Source: SNL Financial, Charlottesville, Virginia and Danielson calculations

Danielson continued that, the most comparable transactions were those that took place in 2009 and in 2010, through August 31, 2010, where the selling bank had NPAs to assets in excess of 3% (Most Comparable Transactions). In total, there were seven transactions meeting this criterion with a median price to book of 81% and price to assets of 7.6%.

Pricing Applied to Maryland Bankcorp Compared to Old Line Bancshares Offer

	Price-to-Book		Price-to-Assets	
	Median Most Comp.	Old Line Bancshares Offer	Median Most Comp.	Old Line Bancshares Offer
	81%*	80%	7.6%*	5.8%
Value (in mill.)**	$ 20.4	$ 20.0	$ 26.1	$ 20.0
Per share**	31.49	30.93	$40.29	30.93

* Based on the median of the seven Most Comparable Transactions in 2009 and in 2010 through August 31, 2010.

** Based on assets of $342.8 million, equity of $25.138 million, shares outstanding of 646,626 and a book value per share of $38.88 as of June 30, 2010.

Source: Danielson calculations.

Danielson noted that based on the median sale pricing of the seven Most Comparable Transactions, the resulting price before any net adjustment in value is $20.4 million, or $31.49 per share based on a median value of 81% of book. As price-to-book provides a good guide to value, price-to-assets comparisons are typically not utilized.

After the application of the median pricing multiples of the Most Comparable Transactions to Maryland Bankcorp, the resulting value must be adjusted to account for differences between Maryland Bankcorp and the banks in the comparable group. These adjustments are a value increase for Maryland Bankcorp s market and deposit base and a value decrease related to asset quality.

Danielson further noted that, as the banks in Most Comparable Transactions were also banks with high levels of NPAs like Maryland Bankcorp, the asset quality adjustment is modest and this is offset by increases in value due to a more favorable market and deposit mix. Thus, Old Line Bancshares offer of $20 million, which is similar to the value returned by applying the median price-to-book of the Most Comparable Transactions of $20.4 million, is reasonable.

Analysis of Old Line Bancshares

Danielson also considered information related to Old Line Bancshares, to determine if its common stock is fairly valued. In this regard, Danielson considered:

- The financial condition of Old Line Bancshares, in particular, its capital position and asset quality.
- The financial performance of Old Line Bancshares, in particular, its growth and returns on equity.
- The current and historical stock prices of Old Line Bancshares.
- Selected financial data as compared to 13 Comparable Banks with assets between $300 and $500 million, NPAs plus loans 90 days past due and restructured loans between 0.75% and 1.75% of assets and average daily volume of shares traded of at least 100.
- A discounted dividends analysis with discount rates of 10% and 12% and terminal values of 12 and 10 times earnings.
- Other analyses as deemed appropriate.

To determine the fair value of the Old Line Bancshares common stock to be exchanged for the common stock of Maryland Bankcorp, Danielson considered Old Line Bancshares current and historical stock prices, the pricing multiples of

13 publicly-traded banks or holding companies (the Comparable Banks) that it deemed comparable to Old Line Bancshares and discounted dividend calculations.

Danielson noted that the reason for utilizing comparables from across the nation was that there were too few comparables in the region as Old Line Bancshares performance has been better than most banks, thereby reducing the number of comparable banks. The Comparable Banks were profitable, had assets between $300 million and $500 million, NPAs between 0.75% and 1.75% of assets as of June 30, 2010 and traded an average of 100 shares daily.

Description of Comparable Banks*

Full Names	City, State	Assets (In mill.)
Bancorp of New Jersey, Inc.	Fort Lee, NJ	$ 353
CBT Financial Corporation	Clearfield, PA	363
Cortland Bankcorp	Cortland, OH	479
CSB Bankcorp, Inc.	Millersburg, OH	441
HFB Financial Corporation	Middlesboro, KY	346
Juniata Valley Financial Corporation	Mifflintown, PA	444
Ledyard Financial Group	Hanover, NH	387
MCNB Banks Inc.	Welch, WV	310
National Bancshares Corporation	Orrville, OH	384
Premier Commercial Bancorp	Anaheim, CA	371
Private Bank of California	Los Angeles, CA	350
Town and Country Financial Corporation	Springfield, IL	371
Virginia National Bank	Charlottesville, VA	417
Median (13 banks)		$ 371

Source: SNL Financial, Charlottesville, Virginia.

None of the 13 Comparable Banks were in Maryland, but four were in adjoining states and two others were in the Northeast. Of the remaining seven, five were in the Midwest and two were in California.

It was noted by Danielson that Old Line Bancshares financial performance and financial condition was similar to those of the Comparable Banks as of June 30, 2010, or the 12 months ending June 30, 2010. Old Line Bancshares net income of 0.52% of average assets and 5.25% of average equity compared to the Comparable Banks medians of 0.57% and 5.94%, respectively. Old Line Bancshares equity and tangible equity of 9.22% of assets compared to the Comparable Banks medians of 10.12% and 9.34%, respectively. Old Line Bancshares NPAs of 1.36% of assets compared to the Comparable Banks median of 1.43%. In each instance, Old Line Bancshares percentages were slightly less than the Comparable Banks medians, but the differences were not considered meaningful enough to merit a value adjustment.

Despite the overall good financial performance of the Comparable Banks in a tough banking environment, the price to book was 76% and the median price to tangible book was 84%. The median relative to assets was 7.6%.

Danielson added that, normally the better pricing comparison is earnings, but even those that are the good performers in a bad economy, are below their normal earnings expectations as not one of the Comparable Banks had a double-digit return of equity. Thus, a price times earnings comparison is not meaningful at the present time.

Old Line Bancshares stock price of $7.95 per share as of August 27, 2010 was 83% of both common and tangible book, which was almost identical to the median price to tangible book of the Comparable Banks, and Old Line Bancshares price-to-assets of 7.6% was identical to the median of the Comparable Banks.

Comparisons of Old Line Bancshares and the Comparable Banks*

	Old Line Bancshares	Comparable Banks
Assets (in millions)	$ 408	$ 371
Net income / average assets	0.52%	0.57%
Net oper. income / average assets	1.02%	1.20%
Equity / assets	9.22%	10.12%
Tangible equity / tangible assets	9.22%	9.34%
NPAs**/ assets	1.36%	1.43%
Return on average equity	5.25%	5.94%
Stock price data***		
LTM earnings	18.1X	12.7X
Price / book	83%	76%
Price / tangible book	83%	84%
Price / assets	7.6%	7.6%
Average daily volume****	1,559	421

* June 30, 2010 or 12 months ended June 30, 2010.

** Includes loans over 90 days past due and restructured loans.

*** Stock price as of August 27, 2010 and financial data and stock price activity for the twelve months ended June 30, 2010 or June 30, 2010.

**** For the year ended August 27, 2010.

Source: SNL Financial, Charlottesville, Virginia.

Danielson also utilized a discounted dividends analysis to determine if Old Line Bancshares common stock is fairly valued. This analysis assumed annual net income growth of 8%, return on average assets of 0.75%, which assumes earnings increases in the future, and dividends paid out on capital in excess of 9% of assets. These growth assumptions are not based upon any formal projections or budgets and are subject to significant uncertainties, including changes in interest rates, the competitive landscape, and the regulatory environment.

To approximate the terminal values of Old Line Bancshares common stock at the end of a seven year period, price times earnings multiples of 10X and 12X were chosen to reflect historical bank trading multiples. The resulting dividend streams and terminal values were then discounted to present values using discount rates of 10% and 12%, chosen to reflect an appropriate rate of return that may be required by a prospective buyer of the stock. Under these scenarios, the present value of the stock ranged from $6.02 to $7.93 per share.

Danielson also noted that, prices resulting from the discounted dividends method, even when utilizing a future earnings rate of 0.75% on average assets, which is higher than Old Line Bancshares earnings since 2006, results in a price of $6.02 at a 12% discount rate and $7.93 at a 10% discount rate. These prices are 60% of book and 81% of book respectively. These valuations suggest that Old Line Bancshares earnings are still too low to draw much meaning from a discounted dividend analysis.

Old Line Bancshares Discounted Dividend Value*

	Discount Rate	
	10%	12%
Discounted Dividends 12X earnings		
Value (in millions)	$25.9	$22.6
Per share*	$6.81	$6.02
Price-to-earnings	13.6X	11.8X
Price as percent of tangible book	69%	60%
Discounted Dividends 10X earnings		
Value (in millions)	$30.6	$26.7
Per share*	$7.93	$7.00
Price-to-earnings	16.0X	14.0X
Price as percent of tangible book	81%	71%

* Assumes 8% asset growth, starting capital of $37.6 million, a 9.00% capital to asset ratio, earnings of $1.9 million based on the six months ended June 30, 2010 annualized, returns on average assets of 0.75%, shares outstanding of 3,880,005 and 321,851 options with a weighted average strike price of $8.41 per share.

Thus, based primarily on the median pricing multiples of the Comparable Banks, supported by other analyses and comparisons, Danielson concluded that Old Line Bancshares s stock price is fairly valued.

Financial Impact Analysis

Danielson also conducted a financial impact analysis that included:

The accretion/dilution impact on Old Line Bancshares earnings per share and capital per share.

The post merger ownership percentages under various scenarios.

The post merger balance sheet contributions of Old Line Bancshares and Maryland Bankcorp.

Danielson noted that the acquisition of Maryland Bankcorp could be accretive to Old Line Bancshares s earnings per share (EPS) based on anticipated cost savings, but slightly dilutive to its capital per share (CPS). For the purposes of this opinion, Danielson utilized a cost savings of 25%, which is less than that anticipated by management, and an average price at the bottom of the collar, $7.63 per share, as that is the point at which Old Line Bancshares issues the most shares as consideration.

Analysis of Earnings Per Share Change
Assuming Old Line Bancshares Average Price of $7.63 per share

	Earnings (in thousands)	Shares	EPS	Accretion Per Share	Accretion Percent Change
Old Line Bancshares at historical earnings level*	$ 2,000	3,880	$ 0.52		
Maryland Bankcorp annualized net for the second quarter 2010	(702)				
Plus: Eliminations and other**	650				
Less: Amortization of intangibles	(217)				
Less: Earnings on cash paid of $1 mill.	(20)				
Subtotal	$ 1,711	6,370	$ 0.27	$ (0.25)	(47.9)%
25% cost savings***					
Plus: Cost savings	$ 3,575				
Less: Taxes on savings of 34%	(1,215)				
Total****	$ 4,071	6,370	$ 0.64	$ 0.13	24.4%

* Based on earnings of $2.1 million in 2009 and annualized earnings of $1.9 million in the first half of 2010.

** Normalizes contributions to the loan loss reserve and eliminates securities gains and interest expense on holding company. loans.

*** Assumes non-interest expenses of $14.3 million.

**** Excludes merger-related expenses.

Source: SNL Financial, Charlottesville, Virginia and Old Line Bancshares and Danielson projections. estimates.

Based on cost savings of 25% and an Old Line Bancshares average price of $7.63 per share, the transaction is accretive to EPS. While all of the cost savings will not be realized in the first year, and some not in the second year either, even a lower level of cost savings could be accretive. A 25% cost savings, when fully achieved, based on current earnings, would increase Old Line Bancshares s EPS by about $0.13, or 24%.

Utilizing an Old Line Bancshares average price of $7.63 per share, the transaction is dilutive to CPS, according to Danielson. The CPS dilution is minimized by the high existing equity of Maryland Bankcorp, but will be reduced by write-downs on loans and real estate owned, cash paid as part of the consideration, merger expenses and projected goodwill and intangibles that result from the merger, exclusive of any accounting adjustments. The net result is a reduction of Old Line Bancshares s CPS by $0.90, or 9.5%.

Analysis of Capital Per Share Change
Assuming Old Line Bancshares Average Price of $7.63 per share*

	Equity (in thousands)	Shares	CPS	Accretion Per Share	Accretion Percent Change
Old Line Bancshares equity June 30, 2010	$ 36,998	3,880	$ 9.54		
Maryland Bankcorp equity June 30, 2010	25,138	2,490			
Cash paid in transaction	(1,000)				
Asset markdowns**	(6,000)				
Merger related expenses**	(1,000)				
Goodwill and intangibles***	862				
Total	$ 54,998	6,370	$ 8.63	(0.90)	(9.5)%
Earnings with 25% cost savings***	4,000				
	$ 58,998	6,370	$ 9.26	(0.27)	(2.9)%

* Based on consideration of $20 million absent any accounting adjustments.

** Old Line Bancshares estimate.

** Assumes earnings of $4 million are achieved based upon cost savings of 25%.

Source: SNL Financial, Charlottesville, Virginia, and Old Line Bancshares and Danielson estimates.

While future earnings may be very different from past earnings, Danielson noted that Old Line Bancshares has over the past 18 months ended June 30, 2010, reported earnings that are roughly $2 million annually. Based solely on that past level of earnings, and with 25% cost savings, Old Line Bancshares earnings could be as much as $4 million annually post transaction, after an initial adjustment period to integrate the two banks. With cost savings of 25%, and earnings of $4 million, the decline in CPS is only $0.27, or 2.9%.

Danielson also analyzed the post-merger ownership of Old Line Bancshares and Maryland Bankcorp, which is dependent on the average price of Old Line Bancshares. If the average price is $7.63 per share or less, then pre-merger stockholders of Old Line Bancshares will own approximately 60.9% of Old Line Bancshares post-merger. If the average price is $11.45 per share or higher, then pre-merger Old Line Bancshares stockholders will own approximately 70.0% of Old Line Bancshares post-merger.

	Post Merger Shares			Post Merger Ownership		
Post Merger Ownership in Old Line Bancshares	Old Line	Maryland Bancorp	Total	Old Line	Maryland Bancorp	Total
Avg. Price of $7.63 per share	3,880	2,490	6,370	60.9%	39.1%	100.0%
Avg. Price of $9.54 per share	3,880	1,992	5,872	66.1	33.9	100.0
Avg. Price of $11.45 per share	3,880	1,659	5,539	70.0	30.0	100.0

	Contribution analysis					
	In millions			Contribution Percentage		
Assets	$407.6	$342.8	$750.4	54.3%	45.7%	100.0%
Gross loans	288.5	226.9	515.4	56.0	44.0	100.0
Non-interest bearing deposits	53.7	91.3	145.0	37.0	63.0	100.0
All other deposits	265.1	205.7	470.7	56.3	43.7	100.0
Total deposits	318.8	297.0	615.7	51.8	48.2	100.0
Equity*	37.0	20.0	57.0	64.9	35.1	100.0

* Equity of Maryland Bankcorp is assumed to be the offering price of $20.0 million.

The balance sheet contributions of Old Line Bancshares and Maryland Bankcorp are not dependent on the average price. Based on June 30, 2010 financial data, Old Line Bancshares is contributing 54.3% of the assets, 56.0% of gross loans and 51.8% of deposits. Assuming Maryland Bankcorp s equity is equivalent to consideration offered, Old Line Bancshares is contributing 64.9% of the equity.

Conclusion

Since no comparable banks or bank acquisitions used in the various analyses are totally identical to Old Line Bancshares, Maryland Bankcorp or the particulars of this merger, the results do not represent mathematical certainty. Instead the comparisons rely on the likelihood that the median stock prices and/or the bank acquisition prices of comparable banks are applicable to the pertinent stock and acquisition values in this merger.

The summary set forth above is not a complete description of the analyses and procedures performed by Danielson in the course of arriving at its opinion. The full text of the opinion of Danielson dated September 1, 2010, which sets forth the assumptions made and matters considered, is attached as Annex B to this joint proxy statement/prospectus. Danielson s opinion is directed only to the fairness of the consideration received by Old Line Bancshares stockholders and does not constitute a recommendation to any Old Line Bancshares stockholder as to how such stockholder should vote relative to the merger.

Danielson concluded that, based on Maryland Bankcorp s recent performance, franchise, future prospects, comparisons with similar transactions and other analyses, it is its opinion that the Old Line Bancshares offer to acquire all of the common stock of Maryland Bankcorp for $20 million, or approximately $30.93 per share, subject to certain pricing adjustments and a price collar, in an exchange of Old Line Bancshares common stock, which is fairly valued, inclusive of at least $1 million in cash, is fair to Old Line Bancshares stockholders from a financial point of view.

Opinion of Maryland Bankcorp s Financial Advisor

Maryland Bankcorp retained Monocacy Financial Advisors, LLC to act as Maryland Bankcorp s financial advisor in connection with the merger and related matters based upon its qualifications, expertise and reputation, as well as its familiarity with Maryland Bankcorp and other community banking organizations like Maryland Bankcorp. Monocacy is an investment banking, advisory, and consulting firm providing services of similar nature to community banking organizations. As a part of its investment banking and advisory business, Monocacy is continually engaged in the valuation of businesses in connection with mergers and acquisitions, private placements, and valuations for ESOPs, capital formation and capital structure transactions, going private transactions, corporate and other purposes.

At the September 1, 2010 special meeting of the Maryland Bankcorp board of directors, Monocacy provided an oral opinion that the stock and cash consideration of $30.93 (or an exchange ratio, based on pricing as of that day, of 3.8906 shares of Old Line Bancshares common stock for each share of Maryland Bankcorp common stock as described in the merger agreement) is fair to Maryland Bankcorp s stockholders from a financial point of view. No limitations were imposed by Maryland Bankcorp on the scope of Monocacy s investigation or on the procedures followed by Monocacy in rendering its opinion. At the same meeting, the Maryland Bankcorp board of directors approved the merger and the merger agreement, subject to review by the Maryland Bankcorp board of directors of the final version of certain ancillary agreements and the receipt of Monocacy s written opinion. Later that day, Monocacy delivered its written opinion to the Maryland Bankcorp board of directors confirming its oral opinion, and the Maryland Bankcorp board of directors voted, unanimously, to adopt the merger agreement and recommend that the stockholders of Maryland Bankcorp approve the merger agreement.

The full text of the opinion of Monocacy, which sets forth, among other things, assumptions made, procedures followed, matters considered and limits on the review undertaken by Monocacy, is attached as Annex C to this joint proxy statement/ prospectus. Holders of Maryland Bankcorp common stock are urged to read the opinion in its entirety. Monocacy s opinion is directed only to the merger consideration described in the merger agreement and does not constitute a recommendation to any Maryland Bankcorp stockholder as to how such stockholder should vote at the Maryland Bankcorp special stockholder meeting. The summary set forth in this prospectus and proxy statement of the opinion of Monocacy is qualified in its entirety by reference to the full text of its opinion attached to this document as Annex C.

In arriving at its opinion, Monocacy engaged in discussions with members of both of the management teams of Maryland Bankcorp and Old Line Bancshares, separately, concerning the historical and current business operations, financial conditions and prospects of Maryland Bankcorp and Old Line Bancshares and reviewed:

the merger agreement;

certain publicly-available information for Maryland Bankcorp, including each of its Annual Reports to Stockholders for the years ended December 31, 2009, 2008 and 2007, and the quarterly call reports for Maryland Bank & Trust for each of the quarterly periods ended on March 31 and June 30, 2010, and the Maryland Bankcorp internal consolidated and consolidating financial results for the quarter ended June 30, 2010 furnished by Maryland Bankcorp management;

certain publicly-available information for Old Line Bancshares, including each of its Annual Reports to Shareholders and Annual Reports on Form 10-K for the years ended December 31, 2009, 2008 and 2007 and quarterly reports on Form 10-Q for each of the quarterly periods ended on March 31 and June 30, 2010, and the Old Line Bancshares internal consolidated and consolidating financial results for the quarter ended June 30, 2010 furnished by Old Line Bancshares management;

certain information, including historical and forecasted financial information, relating to earnings, dividends, assets, liabilities and prospects of as Maryland Bankcorp furnished by senior management of Maryland Bankcorp;

certain information, including historical and forecasted financial information, relating to earnings, dividends, assets, liabilities, and prospects of Old Line Bancshares as furnished by senior management of Old Line Bancshares;

Maryland Bankcorp senior management projected earnings estimates or budget(s) for fiscal years 2010 through 2013, if available;

Old Line Bancshares senior management projected earnings estimates or budget(s) for fiscal years 2010 through 2013, if available;

the estimated amount and timing of the deal costs, cost savings and potential mark to market impacts expected to result from the merger, which were furnished by senior management teams of Maryland Bankcorp and Old Line Bancshares;

the financial condition and operating results of certain other financial institutions that Monocacy deemed comparable;

a contribution analysis of Maryland Bankcorp and Old Line Bancshares to the combined entity with regard to certain financial metrics as of December 31, 2009 and June 30, 2010;

the recent stock prices and trading activity for the common stock of both Old Line Bancshares and Maryland Bankcorp during the last year and up until the day prior to the announcement of the merger;

various valuation analyses of Maryland Bankcorp that Monocacy performed including a cash dividend analysis, analysis of comparable companies and analysis of comparable transactions, and an accretion/dilution analysis;

various valuation analyses of Old Line Bancshares that Monocacy performed including a cash dividend analysis, analysis of comparable companies and analysis of comparable transactions, a dividend discount analysis, and an accretion/dilution analysis; and

such other information, financial studies, regulatory overviews and summaries, analyses and investigations and such other factors that Monocacy deemed relevant for the purposes of its opinion.

In conducting its review and arriving at the opinion, Monocacy, with the consent of the board of directors of Maryland Bankcorp, has relied, without independent investigation, upon the accuracy and completeness of all financial and other information provided to Monocacy by Maryland Bankcorp and Old Line Bancshares or upon publicly available information. Monocacy does not undertake any responsibility for the accuracy, completeness or reasonableness of, or any obligation independently to verify, such information. Monocacy has further relied upon the assurance of management of Maryland Bankcorp and Old Line Bancshares that they were unaware of any facts that would make the information provided or available to Monocacy incomplete or misleading in any respect. Monocacy did not make any independent evaluations, valuations or appraisals of the assets or liabilities of Maryland Bankcorp and Old Line Bancshares. Monocacy did not review any individual credit files and assumed that the aggregate allowances for credit losses relating to the loans of Maryland Bankcorp and Old Line Bancshares were and will continue to be adequate to cover such losses. The opinion is necessarily based upon economic and market conditions and other circumstances as they existed and were evaluated by Monocacy on the date of its opinion. Monocacy does not have any obligation to update its opinion, unless requested by the Maryland Bankcorp board of directors in writing, and Monocacy expressly disclaims any responsibility to do so in the absence of such a written request.

The projections furnished to Monocacy and used by it in certain of its analyses were prepared by, or derived from, Maryland Bankcorp and Old Line Bancshares senior management. Maryland Bankcorp and Old Line Bancshares do not publicly disclose internal management projections of the type provided to Monocacy in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, Monocacy assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

Monocacy further assumed that the merger will be accounted for as a purchase transaction under generally accepted accounting principles. Monocacy s opinion is not an expression of an opinion as to the prices at which shares of Maryland Bankcorp or Old Line Bancshares common stock will trade following the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

No limitations were imposed by Maryland Bankcorp on Monocacy on the scope of Monocacy s investigation or the procedures to be followed by Monocacy in rendering its opinion. During the two-year period preceding the engagement of Monocacy by Maryland Bankcorp with respect to the merger with Old Line Bancshares, there was no material relationship between Monocacy (or its principals) or any of its affiliates or representatives on the one hand, and Maryland Bankcorp or any of its affiliates on the other hand. Nor was there, during the two-year period preceding the signing of the merger agreement, any material relationship between Monocacy (or its principals) or any of its affiliates or representatives on the one hand, and Old Line Bancshares or any of its affiliates on the other hand. The form and amount of the consideration to be paid to Maryland Bankcorp or its stockholders were determined through arms length negotiations between Maryland Bankcorp and Old Line Bancshares. Monocacy was not requested to opine as to, and its opinion does not address, Maryland Bankcorp s underlying business decision to proceed with or effect the merger or the relative merits of the merger compared to any alternative transaction that might be available to Maryland Bankcorp. Further, its opinion does not constitute a recommendation to the stockholders of Maryland Bankcorp with respect to any approval of the merger agreement or the merger.

Additionally, Monocacy was not requested to opine as to, and its opinion does not address, the fairness of the amount or nature of the compensation to any of Maryland Bankcorp s officers, directors or employees other than the merger consideration to be received, if any, by such persons due to their status as a stockholder of Maryland Bankcorp.

In the analyses, Monocacy has made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of Maryland Bankcorp and Old Line Bancshares. Any estimates contained in the analyses are not necessarily indicative of future results or value, which

may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or to necessarily reflect the prices at which companies or their securities actually may be sold. No comparable company or merger utilized in our analyses was identical to Maryland Bankcorp, Old Line Bancshares or the merger. Accordingly, such analyses are not based solely on arithmetic calculations; rather, they involve complex considerations and judgments concerning differences in financial and operating characteristics of the relevant companies, the timing of the relevant mergers and prospective buyer interests, as well as other factors that could affect the public trading markets of Maryland Bankcorp and Old Line Bancshares or companies to which it is being compared. None of the analyses performed by Monocacy was assigned a greater significance than any other.

The financial forecast information and projected cost savings and other projected synergies expected to result from the merger furnished by management of Maryland Bankcorp and Old Line Bancshares, respectively, and deemed reasonable by them, contained in or underlying Monocacy s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such forecasts and estimates. The forecasts and estimates were based on numerous variables and assumptions that are inherently uncertain, including factors related to general economic and competitive conditions. In that regard, Monocacy assumed, with Maryland Bankcorp s and Old Line Bancshares consent, that the projected financial forecasts, including the projected cost savings, projected adjustments, impact to credit and underwriting and other projected synergies expected to result from the merger, were reasonably prepared on a basis reflecting the best currently available judgments of Maryland Bankcorp and Old Line Bancshares, and that such forecasts will be realized in the amounts and at the times that they contemplate. The estimates contained in Monocacy s analyses are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by those analyses. Estimates of values of financial institutions or assets do not purport to be appraisals or necessarily reflect the prices at which financial institutions or their securities actually may be sold. Accordingly, actual results could vary significantly from those assumed in the financial forecasts and related analyses.

The following is a summary of the material analyses presented by Monocacy to the Maryland Bankcorp board of directors in connection with its September 1, 2010 opinion. In connection with its written opinion dated as of the same date, Monocacy performed procedures to update certain of its analyses and reviewed the assumptions on which such analyses were based and the factors considered in connection therewith. This summary is not a complete description of the analyses underlying the Maryland Bankcorp opinion or the presentation made by Monocacy to Maryland Bankcorp s board of directors, but summarizes the material analyses performed and presented in connection with such an opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Monocacy did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, Monocacy believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

Summary Analysis of the Transaction

Monocacy reviewed the terms of the merger and the merger agreement. It noted that the stock and cash, as elected by stockholders per the merger agreement, consideration of $30.93 to be received by Maryland Bankcorp stockholders would not fluctuate through closing assuming the stock price of Old Line Bancshares remained within the collar range of $7.63 to $11.45, respectively. However, the exchange ratio would fluctuate within that same range, determining a potential exchange ratio of 4.0537 to 2.7012, respectively, shares of Old Line Bancshares common stock for each share of Maryland Bankcorp common stock. Based upon the closing price of Old Line Bancshares of $7.95 on August 31, 2010, the implied exchange ratio was 3.8906 shares of Old Line Bancshares common stock for each share of Maryland Bankcorp common stock. Therefore, the per share value of $30.93 ($20 million in aggregate value), within this collar range, represents 79.3% of book value per Maryland Bankcorp share and 79.3% of tangible book value per Maryland Bankcorp share as of June 30, 2010. Monocacy also noted that the consideration per share represents a 111.8% premium over current Maryland Bankcorp market price per share as of August 31, 2010. The aggregate deal metrics are displayed below:

Deal Price (1)	Price / Book Value	Price / Tang. Book Vale	Price / LTM Earnings (2)	Price / 2010E Earnings (3)	Price / Assets	Price / Deposits	Premium to MBKP Stock Price (4)
$20,000,000	79.3%	79.3%	nm	16.67x	6.73%	5.74%	111.8%

(1) Deal price is based on the closing price of Old Line Bancshares stock on August 31, 2010 and the exchange ratio of 3.8906 which was established based on the closing price of Old Line Bancshares stock as of the same date.

(2) Not meaningful. Maryland Bankcorp reported losses of $4.7 million for the latest twelve months (LTM) ended June 30, 2010.

(3) Maryland Bankcorp indicated 2010 budgeted net income assuming no material additions to the provision into the allowance for loan losses. Maryland Bankcorp reported losses of $1.137 million for the six months ended June 30, 2010.

(4) Premium to Maryland Bankcorp stock price is as of August 31, 2010 ($30.93 per share transaction price/$14.60 Maryland Bankcorp stock price).

Unless otherwise noted, pricing metrics reflect Maryland Bankcorp data for the period ended as of June 30, 2010. Latest twelve months net income and earnings per share for Maryland Bankcorp estimated from internal reports, filed call reports, FR-Y9 reports filed with the Federal Reserve, and SNL Financial data.

Dividend Analysis

Monocacy reviewed the current quarterly dividend distribution rates for each company and assumed an annualized rate of each such quarterly distribution rate. Monocacy noted that, under current quarterly dividend distribution rates for both companies and taking into account the 3.8906 exchange ratio per Maryland Bankcorp share, that there is a material increase in both the nominal amount of the cash dividend as well as the effective yield for Maryland Bankcorp stockholders (after the merger is completed). Monocacy also reviewed the impact to the dividend distribution rate under the range of potential exchange ratio calculations. In every scenario, there is a material increase in both the nominal amount of the cash dividend as well as the effective yield for Maryland Bankcorp stockholders (after the merger is completed). It should also be noted that the aggregate estimated dividend distribution flow approximates or exceeds the net income of Maryland Bankcorp over the past three fiscal years. Also, the projected gross dividend flows are projected to approximate or exceed gross dividend flows when Maryland Bankcorp declared dividends in the fiscal years 2006 through 2008. Maryland Bankcorp and its primary subsidiary are currently

prohibited from paying dividends due to regulatory agreements in place with its primary regulator.

Estimated Dividends

Independent Basis Per Share	MBKP	OLBK
2Q10	$	$0.03
Annualized	$	$0.12

Proforma Relative Basis Per Share	MBKP	OLBK
Assumes exchange ratio of:		
3.8906	$0.47	$0.12
4.0537	$0.49	$0.12
2.7012	$0.32	$0.12

Gross Estimated Dividend Flow	MBKP
3.8906	$301,892
4.0537	$314,547
2.7012	$209,600

Contribution Analysis

The contribution analysis performed by Monocacy compares the relative contribution of key balance sheet and income statement measures by Old Line Bancshares and Maryland Bankcorp to the pro-forma consolidated company as of December 31, 2010, and June 30, 2010.

Contribution Analysis (1)
($ in 000s)

December 31, 2009	OLBK	MBKP	Proforma	Percent Contribution OLBK	Percent Contribution MBKP
Total Assets	$357,219	$351,756	$708,975	50.4%	49.6%
Total Loans, Net	$265,009	$226,204	$491,213	53.9%	46.1%
Deposits	$286,348	$299,756	$586,104	48.9%	51.1%
Total Equity	$ 36,632	$ 26,097	$ 62,729	58.4%	41.6%
Net Income	$ 2,123	$ (3,831)	$ (1,708)	100.0%	0.0%
Average				62.3%	37.7%
Ownership based on exchange ratio ranges:					
3.8905				60.7%	39.3%
4.0537				59.7%	40.3%
3.2421				64.9%	35.1%
2.7013				69.0%	31.0%

June 30, 2010	OLBK	MBKP	Proforma	Percent Contribution OLBK	Percent Contribution MBKP
Total Assets	$408,210	$348,165	$756,375	54.0%	46.0%
Total Loans, Net	$285,820	$220,365	$506,185	56.5%	43.5%
Deposits	$318,779	$296,960	$615,739	51.8%	48.2%
Total Equity	$ 37,638	$ 25,210	$ 62,848	59.9%	40.1%
LTM Net Income	$ 1,969	$ (4,777)	$ (2,808)	100.0%	0.0%
Average				64.4%	35.6%
Ownership based on exchange ratio ranges:					
3.8905				60.7%	39.3%
4.0537				59.7%	40.3%
3.2421				64.9%	35.1%
2.7013				69.0%	31.0%

(1) Contribution analysis is prior to any mark to market or other merger accounting adjustments.

As of June 30, 2010, the range of contribution from Maryland Bankcorp ranges from 0.0% to 48.2% in the pro forma consolidated company, with an average of 35.6%. Monocacy notes that Maryland Bankcorp stockholders will own 39.3% of the pro forma company based on the current exchange ratio. Maryland Bankcorp stockholders could own no less than 31% and no more than 40.3% under the current collar structure in place, and assuming all stock elected by Maryland Bankcorp stockholders and no detrimental credit adjustments occur. Monocacy focused primarily on the contribution and receipt of earnings and equity in rendering its opinion.

Analysis of Selected Comparable Companies Mid-Atlantic Peer Group Maryland Bankcorp

Monocacy compared selected financial and operating results of Maryland Bankcorp to a peer group that included the 108 publicly traded commercial banks in the Mid-Atlantic region (as defined by SNL Financial and including Virginia), which were primarily selected based on comparable asset size. Specifically, the peer group identified had assets between $250 million and $650 million. The peer group had median trading multiples of 88.2% of book value per share, 90.4% of tangible book value per share, and 12.3x LTM earnings per share. This compares with Maryland Bankcorp s financial

metrics of 34.7% of book value per share, 34.7% of tangible book value per share, and a non-meaningful LTM earnings multiple (due to reported net losses at Maryland Bankcorp previously discussed above) as of June 30, 2010.

This comparison showed that, among other things, for the LTM ended June 30, 2010:

Maryland Bankcorp s tangible equity to tangible assets ratio was 8.73%, compared with the Mid-Atlantic peer group median of 8.50%;

Maryland Bankcorp s Tier 1 Ratio was 13.22%, compared with the Mid-Atlantic peer group median of 12.20%;

Maryland Bankcorp s Risk Based Capital Ratio was 14.49%, compared with the Mid-Atlantic peer group median of 13.29%;

Maryland Bankcorp s ratio of nonperforming assets (NPAs) (excluding total accruing loans contractually past due 90 days or more) to total assets was 5.19%, compared with the Mid-Atlantic peer group median of 1.65%;

Maryland Bankcorp s loan loss reserves to loans ratio was 2.89%, compared to the Mid-Atlantic peer group median of 1.46%;

Maryland Bankcorp s loan loss reserves to NPAs ratio was 26.3%, compared to the Mid-Atlantic peer group median of 56.7%;

Maryland Bankcorp s Texas Ratio (defined as NPAs and Loans 90 plus days late divided by tangible common equity plus loan loss reserves) was 50.3%, compared to the Mid-Atlantic peer group median of 20.1% (lower is stronger);

Maryland Bankcorp s LTM return on average assets (ROAA) was (1.31%), compared with the Mid-Atlantic peer group median of 0.52%; and

Maryland Bankcorp s LTM return on average equity (ROAE) was (15.05%), compared with the Mid-Atlantic peer group median of 5.53%.

Other pertinent peer company financial metrics are presented below.

	Peer Median	MBKP
Price / Book %	88.2	34.7
Price / Tang. Book %	90.4	34.7
Price / LTM Net Income x	12.3	nm
Return on Average Assets LTM %	0.52	-1.31
Return on Average Equity LTM %	5.53	-15.05
Dividend Yield %	2.17	0
Net Interest Margin %	3.71	4.05
Efficiency Ratio %	71.19	92.70
Dividend Payout Ratio %	28.11	0
Tang. Equity / Tang. Assets %	8.50	8.73
Tier 1 Ratio %	12.20	13.22
Risk Based Ratio %	13.29	14.49
Non-performing Assets / Assets %	1.65	5.19

Texas Ratio %	20.05	50.32
Loan Loss Reserve / Loans %	1.46	2.89
Loan Loss Reserve / NPA s %	56.72	36.3

Financial results for the LTM ended June 30, 2010, excluding stock price, were utilized as that was the most recent available information as of September 1, 2010 (the date the merger agreement was signed). No financial institution used in the above analyses as a comparison is identical to Maryland Bankcorp. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values of the financial institutions to which Maryland Bankcorp was compared.

Analysis of Selected Comparable Companies Mid-Atlantic Peer Group Old Line Bancshares

Monocacy compared selected financial and operating results of Old Line Bancshares to a peer group that included

108 publicly traded commercial banks in the Mid-Atlantic region (as defined by SNL Financial and including Virginia), which were primarily selected based on comparable asset size. Specifically the peer group identified had assets between $250 million and $650 million. The peer group had median trading multiples of 88.2% of book value per share, 90.4% of tangible book value per share, and 12.3x LTM earnings per share. This compares with Old Line Bancshares financial metrics of 85.4% of book value per share, 85.4% of tangible book value per share, and 18.5x LTM earnings per share as of June 30, 2010.

This comparison showed that, among other things, for the LTM ended June 30, 2010:

Old Line Bancshares tangible equity to tangible assets ratio was 9.22%, compared with the Mid-Atlantic peer group median of 8.50%;

Old Line Bancshares Tier 1 Ratio was 11.31%, compared with the Mid-Atlantic peer group median of 12.20%;

Old Line Bancshares Risk Based Capital Ratio was 12.19%, compared with the Mid-Atlantic peer group median of 13.29%;

Old Line Bancshares ratio of NPAs (excluding total accruing loans contractually past due 90 days or more) to total assets was 1.33%, compared with the Mid-Atlantic peer group median of 1.65%;

Old Line Bancshares loan loss reserves to loans ratio was 0.94%, compared to the Mid-Atlantic peer group median of 1.46%;

Old Line Bancshares loan loss reserves to NPAs ratio was 49.9%, compared to the Mid-Atlantic peer group median of 56.7%;

Old Line Bancshares Texas Ratio (defined as NPAs and Loans 90 plus days late divided by tangible common equity plus loan loss reserves) was 13.7%, compared to the Mid-Atlantic peer group median of 20.1% (lower is stronger);

Old Line Bancshares LTM ROAA was 0.52%, compared with the Mid-Atlantic peer group median of 0.52%; and

Old Line Bancshares LTM ROAE was 5.25%, compared with the Mid-Atlantic peer group median of 5.53%.

Other pertinent peer company financial metrics are presented below.

	Peer Median	OLBK
Price / Book %	88.2	85.37
Price / Tang. Book %	90.4	85.37
Price / LTM Net Income x	12.3	18.5
Return on Average Assets LTM %	0.52	0.52
Return on Average Equity LTM %	5.53	5.25
Dividend Yield %	2.17	1.47
Net Interest Margin %	3.71	3.68
Efficiency Ratio %	71.19	73.45
Dividend Payout Ratio %	28.11	27.27
Tang. Equity / Tang. Assets %	8.50	9.22
Tier 1 Ratio %	12.20	11.31

Risk Based Ratio %	13.29	12.19
Non-performing Assets / Assets %	1.65	1.33
Texas Ratio %	20.05	13.69
Loan Loss Reserve / Loans %	1.46	0.94
Loan Loss Reserve / NPA s %	56.72	49.9

Financial results for the LTM ended June 30, 2010, excluding stock price, were utilized as that was the most recent available information as of September 1, 2010 (the date the merger agreement was signed). No financial institution used in the above analyses as a comparison is identical to Old Line Bancshares. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values of the financial institutions to which Old Line Bancshares was compared.

Trading Analyses

Monocacy reviewed the stock prices, relative performance and trading volumes of both Maryland Bankcorp and Old Line Bancshares over various time frames and to various indices. Additionally, Monocacy charted the published stock price and tangible book value multiples for both companies over the last five years. Monocacy noted that Old Line Bancshares has significantly greater liquidity in its stock when comparing the company to Maryland Bankcorp.

Trading / Volume / Stock Performance Analysis (1)(2)

	MBKP	OLBK
August 31, 2010	$ 14.60	$ 7.95
August 31, 2009	$ 12.50	$ 7.25
Total Return	16.8%	9.7%
Volume (actual)	24,497	389,425
SNL Bank Index Return	-15.2%	-15.2%
KBW Bank Index Return	-8.1%	-8.1%
Dividends Per Share	$	$ 0.12

(1) All averages and return data are as of August 31, 2010.

(2) Source: SNL Financial

Analysis of Selected Comparable Transactions

Monocacy reviewed and compared actual information for 81 completed or pending bank merger transactions announced from a period of June 30, 2008 to August 31, 2010, throughout the Mid-Atlantic and Southeastern United States (as defined by SNL Financial and referred to herein as Group 1). The transactions summarized below for Group 1 involved commercial banks located in those states comprising the Mid-Atlantic and Southeast. Additionally, the transactions reviewed included transactions where 100% of the ownership of the selling bank was acquired by the buyer. The Group 1 does not include merger of equals transactions.

Monocacy then created a subset of Group 1 (referred to as Group 2) targeting only those transactions reported in the Mid-Atlantic region of the United States, including Maryland and Virginia. Again, the transactions reviewed only included transactions where 100% of the ownership of the selling target bank was acquired by the buyer. The Group 2 subset also excludes merger of equals transactions.

Monocacy then further honed Group 1 transactions where NPAs of greater that 1.50% of total assets were reported by the seller (referred to as Group 3). This subset creating Group 3 transactions more clearly defines sellers experiencing similar, but not exact, operating and regulatory issues experienced by Maryland Bankcorp.

Finally, Monocacy honed Group 2 transactions where NPAs of greater that 1.50% of assets were reported by the seller (referred to as Group 4). This subset creating Group 4 transactions, again, more clearly defines sellers experiencing similar, but not exact, operating and regulatory issues experienced by Maryland Bankcorp.

From all of the reviews, Monocacy focused on the Group 3 and Group 4 subset transactions to compare the Old Line Bancshares/Maryland Bankcorp merger due to the similarities of these transactions to the merger and the operational challenges and regulatory pressures experienced by Maryland Bankcorp, as discussed herein. The results of all four groupings are presented below for review. The comparison in the text following the table is extracted from the Group 3 and 4 comparable data though all four reviews were incorporated into the findings and support of the opinion.

Groupings	# of Deals	Price / Book	Price / Tang. Book	Price / Core LTM Income	Price / Assets	Price / Deposits	Premium / Market	Buyer P/B Day of Announcement	Tang. Equity / Tang. Assets	NPA / Assets	Reserve / Loans	Efficiency Ratio	ROA
Mid-Atlantic and Southeast	81	93.82%	109.42%	26.70	6.79%	8.87%	40.2%	104.26%	8.78%	1.50%	61.50%	82.19%	-0.31%
Mid-Atlantic Only	31	83.13%	110.29%	8.61	6.27%	8.63%	40.2%	104.89%	7.60%	1.78%	62.48%	81.00%	-0.12%
Mid-Atlantic and Southeast, NPA > 1.50% subset	39	66.54%	79.33%	8.31	4.25%	5.15%	39.6%	90.53%	7.19%	4.74%	51.59%	90.09%	-1.22%
Mid-Atlantic Only, NPA > 1.50% subset	16	79.49%	99.73%	8.31	4.25%	5.78%	52.1%	93.80%	5.73%	5.19%	43.35%	82.19%	-0.82%
OLBK / MBKP Transaction	1	79.33%	79.33%	nm	5.75%	6.73%	111.9%	83.37%	8.73%	5.19%	58.51%	92.70%	-0.55%

Buyer/ Target

Capital Funding Bancorp Inc/ AmericasBank Corp.
Chemung Financial Corp./ Canton Bancorp Inc.
Continental Bank Holdings Inc/ First Resource Bk
Premier Financial Bancorp Inc./ Abigail Adams National Bancorp
Roma Financial Corp. (MHC)/ Sterling Banks Inc.
First Chester County Corp./ American Home Bank NA
Northwest Bancshares, Inc./ NexTier Inc.
People s United Financial Inc./ Smithtown Bancorp Inc.
Tower Bancorp Inc./ First Chester County Corp.
F.N.B. Corp./ Comm Bancorp Inc.
First Niagara Finl Group/ Harleysville National Corp.
Capital One Financial Corp./ Chevy Chase Bank F.S.B.
Quontic Bank Acquisition Corp./ Golden First Bank
Fidelity S&L Assn./ Croydon Savings Bank
Customers USA Bank/ Berkshire Bancorp Inc.
Investor group/ Hampton Roads Bankshares Inc.

This comparison showed that based on the price of $30.93 per Maryland Bankcorp share and Maryland Bankcorp s financial condition as of June 30, 2010:

The transaction price was 79.3% of book value per share and 79.3% of tangible book value per share, respectively, compared with the Group 4 comparable transaction group medians of 79.5% and 99.7%, respectively. Group 3 transactions had median multiples of 66.5% and 79.3%, respectively;

The transaction price to LTM earnings multiple was not meaningful due to LTM losses reported at Maryland Bankcorp, compared with the Group 4 comparable transaction group median of 8.31x LTM earnings and 8.31x LTM earnings for the Group 3 transactions;

The transaction price was 5.75% of assets, compared with the Group 4 comparable transaction group median of 4.25% for all bank transactions and 4.25% for Group 3 bank transactions;

The transaction price was 6.73% of deposits, compared with the Group 4 comparable transaction group median of 5.78% for all bank transactions and 5.15% for Group 3 bank transactions; and

The transaction price represented a 111.9% one-day trading premium to Maryland Bankcorp s common stock trading price as of August 31, 2010, compared with the comparable transaction group median one-day premium of 52.1% for the Group 4 and 39.6% for the Group 3 transactions.

Monocacy recognized that no transaction reviewed was identical to the merger and that, accordingly, any analysis of comparable transactions necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the parties to the transactions being compared.

Dividend Discount Analysis   Maryland Bankcorp

Monocacy calculated an estimated equity value per share for Maryland Bankcorp based upon the values, discounted to the present, of estimates of projected dividends and theoretical dividends (with retained earnings to support growth) from the fiscal year ending December 31, 2010 through the fiscal year ending December 31, 2014 and a projected year 2014 terminal value (assuming Maryland Bankcorp continued to operate as an independent company). In conducting its analysis, Monocacy utilized financial estimates provided by and deemed reasonable by Maryland Bankcorp senior management for 2010 through 2014. Monocacy further assumed, which was deemed reasonable by Maryland Bankcorp management, a dividend distribution of $0.00 per share in 2010 through 2014 due to the restrictions placed upon Maryland Bankcorp from its primary regulator and loss recorded over the past several quarters, thereby restricting any payments of dividends. Additionally, the theoretical dividends scenario for Maryland Bankcorp assumed a dividend payout ratio designed to retain sufficient capital to maintain total risked based capital at 14.00% as required by Maryland Bankcorp s primary regulator, if even achievable.

This analysis utilized a discount rate of 15.0% and an average of terminal value indications, based on a multiple of 100% multiplied by projected 2014 tangible book value and 16.0 multiplied by 2014 net income. The discount rate was derived utilizing the Ibbotson and Associates 2009 Yearbook on cost of equity buildup, in addition to Monocacy analytical judgment. The terminal multiples were estimated based on a return to more normalized valuation levels based on historical data. There is no assurance such values would be realized. The analysis resulted in an estimated equity value range per share of $16.28 to $22.75 for projected dividends and $15.04 to $22.61 for theoretical dividends. Additionally, Monocacy ran sensitivity analyses based on a range of discounts rates between 13% and 17% and terminal multiples between 60.0% and 130% of tangible book value (based on minimum and maximum of findings in comparable transactions above) and price to earnings multiples between 14.0x and 18.0x. This sensitivity analysis produced value ranges of $12.52 to $32.29 per Maryland Bankcorp share, with most scenarios never exceeding the $30.93 per share to be received by Maryland Bankcorp stockholders in the merger.

Moreover, it should be noted that beyond the current restrictions in place disallowing Maryland Bankcorp to pay dividends, the theoretical dividend does not produce any expected dividends until the last year of the assumption period due to the 14% risk based capital requirement imposed by Maryland Bankcorp s primary regulator.

Financial Impact Analysis

Monocacy performed pro forma merger analyses that combined Maryland Bankcorp and Old Line Bancshares projected income statement and balance sheet information. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of the pro forma company. This analysis indicated that the merger is expected to be accretive to the combined company s estimated GAAP earnings per share over a two year horizon, though dependent upon the timing and execution of cost savings and synergies. This analysis was based on managements earnings estimates for Maryland Bankcorp and Old Line Bancshares and estimated cost savings on projected non-interest expenses. Maryland Bankcorp s and Old Line Bancshares earnings projections were provided by each company s respective management. For all of the above analyses, the actual results achieved by the combined company following the merger will vary from the projected results and the variations may be material.

Maryland Bankcorp and Monocacy entered into an engagement letter relating to the financial advisory services to be provided by Monocacy in connection with other duties originally contemplated and the resulting merger. Maryland Bankcorp has agreed to pay Monocacy an aggregate advisory fee in an amount up to 1.5% of the aggregate merger consideration (including holding company debt assumed and other items of value), or approximately $390,000 (assuming no adjustments to the aggregate merger consideration pursuant to the merger agreement). Maryland Bankcorp has already paid Monocacy an initial non-refundable retainer fee of $15,000 upon the execution of the engagement letter, $25,000 upon Monocacy s delivery of its fairness opinion, and approximately $78,000 (20% of the total fee) upon the execution of the merger agreement. Maryland Bankcorp will pay Monocacy the balance of its fee upon the completion of certain milestones as follows: 10% of the total fee upon mailing of this joint proxy statement/prospectus; 10% of the total fee upon the receipt of approval of the merger agreement and the merger by Maryland Bankcorp s stockholders; and the remaining balance (approximately 60% of the total fee) upon the closing of the merger. Maryland Bankcorp has also agreed to reimburse certain of Monocacy s reasonable out-of-pocket

expenses up to $10,000 (or more with Maryland Bankcorp s consent) incurred in connection with its engagement and to indemnify Monocacy against certain liabilities arising out of rendering its opinion. The full text of Monocacy s opinion, which sets forth the assumptions made, matters considered and limitations on the

review undertaken, is attached as Annex C to this joint proxy statement/prospectus. Maryland Bankcorp s board of directors urges the holders of Maryland Bankcorp common stock to read the opinion in its entirety.

Terms of the Merger

Effects of the Merger

Upon completion of the merger, Maryland Bankcorp will be merged with and into Old Line Bancshares and the separate legal existence of Maryland Bankcorp will cease. All property (with minor exceptions for certain personal property), rights, powers, duties, obligations and liabilities of Maryland Bankcorp will automatically be deemed transferred to Old Line Bancshares, as the surviving corporation in the merger. Old Line Bancshares will continue to be governed by its articles of incorporation and bylaws as in effect immediately prior to the merger.

The merger agreement provides that, pursuant to an Agreement and Plan of Merger by and between Old Line Bank and Maryland Bank & Trust, dated as of September 1, 2010, immediately after the merger Maryland Bank & Trust will be merged with and into Old Line Bank.

Consideration to be Paid in the Merger

Pursuant to the terms of the merger agreement, Old Line Bancshares will acquire Maryland Bankcorp for consideration of $20 million, subject to adjustment, in cash and stock as described herein and in the merger agreement, which we refer to as the aggregate merger consideration.

The $20 million aggregate merger consideration is subject to adjustment based on certain operating losses, asset quality changes and merger-related expenses as follows:

Operating Loss Adjustments: Any consolidated operating losses of Maryland Bankcorp reported for any quarter ending after March 31, 2010, excluding any provisions for loan losses, will be deducted from the aggregate merger consideration on a post-tax, dollar-for-dollar basis.

Asset Quality Adjustments: Pursuant to the terms of the merger agreement, Old Line Bancshares will review any credit of Maryland Bankcorp that, after March 31, 2010 (which credits have previously been disclosed to Old Line Bancshares) becomes classified as special mention, substandard, non-accrual or other real estate owned (OREO), requires an allocation under Financial Accounting Standards Board Statement No. 114 or is more than 90 days past due, and assign a current estimate of projected loss for each such classified item within 30, and no later than five, business days prior to the closing date of the merger. The difference between such estimate of projected loss for each such classified item and the Old Line Bancshares initial estimate of projected loss as of September 1, 2010, will be deducted from the aggregate merger consideration on a post-tax, dollar-for-dollar basis. If Old Line Bancshares initial estimate of projected loss for each such classified item exceeds the actual loss or initial estimate provided within 30 days of closing, such excess will be used to offset any of these deductions.

Maximum Expense Amount. The merger agreement provides that each party will pay its own expenses incurred in connection with the merger, but that all fees and expenses incurred by Maryland Bankcorp, including legal, investment banking and any other fees, may not exceed $450,000, not including any amounts for extended officer and director liability insurance for officers and directors of Maryland Bankcorp that will be purchased by Old Line Bancshares contemporaneously with the closing of the merger. Any costs or expenses Maryland Bankcorp incurs in connection with the merger agreement and the merger that exceed the $450,000 expense cap will be deducted from the aggregate merger consideration on a post-tax, dollar-for-dollar basis.

In addition, as discussed further below under What Maryland Bankcorp Stockholders Will Receive in the Merger, as a result of the exchange ratio ceasing to adjust if the average price of a share of Old Line Bancshares common stock, as calculated in accordance with the merger agreement, rises above $11.45 or falls below $7.63, the aggregate merger consideration will be adjusted as follows:

If the average price exceeds $11.45 then the aggregate merger consideration will increase by the amount calculated by (i) multiplying the difference between $11.45 and the average price by the exchange ratio of

2.7012, and then (ii) multiplying the resulting number by the number of shares of Maryland Bankcorp common stock outstanding on the closing date of the merger, which should be 646,626.

If the average price is less than $7.63, then the aggregate merger consideration will decrease by the amount calculated by (i) multiplying the difference between $7.63 and the average price by the exchange ratio of 4.0537, and then (ii) multiplying the resulting number by the number of shares of Maryland Bankcorp common stock outstanding on the closing date of the merger.

Changes in the average price above $11.45 or below $7.63 will not, however, impact the number of shares of Old Line Bancshares common stock that will be issued in exchange for a share of Maryland Bankcorp common stock in the merger (i.e. the per-share stock consideration) since at such point the exchange ratio will be fixed, but such changes will impact the amount of cash that will be issued in exchange for each share of Maryland Bankcorp common stock in the merger (i.e. the per-share cash consideration), as discussed further below.

What Maryland Bankcorp Stockholders Will Receive in the Merger

Each share of Maryland Bankcorp common stock that you hold at the effective time of the merger will automatically be converted into the right to receive either cash, which we refer to as the per-share cash consideration, or shares of Old Line Bancshares common stock, which we refer to as the per-share stock consideration, as discussed below, except for shares of Maryland Bankcorp common stock held by stockholders who perfect their dissenters rights as discussed in Dissenters Rights.

The per-share cash consideration will be equal to the aggregate merger consideration (as adjusted) divided by the number of shares of Maryland Bankcorp common stock outstanding on the closing date of the merger, rounded down to the nearest ten-thousandths. Assuming there are no adjustments to the aggregate merger consideration, that the average price of Old Line Bancshares common stock, as defined in the merger agreement, is between $7.63 and $11.45, and that there are 646,626 shares of Maryland Bankcorp common stock outstanding on the closing date of the merger, the per-share cash consideration will be $30.9298. However, as illustrated in the table below, the per-share cash consideration will increase if the average price of the Old Line Bancshares common stock is above $11.45 and decrease if the average price is below $7.63, since changes outside of this range will impact the aggregate merger consideration.

The per-share stock consideration will be equal to the number of shares of Old Line Bancshares common stock equal to the quotient of the per-share cash consideration divided by the average price of the Old Line Bancshares common stock, as defined in the merger agreement, rounded down to the nearest ten-thousandths (we refer to this figure as the exchange ratio). If the average price is below $7.63 or above $11.45, however, the exchange ratio with respect to the per-share stock consideration will be fixed at 2.70124 shares and 4.0537 shares, respectively, and will not be calculated based on the aggregate merger consideration divided by the number of outstanding shares of Maryland Bankcorp common stock (i.e. will not be based on the per-share cash consideration figure). As a result, the value of the per-share stock consideration will increase if the average price is above $11.45, because you will not receive fewer shares to offset such increase in the average price, and will decrease if the average price is below $7.63, since you will not receive additional shares to offset such decrease in the average price.

Similarly, the per-share cash consideration will increase if the average price is above $11.45 and decrease if the average price is below $7.63, since the aggregate merger consideration will be adjusted upward or downward, respectively, when the average price is outside of this range.

In addition, Old Line Bancshares will not issue fractional shares of Old Line Bancshares common stock to Maryland Bankcorp stockholders. If you are otherwise entitled to receive a fractional share of Old Line Bancshares common stock under the exchange procedure described above, you will instead have the right to receive cash, without interest, in an amount equal to the product of the fraction of a share that would otherwise be due to you and the average price of Old Line Bancshares common stock as calculated pursuant to the merger agreement.

As you can see from the table below, the value of the per-share stock consideration (based on the average price) will generally be equal to the value of the per-share cash consideration. If the average price is above $11.45, however, the value of the per-share stock consideration will exceed the per-share cash consideration. This is a result of the exchange ratio being fixed at 2.7012 if the average price is above $11.45 and 4.0537 if the average price is less than $7.63 and the fact that the

cash paid for a fractional share is based solely on the average price, without an upper and lower limit as there is for the exchange ratio. Since a significantly larger component of the per-share stock consideration is paid in cash for a fractional share at an average price higher than $11.45 than at an average price lower than $7.63, the impact of changes in the average price has a more significant impact on the value of the cash paid for fractional shares as the average price increases and more cash is paid for fractional shares than is the case with the impact when the average price is lower than $7.63. Since Maryland Bankcorp stockholders will be paid the merger consideration due them on an aggregate basis, however (in other words, you will not be paid for a fractional share with respect to each share of Maryland Bankcorp common stock you own but only for a fractional share of Old Line Bancshares common stock you would be due on an aggregate basis after all your Maryland Bankcorp shares are converted into the right to receive the per-share merger consideration), the difference between the value of the per-share cash consideration and the per-share stock consideration will not be as large on a per-stockholder basis as the below table may imply if you simply multiplied your holdings in Maryland Bankcorp by the total figures in the table.

As defined in the merger agreement, the average price of the Old Line Bancshares common stock is equal to the weighted average of (i) the closing prices of Old Line Bancshares common stock as reported on the NASDAQ Capital Market and (ii) the price or prices at which shares of Old Line Bancshares common stock are sold in a securities offering conducted by Old Line Bancshares (other than in connection with a merger, exchange offer or other transaction other than an issuance of new shares for cash) at any time during the 90-day period ending five days prior to the anticipated closing date of the merger (the Determination Period). However, for the purposes of calculating the average price, the price or prices at which shares of Old Line Bancshares common stock are sold in an offering will not exceed the greater of (i) 110% of the closing price of Old Line Bancshares common stock as reported on the NASDAQ Capital Market on the last trading day of the quarter preceding the Determination Period, or (ii) the book value per share of Old Line Bancshares common stock, determined as of the end of the quarter preceding the Determination Period in accordance with accounting principles generally accepted in the United States.

Because the average price of the Old Line Bancshares common stock takes into account stock values other than trading prices, however, the value of the per-share stock consideration may be higher or lower than the value of the per-share cash consideration than it would be if based on recent trading values alone.

Under the terms of the merger agreement, up to 100% but not less than 95% of the outstanding shares of Maryland Bankcorp common stock will be exchanged for Old Line Bancshares common stock and not more than 5% of the outstanding shares of Maryland Bankcorp common stock will be exchanged for cash. If holders of more than 5% of the outstanding shares of Maryland Bankcorp common stock elect to receive cash (including those that perfect dissenters rights), the number of shares that you elected to exchange for cash (if any) will be reduced through an allocation formula and the rest of your shares will be exchanged for stock consideration. However, all holders of Maryland Bankcorp common stock who elect to receive the stock consideration will receive that form of consideration.

Accordingly, after Maryland Bankcorp stockholder elections have been tabulated, the elected amounts of stock or cash may be adjusted to achieve a mix of consideration to Maryland Bankcorp stockholders that consists of up to 100% but not less than 95% in Old Line Bancshares common stock and not more than 5% in cash. Therefore, you may receive significantly less cash or more shares of Old Line Bancshares common stock than you elect.

If you do not make a valid election, you will be deemed to have made no election. No election shares will be converted into the stock consideration.

For more information about the allocation rules and the potential effects of the allocation procedures described above, see Terms of the Merger Election and Exchange Procedures and Terms of the Merger Allocation Procedure and Proration.

Examples

The following table provides examples of what the per-share stock consideration and per-share cash consideration would be at various average prices, as calculated pursuant to the merger agreement. This illustration assumes that there are no adjustments to the aggregate merger consideration and 646,626 shares of Maryland Bankcorp common stock are outstanding on the closing date of the merger.

	Per-Share Stock Consideration					Per Share Cash Consideration	
Average Price	Exchange Ratio	No. Shares Received	Value of Shares Received [1]	Cash in Lieu of Fractional Shares [2]	Total Value Received [3]	Impact on Aggregate Merger Consideration	Per-Share Cash Consideration [2]
$12.50	2.7012	2	$25.00	$8.76	$33.76	Increase of $678,957	$ 31.97
$12.00	2.7012	2	$24.00	$8.41	$32.41	Increase of $355,644	$ 31.47
$11.45	2.7012	2	$22.90	$8.02	$30.92	None	$ 30.92
$11.00	2.8118	2	$22.00	$8.92	$30.92	None	$ 30.92
$10.50	2.9456	2	$21.00	$9.92	$30.92	None	$ 30.92
$10.00	3.0929	3	$30.00	$0.92	$30.92	None	$ 30.92
$ 9.50	3.2557	3	$28.50	$2.42	$30.92	None	$ 30.92
$ 9.00	3.4366	3	$27.00	$3.92	$30.92	None	$ 30.92
$ 8.50	3.6388	3	$25.50	$5.42	$30.92	None	$ 30.92
$ 8.00	3.8662	3	$24.00	$6.92	$30.92	None	$ 30.92
$ 7.63	4.0537	4	$30.52	$0.40	$30.92	None	$ 30.92
$ 7.50	4.0537	4	$30.00	$0.40	$30.40	Decrease of $340,448	$ 30.40
$ 7.00	4.0537	4	$28.00	$0.37	$28.37	Decrease of $1,649,866	$ 28.37
$ 6.50	4.0537	4	$26.00	$0.34	$26.34	Decrease of $2,959,284	$ 26.35
$ 6.00*	4.0537	4	$24.00	$0.32	$24.32	Decrease of $4,268,701	$ 24.32
$ 5.50	4.0537	4	$22.00	$0.29	$22.29	Decrease of $5,578,119	$ 22.30
$ 5.00	4.0537	4	$20.00	$0.26	$20.26	Decrease of $13,112,44	$ 20.28
$ 4.50	4.0537	4	$18.00	$0.24	$18.24	Decrease of $11,803,046	$ 18.25

* If the average price falls below $6.00, Maryland Bankcorp may elect to terminate the merger agreement, though it may not exercise this right, and Old Line Bancshares can prevent Maryland Bankcorp from terminating the merger agreement if it increases the aggregate merger consideration as provided for in the merger agreement.

(1) Calculated as the average price multiplied by the number of shares received.

(2) Rounded down to the nearest whole cent. Note that cash in lieu of fractional shares will be paid only with respect to the aggregate per-share stock consideration issued to a particular stockholder and will not be paid on a per-share of Maryland Bankcorp common stock basis.

(3) Calculated as the sum of the value of the shares received and the cash paid in lieu of fractional share.

Maryland Bankcorp Price Termination Right

Maryland Bankcorp has the option, but is not required, to terminate the merger agreement if the average price of Old Line Bancshares common stock falls below $6.00, unless Old Line Bancshares, in its sole discretion, increases the aggregate merger consideration in stock, cash or a combination thereof, by an amount equal to the product of (i) $6.00 minus the average price and (ii) 2,621,231. Maryland Bankcorp cannot predict whether or not it would exercise its right to terminate the merger agreement if these conditions were met.

The merger agreement does not provide for a resolicitation of Maryland Bankcorp stockholders in the event that the conditions are met and Maryland Bankcorp chooses to complete the transaction. Maryland Bankcorp s board of directors has made no decision as to whether it would exercise its right to terminate the merger agreement if the average price of the Old Line Bancshares common stock fell below $6.00. In considering whether to exercise its right to terminate the merger agreement, Maryland Bankcorp s board of directors would take into account all of the relevant facts and circumstances that exist at the time and would consult with its financial advisor and legal counsel.

The fairness opinion received by Maryland Bankcorp from Monocacy is dated as of September 1, 2010, and is based on conditions in effect on that date. Accordingly, the fairness opinion does not address the possibilities presented if the termination provision relating to the average price of Old Line Bancshares common stock is triggered, including the possibility that Maryland Bankcorp s board of directors might elect to continue with the merger even if Maryland Bankcorp has the ability to terminate the merger agreement under that provision. See Opinion of Maryland Bankcorp s Financial Advisor.

Approval of the merger agreement and the merger by Maryland Bankcorp s stockholders will confer on Maryland Bankcorp s board of directors the power to complete the merger even if the price-related termination provision is triggered, without any further action by or re-solicitation of the votes of Maryland Bankcorp stockholders.

Election and Exchange Procedures

Subject to the allocation process described in the next section, each Maryland Bankcorp stockholder may elect to receive with respect to his or her shares of Maryland Bankcorp common stock all Old Line Bancshares common stock, all cash or a combination of common stock and cash.

Stock Election Shares. Maryland Bankcorp stockholders who validly elect to receive shares of Old Line Bancshares common stock for some or all of their shares will receive the per-share stock consideration for that portion of the stockholder s shares of Maryland Bankcorp common stock equal to the stockholder s stock election. In our discussion below, we sometimes refer to shares held by stockholders who have made stock elections as stock election shares.

Cash Election Shares. Maryland Bankcorp stockholders who validly elect to receive cash for some or all of their shares will receive the per-share cash consideration for that portion of the stockholder s shares of Maryland Bankcorp common stock equal to the stockholder s cash election, subject to the allocation process referenced above. In our discussion below, we sometimes refer to shares held by Maryland Bankcorp stockholders who have made cash elections as cash election shares.

Any shares held by Maryland Bankcorp stockholders that perfect their dissenters rights (whom we sometimes refer to as objecting stockholders) under Maryland law with respect to the Merger will be considered cash election shares for these purposes (but will be paid fair value in accordance with the procedures set forth in the MGCL instead of the per-cash merger consideration; see Dissenters Rights).

No-Election Shares. Shares held by Maryland Bankcorp stockholders who (i) indicate that they have no preference as to whether they receive Old Line Bancshares common stock or cash, (ii) do not make a valid election, or (iii) fail to properly perfect their dissenters rights will be deemed to be no election shares. No election shares will be treated as stock election shares. See Allocation Procedures and Proration below.

A limited amount of cash will be paid to Maryland Bankcorp stockholders, as further described below. Accordingly, there is no assurance that a Maryland Bankcorp stockholder will receive cash if that stockholder elects to receive cash consideration with respect to any or all of his or her shares of Maryland Bankcorp common stock. If the cash consideration elections of Maryland Bankcorp stockholders (including shares held by objecting stockholders) would exceed the specified limits, then the procedures for allocating Old Line Bancshares common stock and cash to be received by

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Maryland Bankcorp stockholders will be followed by Old Line Bancshares exchange agent. See Allocation Procedures and Proration below.

Election Form; Letter of Transmittal. Included with the copy of this joint proxy statement/prospectus sent to Maryland Bankcorp stockholders is an election form with instructions for electing to receive Old Line Bancshares common stock or cash or a combination of stock and cash for your Maryland Bankcorp stock. Old Line Bancshares and Maryland Bankcorp will also send an election form to persons who become holders of Maryland Bankcorp common stock after the record date for the Maryland Bankcorp special meeting and the election deadline. The deadline for making your election will be 5:00 p.m. on February 15, 2011, unless you are notified in writing of an earlier election deadline. If the election deadline is made earlier than February 15, 2011, Old Line Bancshares exchange agent will mail to you written notice of such earlier deadline at least 20 days prior to the date of such earlier deadline. You must carefully follow the instructions on the election form. Your election will be properly made only if by the deadline date, you have submitted to Old Line Bancshares exchange agent at its designated office, a properly completed and signed election form.

If your election is not timely and properly made, your shares of Maryland Bankcorp stock will be treated as no election shares and you will be entitled to receive solely the common stock consideration in exchange for your shares of Maryland Bankcorp common stock. Neither Old Line Bancshares nor its exchange agent will be under any obligation to notify any person of any defects in an election form.

In addition, within five days of the closing date of the merger, Old Line Bancshares exchange agent will mail to each holder of Maryland Bankcorp common stock a letter of transmittal with instructions for submitting your Maryland Bankcorp stock certificate(s) in exchange for the Old Line Bancshares common stock or the cash consideration. You must carefully follow the instructions in the letter of transmittal and return a properly executed letter of transmittal and your Maryland Bankcorp stock certificate(s) to the exchange agent in order to receive the merger consideration for your shares. The Maryland Bankcorp stock certificate(s) must be in a form that is acceptable for transfer (as explained in the election form and/or letter of transmittal). Neither Old Line Bancshares nor its exchange agent will be under any obligation to notify any person of any defects in a letter of transmittal.

As soon as reasonably practicable after its receipt of properly completed and signed letters of transmittal and accompanying Maryland Bankcorp stock certificates, Old Line Bancshares exchange agent will mail certificates representing shares of Old Line Bancshares common stock and/or checks representing the merger consideration for shares of Maryland Bankcorp common stock, together with cash in lieu of fractional share interests. No interest will be paid on any cash payment.

Certificates representing shares of Old Line Bancshares common stock will be dated the effective date of the merger and will entitle the holders to dividends, distributions and all other rights and privileges of an Old Line Bancshares stockholder from the effective date. Until the certificates representing Maryland Bankcorp common stock are surrendered for exchange, holders of such certificates will not receive the cash or stock consideration or dividends or distributions on the Old Line Bancshares common stock into which such shares have been converted. When the certificates are surrendered to the exchange agent, any unpaid dividends or other distributions will be paid without interest. Old Line Bancshares has the right to withhold dividends or any other distributions on its shares until the Maryland Bankcorp stock certificates are surrendered for exchange.

Until surrendered, each Maryland Bankcorp stock certificate, following the effective date of the merger, is evidence solely of the right to receive the aggregate per-share merger consideration. In no event will either Old Line Bancshares or Maryland Bankcorp be liable to any former Maryland Bankcorp stockholder for any amount paid in good faith to a public official or agency pursuant to any applicable abandoned property, escheat or similar law.

Old Line Bancshares will not issue any fractions of a share of common stock. Rather, Old Line Bancshares will pay cash for any fractional share interest any Maryland Bankcorp stockholder would otherwise be entitled to receive in the merger. For each fractional share that would otherwise be issued, Old Line Bancshares will pay by check an amount equal to the fractional share interest to which the holder would otherwise be entitled multiplied by the average price of Old Line Bancshares common stock calculated pursuant to the terms of the merger agreement. Shares of Maryland Bankcorp common stock held by Old Line Bancshares as of the effective date of the merger, if any, will be canceled.

Allocation Procedures and Proration

As a result of the merger, Maryland Bankcorp will be merged with and into Old Line Bancshares. Each share of Maryland Bankcorp common stock will then be converted into either cash or shares of Old Line Bancshares common stock as each Maryland Bankcorp stockholder elects, subject to the limitations described in this joint proxy statement/prospectus. Specifically, notwithstanding the election of Maryland Bankcorp stockholders to receive cash, Old Line Bancshares common stock or a combination of stock and cash in the merger: (i) the number of shares of Maryland Bankcorp common stock that will be exchanged for Old Line Bancshares common stock will be up to 100% but not less than 95% of the total number of shares of Maryland Bankcorp common stock issued and outstanding on the effective date of the merger; and (ii) the number of shares of Maryland Bankcorp common stock that will be exchanged for cash (including shares held by objecting stockholders) will be not more than 5% of the total number of shares of Maryland Bankcorp common stock issued and outstanding on the effective date of the merger.

Regardless of the cash elections, however, all Maryland Bankcorp stockholders who elect to receive Old Line Bancshares common stock consideration and all stockholders who fail to make an election (other than objecting stockholders) will receive the Old Line Bancshares common stock consideration for their Maryland Bankcorp shares. Therefore, only Maryland Bankcorp stockholders who elect to receive cash for their Maryland Bankcorp shares will be affected if the holders of more than 5% of the Maryland Bankcorp common stock elect to receive cash and perfect their dissenters rights.

Cash Consideration Equal to or Less Than 5%. If the aggregate number of cash election shares is less than or equal to 5% of the total number of shares of Maryland Bankcorp common stock issued and outstanding on the effective date of the merger, then:

All cash election shares will be converted into the right to receive the per-share cash consideration; and

All common stock election shares and all no election shares will be converted into the right to receive the per-share stock consideration.

Under-election of the Stock Consideration. If the aggregate number of shares of Maryland Bankcorp common stock for which stockholders elect to receive cash and perfect dissenters rights is greater than 5% of the issued outstanding shares of Maryland Bankcorp common stock on the effective date of the merger, then:

All no election shares will be considered stock election shares and converted into the right to receive the per-share stock consideration;

All stock election shares will be converted into the right to receive the per-share stock consideration;

Old Line Bancshares exchange agent will convert cash election shares to stock election shares on a *pro rata* basis to the extent necessary to have the aggregate number of stock election shares (including the converted no election shares) equal to 95% of the total number of shares of Maryland Bankcorp common stock issued and outstanding on the effective date; and

The remaining cash election shares will be converted into the right to receive the per-share cash consideration.

As discussed above, shares of Maryland Bankcorp common stock held by holders who perfect their dissenters rights on or prior to the effective time will be considered cash election shares for purposes of the allocation procedure, although such shares will not be converted into stock election shares. If holders of more than 5% of the shares of Maryland Bankcorp common stock exercise their dissenters rights, then Old Line Bancshares has the right to not close the merger and to terminate the merger agreement. If Old Line Bancshares waives this right, then the number of shares of Maryland Bankcorp common stock that will be exchanged for cash will exceed 5% of the total number of shares of Maryland Bankcorp common stock issued and outstanding on the effective date of the merger, but under the allocation procedures discussed herein only the shares held by objecting stockholders will be considered cash election shares and all other cash election shares will be converted into stock election shares, and only objecting stockholders will receive cash for their shares of Maryland Bankcorp common stock pursuant to the merger.

Examples

The following examples illustrate the allocation rules described above. These examples are only for illustration purposes and do not necessarily reflect what you will receive for your Maryland Bankcorp shares. In all of these examples, assume that there are 646,626 shares of Maryland Bankcorp common stock outstanding and that no Maryland Bankcorp stockholders perfect dissenters rights, which means that no more than 32,331 Maryland Bankcorp shares (or approximately 5% of the total Maryland Bankcorp shares outstanding in these examples) will be converted into the right to receive cash. The examples do not include the cash Maryland Bankcorp stockholders will receive for fractional shares of Old Line Bancshares common stock.

Example 1

Facts:

Assume that a hypothetical stockholder owns 1,000 shares of Maryland Bankcorp common stock and elects to receive Old Line Bancshares common stock for all of these shares.

Result:

Under the allocation rules of the merger, all Maryland Bankcorp stockholders who elect to receive Old Line Bancshares common stock will receive that election regardless of what other Maryland Bankcorp stockholders elect. Therefore, our hypothetical Maryland Bankcorp stockholder who elected to receive Old Line Bancshares common stock for 1,000 Maryland Bankcorp shares will receive the per-share stock consideration for each of his shares of Maryland Bankcorp common stock.

Example 2

Facts:

Assume that a hypothetical stockholder owns 1,000 shares of Maryland Bankcorp common stock and elects to receive cash for all of these shares. Also assume that holders of less than 5% of the outstanding Maryland Bankcorp shares elect to receive cash.

Result:

Under the allocation rules of the merger, no more than 5% of the total Maryland Bankcorp shares outstanding will be converted into the right to receive cash in the merger. In this example, less than 5% of the total Maryland Bankcorp shares outstanding chose to be converted into cash. Therefore, our hypothetical stockholder who elected to receive cash for 1,000 Maryland Bankcorp shares will be entitled to receive the per-share cash consideration for each of his or her shares of Maryland Bankcorp common stock, or a total of $30,929.80, assuming that the average price of the Old Line Bancshares common stock is between $7.63 and $11.45.

Example 3

Facts:

Assume that a hypothetical stockholder owns 1,000 shares of Maryland Bankcorp common stock and elects to receive cash for all of these shares. Also assume that holders of 52,331 Maryland Bankcorp shares (or more than 5% or 32,331 of the outstanding Maryland Bankcorp shares) elect to receive cash.

Result:

Under the allocation rules of the merger, no more than 5% of the total Maryland Bankcorp shares outstanding will be converted into the right to receive cash in the merger. In this example, more than 5% of the total Maryland Bankcorp shares outstanding chose to be converted into cash. Therefore, all elections for cash will be reduced in accordance with the merger allocation rules. Our hypothetical Maryland Bankcorp stockholder who elected to receive cash for 1,000 Maryland Bankcorp shares will be entitled to receive cash for 617 of his or her Maryland Bankcorp shares (32,331/52,331 X 1,000 rounded down to the nearest whole share) and Old Line Bancshares common stock for his or her remaining 383 shares.

Example 4

Facts:

Assume that a hypothetical stockholder owns 1,000 shares of Maryland Bankcorp common stock and elects to receive cash for 500 Maryland Bankcorp shares and Old Line Bancshares common stock for 500 Maryland Bankcorp shares. Also assume that holders of less than 5% of the outstanding Maryland Bankcorp shares elect to receive cash.

Result:

Under the allocation rules of the merger, no more than 5% of the total Maryland Bankcorp shares outstanding will be converted into the right to receive cash in the merger. In this example, less than 5% of the total Maryland Bankcorp shares outstanding chose to be converted into cash. Therefore, our hypothetical stockholder who elected to receive cash for 500 Maryland Bankcorp shares and Old Line Bancshares common stock for 500 Maryland Bankcorp shares will be entitled to receive the election he or she chose. This means that our hypothetical Maryland Bankcorp stockholder will be entitled to receive in the merger the per-share cash consideration in exchange for each of the 500 of his or her shares for which he or she elected to receive the per-share cash consideration and the per-share stock consideration in exchange for each of the other 500 of his or her shares.

Example 5

Facts:

Assume that a hypothetical stockholder owns 1,000 shares of Maryland Bankcorp common stock and elects to receive cash for 500 Maryland Bankcorp shares and Old Line Bancshares common stock for 500 Maryland Bankcorp shares. Also assume that holders of 52,331 Maryland Bankcorp shares (or more than 5% or 32,331 of the outstanding Maryland Bankcorp shares) elect to receive cash.

Results:

Under the allocation rules of the merger, no more than 5% of the total Maryland Bankcorp shares outstanding will be converted into the right to receive cash in the merger. In this example, holders of more than 5% of the total Maryland Bankcorp shares outstanding elected for their shares to be converted into cash. Therefore, all elections for cash will be reduced in accordance with the merger allocation rules. Our hypothetical Maryland Bankcorp stockholder who elected to receive Old Line Bancshares common stock for 500 Maryland Bankcorp shares will receive Old Line Bancshares common stock for that portion of his or her election. However, with respect to the 500 Maryland Bankcorp shares for which the Maryland Bankcorp stockholder elected to receive cash, he or she will be entitled to receive cash for 308 Maryland Bankcorp shares (32,331/52,331 X 500 and rounded down to the nearest whole share) and Old Line Bancshares common stock for the remaining 192 Maryland Bankcorp shares. This means our hypothetical Maryland Bankcorp stockholder will be entitled to receive in the merger the per-share cash consideration for each of 308 of the 500 shares of Maryland Bankcorp common stock for which he or she elected to receive the cash consideration and the per-share stock consideration with respect to each of his or her remaining 692 shares.

Example 6

Facts:

Assume that a hypothetical stockholder owns 1,000 shares of Maryland Bankcorp common stock and either does not make an election or makes an invalid election.

Results:

Under the allocation rules of the merger, all Maryland Bankcorp shares for which no valid elections were received, other than those Maryland Bankcorp shares held by objecting stockholders, will be converted into the right to receive Old Line Bancshares common stock. Our hypothetical Maryland Bankcorp stockholder who did not make a proper election for 1,000 Maryland Bankcorp shares will be entitled to receive the per-share stock consideration for each of his or her 1,000 shares of Maryland Bankcorp common stock.

Included with this joint proxy statement/prospectus sent to each stockholder of Maryland Bankcorp is an election form that includes instructions for making their election as to the form of consideration they prefer to receive in the merger. If a Maryland Bankcorp stockholder who does not perfect dissenters rights does not properly complete and return an election form by the election deadline set forth under Election and Exchange Procedures Election Form; Letter of Transmittal, then that stockholder will receive Old Line Bancshares common stock as set forth above.

Because the United States federal income tax consequences of receiving Old Line Bancshares common stock, cash or both Old Line Bancshares common stock and cash will differ, Maryland Bankcorp stockholders are urged to read carefully the information included under the caption - Certain Federal Income Tax Consequences and to consult their tax advisors for a full understanding of the merger s tax consequences to them.

Old Line Bancshares Common Stock

Each share of Old Line Bancshares common stock outstanding immediately prior to completion of the merger will remain outstanding after and unchanged by the merger.

Effective Date

The merger will take effect when all conditions, including obtaining stockholder and regulatory approval, have been fulfilled or waived, or as soon as practicable thereafter as Old Line Bancshares and Maryland Bankcorp may mutually select. Regulatory approval cannot be waived. We presently expect to close the merger by March 31, 2011. See Conditions to the Merger and Regulatory Approvals.

Representations and Warranties

The merger agreement contains customary representations and warranties relating to, among other things:

Organization of Old Line Bancshares and Maryland Bankcorp and their respective subsidiaries;

Capital structures of Old Line Bancshares and Maryland Bankcorp;

Valid approval, valid execution and delivery, non-contravention, performance and enforceability of the merger agreement;

Consents or approvals of regulatory authorities or third parties necessary to complete the merger;

Consistency of financial statements with accounting principles generally accepted in the United States;

Absence of material adverse changes, since June 30, 2010, in assets, liabilities, liquidity, net worth, property, financial condition and results of operations, or any damage, destruction or loss;

Filing of tax returns and payment of taxes;

Absence of undisclosed material pending or threatened litigation;

Compliance with applicable laws and regulations;

Absence of labor or collective bargaining agreements, labor strike, labor suits and similar matters, and absence of pending or threatened legal proceedings with respect to labor matters;

Retirement and other employee plans and matters relating to the Employee Retirement Income Security Act of 1974;

Quality of title to assets and properties;

Maintenance of adequate insurance;

Absence of undisclosed brokers , finders or similar fees or the retention of finders, brokers and similar persons;

Absence of material environmental violations, actions or liabilities;

Accuracy of information supplied by Old Line Bancshares and Maryland Bankcorp for inclusion in the registration statement, filed under the Securities Act of 1933, of which this joint proxy statement/prospectus is a part, and all applications filed with regulatory authorities for approval of the merger;

Intellectual property used or owned by Old Line Bancshares and Maryland Bankcorp;

Validity and binding nature of loans reflected as assets in the financial statements of Maryland Bankcorp;

Disclosure of material contracts;

Material compliance with the Community Reinvestment Act;

Compliance with laws related to securities activities of employees;

Disclosure of related party transactions;

Establishment and maintenance of the allowance for loan losses;

Investment securities status;

Qualification of the merger as a reorganization under Section 368(a) of the Internal Revenue Code;

Accuracy and completeness of corporate books and records;

Receipt of fairness opinion;

Absence of certain enumerated changes with respect to Maryland Bankcorp; and

Absence of undisclosed liabilities.

Conduct of Business Pending the Merger

In the merger agreement, Old Line Bancshares and Maryland Bankcorp each agreed to use their reasonable good faith efforts to preserve their business organizations intact, to maintain good relationships with employees, and to preserve the goodwill of customers and others with whom they do business.

In addition, Maryland Bankcorp agreed to conduct its business and to engage in transactions only in the ordinary course of business, consistent with past practice, except as otherwise required by or contemplated in the merger agreement or consented to by Old Line Bancshares. Maryland Bankcorp also agreed in the merger agreement that it will not, and will not allow any subsidiary to, without the written consent of Old Line Bancshares:

Change its articles of incorporation or bylaws;

Change the number of authorized or issued shares of its capital stock, repurchase any shares of its capital stock, redeem or otherwise acquire any shares of its capital stock, or issue or grant options or similar rights with respect to its capital stock or any securities convertible into its capital stock;

Declare, set aside or pay any dividend or other distribution in respect of its capital stock;

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Grant any severance or termination pay, except in accordance with policies or agreements in effect on September 1, 2010;

Enter into or amend any employment, consulting, severance, compensation, change-in-control or termination contract or arrangement;

Grant job promotions or increase the rate of compensation of, or pay any bonus to, any director, officer, employee, independent contractor, agent or other person associated with Maryland Bankcorp or any Maryland Bankcorp subsidiary, except for routine periodic pay increases, selective merit pay increases and pay raises in connection with promotions during the period beginning on September 1, 2010 and ending on the effective date of the merger, provided, however, that any increase in compensation for an executive officer of Maryland Bankcorp or any Maryland Bankcorp subsidiary will require Old Line Bancshares prior written consent;

Sell or otherwise dispose of any material asset, other than in the ordinary course of business, consistent with past practice;

Subject any asset to a lien, pledge, security interest or other encumbrance, other than in the ordinary course of business consistent with past practice;

Modify in any material manner the manner in which it has previously conducted its business or enter into any new line of business;

Incur any indebtedness for borrowed money, except in the ordinary course of business, consistent with past practice;

Sell or otherwise dispose of any real property;

Engage in any merger, consolidation, liquidation, acquisition, leasing, purchase and assumption transaction or any similar transaction unless failure to engage in such transaction would constitute a breach of fiduciary duty by Maryland Bankcorp s directors;

Take any action that would result in any condition to closing from being satisfied, except as may be required by applicable law and after written consent or waiver from Old Line Bancshares;

Waive, release, grant or transfer any rights of material value, or modify or change in any material respect any existing material agreement to which Maryland Bankcorp is a party;

Change any accounting methods, principles or practices, except as may be required by accounting principles generally accepted in the United States, by any applicable regulatory authority or as otherwise provided for in the merger agreement;

Implement any new employee benefit or welfare plan, or amend any plans except as required by law;

Amend or otherwise modify its underwriting and other lending guidelines and policies or otherwise fail to conduct its lending activities in the ordinary course of business consistent with past practice;

Enter into, renew, extend or modify any transaction with any affiliate of Maryland Bankcorp, other than deposit and loan transactions in the ordinary course of business and that comply with applicable laws and

regulations;

Enter into any interest rate swap, floor or cap or similar arrangement;

Take any action that would give rise to a right of payment to any person under any employment agreement, except for contractually required compensation;

Purchase any security for its investment portfolio other than in compliance with its existing policies;

Except as already disclosed to Old Line Bancshares, make any capital expenditure of $50,000 or more or undertake or enter into any lease, contract or other commitment;

Take any action that would preclude the treatment of the merger as a reorganization under Section 368 of the Internal Revenue Code;

Enter into, grant, approve or extend any loan, credit facility, line of credit or letter of credit in excess of $325,000 in the aggregate to a single borrower, provided that it may make such a credit extension if Old Line Bancshares does not object to such credit extension within 48 hours of receipt of information regarding such proposed credit extension; or

Agree to do any of the foregoing.

Maryland Bankcorp also agreed in the merger agreement, among other things:

To permit Old Line Bancshares, if Old Line Bancshares elects to do so at its own expense, to conduct environmental assessments with respect to Maryland Bankcorp s and its subsidiaries properties, whether owned or leased;

To modify or change its loan, OREO, accrual, reserve, tax, litigation and real estate valuation policies and practices, including loan classifications and levels of reserves, consistent with accounting principles generally accepted in the United States and applicable banking laws and regulations, so as to be applied on a basis that is consistent with that of Old Line Bancshares, immediately prior to the effective date of the merger;

To allow at least one representative from Old Line Bancshares to attend any meetings of the board of directors or a committee thereof of Maryland Bankcorp and Maryland Bank & Trust; and

To dissolve any non-operating subsidiaries of Maryland Bankcorp and Maryland Bank & Trust prior to the closing of the merger.

Old Line Bancshares and Maryland Bankcorp jointly agreed, among other things:

To prepare all applications, registration statements and other documents necessary to obtain all required regulatory approvals;

To submit the proposed merger to their stockholders for approval at a special meeting to be held as soon as practicable, with an approval recommendation by each company s board of directors;

Subject to the terms of the merger agreement, to take all actions necessary to complete the transactions contemplated by the merger agreement;

To maintain adequate insurance;

To maintain books and records consistent with past practice;

To file all tax returns and pay all taxes when due;

To cooperate with each other in the interest of an orderly, cost-effective consolidation of operations, and, if mutually agreed, terminate any in-house back office, support, processing or other operational activities or services of Maryland Bankcorp or any Maryland Bankcorp subsidiary, including accounting, loan processing and deposit services, and substitute a contract or arrangement between Old Line Bancshares or any Old Line Bancshares subsidiary and Maryland Bankcorp for the provision of similar services to Maryland Bankcorp;

To deliver to each other quarterly financial statements;

To deliver to each other all documents that may be filed with the SEC or with other banking or regulatory authorities; and

- To consult upon the form and substance of any press release related to the merger agreement or the proposed merger.

In addition, Old Line Bancshares also agreed in the merger agreement, among other things, that it will purchase extended period officers and directors liability insurance for the officers and directors of Maryland Bankcorp and that it will not, and will not allow any subsidiary to, without the consent of Maryland Bankcorp:

- Change its articles of incorporation or bylaws;
- Repurchase, redeem or otherwise acquire any shares of its capital stock or securities convertible into capital stock;
- Take any action that would result in any condition to closing from being satisfied, except as may be required by applicable law and after written notification to Maryland Bankcorp;
- Change any accounting methods, principles or practices, except as may be required by changes in accounting principles generally accepted in the United States or by any applicable regulatory authority;
- Take any action that would preclude the treatment of the merger as a reorganization under Section 368 of the Internal Revenue Code; or
- Agree to do any of the foregoing.

Conditions to the Merger

Old Line Bancshares and Maryland Bankcorp s obligations to complete the merger are subject to various conditions, including the following:

- The merger agreement shall have been approved by the stockholders of both Maryland Bankcorp and Old Line Bancshares;
- All necessary governmental approvals for the merger shall have been obtained, and all waiting periods required by law or imposed by any governmental authority with respect to the merger shall have expired. See Terms of the Merger Regulatory Approvals;
- There shall not be any order, decree or injunction in effect preventing the completion of the transactions contemplated by the merger agreement;
- Each of Old Line Bancshares and Maryland Bankcorp shall have received an opinion of counsel or a letter from their independent certified public accountants that, among other things, the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and, with respect to the opinion received by Maryland Bankcorp, that any gain realized in the merger will be recognized only to the extent of cash or other property (other than Old Line Bancshares common stock) received, including cash received in lieu of fractional share interests. See Certain Federal Income Tax Consequences;
- Each of Old Line Bancshares and Maryland Bankcorp shall have received an opinion of counsel from the other party s counsel as to certain matters; and
- No material adverse change shall have occurred in the business, property, assets, liabilities, operations, liquidity, income or financial condition of Maryland Bankcorp or Old Line Bancshares, or any of their subsidiaries.

In addition to the foregoing, each party s obligations to close the merger are conditioned on:

The accuracy in all material respects, as of September 1, 2010, and as of the effective date of the merger, of the representations and warranties of the other, except as to any representation or warranty that specifically relates to an earlier date and except as otherwise contemplated by the merger agreement;

- The other s performance in all material respects of all covenants and obligations required to be performed by it at or prior to the effective date of the merger; and

- Other conditions that are customary for transactions of the type contemplated by the merger agreement. See Terms of the Merger Representations and Warranties and Terms of the Merger Conduct of Business Pending the Merger.

In addition, Old Line Bancshares obligation to close the merger is also contingent on:

- Old Line Bancshares being satisfied that the results of any environmental assessments it conducted with respect to property of Maryland Bankcorp or its subsidiaries will not have a material adverse effect on Maryland Bankcorp;

- Holders of no more than 5% of the outstanding shares of Maryland Bankcorp common stock perfecting their dissenters rights;

- Each of Messrs. Watts and Daugherty (and certain of their affiliates) having delivered to Old Line Bancshares an executed voting limit and standstill agreement. See Interests of Directors, Officers and Others in the Merger Voting Limit and Standstill Agreements;

- Each of Messrs. Watts and Daugherty having delivered to Old Line Bancshares an executed non-competition agreement; and

- Each director of Maryland Bankcorp or any Maryland Bankcorp subsidiary having delivered to Old Line Bancshares an executed voting support agreement. See Interests of Directors, Officers and Others in the Merger Support Agreements.

Except for the requirements of Old Line Bancshares and Maryland Bankcorp stockholder approval, regulatory approvals and the absence of any order, decree or injunction preventing the transactions contemplated by the merger agreement, each party may waive each of the conditions described above in the manner and to the extent described in Terms of the Merger Amendment; Waiver immediately below.

Amendment; Waiver

Subject to applicable law, at any time prior to the closing date of the merger, Old Line Bancshares and Maryland Bankcorp may:

- Amend the merger agreement;

- Extend the time for the performance of any of the obligations or other acts of the other required in the merger agreement;

- Waive any inaccuracies in the representations and warranties of the other contained in the merger agreement;

- Waive any term or condition of the merger agreement; or

- Waive compliance by the other with any of the agreements or conditions contained in the merger agreement, except for the requirements of Maryland Bankcorp and Old Line Bancshares stockholder approval, regulatory approvals and the absence of any order, decree or injunction preventing the transactions contemplated by the merger agreement.

Termination

The merger agreement may be terminated at any time prior to the effective date of the merger by the mutual consent of Old Line Bancshares and Maryland Bankcorp.

The merger agreement may also be terminated by either party if:

- The other party, in any material respect, breaches any representation, warranty, covenant or other agreement contained in the merger agreement, and the breach remains uncured 30 days after written notice of the breach is given to the breaching party (however, if the breach cannot reasonably be cured within this 30-day period, but may reasonably be cured within 60 days and the cure is being diligently pursued, no termination can occur before the expiration of the 60-day period);

- The conditions to such party s obligation to close the merger have not been satisfied or waived and cannot be satisfied within 30 days after giving written notice to the other party;

- The closing of the merger does not occur by May 31, 2011, unless this is due to a material breach of the merger agreement by the terminating party;

- Any regulatory authority whose approval or consent is required for completion of the merger issues a definitive written denial of the approval or consent and the time period for appeals or requests for reconsideration has expired;

- Maryland Bankcorp s stockholders or Old Line Bancshares stockholders vote but do not approve the merger at a special meeting called to vote on the merger;

- Maryland Bankcorp or any Maryland Bankcorp subsidiary enters into an alternative transaction; or

- The other party s board of directors withdraws, changes or modifies its recommendation to its stockholders to approve the merger agreement and the merger.

The merger agreement may also be terminated by Maryland Bankcorp if Old Line Bancshares or any Old Line Bancshares subsidiary enters into an alternative transaction, as a result of which Old Line Bancshares is not the surviving entity or Old Line Bancshares directors as of September 1, 2010 do not comprise the majority of the surviving entity s board of directors, with any person other than Maryland Bankcorp, and the Maryland Bankcorp board of directors determines, with written advice of counsel, that such transaction is not in the best interests of Maryland Bankcorp s stockholders.

In addition, the merger agreement contains a provision under which Maryland Bankcorp may terminate the merger agreement if the average price of Old Line Bancshares common stock is less than $6.00 unless Old Line Bancshares, in its sole discretion, increases the aggregate merger consideration in stock, cash or a combination thereof, by an amount equal to the product of (i) $6.00 minus the average price and (ii) 2,621,231. See The Merger Agreement and the Merger Terms of the Merger Maryland Bankcorp Price Termination Right.

Termination Fee

Maryland Bankcorp has agreed to pay a fee of $750,000 to Old Line Bancshares if Old Line Bancshares terminates the merger agreement in connection with:

- The entry by Maryland Bankcorp or any Maryland Bankcorp subsidiary into an alternative transaction, provided that Old Line Bancshares is not then in material breach of any material representation, warranty, covenant or other agreement contained in the merger agreement;

- Maryland Bankcorp s material breach of the merger agreement, provided that Old Line Bancshares is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement;

- The Maryland Bankcorp board of directors withdrawing, changing or modifying its recommendation to stockholders to approve the merger agreement and the merger; or

The failure of the merger to close by May 31, 2011 or receive all necessary regulatory approvals or consents and the failure to so close or receive such approvals or consents was directly caused by the knowing, willful and intentional actions or inactions of Maryland Bankcorp, provided Old Line Bancshares is not then in material breach of any material representation, warranty, covenant or other agreement contained in the merger agreement.

In addition, Maryland Bankcorp has agreed to pay a fee of $1,000,000 to Old Line Bancshares if Maryland Bankcorp terminates the merger agreement after it enters into an alternative transaction after receipt of written advice from its counsel that the failure to do so would constitute a breach of Maryland Bankcorp s directors fiduciary duty under Maryland law.

Old Line Bancshares has agreed to pay a fee of $750,000 to Maryland Bankcorp if Maryland Bankcorp terminates the merger agreement in connection with:

Old Line Bancshares material breach of the merger agreement, provided that Maryland Bankcorp is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement;

The Old Line Bancshares board of directors withdrawing, changing or modifying its recommendation to stockholders to approve the merger agreement and the merger; or

The failure of the merger to close by May 31, 2011 or receive all necessary regulatory approvals or consents and the failure to so close or receive such approvals or consents was directly caused by the knowing, willful and intentional actions or inactions of Old Line Bancshares, provided Maryland Bankcorp is not then in material breach of any material representation, warranty, covenant or other agreement contained in the merger agreement.

No Solicitation of Other Transactions

Maryland Bankcorp has agreed that, unless it believes, after receipt of written advice from its legal counsel, that failure to do so would violate the Maryland Bankcorp directors fiduciary duty, it will not, and will not allow others under its control to, directly or indirectly:

Initiate, solicit, encourage (including by way of furnishing information) or take any other action to facilitate any inquiries or the making of any proposal that relates to a merger, consolidation or acquisition of Maryland Bankcorp or any of its subsidiaries, acquisition of all or substantially all of the assets or liabilities of Maryland Bankcorp or any of its subsidiaries, or the acquisition of ownership or voting power representing 10% or more of the outstanding common stock of Maryland Bankcorp or any of its subsidiaries;

Enter into or maintain or continue discussions or negotiate with a third party regarding any acquisition proposal or inquiry described above; or

Agree to or endorse any acquisition proposal or inquiry described above.

Maryland Bankcorp has also agreed to notify Old Line Bancshares promptly if Maryland Bankcorp receives any acquisition proposal or inquiry described above from any third party.

For a discussion of circumstances under which certain actions relating to a possible change in control involving Maryland Bankcorp could result in Maryland Bankcorp being required to pay a termination fee of either $750,000 or $1,000,000, see The Merger Agreement and the Merger Terms of the Merger Termination Fee.

Expenses

Old Line Bancshares and Maryland Bankcorp will each pay all costs and expenses incurred by it in connection with the transactions contemplated by the merger agreement, including fees and expenses of financial consultants, accountants and legal counsel. If Maryland Bankcorp incurs expenses exceeding $450,000 (not including the purchase of tail officers and directors liability insurance), however, any amount over $450,000 will be deducted from the aggregate merger consideration paid to Maryland Bankcorp s stockholders in the merger.

Regulatory Approvals

Completion of the merger is subject to the prior receipt of all consents or approvals of, and the provision of all notices to, federal and state authorities required to complete the merger of Old Line Bancshares and Maryland Bankcorp as well as the merger of Old Line Bank and Maryland Bank & Trust.

Old Line Bancshares and Maryland Bankcorp have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the merger and the bank merger. These approvals include, with respect to the merger, approval from the Federal Reserve Board and the Maryland Commissioner and, with respect to the bank merger, approval from the Maryland Commissioner and no objection from the OCC. The merger cannot proceed without these required regulatory approvals.

Regulatory Approvals for the Merger

Federal Reserve Board. A merger of two bank holding companies requires the prior approval of the Federal Reserve Board under the Bank Holding Company Act. Under this law, the Federal Reserve Board generally may not approve any proposed transaction:

- That would result in a monopoly or that would further a combination or conspiracy to monopolize banking in the United States; or
- That could substantially lessen competition in any section of the country, that would tend to create a monopoly in any section of the country, or that would be in restraint of trade, unless the Federal Reserve Board finds that the public interest in meeting the convenience and needs of the communities served outweighs the anti-competitive effects of the proposed transaction.

The Federal Reserve Board is also required to consider the financial and managerial resources and future prospects of the bank holding companies and their subsidiary banks and the convenience and needs of the communities to be served. Under the Community Reinvestment Act of 1977, the Federal Reserve Board also must take into account the record of performance of Old Line Bancshares and Maryland Bankcorp in meeting the credit needs of their communities, including low and moderate-income neighborhoods. In addition, the Federal Reserve Board must take into account the effectiveness of the bank holding companies in combating money laundering activities. Any transaction approved by the Federal Reserve Board generally may not be completed until 30 days after such approval, during which time the U.S. Department of Justice may challenge such transaction on antitrust grounds and seek divestiture of certain assets and liabilities.

Maryland Commissioner. The merger is subject to the prior approval of the Maryland Commissioner under Section 5-903 of the Financial Institutions Article of the Maryland Annotated Code. In determining whether to approve the merger, the Maryland Commissioner will consider:

- Whether the merger may be detrimental to the safety and soundness of Maryland Bankcorp; and
- Whether the merger may result in an undue concentration of resources or a substantial reduction of competition in the State of Maryland.

The Maryland Commissioner will not approve any acquisition if upon consummation the combined entity (including any of its bank subsidiaries) would control 30% or more of the total amount of deposits of insured depository institutions in the State of Maryland, although the Maryland Commissioner may waive this limitation upon good cause shown. Old Line Bank will not control 30% of the insured deposits in Maryland after the merger.

The Maryland Commissioner will have 60 days after receipt of the application to determine whether to approve the merger.

Regulatory Approvals for the Bank Merger

Maryland Commissioner. The bank merger agreement is subject to the prior approval of the Maryland Commissioner under Section 3-703(c) of the Financial Institutions Articles of the Maryland Annotated Code. The Maryland Commissioner will approve an agreement for the bank merger agreement if it determines that:

- Old Line Bank meets all the requirements of Maryland law for the formation of a new commercial bank;
- The bank merger agreement provides an adequate capital structure, including surplus, for Old Line Bank in relation to its deposit liabilities and other activities;

The bank merger agreement is fair; and

The proposed bank merger is not against the public interest.

The Maryland Commissioner will have six months after receipt of the application to determine whether to approve the bank merger.

OCC No Objection. Pursuant to OCC rules, since Maryland Bank & Trust is being merged into a state bank, prior OCC approval of the bank merger is not required. However, Old Line Bank must file a notice advising the OCC of its intention to acquire Maryland Bank & Trust in the bank merger prior to consummation of the bank merger.

Applications

Old Line Bancshares filed applications with the Federal Reserve Board and the Maryland Commissioner requesting approval of the merger of Maryland Bankcorp with and into Old Line Bancshares, and Old Line Bank on November 26, 2010 and November 29, 2010, respectively. In addition, Old Line Bank filed applications with the Maryland Commissioner and the OCC requesting approval or non-objection of the merger of Maryland Bank & Trust into Old Line Bank on November 29, 2010. In general, the applications describe the terms of the merger or bank merger, the parties involved and the activities to be conducted by the combined entities as a result of the transaction, and will contain certain related financial and managerial information.

We are not aware of any material governmental approvals or actions that are required to complete the merger, except as described above. If any other approval or action is required, we will use our best efforts to obtain such approval or action.

Management and Operations After the Merger

The current officers and directors of Old Line Bancshares and Old Line Bank, with the addition of Thomas B. Watts, Chairman of the Board and Chief Executive Officer of Maryland Bankcorp, and G. Thomas Daugherty, President of Maryland Bankcorp (or such replacements as Maryland Bankcorp shall name if either of Messrs. Watts or Daugherty become disqualified to serve as directors pursuant to the merger agreement), to each entity s board of directors, will continue to be the officers and directors of Old Line Bancshares and Old Line Bank, respectively, after the merger.

Employment; Severance

Following the merger, Old Line Bancshares is not obligated to continue the employment of any Maryland Bankcorp employee. As a result of the merger, some Maryland Bankcorp positions, primarily in-house back office, support, processing and other operational activities and services, may be eliminated. However, Old Line Bancshares will endeavor to continue the employment of all Maryland Bankcorp employees in positions that will contribute to the successful performance of the combined organization. If a position is duplicative, Old Line Bancshares will attempt to reassign the individual to a needed position that uses the skills and abilities of the individual. If that is impracticable or Old Line Bancshares does not have available a comparable position, Old Line Bancshares will grant an eligible employee who is terminated two weeks of severance pay for each year of service up to a maximum of 26 weeks of severance pay. All employees of Maryland Bankcorp and any Maryland Bankcorp subsidiary, including Maryland Bank & Trust, other than Messrs. Watts and Daugherty, will be eligible for severance benefits, except that no employee of Maryland Bankcorp who receives any severance benefits under the merger agreement will also be eligible for any payment or benefit pursuant to any change in control agreement, employment agreement, salary continuation agreement or similar plan or right. Each person eligible for severance benefits will remain eligible for such benefits if his or her employment is terminated, other than for cause (as defined in the merger agreement), within 12 months after the time the merger is effective. Any former Maryland Bankcorp employee whose employment with Old Line Bancshares is terminated without cause after 12 months from the effective date of the merger will receive such severance benefits from Old Line Bancshares as is provided for in Old Line Bancshares general severance policy for such terminations (with full credit being given for each year of service with Maryland Bankcorp or any Maryland Bankcorp subsidiary).

Employee Benefits

The merger agreement provides that as of the effective date of the merger, each employee of Maryland Bankcorp or any Maryland Bankcorp subsidiary who becomes an employee of Old Line Bancshares or a subsidiary

thereof will be entitled to full credit for each year of service with Maryland Bankcorp or any subsidiary thereof for purposes of determining

eligibility for participation and vesting, but not benefit accrual, in Old Line Bancshares , or as appropriate, in the Old Line Bancshares subsidiaries , employee benefit plans, programs and policies. Old Line Bancshares will use the original date of hire by Maryland Bankcorp or a Maryland Bankcorp subsidiary in making such determinations. After the effective date of the merger, Old Line Bancshares may discontinue or amend, or convert to or merge with, an Old Line Bancshares benefit plan, any Maryland Bankcorp benefit plan, subject to the plan s provisions and applicable law.

Interests of Directors, Officers and Others in the Merger

Certain members of management of Maryland Bankcorp and its board of directors may have interests in the merger in addition to their interests as stockholders of Maryland Bankcorp. The Maryland Bankcorp board of directors was aware of these factors and considered them, among other matters, in approving the merger agreement.

Share Ownership

As of December 1, 2010, the record date for the special meeting of Maryland Bankcorp stockholders, the directors, executive officers and other significant stockholders of Maryland Bankcorp may be deemed to be the beneficial owners of 286,455 shares, representing 44,30% of the outstanding shares of Maryland Bankcorp common stock. See Ownership of Maryland Bankcorp Common Stock).

Indemnification and Insurance

Old Line Bancshares has agreed that for a minimum of three years and a maximum of six years after the merger s effective date, Old Line Bancshares will, at its expense, maintain directors and officers liability insurance for the former directors and officers of Maryland Bankcorp and its subsidiaries with respect to matters occurring at or prior to the merger s effective date (a tail policy), so long as the policy can be obtained at a cost not in excess of 200% of the rate for such directors and officers liability insurance in effect as of September 1, 2010. If Old Line Bancshares is unable to obtain a directors and officers liability insurance tail policy at a cost not in excess of 200% of such rate, Old Line Bancshares will obtain a directors and officers liability insurance tail policy with the maximum coverage reasonably available for a cost that is equal to 200% of such rate.

Board Positions and Compensation

Upon completion of the merger and the subsequent bank merger, Thomas B. Watts and G. Thomas Daugherty will be appointed as Old Line Bancshares and Old Line Bank directors and shall be entitled to compensation in such capacity on the same basis as other Old Line Bancshares and Old Line Bank directors.

Supplemental Executive and Director Retirement Plans and Pension Agreement

Each of Thomas B. Watts and G. Thomas Daugherty is a party to an executive supplemental retirement plan (SERP) with Maryland Bank & Trust. Each SERP provides for payments to the executive after his retirement in certain circumstances. The SERPs provide that upon a change in control, the acquiring entity is obligated to abide by the terms of the SERPs. Under these agreements, which are financed by certain life insurance policies on the life of each executive, if the executive remains employed until his 65th birthday, Maryland Bank & Trust is obligated to pay him $100,000 annually for 15 years, payable in equal monthly installments following his retirement. The benefits are decreased if the executive retires before age 65 and increased if he retires after age 65. The merger will constitute a change of control under the SERPs; after the change of control, if Mr. Watts or Mr. Daugherty is terminated, his benefits under the SERP become vested as if he had remained until normal retirement age. In addition, if Mr. Watts or Mr. Daugherty dies before all benefits due under the SERP are paid, the remaining benefits are payable in a lump sum to his estate.

In addition, Frank Taylor, a current director of Maryland Bankcorp and Maryland Bank & Trust, is a party to a director supplemental retirement plan (DSRP) with Maryland Bank & Trust. The DSRP provides for payments to Mr. Taylor after he leaves the Maryland Bank & Trust board of directors in certain circumstances. The DSRP provides that upon a change in control, the acquiring entity is obligated to abide by the terms of the DSRP. Under the DSRP, which is financed by certain life insurance policies on the life of Mr. Taylor, if Mr. Taylor remains a director of Maryland Bank & Trust until his 65th birthday, Maryland Bank & Trust is obligated to pay him $20,000 annually for 15 years, payable in equal monthly installments after he retires from the board of directors. The benefits are decreased if Mr. Taylor retires from the board before age 65 and increased if he retires after age 65. The merger will constitute a change of control under the DSRP; after the change of control, if Mr. Taylor does not serve as a director, his benefits under the DSRP become vested as if he had

remained until normal retirement age. In addition, if Mr. Taylor dies before all benefits due under the DSRP are paid, the remaining benefits are payable in a lump sum to his estate.

Finally, Lawrence H. Wright, Senior Vice President and Secretary of Maryland Bankcorp and Senior Vice President and Chief Financial Officer of Maryland Bank & Trust, K. Bradley Howard, Vice President of Maryland Bankcorp and Vice President, Business Development and Marketing Officer of Maryland Bank & Trust, and Louise G. Czwartacki, Vice President and Treasurer of Maryland Bankcorp and Vice President, Senior Operations and Information Security Officer of Maryland Bank & Trust, are each a party to a supplemental pension agreement with Maryland Bank & Trust. Under the agreements, Maryland Bank & Trust purchased a life insurance policy on the life of each executive, and each executive agreed to remain an employee of Maryland Bank & Trust until age 65, unless both Maryland Bank & Trust and the executive agree retirement should occur at age 62. Each executive is deemed to have earned and is entitled to 55% of the benefits under his or her agreement at age 62, with the remaining benefits earned pro rata each year until age 65. If the executive is terminated, the benefits under the agreement are considered fully earned. The values of these agreements were $242,152 as of December 28, 2009 for Mr. Wright, $195,644 as of December 28, 2009 for Mr. Howard, and $334,013 as of January 21, 2010 for Ms. Czwartacki. In addition, if the executive dies before age 65, each agreement provides for a death benefit, currently $640,000 for Mr. Wright, $605,000 for Mr. Howard and $909,041 for Ms. Czwartacki, to be paid to his or her beneficiary. Pursuant to the merger agreement Old Line Bancshares has agreed to continue Maryland Bank & Trust s obligations under these supplemental pension agreements.

Support Agreements

As a condition to Old Line Bancshares entering into the merger agreement, each of the directors of Maryland Bankcorp and Maryland Bank & Trust entered into an agreement with Old Line Bancshares, dated as of September 1, 2010, pursuant to which each director agreed to vote all of their shares of Maryland Bankcorp common stock in favor of the merger. A form of support agreement is Exhibit B to the merger agreement, which is attached to this document as Annex A. The support agreements may have the effect of discouraging persons from making a proposal for an acquisition transaction involving Maryland Bankcorp. The following is a brief summary of the material provisions of the support agreements:

Each director of Maryland Bankcorp and Maryland Bank & Trust agreed, among other things, to vote, or cause to be voted, at any meeting of Maryland Bankcorp stockholders or other circumstance in which the vote, consent or other approval of stockholders is sought, all of the Maryland Bankcorp common stock as to which he or she is the record or beneficial owner (and including shares held of record by such director s spouse and children) (a) for approval of the merger agreement and the merger and the other transactions contemplated thereby at any meeting of the Maryland Bankcorp stockholders duly held for such purpose, (b) against any alternative acquisition transaction, and (c) against certain other actions or proposals that are intended, or could reasonably be expected, to impede, interfere with, delay, postpone or materially adversely affect the merger, the merger agreement or the transactions contemplated by the merger agreement.

Each director of Maryland Bankcorp and Maryland Bank & Trust agreed to take all reasonable actions and to assist in the consummation of the merger and the other transactions contemplated by the merger agreement, and to use his or her best efforts to cause Maryland Bankcorp and its subsidiaries to take certain actions set forth in the merger agreement with respect to the preparation of this document and all required regulatory applications.

Each director of Maryland Bankcorp and Maryland Bank & Trust agreed to continue to hold his or her shares of Maryland Bankcorp until the merger is effective or the merger agreement is terminated.

Each director agreed not to enter into any arrangement or understanding that would be in any manner inconsistent with or violate the support agreement.

Executive Noncompetition Agreements

The merger agreement provides that as of the closing date of the merger Old Line Bancshares will enter into non-compete agreements with Thomas B. Watts and G. Thomas Daugherty. These agreements provide that, for a three-year period following the closing date of the merger, each of Messrs. Watts and Daugherty agrees not to (i) transact any business that competes with Old Line Bank, (ii) solicit or encourage any customers or employees of Old Line Bank to leave Old Line Bank or otherwise adversely affect that person s business relationship with Old Line Bank, or (iii) participate or engage in the business of banking or in any banking-related business that is being conducted by Old Line Bank or Old Line Bancshares,

including serving as a bank director, officer or employee or owning more than 4.9% of any company that competes with Old Line Bancshares or Old Line Bank.

The agreements further obligate each of Messrs. Watts and Daugherty, for a period of two years after the closing date, to cooperate with Old Line Bank s and Old Line Bancshares management to provide for a smooth transition following the merger, which will include assisting Old Line Bancshares and Old Line Bank with any questions or concerns and providing advice with respect to Maryland Bankcorp s or Maryland Bank & Trust s business, operations, customers, target market, personnel matters, vendors or services.

In exchange, the noncompetition agreements provide that Old Line Bancshares will pay to each of Messrs. Watts and Daugherty the sum of $200,000, with $25,000 paid upon consummation of the merger and the balance paid over the first two years of the agreements.

A form of the executive noncompetition agreement is Exhibit C to the merger agreement, which is attached to this document as Annex A.

Director Noncompetition Agreements

Pursuant to the merger agreement, Old Line Bancshares will offer to enter into a three-year non-compete agreement with each non-employee director of Maryland Bankcorp and Maryland Bank & Trust (this does not include Messrs. Watts and Daugherty) in exchange for a lump-sum payment of $50,000 to be paid upon the closing of the merger. These agreements provide that, for a three-year period following the closing date of the merger, each such director agrees not to (i) transact any business that competes with Old Line Bancshares or Old Line Bank, (ii) solicit or encourage any customers or employees of Old Line Bancshares or Old Line Bank to leave Old Line Bancshares or Old Line Bank or otherwise adversely affect that person s business relationship with Old Line Bancshares or Old Line Bank, or (iii) participate or engage in the business of banking or in any banking-related business that is being conducted by Old Line Bank or Old Line Bancshares, including serving as a bank director, officer or employee or owning more than 4.9% of any company that competes with Old Line Bancshares or Old Line Bank, in certain enumerated Maryland counties.

A form of the executive noncompetition agreement is Exhibit E to the merger agreement, which is attached to this document as Annex A.

Voting Limit and Standstill Agreements

As a condition to Old Line Bancshares entering into the merger agreement, each of Messrs. Watts and Daugherty, their spouses and any entities they control (the Watts Group and Daugherty Group, as applicable) entered into an agreement with Old Line Bancshares, dated as of September 1, 2010, pursuant to which each of the Watts Group and the Daugherty Group agreed that, notwithstanding how many shares they acquire as a result of the merger, they will vote no more than 4% of the total issued and outstanding shares of Old Line Bancshares in any vote of the stockholders of Old Line Bancshares. The agreements further prohibit each member of the Watts Group and Daugherty Group, except for actions taken as a director of Old Line Bancshares or that are approved by a majority of Old Line Bancshares board of directors (excluding any member of the Watts Group or the Daugherty Group), from taking certain actions with respect to Old Line Bancshares, including (i) acquiring or offering to acquire additional shares of common stock, other than as compensation for board service, (ii) engaging in the solicitation of proxies or consents or making any stockholder proposals, (iii) trying to influence any person with respect to voting of common stock, (iv) nominating any person for election as a director, (v) making any public statements with respect to any action requiring stockholder approval, (vi) depositing their shares of Old Line Bancshares common stock in any voting trust or entering into a similar arrangement, (vii) seeking to control or influence the management, board of directors or policies of Old Line Bancshares, (viii) proposing any business combination, recapitalization, restructuring, dissolution or similar transaction, or (ix) seeking to call a stockholder meeting, remove a director or support a person suing Old Line Bancshares or any of its affiliates.

The voting limit and standstill agreements do not provide for any payment to the members of the Watts Group or the Daugherty group. A form of the voting limit and standstill agreement is Exhibit A to the merger agreement, which is attached to this document as Annex A.

Regulatory Matters Regarding Maryland Bank & Trust

On February 10, 2006, Maryland Bankcorp s wholly owned subsidiary, Maryland Bank & Trust, entered into a formal written agreement with its primary regulator, the OCC. Under the terms of the written agreement, Maryland Bank & Trust agreed to take certain actions relating to its lending operations and capital compliance. Specifically, the OCC required Maryland Bank & Trust to take the following actions:

Conduct a review of senior management to ensure these individuals can perform the duties required under Maryland Bank & Trust s policies and procedures and the requirements of the written agreement, manage day-to-day operations of Maryland Bank & Trust, and where necessary, implement a written program to address the training of Maryland Bank & Trust s senior officers;

Develop a staffing plan for the lending and compliance functions that are necessary to implement and maintain a sound system of internal controls and risk management;

Achieve certain regulatory capital levels, which are greater than the regulatory requirements to be well capitalized under bank regulatory requirements by October 31, 2008. In particular, Maryland Bank & Trust must achieve a: 14% total risk-based capital to total risk-weighted assets ratio; 12% Tier 1 capital to risk-weighted assets ratio; and 8% Tier 1 capital to adjusted total assets ratio;

Develop and implement a three-year capital program;

Adopt a written program to ensure compliance with Regulation O and internally test compliance with the program;

Adopt a written consumer compliance program to ensure Maryland Bank & Trust operates in compliance with all applicable consumer protection laws, rules and regulations;

Develop and implement written policies and procedures to ensure compliance with the Bank Secrecy Act;

Obtain satisfactory credit information on all loans lacking such information, maintain proper collateral documentation, adopt a process for timely resolution of credit and collateral exceptions, and adopt a process for identifying, tracking and reporting credit, collateral and policy exceptions

Hire an independent appraiser to provide a written or updated appraisal of certain assets;

Improve Maryland Bank & Trust s loan portfolio management and provide the Board with quarterly written reports on credit quality;

Take all necessary actions to protect Maryland Bank & Trust s interest in criticized assets, adopt and implement a program to eliminate regulatory criticism of these assets, and engage in an ongoing review of its criticized assets;

Improve the management and monitoring of Maryland Bank & Trust s loan portfolio;

Establish an effective management information system that facilitates risk identification, establishes controls, and delivers accurate information for timely review in a manner consistent with the written agreement;

Establish an independent on-going internal loan review system to review Maryland Bank & Trust s loan and lease portfolios for timely identification and categorization of problem assets in a manner consistent with the

written agreement;

Review the allowances for loan and lease losses and adopt and establish a program for the maintenance of an adequate allowance in a manner consistent with the written agreement; and

Maintain an independent internal audit program.

The written agreement includes timeframes to implement the foregoing and on-going compliance requirements for Maryland Bank & Trust, including requirements to report to the OCC. The written agreement also requires Maryland Bank & Trust to establish a committee of its board of directors that will be responsible for overseeing compliance with the written agreement.

Maryland Bank & Trust has taken steps to comply with the requirements of the written agreement. At September 30, 2010, Maryland Bank & Trust s capital ratios were in compliance with the written agreement.

Old Line Bank, however, will not be subject to the written agreement following the bank merger.

Accounting Treatment

The merger will be accounted for using the acquisition method of accounting with Old Line Bancshares treated as the acquiror. Under this method of accounting, Maryland Bankcorp s assets and liabilities will be recorded by Old Line Bancshares at their respective fair values as of the closing date of the merger and added to those of Old Line Bancshares. Any excess of purchase price over the net fair values of Maryland Bankcorp s assets and liabilities will be recorded as goodwill. Any excess of the fair value of Maryland Bankcorp s net assets over the purchase price will be recognized in earnings as a bargain purchase gain by Old Line Bancshares on the closing date of the merger. Financial statements of Old Line Bancshares issued after the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of Maryland Bankcorp prior to the merger. The results of operations of Maryland Bankcorp will be included in the results of operations of Old Line Bancshares beginning on the effective date of the merger.

Certain Federal Income Tax Consequences

The following discussion addresses the material United States federal income tax consequences of the merger to a Maryland Bankcorp stockholder who holds shares of Maryland Bankcorp common stock as a capital asset. This discussion is based upon the Internal Revenue Code, U.S. Treasury regulations promulgated under the Internal Revenue Code, judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as in effect on the date of this discussion and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. This discussion does not address all aspects of United States federal income taxation that may be relevant to Maryland Bankcorp stockholders in light of their particular circumstances and does not address aspects of United States federal income taxation that may be applicable to Maryland Bankcorp stockholders subject to special treatment under the Internal Revenue Code (including banks, tax-exempt organizations, insurance companies, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, regulated investment companies, investors in pass-through entities, Maryland Bankcorp stockholders who acquired their shares of Maryland Bankcorp common stock pursuant to the exercise of employee stock options or otherwise as compensation, and Maryland Bankcorp stockholders who are not United States persons as defined in section 7701(a)(30) of the Internal Revenue Code). In addition, the discussion does not address any aspect of state, local or foreign taxation. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

Maryland Bankcorp stockholders are urged to consult their tax advisors with respect to the particular United States federal, state, local and foreign tax consequences of the merger to them.

The closing of the merger is conditioned upon (i) the receipt by Old Line Bancshares of (a) the opinion of Ober, Kaler, Grimes & Shriver, P.C., counsel to Old Line Bancshares, or (b) a letter from Rowles & Company, LLP, the independent certified public accountants for Old Line Bancshares, and (ii) the receipt by Maryland Bankcorp of the opinion of Reznick Group, PC, the independent certified public accountants for Maryland Bankcorp (it is anticipated that Old Line Bancshares will waive this condition and accept the opinion of Nelson Mullins Riley & Scarborough LLP, special counsel for Maryland Bankcorp, in lieu of the opinion of Reznick Group, PC), each dated as of the effective date of the merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth or referred to therein (including factual representations contained in certificates of officers of Maryland Bankcorp and Old Line Bancshares) which are consistent with the state of facts existing as of the effective date of the merger:

The merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code; and

Only as to the opinion to be received by Maryland Bankcorp, any gain realized in the merger will be recognized only to the extent of cash or other property (other than Old Line Bancshares common stock) received in the merger, including cash received in lieu of fractional share interests.

The tax opinions to be delivered in connection with the merger are not binding on the IRS or the courts, and neither Maryland Bankcorp nor Old Line Bancshares intends to request a ruling from the IRS with respect to the United States federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court would not sustain, a position contrary to any of those set forth below. In addition, if any of the facts, representations or assumptions upon which the opinions are based is inconsistent with the actual facts, the United States federal income tax consequences of the merger could be adversely affected.

Assuming that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the discussion below sets forth the material United States federal income tax consequences of the merger to Maryland Bankcorp stockholders not subject to special treatment under the Internal Revenue Code, as described above. Such consequences generally will depend on whether Maryland Bankcorp stockholders exchange their Maryland Bankcorp common stock for cash, Old Line Bancshares common stock or a combination of cash and Old Line Bancshares common stock.

Exchange for Old Line Bancshares Common Stock

If, pursuant to the merger, a Maryland Bankcorp stockholder exchanges all of his or her shares of Maryland Bankcorp common stock solely for shares of Old Line Bancshares common stock, the stockholder will not recognize any gain or loss except in respect of cash received in lieu of any fractional share of Old Line Bancshares common stock (as discussed below). The aggregate adjusted tax basis of the shares of Old Line Bancshares common stock received in the exchange will be equal to the aggregate adjusted tax basis of the shares of Maryland Bankcorp common stock surrendered (reduced by the tax basis allocable to any fractional share of Old Line Bancshares common stock for which cash is received), and the holding period of the Old Line Bancshares common stock will include the period during which the shares of Maryland Bankcorp common stock were held by the Maryland Bankcorp stockholder. If a Maryland Bankcorp stockholder has differing bases or holding periods in respect of his or her shares of Maryland Bankcorp common stock, the stockholder should consult his or her tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of Old Line Bancshares common stock received in the exchange.

Exchange Solely for Cash

In general, if, pursuant to the merger, a Maryland Bankcorp stockholder exchanges all of his or her shares of Maryland Bankcorp common stock solely for cash, such holder will recognize gain or loss equal to the difference between the amount of cash received and his or her adjusted tax basis in the shares of Maryland Bankcorp common stock surrendered, which gain or loss generally will be long-term capital gain or loss if the stockholder s holding period with respect to the Maryland Bankcorp common stock surrendered is more than one year. If, however, the Maryland Bankcorp stockholder owns (or is deemed for tax purposes to own) shares of Old Line Bancshares common stock after the merger, the cash received may be treated as a dividend under certain circumstances. See " Possible Treatment of Cash as a Dividend below.

Exchange for Old Line Bancshares Common Stock and Cash

If, pursuant to the merger, a Maryland Bankcorp stockholder exchanges all of his or her shares of Maryland Bankcorp common stock for a combination of Old Line Bancshares common stock and cash, the stockholder generally will recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the Old Line Bancshares common stock received in the exchange over such stockholder s adjusted tax basis in the shares of Maryland Bankcorp common stock surrendered) and (ii) the amount of cash received pursuant to the merger. For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and loss realized on one block of shares may not be used to offset gain realized on another block of Maryland Bankcorp shares. Any recognized gain generally will be long-term capital gain if the Maryland Bankcorp stockholder s holding period with respect to the Maryland Bankcorp common stock surrendered is more than one year. However, the cash received may be treated as a dividend under certain circumstances. See Possible Treatment of Cash as a Dividend below.

The aggregate tax basis of Old Line Bancshares common stock received by a Maryland Bankcorp stockholder that exchanges his or her shares of Maryland Bankcorp common stock for a combination of Old Line Bancshares common stock and cash pursuant to the merger will be equal to the aggregate adjusted tax basis of the shares of Maryland Bankcorp common stock surrendered, reduced by the amount of cash received by the Maryland Bankcorp

stockholder pursuant to the merger, and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below), if any, recognized by the Maryland Bankcorp stockholder on the exchange. The holding period of the Old Line

Bancshares common stock will include the holding period of the shares of Maryland Bankcorp common stock surrendered. If a Maryland Bankcorp stockholder has differing bases or holding periods in respect of his or her shares of Maryland Bankcorp common stock, such stockholder should consult his or her tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of Old Line Bancshares common stock received in the exchange.

Cash Received in Lieu of a Fractional Share

Cash received by a Maryland Bankcorp stockholder in lieu of a fractional share of Old Line Bancshares common stock generally will be treated as received in redemption of the fractional share, and gain or loss generally will be recognized in an amount equal to the difference between the amount of cash received in lieu of the fractional share and the portion of the stockholder s aggregate adjusted tax basis of the shares of Maryland Bankcorp common stock surrendered that is allocable to the fractional share. The gain or loss generally will be long-term capital gain or loss if the holding period for the shares of Maryland Bankcorp common stock surrendered is more than one year. However, the cash received may be treated as a dividend under certain circumstances. See Possible Treatment of Cash as a Dividend below.

Possible Treatment of Cash as a Dividend

In general, the determination of whether the receipt of cash in the merger will be treated as a dividend depends upon the extent to which the exchange reduces the Maryland Bankcorp stockholder s deemed percentage stock ownership of Old Line Bancshares following the merger. For purposes of this determination, Maryland Bankcorp stockholders will be treated as if they first exchanged all of their shares of Maryland Bankcorp common stock solely for Old Line Bancshares common stock and then Old Line Bancshares immediately redeemed a portion of the Old Line Bancshares common stock in exchange for the cash actually received (the deemed redemption). The gain recognized in the exchange followed by the deemed redemption will be treated as capital gain if (i) the deemed redemption is substantially disproportionate with respect to the Maryland Bankcorp stockholder (and the stockholder actually or constructively owns after the deemed redemption less than 50% of the voting power of the outstanding Old Line Bancshares common stock) or (ii) the deemed redemption is not essentially equivalent to a dividend.

The deemed redemption generally will be substantially disproportionate with respect to a Maryland Bankcorp stockholder if the percentage of the outstanding stock of Old Line Bancshares that is actually and constructively owned by the stockholder immediately after the deemed redemption is less than 80% of the percentage of the outstanding common stock of Old Line Bancshares that the stockholder is deemed actually and constructively to have owned immediately before the deemed redemption. If this test is not satisfied, the deemed redemption will not be considered to be essentially equivalent to a dividend if it results in a meaningful reduction in the stockholder s deemed percentage stock ownership of Old Line Bancshares. In applying the above tests, a Maryland Bankcorp stockholder will, under the constructive ownership rules, be deemed to own stock that is owned by certain other persons or otherwise in addition to the stock actually owned by the stockholder.

The IRS has ruled that a minority stockholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a meaningful reduction even if the stockholder has only an insignificant reduction in percentage stock ownership under the above analysis. Accordingly, it is anticipated that few if any Maryland Bankcorp stockholders will be impacted by these rules. However, as these rules are complex and dependent upon a Maryland Bankcorp stockholder s specific circumstances, each stockholder that may be subject to these rules should consult his or her tax advisor.

Backup Withholding

A Maryland Bankcorp stockholder receiving cash in the merger may be subject to backup withholding at a rate of 28% if the stockholder is a non-corporate United States person and (i) fails to provide an accurate taxpayer identification number, (ii) has been notified by the IRS that it has failed to report all interest or dividends required to be shown on its federal income tax returns, or (iii) in certain circumstances, fails to comply with applicable certification requirements. Amounts withheld under the backup withholding rules will be allowed as a credit against a stockholder s United States federal income tax liability provided that the stockholder furnishes the required information to the IRS.

Information Reporting

A Maryland Bankcorp stockholder who receives Old Line Bancshares common stock as a result of the merger will be required to retain records pertaining to the merger. Each Maryland Bankcorp stockholder who is a significant holder, who is required to file a U.S. federal income tax return, and who receives Old Line Bancshares common stock in the merger will be required to file a statement with such stockholder s U.S. federal income tax return setting forth such stockholder s basis in the Maryland Bankcorp common stock surrendered and the fair market value of the Old Line Bancshares common stock and cash received in the merger. A significant holder is a stockholder who, immediately before the merger, owned at least 5% of the outstanding Maryland Bankcorp common stock.

This discussion is not intended to be a complete analysis or description of all potential United States federal income tax consequences of the merger. In addition this discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. It also does not address any federal estate tax or state, local or foreign tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to a Maryland Bankcorp stockholder will depend upon the facts of his or her particular situation. Accordingly, we strongly urge each Maryland Bankcorp stockholder to consult with a tax advisor to determine the particular tax consequences of the merger, as well as to any later sale of shares of Old Line Bancshares common stock received in the merger.

Restrictions on Sales of Shares by Certain Affiliates

The shares of Old Line Bancshares common stock to be issued in the merger will be freely transferable under the Securities Act of 1933, except for shares issued to any stockholder who is an affiliate of Old Line Bancshares as defined by Rule 144 under the Securities Act. Affiliates consist of individuals or entities that control, are controlled by or are under common control with Old Line Bancshares, and include the executive officers and directors of Old Line Bancshares and may include significant stockholders of Old Line Bancshares following the merger.

Stock Exchange Listing

Following the merger, the shares of Old Line Bancshares common stock will continue to trade on the NASDAQ Capital Market under the symbol OLBK.

Dissenters Rights

Under Sections 3-201 through 3-213 of the MGCL, Maryland Bankcorp stockholders have the right to object to the merger and to demand and receive fair value of their shares of Maryland Bankcorp common stock, determined as of the date of the meeting at which the merger is approved, without reference to any appreciation or depreciation in value resulting from the merger or its proposal. These rights are also known as dissenters rights.

Holders of Old Line Bancshares common stock do not have the right to exercise dissenters rights in connection with the merger.

Sections 3-201 through 3-213 of the MGCL, which set forth the procedures a stockholder requesting payment for his or her shares must follow, is reprinted in its entirety as Annex D to this joint proxy statement/prospectus. The following discussion is not a complete statement of the law relating to dissenters rights under Sections 3-201 through 3-213 of the MGCL. This discussion and Annex D should be reviewed carefully by any Maryland Bankcorp stockholder who wishes to exercise dissenters rights or who wishes to preserve the right to do so, as failure to strictly comply with the procedures set forth in Sections 3-201 through 3-213 of the MGCL will result in the loss of dissenters rights.

General requirements. Sections 3-201 through 3-213 of the MGCL generally require the following:

Written Objection to the Proposed Transaction. Maryland Bankcorp stockholders who desire to exercise their dissenters rights must file with Maryland Bankcorp, at or before the Maryland Bankcorp special meeting to vote on the merger agreement and the merger, a written objection to the proposed transaction. A vote against the merger agreement and the merger will not satisfy such objection requirement. The written objection should be delivered or addressed to Maryland Bankcorp, Inc., 46930 South Shangri La Drive, Lexington Park, Maryland 20653, Attention: Lawrence H. Wright, Senior Vice President and Secretary.

Refrain From Voting For or Consenting to the Merger Proposal. If you wish to exercise your dissenters rights, you must not vote in favor of the proposal to approve the merger agreement and the merger. If you return a properly executed proxy that does not instruct the proxy holder to vote against or to abstain on the proposal to approve the merger agreement and the merger, or otherwise vote in favor of the merger agreement and the merger, your dissenters rights will terminate, even if you previously filed a written notice of intent to demand payment. You do not have to vote against the merger in order to preserve your dissenters rights.

Written Demand for Payment. Within 20 days after acceptance of the articles of merger by the Maryland State Department of Assessments and Taxation, you must make a written demand on Old Line Bancshares for payment of your stock that states the number and class of shares for which payment is demanded. All written demands for payment of the fair value of Maryland Bankcorp common stock should be delivered or addressed to Old Line Bancshares, Inc., 1525 Pointer Ridge Place, Bowie, Maryland 20716, Attention: Christine M. Rush.

An objection to the merger, demand for payment of the fair value and a petition for appraisal, discussed below, must be executed by or on behalf of the holder of record, fully and correctly, as the holder s name appears on the holder s stock certificates. Therefore, if your Maryland Bankcorp common stock is owned of record in a fiduciary capacity, such as by a broker, trustee, guardian or custodian, execution of the demand should be made in that capacity.

Old Line Bancshares Written Notice. Under Section 3-207 of the MGCL, Old Line Bancshares, as the successor to Maryland Bankcorp, will promptly notify each objecting stockholder in writing of the date the articles of merger were accepted for record by the Maryland State Department of Assessments and Taxation. Old Line Bancshares may also send a written offer to pay the objecting holders of Maryland Bankcorp common stock what it considers to be the fair value of the stock. If Old Line Bancshares chooses to do this, it will provide each objecting stockholder of Maryland Bankcorp with: (i) a balance sheet as of a date not more than six months before the date of the offer; (ii) a profit and loss statement for the 12 months ending on the date of that balance sheet; and (iii) any other information Old Line Bancshares considers pertinent.

Petition for Appraisal. Within 50 days after the date the articles of merger are accepted by the Maryland State Department of Assessments and Taxation, Old Line Bancshares or any holder of Maryland Bankcorp common stock who has complied with the statutory requirements summarized above may file a petition with a court of equity in Prince George s County, Maryland, for an appraisal to determine the fair value of Maryland Bankcorp common stock (an appraisal). Old Line Bancshares is not obligated to, and has no present intention to, file a petition with respect to an appraisal of the fair

value of Maryland Bankcorp common stock. Accordingly, it is the obligation of objecting holders of Maryland Bankcorp common stock to initiate all necessary action to perfect their dissenters rights within the time period prescribed by Section 3-208 of the MGCL.

If a petition for an appraisal is timely filed, after a hearing on the petition, the court will determine the holders of Maryland Bankcorp common stock that are entitled to dissenters rights and will appoint three disinterested appraisers to determine the fair value of the Maryland Bankcorp common stock on terms and conditions the court considers proper. Within 60 days after appointment (or such longer period as the court may direct), the appraisers will file with the court and mail to each party to the proceeding their report stating their conclusion as to the fair value of the stock. Within 15 days after the filing of this report, any party may object to such report and request a hearing. The court shall, upon motion of any party, enter an order either confirming, modifying or rejecting such report and, if confirmed or modified, enter judgment directing the time within which payment for the fair value shall be made by Old Line Bancshares. If the appraisers report is rejected, the court may determine the fair value of the stock of the objecting stockholders or may remit the proceeding to the same or other appraisers. Any judgment entered pursuant to a court proceeding shall include interest from the date of the Maryland Bankcorp stockholders vote on the merger. Costs of the proceeding will be determined by the court and may be assessed against Old Line Bancshares or, under certain circumstances, the objecting stockholder(s) or both. The court s judgment is final and conclusive on all parties and has the same force and effect as other decrees in equity.

Fair Value. You should be aware that the fair value of your Maryland Bankcorp common stock as determined under Sections 3-201 through 3-213 of the MGCL could be more than, the same as or less than the value of the Old Line Bancshares stock you would receive in the merger if you did not seek appraisal of your Maryland Bankcorp common stock. You should further be aware that, if you have duly demanded the payment of the fair value of your Maryland Bankcorp common stock in compliance with Section 3-203 of the MGCL, you will not, after making such demand, be entitled to vote the Maryland Bankcorp common stock subject to the demand for any purpose or be entitled to, with respect to such shares of stock, the payment of dividends or other distributions payable to holders of record on a record date occurring after the close of business on the date the stockholders approved the merger agreement and the merger. Fair value may not include any appreciation or depreciation that directly or indirectly results from the transaction objected to or from its proposal.

If you fail to comply strictly with these procedures you will lose your dissenters rights. Consequently, if you wish to exercise your dissenters rights, we strongly urge you to consult a legal advisor before attempting to exercise your dissenters rights.

DESCRIPTION OF OLD LINE BANCSHARES CAPITAL STOCK

The following summary is a description of the material terms of Old Line Bancshares common stock and should be read in conjunction with the section entitled Comparison of Stockholder Rights. This summary is not meant to be complete and is qualified by reference to the applicable provisions of the MGCL, and the amended and restated articles of incorporation, as amended, of Old Line Bancshares and the amended and restated bylaws of Old Line Bancshares. You are urged to read those documents carefully. Copies of Old Line Bancshares articles of incorporation and bylaws are on file with the SEC. See Where You Can Find More Information.

General

Old Line Bancshares authorized capital stock consists of 15,000,000 shares of common stock, par value $0.01 per share, and 1,000,000 shares of preferred stock, par value $0.01 per share.

Common Stock

Subject to the rights of holders of preferred stock or any other stock with superior dividend rights, holders of Old Line Bancshares common stock are entitled to receive dividends if and when the board of directors of Old Line Bancshares declares dividends from funds legally available. In addition, holders of common stock share ratably in the net assets of Old Line Bancshares upon the voluntary or involuntary liquidation, dissolution or winding up of Old Line Bancshares, after distributions are made to anyone with more senior rights.

Each holder of Old Line Bancshares common stock is entitled to one vote for each share held on each matter submitted for stockholder action. Holders of Old Line Bancshares common stock have no conversion, sinking fund, redemptive rights or preemptive rights to subscribe for any securities of Old Line Bancshares.

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All outstanding shares of Old Line Bancshares common stock are, and shares to be issued in the merger will be, when issued, fully paid and nonassessable.

Preferred Stock

Old Line Bancshares is authorized to issue 1,000,000 shares of preferred stock, par value $0. 01 per share. Old Line Bancshares board of directors may issue shares of preferred stock in one or more series from time to time. Prior to issuance of shares of each series of preferred stock, the board of directors is required to fix for each series the designation, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms or conditions of redemption. The board of directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of discouraging a takeover or other transaction that some of our stockholders might believe to be in their best interests or in which they might receive a premium for their shares of common stock over the market price of such shares.

As of the date hereof, no shares of preferred stock are outstanding and Old Line Bancshares has no present plans to issue any preferred stock.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock of Old Line Bancshares is American Stock Transfer and Trust Company. The common stock is listed on the NASDAQ Capital Market under the symbol OLBK.

Anti-Takeover Provisions in Old Line Bancshares s Articles of Incorporation and Bylaws

General. A number of provisions of Old Line Bancshares articles of incorporation and bylaws deal with matters of corporate governance and certain rights of stockholders. The following discussion is a general summary of certain provisions the articles of incorporation and bylaws that might be deemed to have a potential anti-takeover effect. The following description of certain of the provisions of the articles of incorporation and bylaws is necessarily general and reference should be made in each case to the articles of incorporation and bylaws.

Extraordinary Transactions. Old Line Bancshares articles of incorporation provide that certain business combination (as defined in the articles of incorporation) transactions between Old Line Bancshares and any person who is the beneficial owner, directly or indirectly, of more than 15% of the shares of Old Line Bancshares capital stock entitled to vote in the election of directors (an interested stockholder) (or between Old Line Bancshares and an affiliate of the interested stockholder) require a supermajority vote of holders of 80% of the total outstanding shares of capital stock of Old Line Bancshares unless a majority of the disinterested directors (as defined in the articles of incorporation) of Old Line Bancshares approve the business combination if the stockholders of Old Line Bancshares are not receiving cash or other consideration in the transaction or, with respect to all other business combination transactions, unless certain fair price and procedural provisions are satisfied. In general, the articles of incorporation define a business combination as:

- Any merger or consolidation of Old Line Bancshares or a subsidiary with an interested stockholder or an affiliate of an interested stockholder;

- Any sale, lease, license, exchange, mortgage, pledge, transfer or other disposition to or with any interested stockholder or any affiliate of any interested stockholder of any assets of Old Line Bancshares having an aggregate fair market value equal to or greater than 10% of Old Line Bancshares assets;

- The issuance or transfer by Old Line Bancshares or any subsidiary of any securities thereof to any interested stockholder or any affiliate of any interested stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value equal to or greater than 10% of Old Line Bancshares combined assets, except pursuant to an employee benefit plan of Old Line Bancshares;

- Any reclassification or recapitalization of Old Line Bancshares, any merger or consolidation of Old Line Bancshares with any of its subsidiaries, or any other transaction (whether or not with or into or otherwise involving an interested stockholder) that has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of Old Line Bancshares or any subsidiary that are directly or indirectly owned by any interested stockholder or any affiliate of any

interested stockholder; or

The adoption of a plan or proposal for the liquidation or dissolution of Old Line Bancshares proposed by or on behalf of an interested stockholder or any affiliate of any interested stockholder.

In general, the articles of incorporation define the term disinterested director as any person who is not an affiliate or associate of the interested stockholder and who was a member of the board of directors prior to the time that the interested stockholder became an interested stockholder.

Classification of the Board of Directors. Old Line Bancshares articles of incorporation and bylaws provide that it shall have not less than five nor more than 25 directors, the exact number to be fixed by the board of directors, and that the number of directors may be increased or decreased by the board of directors. Old Line Bancshares directors are divided into three classes - Class A, Class B and Class C each class consisting of an equal number of directors, or as nearly equal as possible, and each serves for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected. A classified board of directors promotes continuity and stability of management but makes it more difficult for stockholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur. Old Line Bancshares believes that classification of its board of directors will help to assure the continuity and stability of its business strategies and policies as determined by its board of directors.

Absence of Cumulative Voting. There is no cumulative voting in the election of Old Line Bancshares directors. Cumulative voting means that holders of stock of a corporation are entitled, in the election of directors, to cast a number of votes equal to the number of shares that they own multiplied by the number of directors to be elected. Because a stockholder entitled to cumulative voting may cast all of his or her votes for one nominee or disperse his or her votes among nominees as he or she chooses, cumulative voting is generally considered to increase the ability of minority stockholders to elect nominees to a corporation s board of directors.

The absence of cumulative voting means that the holders of a majority of Old Line Bancshares shares can elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors.

Removal of Directors. Old Line Bancshares articles of incorporation and bylaws provide that a director may only be removed by the affirmative vote of at least 80% of the votes entitled to be cast in the election of directors and only for cause.

Amendment of Articles of Incorporation and Bylaws. Old Line Bancshares articles of incorporation generally provide that amendments to the articles, including those that would impact anti-takeover provisions, must be approved by the holders of at least two-thirds of the shares entitled to be voted on the matter. Stockholders generally have no right to amend the bylaws.

Authorized Shares. As indicated above, Old Line Bancshares articles of incorporation authorize the issuance of 15,000,000 shares of common stock and authorize the issuance of 1,000,000 shares of preferred stock. The authorization of shares of common and preferred stock in excess of the amount issued provides the board of directors with flexibility to effect, among other transactions, financings, acquisitions, stock dividends, stock splits and stock options or other stock-based compensation. The unissued authorized shares may also be used by the board of directors consistent with its fiduciary duty to deter future attempts to gain control of Old Line Bancshares. Also, as indicated above, the board of directors right to set the terms of one or more series of preferred stock has anti-takeover effects.

Procedures For Stockholder Nominations. Old Line Bancshares bylaws provide that any stockholder desiring to make a nomination for the election of directors must submit written notice to Old Line Bancshares prior to the meeting. This advance notice requirement may give management time to solicit its own proxies in an attempt to defeat any dissident slate of nominations should management determine that doing so is in the best interests of stockholders generally.

Anti-Takeover Provisions in the MGCL

In addition to the provisions contained in Old Line Bancshares articles of incorporation and bylaws, the MGCL includes certain provisions applicable to Maryland corporations that may have an anti-takeover effect, including, but not limited to, the provisions discussed below.

Business Combinations. Under the MGCL, certain business combinations between a Maryland corporation and an Interested Stockholder (as described in the MGCL) are prohibited for five years after the most recent date on which the Interested Stockholder became an Interested Stockholder, unless an exemption is available. Thereafter a business

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combination must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least (i) 80% of the votes entitled to be cast by holders of outstanding voting shares of the corporation and (ii) two thirds of the votes entitled to be cast by holders of outstanding voting shares of the corporation other than shares held by the Interested Stockholder with whom the business combination is to be effected, unless the corporation s stockholders receive a minimum price (as described in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Stockholder for its shares.

Maryland s business combination statute does not apply to business combinations that are approved or exempted by the board of directors prior to the time that the Interested Stockholder becomes an Interested Stockholder. In addition, Maryland s business combination statute does not apply to a corporation that opts out of the business combination statute through a charter provision. Old Line Bancshares has not elected to opt out of Maryland s business combination statute through a charter provision.

Control Share Acquisitions. The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the shares entitled to be voted on the matter, excluding shares of stock owned by the acquirer or by officers or directors who are employees of the corporation. Control shares are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquirer, or in respect of which the acquirer is able to exercise or direct the exercise of voting power except solely by virtue of a revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (i) one tenth or more but less than one third; (ii) one third or more but less than a majority; or (iii) a majority of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and delivery of an acquiring person statement), may compel the corporation s board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

Unless the corporation s charter or bylaws provide otherwise, if voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement within ten days following a control share acquisition then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. Moreover, unless the charter or bylaws provides otherwise, if voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to exercise or direct the exercise of a majority or more of all voting power, other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

Maryland s control share acquisition statute does not apply to individuals or transactions that are approved or exempted (whether generally or specifically) in a charter or bylaw provision before the control share acquisition occurs. Old Line Bancshares has not approved or exempted any individuals or transactions through a charter or bylaw provision.

Effect of Anti-Takeover Provisions

The foregoing provisions of the articles of incorporation and bylaws and Maryland law could have the effect of discouraging an acquisition of Old Line Bancshares or stock purchases in furtherance of an acquisition, and could accordingly, under certain circumstances, discourage transactions that might otherwise have a favorable effect on the price of our common stock. In addition, such provisions may make Old Line Bancshares less attractive to a potential acquiror and/or might result in stockholders receiving a lesser amount of consideration for their shares of common stock than otherwise could have been available.

Old Line Bancshares board of directors believes that the provisions described above are prudent and will reduce Old Line Bancshares vulnerability to takeover attempts and certain other transactions that are not negotiated with and

approved by its board of directors. Old Line Bancshares board of directors believes that these provisions are in Old Line Bancshares best interests and the best interests of its stockholders. In the board of directors judgment, the board of directors

is in the best position to determine Old Line Bancshares true value and to negotiate more effectively for what may be in the best interests of Old Line Bancshares stockholders. Accordingly, the board of directors believes that it is in Old Line Bancshares best interests and in the best interests of Old Line Bancshares stockholders to encourage potential acquirors to negotiate directly with the board of directors and that these provisions will encourage such negotiations and discourage hostile takeover attempts.

Despite the board of directors belief as to the benefits to Old Line Bancshares of the foregoing provisions, these provisions also may have the effect of discouraging a future takeover attempt in which stockholders might receive a substantial premium for their shares over then current market prices and may tend to perpetuate existing management. As a result, stockholders who might desire to participate in such a transaction may not have an opportunity to do so. The board of directors, however, believes that the potential benefits of these provisions outweigh their possible disadvantages.

COMPARISON OF STOCKHOLDER RIGHTS

Upon completion of the merger, stockholders of Maryland Bankcorp will become stockholders of Old Line Bancshares. Accordingly, their rights as stockholders will be governed by Old Line Bancshares articles of incorporation and bylaws, as well as by the MGCL. Certain differences in the rights of stockholders arise from differences between Old Line Bancshares and Maryland Bankcorp s articles of incorporation and bylaws.

The following is a summary of material differences in the rights of Old Line Bancshares stockholders and Maryland Bankcorp stockholders. This discussion is not a complete statement of all differences affecting the rights of stockholders. We qualify this discussion in its entirety by reference to the MGCL and the respective articles of incorporation and bylaws of Old Line Bancshares and Maryland Bankcorp.

Capitalization

Maryland Bankcorp. The authorized capital stock of Maryland Bankcorp consists of:

- 10,000,000 shares of common stock, $0.01 par value per share; and
- 5,000,000 shares of preferred stock, $0.01 par value per share.

Old Line Bancshares. The authorized capital stock of Old Line Bancshares consists of:

- 15,000,000 shares of common stock, $0.01 par value per share; and
- 1,000,000 shares of preferred stock, $0.01 par value per share.

No shares of Maryland Bankcorp preferred stock or Old Line Bancshares preferred stock are outstanding.

Voting Rights Generally

Maryland Bankcorp. Maryland Bankcorp s articles of incorporation provide that holders of its common stock are entitled to one vote per share. Holders of common stock have cumulative voting rights in the election of directors.

Maryland Bankcorp s articles of incorporation do not alter the voting requirements otherwise set forth in the MGCL.

Old Line Bancshares. Old Line Bancshares articles of incorporation provide that holders of its common stock have the right to one vote for each share of common stock held. Holders of common stock do not have cumulative voting rights.

Old Line Bancshares articles of incorporation provide that any business combination involving the company, including (i) a merger or consolidation with an interested stockholder, (ii) the sale, lease, license, exchange, mortgage, pledge, transfer or other disposition of any asset exceeding 10% of the company s assets to any one or more interested stockholders, (iii) reclassifications, recapitalizations, mergers or consolidations that increase the amount of Old Line Bancshares securities owned by an interested stockholder, and (iv) the adoption of any plan of liquidation or dissolution, must be approved by the holders of at least 80% of the outstanding voting power, unless approved by a majority of the disinterested directors or the transaction complies with certain price and procedural requirements set forth in the articles of incorporation.

In addition, Old Line Bancshares articles of incorporation provide that the sale, lease or exchange of all or substantially all of its assets or a merger or consolidation of Old Line Bancshares with or into another corporation requires the approval of holders of only a majority of the shares of each class of its stock outstanding and entitled to vote if such transaction is approved by a majority of the board of directors. Without such a charter provision, the MGCL provides that the required vote for such transactions is two-thirds of each class of stock outstanding and entitled to vote.

Board of Directors

The MGCL provides that a Maryland corporation s board of directors must consist of at least one director.

Maryland Bankcorp. Maryland Bankcorp s bylaws provide that there will be no less than five and no more than 25 members of the board of directors, with the board having the power to set the number of directors within those limits. The board is not divided into classes and directors are elected annually for one-year terms. Directors are elected by a plurality of the votes cast. Maryland Bankcorp currently has five directors.

Under the bylaws, the board has the authority to fill vacancies that occur on the board, including vacancies caused by an increase in the number of directors, although the board can require that a vacancy be filled by the stockholders at a special meeting.

Pursuant to the MGCL, the stockholders of Maryland Bankcorp may remove a director, with or without cause, by majority vote, but may not remove a director without cause if the votes cast against the director s removal would be sufficient to elect the director if then cumulatively voted at an election of the entire board, unless the entire board is to be removed.

Old Line Bancshares. Old Line Bancshares articles of incorporation and bylaws provide that its board must be between five and 25 members, with the board having the power to set the number of directors within those limits. Pursuant to the bylaws, the directors are divided into three classes, as even in number as possible, with the terms of the classes scheduled to expire in successive years. At each annual meeting, Old Line Bancshares stockholders elect the members of a single class of directors who are elected to three-year terms. Directors are elected by a plurality of the votes cast. Old Line Bancshares currently has 14 directors.

Under Old Line Bancshares articles of incorporation, its board of directors has the authority to fill vacancies that occur on the board, including vacancies caused by an increase in the number of directors, subject to the rights of holders of any preferred stock then outstanding. Pursuant to Old Line Bancshares articles of incorporation, directors may be removed only for cause and only by the affirmative vote of holders of at least 80% of the outstanding shares entitled to vote in the election of directors, and only after reasonable notice and opportunity for the director to be heard before the body proposing to remove the director.

Nominations of Directors

Maryland Bankcorp. Maryland Bankcorp s articles of incorporation and bylaws do not address the nomination of directors. As a result, under state law stockholders of Maryland Bankcorp may make nominations for directors from the floor at any annual meeting of stockholders or at a special meeting of stockholders called for the purpose of electing directors.

Old Line Bancshares. Old Line Bancshares bylaws provide that the board of directors or any stockholder entitled to vote for the election of directors may make nominations for the election of directors.

Other than the existing board of directors, stockholders of Old Line Bancshares must make their nominations for director in writing to the attention of the secretary of Old Line Bancshares. Nominations must be submitted not less than 14 nor more than 50 days before the annual meeting of stockholders. Nominations must contain certain information regarding the identity and background of the proposed nominee. Rules recently adopted by the SEC will allow certain stockholders to nominate directors of Old Line Bancshares using the company s proxy materials beginning November 15, 2013.

Amendments to the Articles of Incorporation

Maryland Bankcorp. Pursuant to the MGCL, amendments to Maryland Bankcorp s articles of incorporation require the approval of its board of directors and holders of two-thirds of all the shares entitled to vote on such amendment.

Old Line Bancshares. Old Line Bancshares articles of incorporation generally may be amended by affirmative vote of the holders of at least 80% of the total voting power of the company entitled to vote in the election of directors generally.

Amendments to Bylaws

Maryland Bankcorp. Only its board of directors has the power to amend Maryland Bankcorp s bylaws. Stockholders do not have the right to amend the bylaws.

Old Line Bancshares. In general, Old Line Bancshares board of directors has the power to amend its bylaws. Stockholders generally do not have the right to amend the bylaws.

Limited Liability

Maryland Bankcorp. Maryland Bankcorp s articles of incorporation provide that to the maximum extent allowed by Maryland law, its officers and directors are not liable to Maryland Bankcorp or its stockholders for money damages. Under Maryland law, a Maryland corporation may not include any provision in its articles of incorporation that restricts or limits the liability of its directors or officers to the corporation or its stockholders:

To the extent that it is proved that the person actually received an improper benefit or profit in money, property or services for the amount of the benefit or profit in money, property or services actually received; or

To the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person s action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Old Line Bancshares. Old Line Bancshares articles of incorporation provide that its officers and directors are not personally liable to Old Line Bancshares or its stockholders for monetary damages for breach of their fiduciary duties, provided that such provision does not eliminate or limit personal liability of an officer or director:

To the extent that it is proved that the person actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received;

To the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person s action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding; or

In an administrative proceeding or action instituted by an appropriate bank regulatory agency which proceeding or action results in a final order requiring affirmative action by an individual or individuals in the form of payments to the company.

Indemnification

Maryland Bankcorp. Maryland Bankcorp s articles of incorporation and bylaws provide that, to the fullest extent under the MGCL, it will indemnify its past, present and future directors and officers for all judgments, fines, penalties, settlements and costs and expenses actually and reasonably incurred by such persons in connection with any threatened, pending or completed action, suit or proceeding against such person, whether civil, criminal, administrative or investigative, in which such officer or director is a party or threatened to be made a party, by reason of his having been an officer or director of the company or, at the company s request, any other entity to the extent not otherwise entitled to indemnification.

The MGCL provides that a Maryland corporation may not indemnify a director if it is established that:

The act or omission of the director was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;

The director actually received an improper benefit in money, property or services;

In the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful; or

In the case of a proceeding by or in the right of the company, the director is adjudged to be liable to the company, unless the court in which the suit was brought determines that indemnification is nevertheless proper, in which case indemnification is limited to expenses.

Maryland Bankcorp s bylaws provide that the board of directors, on behalf of the company, may grant indemnification to any officer, employee, agent or other individual in its sole discretion and in accordance with the MGCL. The bylaws provide for the advancement of expenses in connection with defending any proceeding for which any person is entitled to indemnification, provided they undertake to reimburse such amounts if it is determined by a court that such person is not entitled to such advancement.

Old Line Bancshares. Old Line Bancshares articles of incorporation provide that, to the fullest extent under the MGCL, it will indemnify its past, present and future directors and officers against all expenses, liability and losses reasonably incurred or suffered by such person in connection with any threatened or pending action, suit or proceeding, whether civil, criminal, administrative or investigative, in which such officer or director is a party or threatened to be made a party, by reason of his having been an officer or director of the company or, at the company s request, any other entity, provided, however, that the company will indemnify any such person in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors, except for a proceeding to enforce such person s right to indemnification or advancement of expenses.

Its articles of incorporation provide that Old Line Bancshares cannot indemnify any officer, director or employee against expenses, penalties or other payments incurred in an administrative proceeding or action instituted by an appropriate bank regulatory agency which proceeding or action results in a final order assessing civil monetary penalties or requiring affirmative action by an individual or individuals in the form of payments to the company.

The articles of incorporation also provide for the right to advancement of expenses in connection with the indemnification rights set forth above, provided such officer or director undertakes to reimburse such amounts if it is determined by a court that such person is not entitled to indemnification and advancement of expenses.

Special Stockholders Meetings

Maryland Bankcorp. Special meetings of Maryland Bankcorp s stockholders may be called at any time by its board of directors or its president, and must be called by its president upon the written request of stockholders of at least 33% of all outstanding shares of Maryland Bankcorp stock that are entitled to vote.

Old Line Bancshares. Special meetings of Old Line Bancshares stockholders may be called at any time by its board of directors, the Chairman of the board of directors or by stockholders owning, in the aggregate, not less than 20% of the stock of the company, and must be called by the secretary of the company upon the written application of one or more stockholders who are entitled to vote and hold at least one-fifth in interest of the capital stock entitled to vote at such meeting.

Preemptive Rights

Maryland Bankcorp. Maryland Bankcorp s articles of incorporation provide that, with certain exceptions for stock issued for compensation or pursuant to warrants issued to the U.S. Treasury, holders of common stock have the right to subscribe for additional shares of common stock or interests convertible thereto in proportion to their current percentage of common stock or interests convertible thereto held by the stockholder in any issuance of additional shares of common stock or interests convertible thereto by Maryland Bankcorp. These are commonly known as preemptive rights.

Old Line Bancshares. Stockholders of Old Line Bancshares do not have preemptive rights.

Dissenters Rights

Maryland Bankcorp. The dissenters rights of Maryland Bankcorp stockholders are governed by the MGCL, which, as described in more detail under The Merger Agreement and the Merger Dissenters Rights, provides that stockholders are generally entitled to dissent from, and demand payment of the fair value of their shares in connection with, a merger,

consolidation, share exchange, asset transfer, business combinations or charter amendment that substantially adversely alters the stockholder s rights.

Old Line Bancshares. Because Old Line Bancshares common stock is listed on the NASDAQ Stock Market, Old Line Bancshares stockholders generally do not have dissenters rights in connection with extraordinary transactions or otherwise. There are some exceptions, however, such as for a merger, consolidation or share exchange in which the holders would receive something besides stock, depositary receipts, cash in lieu of fractional shares or any combination thereof, or if the company s directors and executive officers owned 5% or more of the company s outstanding voting stock any time in the past year.

EXPERTS

The consolidated financial statements of Old Line Bancshares, as of December 31, 2009, 2008 and 2007, and for each of the years then ended, appearing elsewhere in this joint proxy statement/prospectus, have been included herein and in the registration statement in reliance upon the report of Rowles & Company LLP, independent registered public accounting firm, which is included herein upon authority of Rowles & Company LLP as experts in accounting and auditing.

The consolidated financial statements of Maryland Bankcorp, as of December 31, 2009 and 2008, and for each of the years then ended, appearing elsewhere in this joint proxy statement/prospectus, have been included herein and in the registration statement in reliance upon the report of Reznick Group PC, independent registered public accounting firm, which is included herein upon authority of Reznick Group PC as experts in accounting and auditing.

LEGAL MATTERS

The validity of the Old Line Bancshares common stock to be issued in the merger and certain other legal matters relating to the merger are being passed upon for Old Line Bancshares by the law firm of Ober, Kaler, Grimes & Shriver, P.C., Baltimore, Maryland.

Certain legal matters relating to the merger are being passed upon by the law firm of Nelson Mullins Riley & Scarborough LLP, Washington, D.C., as special counsel to Maryland Bankcorp.

Ober, Kaler, Grimes & Shriver, P.C. and Nelson Mullins Riley & Scarborough LLP will deliver opinions to Old Line Bancshares and Maryland Bankcorp, respectively, as to certain federal income tax consequences of the merger.

INFORMATION ABOUT OLD LINE BANCSHARES, INC. AND OLD LINE BANK

In this section references to we and our refer to Old Line Bancshares, Inc. and its subsidiaries collectively, unless the context requires otherwise.

BUSINESS OF OLD LINE BANCSHARES, INC.

Old Line Bancshares was incorporated under the laws of the State of Maryland on April 11, 2003 to serve as the holding company of Old Line Bank. The primary business of Old Line Bancshares is to own all of the capital stock of Old Line Bank.

On May 22, 2003, the stockholders of Old Line Bank approved the reorganization of Old Line Bank into a holding company structure. The reorganization became effective on September 15, 2003. In connection with the reorganization, (i) Old Line Bank became our wholly-owned subsidiary and (ii) each outstanding share (or fraction thereof) of Old Line Bank common stock was converted into one share (or fraction thereof) of Old Line Bancshares common stock, and the former holders of Old Line Bank common stock became the holders of all our outstanding shares.

Our primary business is to own all of the capital stock of Old Line Bank. We also have an approximately $1.0 million investment in Pointer Ridge Office Investment, LLC, a Maryland limited liability company that owns the building in which Old Line Bancshares leases and operates its main headquarters as well as a branch of Old Line Bank. We own 62.50% of Pointer Ridge.

BUSINESS OF OLD LINE BANK

General

Old Line Bank is a trust company chartered under Subtitle 2 of Title 3 of the Financial Institutions Article of the Annotated Code of Maryland. Old Line Bank was originally chartered in 1989 as a national bank under the title Old Line National Bank. In June 2002, Old Line Bank converted to a Maryland-chartered trust company exercising the powers of a commercial bank, and received a Certificate of Authority to do business from the Maryland Commissioner.

Old Line Bank converted from a national bank to a Maryland-chartered trust company to reduce certain federal, supervisory and application fees that were then applicable to Old Line National Bank and to have a local primary regulator. Prior to the conversion, Old Line Bank s primary regulator was the OCC. Currently, Old Line Bank s primary regulator is the Maryland Commissioner.

Old Line Bank does not exercise trust powers and its regulatory structure is the same as a Maryland chartered commercial bank. Old Line Bank is a member of the Federal Reserve System and the FDIC insures its deposits.

We are headquartered in Bowie, Maryland, approximately ten miles east of Andrews Air Force Base and 20 miles east of Washington, D.C. We engage in a general commercial banking business, making various types of loans and accepting deposits. We market our financial services to small to medium sized businesses, entrepreneurs, professionals, consumers and high net worth clients. Our current primary market area is the suburban Maryland (Washington, D.C. suburbs) counties of Prince George s, Charles, Anne Arundel and northern St. Mary s. We also target customers throughout the greater Washington, D.C. metropolitan area. Our branch offices generally operate six days per week from 8:00 a.m. until 7:00 p.m. on weekdays and from 8:00 a.m. until noon on Saturday. None of our branch offices are open on Sunday.

Our principal source of revenue is interest income and fees generated by lending and investing funds on deposit. We typically balance the loan and investment portfolio towards loans. Generally speaking, loans earn more attractive returns than investments and are a key source of product cross sales and customer referrals. Our loan and investment strategies balance the need to maintain adequate liquidity via excess cash or federal funds sold with opportunities to leverage our capital appropriately.

We have based our strategic plan on the premise of enhancing stockholder value and growth through branching and operating profits. Our short-term goals include maintaining credit quality, creating an attractive branch network, expanding fee income, generating extensions of core banking services and using technology to maximize stockholder value.

Recent Business Developments

Branch Expansion Developments

In 2009, we substantially completed our branch expansion efforts with the opening of two new branch locations. On July 1, 2009, we opened a branch at 1641 State Route 3 North, Crofton, Maryland in Anne Arundel County. We had initially executed a lease and applied to regulatory authorities to open this branch in 2004, but its construction was delayed due to engineering and permit delays. During July and August 2009, we hired the staff for this location.

In October 2009, we opened an additional branch in the Fairwood Office Park located at 12100 Annapolis Road, Suite 1, Glen Dale, Maryland. We hired the staff for this location during the third quarter of 2009.

In the fourth quarter of 2009, we moved our Greenbelt (Prince George s County) Maryland branch that was opened in June 2007 on the 1st floor of an office building to a free standing building at the southwest corner of the intersection of Kenilworth Avenue and Ivy Lane, Greenbelt, Maryland. In April 2007, we hired the Branch Manager for this location and hired the remainder of the staff in May and September of 2007.

Expansion of Commercial, Construction and Commercial Real Estate Lending

In December 2009, we added a team of four experienced, highly skilled loan officers to our staff. These officers have a combined 50 years of commercial banking experience and were employed by a large regional bank with offices in the suburban Maryland market prior to joining us. These individuals have worked in our market area for many years, have worked together as a team for several years and have a history of successfully generating a high volume of commercial, construction and commercial real estate loans. This team operates from our Greenbelt, Maryland branch location.

The addition of these individuals and our new branches caused an increase in non-interest expenses during the first nine months of 2010 and we expect will cause an increase for the full year 2010. As a result of the addition of these individuals and branches, however, the bank experienced an increased level of loan and deposit growth during 2010 that we expect will continue for the foreseeable future, which has provided and will provide increased interest income that exceeds their non-interest expenses.

Sale and Repurchase of Preferred Stock to the U.S. Treasury

On December 5, 2008, we issued $7 million of our Series A Preferred Stock and warrants to purchase 141,892 shares of our common stock at $7.40 per share to the U.S. Treasury pursuant to the Capital Purchase Program under the Troubled Asset Relief Program implemented pursuant to the Emergency Economic Stabilization Act of 2008.

On July 15, 2009, we paid the U.S. Treasury $7,058,333 to repurchase the preferred stock outlined above. The amount paid included the liquidation value of the preferred stock and $58,333 of accrued but unpaid dividends. We have also repurchased at a fair market value of $225,000 the warrant to purchase 141,892 shares of our common stock that was issued to the U.S. Treasury in conjunction with the issuance of the preferred stock.

Location and Market Area

We consider our current primary market area to consist of the suburban Maryland (Washington, D.C. suburbs) counties of Prince George s, Anne Arundel, Charles and northern St. Mary s. The economy in our current primary market area has focused on real estate development, high technology, retail and the government sector.

Our headquarters and a branch are located at 1525 Pointer Ridge Place, Bowie, Prince George s County, Maryland. A critical component of our strategic plan and future growth is Prince George s County. Prince George s County wraps around the eastern boundary of Washington, D.C. and offers urban, suburban and rural settings for employers and residents. There are several national and international airports less than an hour away, as is Baltimore. We currently have six branch locations in Prince George s County.

Two of our branch offices are located in Waldorf, Maryland in Charles County. Just 15 miles south of the Washington Capital Beltway, Charles County is the gateway to Southern Maryland. The northern part of Charles County is the development district where the commercial, residential and business growth is focused. Waldorf, White Plains and the planned community of St. Charles are located here.

Two of our branch offices are located in Anne Arundel County, one in Annapolis that we opened in September 2008 and our new branch that we opened in Crofton in July 2009. Anne Arundel County borders the Chesapeake Bay and is situated in the high-tech corridor between Baltimore and Washington, D.C. With over 534 miles of shoreline, it provides waterfront living to many residential communities. Annapolis, the State Capital and home to the United States Naval Academy, and Baltimore/Washington International Thurgood Marshal Airport (BWI) are located in Anne Arundel County. Anne Arundel County has one of the strongest economies in the State of Maryland and its unemployment rate is consistently below the national average.

Lending Activities

General. Our primary market focus is on making loans to small and medium size businesses, entrepreneurs, professionals, consumers and high net worth clients in our primary market area. Our lending activities consist generally of short to medium term commercial business loans, commercial real estate loans, real estate construction loans, home equity loans and consumer installment loans, both secured and unsecured. As a niche-lending product, we have provided luxury boat financing to individuals, who generally tend to be high net worth individuals. These boats are generally Coast Guard documented and have a homeport of record in the Chesapeake Bay or its tributaries.

Credit Policies and Administration. We have adopted a comprehensive lending policy, which includes stringent underwriting standards for all types of loans. Our lending staff follows pricing guidelines established periodically by our management team. In an effort to manage risk, prior to funding, the loan committee consisting of the President, Chief Credit Officer, Chief Lending Officer and six members of the board of directors must approve by a majority vote all credit decisions in excess of a lending officer s lending authority. Management believes that it employs experienced lending officers, secures appropriate collateral and carefully monitors the financial condition of its borrowers and the concentrations of loans in the portfolio.

In addition to the normal repayment risks, all loans in the portfolio are subject to the state of the economy and the related effects on the borrower and/or the real estate market. With the exception of loans provided to finance luxury boats, generally longer-term loans have periodic interest rate adjustments and/or call provisions. Senior management monitors the loan portfolio closely to ensure that we minimize past due loans and that we swiftly deal with potential problem loans.

In addition to the internal business processes employed in the credit administration area, Old Line Bank retains an outside, independent credit review firm to review the loan portfolio. This firm performs a detailed annual review and an interim update at least once a year. We use the results of the firm s report to validate our internal loan ratings and we review their commentary on specific loans and on our loan administration activities in order to improve our operations.

Commercial Business Lending. Our commercial business lending consists of lines of credit, revolving credit facilities, accounts receivable financing, term loans, equipment loans, SBA loans, stand-by letters of credit and unsecured loans. We originate commercial loans for any business purpose including the financing of leasehold improvements and equipment, the carrying of accounts receivable, general working capital, contract administration and acquisition activities. We have a diverse client base and we do not have a concentration of these types of loans in any specific industry segment. We generally secure commercial business loans with accounts receivable, equipment, deeds of trust and other collateral such as marketable securities, cash value of life insurance, and time deposits at Old Line Bank.

Commercial business loans have a higher degree of risk than residential mortgage loans because the availability of funds for repayment generally depends on the success of the business. They may also involve higher average balances, increased difficulty monitoring and a higher risk of default since their repayment generally depends on the successful operation of the borrower s business. To help manage this risk, we typically limit these loans to proven businesses and we generally obtain appropriate collateral and personal guarantees from the borrower s principal owners and monitor the financial condition of the business. For loans in excess of $250,000, monitoring usually includes a review of the borrower s annual tax returns and updated financial statements.

Commercial Real Estate Lending. We finance commercial real estate for our clients, usually for owner-occupied properties. We generally will finance owner-occupied commercial real estate at a maximum loan-to-value of 80%. Our underwriting policies and processes focus on the clients ability to repay the loan as well as an assessment of the

underlying real estate. We originate commercial real estate loans on a fixed rate or adjustable rate basis. Usually, these rates adjust during a three, five or seven year time period based on the then current treasury or prime rate index. Repayment terms include amortization schedules from three years to a maximum of 25 years with principal and interest payments due monthly and with all remaining principal due at maturity.

Commercial real estate lending entails significant additional risks as compared with residential mortgage lending. Risks inherent in managing a commercial real estate portfolio relate to sudden or gradual drops in property values as well as changes in the economic climate that may detrimentally impact the borrower s ability to repay. We attempt to mitigate these risks by carefully underwriting these loans. Our underwriting generally includes an analysis of the borrower s capacity to repay, the current collateral value, a cash flow analysis and review of the character of the borrower and current and prospective conditions in the market. We generally limit loans in this category to 75% to 80% of the value of the property and require personal and/or corporate guarantees. For loans of this type in excess of $250,000, we monitor the financial condition and operating performance of the borrower through a review of annual tax returns and updated financial statements. In addition, we will meet with the borrower and/or perform site visits as required.

Real Estate Construction Lending. This segment of our loan portfolio consists of funds advanced for construction of single family residences, multi-family housing and commercial buildings. These loans have short durations, meaning maturities typically of nine months or less. Residential houses, multi-family dwellings and commercial buildings under construction and the underlying land for which the loan was obtained secure the construction loans. All of these loans are concentrated in our primary market area.

Construction lending entails significant risks compared with residential mortgage lending. These risks involve larger loan balances concentrated with single borrowers with funds advanced upon the security of the land or the project under construction. The value of the project is estimated prior to the completion of construction. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and related loan to value ratios. To mitigate these risks, we generally limit loan amounts to 80% of appraised values and obtain first lien positions on the property. We generally only offer real estate construction financing to experienced builders and commercial entities or individuals who have demonstrated the ability to obtain a permanent loan take out. We also perform a complete analysis of the borrower and the project under construction. This analysis includes a review of the cost to construct, the borrower s ability to obtain a permanent loan take out, the cash flow available to support the debt payments and construction costs in excess of loan proceeds, and the value of the collateral. During construction, we advance funds on these loans on a percentage of completion basis. We inspect each project as needed prior to advancing funds during the term of the construction loan.

Residential Real Estate Lending. We offer a variety of consumer-oriented residential real estate loans. The bulk of our portfolio is made up of home equity loans to individuals with a loan to value not exceeding 85%. We also offer fixed rate home improvement loans. Our home equity and home improvement loan portfolio gives us a diverse client base. Although most of these loans are in our primary market area, the diversity of the individual loans in the portfolio reduces our potential risk. Usually, we secure our home equity loans and lines of credit with a security interest in the borrower s primary or secondary residence. Our initial underwriting includes an analysis of the borrower s debt/income ratio which generally may not exceed 40%, collateral value, length of employment and prior credit history. We do not have any sub-prime residential real estate loans.

Consumer Installment Lending

Luxury Boat Loans. We offer various types of secured and unsecured consumer loans. Prior to 2008, a primary aspect of our consumer lending was financing for luxury boat purchases. Although we continue to maintain a portfolio comprised of these loans ($11.8 million or 89.42% of the consumer loans, excluding consumer real estate, and 3.96% of gross loans at September 30, 2010) and would consider making such loans in the future if borrowers were to apply for them, we have not originated any substantive new marine loans since the third quarter of 2007. Our average loan in the luxury boat loan category is approximately $150,000, with a 15 year term and a fixed interest rate. Historically, our internal analysis and industry statistics indicated that the average life of these loans was approximately 42 months as the purchaser either traded or sold the vessel. We believe that the current economic turmoil has extended the average life of these loans as borrowers are not trading their boats for new ones or able to sell the boat (and pay off the related loan) when they desire to do so. These loans entail greater risks than residential mortgage lending because the boats that secure these loans are depreciable assets. Further, payment on these loans depends on the borrower s continuing financial stability. Job loss, divorce, illness or personal bankruptcy may adversely impact the borrower s ability to pay. To mitigate these risks, we have more stringent underwriting standards for these loans than for other

installment loans. As a general guideline, the individuals debt service should not exceed 36% of their gross income, they must own their home, have stability of employment and residency, verifiable liquidity, satisfactory prior credit repayment history and the loan to value ratio may not exceed 85%. To ascertain value, we generally receive a survey of the boat from a qualified surveyor and/or a current purchase agreement and compare the determined value to published industry values. The majority of these boats are United States Coast Guard documented vessels and we obtain a lien on the vessel with a first preferred ship mortgage, where applicable, or a security interest on the title. As a result of these stringent guidelines, this segment of our portfolio has experienced minimal delinquency. Since

inception of the portfolio in 1997, only five accounts have experienced 30-day delinquency with total losses in the portfolio of $98,000 from three accounts. The most recent loss occurred during the third quarter of 2009 when we repossessed a boat. At the time of repossession, this boat secured a loan of approximately $100,000. At repossession, we charged $50,000 to the allowance for loan losses for anticipated losses that we expected to incur on this transaction and we included $50,000 in other assets for the repossessed value of the boat. We sold this boat during the second quarter of 2010 with no additional substantive losses.

Personal and Household Loans. We also make consumer loans for personal, family or household purposes as a convenience to our customer base. However, these loans are not a focus of our lending activities. As a general guideline, a consumer s total debt service should not exceed 40% of their gross income. The underwriting standards for consumer loans include a determination of the applicant s payment history on other debts and an assessment of his or her ability to meet existing obligations and payments on the proposed loan.

Consumer loans may present greater credit risk than residential mortgage loans because many consumer loans are unsecured or rapidly depreciating assets secure these loans. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage, loss or depreciation. Consumer loan collections depend on the borrower s continuing financial stability. If a borrower suffers personal financial difficulties, the loan may not be repaid. Also, various federal and state laws, including bankruptcy and insolvency laws, may limit the amount we can recover on such loans. However, in our opinion, many of these risks do not apply to the luxury boat loan portfolio due to the credit quality and liquidity of the borrowers.

Lending Limit. As of September 30, 2010, our legal lending limit for loans to one borrower was approximately $5.8 million. As part of our risk management strategy, we may attempt to participate a portion of larger loans to other financial institutions. This strategy allows Old Line Bank to maintain customer relationships yet reduce credit exposure. However, this strategy may not always be available.

Investments and Funding

We balance our liquidity needs based on loan and deposit growth via the investment portfolio, purchased funds, and short term borrowings. It is our goal to provide adequate liquidity to support our loan growth. In the event we have excess liquidity, we use investments to generate positive earnings. In the event deposit growth does not fully support our loan growth, we can use a combination of investment sales, federal funds, other purchased funds and short term borrowings to augment our funding position.

We actively monitor our investment portfolio and we classify the majority of the portfolio as available for sale. In general, under such a classification, we may sell investment instruments as management deems appropriate. On a monthly basis, we mark to market the investment portfolio through an adjustment to stockholders equity net of taxes. Additionally, we use the investment portfolio to balance our asset and liability position. We invest in fixed rate or floating rate instruments as necessary to reduce our interest rate risk exposure.

Other Banking Products

We offer our customers safe deposit boxes, wire transfer services, debit cards, automated teller machines at all of our branch locations and credit cards through a third party processor. Additionally, we provide Internet banking capabilities to our customers. With our Internet banking service, our customers may view their accounts on-line and electronically remit bill payments. Our commercial account services include direct deposit of payroll for our commercial clients employees, an overnight sweep service and remote deposit capture service.

Deposit Activities

Deposits are the major source of our funding. We offer a broad array of deposit products that include demand, NOW, money market and savings accounts as well as certificates of deposit. We believe that we pay competitive rates on our interest bearing deposits. As a relationship oriented organization, we generally seek to obtain deposit relationships with our loan clients.

As our overall balance sheet position dictates, we may become more or less competitive in our interest rate structure. Prior to 2006, we did not use brokered deposits. In the first quarter of 2006, we did begin using brokered certificates of deposit through the Promontory Interfinancial Network. Through this deposit matching network and its certificate of deposit

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account registry service (CDARS), we obtained the ability to offer our customers access to FDIC-insured deposit products in aggregate amounts exceeding current insurance limits. When we place funds through CDARS on behalf of a customer, we receive matching deposits through the network. During 2007, 2008 and 2009, we also purchased brokered certificates of deposit from other sources.

Competition

The banking business is highly competitive. We compete with other commercial banks, savings associations, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market mutual funds and other financial institutions operating in our primary market area and elsewhere.

We believe that we have effectively leveraged our talents, contacts and location to achieve a strong financial position. However, our primary market area is highly competitive and heavily branched. Competition in our primary market area for loans to small and medium sized businesses, entrepreneurs, professionals and high net worth clients is intense, and pricing is important. Most of our competitors have substantially greater resources and lending limits than we do and offer extensive and established branch networks and other services that we do not offer. Moreover, larger institutions operating in our primary market area have access to borrowed funds at a lower rate than is available to us. Deposit competition also is strong among institutions in our primary market area. As a result, it is possible that to remain competitive we may need to pay above market rates for deposits.

Employees

As of September 30, 2010, Old Line Bank had 70 full time and 11 part time employees. No collective bargaining unit represents any of our employees and we believe that relations with our employees are good. Old Line Bancshares has no employees.

Supervision and Regulation

Old Line Bancshares and Old Line Bank are subject to extensive regulation under state and federal banking laws and regulations. These laws impose specific requirements and restrictions on virtually all aspects of operations and generally are intended to protect depositors, not stockholders. The following discussion is only a summary and readers should refer to particular statutory and regulatory provisions for more detailed information. In addition, management cannot predict the nature or the extent of the effect on business and earnings that new federal or state legislation may have in the future.

Old Line Bancshares

Old Line Bancshares is a Maryland corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. We are subject to regulation and examination by the Federal Reserve Board, and are required to file periodic reports and any additional information that the Federal Reserve Board may require. The Bank Holding Company Act generally prohibits a bank holding company from engaging in activities other than banking, managing or controlling banks or other permissible subsidiaries and acquiring or retaining direct or indirect control of any company engaged in any activities closely related to banking or managing or controlling banks.

The Federal Reserve Board must approve, among other things, the acquisition by a bank holding company of control of more than 5% of the voting shares, or substantially all the assets, of any bank, or the merger or consolidation by a bank holding company with another bank holding company. Subject to certain time and deposit base requirements, we can acquire a bank located in Maryland or any other state, and a bank holding company located outside of Maryland can acquire any Maryland-based bank holding company or bank.

Subsidiary banks of a bank holding company are subject to certain restrictions imposed by statute on any extensions of credit to the bank holding company or any of its subsidiaries, or investments in their stock or other securities, and on taking such stock or securities as collateral for loans to any borrower. Further, a bank holding company and any of its subsidiary banks are prohibited from engaging in certain tie-in arrangements in connection with the extension of credit. In 1997, the Federal Reserve Board adopted amendments to its Regulation Y, creating exceptions to the Bank Holding Company Act s anti-tying prohibitions that give bank subsidiaries of holding companies greater flexibility in packaging products and services with their affiliates.

In accordance with Federal Reserve Board policy, Old Line Bancshares is expected to act as a source of financial strength to Old Line Bank and to commit resources to support Old Line Bank in circumstances in which Old Line Bancshares might not otherwise do so. The Federal Reserve Board may require a bank holding company to terminate any activity or relinquish control of a non-bank subsidiary (other than a non-bank subsidiary of a bank) upon the Federal Reserve s determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank holding company. Further, federal bank regulatory authorities have additional discretion to require a bank holding company to divest itself of any bank or non-bank subsidiary if the agency determines that divestiture may aid the depository institution s financial condition.

The Federal Reserve Board imposes risk-based capital measures on bank holding companies in order to insure their capital adequacy.

Old Line Bancshares, as a bank holding company, is subject to dividend regulations of the Federal Reserve System. In general, a small bank holding company that has a debt to equity ratio greater than 1:1 is not expected to pay corporate dividends until such time as its debt to equity ratio declines to 1:1 or less and its bank subsidiary is otherwise well managed, well capitalized and not under any supervisory order. Old Line Bancshares is a small bank holding company, and does not have a debt to equity ratio that is greater than 1:1.

Under Maryland law, an existing bank holding company that desires to acquire a Maryland state-chartered bank or trust company, a federally-chartered bank with its main office in Maryland, or a bank holding company that has its principal place of business in Maryland, must file an application with the Maryland Commissioner. In approving the application, the Maryland Commissioner must consider whether the acquisition may be detrimental to the safety and soundness of the entity being acquired or whether the acquisition may result in an undue concentration of resources or a substantial reduction in competition in Maryland. The Maryland Commissioner may not approve an acquisition if, on consummation of the transaction, the acquiring company, together with all its insured depository institution affiliates, would control 30% or more of the total amount of deposits of insured depository institutions in Maryland. The Maryland Commissioner has authority to adopt by regulation a procedure to waive this requirement for good cause. In a transaction for which approval of the Maryland Commissioner is not required due to an exemption under Maryland law, or for which federal law authorizes the transaction without application to the Maryland Commissioner, the parties to the acquisition must provide written notice to the Maryland Commissioner at least 15 days before the effective date of the transaction.

The status of Old Line Bancshares as a registered bank holding company under the Bank Holding Company Act does not exempt it from certain federal and state laws and regulations applicable to Maryland corporations generally, including, without limitation, certain provisions of the federal securities laws.

Old Line Bank

Old Line Bank is a Maryland chartered trust company (with all powers of a commercial bank), is a member of the Federal Reserve System (a state member bank) and the Deposit Insurance Fund of the FDIC (DIF) insures its deposit accounts up to the maximum legal limits of the FDIC. It is subject to regulation, supervision and regular examination by the Maryland Commissioner and the Federal Reserve Board. The regulations of these various agencies govern most aspects of Old Line Bank s business, including required reserves against deposits, loans, investments, mergers and acquisitions, borrowing, dividends and location and number of branch offices. The laws and regulations governing Old Line Bank generally have been promulgated to protect depositors and the deposit insurance funds, and not for the purpose of protecting its stockholders.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) transferred responsibility for the implementation of financial consumer protection laws to a new independent agency in the Federal Reserve Board. The new agency, the Consumer Financial Protection Bureau, will issue rules and regulations governing consumer financial protection. However, depository institutions of less than $10 billion in assets, such as Old Line Bank, will continue to be examined for compliance with consumer protection laws by the prudential regulators which will also have enforcement authority.

The following references to the laws and regulations which regulate Old Line Bank are brief summaries thereof, do not purport to be complete, and are qualified in their entirety by reference to such laws and regulations.

Capital Adequacy Guidelines

The Federal Reserve Board and the FDIC have adopted risk based capital adequacy guidelines pursuant to which they assess the adequacy of capital in examining and supervising banks and in analyzing bank regulatory applications. The Dodd-Frank Act requires the Federal Reserve Board to issue consolidated regulatory capital requirements for holding companies that are at least as stringent as those applicable to the bank. However, the Dodd-Frank Act appears to allow the Federal Reserve Board to continue to exempt bank holding companies of less than $500 million in consolidated assets from the holding company capital requirements. Risk-based capital requirements determine the adequacy of capital based on the risk inherent in various classes of assets and off-balance sheet items.

State member banks are expected to meet a minimum ratio of total qualifying capital (the sum of core capital (Tier 1) and supplementary capital (Tier 2)) to risk weighted assets of 8%. At least half of this amount (4%) should be in the form of Tier 1 Capital. In general, this requirement is similar to the capital that a bank must have in order to be considered adequately capitalized under the prompt corrective action regulations. See Prompt Corrective Action. Old Line Bank currently complies with this minimum requirement.

Tier 1 Capital generally consists of the sum of common stockholders equity and perpetual preferred stock (subject in the case of the latter to limitations on the kind and amount of such stock which may be included as Tier 1 Capital), less goodwill, without adjustment for changes in the market value of securities classified as available for sale. Tier 2 Capital consists of the following: hybrid capital instruments; perpetual preferred stock which is not otherwise eligible to be included as Tier 1 Capital; term subordinated debt and intermediate-term preferred stock; and, subject to limitations, general allowances for loan losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics, with the categories ranging from 0% (requiring no risk-based capital) for assets such as cash, to 100% for the bulk of assets which are typically held by a commercial bank, including certain multi-family residential and commercial real estate loans, commercial business loans and consumer loans.

Residential first mortgage loans on one to four family residential real estate and certain seasoned multi-family residential real estate loans, which are not 90 days or more past-due or non-performing and which have been made in accordance with prudent underwriting standards are assigned a 50% level in the risk-weighing system, as are certain privately-issued mortgage-backed securities representing indirect ownership of such loans. Off-balance sheet items also are adjusted to take into account certain risk characteristics.

In addition to the risk-based capital requirements, the Federal Reserve Board has established a minimum 3.0% Leverage Capital Ratio (Tier 1 Capital to total adjusted assets) requirement for the most highly-rated banks, with an additional cushion of at least 100 to 200 basis points for all other banks, which effectively increases the minimum Leverage Capital Ratio for such other banks to 4.0% 5.0% or more. The highest-rated banks are those that are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and, in general, those which are considered a strong banking organization. A bank having less than the minimum Leverage Capital Ratio requirement must, within 60 days of the date as of which it fails to comply with such requirement, submit a reasonable plan describing the means and timing by which the bank will achieve its minimum Leverage Capital Ratio requirement. A bank that fails to file such a plan is deemed to be operating in an unsafe and unsound manner, and could be subject to a cease-and-desist order. Any insured depository institution with a Leverage Capital Ratio that is less than 2.0% is deemed to be operating in an unsafe or unsound condition pursuant to Section 8(a) of the Federal Deposit Insurance Act (the FDIA) and is subject to potential termination of deposit insurance. However, such an institution will not be subject to an enforcement proceeding solely on account of its capital ratios if it has entered into and is in compliance with a written agreement to increase its Leverage Capital Ratio and to take such other action as may be necessary for the institution to be operated in a safe and sound manner. The capital regulations also provide, among other things, for the issuance of a capital directive, which is a final order issued to a bank that fails to maintain minimum capital or to restore its capital to the minimum capital requirement within a specified time period.

On September 3, 2009, the U. S. Treasury issued a policy statement (the Treasury Policy Statement) entitled Principles for Reforming the U.S. and International Regulatory Capital Framework for Banking Firms. The U.S. Treasury developed this statement in consultation with the U.S. bank regulatory agencies and contemplates changes to

the existing regulatory capital regime that would involve substantial revisions to the regulatory capital and liquidity regime for regulated banking organizations and other systemically important institutions. The Treasury Policy Statement calls for, among other things, higher and stronger capital requirements for all banking firms. The Treasury Policy Statement suggested that changes to the regulatory capital framework be phased in over a period of several years. The recommended schedule provides for a comprehensive international agreement by December 31, 2010, with the implementation of reforms by December 31, 2012,

although it does remain possible that U.S. bank regulatory agencies could officially adopt, or informally implement new capital standards at an earlier date.

On December 17, 2009, the Basel Committee on Banking Supervision (Basel Committee) issued a set of proposals (the Capital Proposals) that would significantly revise the definitions of Tier 1 Capital and Tier 2 Capital, with the most significant changes being to Tier 1 Capital. Most notably, the Capital Proposals would also re-emphasize that common equity is the predominant component of Tier 1 Capital by adding a minimum common equity to risk-weighted assets ratio and requiring that goodwill, general intangibles and certain other items that currently must be deducted from Tier 1 Capital instead be deducted from common equity as a component of Tier 1 Capital. The Capital Proposals also leave open the possibility that the Basel Committee will recommend changes to the minimum Tier 1 Capital and total capital ratios of 4.0% and 8.0%, respectively.

Concurrently with the release of the Capital Proposals, the Basel Committee also released a set of proposals related to liquidity risk exposure (the Liquidity Proposals , and together with the Capital Proposals, the 2009 Basel Committee Proposals). The Liquidity Proposals have three key elements, including the implementation of (i) a liquidity coverage ratio designed to ensure that a bank maintains an adequate level of unencumbered, high-quality assets sufficient to meet the bank s liquidity needs over a 30-day time horizon under an acute liquidity stress scenario, (ii) a net stable funding ratio designed to promote more medium and long term funding of the assets and activities of banks over a one year time horizon, and (iii) a set of monitoring tools that the Basel Committee indicates should be considered as the minimum types of information that banks should report to supervisors and that supervisors should use in monitoring the liquidity risk profiles of supervised entities.

Comments on the 2009 Basel Committee Proposals were due by April 16, 2010, with the expectation that the Basel Committee will release a comprehensive set of proposals by December 31, 2010 and that final provisions will be implemented by December 31, 2012. The U.S. bank regulators urged comment on the 2009 Basel Committee Proposals. Ultimate implementation of such proposals in the U.S. will be subject to the discretion of the U.S. bank regulators and the regulations or guidelines adopted by such agencies may differ from the 2009 Basel Committee Proposals and other proposals that the Basel Committee may promulgate in the future.

Prompt Corrective Action

Under Section 38 of the FDIA, each federal banking agency is required to implement a system of prompt corrective action for institutions that it regulates. The federal banking agencies have promulgated substantially similar regulations to implement the system of prompt corrective action established by Section 38 of the FDIA. Under the regulations, a bank will be deemed to be: (i) well capitalized if it has a Total Risk Based Capital Ratio of 10.0% or more, a Tier 1 Risk Based Capital Ratio of 6.0% or more, a Leverage Capital Ratio of 5.0% or more and is not subject to any written capital order or directive; (ii) adequately capitalized if it has a Total Risk Based Capital Ratio of 8.0% or more, a Tier 1 Risk Based Capital Ratio of 4.0% or more and a Tier 1 Leverage Capital Ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of well capitalized; (iii) undercapitalized if it has a Total Risk Based Capital Ratio that is less than 8.0%, a Tier 1 Risk Based Capital Ratio that is less than 4.0% or a Leverage Capital Ratio that is less than 4.0% (3.0% under certain circumstances); (iv) significantly undercapitalized if it has a Total Risk Based Capital Ratio that is less than 6.0%, a Tier 1 Risk Based Capital Ratio that is less than 3.0% or a Leverage Capital Ratio that is less than 3.0%; and (v) critically undercapitalized if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%.

An institution generally must file a written capital restoration plan which meets specified requirements with an appropriate federal banking agency within 45 days of the date the institution receives notice or is deemed to have notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. A federal banking agency must provide the institution with written notice of approval or disapproval within 60 days after receiving a capital restoration plan, subject to extensions by the applicable agency.

An institution that is required to submit a capital restoration plan must concurrently submit a performance guaranty by each company that controls the institution. Such guaranty will be limited to the lesser of (i) an amount equal to 5.0% of the institution s total assets at the time the institution was notified or deemed to have notice that it was undercapitalized or (ii) the amount necessary at such time to restore the relevant capital measures of the institution to the levels required for the institution to be classified as adequately capitalized. Such a guaranty will expire after the

federal banking agency notifies the institution that it has remained adequately capitalized for each of four consecutive calendar quarters. An institution which fails to submit a written capital restoration plan within the requisite period, including any required performance guaranty, or

fails in any material respect to implement a capital restoration plan, will be subject to the restrictions in Section 38 of the FDIA which are applicable to significantly undercapitalized institutions.

Immediately upon becoming undercapitalized, an institution becomes subject to the provisions of Section 38 of the FDIA, which (i) restrict payment of capital distributions and management fees; (ii) require that the appropriate federal banking agency monitor the condition of the institution and its efforts to restore its capital; (iii) require submission of a capital restoration plan; (iv) restrict the growth of the institution s assets; and (v) require prior approval of certain expansion proposals. The appropriate federal banking agency for an undercapitalized institution also may take any number of discretionary supervisory actions if the agency determines that any of these actions is necessary to resolve the problems of the institution at the least possible long-term cost to the deposit insurance fund, subject in certain cases to specified procedures. These discretionary supervisory actions include: requiring the institution to raise additional capital, restricting transactions with affiliates, requiring divestiture of the institution or sale of the institution to a willing purchaser, and any other supervisory action that the agency deems appropriate. These and additional mandatory and permissive supervisory actions may be taken with respect to significantly undercapitalized and critically undercapitalized institutions.

A critically undercapitalized institution will be placed in conservatorship or receivership within 90 days unless the FDIC formally determines that forbearance from such action would better protect the deposit insurance fund. Unless the FDIC or other appropriate federal banking regulatory agency makes specific further findings and certifies that the institution is viable and is not expected to fail, an institution that remains critically undercapitalized on average during the fourth calendar quarter after the date it becomes critically undercapitalized must be placed in receivership. The general rule is that the FDIC will be appointed as receiver within 90 days after a bank becomes critically undercapitalized unless extremely good cause is shown and the federal regulators agree to an extension. In general, good cause is defined as capital that has been raised and is immediately available for infusion into the bank except for certain technical requirements that may delay the infusion for a period of time beyond the 90 day time period.

Additionally, under Section 11(c)(5) of the FDIA, a conservator or receiver may be appointed for an institution where: (i) an institution s obligations exceed its assets; (ii) there is substantial dissipation of the institution s assets or earnings as a result of any violation of law or any unsafe or unsound practice; (iii) the institution is in an unsafe or unsound condition; (iv) there is a willful violation of a cease-and-desist order; (v) the institution is unable to pay its obligations in the ordinary course of business; (vi) losses or threatened losses deplete all or substantially all of an institution s capital, and there is no reasonable prospect of becoming adequately capitalized without assistance; (vii) there is any violation of law or unsafe or unsound practice or condition that is likely to cause insolvency or substantial dissipation of assets or earnings, weaken the institution s condition, or otherwise seriously prejudice the interests of depositors or the insurance fund; (viii) an institution ceases to be insured; (ix) the institution is undercapitalized and has no reasonable prospect that it will become adequately capitalized, fails to become adequately capitalized when required to do so, or fails to submit or materially implement a capital restoration plan; or (x) the institution is critically undercapitalized or otherwise has substantially insufficient capital.

Old Line Bank is well capitalized.

Deposit Insurance Assessments

The DIF insures substantially all of Old Line Bank s deposits. The FDIC maintains a risk based assessment system for determining deposit insurance premiums. The FDIC has established four risk categories (I-IV), each subject to different premium rates, based upon an institution s status as well capitalized, adequately capitalized or under capitalized, and the institution s supervisory rating. In December 2008, the FDIC raised the then current assessment rates uniformly by 7 basis points for the first quarter of 2009 assessment, which resulted in annualized assessment rates for institutions in Risk Category 1 (well capitalized institutions, perceived as posing the least risk to the insurance fund) from 12 to 14 basis points. In February 2009, the FDIC issued final rules to amend the DIF restoration plan, change the risk-based assessment system and set assessment rates for Risk Category 1 institutions beginning in the second quarter of 2009. As a result of this final rule the annualized assessment rates for institutions in Risk Category 1 range from 12 to 16 basis points. Old Line Bank is a Risk Category 1 institution.

The FDIC has authority to further increase insurance assessments. In addition, the Dodd-Frank Act requires that the FDIC amend its assessment system to base it on total assets less tangible equity rather than deposits. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

Under the FDIA, the FDIC may terminate insurance of deposits upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Deposit Insurance

Because of the recent difficult economic conditions, deposit insurance per account owner had been raised to $250,000 for all types of accounts until January 1, 2014. That level was made permanent by the newly enacted Dodd-Frank Act. In addition, the FDIC adopted an optional Temporary Liquidity Guarantee Program (TLGP) under which, for a fee, noninterest-bearing transaction accounts would receive unlimited insurance coverage until June 30, 2010, subsequently extended to December 31, 2010. The Dodd-Frank Act extends the unlimited coverage of noninterest-bearing transaction accounts until December 31, 2012 without providing an opt out.

Maryland Regulatory Assessment

The Maryland Commissioner assesses state chartered banks to cover the expense of regulating banking institutions. The Maryland Commissioner assesses each banking institution the sum of $1,000, plus $0.08 for each $1,000 of assets of the institution over $1,000,000, as disclosed on the banking institution s most recent financial report. In 2009, Old Line Bank paid $37,940 to the Maryland Commissioner.

Regulatory Enforcement Authority

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) included substantial enhancement to the enforcement powers available to federal banking regulators, including the Federal Reserve Board. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities. FIRREA significantly increased the amount of and grounds for civil money penalties and requires, except under certain circumstances, public disclosure of final enforcement actions by the federal banking agencies.

Transactions with Affiliates and Insiders

Maryland law imposes restrictions on certain transactions with affiliates of Maryland commercial banks. Generally, under Maryland law, a director, officer or employee of a commercial bank may not borrow, directly or indirectly, any money from the bank, unless the loan has been approved by a resolution adopted by and recorded in the minutes of the board of directors of the bank, or the executive committee of the bank, if that committee is authorized to make loans. If the executive committee approves such a loan, the loan approval must be reported to the board of directors at its next meeting. Certain commercial loans made to directors of a bank and certain consumer loans made to non-officer employees of the bank are exempt from the law s coverage.

In addition, Old Line Bank is subject to the provisions of Section 23A and 23B of the Federal Reserve Act and Regulation W of the Federal Reserve Bank (collectively, Regulation W), which limit the amount of loans or extensions of credit to, investments in, or certain other transactions with, affiliates, and limits the amount of advances to third parties collateralized by the securities or obligations of affiliates. Regulation W limits the aggregate amount of transactions with any individual affiliate to 10% of the capital and surplus of Old Line Bank and also limits the aggregate amount of transactions with all affiliates to 20% of capital and surplus. Loans and certain other extensions of credit to affiliates are required to be secured by collateral in an amount and of a type described in Regulation W, and the purchase of low quality assets from affiliates is generally prohibited.

Regulation W, among other things, prohibits an institution from engaging in certain transactions with certain affiliates (as defined in the Federal Reserve Act) unless the transactions are on terms substantially the same, or at least as favorable to such institution and/or its subsidiaries, as those prevailing at the time for comparable transactions with non-affiliated entities. In the absence of comparable transactions, such transactions may only occur under terms and circumstances, including credit standards that in good faith would be offered to or would apply to non-affiliated companies. In addition, under Regulation W:

- a bank and its subsidiaries may not purchase a low-quality asset from an affiliate;
- covered transactions and other specified transactions between a bank or its subsidiaries and an affiliate must be on terms and conditions that are consistent with safe and sound banking practices; and
- with some exceptions, each loan or extension of credit by a bank to an affiliate must be secured by collateral with a market value ranging from 100% to 130%, depending on the type of collateral, of the amount of the loan or extension of credit.

Regulation W generally excludes non-bank and non-savings association subsidiaries of banks from treatment as affiliates, except to the extent that the Federal Reserve Board decides to treat these subsidiaries as affiliates.

Old Line Bank also is subject to the restrictions contained in Sections 22(g) and 22(h) of the Federal Reserve Act and the Federal Reserve Board s Regulation O thereunder (collectively, Regulation O), which govern loans and extensions of credit to executive officers, directors and principal stockholders. Under Regulation O, loans to a director, an executive officer or a greater-than-10% stockholder of a bank as well as certain affiliated interests of any of the foregoing may not exceed, together with all other outstanding loans to such person and affiliated interests, the loans-to-one-borrower limit applicable to national banks (generally 15% of the institution s unimpaired capital and surplus), and all loans to all such persons in the aggregate may not exceed the institution s unimpaired capital and unimpaired surplus. Regulation O also prohibits the making of loans in an amount greater than $25,000 or 5% of capital and surplus but in any event not over $500,000, to directors, executive officers and greater-than-10% stockholders of a bank, and their respective affiliates, unless such loans are approved in advance by a majority of the board of directors of the bank with any interested director not participating in the voting. Further, Regulation O requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as those that are offered in comparable transactions to unrelated third parties unless the loans are made pursuant to a benefit or compensation program that is widely available to all employees of the bank and does not give preference to insiders over other employees. Regulation O also prohibits a depository institution from paying overdrafts over $1,000 of any of its executive officers or directors unless they are paid pursuant to written pre-authorized extension of credit or transfer of funds plans.

All of Old Line Bank s loans to its and Old Line Bancshares executive officers, directors and greater-than-10% stockholders, and affiliated interests of such persons, comply with the requirements of Regulation W and Regulation O.

We have entered into banking transactions with our directors and executive officers and the business and professional organizations in which they are associated in the ordinary course of business. We make any loans and loan commitments in accordance with all applicable laws.

Loans to One Borrower

Old Line Bank is subject to the statutory and regulatory limits on the extension of credit to one borrower. Generally, the maximum amount of total outstanding loans that a Maryland chartered trust company may have to any one borrower at any one time is 15% of Old Line Bank s unimpaired capital and surplus

Liquidity

Old Line Bank is subject to the reserve requirements imposed by the Maryland Commissioner. Old Line Bank is required to have at all times a reserve equal to at least 15% of its demand deposits. Old Line Bank is also subject to the reserve requirements of Federal Reserve Board Regulation D, which applies to all depository institutions. Specifically, as of December 31, 2009, amounts in transaction accounts above $10.7 million and up to $55.2 million must have reserves held against them in the ratio of three percent of the amount. Amounts above $55.2 million require

reserves of 10 percent of the amount in excess of $55.2 million. The Maryland reserve requirements may be used to satisfy the requirements of Regulation D. Old Line Bank is in compliance with its reserve requirements.

Dividends

Old Line Bancshares is a legal entity separate and distinct from Old Line Bank. Virtually all of Old Line Bancshares revenue available for the payment of dividends on its common stock results from dividends paid to Old Line Bancshares by Old Line Bank. Under Maryland law, Old Line Bank may declare a cash dividend, after providing for due or accrued expenses, losses, interest, and taxes, from its undivided profits or, with the prior approval of the Maryland Commissioner, from its surplus in excess of 100% of its required capital stock. Also, if Old Line Bank s surplus is less than 100% of its required capital stock, cash dividends may not be paid in excess of 90% of net earnings. In addition to these specific restrictions, the bank regulatory agencies have the ability to prohibit or limit proposed dividends if such regulatory agencies determine the payment of such dividends would result in Old Line Bank being in an unsafe and unsound condition.

Community Reinvestment Act

Old Line Bank is required to comply with the Community Reinvestment Act (CRA) regardless of its capital condition. The CRA requires that, in connection with its examinations of Old Line Bank, the Federal Reserve evaluates the record of Old Line Bank in meeting the credit needs of its local community, including low and moderate income neighborhoods, consistent with the safe and sound operation of the institution. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. These factors are considered in, among other things, evaluating mergers, acquisitions and applications to open a branch or facility. The CRA also requires all institutions to make public disclosure of their CRA ratings. Old Line Bank received a Satisfactory rating in its latest CRA examination.

USA Patriot Act

The USA Patriot Act of 2001 (the USA Patriot Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The Patriot Act requires financial institutions, including banks, to establish anti-money laundering programs, including employee training and independent audit requirements, meet minimum standards specified by the Act, follow minimum standards for customer identification and maintenance of customer identification records, and regularly compare customer lists against lists of suspected terrorists, terrorist organizations and money launderers. The U.S. Treasury has issued a number of implementing regulations that apply to various requirements of the USA Patriot Act to financial institutions such as Old Line Bank. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing.

Failure of a financial institution to comply with the USA Patriot Act s requirements could have serious legal and reputational consequences for the institution. Old Line Bank has adopted appropriate policies, procedures and controls to address compliance with the requirements of the USA Patriot Act under the existing regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by the USA Patriot Act and U.S. Treasury s regulations.

The costs or other effects of the compliance burdens imposed by the Patriot Act or future anti-terrorist, homeland security or anti-money laundering legislation or regulations cannot be predicted with certainty.

Consumer Protection Laws

Old Line Bank is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, and the Real Estate Settlement Procedures Act, and various state law counterparts.

In addition, federal law currently contains extensive customer privacy protection provisions. Under these provisions, a financial institution must provide to its customers, at the inception of the customer relationship and annually thereafter, the institution s policies and procedures regarding the handling of customers nonpublic personal financial information. These provisions also provide that, except for certain limited exceptions, a financial institution may not provide such personal information to unaffiliated third parties unless the institution discloses to the customer that such information may be so provided and the customer is given the opportunity to opt out of such disclosure.

Federal law makes it a criminal

offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

Effective July 1, 2010, the Electronic Fund Transfer Act prohibits financial institutions from charging consumers fees for paying overdrafts on automated teller machines (ATM) and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those type of transactions. If a consumer does not opt in, any ATM transaction or debit that overdraws the consumer s account will be denied. Overdrafts on the payment of checks and regular electronic bill payments are not covered by this new rule. Before opting in, the consumer must be provided a notice that explains the financial institution s overdraft services, including the fees associated with the service, and the consumer s choices. Financial institutions must provide consumers who do not opt in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt in.

Financial Regulatory Legislation

The previously referenced Dodd-Frank Act contains a wide variety of provisions affecting the regulation of depository institutions in addition to those already mentioned. Those include restrictions related to mortgage originations, risk retention requirements as to securitized loans and the noted newly created consumer protection agency. The full impact of the Dodd-Frank Act on our business and operations will not be known for years until regulations implementing the statute are written and adopted. The Dodd-Frank Act may have a material impact on our operations, particularly through increased compliance costs resulting from possible future consumer and fair lending regulations.

In addition to the Dodd-Frank Act and the regulations that will be promulgated thereunder, new regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations, and competitive relationships of the nation s financial institutions. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which any new regulation or statute may affect our business.

Effect of Governmental Monetary Policies

Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Board s monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board affect the levels of bank loans, investments and deposits through its control over the issuance of United States government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. We cannot predict the nature or impact of future changes in monetary and fiscal policies.

Properties

Our headquarters are located at 1525 Pointer Ridge Place, Bowie, Maryland in Prince George s County. Pointer Ridge, an entity in which we have a $1.1 million investment and a 62.50% ownership interest owns this property. Frank Lucente, a director of Old Line Bancshares and Old Line Bank controls 12.50% of Pointer Ridge and controls the manager of Pointer Ridge. On June 6, 2006, we executed leases for 2,557 square feet on the 1st floor of the building for a new branch office, 5,449 square feet on the 3rd floor and 11,053 square feet on the 4th floor of this building. The leases which commenced on July 1, 2006, are for thirteen years, with two, five-year renewal options. The current basic monthly payment terms on the leases are for payments of $45,859 with 3% annual increases. The basic monthly payments include our pro-rata share of taxes, insurances and common area maintenance on the building with any deficiencies incurred incorporated into the following year s basic monthly payments. We eliminate 62.50% of these lease payments in consolidation.

In 2004, we finalized our purchase of our then current full service banking branch and office facility located at 2995 Crain Highway in Waldorf, Maryland. In July 2006, we moved our headquarters from this location to 1525 Pointer Ridge Place, Bowie, Maryland. We have retained our branch office at 2995 Crain Highway. Since 2007, we have leased the second floor of this building to a realtor. This tenant vacated the property in March 2010. We have not leased this space and anticipate that we may use it subsequent to the merger with Maryland Bankcorp.

We maintain a branch operation at the Old Line Centre location, and have done so since 1989. The lease, which commenced in August 1999, is for ten years with two, five-year renewal options. Payment terms on the lease are $4,991 monthly with 1.5% annual increases. We pay our pro-rata share of common area maintenance, taxes and insurance on the building. We have exercised the first five-year renewal option.

We own our branch at 15808 Livingston Road in Accokeek, Maryland in Prince George s County.

Our Clinton, Maryland, Prince George s County branch, located at 7801 Old Branch Avenue, was opened in September 2002 in leased space. The monthly lease payment on this facility is $2,725. Exclusive of the monthly rent, we pay no utilities or other expenses associated with this facility. The lease term is for a period of ten years, with three, five-year renewal options.

Our loan production office in College Park, Prince George s County, Maryland is located in leased space on the fourth floor of a four story building located at 9658 Baltimore Avenue. The lease which commenced in August 2005 expires in February 2013. Payment terms on the lease are $3,042 monthly, with 3% annual increases. We also lease space for a branch on the first floor of this building. This lease commenced in January 2008 at $5,000 monthly with 3% annual increases. The term for this space is 10 years with two five year renewal terms. We pay our pro-rata share of taxes, insurance and common area maintenance associated with the building.

In August 2004, we announced plans to open a branch in Crofton, Maryland. Due to engineering and resultant permit delays, construction on the building was delayed. We opened this branch in July of 2009. We pay lease payments of $6,986 monthly with 2.5% annual increases plus our pro-rata share of operating expenses, taxes and insurance. The lease term is for 10 full calendar years with automatic renewal for three additional terms of five years, unless the bank provides no less than 180 days notice.

In June 2007, we opened a branch in Greenbelt, Maryland. Initially, we leased 2,700 square feet of space on the 1st floor of an office building located at 6301 Ivy Lane, Greenbelt, Prince George s County, Maryland. The lease had a term of five years. After providing nine months written notice and paying a termination fee, Old Line Bank had the option to terminate the lease after the 2nd anniversary of the commencement date. In January 2009, we notified the landlord of our intent to terminate this lease in August 2009, paid the termination fee of $33,909 and moved this branch to the new facility in the fourth quarter of 2009 as outlined below.

On January 31, 2007, Old Line Bank also entered into a lease agreement to lease approximately 33,000 square feet of ground area located at the southwest corner of the intersection of Kenilworth Avenue and Ivy Lane in Greenbelt, Prince George s County, Maryland. In 2009, Old Line Bank constructed a free standing bank building on the land. The lease commenced in July 2009 and has an initial term of 30 years with two successive renewal periods of ten years. Old Line Bank moved the 6301 Ivy Lane, Greenbelt, Maryland branch into this new facility in the fourth quarter of 2009. We pay $8,825 per month for this lease plus taxes, insurance and operating expenses.

In May 2008, we executed a lease agreement to lease 1,620 square feet of space in a store unit located at 167-U Jennifer Road, Annapolis, Maryland in Anne Arundel County. In September 2008, we opened this branch. The lease has an initial term of 5 years with one renewal option of five years. The monthly installments of this lease are $5,284 with 3% annual increases. We also pay taxes, insurance, utilities and our pro-rata share of common area maintenance.

In July 2007, we identified a site for a second branch location at 12100 Annapolis Road, Glen Dale, Maryland in Prince George s County. In 2009, we purchased the pad site located in the Fairwood Office Park, constructed a 2,863 square foot branch and opened this branch in October 2009.

Legal Proceedings

From time to time, Old Line Bancshares or Old Line Bank may be involved in litigation relating to claims arising out of its normal course of business. As of the date of this joint proxy statement/prospectus, we did not have any material pending legal matters or litigation for Old Line Bank or Old Line Bancshares.

OLD LINE BANCSHARES MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Some of the matters discussed below include forward-looking statements. Forward-looking statements often use words such as believe, expect, plan, may, will, should, project, contemplate, anticipate, forecast, of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts. Our actual results and the actual outcome of our expectations and strategies could be different from those anticipated or estimated for the reasons discussed below and under the headings Caution Regarding Forward-Looking Statements and Risk Factors.

Overview

Old Line Bancshares was incorporated under the laws of the State of Maryland on April 11, 2003 to serve as the holding company of Old Line Bank.

Our primary business is to own all of the capital stock of Old Line Bank. We also have an approximately $1.0 million investment in a real estate investment limited liability company named Pointer Ridge. We own 62.50% of Pointer Ridge. Frank Lucente, one of our directors and a director of Old Line Bank, controls 12.50% of Pointer Ridge and controls the manager of Pointer Ridge. The purpose of Pointer Ridge is to acquire, own, hold for profit, sell, assign, transfer, operate, lease, develop, mortgage, refinance, pledge and otherwise deal with real property located at the intersection of Pointer Ridge Road and Route 301 in Bowie, Maryland. Pointer Ridge owns a commercial office building containing approximately 40,000 square feet and leases this space to tenants. We lease approximately 50% of this building for our main office and operate a branch of Old Line Bank from this address.

Although the current economic climate continued to present significant challenges for our industry, we have worked diligently towards our goal of becoming the premier community bank east of Washington D.C. While it remains uncertain whether the economy will continue on its path towards recovery, it appears the economy may reach sustainable recovery during 2011. We remain cautiously optimistic that we have identified any problem assets and that our remaining borrowers will continue to stay current on their loans. Now that we have substantially completed our internal branch expansion, enhanced our data processing capabilities and expanded our commercial lending team, we believe that we are well positioned to capitalize on the opportunities that may become available in a healthy economy.

Summary of Recent Performance and Other Activities

Nine Month Period Ended September 30, 2010

In a continually challenging economic environment, we are pleased to report continued profitability for the third quarter of 2010. Net income available to common stockholders was $312,565 or $0.08 per basic and diluted common share for the three month period ending September 30, 2010. This was $85,882 or 37.89% higher than net income available to common stockholders of $226,683 or $0.06 per basic and diluted common share for the same period in 2009. Net income available to common stockholders was $1.3 million or $0.34 per basic and diluted common share for the nine month period ending September 30, 2010. This was $223,272 or 20.61% higher than net income available to common stockholders of $1.1 million or $0.28 per basic and diluted common share for the same period in 2009.

During the first nine months of 2010, the following events occurred.

- On September 1, 2010, we announced that we had executed a merger agreement that provided for the acquisition of Maryland Bankcorp.

- We placed three additional loans on non-accrual status, foreclosed on two properties that secured non-accrual loans and charged off one non-accrual loan.

- At September 30, 2010, we had loans to three borrowers in non-accrual status with total balances due of $3.0 million (0.73% of total assets) compared to three borrowers with total balances due of $1.6 million (0.44%) at December 31, 2009.

In the third quarter, we charged off one unsecured non-accrual loan in the amount of $137,151.

In the third quarter, we also received a deed in lieu of foreclosure on the property that secured a non-accrual loan. The loan balance was approximately $947,000 higher than the current appraised value of the property. Therefore, we charged off $947,000 of the loan balance and recorded the remaining value of $600,000 in other real estate owned.

At third quarter end, we had one other loan past due between 30 and 89 days in the amount of approximately $83,000. Subsequent to quarter end, the borrower submitted the payment due.

We decreased the provision for loan losses by $320,000 from $760,000 to $440,000.

The loan portfolio grew $31.6 million or 11.92%.

Total deposits grew $54.8 million or 19.14%.

We maintained liquidity and by all regulatory measures remained well capitalized .

We recognized a loss on our investment in Pointer Ridge of approximately $97,599.

Andre J. Gingles was appointed to our Board of Directors.

Our Greenbelt lending team that we hired in December 2009 was a significant contributor to our loan and deposit growth.

The following summarizes the highlights of our financial performance for the three month period ended September 30, 2010 compared to the three month period ended September 30, 2009 (figures in the table may not match those discussed in the balance of this section due to rounding).

	Three months ended September 30, (Dollars in thousands)			
	2010	2009	$ Change	% Change
Net income available to common stockholders	$ 313	$ 227	$ 86	37.89%
Interest revenue	4,759	4,392	367	8.36
Interest expense	1,234	1,406	(172)	(12.23)
Net interest income after provision for loan losses	3,325	2,777	548	19.73
Non-interest revenue	303	368	(65)	(17.66)
Non-interest expense	3,068	2,384	684	28.69
Average total loans	292,831	260,563	32,268	12.38
Average interest earning assets	362,678	309,189	53,489	17.30
Average total interest bearing deposits	273,879	226,719	47,160	20.80
Average non-interest bearing deposits	55,552	39,760	15,792	39.72
Net interest margin (1)	3.90%	3.89%		
Return on average equity	3.39%	5.37%		
Basic earnings per common share	$ 0.08	$ 0.06	$ 0.02	33.33
Diluted earnings per common share	0.08	0.06	0.02	33.33

(1) See Reconciliation of Non-GAAP Measures

The following summarizes the highlights of our financial performance for the nine month period ended September 30, 2010 compared to the nine month period ended September 30, 2009 (figures in the table may not match those discussed in the balance of this section due to rounding).

	Nine months ended September 30, (Dollars in thousands)			
	2010	2009	$ Change	% Change
Net income available to common stockholders	$ 1,307	$ 1,084	$ 223	20.57%
Interest revenue	13,723	12,721	1,002	7.88
Interest expense	3,763	4,272	(509)	(11.91)
Net interest income after provision for loan losses	9,520	7,690	1,830	23.80
Non-interest revenue	867	1,507	(640)	(42.47)
Non-interest expense	8,373	6,718	1,655	24.64
Average total loans	280,523	251,428	29,095	11.57
Average interest earning assets	351,169	302,587	48,582	16.06
Average total interest bearing deposits	258,025	214,289	43,736	20.41
Average non-interest bearing deposits	51,586	38,451	13,135	34.16
Net interest margin (1)	3.84%	3.77%		
Return on average equity	4.83%	5.22%		
Basic earnings per common share	$ 0.34	$ 0.28	$ 0.06	21.43
Diluted earnings per common share	0.34	0.28	0.06	21.43

(1) See Reconciliation of Non-GAAP Measures

Year Ended December 31, 2009

During one of the most challenging economic periods in the last 30 years, we were pleased to report continued profitability for 2009. Net income attributable to Old Line Bancshares increased $280,032 or 15.95% for the year ended December 31, 2009. After inclusion of the dividends and accretion on the preferred stock issued under the U.S. Treasury Capital Purchase Program in December 2008, net income available to common stockholders was $1.6 million or $0.40 per basic and diluted common share for the year ending December 31, 2009.

The following events occurred during 2009:

We maintained asset quality with total non-performing assets of $1.6 million (0.44% of total assets) and two other loans totaling approximately $581,000 past due between 30 and 89 days at year end.

We increased the provision for loan losses by $485,000 from $415,000 to $900,000.

The loan portfolio grew $33.9 million or 14.67%.

Total deposits grew $54.9 million or 23.73%.

We maintained liquidity and by all regulatory measures remained well capitalized.

We recognized an increase in earnings on our investment in Pointer Ridge of approximately $145,000 inclusive of a non-recurring lease termination fee of approximately $158,000 recognized in the quarter ended March 31, 2009.

We recorded an approximately $159,000 gain from sale on investments.

We incurred a $392,000 increase in FDIC insurance premiums inclusive of a $149,748 special assessment.

We enhanced our core data processing system.

We repurchased from the U.S. Treasury 7,000 shares of preferred stock and the warrant to purchase 141,892 share of our common stock that we issued to them in December 2008.

We opened new branch locations in Crofton and Glen Dale, Maryland and moved our Greenbelt location to a permanent building.

We added a team of four highly skilled loan officers to our staff.

The following summarizes the highlights of our financial performance for the twelve month period ended December 31, 2009 compared to the twelve month period ended December 31, 2008 (000 s):

Year Ended December 31, 2009	2009	2008	$ Change	% Change
Net income available to common stockholders	$ 1,550	$ 1,727	$ (177)	(10.25)%
Interest revenue	17,096	15,424	1,672	10.84
Interest expense	5,580	5,910	(330)	(5.58)
Net interest income after provision for loan losses	10,616	9,100	1,516	16.66
Non-interest revenue	1,820	964	856	88.80
Non-interest expense	9,257	7,373	1,884	25.55
Average total loans	254,562	217,550	37,012	17.01
Average interest earning assets	308,416	252,027	56,389	22.37
Average total interest bearing deposits	221,651	165,596	56,055	33.85
Average non-interest bearing deposits	39,410	36,039	3,371	9.35
Net Interest Margin (1)	3.77%	3.80%		
Return on average equity	5.13%	5.04%		
Basic earnings per common share	$ 0.40	$ 0.44	$ (0.04)	(9.09%)
Diluted earnings per common share	0.40	0.44	(0.04)	(9.09%)

(1) See Reconciliation of Non-GAAP Measures.

Growth Strategy

We have based our strategic plan on the premise of enhancing stockholder value and growth through branching and operating profits. Our short-term goals include maintaining credit quality, creating an attractive branch network, expanding fee income, generating extensions of core banking services and using technology to maximize stockholder value. In the past three years, we have expanded in Prince George s County and Anne Arundel County, Maryland.

We opened a branch at 167-U Jennifer Road, Annapolis, Maryland in Anne Arundel County in September 2008. We hired the staff for this branch during the months of August and September of 2008. In February 2008, we opened a branch in Prince George s County at 9658 Baltimore Avenue, College Park, Maryland in the same building as the loan production office that houses one of our teams of loan officers. We hired the Branch Manager and staff for this location in February 2008. On July 1, 2009, we opened a branch at 1641 State Route 3 North, Crofton, Maryland in Anne Arundel County. During July and August of 2009, we hired the staff for this location. In October 2009, we opened our branch in the Fairwood Office Park located at 12100 Annapolis Road, Suite 1, Glen Dale, Maryland. We hired the staff for this location during the third quarter of 2009.

As previously reported, in December 2008, we increased our ownership in Pointer Ridge from 50.00% to 62.50%. As a result, we now consolidate their results of operations and financial performance. During 2009, this consolidation caused an approximately $567,283 increase in non-interest revenue, a $413,610 increase in interest

expense, a $526,494 reduction in occupancy expense and an $87,215 increase in non-interest expense.

In December 2009, we added a team of four experienced, highly skilled loan officers to our staff. These officers have a combined 50 years of commercial banking experience and were employed by a large regional bank with offices in the

suburban Maryland market prior to joining us. These individuals have worked in our market area for many years, have worked together as a team for several years and have a history of successfully generating a high volume of commercial, construction and commercial real estate loans.

On July 1, 2009, we opened a branch at 1641 State Route 3 North, Crofton, Maryland in Anne Arundel County. During July and August of 2009, we hired the staff for this location. In October 2009, we opened our branch in the Fairwood Office Park located at 12100 Annapolis Road, Suite 1, Glen Dale, Maryland. We hired the staff for this location during the third quarter of 2009.

While many of our peer banks have experienced devastating financial losses, high delinquencies and record levels of charge-offs, we have managed to maintain profitability and asset quality in an extremely challenging environment while incurring increased FDIC insurance cost, increased operating costs associated with the new branches and a $485,000 increase in the loan loss provision for the year ended December 31, 2009. We continue to remain cautiously optimistic that we will continue to successfully navigate through this difficult period. However, we also recognize that we are not immune to losses in our loan portfolio. If the unemployment rate continues to remain high and real estate values decline further, we anticipate that even our strong borrowers may experience financial difficulties as they continue to cope with declining revenues, diminishing cash flows and depreciating collateral values in their businesses.

Although the current economic climate continued to present significant challenges for our industry, we have worked diligently towards our goal of becoming the premier community bank east of Washington D.C. While it remains uncertain whether the economy will continue on its path towards recovery, it appears the economy may reach sustainable recovery during 2011. We remain cautiously optimistic that we have identified any problem assets and our remaining borrowers will continue to stay current on their loans. Now that we have announced the acquisition of Maryland Bankcorp, substantially completed our branch expansion, enhanced our data processing capabilities and expanded our commercial lending team, we believe that we are well positioned to capitalize on the opportunities that may become available in a healthy economy.

Until completion of the merger with Maryland Bankcorp, we anticipate that merger related expenses will cause lower than expected earnings. We anticipate the merger will be accretive to earnings by the end of 2011. Because of the new branches and the loan production team hired in 2009, we anticipate salaries and benefits expenses and other operating expenses will continue to increase during the remainder of 2010. We also expect that salaries and benefits expenses and other operating expenses will increase in 2011 following the merger with Maryland Bankcorp. We anticipate that, over time, income generated from the branches opened in 2009 and our new loan officers, as well as the new branches and employees we will acquire as a result of the merger, will offset any increase in expenses. We also expect that for the remainder of 2010 Pointer Ridge will operate at a loss. We believe with our 10 branches, the addition of Maryland Bankcorp s 10 branches and staff, our lending staff, our corporate infrastructure and our solid balance sheet and strong capital position, we can continue to focus our efforts on improving earnings per share and enhancing stockholder value.

Other Opportunities

We use the Internet and technology to augment our growth plans. Currently, we offer our customers image technology, Internet banking with on-line account access and bill payer service. We provide selected commercial customers the ability to remotely capture their deposits and electronically transmit them to us.

In order to support our growth, provide improved management information capabilities and enhance the products and services we deliver to our customers, during the 1st quarter of 2009, we began enhancing our core data processing systems. We completed this process in April 2009. As a result, we anticipate data processing costs will be moderately higher in 2010 than 2009. We will continue to evaluate cost effective ways that technology can enhance our management capabilities, products and services.

We may take advantage of strategic opportunities presented to us via mergers occurring in our marketplace. For example, we may acquire other banks, purchase branches that other banks close or lease branch space from other banks, or hire additional loan officers. We also continually evaluate and consider opportunities with financial services companies or institutions with which we may become a strategic partner, merge or acquire.

Repayment of Troubled Asset Relief Program (TARP) Investment

On July 15, 2009, we repurchased from the U.S. Treasury the 7,000 shares of preferred stock that we issued to them in December 2008 under the U.S. Treasury s Capital Purchase Program through the Troubled Asset Relief Program. We paid the U.S. Treasury $7,058,333 to repurchase the preferred stock which reflects the liquidation value of the preferred stock and $58,333 of accrued but unpaid dividends. In August 2009, we also repurchased at a fair market value of $225,000 the warrant to purchase 141,892 shares of our common stock.

Results of Operations

Net Interest Income

Net interest income is the difference between income on interest earning assets and the cost of funds supporting those assets. Earning assets are comprised primarily of loans, investments, and federal funds sold. Cost of funds consists of interest bearing deposits and other borrowings. Non-interest bearing deposits and capital are also funding sources. Changes in the volume and mix of earning assets and funding sources along with changes in associated interest rates determine changes in net interest income.

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Net interest income after provision for loan losses for the three months ended September 30, 2010 increased $548,465 or 19.75% to $3.3 million from $2.8 million for the same period in 2009.

Interest revenue increased from $4.4 million for the three months ended September 30, 2009 to $4.8 million for the same period in 2010. As discussed below and outlined in detail in the Rate/Volume Analysis, these changes were the result of average interest earning assets growing at a faster rate than average interest bearing liabilities. A decline in interest rates on these interest earning assets partially offset this growth. The interest rate on interest bearing liabilities also declined at a faster rate than the rate on interest earning assets. This resulted in a slight improvement in the net interest margin which also increased net interest income.

Changes in the federal funds rate and the prime rate impact the interest rates on interest earning assets, net interest income and net interest margin. The prime interest rate, which is the rate banks offer to borrowers with strong credit, began 2008 at 7.25% and decreased 400 basis points during the year. The federal funds rate also declined 400 basis points during 2008. During the third quarter and nine months of 2009 and 2010, the prime interest rate was 3.25% and the intended federal funds rate remained relatively constant at zero to 0.25%. These declines have caused the short and long term interest yield to decline dramatically during the past two years from prior periods. As a result, when investments and loans matured during 2009 and 2010, they were reinvested in lower yielding securities and loans.

We offset the effect on net income caused by these declines primarily by growing total average interest earning assets $53.5 million or 17.30% to $362.7 million for the three months ended September 30, 2010 from $309.2 million for the three months ended September 30, 2009. The growth in average interest earning assets derived from a $32.2 million increase in average total loans, a $7.0 million increase in average interest bearing deposits and an $11.5 million increase in average investment securities. The growth in net interest income that derived from the increase in total average interest earning assets was partially offset by growth in average interest bearing liabilities. The growth in average interest bearing liabilities derived primarily from the $47.2 million increase in average interest bearing deposits which increased to $273.9 million for the three months ended September 30, 2010 from $226.7 million for the three months ended September 30, 2009. A $1.8 million decrease in average borrowed funds decreased the total growth in interest bearing liabilities.

Our net interest margin was 3.90% for the three months ended September 30, 2010 as compared to 3.89% for the three months ended September 30, 2009. The yield on average interest earning assets declined during the period 44 basis points from 5.69% for the quarter ended September 30, 2009 to 5.25% for the quarter ended September 30, 2010. This decrease was primarily because we received a lower rate on interest bearing deposits and the average rate on the loan portfolio declined 25 basis points. As outlined above, we partially offset these rate reductions through growth in the loan portfolio. The decline in interest rates also lowered our cost of interest bearing deposits in the three month period to 1.43% from 2.02%. Our cost of borrowed funds increased slightly during the period to 2.95% from 2.84% in 2009.

The following table illustrates average balances of total interest earning assets and total interest-bearing liabilities for the three months ended September 30, 2010 and 2009, showing the average distribution of assets, liabilities, stockholders equity and related income, expense and corresponding weighted average yields and rates. The average balances used in this table and other statistical data were calculated using average daily balances.

Average Balances, Interest and Yields						
Three Months Ended September 30,	2010			2009		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Assets:						
Federal funds sold(1)	$ 3,169,347	$ 2,657	0.33%	$ 434,238	$ 233	0.21%
Interest bearing deposits	17,563,292	43,979	0.99	10,513,525	48,522	1.83
Investment securities(1)(2)						
U.S. government agency	5,223,912	44,562	3.38	7,568,260	80,034	4.20
Mortgage backed securities	41,442,021	373,619	3.58	25,968,160	276,302	4.22
Municipal securities	2,309,832	29,134	5.00	2,455,492	31,323	5.06
Other	2,522,421	16,977	2.67	3,976,513	18,047	1.80
Total investment securities	51,498,186	464,292	3.58	39,968,425	405,706	4.03
Loans: (1) (3)						
Commercial	80,732,917	1,102,357	5.42	75,254,258	1,063,052	5.60
Mortgage	198,135,067	2,993,170	5.99	169,750,186	2,707,705	6.33
Consumer	13,963,419	193,706	5.50	15,558,258	211,507	5.39
Total loans	292,831,403	4,289,233	5.81	260,562,702	3,982,264	6.06
Allowance for loan losses	2,383,989			2,290,316		
Total loans, net of allowance	290,447,414	4,289,233	5.86	258,272,386	3,982,264	6.12
Total interest earning assets(1)	362,678,239	4,800,161	5.25	309,188,574	4,436,725	5.69
Non-interest bearing cash	9,382,943			7,567,129		
Premises and equipment	17,126,259			14,717,765		
Other assets	12,453,680			10,094,330		
Total assets	$ 401,641,121			$ 341,567,798		
Liabilities and Stockholders Equity:						
Interest bearing deposits						
Savings	$ 8,942,236	7,723	0.34	$ 7,058,391	6,611	0.37
Money market and NOW	59,392,839	135,468	0.90	34,630,956	47,773	0.55
Other time deposits	205,543,927	842,759	1.63	185,029,565	1,098,982	2.36
Total interest bearing deposits	273,879,002	985,950	1.43	226,718,912	1,153,366	2.02
Borrowed funds	33,415,351	248,292	2.95	35,187,194	252,263	2.84
Total interest bearing liabilities	307,294,353	1,234,242	1.59	261,906,106	1,405,629	2.13

Non-interest bearing deposits	55,552,085			39,760,199		
	362,846,438			301,666,305		
Other liabilities	1,575,711			1,721,983		
Non-controlling interest	628,126			700,862		
Stockholders equity	36,590,846			37,478,648		
Total liabilities and stockholders equity	$ 401,641,121			$ 341,567,798		
Net interest spread(1)			3.66			3.56
Net interest income and Net interest margin(1)		$ 3,565,919	3.90%		$ 3,031,096	3.89%

(1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these types of assets. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See Reconciliation of Non-GAAP Measures.

(2) Available for sale investment securities are presented at amortized cost.

(3) Average non-accruing loans for the three month periods ended September 30, 2010 and 2009 were $4,157,490 and $1,623,984, respectively.

The following tables describe the impact on our interest revenue and expense resulting from changes in average balances and average rates for the periods indicated. We have allocated the change in interest revenue, interest expense and net interest income due to both volume and rate proportionately to the rate and volume variances.

Rate/Volume Variance Analysis

	Three months Ended September 30, 2010 compared to 2009 Variance due to:		
	Total	Rate	Volume
Interest earning assets:			
Federal funds sold[1]	$ 2,424	$ 634	$ 1,790
Time deposits in other banks	(4,543)	(50,833)	46,290
Investment Securities[1]			
U.S. government agency	(35,472)	(25,268)	(10,204)
Mortgage backed securities	97,317	(116,938)	214,255
Municipal securities	(2,189)	(939)	(1,250)
Other	(1,070)	10,185	(11,255)
Loans:[1]			
Commercial	39,305	(74,529)	113,834
Mortgage	285,465	(345,218)	630,683
Consumer	(17,801)	11,290	(29,091)
Total interest revenue [1]	363,436	(591,616)	955,052
Interest bearing liabilities			
Savings	1,112	(1,297)	2,409
Money market and NOW	87,695	68,736	18,959
Other time deposits	(256,223)	(458,535)	202,312
Borrowed funds	(3,971)	15,898	(19,869)
Total interest expense	(171,387)	(375,198)	203,811
Net interest income[1]	$ 534,823	$ (216,418)	$ 751,241

(1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See Reconciliation of Non-GAAP Measures.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Net interest income after provision for loan losses for the nine months ended September 30, 2010 increased $1.8 million or 23.38% to $9.5 million from $7.7 million for the same period in 2009. As discussed below and outlined in detail in the Rate/Volume Analysis, these changes were the result of average interest earning assets growing at a faster rate than average interest bearing liabilities. A decline in interest rates on these interest earning assets partially offset this growth. The interest rate on interest bearing deposits also declined at a faster rate than the rate on interest earning assets. This resulted in an improvement in the net interest margin which also increased net interest income.

We offset the effect on net income caused by the previously discussed declines in the prime interest rate and federal funds rate during the past two years primarily by growing total average interest earning assets $48.6 million or 16.06% to $351.2 million for the nine months ended September 30, 2010 from $302.6 million for the nine months ended September 30, 2009. The growth in average interest earning assets derived from a $29.1 million increase in average total loans, a $9.0 million increase in average interest bearing deposits and a $9.1 million increase in average investments. The growth in net interest income that derived from the increase in total average interest earning assets was offset by growth in average interest bearing liabilities which grew $47.0 million. This growth in average interest bearing liabilities resulted from a $43.7 million increase in average interest bearing deposits and a $3.3 million increase in average borrowed funds.

Our net interest margin was 3.84% for the nine months ended September 30, 2010 as compared to 3.77% for the nine months ended September 30, 2009. The yield on average interest earning assets declined 39 basis points during the period from 5.66% for the nine months ended September 30, 2009 to 5.27% for the nine months ended September 30, 2010. This decrease was primarily because we received a lower rate on interest bearing deposits and the average rate on the loan portfolio declined 17 basis points. This was partially offset by a slightly higher rate on federal funds. As outlined above, we partially offset these rate reductions through growth in the loan portfolio. The decline in interest rates also lowered our cost of interest bearing deposits to 1.53% from 2.18% and our cost of borrowed funds to 2.58% from 2.69% in 2009.

With our new branches, our expanded commercial lending team and increased recognition in Prince Georges and Anne Arundel Counties, and with continued growth in deposits, we anticipate that we will continue to grow interest earning assets during the remainder of 2010. If the Federal Reserve continues to maintain the federal funds rate at current levels and the economy continues to improve, we believe that we can continue to grow total loans and deposits for the remainder of 2010. We also believe that we will continue to maintain the net interest margin. As a result of this growth and maintenance of the net interest margin, we expect that net interest income will continue to increase during the remainder of 2010, although there can be no guarantee that this will be the case.

The following table illustrates average balances of total interest earning assets and total interest-bearing liabilities for the nine months ended September 30, 2010 and 2009, showing the average distribution of assets, liabilities, stockholders equity and related income, expense and corresponding weighted average yields and rates. The average balances used in this table and other statistical data were calculated using average daily balances.

	Average Balances, Interest and Yields					
Nine Months Ended September 30,	2010			2009		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Assets:						
Federal funds sold(1)	$ 2,283,849	$ 4,843	0.28%	$ 531,620	$ 974	0.24%
Interest bearing deposits	22,581,649	165,310	0.98	13,636,155	191,634	1.88
Investment securities(1)(2)						
U.S. Treasury				250,899	7,647	4.07
U.S. government agency	6,288,382	140,487	2.99	8,825,257	278,014	4.21
Mortgage backed securities	36,911,796	1,047,096	3.79	24,684,708	800,666	4.34
Municipal securities	2,373,576	87,929	4.95	2,568,238	96,414	5.02
Other	2,692,301	54,273	2.70	2,899,569	49,965	2.30
Total investment securities	48,266,055	1,329,785	3.68	39,228,671	1,232,706	4.20
Loans: (1) (3)						
Commercial	76,838,797	3,166,333	5.51	69,573,990	3,106,287	5.97
Mortgage	189,322,040	8,585,283	6.06	166,344,728	7,627,432	6.13
Consumer	14,362,349	592,240	5.51	15,508,917	646,997	5.58
Total loans	280,523,186	12,343,856	5.88	251,427,635	11,380,716	6.05
Allowance for loan losses	2,485,503			2,237,045		
Total loans, net of allowance	278,037,683	12,343,856	5.94	249,190,590	11,380,716	6.11
Total interest earning assets(1)	351,169,236	13,843,794	5.27	302,587,036	12,806,030	5.66
Non-interest bearing cash	8,952,613			7,242,201		
Premises and equipment	17,185,259			13,820,618		
Other assets	12,300,672			10,078,923		
Total assets	$ 389,607,780			$ 333,728,778		
Liabilities and Stockholders Equity:						
Interest bearing deposits						
Savings	$ 8,170,909	21,561	0.35	$ 6,750,524	18,925	0.37
Money market and NOW	50,695,217	325,472	0.86	33,234,630	117,407	0.47
Other time deposits	199,158,747	2,613,282	1.75	174,303,932	3,363,289	2.58
Total interest bearing deposits	258,024,873	2,960,315	1.53	214,289,086	3,499,621	2.18
Borrowed funds	41,651,147	803,025	2.58	38,421,693	772,037	2.69

Total interest bearing liabilities	299,676,020	3,763,340	1.68	252,710,779	4,271,658	2.26
Non-interest bearing deposits	51,586,292			38,450,973		
	351,262,312			291,161,752		
Other liabilities	1,529,766			1,641,626		
Non-controlling interest	651,017			691,255		
Stockholders equity	36,164,685			40,234,145		
Total liabilities and stockholders equity	$ 389,607,780			$ 333,728,778		
Net interest spread(1)			3.59			3.40
Net interest income and Net interest margin(1)		$ 10,080,454	3.84%		$ 8,534,372	3.77%

1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these types of assets. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See Reconciliation of Non-GAAP Measures.

(2) Available for sale investment securities are presented at amortized cost.

(3) Average non-accruing loans for the nine month periods ended September 30, 2010 and 2009 were $3,103,083 and $1,584,801, respectively.

Rate/Volume Variance Analysis

	Nine months Ended September 30, 2010 compared to 2009 Variance due to:		
	Total	Rate	Volume
Interest earning assets:			
Federal funds sold[1]	$ 3,869	$ 232	$ 3,637
Time deposits in other banks	(26,324)	(137,219)	110,895
Investment Securities[1]			
U.S. Treasury	(7,647)		(7,647)
U.S. government agency	(137,527)	(79,070)	(58,457)
Mortgage backed securities	246,430	(138,285)	384,715
Municipal securities	(8,485)	(1,604)	(6,881)
Other	4,308	8,710	(4,402)
Loans:[1]			
Commercial	60,046	(292,327)	352,373
Mortgage	957,851	(110,845)	1,068,696
Consumer	(54,757)	(9,466)	(45,291)
Total interest revenue [1]	1,037,764	(759,874)	1,797,638
Interest bearing liabilities			
Savings	2,636	(1,449)	4,085
Money market and NOW	208,065	140,513	67,552
Other time deposits	(750,007)	(1,281,894)	531,887
Borrowed funds	30,988	(38,715)	69,703
Total interest expense	(508,318)	(1,181,545)	673,227
Net interest income[1]	$ 1,546,082	$ 421,671	$ 1,124,411

(1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See Reconciliation of Non-GAAP Measures.

2009 compared to 2008

Net interest income after provision for loan losses for the year ended December 31, 2009 amounted to $10.6 million, which was $1.5 million or 16.48% greater than the 2008 level of $9.1 million. As discussed below and outlined in detail in the Rate/Volume Analysis, these changes were the result of interest earning assets growing at a faster rate than interest-bearing liabilities. A decline in interest rates on these interest earning assets partially offset this growth. The interest rate on interest bearing deposits also declined at a faster rate than the rate on interest earning assets. Changes in the federal funds rate and the prime rate affect the interest rates on interest earning assets, net interest income and net interest margin.

The prime interest rate, which is the rate offered on loans to borrowers with strong credit, began 2008 at 7.25% and decreased 200 basis points in the first quarter, 25 basis points in the second quarter, 175 basis points in the fourth

quarter and

at year end 2008 was 3.25%. During 2009, the prime interest rate remained unchanged at 3.25% for the entire period. The intended federal funds rate has also moved in a similar manner to the prime interest rate. It began 2008 at 4.25% and decreased 200 basis points in the first quarter, 25 basis points in the second quarter and 175 to 200 basis points in the fourth quarter and ended the year of 2008 at zero to 0.25%. During 2009, the intended federal funds rate remained at zero to 0.25% for the entire period.

We offset the effect on net interest income caused by these declines in interest rates primarily by growing total average interest earning assets $56.4 million to $308.4 million for the year ended December 31, 2009 from $252.0 million for the year ended December 31, 2008. The growth in average interest earning assets derived primarily from a $37.1 million increase in average total loans, an $18.9 million growth in average investment securities and a $13.9 million increase in average interest bearing deposits in other banks. The growth in net interest income that derived from the increase in total average interest earning assets was also offset by growth in average interest bearing deposits which grew to $221.7 million from $165.6 million.

Our net interest margin was 3.77% for the year ended December 31, 2009, as compared to 3.80% for the year ended December 31, 2008. The decrease in the net interest margin is the result of several components. The yield on average interest-earning assets declined during the period 57 basis points from 6.15% in 2008 to 5.58% in 2009. This decrease was primarily because of the lower federal funds interest yield and the lower prime rate during the year. As outlined above, we partially offset these rate reductions through growth in the loan portfolio. As a result of this growth, there were a higher percentage of funds invested in higher yielding commercial and mortgage loans during the period. The yield on borrowed funds increased 39 basis points during the period. The consolidation of Pointer Ridge s assets, liabilities, and equity was the primary cause of the increase in the cost of borrowed funds.

<u>2008 compared to 2007</u>

Net interest income after provision for loan losses for the year ended December 31, 2008 amounted to $9.1 million, which was $1.1 million or 13.75% greater than the 2007 level of $8.0 million. The increase was primarily attributable to a 19.66% or $41.4 million increase in total average interest earning assets to $252.0 million for the twelve months ended December 31, 2008 from $210.6 million for the twelve months ended December 31, 2007.

Interest revenue increased from $14.6 million for the year ended December 31, 2007 to $15.4 million for the year ended December 31, 2008. As discussed below and outlined in detail in the Rate/Volume Analysis, these changes were the result of substantial increases in earning assets. The increase in interest bearing assets was primarily caused by a $44.6 million increase in average total loans. As a result of this growth, there were a higher percentage of funds invested in higher yielding commercial and mortgage loans during the period.

In order to fund this loan growth, we deployed funds from lower yielding investment securities and federal funds sold. The growth in average total loans was attributable to the business development efforts of the entire Old Line Bank lending team and directors and the expansion of our branch network. We believe that the continued expansion of our branch network provides us with increased name recognition and new opportunities that contributed to our growth.

Interest expense for all interest bearing liabilities amounted to $5.9 million in 2008, which was $353,224 lower than the 2007 level of $6.3 million. Although average interest bearing deposits grew $24.7 million during the period and average borrowed funds increased $18.4 million, the rate paid on these funds decreased during the year.

Our net interest margin was 3.80% for the year ended December 31, 2008, as compared to 3.98% for the year ended December 31, 2007. The decrease in the net interest margin is the result of several components. The yield on average interest-earning assets decreased 81 basis points during the period from 6.96% in 2007 to 6.15% in 2008, and average interest-earning assets grew by $41.4 million. During the period, interest rates declined dramatically and we experienced a 103 basis point decrease of the yield on average interest-bearing liabilities from 3.98% in 2007 to 2.95% in 2008.

This decrease was because of the rapid reduction in the federal funds interest rate that the Federal Reserve implemented. We partially offset these rate reductions through growth in the loan portfolio, movement of federal funds into higher yielding investments and increased reliance on short term, low cost borrowing. During November and December of 2008, we moved funds from Federal Funds to higher earning investments and loans and placed more

reliance on short term, low interest rate borrowings for loan funding.

The following table illustrates average balances of total interest earning assets and total interest bearing liabilities for the periods indicated, showing the average distribution of assets, liabilities, stockholders equity and related income, expense and corresponding weighted average yields and rates. The average balances used in this table and other statistical data were calculated using average daily balances.

	Average Balances, Interest and Yields							
onths Ended December 31,	2009			2008			2007	
	Average balance	Interest	Yield	Average balance	Interest	Yield	Average balance	Interest
nds sold(1)	$ 458,457	$ 1,149	0.25%	$ 13,342,150	$ 290,788	2.18%	$ 21,525,420	$ 1,142,70
aring deposits	17,004,299	270,290	1.59	3,116,699	104,560	3.35	498,630	25,55
t securities(1)(2)								
ury	187,658	7,647	4.07	2,072,573	73,061	3.53	3,621,923	121,19
rnment agency	8,411,754	313,654	3.73	4,896,926	192,271	3.93	7,347,989	302,11
backed securities	24,642,044	1,059,386	4.30	7,799,475	356,398	4.57	1,247,089	48,94
securities	2,540,562	126,752	4.99	2,875,141	140,893	4.90	3,240,786	159,01
	2,886,213	72,150	2.50	2,124,236	92,723	4.37	1,477,894	84,85
stment securities	38,668,231	1,579,589	4.08	19,768,351	855,346	4.33	16,935,681	716,13
al	70,966,468	4,168,203	5.87	62,783,300	4,234,175	6.74	44,125,513	3,654,17
	168,196,382	10,346,433	6.15	137,944,563	9,109,972	6.60	108,513,579	8,039,54
	15,399,539	856,562	5.56	16,821,749	896,398	5.33	20,363,658	1,074,43
s	254,562,389	15,371,198	6.04	217,549,612	14,240,545	6.55	173,002,750	12,768,15
e for loan losses	2,277,747			1,749,885			1,405,182	
s, net of allowance	252,284,642	15,371,198	6.09	215,799,727	14,240,545	6.60	171,597,568	12,768,15
est earning assets(1)	308,415,629	17,222,226	5.58	252,026,927	15,491,239	6.15	210,557,299	14,652,55
est bearing cash	7,104,387			4,369,508			3,800,713	
nd equipment	14,548,001			5,157,011			4,186,529	
ts	11,904,806			11,107,525			10,030,452	
s(1)	$ 341,972,823			$ 272,660,971			$ 228,574,993	
s and ders Equity:								
aring deposits								
	$ 6,853,343	25,602	0.37	$ 6,436,599	39,492	0.61	$ 8,250,010	55,66
rket and NOW	33,931,390	171,476	0.51	34,046,098	321,164	0.94	28,382,013	588,82
e deposits	180,866,687	4,356,021	2.41	125,113,791	4,740,952	3.79	104,244,760	5,045,07
est bearing deposits	221,651,420	4,553,099	2.05	165,596,488	5,101,608	3.08	140,876,783	5,689,55
funds	37,817,464	1,026,755	2.72	34,754,155	808,127	2.33	16,423,688	573,40

est bearing liabilities	259,468,884	5,579,854	2.15	200,350,643	5,909,735	2.95	157,300,471	6,262,95
est bearing deposits	39,410,471			36,039,280			34,561,334	
	298,879,355	5,579,854	1.87	236,389,923	5,909,735	2.50	191,861,805	6,262,95
ilities	3,390,944			1,450,813			1,249,573	
olling interest	692,144							
ers equity	39,010,380			34,820,235			35,463,615	
lities and stockholders	$ 341,972,823			$ 272,660,971			$ 228,574,993	
st spread(1)			3.43			3.20		
st income(1)		$ 11,642,372	3.77%		$ 9,581,504	3.80%		$ 8,389,59

1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these types of assets. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See Reconciliation of Non-GAAP Measures.

2) Available for sale investment securities are presented at amortized cost.

The following table describes the impact on our interest income and expense resulting from changes in average balances and average rates for the periods indicated. The change in interest income due to both volume and rate is reported with the rate variance.

Rate/Volume Variance Analysis

	Twelve Months Ended December 31, 2009 compared to 2008 Variance due to:			Twelve Months Ended December 31, 2008 compared to 2007 Variance due to:		
	Total	Rate	Volume	Total	Rate	Volume
Interest earning assets:						
Federal funds sold[1]	$ (289,639)	$ (138,510)	$ (151,129)	$ (851,919)	$ (517,342)	$ (334,577)
Interest bearing deposits	165,730	(80,912)	246,642	79,004	(11,704)	90,708
Investment Securities[1]						
U.S. Treasury	(65,414)	9,878	(75,292)	(48,135)	6,190	(54,325)
U.S. government agency	121,383	(10,132)	131,515	(109,848)	(13,039)	(96,809)
Mortgage backed securities	702,988	(22,306)	725,294	307,452	9,296	298,156
Municipal securities	(14,141)	2,512	(16,653)	(18,122)	(203)	(17,919)
Other	(20,573)	(47,347)	26,774	7,864	(23,531)	31,395
Loans:						
Commercial	(65,972)	(582,060)	516,088	579,999	(766,923)	1,346,922
Mortgage	1,236,461	(657,060)	1,893,521	1,070,430	(942,512)	2,012,942
Consumer	(39,836)	38,138	(77,974)	(178,038)	10,630	(188,668)
Total interest revenue [1]	1,730,987	(1,487,799)	3,218,786	838,687	(2,249,138)	3,087,825
Interest bearing liabilities:						
Savings	(13,890)	(16,305)	2,415	(16,168)	(4,709)	(11,459)
Money market and NOW	(149,688)	(148,610)	(1,078)	(267,660)	(368,202)	100,542
Other time deposits	(384,931)	(2,074,050)	1,689,119	(304,118)	(1,210,217)	906,099
Borrowed funds	218,628	143,283	75,345	234,722	(241,040)	475,762
Total interest expense	(329,881)	(2,095,682)	1,765,801	(353,224)	(1,824,168)	1,470,944
Net interest income[1]	$ 2,060,868	$ 607,883	$ 1,452,985	$ 1,191,911	$ (424,970)	$ 1,616,881

1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net

interest income and we believe it to be the preferred industry measurement of these calculations. See Reconciliation of Non-GAAP Measures.

Provision for Loan Losses

Originating loans involves a degree of risk that credit losses will occur in varying amounts according to, among other factors, the type of loans being made, the credit-worthiness of the borrowers over the term of the loans, the quality of the collateral for the loan, if any, as well as general economic conditions. We charge the provision for loan losses to earnings to maintain the total allowance for loan losses at a level considered by management to represent its best estimate of the losses known and inherent in the portfolio that are probable and reasonable to estimate, based on, among other factors, prior loss experience, volume and type of lending conducted, estimated value of any underlying collateral, economic conditions (particularly as such conditions relate to Old Line Bank s market area), regulatory guidance, peer statistics, management s judgment, past due loans in the loan portfolio, loan charge off experience and concentrations of risk (if any). We charge losses on loans against the allowance when we believe that collection of loan principal is unlikely. We add back recoveries on loans previously charged to the allowance.

We review the adequacy of the allowance for loan losses at least quarterly. Our review includes evaluation of impaired loans as required by ASC Topic 310-*Receivables*, and ASC Topic 450- *Contingencies*. Also incorporated in determining the adequacy of the allowance is guidance contained in the Securities and Exchange Commission s SAB No. 102, Loan Loss Allowance Methodology and Documentation, the Federal Financial Institutions Examination Council s Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions and the Interagency Policy Statement on the Allowance for Loan and Lease Losses provided by the OCC, Federal Reserve Board, FDIC, National Credit Union Administration and Office of Thrift Supervision.

We base the evaluation of the adequacy of the allowance for loan losses upon loan categories. We categorize loans as installment and other consumer loans (other than boat loans), boat loans, mortgage loans (commercial real estate, residential real estate and real estate construction) and commercial loans. We apply loss ratios to each category of loan other than commercial loans. We further divide commercial loans by risk rating and apply loss ratios by risk rating, to determine estimated loss amounts. We evaluate delinquent loans and loans for which management has knowledge about possible credit problems of the borrower or knowledge of problems with loan collateral separately and assign loss amounts based upon the evaluation.

We determine loss ratios for installment and other consumer loans (other than boat loans), boat loans and mortgage loans (commercial real estate, residential real estate and real estate construction) based upon a review of prior 18 months delinquency trends for the category, the three year loss ratio for the category, peer group loss ratios, probability of loss factors and industry standards.

With respect to commercial loans, management assigns a risk rating of one through eight to each loan at inception, with a risk rating of one having the least amount of risk and a risk rating of eight having the greatest amount of risk. For commercial loans of less than $250,000, we may review the risk rating annually based on, among other things, the borrower s financial condition, cash flow and ongoing financial viability; the collateral securing the loan; the borrower s industry; and payment history. We review the risk rating for all commercial loans in excess of $250,000 at least annually. We evaluate loans with a risk rating of five or greater separately and allocate a portion of the allowance for loan losses based upon the evaluation. For loans with risk ratings between one and four, we determine loss ratios based upon a review of prior 18 months delinquency trends, the three year loss ratio, peer group loss ratios, probability of loss factors and industry standards.

We also identify and make any necessary allocation adjustments for any specific concentrations of credit in a loan category that in management s estimation increase the risk inherent in the category. If necessary, we will also make an adjustment within one or more loan categories for economic considerations in our market area that may impact the quality of the loans in the category. For all periods presented, there were no specific adjustments made for concentrations of credit. As discussed below, in 2008 and 2009 we increased our provision for loan losses for the periods in all segments of our portfolio as a result of economic considerations. We consider qualitative or environmental factors that are likely to cause estimated credit losses associated with our existing portfolio to differ from historical loss experience. These factors include, but are not limited to, changes in lending policies and procedures, changes in the nature and volume of the loan portfolio, changes in the experience, ability and depth of lending management and the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in our existing portfolio.

In the event that our review of the adequacy of the allowance results in any unallocated amounts, we reallocate such amounts to our loan categories based on the percentage that each category represents to total gross loans. We have risk management practices designed to ensure timely identification of changes in loan risk profiles. However, undetected losses inherently exist within the portfolio. We believe that the allocation of the unallocated portion of the reserve in the manner described above is appropriate. Although we may allocate specific portions of the allowance for specific credits or other factors, the entire allowance is available for any credit that we should charge off. We will not create a separate valuation allowance unless we consider a loan impaired.

Our policies require a review of assets on a regular basis, and we believe that we appropriately classify loans as well as other assets if warranted. We believe that we use the best information available to make a determination with respect to the allowance for loan losses, recognizing that the determination is inherently subjective and that future adjustments may be necessary depending upon, among other factors, a change in economic conditions of specific

borrowers or generally in the economy, and new information that becomes available to us. However, there are no assurances that the allowance for loan losses is sufficient to absorb losses on non-performing assets, or that the allowance will be sufficient to cover losses on non-performing assets in the future.

Three months ended September 30, 2010 compared to three months ended September 30, 2009

The provision for loan losses was $200,000 for the three months ended September 30, 2010, as compared to $210,000 for the three months ended September 30, 2009, a decrease of $10,000 or 4.76%. After completing the analysis outlined above, during the three month period ended September 30, 2010, we decreased the provision for loan losses primarily because our asset quality remained stable and the economy showed evidence of continued improvement. As previously mentioned, while it remains uncertain whether the economy will continue on its path towards recovery, it appears the economy may reach a sustainable recovery during 2011 and we remain cautiously optimistic that our borrowers will continue to stay current on their loans. The $200,000 provision supported the 3.78% growth in the loan portfolio during the period.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

The provision for the nine month period was $440,000. This represented a $320,000 or 42.11% decrease as compared to the nine months ended September 30, 2009. For the nine months ended September 30, 2010, we decreased the provision for loan losses because we believe that in 2009 we specifically identified and appropriately reserved for any potential deterioration in the loan portfolio caused by the tumultuous economic climate. We believe the economy has stabilized in 2010. We also believe that we have appropriately identified and allocated specific reserves to previously identified borrowers that represent increased risk or potential loss. At quarter end, we had 3 real estate loans totaling $2.98 million in non-performing loans. We have also completed foreclosure on two properties that we value at $823,000. We had one other loan in the amount of approximately $83,000 past due between 30 and 89 days. Subsequent to quarter end, the borrower paid the payment that was past due on this loan. As outlined in the asset quality section of this report, we are currently working towards resolution with all of these borrowers and we have allocated a specific reserve for those loans where we consider it probable that we will incur a loss.

At September 30, 2010, we had five non-accrual loans totaling $3.8 million. During 2009, we increased the provision because we recognized that the economy may cause increased hardships for our borrowers and there was a higher probability that we may incur losses on these loans. As outlined below in the Loan Portfolio section of this discussion, we have allocated a specific valuation allowance to those loans where we anticipate a loss.

The allowance for loan losses represented 0.61% of gross loans at September 30, 2010 and 0.93% as of December 31, 2009. We have no exposure to foreign countries or foreign borrowers. Based on our analysis and the satisfactory historical performance of the loan portfolio, we believe this allowance appropriately reflects the inherent risk of loss in our portfolio.

The following table provides an analysis of the allowance for loan losses for the periods indicated:

Allowance for Loan Losses

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Year Ended December 31, 2009
Balance, beginning of period	$ 2,481,716	$ 1,983,751	$ 1,983,751
Provision for loan losses	440,000	760,000	900,000
Chargeoffs:			
Commercial	(137,151)		
Mortgage	(958,472)	(344,825)	(344,825)
Consumer	(4,194)	(50,240)	(57,210)
Total chargeoffs	(1,099,817)	(395,065)	(402,035)
Recoveries:			
Mortgage	3,650		
Consumer	723		
Total recoveries	4,373		
Net (chargeoffs) recoveries	(1,095,444)	(395,065)	(402,035)
Balance, end of period	$ 1,826,272	$ 2,348,686	$ 2,481,716
Ratio of allowance for loan losses to:			
Total gross loans	0.61%	0.89%	0.93%
Non-accrual loans	61.29%	148.41%	156.43%
Ratio of net-chargeoffs during period to average total loans during period	0.391%	0.157%	0.158%

The following table provides a breakdown of the allowance for loan losses:

Allocation of Allowance for Loan Losses

	September 30,				December 31,	
	2010		2009		2009	
	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category
Consumer & others	$ 8,267	0.47%	$ 9,331	0.53%	$ 10,319	0.57%
Boat	153,479	3.96	81,292	5.09	81,417	4.91
Mortgage	1,235,001	67.63	1,540,845	65.61	1,845,126	66.74
Commercial	429,525	27.94	717,218	28.77	544,854	27.78
Total	$ 1,826,272	100.00%	$ 2,348,686	100.00%	$ 2,481,716	100.00%

2009 compared to 2008

The provision for loan losses was $900,000 for the year ended December 31, 2009. This represented a $485,000 or 116.87% increase as compared to the year ended December 31, 2008. We increased the provision for loan losses because we believe that although our asset quality remains strong, the longer the weaknesses in the economy exist the more difficult it becomes for even our strong borrowers to maintain profitability consistent with prior periods.

At year end, we had $1.6 million in non-performing real estate loans. We also had two loans totaling approximately $581,000 past due between 30-89 days. As outlined below, we are currently working towards resolution with all of these borrowers.

The provision for loan losses was $415,000 for the year ended December 31, 2008, as compared to $318,000 for the year ended December 31, 2007, an increase of $97,000 or 30.50%. We increased the provision for loan losses because the real estate industry encountered difficulties, there was significant turbulence in the financial markets, unemployment was rising, and there was evidence of weakness in the general economy. After completing the analysis outlined below, we determined during the twelve month period ended December 31, 2008 that there were changes in economic factors that directly impacted the quality of the loan portfolio and warranted a higher provision.

At December 31, 2009, we had three loans totaling $1.6 million past due and classified as non-accrual. The first loan has a balance of $810,291 and is the same loan that we reported in our December 31, 2008 financial statements. During 2009, we received $40,384 in payments on this loan. We have obtained a lift stay on and have foreclosed on this property. The second loan is in the amount of $223,169. The value of the collateral is sufficient to provide repayment. We have foreclosed on the property held as collateral for the loan and hold this property in other real estate owned. The third loan is a land development loan secured by real estate in the amount of $553,039. The borrower on this loan has filed bankruptcy. A recent appraisal of the property securing this loan indicates that the value of the collateral is sufficient to provide repayment. We have received a deed in lieu of foreclosure on this property and are currently negotiating a contract to sell the property. At December 31, 2009, we did not believe that any of these loans were impaired and we did not designate a specific allowance for any of these non-accrual loans. The total non-accrued interest on these loans at December 31, 2009 was $190,701.

During the year ended December 31, 2009, we charged off a loan in the amount of approximately $195,000 to the allowance for loan losses. This charge-off was the result of one land developer who was unable to meet all of his financial obligations and advised us that he could no longer make any of his payments and there was no remaining value in the underlying collateral. During the third quarter, we also repossessed a boat with a loan balance of approximately $100,000. We charged $50,000 to the allowance for loan losses for anticipated losses on this repossession and in the second quarter of 2010 we sold this boat with an additional loss that was immaterial.

In July 2009, we charged an additional $150,000 to the allowance for loan losses for the deficiency balance due on a $700,000 loan that was in non-accrual status until December 2009. In July, we restructured the remaining $550,000 of the loan balance and the borrower began remitting monthly payments. The borrower has submitted six monthly payments in a timely manner. As a result, we have taken this loan out of non-accrual status and we now classify it as an accrual loan. The remaining $7,000 charged to the allowance for loan losses in 2009 and the total $18,440 in 2008 and the $12,149 in 2007 were comprised of various immaterial deficiencies on several loans.

The allowance for loan losses represented 0.93% of total loans at December 31, 2009, 0.85% at December 31, 2008, and 0.78% at December 31, 2007. We have no exposure to foreign countries or foreign borrowers. Based on our analysis and the satisfactory historical performance of the loan portfolio, we believe this allowance appropriately reflects the inherent risk of loss in our portfolio.

The following table represents an analysis of the allowance for loan losses for the periods indicated:

Allowance for Loan Losses

Years Ended December 31,	2009	2008	2007
Balance, beginning of period	$ 1,983,751	$ 1,586,737	$ 1,280,396
Provision for loan losses	900,000	415,000	318,000
Chargeoffs:			
Commercial			(6,064)
Mortgage	(344,825)		
Consumer	(57,210)	(18,440)	(6,085)
Total chargeoffs	(402,035)	(18,440)	(12,149)
Recoveries:			
Consumer		454	490
Total recoveries		454	490
Net (chargeoffs) recoveries	(402,035)	(17,986)	(11,659)
Balance, end of period	$ 2,481,716	$ 1,983,751	$ 1,586,737
Ratio of allowance for loan losses to:			
Total gross loans	0.93%	0.85%	0.78%
Non-accrual loans	156.43%	233.19%	145.93%
Ratio of net-chargeoffs during period to average loans outstanding during period	0.158%	0.008%	0.007%

The following table provides a breakdown of the allowance for loan losses:

Allocation of Allowance for Loan Losses

December 31,	2009		2008		2007	
	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category
Consumer	$ 10,319	0.57%	$ 13,391	0.50%	$ 10,236	0.46%
Boat	81,417	4.91	94,910	6.22	106,405	8.66
Mortgage	1,845,126	66.74	1,348,850	63.21	1,080,897	63.56
Commercial	544,854	27.78	526,600	30.07	389,199	27.32
Total	$ 2,481,716	100.00%	$ 1,983,751	100.00%	$ 1,586,737	100.00%

Non-interest Revenue

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Non-interest revenue totaled $303,246 for the three months ended September 30, 2010, a decrease of $65,162 or 17.69% from the 2009 amount of $368,408. Non-interest revenue for the three months ended September 30, 2010 and September 30, 2009 included fee income from service charges on deposit accounts, earnings on bank owned life insurance, and other fees and commissions including revenues with respect to Pointer Ridge. The primary cause of the decline in non-interest revenue was the $55,578 decrease in other fees and commission as a result of the $73,083 decrease in income from Pointer Ridge rent and other revenue during the 2010 period compared to the same period in 2009. The loss of tenants in the building that Pointer Ridge owns caused the decline in the rent and other revenue that we earn from Pointer Ridge. Other fees and commissions (excluding Pointer Ridge) increased $17,505 primarily because of an increase in ATM, debit card and letter of credit fees partially offsetting the decrease in income and other revenue from Pointer Ridge. The decline in the interest we earned on our bank owned life insurance, which declined as a result of a decline in the interest rates paid on these investments, also contributed to the decrease in non-interest revenue during the period.

The following table outlines the changes in non-interest revenue for the three month periods.

	September 30, 2010	September 30, 2009	$ Change	% Change
Service charges on deposit accounts	$ 78,247	$ 80,641	$ (2,394)	(2.97)%
Gain on sales of investment securities		634	(634)	(100.00)
Earnings on bank owned life insurance	83,963	95,322	(11,359)	(11.92)
Pointer Ridge rent and other revenue	78,126	151,209	(73,083)	(48.33)
Gain (loss) on disposal of assets		(4,803)	4,803	100.00
Other fees and commissions	62,910	45,405	17,505	38.55
Total non-interest revenue	$ 303,246	$ 368,408	$ (65,162)	(17.69)%

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Non-interest revenue declined $639,820 during the nine month period ended September 30, 2010 primarily because of the $432,485 decline in rent and other revenue from Pointer Ridge and the $158,551 decline in gain on sales of investment securities. During the first nine months of 2009, Pointer Ridge produced $521,605 in rental

income that is included in other fees and commissions. As outlined in our March 2010 report, approximately $300,000 of that amount derived from a non-recurring lease termination fee. During the same period in 2010, we received $206,825 in rental income from Pointer Ridge. The absence of the lease termination fee in 2010 and the subsequent loss of additional tenants in the building owned by Pointer Ridge were the major causes of the decline in non-interest revenue. Service charges on deposit accounts increased $5,983 in 2010 primarily as a result of an increase in customers. Other fees and commissions (excluding Pointer Ridge) decreased $30,704 primarily because in 2010, we received $25,530 in rental income from the tenant who leased the second

floor of our branch located at 301 Crain Highway, Waldorf, Maryland compared to $84,270 in 2009. The tenant terminated his lease in March 2010. As a result, rental income declined $58,740. An increase in other loan fees and letter of credit fees offset a portion of this decline.

The following table outlines the changes in non-interest revenue for the nine month periods.

	September 30, 2010	September 30, 2009	$ Change	% Change
Service charges on deposit accounts	$ 231,478	$ 225,495	$ 5,983	2.65%
Gain on sales of investment securitites		158,551	(158,551)	(100.00)
Earnings on bank owned life insurance	254,071	282,937	(28,866)	(10.20)
Pointer Ridge rent and other revenue	206,825	639,310	(432,485)	(67.65)
Gain (loss) on disposal of assets		(4,803)	4,803	(100.00)
Other fees and commissions	174,814	205,518	(30,704)	(14.94)
Total non-interest revenue	$ 867,188	$ 1,507,008	$ (639,820)	(42.46)%

Because of the business development efforts of our lenders, managers and the new branches that we have opened, we expect that customer relationships will continue to grow during the remainder of 2010. We anticipate this growth will cause an increase in service charges on deposit accounts. We expect our earnings on bank owned life insurance will remain stable during the remainder of 2010. The tenant in our Crain Highway location has vacated the building. We will not lease this building to other tenants because we anticipate that we may use this space if we complete the acquisition of Maryland Bankcorp. As a result, we will not have rental income from this facility during the remainder of 2010. We anticipate that rental income from Pointer Ridge for the fourth quarter of 2010 will remain comparable to that received during the third quarter of 2010.

2009 compared to 2008

Non-interest revenue totaled $1.8 million for the twelve months ended December 31, 2009, an increase of $855,835 or 88.79%. Non-interest revenue for the twelve months ended December 31, 2009 and December 31, 2008 included fee income from service charges on deposit accounts, gains on sales of investment securities, earnings on bank owned life insurance, income from our investment in real estate LLC (Pointer Ridge) and other fees and commissions.

The following table outlines the changes in non-interest revenue for the twelve month periods.

Years Ended December 31,	2009	2008	$ Change	% Change
Service charges on deposit accounts	$ 307,012	$ 311,268	$ (4,256)	(1.37)%
Net gains on sales of investment securities	158,551	(3,081)	161,632	
Earnings on bank owned life insurance	376,165	366,785	9,380	2.56
Income (loss) on investment in real estate LLC		3,741	(3,741)	(100.00)
Pointer Ridge rent and other revenue	567,283	53,738	513,545	955.65
Other fees and commissions	410,756	231,481	179,275	77.45
Total non-interest revenue	$ 1,819,767	$ 963,932	$ 855,835	88.79%

Although the number of customers increased, service charges on deposit accounts remained relatively stable because these customers used lower cost services. In an effort to minimize call and prepayment risk and manage future interest rate risk, we elected to sell available-for-sale securities during 2009. We recorded gains on these

investments because the decline in market interest rates caused an increase in the securities value. In 2008, we sold a security because it no longer met our investment guidelines. The interest rates for these types of securities had increased which caused the security value to decline and we experienced a loss. Other fees and commissions increased primarily because we issued a higher dollar value of letters of credit that caused letter of credit fees to increase. We also had higher loan fees as a result of an increase in expired loan commitments and an increase in the number of loans that we settled during the year.

As previously outlined, in November 2008, we acquired an additional 12.50% membership interest in Pointer Ridge. As a result of this purchase, our membership interest increased from 50.00% to 62.50%. Consequently, we consolidated Pointer Ridge s results of operations from the date of acquisition. Prior to the date of acquisition, we accounted for our investment in Pointer Ridge using the equity method. This consolidation caused the earnings on our investment in real estate LLC to decline and Pointer Ridge rent and other revenue to increase during 2009.

2008 compared to 2007

Non-interest revenue totaled $963,932 for the twelve months ended December 31, 2008, a decrease of $209,382 or 17.85%. Non-interest revenue for the twelve months ended December 31, 2008 and December 31, 2007 included fee income from service charges on deposit accounts, earnings on bank owned life insurance, income from our investment in real estate LLC (Pointer Ridge) and other fees and commissions. For the period ended December 31, 2007, non-interest revenue also included broker origination fees from the marine division.

The following table outlines the changes in non-interest revenue for the twelve month periods.

Years Ended December 31,	2008	2007	$ Change	% Change
Service charges on deposit accounts	$ 311,268	$ 292,610	$ 18,658	6.38%
Marine division broker origination fees		272,349	(272,349)	(100.00)
Earnings on bank owned life insurance	366,785	340,853	25,932	7.61
Income (loss) on investment in real estate LLC	3,741	24,100	(20,359)	(84.48)
Other fees and commissions	282,138	243,402	38,736	15.91
Total non-interest revenue	$ 963,932	$ 1,173,314	$ (209,382)	(17.85)%

Service charges on deposit accounts increased due to increases in the number of customers and the services they used. We did not earn any marine division broker origination fees during the period because we closed this division at the end of the third quarter of 2007. Earnings on bank owned life insurance increased because we invested an additional $4 million in February 2007. As a result, we had an additional 30 days of interest income on the investment in 2008. Other fees and commissions increased because of the consolidation of Pointer Ridge s results of operations from the date of acquisition as outlined below. Other fees and commissions also increased because in April 2007, we began leasing the Waldorf office space that we vacated in July 2006 and because of increases in loan income received from the repayment of a non-accrual loan. The consolidation of Pointer Ridge s results of operations, as discussed above, caused the earnings on our investment in real estate LLC to decline and other fees and commissions to increase in 2008.

Pointer Ridge s earnings declined during the year because it had two tenants that did not pay their rent in a timely manner and they recorded a reserve for these uncollected rents. Additionally, operating expenses on the building increased during the year.

Non-interest Expense

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Non-interest expense increased $684,101 for the three months ended September 30, 2010. The following chart outlines the changes in non-interest expenses for the period.

	September 30, 2010	September 30, 2009	$ Change	% Change
Salaries	$ 1,263,368	$ 1,075,572	$ 187,796	17.46%
Employee benefits	319,550	242,778	76,772	31.62
Occupancy	330,752	306,871	23,881	7.78
Equipment	105,342	96,004	9,338	9.73
Data processing	126,412	90,821	35,591	39.19
Pointer Ridge other operating	111,791	168,322	(56,531)	(33.59)
FDIC insurance and State of Maryland assessments	130,595	100,590	30,005	29.83
Merger Expense	187,125		187,125	100.00
Other operating	493,277	303,153	190,124	62.72
Total non-interest expenses	$ 3,068,212	$ 2,384,111	$ 684,101	28.69%

Salaries, employee benefits, occupancy, equipment, data processing and other operating expenses increased primarily because of increased operating expenses from the branches that we opened in 2009 and the new lending team that we hired in December 2009. The transfer of the ownership of other real estate owned from the borrower s name to ours and maintenance of these properties contributed approximately $35,000 to the increase in other operating expenses. Pointer Ridge other operating expense decreased primarily because there were fewer tenants in the building and operating expenses associated with the building were lower. During the three month period, we incurred $187,125 in costs associated with the agreement to acquire Maryland Bankcorp for attorney, advisory and accounting fees.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

The following chart outlines the changes in non-interest expenses for the period.

	September 30, 2010	September 30, 2009	$ Change	% Change
Salaries	$ 3,559,727	$ 2,851,559	$ 708,168	24.83%
Employee benefits	987,488	760,624	226,864	29.83
Occupancy	983,209	773,177	210,032	27.16
Equipment	311,370	258,398	52,972	20.50
Data processing	325,912	247,812	78,100	31.52
Pointer Ridge other operating	314,191	320,440	(6,249)	(1.95)
FDIC insurance and State of Maryland assessments	361,263	442,892	(81,629)	(18.43)
Merger Expense	187,125		187,125	100.00
Other operating	1,342,623	1,063,587	279,036	26.24
Total non-interest expenses	$ 8,372,908	$ 6,718,489	$ 1,654,419	24.62%

Non-interest expense for the nine months ended September 30, 2010 increased $1.7 million or 24.62% to $8.4 million compared to $6.7 million for the same period in 2009. Salaries, employee benefits, occupancy, equipment, data processing expenses, and other operating expenses increased primarily because of increased operating expenses from the branches that we opened in 2009 and the new lending team that we hired in December 2009. Benefits also increased because of the increase in stock option and restricted stock awards granted in the first quarter of 2010. The transfer of the ownership of other real estate owned from the borrower s name to ours and maintenance of these properties contributed approximately

$42,000 to the increase in other operating expenses. FDIC and State of Maryland assessments decreased because of the elimination of the special assessment of approximately $150,000. This savings was offset by increased rates and higher deposit levels. During the nine month period, we incurred $187,125 in costs associated with the agreement to acquire Maryland Bankcorp for attorney, advisory and accounting fees.

For the remainder of 2010, we anticipate non-interest expenses will remain relatively stable and will exceed last year s expenses. During the remainder of 2010, we will continue to incur increased salary, benefits, occupancy, equipment and data processing expenses related to the new Fairwood and Crofton locations and increased operational expenses associated with these branches. We will also incur increased salary and benefits expenses associated with our new lending team and increased FDIC insurance premiums as our deposits continue to grow. We also anticipate that we will continue to incur legal, accounting and advisory fees associated with the merger of Maryland Bankcorp.

2009 compared to 2008

Non-interest expense for the twelve months ended December 31, 2009 increased 25.55% or $1.9 million relative to the amount reported in 2008. The following chart outlines the changes in non-interest expenses for the period.

Years Ended December 31,	2009	2008	$ Change	% Change
Salaries	$ 4,037,027	$ 3,316,219	$ 720,808	21.74%
Employee benefits	1,012,014	923,666	88,348	9.56
Occupancy	1,085,768	1,124,838	(39,070)	(3.47)
Equipment	354,531	313,133	41,398	13.22
Data processing	340,870	269,632	71,238	26.42
FDIC Insurance and State of Maryland assessments	561,850	151,149	410,701	271.72
Pointer Ridge other operating	66,458	24,414	42,044	172.21
Other operating	1,798,363	1,249,727	548,636	43.90
Total non-interest expenses	$ 9,256,881	$ 7,372,778	$ 1,884,103	25.55%

Salaries, employee benefits, equipment, data processing expenses, and other operating expenses increased primarily because of increased operating expenses from the two branches that we opened in 2008, two additional branches opened in 2009 and the new lending team that we hired in December 2009. As a result of the consolidation of Pointer Ridge, these increases and increases in occupancy expenses due to the new branches were partially offset by the elimination of $526,494 of rental expenses paid to Pointer Ridge. Benefits also increased because of the increase in stock option expenses for options granted in the first quarter of 2009. There were no options granted in 2008. In April of 2009, we converted our core data processing system to a new service provider. In addition to the impact from the new branches, the conversion also caused an increase in data processing costs. Non-interest expenses also increased because of a $410,701 increase in FDIC insurance premiums and Maryland State assessments, inclusive of the approximately $149,000 special assessment.

2008 compared to 2007

The following chart outlines the non-interest expenses for the years ended December 31, 2008 and 2007.

Years Ended December 31,	2008	2007	$ Change	% Change
Salaries	$ 3,316,219	$ 3,045,932	$ 270,287	8.87%
Employee benefits	923,666	953,554	(29,888)	(3.13)
Occupancy	1,124,838	934,277	190,561	20.40
Equipment	313,133	248,182	64,951	26.17

Data processing	269,632	221,107	48,525	21.95
Other operating	1,425,290	1,371,499	53,791	3.92
Total non-interest expenses	$ 7,372,778	$ 6,774,551	$ 598,227	8.83%

Salary and benefit expenses increased primarily because we opened the College Park, Greenbelt and Annapolis branches during the year and we hired new loan officers in April and September 2007. These increases were partially offset by the reduction in salary expense that we realized when we closed the marine division late in the third quarter of 2007 and terminated the employees associated with it. Additionally, stock based compensation expenses decreased from $173,714 in 2007 to $104,541 for the same period in 2008. The stock based compensation expense decreased because the board of directors did not receive any vested options in 2008 and they received 10,000 vested options in 2007.

Occupancy and equipment expenses increased because of the opening of the new Greenbelt branch in June 2007, the College Park branch in February 2008 and the Annapolis branch in September 2008, as well as annual rental increases. Data processing costs increased because of the new locations, new services provided by our data processor, and contractual increases. Other operating expenses increased primarily because of increased FDIC and state of Maryland insurance assessments, higher audit and exam fees, and increased business development expenses. The elimination of the costs associated with the marine division partially offset these increases.

Income Taxes

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Income tax expense was $265,299 (47.38% of pre-tax income) for the three months ended September 30, 2010 as compared to $257,512 (33.85% of pre-tax income) for the same period in 2009. The $187,125 merger expense is non-deductible for tax purposes and was the primary cause of the increase in the tax rate.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Income tax expense was $765,431 (38.00% of pre-tax income) for the nine months ended September 30, 2010 as compared to $812,414 (32.78% of pre-tax income) for the same period in 2009. The $187,125 merger expense is non-deductible for tax purposes and was the primary cause of the increase in the tax rate.

2009 compared to 2008

Income tax expense was $1,055,522 (33.20% of pre-tax income) for the year ended December 31, 2009 compared to $939,383 (34.91% of pre-tax income) for the same period in 2008. The decrease in the effective tax rate is primarily due to higher tax exempt interest income.

2008 Compared to 2007

Income tax expense was $939,383 (34.91% of pre-tax income) for the year ended December 31, 2008 compared to $789,053 (33.26% of pre-tax income) for the same period in 2007. The increase in the effective tax rate is primarily due to a decrease in interest on tax exempt securities as a percent of pre-tax income during the period and an increase in the state tax rate.

Net Income Available to Common Stockholders

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Net income attributable to Old Line Bancshares was $312,565 for the three months ended September 30, 2010 compared to $507,532 for the three month period ended September 30, 2009. Net income available to common stockholders was $312,565 or $0.08 per basic and diluted common share for the three month period ending September 30, 2010 compared to net income available to common stockholders of $226,683 or $0.06 per basic and diluted common share for the same period in 2009. The decrease in net income attributable to Old Line Bancshares for the 2010 period was primarily the result of a $684,101 increase in non-interest expense which includes $187,125 in cost associated with the agreement to acquire Maryland Bankcorp. In addition, a $65,162 decrease in non-interest revenue, and a $7,787 increase in income taxes compared to the 2009 period added to the decline in net income attributable to Old Line Bancshares. These items were partially offset by a $548,465 increase in net interest income after provision for loan losses compared to the same period in 2009. The increase in net income available to common stockholders for the 2010 period was a result of our repurchase during 2009 from the U.S. Treasury the 7,000 shares of preferred stock that we issued to them as part of the Troubled Asset Relief Program. As a result of this repurchase, we no longer pay dividends on the preferred stock. Earnings per common share increased to $0.08 for the period on a basic and diluted basis because of the items outlined above.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Net income attributable to Old Line Bancshares decreased $262,721 or 16.73% for the nine months ended September 30, 2010 to $1.3 million from $1.6 million for the nine month period ended September 30, 2009. Net income available to common stockholders was $1.3 million or $0.34 per basic and diluted common share for the nine month period ending September 30, 2010 compared to net income available to common stockholders of $1.1 million or $0.28 per basic and diluted common share for the same period in 2009. The decrease in net income attributable to Old Line Bancshares for the 2010 period was primarily the result of a $639,820 decrease in non-interest revenue and a $1.7 million increase in non-interest expense compared to the 2009 period, which includes $187,125 in costs associated with the merger agreement with Maryland Bankcorp, discussed in other sections of this report. These items were not fully offset by a $1.8 million increase in net interest income after provision for loan losses and a $46,983 decrease in income taxes compared to the same period in 2009. The increase in net income available to common stockholders for the 2010 period was a result of our repurchase during 2009 from the U.S. Treasury the 7,000 shares of preferred stock that we issued to them as part of the Troubled Asset Relief Program. As a result of this repurchase, we no longer pay dividends on the preferred stock. Earnings per common share increased to $0.34 for the period on a basic and diluted basis because of the items outlined above.

2009 compared to 2008

Net income attributable to Old Line Bancshares increased $280,032 or 15.95% for the twelve month period ended December 31, 2009 to $2.0 million from $1.8 million for the twelve month period ended December 31, 2008. After inclusion of the dividends and accretion on the preferred stock issued under the U.S. Treasury s Capital Purchase Program in December 2008, net income available to common stockholders for the twelve month period was $1.6 million. Earnings per basic and diluted common share were $0.40 for the twelve months ended December 31, 2009 and $0.44 for the same period in 2008. The increase in net income was the result of a $1.5 million increase in net interest income after provision for loan losses and an $855,835 increase in non-interest revenue. This was partially offset by a $1.9 million increase in non-interest expense and a $116,139 increase in income taxes. Earnings per share decreased on a basic and diluted basis because of dividends and accretion on the preferred stock. This was partially offset by higher earnings and because we repurchased 217,085 shares of common stock during the year ended December 31, 2008, which caused the average number of common shares outstanding during 2009 to decline to 3,862,364 from 3,919,903 for the same period in 2008.

2008 Compared to 2007

Net income available to common stockholders was $1.7 million or $0.44 per basic and diluted common share for the twelve month period ending December 31, 2008, an increase of $143,680 or 9.08% compared to net income of $1.6 million or $0.37 per basic and diluted common share for the same period in 2007. The increase in net income was the result of a $1.1 million increase in net interest income after provision for loan losses. This was partially offset by a $209,382 decrease in non-interest revenue, a $598,227 increase in non-interest expense, the new 5% preferred stock dividend payable to the U.S. Treasury for its $7 million investment, and a $150,330 increase in income taxes. Earnings per share increased on a basic and diluted basis because of higher earnings and because we repurchased 217,085 shares of common stock during the twelve month period ended December 31, 2008 and 185,950 shares of common stock in the 4th quarter of 2007 that caused the average number of common shares outstanding to decline to 3,919,903 from 4,237,266 for the same period in 2007.

Analysis of Financial Condition

Investment Securities

Our portfolio consists primarily of time deposits in other banks, investment grade securities including U.S. Treasury securities, U.S. government agency securities, U.S. government sponsored entity securities, securities issued by states, counties and municipalities, mortgage backed securities, and certain equity securities, including Federal Reserve Bank stock, Federal Home Loan Bank stock, Maryland Financial Bank stock and Atlantic Central Bankers Bank stock. We have prudently managed our investment portfolio to maintain liquidity and safety and we have never owned stock in Fannie Mae or Freddie Mac or any of the more complex securities available in the market. The portfolio provides a source of liquidity and collateral for borrowings, as well as a means of diversifying our earning asset portfolio. While we generally intend to hold the investment securities until maturity, we classify a significant

portion of the investment securities as available for sale. We account for investment securities so classified at fair value and report the unrealized appreciation and depreciation as a separate component of stockholders equity, net of income tax effects. We account for investment securities classified in the held to maturity category at amortized cost. Although we will occasionally sell a security, generally, we invest in

securities for the yield they produce and not to profit from trading the securities. There are no trading securities in the portfolio.

The investment securities at September 30, 2010 amounted to $47.6 million, an increase of $13.8 million, or 40.83%, from the December 31, 2009 amount of $33.8 million. Available for sale investment securities decreased to $24.1 million at September 30, 2010 from $28.0 million at December 31, 2009. Held to maturity securities at September 30, 2010 increased to $23.5 million from the $5.8 million balance on December 31, 2009. Deposits and customer sweep accounts (short term borrowings) grew at a faster rate than our loans. Therefore, we deployed the excess funds into held to maturity securities. The fair value of available for sale securities included net unrealized gains of $920,038 at September 30, 2010 (reflected as unrealized gains of $557,129 in stockholders equity after deferred taxes) as compared to net unrealized gains of $609,165 ($368,880 net of taxes) as of December 31, 2009. In general, the increase in fair value was a result of maturities, decreasing market rates and changes in investment ratings. We have evaluated securities with unrealized losses for an extended period of time and determined that these losses are temporary because, at this point in time, we expect to hold them until maturity. We have no intent or plan to sell these securities, it is not likely that we will have to sell these securities and we have not identified any portion of the loss that is a result of credit deterioration in the issuer of the security. As the maturity date moves closer and/or interest rates decline, the unrealized losses in the portfolio will decline or dissipate.

The investment securities at December 31, 2009 amounted to $33.8 million, a decrease of $3.8 million, or 10.11%, from the December 31, 2008 amount of $37.6 million. Available for sale investment securities decreased to $28.0 million at December 31, 2009 from $29.6 million at December 31, 2008. The decrease in the available for sale investment securities occurred primarily because we deployed these funds into loans or other interest bearing deposits. Held to maturity securities at December 31, 2009 decreased to $5.8 million from the $8.0 million balance on December 31, 2008 because securities matured or were called during the period. The fair value of available for sale securities included net unrealized gains of $609,165 at December 31, 2009 (reflected as unrealized gains of $368,880 in stockholders equity after deferred taxes) as compared to net unrealized gains of $648,356 ($392,611 net of taxes) as of December 31, 2008. In general, the decrease in fair value was the result of increasing market rates. We have evaluated securities with unrealized losses for an extended period of time and determined that these losses are temporary because, at this point in time, we expect to hold them until maturity. We have no intent or plan to sell these securities, it is not likely that we will have to sell these securities and we have not identified any portion of the loss that is a result of credit deterioration in the issuer of the security. As the maturity date moves closer and/or interest rates decline, the unrealized losses in the portfolio will decline or dissipate.

The investment securities at December 31, 2008 amounted to $37.6 million, an increase of $25.9 million, or 221.24%, from the December 31, 2007 amount of $11.7 million. Available for sale investment securities increased to $29.6 million at December 31, 2008 from $9.4 million at December 31, 2007. Held to maturity securities at December 31, 2008 increased to $8.0 million from $2.3 million. The increase in the available for sale investment and held to maturity securities occurred because as liquidity concerns in the market began to dissipate and interest rates declined in the fourth quarter, we used federal funds to purchase securities. The fair value of available for sale securities included net unrealized gains of $648,356 at December 31, 2008 (reflected as unrealized gains of $392,611 in stockholders equity after deferred taxes) as compared to net unrealized losses of $49,127 ($29,749 net of taxes) as of December 31, 2007. In general, the increase in fair value was a result of maturities, decreasing interest rates on investments and changes in investment ratings. As required, we have evaluated securities with unrealized losses for an extended period of time and determined that these losses are temporary because, at this point in time, we expect to hold them until maturity. As the maturity date moves closer and/or interest rates decline, we expect the unrealized losses in the portfolio will decline or dissipate.

The following table sets forth a summary of the investment securities portfolio as of the periods indicated. Available for sale securities are reported at estimated fair value; held to maturity securities are reported at amortized cost.

Investment Securities
(Dollars in thousands)

December 31,	2009	2008	2007
Available For Sale Securities			
U.S. Treasury	$	$	$ 998
U.S. government agency	7,291	10,898	4,472
Municipal securities	2,275	2,443	2,914
Mortgage backed	18,447	16,225	1,009
Total Available for Sale Securities	$ 28,013	$ 29,566	$ 9,393
Held To Maturity Securities			
U.S. Treasury	$	$ 500	$ 2,001
Municipal securities	301	301	301
Mortgage-backed	5,506	7,202	
Total Held to Maturity Securities	$ 5,807	$ 8,003	$ 2,302
Equity Securities	$ 2,958	$ 2,127	$ 2,080

The following table shows the maturities for the securities portfolio at December 31, 2009 and 2008:

Fair Value, Amortized Cost and Weighted Average Yield

	Available for Sale			*Held to Maturity*		
December 31, 2009	Amortized Cost	Fair Value	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
Maturing						
Less than 3 months	$ 250,039	$ 250,398	2.55%	$	$	
Over 3 months through 1 year	1,394,559	1,413,114	3.22%			
Over one to five years	4,440,360	4,621,900	4.00%	99,927	100,210	3.50%
Over five to ten years	8,567,790	8,760,477	3.32%	2,279,892	2,373,515	4.40%
Over ten years	12,751,035	12,967,059	4.16%	3,426,688	3,603,040	4.78%
	$ 27,403,783	$ 28,012,948		$ 5,806,507	$ 6,076,765	
Pledged Securities	$	$		$	$	
December 31, 2008						
Maturing						
Over 3 months through 1 year	$ 1,150,265	$ 1,171,205	3.18%	$ 499,942	$ 507,031	3.91%
Over one to five years	11,635,121	11,957,725	3.88%	99,881	100,075	3.50%
Over five to ten years	8,995,942	9,249,654	4.69%	2,051,611	2,091,071	4.47%
Over ten years	7,136,292	7,187,392	4.43%	5,351,957	5,536,836	4.68%
	$ 28,917,620	$ 29,565,976		$ 8,003,391	$ 8,235,013	
Pledged Securities	$	$		$	$	

Contractual maturities of mortgage-backed securities are not reliable indicators of their expected life because mortgage borrowers have the right to prepay mortgages at any time. Additionally, the issuer may call the callable agency securities listed above prior to the contractual maturity.

Investment in real estate LLC

On November 17, 2008, we purchased Chesapeake Custom Homes, L.L.C. s 12.50% membership interest in Pointer Ridge, a Maryland limited liability company. As a result of this purchase, our membership interest increased from 50.00% to 62.50%. Consequently, we consolidated Pointer Ridge s results of operations from the date of acquisition. Prior to the date of acquisition, we accounted for our investment in Pointer Ridge using the equity method. The following table summarizes the condensed Balance Sheets and Statements of Income for Pointer Ridge.

The following table summarizes the condensed Balance Sheets and Statements of Income information for Pointer Ridge.

Pointer Ridge Office Investment, LLC

Balance Sheets

	September 30, 2010
Current assets	$ 786,313
Non-current assets	7,301,501
Liabilities	6,430,997
Equity	1,656,817

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Statements of Income				
Revenue	$ 215,704	$ 251,274	$ 612,900	$ 1,032,235
Expenses	263,374	262,630	769,058	776,423
Net income (loss)	$ (47,670)	$ (11,356)	$ (156,158)	$ 255,812

Pointer Ridge Office Investment, LLC

December 31,	2009	2008	2007
Balance Sheets			
Current assets	$ 891,233	$ 540,105	$ 440,256
Non-current assets	7,432,268	7,619,352	7,815,892
Liabilities	6,480,230	6,548,760	6,644,206
Equity	1,843,271	1,610,697	1,611,942
Statements of Income			
Revenue	$ 1,239,137	$ 1,014,136	$ 941,520
Expenses	1,006,563	1,019,577	893,320
Net income (loss)	$ 232,574	$ (5,441)	$ 48,200

We purchased Chesapeake Custom Homes, L.L.C. s 12.50% membership interest at the book value which was equivalent to the fair value. Accordingly, we did not record any goodwill with this purchase.

We lease space for our headquarters office and branch location in the building owned by Pointer Ridge at 1525 Pointer Ridge Place, Bowie, Maryland. We eliminate these lease payments in consolidation. Frank Lucente, a director of Old Line Bancshares and Old Line Bank, controls 12.50% of Pointer Ridge and controls the manager of Pointer Ridge.

Loan Portfolio

Commercial loans and loans secured by real estate comprise the majority of the loan portfolio. Old Line Bank s loan customers are generally located in the greater Washington, D.C. metropolitan area.

The loan portfolio, net of allowance, unearned fees and origination costs, increased $31.6 million or 11.92% to $296.6 million at September 30, 2010 from $265.0 million at December 31, 2009 Commercial business loans increased by $9.0 million (12.13%), commercial real estate loans increased by $28.9 million (23.31%), residential real estate loans (generally home equity and fixed rate home improvement loans) increased by $3.1 million (13.25%), real estate construction loans (primarily commercial real estate construction) decreased by $8.8 million (28.48%) and consumer loans decreased by $1.4 million (9.59%) from their respective balances at December 31, 2009. During the first nine months of 2010, we

received scheduled loan payoffs on construction loans that negatively impacted our loan growth for the period. In spite of these payoffs, we experienced an 11.93% growth in the loan portfolio. We saw loan and deposit growth generated from our entire team of lenders, branch personnel and board of directors. We anticipate the entire team will continue to focus their efforts on business development during the remainder of 2010 and continue to grow the loan portfolio. However, the current economic climate may cause slower loan growth.

The following table summarizes the composition of the loan portfolio by dollar amount and percentages:

Loan Portfolio

(Dollars in thousands)

	September 30, 2010		December 31, 2009	
Real Estate				
Commercial	$ 152,929	51.32%	$ 124,002	46.44%
Construction	22,104	7.42	30,872	11.56
Residential	26,477	8.89	23,350	8.74
Commercial	83,243	27.94	74,175	27.78
Consumer	13,210	4.43	14,622	5.48
	297,963	100.00%	267,021	100.00%
Allowance for loan losses	(1,827)		(2,481)	
Deferred loan costs, net	498		469	
	$ 296,634		$ 265,009	

The loan portfolio, net of allowance, unearned fees and origination costs, increased $33.9 million or 14.67% to $265.0 million at December 31, 2009 from $231.1 million at December 31, 2008. Commercial business loans increased by $4.2 million (6.00%), commercial real estate loans increased by $13.2 million (11.91%), residential real estate loans (generally home equity and fixed rate home improvement loans) increased by $10.6 million (82.81%), real estate construction loans (primarily commercial real estate construction) increased by $7.5 million (32.05%) and consumer loans decreased by $1.0 million (6.41%) from their respective balances at December 31, 2008.

The loan portfolio, net of allowance, unearned fees and origination costs increased $29.2 million or 14.46% to $231.1 million at December 31, 2008 from $201.9 million at December 31, 2007. Commercial business loans increased by $14.5 million (26.13%), commercial real estate loans (generally owner-occupied) increased by $14.8 million (15.42%), residential real estate loans (generally home equity and fixed rate home improvement loans) increased by $1.6 million (14.29%), real estate construction loans increased by $1.5 million (6.85%) and consumer loans decreased by $2.9 million (15.68%) from their respective balances at December 31, 2007.

During 2009, we received scheduled loan payoffs on construction loans that negatively impacted our loan growth for the period. In spite of these payoffs, we experienced a 14.67% growth in the loan portfolio. We saw loan and deposit growth generated from our entire team of lenders, branch personnel and board of directors.

The following table summarizes the composition of the loan portfolio by dollar amount and percentages:

Loan Portfolio
(Dollars in thousands)

December 31,	2009		2008		2007	
Real Estate						
Commercial	$ 124,002	46.44%	$ 110,826	47.63%	$ 96,018	47.26%
Construction	30,872	11.56	23,422	10.07	21,905	10.78
Residential	23,350	8.74	12,820	5.51	11,227	5.53
Commercial	74,175	27.78	69,961	30.07	55,513	27.32
Consumer	14,622	5.48	15,638	6.72	18,528	9.11
	267,021	100.00%	232,667	100.00%	203,191	100.00%
Allowance for loan losses	(2,481)		(1,983)		(1,586)	
Deferred loan costs, net	469		370		337	
	$ 265,009		$ 231,054		$ 201,942	

The following table presents the maturities or re-pricing periods of selected loans outstanding at December 31, 2009:

	Loan Maturity Distribution at December 31, 2009			
	1 year or less	1-5 years	After 5 years	Total
	(Dollars in thousands)			
Real Estate				
Commercial	$ 26,577	$ 78,954	$ 18,471	$ 124,002
Construction	21,022	9,730	120	30,872
Residential	14,577	7,880	893	23,350
Commercial	38,954	33,573	1,648	74,175
Consumer	680	982	12,960	14,622
Total Loans	$ 101,810	$ 131,119	$ 34,092	$ 267,021
Fixed Rates	$ 19,841	$ 46,545	$ 27,858	$ 94,244
Variable Rates	81,969	84,574	6,234	172,777
Total Loans	$ 101,810	$ 131,119	$ 34,092	$ 267,021

Asset Quality

Management performs reviews of all delinquent loans and directs relationship officers to work with customers to resolve potential credit issues in a timely manner.

The following tables outline for the periods indicated those construction loans that have an interest reserve included in the commitment amount and where advances on the loan currently pay the interest due. As outlined below, at September 30, 2010 we had only two construction loans that have an interest reserve included in the commitment amount and where advances on the loan currently pay the interest due.

Loans With Interest Paid From Loan Advances

(Dollars in thousands)

	September 30, 2010		December 31, 2009		December 31, 2008	
	# of Borrowers		# of Borrowers		# of Borrowers	
Hotels	1	$ 967	1	$ 1,741	3	$ 8,563
Owner occupied					1	2,882
Single family acquisition & development	1	2,406	2	4,028	5	5,889
	2	$ 3,373	3	$ 5,769	9	$ 17,334

At inception, the total loan and commitment amount were equivalent to an appraised 80% or less as is or as developed loan to value. We continually monitor these loans and where appropriate have received new appraisals on these properties, additional collateral, a payment on the principal, or have downgraded the risk rating on the loan and increased our loan loss provision accordingly. In certain cases, these loans have experienced a delay in the project either as a result of delays in receiving regulatory approvals or the borrower has elected to delay the project because the current economic climate has caused real estate values to decline. Although payments on these loans are current, management monitors their performance closely.

At year end, with the exception of the three non-accrual loans and two loans that were 30-89 days past due, all of our loans were performing in accordance with contractual terms. At September 30, 2010, with the exception of three non-accrual loans and one loan that was 30 days past due, all of our loans were performing in accordance with contractual terms. Management has identified eight additional potential problem loans totaling $6.2 million as of December 31, 2009 and seven potential problem loans totaling $1.9 million at September 30, 2010 that are complying with their repayment terms. Management has concerns either about the ability of these borrowers to continue to comply with repayment terms because of the borrower s potential operating or financial difficulties or the underlying collateral has experienced a decline in value. These weaknesses have caused management to heighten the attention given to these credits. During the 1st quarter of 2010, we placed one of these loans in the amount of $442,242 on non-accrual status. We proceeded with foreclosure on the real estate that secures this loan. At the foreclosure, there was a buyer for the property and we did not incur any losses from this loan.

Management generally classifies loans as non-accrual when it does not expect collection of full principal and interest under the original terms of the loan or payment of principal or interest has become 90 days past due. Classifying a loan as non-accrual results in our no longer accruing interest on such loan and reversing any interest previously accrued but not collected. We will generally restore a non-accrual loan to accrual status when the borrower brings delinquent principal and interest payments current and we expect to collect future monthly principal and interest payments. We recognize interest on non-accrual loans only when received.

As previously discussed in the provision for loan losses section of this discussion, at September 30, 2010, we had three loans totaling $3.0 million that were 90 days past due and were classified as non-accrual compared to three loans in the amount of $1.6 million at December 31, 2009 and one loan in the amount of $850,675 at December 31, 2008. At September 30, 2010, we have completed foreclosure on two commercial properties and hold these properties

in other real estate owned at a value of $823,169.

The table below outlines the transfer of loans from and to non-accrual status for the nine month period ended September 30, 2010:

	# of Borrowers	Loan Balance
Beginning Balance	3	$ 1,586
Added to non-accrual		3,301
Charged-off		(1,084)
Transferred to other real estate owned		(823)
Ending balance non-accrual loans	3	$ 2,980

During the first quarter of 2008, the borrower on the first non-accrual loan that has a balance of $810,291 began remitting payments and advised us that the borrower planned to make all past due interest and principal current prior to June 30, 2009. Through October 2008, the borrower remitted regular payments plus a portion of the arrearage. In November 2008, the borrower requested a revision to this repayment schedule with full repayment of all past due amounts to occur by May 2010. In October 2009, the borrower re-entered bankruptcy under Chapter 11 of the United States Bankruptcy Code. A commercial real estate property secures this loan. We have obtained a lift stay on the property and we have proceeded with foreclosure. We are currently waiting for the ratification of the foreclosure on the property. The loan to value at inception of this loan was 80% and an appraisal received in 2010 indicates that the current loan principal to value is less than 80%. Once we receive ratification of the foreclosure, we plan to list the property for sale. As of September 30, 2010, the interest not accrued on this loan was $197,050 none of which was included in net income for the three or nine months ended September 30, 2010. We have not designated a specific allowance for this non-accrual loan.

The second loan in the amount of $553,039 is a land development loan secured by real estate. The borrower on this loan has filed bankruptcy. A recent appraisal of the property securing this loan indicates that the value of the collateral is sufficient to provide repayment and we do not consider this loan impaired. We are in the process of receiving a deed in lieu of foreclosure on this property. We are in negotiations with a purchaser for this property. Once we receive the deed to the property, we plan to proceed with sale of the property. The total non-accrued interest on this loan as of September 30, 2010 was $30,371 none of which was included in net income in the three or nine month period ended September 30, 2010.

The third loan, which we added to non-accrual in the third quarter, is also a residential land acquisition and development loan with a balance of $1,616,317 at September 30, 2010. The non-accrued interest on this loan was $73,986 at September 30, 2010, none of which is included in interest income. We have obtained a judgment against the guarantors on this loan. At inception, the loan to value on this loan was less than 80% and we have received an appraisal that indicates the current value of the collateral that secures this loan is insufficient for repayment. We are currently working with the borrower and the guarantor to obtain additional collateral. At this point, we consider this loan impaired. We have allocated $200,000 of the allowance for loan losses to this loan.

During the three months ended September 30, 2010, we charged $137,151 to the allowance for loan losses for an unsecured credit facility in the amount of $137,151 that we previously classified as non-accrual.

The table below presents a breakdown of the non-performing loans, other real estate owned and accruing past due loans at September 30, 2010.

Non-Performing Assets and Past Due Loans
(Dollars in thousands)

	September 30, 2010			December 31, 2009		
	#	Balance	Interest Not Accrued	#	Balance	Interest Not Accrued
Real Estate						
Commercial	3	$ 2,980	$ 302	3	$ 1,586	$ 191
Construction						
Residential						
Commercial						
Consumer						
Other real estate owned	2	823				
Total non-performing assets	**5**	**$ 3,803**	**$ 302**	**3**	**$ 1,586**	**$ 191**
Non-performing assets as a percentage of total assets		0.92%			0.44%	
Non-performing loans as a percentage of total gross loans		1.00%			0.59%	
Accruing past due loans:						
30-89 days past due	1	$ 83		2	581	
90 or more days past due						
Total accruing past due loans	**1**	**$ 83**		**2**	**$ 581**	
Ratio of accruing past due loans to total loans:						
30-89 days past due		0.0279%			0.22%	
90 or more days past due						
Total accruing past due loans		**0.0279%**			**0.22%**	

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The table below presents a breakdown of the non-performing loans and accruing past due loans at December 31, 2009.

Non- Perfoming Assets and Past Due Loans
(Dollars in thousands)

Year Ended December 31,	2009			2008		
	# of Borrowers	Account Balance	Interest Not Accrued	# of Borrowers	Account Balance	Interest Not Accrued
Real Estate						
Commercial	3	$ 1,586	$ 191	1	$ 851	$ 86
Construction						
Residential						
Commercial						
Consumer						
Total non-performing assets	3	$ 1,586	$ 191	1	$ 851	$ 86
Non-performing assets as a percentage of:						
Total gross loans		0.59%			0.37%	
Total assets		0.44%			0.27%	
Accruing past due loans:						
30-89 days past due	2	$ 581				
90 or more days past due						
Total accruing past due loans	2	$ 581				
Ratio of accruing past due loans to total loans:						
30-89 days past due		0.22%			%	
90 or more days past due						
Total accruing past due loans		0.22%			%	

We classify any property acquired as a result of foreclosure on a mortgage loan as other real estate owned and record it at the lower of the unpaid principal balance or fair value at the date of acquisition and subsequently carry the property at the lower of cost or net realizable value. We charge any required write-down of the loan to its net realizable value against the allowance for loan losses at the time of foreclosure. We charge to expense any subsequent adjustments to net realizable value. Upon foreclosure, Old Line Bank generally requires an appraisal of the property and, thereafter, appraisals of the property on at least an annual basis and external inspections on at least a quarterly basis.

As of September 30, 2010, we owned two properties totaling $823,169 as a result of foreclosures. One property is valued at $223,169. As outlined in our December 31, 2009 Annual Report on Form 10-K, in March 2010, we completed foreclosure on this property. We have listed that property for sale and have accepted a contract from a non-affiliated buyer for purchase of the property. The purchaser has requested an extension to a 60 day feasibility period and a 45 day settlement period. We expect to settle on the sale of this property prior to year end 2010. If the settlement occurs, we anticipate that we will receive full repayment of all amounts due during the fourth quarter of 2010.

The second property originally secured a residential land acquisition and development loan with a balance of $1,546,739. In the third quarter of 2010, we received a deed in lieu of foreclosure on this property. A recent appraisal indicated the value of the property was insufficient to repay the full principal balance and cost associated with selling the property. Therefore, we recognized this impairment and charged $946,739 to the allowance for loan losses in the third quarter and report the current value of $600,000 in other real estate owned.

On December 31, 2009, 2008 and 2007, we held no real estate acquired as a result of foreclosure.

As required by ASC Topic 310-*Receivables* and ASC Topic 450-*Contingencies*, we measure all impaired loans, which consist of all modified loans and other loans for which collection of all contractual principal and interest is not probable, based on the present value of expected future cash flows discounted at the loan s effective interest rate, or at the loan s observable market price or the fair value of the collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, we recognize impairment through a valuation allowance and corresponding provision for loan losses. Old Line Bank considers consumer loans as homogenous loans and thus does not apply the impairment test to these loans. We write off impaired loans when collection of the loan is doubtful.

As of September 30, 2010, we had one impaired loan as outlined above and one restructured loan. At December 31, 2009, we had no impaired loans and one restructured loan. A continued decline in the economy may adversely affect our asset quality.

Bank Owned Life Insurance

In June 2005, we purchased $3.3 million of BOLI on the lives of our executive officers, Messrs. Cornelsen and Burnett and Ms. Rush. With a new $4 million investment made in February 2007, we increased the insurance on Messrs. Cornelsen and Burnett and expanded the coverage of the insurance policies to insure the lives of several other officers of Old Line Bank. We anticipate the earnings on these policies will partially offset our employee benefit expenses as well as our obligations under our Salary Continuation Agreements and Supplemental Life Insurance Agreements that we entered into with our executive officers in January 2006. Higher rates caused increased earnings during 2009 and the cash surrender value of the insurance policies increased by $326,840. During the first nine months of 2010, the cash surrender value of the insurance policies increased by $212,862 as a result of earnings on the investments. There are no post retirement death benefits associated with the BOLI policies.

On January 3, 2006, Old Line Bank entered into Salary Continuation Agreements and Supplemental Life Insurance Agreements, with Mr. Cornelsen, Mr. Burnett and Ms. Rush and started accruing for the related post retirement benefits. Under these agreements, benefits accrue over time from the date of the agreement until the executive reaches the age of 65. Upon full vesting of the benefit, the executives will be paid the following annual amounts for 15 years: Mr. Cornelsen $159,738; Mr. Burnett $24,651; and Ms. Rush $77,783. Mr. Burnett will receive an additional $5,895 per year if he continues his employment with us until he reaches age 68. Under the Supplemental Life Insurance Agreements, Old Line Bank is obligated to cause the payment of death benefits to the executives designated beneficiaries in the following amounts: Mr. Cornelsen $1.3 million; Mr. Burnett $703,465;

Ms. Rush $797,618; and all other officers $1.8 million. Old Line Bank has funded these obligations through the BOLI outlined above. There is no obligation to provide any of the insured executives beneficiaries post retirement benefits from the BOLI.

Deposits

We seek deposits within our market area by paying competitive interest rates, offering high quality customer service and using technology to deliver deposit services effectively.

At September 30, 2010, the deposit portfolio had grown to $341.1 million, a $54.8 million or 19.14% increase over the December 31, 2009 level of $286.3 million. Non-interest bearing deposits increased $23.4 million during the period to $64.3 million from $40.9 million primarily due to the establishment of new customer demand deposit accounts and expansion of existing demand deposit accounts. Interest-bearing deposits grew $31.4 million to $276.9 million from $245.5 million. Approximately $5.7 million of the increase in interest bearing deposits was in certificates of deposit, $21.5 million was in money market accounts and $4.2 million was in savings accounts. The growth in these categories was the result of expansion of existing customer relationships, the new money market accounts discussed below and new customers.

We acquire brokered certificates of deposit and money market accounts through the Promontory Interfinancial Network. Through this deposit matching network and its certificate of deposit and money market account registry service (CDARS), we obtained the ability to offer our customers access to FDIC-insured deposit products in aggregate amounts exceeding current insurance limits. When we place funds through CDARS on behalf of a customer, we receive matching deposits through the network s reciprocal deposit program. Generally, these deposits originate from local municipalities, homeowners associations or other similar type customers with whom we maintain a significant relationship. We can also place deposits through this network without receiving matching deposits. At September 30, 2010, we had $25.2 million in CDARS certificates of deposit and $4.6 million in CDARS money market accounts through the reciprocal deposit program compared to $31.8 million in certificates of deposit at December 31, 2009. We had received $32.0 million at September 30, 2010 and $25.2 million at December 31, 2009 in certificates of deposit through the CDARS network that were not reciprocal deposits.

At December 31, 2009, the deposit portfolio had grown to $286.3 million, a $54.9 million or 23.73% increase over the December 31, 2008 level of $231.4 million. Noninterest-bearing deposits increased $1.0 million during the period to $40.9 million from $39.9 million primarily due to the establishment of new customer demand deposit accounts and expansion of existing demand deposit accounts. Interest-bearing deposits grew $53.9 million to $245.5 million from $191.6 million. Approximately $40.3 million of the increase in interest bearing deposits was in certificates of deposit, $11.5 million was in money market accounts and $2.1 million was in savings accounts. The growth in these categories was the result of expansion of existing customer relationships and new customers. Although we offer competitive interest rates on our interest bearing deposits, we believe that our growth in these deposits is a result of the customers desire to bank with a quality institution versus high rates.

At December 31, 2008, the deposit portfolio had grown to $231.4 million, a $53.6 million or 30.15% increase over the December 31, 2007 level of $177.8 million. Non-interest bearing deposits increased $4.8 million during the period to $39.9 million from $35.1 million primarily due to increases in commercial checking accounts that was caused by new accounts established in our branches. Interest-bearing deposits grew $48.9 million to $191.6 million from $142.7 million. The growth in interest-bearing deposits was in certificates of deposit which grew $52.0 million from $102.2 million to $154.2 million. A $2.0 million decline in money market and NOW and a $1.1 million decline in savings accounts partially offset this growth. Certificate of deposit accounts grew due to new customer relationships and the transfer of funds from savings accounts.

At December 31, 2009, we had $31.8 million in CDARS through the reciprocal deposit program compared to $13.5 million at December 31, 2008. At December 31, 2009, we had received $25.2 million in deposits through the CDARS network that were not reciprocal deposits. We had $5 million in other brokered certificates of deposit as of December 31, 2008 and $0 as of December 31, 2009 and 2007. We expect that we will continue to use brokered deposits as an element of our funding strategy when required to maintain an acceptable loan to deposit ratio.

The following is a summary of the maturity distribution of certificates of deposit as of December 31, 2009.

	Certificate of Deposit Maturity Distribution December 31, 2009			
	Three Months or Less	Three Months to Twelve Months	Over Twelve Months	Total
	(Dollars in thousands)			
Certificates of deposit				
Less than $100,000	$ 55,536	$ 54,587	$ 22,458	$ 132,581
Greater than or equal to $100,000	8,249	27,846	25,785	61,880
Total	$ 63,785	$ 82,433	$ 48,243	$ 194,461

Borrowings

Old Line Bancshares has available a $5 million line of credit secured by Old Line Bank stock. Old Line Bank has available lines of credit, including overnight federal funds and repurchase agreements from its correspondent banks totaling $24.5 million as of September 30, 2010 and $32.0 million as of December 31, 2009. Old Line Bank has an additional secured line of credit from the Federal Home Loan Bank of Atlanta (FHLB) that totaled $105.0 million at September 30, 2010, $103.7 million at December 31, 2009 and $85.4 million at December 31, 2008. As a condition of obtaining the line of credit from the FHLB, the FHLB requires that Old Line Bank purchase shares of capital stock in the FHLB. Prior to allowing Old Line Bank to borrow under the line of credit, the FHLB also requires that Old Line Bank provide collateral to support borrowings. This collateral consists of commercial and residential mortgage loans held in our portfolio. The FHLB monitors the value of this collateral and performs audits on a regular basis. We have provided collateral to support up to $58.5 million of borrowings as of September 30, 2010 and $39.3 million as of December 31, 2009. Of this, we had borrowed $15.0 million at September 30, 2010 and at December 31, 2009, 2008 and 2007. We may increase availability by providing additional collateral.

Short term borrowings at September 30, 2010 and December 31, 2009 consisted of short-term promissory notes to Old Line Bank s borrowers and a $5 million advance from the FHLB. Old Line Bank offers its commercial customers an enhancement to the basic non-interest bearing demand deposit account. This service electronically sweeps excess funds from the customer s account into an interest bearing Master Note with Old Line Bank. These Master Notes re-price daily, are repayable on demand and have maturities of 270 days or less. At September 30, 2010, Old Line Bank had $8.9 million outstanding in these short term promissory notes with an average interest rate of 0.30%. At December 31, 2009, Old Line Bank had $11.1 million outstanding in these short term promissory notes with an average interest rate of 0.50%. At December 31, 2008, Old Line Bank had $17.8 million outstanding with an average interest rate of 0.50%. At September 30, 2010, December 31, 2009 and December 31, 2008, Old Line Bank did not have any borrowings in overnight federal funds.

At September 30, 2010, December 31, 2009 and December 31, 2008, Old Line Bank had three advances in the amount of $5.0 million each, from the FHLB totaling $15.0 million. On November 24, 2007, Old Line Bank borrowed $5.0 million with an interest rate of 3.66%. Interest is due on the 23rd day of each February, May, August and November, commencing on February 23, 2008. On November 23, 2008, or any interest payment date thereafter, the FHLB has the option to convert the interest rate on this advance from a fixed rate to a three month London Interbank Offer Rate (LIBOR) based variable rate. Old Line Bank must pay this advance in full on November 23, 2010.

On December 12, 2007, Old Line Bank borrowed another $5.0 million from the FHLB. The interest rate on this advance is 3.3575% and interest is payable on the 12th day of each March, June, September and December, commencing on March 12, 2008. On December 12, 2008, or any interest payment date thereafter, the FHLB has the

option to convert the interest rate on this advance to a fixed rate based on the three month LIBOR. The maturity date on this advance is December 12, 2012.

On December 19, 2007, Old Line Bank borrowed an additional $5.0 million from the FHLB. The interest rate on this borrowing is 3.119% and is payable on the 19th day of each month. On January 22, 2008 or any interest payment date thereafter, the FHLB has the option to convert the interest rate on this advance from a fixed rate to a one month LIBOR based variable rate. This borrowing matures on December 19, 2012.

As outlined previously, as a result of increasing our membership interest in Pointer Ridge to 62.50%, we have consolidated their results of operation from the date of acquisition. Prior to the date of acquisition, we accounted for our investment in Pointer Ridge using the equity method. On August 25, 2006, Pointer Ridge entered into an Amended and Restated Promissory Note in the principal amount of $6.6 million. This loan accrues interest at a rate of 6.28% through September 5, 2016. After September 5, 2016, the rate adjusts to the greater of (i) 6.28% plus 200 basis points or (ii) the Treasury Rate (as defined in the Amended Promissory Note) plus 200 basis points. At September 30, 2010, Pointer Ridge had borrowed $6.4 million under the Amended Promissory Note and at December 31, 2009 and 2008 it had borrowed $6.5 million under the Amended Promissory Note. We have guaranteed to the lender payment of up to 62.5% of the loan payment plus any costs the lender incurs resulting from any omissions or alleged acts or omissions by Pointer Ridge arising out of or relating to misapplication or misappropriation of money, rents received after an event of default, waste or damage to the property, failure to maintain insurance, fraud or material misrepresentation, filing of bankruptcy or Pointer Ridge s failure to maintain its status as a single purpose entity.

For additional information about our borrowings, see Notes 10 and 11 to our consolidated financial statements for the year ending December 31, 2009.

Interest Rate Sensitivity Analysis and Interest Rate Risk Management

A principal objective of Old Line Bank s asset/liability management policy is to minimize exposure to changes in interest rates by an ongoing review of the maturity and re-pricing of interest earning assets and interest bearing liabilities. The Asset and Liability Committee of the board of directors oversees this review.

The Asset and Liability Committee establishes policies to control interest rate sensitivity. Interest rate sensitivity is the volatility of a bank s earnings resulting from movements in market interest rates. Management monitors rate sensitivity in order to reduce vulnerability to interest rate fluctuations while maintaining adequate capital levels and acceptable levels of liquidity. Monthly financial reports supply management with information to evaluate and manage rate sensitivity and adherence to policy. Old Line Bank s asset/liability policy s goal is to manage assets and liabilities in a manner that stabilizes net interest income and net economic value within a broad range of interest rate environments. Management makes adjustments to the mix of assets and liabilities periodically in an effort to achieve dependable, steady growth in net interest income regardless of the behavior of interest rates in general.

As part of the interest rate risk sensitivity analysis, the Asset and Liability Committee examines the extent to which Old Line Bank s assets and liabilities are interest rate sensitive and monitors the interest rate sensitivity gap. An interest rate sensitive asset or liability is one that, within a defined time period, either matures or experiences an interest rate change in line with general market rates. The interest rate sensitivity gap is the difference between interest earning assets and interest bearing liabilities scheduled to mature or re-price within such time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of declining interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to adversely affect net interest income. If re-pricing of assets and liabilities were equally flexible and moved concurrently, the impact of any increase or decrease in interest rates on net interest income would be minimal.

Old Line Bank currently has a negative gap over the short term, which suggests that the net yield on interest earning assets may decrease during periods of rising interest rates. However, a simple interest rate gap analysis by itself may not be an accurate indicator of how changes in interest rates will affect net interest income. Changes in interest rates may not uniformly affect income associated with interest earning assets and costs associated with interest bearing liabilities. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. Although certain assets and liabilities may have similar maturities or periods of re-pricing, they may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities

fluctuate in advance of changes in general market interest rates, while interest rates on other types may lag behind changes in general market rates. In the event of a change in interest rates, prepayment and early withdrawal levels also could deviate significantly from those assumed in

calculating the interest-rate gap. The ability of many borrowers to service their debts also may decrease in the event of an interest rate increase.

Liquidity

Our overall asset/liability strategy takes into account our need to maintain adequate liquidity to fund asset growth and deposit runoff. Our management monitors the liquidity position daily in conjunction with Federal Reserve guidelines. As outlined in the borrowing section of this report, we have credit lines, unsecured and secured, available from several correspondent banks totaling $29.5 million. Additionally, we may borrow funds from the FHLB and the Federal Reserve Bank of Richmond. We can use these credit facilities in conjunction with the normal deposit strategies, which include pricing changes to increase deposits as necessary. We can also sell available for sale investment securities or pledge investment securities as collateral to create additional liquidity. From time to time we may sell or participate out loans to create additional liquidity as required. Additional sources of liquidity include funds held in time deposits and cash from the investment and loan portfolios.

Our immediate sources of liquidity are cash and due from banks, federal funds sold and time deposits in other banks. On September 30, 2010, we had $10.3 million in cash and due from banks, $13.3 million in interest bearing accounts, $3.1 million in federal funds sold, and $7.9 million in time deposits in other banks. On December 31, 2009, we had $7.4 million in cash and due from banks, $4.0 million in interest bearing accounts with other banks, $81,138 in federal funds sold and overnight investments and $15.0 million in time deposits in other banks. As of December 31, 2008, we had $8.8 million in cash and due from banks, $2.1 million in federal funds sold and other overnight investments and $13.3 million in time deposits in other banks. Federal funds decreased because we deployed these funds to loans.

Old Line Bank has sufficient liquidity to meet its loan commitments as well as fluctuations in deposits. We usually retain maturing certificates of deposit as we offer competitive rates on certificates of deposit. Management is not aware of any demands, trends, commitments, or events that would result in Old Line Bank s inability to meet anticipated or unexpected liquidity needs.

During the recent period of turmoil in the financial markets, some institutions experienced large deposit withdrawals that caused liquidity problems. We did not have any significant withdrawals of deposits or any liquidity issues. Although we plan for various liquidity scenarios, if turmoil in the financial markets occurs and our depositors lose confidence in us, we could experience liquidity issues.

Capital

Our stockholders equity amounted to $37.8 million at September 30, 2010 and $36.6 million at December 31, 2009. We are considered well capitalized under the risk-based capital guidelines adopted by the Federal Reserve. Stockholders equity increased during the nine month period primarily because of net income attributable to Old Line Bancshares, Inc. of $1.3 million , the $92,175 adjustment for stock based compensation awards and the $188,249 after tax unrealized gain on available for sale securities. These items were partially offset by the $349,200 common stock cash dividend.

While we believe that our capital ratios will exceed regulatory minimums after the merger based on our current calculations, and there is no regulatory requirement that we raise capital in connection with the merger, we believe it is prudent to raise additional capital so that we have sufficient capital for contingency purposes post-merger. Therefore, we intend to conduct a private placement to sell our common stock during the fourth quarter of 2010 and the first quarter of 2011. We intend to offer approximately 776,000 shares of our common stock and raise a maximum of approximately $6.6 million, before expenses. We intend to complete this private placement regardless of whether the merger receives stockholder and regulatory approval and regardless of whether the merger is effected (or we anticipate that the merger will be effective, during and at the termination of the offering), as we believe that it will be appropriate to have additional capital for general business purposes or to facilitate a future merger opportunity.

Our stockholders equity amounted to $36.6 million at December 31, 2009 and $42.3 million at December 31, 2008. We are considered well capitalized under the risk-based capital guidelines adopted by the Federal Reserve. Stockholders equity decreased during the twelve month period primarily because of the $7.2 million repurchase of the preferred stock and warrant issued to the U.S. Treasury, the net value of the dividends and accretion on the preferred stock of $485,993, the $463,483 common stock cash dividend and the $23,731 after tax unrealized loss on available

for securities. These items were partially offset by net income attributable to Old Line Bancshares of $2.0 million and the $119,711 adjustment for stock based compensation awards. By all regulatory measures, we remain well capitalized.

The following table shows Old Line Bancshares regulatory capital ratios and the minimum capital ratios currently required by its banking regulator to be well capitalized. For a discussion of these capital requirements, see Supervision and Regulation Capital Adequacy Guidelines.

Risk Based Capital Analysis
(Dollars in thousands)

December 31,	2009	2008	2007	
Tier 1 Capital				
Preferred and common stock	$ 39	$ 7,043	$ 41	
Additional paid-in capital	29,035	28,839	30,465	
Retained earnings	6,498	5,412	4,155	
Less: disallowed assets				
Total Tier 1 Capital	$ 35,572	$ 41,294	$ 34,661	
Tier 2 Capital:				
Allowance for loan losses	2,482	1,984	1,587	
Total Risk Based Capital	$ 38,054	$ 43,278	$ 36,248	
Risk weighted assets	$ 277,989	$ 248,555	$ 222,033	
				Regulatory Minimum
Capital Ratios:				
Tier 1 risk based capital ratio	12.8%	16.6%	15.6%	4.00%
Total risk based capital ratio	13.7%	17.4%	16.3%	8.00%
Leverage ratio	10.0%	14.0%	14.6%	4.00%

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Return on Average Assets and Average Equity

The ratio of net income to average equity and average assets and certain other ratios are as follows:

	December 31,		
	2009	2008	2007
		(Dollars in thousands)	
Average total assets	$ 341,973	$ 272,661	$ 228,575
Average equity	39,010	34,820	35,464
Net income attributable to Old Line Bancshares, Inc.	2,036	1,756	1,583
Cash dividends declared common stock	463	470	505
Dividend payout ratio for period	22.74%	26.77%	31.91%
Return on average assets	0.60%	0.64%	0.69%
Return on average equity	5.13%	5.04%	4.46%
Average stockholders equity to average total assets	11.41%	12.77%	15.52%

Contractual Obligations, Commitments, Contingent Liabilities, and Off-balance Sheet Arrangements

We are party to financial instruments with off-balance sheet risk in the normal course of business. These financial instruments primarily include commitments to extend credit, lines of credit and standby letters of credit. We use these financial instruments to meet the financing needs of our customers. These financial instruments involve, to varying degrees, elements of credit, interest rate, and liquidity risk. These commitments do not represent unusual risks and management does not anticipate any losses that would have a material effect on Old Line Bancshares. We also have operating lease obligations.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. We generally require collateral to support financial instruments with credit risk on the same basis as we do for balance sheet instruments. Management generally bases the collateral required on the credit evaluation of the counter party. Commitments generally have interest rates fixed at current market rates, expiration dates or other termination clauses and may require payment of a fee. Available credit lines represent the unused portion of lines of credit previously extended and available to the customer so long as there is no violation of any contractual condition. These lines generally have variable interest rates. Since we expect many of the commitments to expire without being drawn upon, and since it is unlikely that customers will draw upon their lines of credit in full at any time, the total commitment amount or line of credit amount does not necessarily represent future cash requirements. We evaluate each customer s credit worthiness on a case-by-case basis. During this period of economic turmoil, we have reevaluated many of our commitments to extend credit. Because we conservatively underwrite these facilities at inception, we have not had to withdraw any commitments. We are not aware of any loss that we would incur by funding our commitments or lines of credit.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Our exposure to credit loss in the event of nonperformance by the customer is the contract amount of the commitment. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. In general, loan commitments, credit lines and letters of credit are made on the same terms, including with respect to collateral, as outstanding loans.

Outstanding loan commitments and lines and letters of credit at September 30, 2010, December 31 2009, 2008 and 2007 are as follows:

	September 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
	(Dollars in thousands)			
Commitments to extend credit and available credit lines:				
Commercial	$ 36,405	$ 21,153	$ 23,074	$ 15,506
Real estate-undisbursed development and construction	14,689	14,573	21,981	35,966
Consumer	7,642	9,015	6,379	6,142
	$ 58,736	$ 44,741	$ 51,434	$ 57,614
Standby letters of credit	$ 6,471	$ 3,883	$ 1,583	$ 1,634

Commitments for real estate development and construction, which totaled $14.7 million or 25.04% of the $58.7 million of outstanding commitments at September 30, 2010 and $14.6 million or 32.66% of the $44.7 million at December 31, 2009, are generally short-term and turn over rapidly, with principal repayment from permanent financing arrangements upon completion of construction or from sales of the properties financed.

We have various financial obligations, including contractual obligations and commitments. The following table presents, as of December 31, 2009, significant fixed and determinable contractual obligations to third parties by payment date.

Contractual Obligations

(Dollars in thousands)

	Within one year	One to three years	Three to five years	Over five years	Total
Noninterest-bearing deposits	$ 40,883	$	$	$	$ 40,883
Interest-bearing deposits	197,739	42,527	5,716		245,982
Short-term borrowings	16,149				16,149
Long-term borrowings		10,000		6,454	16,454
Purchase obligations	1,446,791	721,742	702,844		2,871,377
Operating leases	650	1,327	1,157	9,245	12,379
Total	$ 1,702,212	$ 775,596	$ 709,717	$ 15,699	$ 3,203,224

Our operating lease obligations represent rental payments for eight branches, a loan production office and our main office. We lease our main office and our Bowie branch location from Pointer Ridge. We have excluded 62.50% of these lease payments in consolidation. The interest bearing obligations include accrued interest. Purchase obligations amounts represent estimated obligations under agreements to purchase goods or services that are enforceable and legally binding. In 2009, the purchase obligations amounts include principal and interest due on participation loans, estimated obligations under data processing contracts, income tax payable and accounts payable for goods and services. In subsequent years, the purchase obligations amounts primarily relate to estimated obligations under data processing contracts.

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Reconciliation of Non-GAAP Measures

Below is a reconciliation of the full tax equivalent adjustments and the GAAP basis information presented in this section of this joint proxy statement/prospectus:

Three months ended September 30, 2010

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 3,524,954	3.86%	3.62%
Tax equivalent adjustment			
Federal funds sold	1	0.00	0.00
Investment securities	12,113	0.01	0.01
Loans	28,851	0.03	0.03
Total tax equivalent adjustment	40,965	0.04	0.04
Tax equivalent interest yield	$ 3,565,919	3.90%	3.66%

Three months ended September 30, 2009

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 2,986,489	3.83%	3.51%
Tax equivalent adjustment			
Federal funds sold			
Investment securities	15,085	0.04	0.03
Loans	29,522	0.02	0.02
Total tax equivalent adjustment	44,607	0.06	0.05
Tax equivalent interest yield	$ 3,031,096	3.89%	3.56%

Nine months ended September 30, 2010

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 9,959,788	3.79%	3.54%
Tax equivalent adjustment			
Federal funds sold	1	0.00	0.00
Investment securities	36,190	0.02	0.02
Loans	84,475	0.03	0.03
Total tax equivalent adjustment	120,666	0.05	0.05
Tax equivalent interest yield	$ 10,080,454	3.84%	3.59%

Nine months ended September 30, 2009

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 8,449,742	3.73%	3.36%
Tax equivalent adjustment			
Federal funds sold			
Investment securities	47,385	0.02	0.02
Loans	37,245	0.02	0.02
Total tax equivalent adjustment	84,630	0.04	0.04
Tax equivalent interest yield	$ 8,534,372	3.77%	3.40%

Twelve months ended December 31, 2009

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 11,516,002	3.73%	3.39%
Tax equivalent adjustment			
Federal funds sold	1		
Investment securities	59,779	0.02	0.02
Loans	66,590	0.02	0.02
Total tax equivalent adjustment	126,370	0.04	0.04
Tax equivalent interest yield	$ 11,642,372	3.77%	3.43%

Twelve months ended December 31, 2008

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 9,514,501	3.77%	3.17%
Tax equivalent adjustment			
Federal funds sold	5,169	0.00	0.00
Investment securities	61,834	0.03	0.03
Loans			
Total tax equivalent adjustment	67,003	0.03	0.03
Tax equivalent interest yield	$ 9,581,504	3.80%	3.20%

Twelve months ended December 31, 2007

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 8,291,399	3.94%	2.94%
Tax equivalent adjustment			
Federal funds sold	25,885	0.01	0.01
Investment securities	72,309	0.03	0.03
Loans			
Total tax equivalent adjustment	98,194	0.04	0.04
Tax equivalent interest yield	$ 8,389,593	3.98%	2.98%

Impact of Inflation and Changing Prices and Seasonality

Management has prepared the financial statements and related data presented herein in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution s performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services, and may frequently reflect government policy initiatives or economic factors not measured by price index. We strive to manage our interest sensitive assets and liabilities in order to offset the effects of rate changes and inflation.

Application of Critical Accounting

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America and follow general practices within the industry in which we operate. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. We base these estimates, assumptions, and judgments on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions, and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available.

The most significant accounting policies that we follow are presented in Note 1 to the consolidated financial statements for the year ended December 31, 2009. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how we value significant assets and liabilities in the financial statements and how we determine those values. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses as the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

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The allowance for loan losses represents management s best estimate of the losses known and inherent in the loan portfolio that are both probable and reasonable to estimate, based on, among other factors, prior loss experience, volume and type of lending conducted, estimated value of any underlying collateral, economic conditions (particularly as such conditions relate to Old Line Bank s market area), regulatory guidance, peer statistics, management s judgment, past due loans in the loan portfolio, loan charge off experience and concentrations of risk (if any). Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant estimates, assumptions, and judgments. The loan portfolio also represents the largest asset type on the consolidated balance sheets.

We evaluate the adequacy of the allowance for loan losses based upon loan categories except for delinquent loans and loans for which management has knowledge about possible credit problems of the borrower or knowledge of problems with loan collateral, which management evaluates separately and assigns loss amounts based upon the evaluation. We apply loss ratios to each category of loan other than commercial loans (including letters of credit and unused commitments), where we further divide the loans by risk rating and apply loss ratios by risk rating, to determine estimated loss amounts. Categories of loans are installment and other consumer loans (other than boat loans), boat loans, mortgage loans (commercial real estate, residential real estate and real estate construction) and commercial loans.

Management has significant discretion in making the judgments inherent in the determination of the provision and allowance for loan losses, including in connection with the valuation of collateral and the financial condition of the borrower, and in establishing loss ratios and risk ratings. The establishment of allowance factors is a continuing exercise and allowance factors may change over time, resulting in an increase or decrease in the amount of the provision or allowance based upon the same volume and classification of loans.

Changes in allowance factors or in management s interpretation of those factors will have a direct impact on the amount of the provision, and a corresponding effect on income and assets. Also, errors in management s perception and assessment of the allowance factors could result in the allowance not being adequate to cover losses in the portfolio, and may result in additional provisions or charge-offs, which would adversely affect income and capital. For additional information regarding the allowance for loan losses, see Provision for Loan Losses.

New Authoritative Accounting Guidance

Accounting Standards Updates (ASU) No. 2009-16, Transfers and Servicing (Topic- 860)-Accounting for Transfers of Financial Assets amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. ASU 2009-16 also requires additional disclosures about all continuing involvement with transferred financial assets including information about gains and losses resulting from transfers during the period. The provisions of ASU 2009-16 became effective on January 1, 2010 and did not have a significant impact on our consolidated results of operations or financial position.

ASU No. 2009-17, Consolidations (Topic 810)-Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities amends prior guidance to change how a company determines when an entity that is sufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. ASU 2009-17 requires additional disclosures about the reporting entity s involvement with variable interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity s financial statements. As further discussed below, ASU No. 2010-10, Consolidations (Topic 810), deferred the effective date of ASU 2009-17 for a reporting entity s interests in investment companies. The provisions of ASU 2009-17 became effective on January 1, 2010 and they did not have a material impact on our consolidated results of operations or financial position.

ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures About Fair Value Measurements requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers, (ii) the reasons for transfers of assets or liabilities in or out of Level 3 of the fair value hierarchy, with

significant transfers disclosed separately, (iii) the policy for determining when transfers between the levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchases, sales, issuances and settlements. ASU 2010-06 further clarifies that (i) companies should provide fair value measurement disclosures for each class of assets and liabilities (rather than major category), which would generally be a subset of assets or liabilities within a line item in the statement of financial position

and (ii) companies should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. ASU No. 2010-06 requires the disclosures related to the gross presentation of purchases, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy beginning January 1, 2011. The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective on January 1, 2010. See Note 8-Fair Value Measurements in our consolidated financial statements.

ASU No. 2010-10, Consolidations (Topic 810)-Amendments for Certain Investment Funds defers the effective date of the amendments to the consolidation requirements made by ASU 2009-17 to a company s interest in an entity (i) that has all of the attributes of an investment company, as specified under ASC Topic 946, Financial Services-Investment Companies, or (ii) for which it is industry practice to apply measurement principles of financial reporting that are consistent with those in ASC Topic 946. As a result of the deferral, companies are not required to apply the ASU 2009-17 amendments to the Subtopic 810-10 consolidation requirements to its interest in an entity that meets the criteria to qualify for the deferral. ASU 2010-10 also clarifies that any interest held by a related party should be treated as though it is an entity s own interest when evaluating the criteria for determining whether such interest represents a variable interest. ASU 2010-10 also clarifies that companies should not use a quantitative calculation as the sole basis for evaluating whether a decision maker s or service provider s fee is variable interest. The provisions of ASU 2010-10 became effective as of January 1, 2010 and did not have a material impact on our consolidated results of operations or financial position.

ASU No. 2010-11, Derivatives and Hedging (Topic 815)-Scope Exception Related to Embedded Credit Derivatives clarifies that the only form of an embedded credit derivative that is exempt from the embedded derivative bifurcation requirement are those that relate to the subordination of one financial instrument to another. Entities that have contracts containing an embedded credit derivative feature in a form other than subordination may need to separately account for the embedded credit derivative feature. The provisions of ASU 2010-11 became effective on July 1, 2010 and did not have a material impact on our consolidated results of operations or financial position.

ASU No. 2010-20 Receivables (Topic 310)-Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systemic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a carry forward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-20 will become effective for financial statements as of December 31, 2010 as it relates to disclosures required as of the end of the reporting period. Disclosures that relate to activity during a reporting period will be required for financial statements that include periods beginning on or after January 2011.

DIRECTORS AND EXECUTIVE OFFICERS OF OLD LINE BANCSHARES, INC.

Below is certain information with respect to the members of our board of directors and our executive officers as of the date of this joint proxy statement/ prospectus.

Directors of Old Line Bancshares, Inc.

James W. Cornelsen, 56, is the President and Chief Executive Officer of Old Line Bancshares and Old Line Bank. He joined Old Line Bank and became a member of its board of directors in 1994. He has been a member of the board of directors of Old Line Bancshares since its incorporation in April 2003. He currently serves as Chair of the Loan and Asset and Liability Committees. He has over 30 years of commercial banking experience. Prior to joining Old Line Bank, Mr. Cornelsen was a Senior Vice President at Sequoia National Bank and Vice President of Commercial Lending at Citizens Bank of Maryland. Mr. Cornelsen resides in LaPlata, Maryland. The board of directors believes that Mr. Cornelsen s qualifications to sit on the board of directors, serve as President and Chief Operating Officer of Old Line Bancshares and Old Line Bank and Chair of the Loan and Asset and Liability Committees include his many years of banking experience and proven leadership in the success of these companies.

Charles A. Bongar, Jr., 65 recently retired as a lawyer from the firm of Andrews, Bongar, Starkey & Woodside, P.A. The firm has an office in Waldorf, Maryland. He practiced law for over 35 years and specialized in real estate transactions, estate probate, and personal injury cases. Mr. Bongar resides in LaPlata, Maryland. He has been a member of

the board of directors of Old Line Bank since 1993 and Old Line Bancshares since its incorporation in 2003. He currently serves as Chair of the Compensation Committee. The board of directors believes that Mr. Bongar s qualifications to sit on the board of directors and chair the Compensation Committee include his educational qualifications, his knowledge and experience in the legal field, his long term involvement and proven leadership with the board and his affiliations with the business community in our market area.

Craig E. Clark, 68, retired in 2006 as President of Waldorf Carpets, Inc., a wholesale and retail flooring company, which he established in 1969. Mr. Clark is a founder of Old Line Bank. He has served as Chairman of the board of directors of Old Line Bank since 1994 and of Old Line Bancshares since its incorporation in April 2003 and has served as a member of the board of directors of Old Line Bank since 1988. Mr. Clark is a member of each of the board of directors committees. Mr. Clark resides in Lusby, Maryland. The board of directors of Old Line Bancshares and Old Line Bank believe that Mr. Clark s experience managing and operating his own business, his affiliations within the local community and his active involvement in the founding and oversight of Old Line Bank uniquely qualify him to be Chairman and a member of the board of directors.

John P. Davey, 58, is the Managing Director for the Law Firm O Malley, Miles, Nylen & Gilmore, P.A. The firm has offices in Calverton, La Plata and Annapolis, Maryland and its areas of concentration are administrative law and government regulatory matters, commercial and real estate transactions, and litigation of general liability, employment practices and contract dispute cases. Mr. Davey has been with the firm since 1991 and became the Managing Director in 2001. He also sits on the board of directors of the Greater Washington Board of Trade and also serves on the Federal City Council Executive Committee. Mr. Davey resides in University Park, Maryland. He has been a member of the board of directors of Old Line Bank and Old Line Bancshares since 2008. He currently serves on the Asset and Liability and the Nominating Committees. The board of directors believes that Mr. Davey s qualifications for his positions on the board of directors of Old Line Bancshares and Old Line Bank include his educational foundation, his legal and management expertise as well as his experience serving on various other boards.

Daniel W. Deming, 61, is a Director of Deming Associates, Inc., in Accokeek, Maryland. He is also a Director of Kanawha Roxalana Company, in West Virginia and is a Vice President of Livingston, Ltd. All three of these companies engage in various aspects of real estate. Mr. Deming resides in Accokeek, Maryland. He has been a member of the board of directors of Old Line Bank since 1992 and Old Line Bancshares since its incorporation in 2003. He is currently a member of the Audit and Asset and Liability Committees. The board of directors believes that Mr. Deming s educational background, real estate industry knowledge and his management and operations experience obtained through business ownership, as well as his many years of active involvement with Old Line Bank and Old Line Bancshares board of directors, qualify him to serve as a director of Old Line Bank and Old Line Bancshares.

James F. Dent, 74, retired in 2006 as an owner and operator of a State Farm Insurance Agency that he established in 1961. He resides in LaPlata, Maryland. Mr. Dent is a founder of Old Line Bank and has served as a member of the board of directors of Old Line Bank since 1988 and Old Line Bancshares since its incorporation in 2003. He currently serves on the Loan and Compensation Committees. The board of directors believes that Mr. Dent s qualifications for his membership on the board of directors of Old Line Bancshares and Old Line Bank include his many years of experience in the insurance industry in our market area as well as his active involvement in the founding and oversight of Old Line Bank.

Nancy L. Gasparovic, 63, is owner and operator of Title Professionals, Ltd., a real estate settlement company in LaPlata, Maryland. Ms. Gasparovic resides in Issue, Maryland. She has been a member of the board of directors of Old Line Bank since 1993 and Old Line Bancshares since its incorporation in 2003. She is currently a member of the Asset and Liability Committee and serves as Chair of the Nominating Committee. The board of directors believes Ms. Gasparovic s qualifications to serve as a director of Old Line Bank and Old Line Bancshares include her many years of active involvement with the board of directors, her experience and expertise in the real estate settlement industry and business and personal affiliations in our market area.

Andre J. Gingles, 53, was appointed to the board of directors of Old Line Bancshares and Old Line Bank effective June 24, 2010. Mr. Gingles is an attorney and the owner of the firm Gingles, LLC, an entity he formed in 2003, where his practice concentrates on large mixed use projects involving land use, zoning and government relations. He currently serves on the Asset and Liability Committee. Mr. Gingles resides in Laurel, Maryland. He

currently serves as Chairman of The Foundation Schools as well as on the board of directors of Tai Sophia Institute. The board of directors believes Mr. Gingles qualifications for his positions on the boards of directors include his legal and management expertise as well as his involvement with other boards and his personal and business affiliates in our market area.

Frank Lucente, Jr., 68, is Chairman of Chesapeake Custom Homes, a suburban Maryland residential home builder and developer, and Chairman of Lucente Enterprises, a land development holding company. Mr. Lucente resides in Tequesta, Florida. He has been a member of the board of directors of Old Line Bank since 2002 and Old Line Bancshares since its incorporation in 2003. He has served as Vice Chairman of the board of directors of Old Line Bancshares and Old Line Bank since 2003. He is currently a member of the Loan Committee. The board of directors believes Mr. Lucente s qualifications for these positions include business affiliations in our market area, his knowledge of the real estate industry and his operational and management expertise gained from several years as a business owner.

Gail D. Manuel, 55, is the owner and a Director of Trinity Memorial Gardens and Mausoleum in Waldorf, Maryland. She is a past member of the board of directors of the Charles County Chamber of Commerce and past President of Charles County Zonta Club. She resides in Welcome, Maryland. She has been a member of the board of directors of Old Line Bank since 1992 and Old Line Bancshares since its incorporation in April 2003. Ms. Manuel serves on the Loan and Compensation Committees. The board of directors of Old Line Bancshares and Old Line Bank believes that Ms. Manual s qualifications for serving on the board of directors of Old Line Bank and Old Line Bancshares include her many years of active involvement with the board of directors, her experience owning and operating a small business in our market area and her long standing affiliations with the local business community.

John D. Mitchell, Jr., 62, is a partner in Johel LTD Partnership, a commercial development company located in LaPlata, Maryland. Mr. Mitchell was formerly the President of JCV, Inc., a petroleum equipment company located in Hughesville, Maryland. Jones & Frank Corporation acquired JCV, Inc. in 2007. Mr. Mitchell resides in Berlin, Maryland. He has been a member of the board of directors of Old Line Bank since 1992 and Old Line Bancshares since its incorporation in 2003. He is currently a member of the Audit and Asset and Liability Committees. The board of directors believes that Mr. Mitchell s qualifications to be a director of Old Line Bank and Old Line Bancshares include his entrepreneurial, financial and operational expertise, knowledge of the local business community and his many years of active involvement with the board of directors.

Gregory S. Proctor Jr., 46, is President and Chief Executive Officer of G.S. Proctor & Associates, Inc., a Maryland registered lobbying and consulting firm, which he established in 1995. He resides in Upper Marlboro, Maryland. He has been a member of the board of directors of Old Line Bancshares and Old Line Bank since 2004. He currently serves on the Loan and Nominating Committees. The board of directors believes his qualifications to serve as a director of Old Line Bank and Old Line Bancshares include his legislative knowledge, his management and consulting skills and his business affiliations in our market area.

Suhas R. Shah, CPA, 55, is a principal and member of Source One Business Services, LLC, and has served in that capacity since 1986 and is a principal and shareholder of Regan, Russell, Schickner & Shah, P.A. and has served in that capacity since 1986. Source One Business Services, LLC provides cash flow and budgeting analysis, computer consulting and tax planning and preparation for corporations, individuals, estates and trusts, as well as litigation support, financial forecasts and merger and acquisitions advisory services to a variety of clients. Regan, Russell, Schickner & Shah, P.A. is a certified public accounting firm. Mr. Shah resides in Marriottsville, Maryland. He has been a member of the board of directors of Old Line Bancshares and Old Line Bank since January 2006. He currently serves on the Asset and Liability Committee and as Chair of the Audit Committee. The board of directors believes that Mr. Shah s qualifications for these positions include his educational background, extensive experience with public and financial accounting matters, his financial expertise, his accounting certification and his affiliations with the business community in our market area.

John M. Suit, II, 65, served as Senior Vice President for Branch Banking and Trust from 2003 through his retirement in 2006. From 1996 until 2003, Mr. Suit served as Chairman of the Board of Farmers Bank of Maryland. Mr. Suit also served as President, CEO and Director of Farmers National Bancorp and Farmers National Bank of Maryland from 1989 to 1996. Mr. Suit lives in Annapolis, Maryland. He has served on the board of directors of Old Line Bancshares and Old Line Bank since January 2007. He currently serves on the Audit, Loan and Compensation Committees. The board of directors believes his qualifications for these positions include his educational foundation, his financial expertise and his leadership in the banking industry.

The board of directors has determined that Directors Charles A. Bongar, Craig E. Clark, John P. Davey, Daniel W. Deming, James F. Dent, Nancy L. Gasparovic, Andre J. Gingles, Gail D. Manuel, John D. Mitchell, Gregory S. Proctor, Jr., Suhas R. Shah and John M. Suit, II are independent as defined under the applicable rules and listing standards of the NASDAQ Stock Market LLC.

New Directors

As discussed above, the members of the board of directors immediately prior to the merger, with the addition of Thomas B. Watts and G. Thomas Daugherty, will serve as directors of Old Line Bancshares after the merger. Below is certain information about Messrs. Watts and Daugherty.

Thomas B. Watts, 63 has been Chairman of the Board and Chief Executive Officer of Maryland Bankcorp and Maryland Bank & Trust Company since 2001. He has been a Director of Maryland Bank & Trust since 1994. He was President and Chief Executive Officer of Raley, Watts and Associates, an insurance agency, from 1990-2001. He has served as Chairman of the Community Development Corporation Board of Trustees in St. Mary s County, Maryland and has been a member and participant of various other community foundations and boards. The board of directors of Old Line Bancshares believes that his qualifications to serve on the boards of Old Line Bancshares and Old Line Bank include his extensive banking experience, his personal and business contacts in Maryland Bankcorp s market area, and his knowledge of Maryland Bank & Trust s customer base and market area.

G. Thomas Daugherty, 65, has been President of Maryland Bankcorp and Maryland Bank & Trust since 2001. He has been a Director of Maryland Bank & Trust Company since 1995. From 1995 to 2001, Mr. Daugherty was an attorney at the law firm of G. Thomas Daugherty, Chartered (formerly, Daugherty and Daugherty, PA), a law firm specializing in real estate and business law. He is a member of the Maryland Bar Association and the District of Columbia Bar Association. He holds a Juris Doctor from the University of Baltimore. He has served as Vice President of St. Mary s College of Maryland Foundation and is presently a member of the Board of Trustees of St. Mary s College of Maryland. He also serves as a board member of the Southern Maryland Navy Alliance. Prior community activities include the Economic Development Commission, the Lexington Park Redevelopment Commission, the Rotary Club and he served twelve years (including four years as President) of the St. Mary s Housing Authority Board. The board of directors of Old Line Bancshares believes that Mr. Daugherty s qualifications to serve on the boards of Old Line Bancshares and Old Line Bank include his many years of banking experience, his community contacts, and his knowledge of Maryland Bank & Trust s customer base and market area.

Executive Officers of Old Line Bancshares Who are not Directors

Joseph E. Burnett, 64, joined Old Line Bank as a Senior Vice President and Chief Lending Officer in August 2001 and was promoted to Executive Vice President in May 2006. He is also an Executive Vice President of Old Line Bancshares. He has over 44 years of banking experience in the Washington, D.C. metropolitan area specializing in commercial transactions. Prior to joining Old Line Bank, Mr. Burnett was a Senior Vice President in Commercial Lending at Farmers Bank for two years (1999-2001) and at Suburban Bank for 12 years (1987-1999). Mr. Burnett is the brother in law of Sandi F. Burnett.

Sandi F. Burnett, 52, Executive Vice President of Old Line Bank, joined Old Line Bank in 2005 as Senior Vice President and the team leader for the College Park loan production office. In January 2010, she was promoted to Executive Vice President. Prior to joining Old Line Bank, she was employed by BB&T, a major southeastern regional bank, most recently as a City Executive, Senior Vice President. In this capacity, she was responsible for supervising the overall team management, portfolio quality and growth within suburban Maryland, principally Prince George s County. Prior to this position, she was employed by Commerce Bank, a local bank that merged into BB&T in 1999. She started with Commerce Bank in 1994. Ms. Burnett is a career banker with over 30 years of commercial banking experience. Ms. Burnett is the sister in law of Joseph E. Burnett.

Christine M. Rush, 54, joined Old Line Bank in 1998. She is an Executive Vice President, the Chief Financial Officer, the Chief Credit Officer and the Secretary of Old Line Bank. She is also an Executive Vice President, Chief Financial Officer and the Secretary of Old Line Bancshares. Prior to joining Old Line Bank, Ms. Rush was a Vice President in Commercial Lending and Cash Management at Signet Bank. She has over 32 years banking and financial management experience.

EXECUTIVE COMPENSATION OLD LINE BANCSHARES, INC.

The following table sets forth the compensation paid by Old Line Bank to its Chief Executive officer and to any other executive officer who received total compensation in excess of $100,000 during 2009.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Restricted Stock Awards[4]	Option Awards[5]	Non-Equity Incentive Plan Compensation[6]	Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total
James W. Cornelsen	2009	$249,400	$52,412	$22,464	$93,525	$52,405	$11,062	$481,268
President & CEO[1]	2008	237,600		49,600	62,000	49,237	10,462	408,899
Joseph E. Burnett								
Executive Vice	2009	172,300	24,121	10,338	52,690	42,325	8,144	309,918
President & CLO[2]	2008	164,100		17,000	34,100	39,776	8,273	263,249
Christine M. Rush								
Executive Vice	2009	168,400	23,579	10,102	50,250	17,908	8,243	278,482
President & CFO[3]	2008	156,600		16,300	32,500	16,825	7,717	229,942

(1) Other compensation includes: $9,200 and $9,800 in contributions to Old Line Bank s 401(k) retirement plan in 2008 and 2009 respectively; $532 in long-term disability insurance premiums paid on Mr. Cornelsen s behalf in each of 2008 and 2009; and $730 in short-term disability insurance premiums paid on Mr. Cornelsen s behalf in each of 2008 and 2009.

(2) Other compensation includes: $7,011 and $6,882 in contributions to Old Line Bank s 401(k) retirement plan in 2008 and 2009 respectively; $532 in long-term disability premiums paid by Old Line Bank on Mr. Burnett s behalf in each of 2008 and 2009; and $730 in short-term disability premiums paid by Old Line Bank on Mr. Burnett s behalf in each of 2008 and 2009.

(3) Other compensation includes: $6,455 and $6,981 in contributions to Old Line Bank s 401(k) retirement plan in 2008 and 2009 respectively; $532 in long-term disability insurance premiums paid by Old Line Bank on Ms. Rush s behalf in each of 2008 and 2009; and $730 in short-term disability insurance premiums paid by Old Line Bank on Ms. Rush s behalf in each of 2008 and 2009.

(4) Restricted stock value is based on the share price at issuance of $7.13. Paid in February 2010 on previous year s performance under Old Line Bancshares Incentive Plan Model.

(5) We estimated the weighted average fair value of the options granted at $1.47 and $1.90 using the Black-Scholes option pricing model as outlined in footnote 20 in Item 8 Financial Statements of our 10-K for the years ended December 31, 2008 and December 31, 2009, respectively.

(6) Paid in January 2009 and February 2010 on previous year s performance under Old Line Bancshares Incentive Plan Model.

Employment Agreements

Old Line Bank has entered into employment agreements with each of James W. Cornelsen, Joseph W. Burnett and Christine M. Rush.

On March 31, 2003, Old Line Bank entered into a new employment agreement with Mr. Cornelsen (replacing a 1999 agreement) to serve as the President and Chief Executive Officer of Old Line Bank and Old Line Bancshares Inc. This agreement provides for an initial term of five years and may be extended by the board of directors, in its sole discretion, for one additional year or such greater term as the board of directors deems appropriate. The board of directors has extended the term by one additional year in each December subsequent to execution of the agreement. Mr. Cornelsen s employment agreement is currently set to expire in March 2015. Mr. Cornelsen s agreement currently provides for a salary of $275,000 and Mr. Cornelsen may receive an annual bonus to be determined by the board of directors. In addition, Mr. Cornelsen is entitled to receive an annual grant of options to purchase at least 4,500 shares of common stock of Old Line Bancshares, assuming such options are available for grant under a stockholder approved stock option plan.

The agreement terminates upon Mr. Cornelsen s death or by mutual written agreement. In addition, Mr. Cornelsen may terminate the agreement within six months following (or in certain circumstances, in anticipation of) a change in control, as described below, or for good reason as described in the agreement. Old Line Bank may terminate the agreement for certain events constituting cause as described in the agreement. Either party may also terminate the agreement without cause or good reason or upon Mr. Cornelsen s permanent disability provided that such party provides 60 days prior written notice to the other party.

If Mr. Cornelsen terminates the agreement for good reason, or if Old Line Bank terminates Mr. Cornelsen s employment without cause or because of permanent disability, Mr. Cornelsen will receive severance pay for the remaining term of the agreement in an amount equal to his average annual compensation over the prior five years. Mr. Cornelsen is not entitled to any severance pay under the agreement if he terminates the agreement without good reason or for permanent disability.

If Mr. Cornelsen is terminated or terminates his employment in anticipation of or within six months following a change in control, he is entitled to a single payment equal to 2.99 times his average annual compensation over the prior five years, minus any other payments he receives that are contingent on the change in control. If the change in control payments were required to be paid in 2010, Mr. Cornelsen would receive approximately $709,826.

Pursuant to the employment agreement, a change in control will occur if:

Any person or persons acting in concert acquires, whether by purchase, assignment, transfer, pledge or otherwise (including as a result of a redemption of securities), then outstanding voting securities of Old Line Bancshares, Inc, if, after the transaction, the acquiring person (or persons) owns, controls or holds with power to vote 25% or more of any class of voting securities of Old Line Bancshares or Old Line Bank, as the case may be;

Within any 12-month period (beginning on or after the effective date of the employment agreement) the persons who were directors of Old Line Bancshares or Old Line Bank immediately before the beginning of such twelve-month period (the Incumbent Directors) cease to constitute at least a majority of such board of directors; provided that any director who was not a director as of the effective date of the employment agreement will be deemed to be an Incumbent Director if that director was elected to such board of directors by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors;

The stockholders of Old Line Bancshares or Old Line Bank approve a reorganization, merger or consolidation with respect to which persons who were the stockholders of Old Line Bancshares or Old Line Bank immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote in the election of directors of the reorganized, merged or consolidated company s then outstanding voting securities; or

All or substantially all of the assets of Old Line Bancshares or Old Line Bank are sold, transferred or assigned to any third party.

On March 31, 2003, Old Line Bank entered into employment agreements with Mr. Burnett and Ms. Rush to serve as Senior Vice Presidents of Old Line Bank. Each agreement has an initial term of two years and on each anniversary date of the agreement automatically extends for periods of one year unless Old Line Bank terminates the automatic renewal by giving written notice ninety days prior to the renewal date. Old Line Bank did not provide such a notice within 90 days of March 31, 2010.

Mr. Burnett s and Ms. Rush s agreements currently provide each a salary of $181,000. Each of these two officers may receive an annual discretionary bonus. In addition, these officers are each entitled to receive an annual grant of options to purchase at least 2,700 shares of common stock of Old Line Bancshares, assuming such options are available for grant under a stockholder approved stock option plan.

Each agreement terminates upon the employee s death or physical or mental incapacitation that has left the employee unable to perform his or her duties for a period of 60 consecutive days. In addition, the employee may terminate his or her agreement by giving Old Line Bank 60 days written notice. Old Line Bank may terminate each agreement for certain events constituting cause as described in the agreements. Each employee is entitled to receive the remaining balance of his or her unused vacation and personal leave at the termination of employment unless the employee is terminated for cause.

Other Executive Benefits

Incentive Plan Model and Stock Option Model

In 2005, our board of directors approved an Incentive Plan Model and a Stock Option Model for Messrs. Cornelsen and Burnett and Ms. Rush. The Incentive Plan Model and the Stock Option Model provided mechanisms under which the Compensation Committee could, in its discretion, authorize cash and equity compensation bonuses to the executive officers.

The models provide the Compensation Committee with guidelines for determining discretionary bonuses. When granted, the cash bonus under the Incentive Plan Model is calculated by multiplying the named executive s base salary by a percentage factor calculated based on our return on assets, return on equity and earnings per share at a threshold, target and stretch level. The options to be granted under the Stock Option Model depend on whether Old Line Bancshares met the cumulative threshold, target and stretch levels for our return on assets, return on equity and earnings per share. If met, options with a value equal on the date of grant to a percentage of the executive s base salary based on the Black-Scholes pricing model are issued to the executives.

Under the 2005 Incentive Plan Model, at the target levels, Mr. Cornelsen would be eligible to receive a bonus equal to 25% of his base salary and Mr. Burnett and Ms. Rush would be eligible to receive a bonus equal to 20% of their base salaries. Under the Stock Option Model, at the target levels, the officers would be eligible to receive options with a value equal on the date of grant to 20% (for Mr. Cornelsen) or 15% (for Mr. Burnett and Ms. Rush) of base salary based on Black-Scholes pricing model.

The Compensation Committee designed the incentive structure to reward achievement based on Old Line Bancshares return on assets, return on equity and earnings per share, and to discourage the achievement of one metric at the expense of the others. The board of directors and the Compensation Committee of the board of directors are authorized to adjust, modify or terminate the models, in full or in part, at any time in their sole discretion.

As we have previously disclosed, in October 2009, the Compensation Committee retained the services of a compensation consultant for the purpose of conducting an analysis of peer bank executive compensation as well as to conduct a review of our existing compensation structure for compliance and competitiveness. Based on their findings, in January 2010 our board of directors approved a modification to the Incentive Plan Model and Stock Option Model for our named Executive Officers and added a new metric for the calculation of incentives. In addition to return on assets, return on equity and earnings per share, a threshold, target and stretch goal for non-performing assets will be included in the calculation going forward. Incentives will be provided to our executives in the form of restricted stock used in conjunction with a combination of cash and stock options in order to encourage focus on long term objectives as well as short term goals.

Under the 2010 Incentive Plan Model, at the target levels, Mr. Cornelsen would be eligible to receive a bonus equal to 25% of his base salary and Mr. Burnett and Ms. Rush would be eligible to receive a bonus equal to 20% of their base salaries. Under the Equity Incentive Model, at the target levels, the officers would be eligible to receive shares of restricted stock and/or options with a total value equal on the date of grant to 20% (for Mr. Cornelsen) or 15% (for Mr. Burnett and Ms. Rush) of base salary based on the Black-Scholes pricing model.

The board of directors and the Compensation Committee of the board of directors have certified that the incentive compensation arrangements do not encourage unnecessary and excessive risks that threaten the value of Old Line Bank.

The Stock Option Model does not affect the minimum number of options that the executives are entitled to receive as provided for in their employment agreements, subject to the terms of those agreements.

On January 28, 2010, the Compensation Committee of the board of directors of Old Line Bancshares and Old Line Bank, reviewed the financial performance of Old Line Bancshares and Old Line Bank for the fiscal year ended December 31, 2009 in order to determine what, if any, cash bonus or incentive stock option bonus should be paid to the executive officers pursuant to the Incentive Plan Model and Stock Option Model. In making its review, the Compensation Committee reviewed Old Line Bancshares actual financial performance.

Based on this review, effective January 28, 2010, we issued incentive stock rewards to Mr. Cornelsen, Mr. Burnett and Ms. Rush that consisted of stock options and restricted stock as follows:

Name of Officer	**Number of Options**	**Exercise Price**
James W. Cornelsen	11,823	$7.13
Joseph E. Burnett	5,441	7.13
Christine M. Rush	5,317	7.13

One-third of the option grant vested as of January 28, 2010, one-third of the option grant will vest on January 28, 2011 and one-third of the option grant will vest on January 28, 2012. The options were issued from our 2004 Equity Incentive Plan.

Effective January 28, 2010, we issued shares of restricted stock to Mr. Cornelsen, Mr. Burnett and Ms. Rush as follows:

Name of Officer	**Number of Restricted Shares**	**Stock Price**
James W. Cornelsen	7,351	$7.13
Joseph E. Burnett	3,383	7.13
Christine M. Rush	3,307	7.13

The restricted stock also has a three year vesting schedule; one-third of the restricted stock grant will vest on January 28, 2011, one-third of the restricted grant will vest on January 28, 2012 and one-third of the restricted stock will vest on January 28, 2013.

Salary Continuation Agreements and Supplemental Life Insurance Agreements

On January 3, 2006, Old Line Bank entered into Supplemental Life Insurance Agreements and Salary Continuation Agreements and started accruing for a related annual expense, with Mr. Cornelsen, Mr. Burnett and Ms. Rush. On February 26, 2010, the Salary Continuation Agreements were modified to include an increased benefit to each executive.

Under the Supplemental Life Insurance Agreements, Old Line Bank is obligated to cause the payment of death benefits to the executives designated beneficiaries in the following amounts: Mr. Cornelsen $1,260,777; Mr. Burnett $703,465 and Ms. Rush $797,618.

Under the Salary Continuation Agreements, and in accordance with the conditions specified therein, benefits accrue over time from the date of the agreement until the executive reaches the age of 65. Upon full vesting of the benefit, the executives will be paid the following annual amounts for 15 years: Mr. Cornelsen $159,783; Mr. Burnett $24,651; and Ms. Rush $77,783. Mr. Burnett will receive an additional $5,895 per year if he continues his employment with us until he reaches age 68. The agreements provide for early termination and disability benefits. The agreements also provide for 100% vesting in the event of a separation from service (defined as the termination of the executive s employment for any reason other than death or disability) following a change in control (as defined in the agreements). Change in control is defined in the agreements by reference to the definition in Section 409A of the Internal Revenue Code and the regulations promulgated thereunder.

The following charts show the annual amount of payments that will be made to the executives pursuant to the Salary Continuation Agreements:

James W. Cornelsen

Assumed Separation Date	Age	Early Termination Annual Benefit(1)	Disability Annual Benefit(1)	Change in Control Annual Benefit(2)
1/1/2010	55	38,793	38,793	100,753
1/1/2011	56	51,456	51,456	105,790
1/1/2012	57	64,120	64,120	111,079
1/1/2013	58	76,783	76,783	116,634
1/1/2014	59	89,446	89,446	122,465
1/1/2015	60	102,109	102,109	128,589
1/1/2016	61	114,774	114,774	135,018
1/1/2017	62	127,437	127,437	141,769
1/1/2018	63	140,100	140,100	148,858
1/1/2019	64	152,763	152,763	156,301
6/23/2019(3)	65	159,738	159,738	159,738

Joseph E. Burnett

Assumed Separation Date	Age	Early Termination Annual Benefit(1)	Disability Annual Benefit(1)	Change in Control Annual Benefit(2)
1/1/2010	64	18,446	18,446	27,013
12/10/2010(3)	65	24,651	24,651	28,269
1/1/2012	66	2,948	2,948	5,347
1/1/2013	67	4,421	4,421	5,614
12/10/2013(3)	68	5,895	5,895	5,895

Christine M. Rush

Assumed Separation Date	Age	Early Termination Annual Benefit(1)	Disability Annual Benefit(1)	Change in Control Annual Benefit(2)
1/1/2010	53	14,784	14,784	45,054
1/1/2011	54	20,358	20,358	47,307
1/1/2012	55	25,932	25,932	49,672
1/1/2013	56	31,507	31,507	52,156
1/1/2014	57	37,081	37,081	54,764
1/1/2015	58	42,655	42,655	57,502
1/1/2016	59	48,229	48,229	60,377
1/1/2017	60	53,804	53,804	63,396
1/1/2018	61	59,378	59,378	66,566
1/1/2019	62	64,952	64,952	69,894
1/1/2020	63	70,526	70,526	73,389
1/1/2021	64	76,101	76,101	77,058
3/6/2021(3)	65	77,773	77,773	77,773

(1) Payments are made in 180 equal monthly installments commencing within 60 days following normal retirement age.

(2) Payments are made in 180 equal month installments commencing at separation of service.

(3) This is the date the executive reaches normal retirement age.

The following table discloses information about unexercised options and equity incentive plan awards outstanding as of the end of the Company s last fiscal year.

OUTSTANDING EQUITY AWARDS
AT FISCAL YEAR-END
DECEMBER 31, 2009
Option Awards

	Number of Securities Underlying Unexercised Options: *Exercisable*	Number of Securities Underlying Unexercised Options: *Unexercisable*(1)	Option Exercise Price	Option Expiration Date
James W. Cornelsen	11,267	22,533	6.3000	01/22/2019
	12,133	6,067	7.7500	01/31/2018
	15,000		10.4800	01/25/2017
	19,700		10.4400	12/31/2015
	10,800		9.8250	12/31/2014
	4,500		9.5833	12/31/2013
	4,500		4.9440	12/31/2012
	4,500		4.3889	12/31/2011
	4,500		3.6000	12/31/2010
Total	86,900	28,600		
Joseph E. Burnett	2,900	5,800	6.3000	01/22/2019
	6,533	3,267	7.7500	01/31/2018
	5,200		10.4800	01/25/2017
	8,800		10.4400	12/31/2015
	3,960		9.8250	12/31/2014
	2,700		9.5833	12/31/2013
Total	30,093	9,067		
Christine M. Rush	2,717	5,433	6.3000	01/22/2019
	6,200	3,100	7.7500	01/31/2018
	5,000		10.4800	01/25/2017
	8,300		10.4400	12/31/2015
	3,960		9.8250	12/31/2014
	2,700		9.5833	12/31/2013
Total	28,877	8,533		

* 1/2 of unexercisable options with an expiration date of 01/22/2019 will become exercisable on January 22, 2010 and 1/2 will become exercisable on January 22, 2011. Unexercisable options with an expiration date of 01/31/2018 will become exercisable on January 31, 2010

Director Compensation

The following table discloses all fees and other payments to each director for the fiscal year ended December 31, 2009.

Name	Fees Earned or Paid in Cash	Value of Option Awards[(2)(3)]	Total
Charles A. Bongar	$ 8,200	1,470	$ 9,670
Craig E. Clark	30,000	1,470	31,470
James W. Cornelsen[(1)]			
John P. Davey	8,200	1,470	9,670
Daniel W. Deming	9,400	1,470	10,870
James F. Dent	9,200	1,470	10,670
Nancy Gasparovic	7,400	1,470	8,870
Frank Lucente	15,000	1,470	16,470
Gail D. Manuel	8,600	1,470	10,070
John D. Mitchell	9,200	1,470	10,670
Gregory S. Proctor	9,400	1,470	10,870
Suhas Shah	7,800	1,470	9,270
John M. Suit, II	11,400	1,470	12,870

(1) Mr. Cornelsen is an executive officer and is not compensated for his services as a director.

(2) The aggregate number of options outstanding is disclosed in the Security Ownership of Management and Certain Security Holders table.

(3) We estimated the weighted average fair value of the options granted at $1.47 using the Black-Scholes option pricing model as outlined in footnote 20 in Item 8 Financial Statements of our 10-K for the year ended December 31, 2009.

For 2009, each non-employee director of Old Line Bank, other than the Chairman of the Board and the Vice Chairman of the Board, received $400 for each attended meeting of the board of directors, and $200 for each attended meeting of the asset & Liability Committee, the Loan/Loan Review Committee and the Nominating Committee. Each non-employee director of Old Line Bank, other than the Chairman of the Board and the Vice Chairman of the Board, also received $300 for each attended meeting of the Compensation Committee and the Audit Committee. Each non-employee director of Old Line Bank, other than the Chairman of the Board and the Vice Chairman of the Board, also received a $250 quarterly retainer. During 2009, the Chairman of the Board received annual compensation of $30,000 and the Vice Chairman received annual compensation of $15,000.

In December 2009, the board of directors of Old Line Bank approved an amended compensation structure for the Directors of Old Line Bank. Beginning in January 2010, each non-employee director of Old Line Bank, other than the Chairman of the Board and the Vice Chairman of the Board, receives $400 for each attended meeting of the board of directors, and $200 for each attended meeting of the Loan/Loan Review Committee and the Nominating Committee. Each non-employee director of Old Line Bank, other than the Chairman and Vice-Chairman, receives $300 for each attended meeting of the Asset & Liability Committee. Each non-employee director of Old Line Bank, other than the Chairman of the Board and the Vice Chairman of the Board, also receives $300 for each attended meeting of the Compensation Committee and the Audit Committee. The Chairmen of the Audit Committee and Compensation Committee receive an additional $300 for each attended meeting of their respective committees. Each non-employee director of Old Line Bank, other than the Chairman of the Board and the Vice Chairman of the Board,

also receive a $2,000 quarterly retainer. During 2010, the

Chairman of the Board receives annual compensation of $40,000 and the Vice Chairman receives annual compensation of $20,000.

Old Line Bancshares has paid no cash remuneration, direct or otherwise, to its directors since its incorporation. We expect that unless and until Old Line Bancshares becomes actively involved in additional businesses other than owning all the capital stock of Old Line Bank, no separate cash compensation will be paid to the directors of Old Line Bancshares in addition to that paid to them by Old Line Bank in their capacities as directors of Old Line Bank. However, we may determine in the future that such separate cash compensation is appropriate.

In addition to cash compensation, since 1997, Old Line Bancshares or Old Line Bank (prior to Old Line Bank s reorganization into the holding company structure) has granted options in December of each year to its non-employee directors. Historically, each non-employee director was granted an option to purchase 900 shares. In 2007, Old Line Bancshares granted 1,000 shares. In 2008, Old Line Bancshares did not grant options to non-employee directors.

Old Line Bancshares granted an option to each non-employee director in January 2009 to purchase 1,000 shares. All options were granted at fair market value, are exercisable immediately, and expire on the tenth anniversary of the grant date. Also, the options terminate (if not exercised) on the first anniversary of the termination of the director s service on the board of directors.

Old Line Bancshares granted 300 shares of restricted stock to each non-employee director in January 2010. All stock was granted at market value and will vest on December 31, 2010. All shares terminate, if not vested, upon termination of the director s service on the board of directors.

OLD LINE BANCSHARES, INC. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Old Line Bank has had in the past, and expects to have in the future, banking transactions with directors and executive officers and the business and professional organizations in which they are associated in the ordinary course of business. Any loans and loan commitments are made in accordance with all applicable laws and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans to unrelated persons. In the opinion of management, these transactions do not and will not involve more than the normal risk of collectability or present other unfavorable features. Directors or officers with any personal interest in any loan application are excluded from considering any such loan application. The aggregate amount of loans outstanding to Old Line Bank s directors, executive officers and their affiliates at December 31, 2009 was approximately $1.5 million and at December 31, 2008 was approximately $890,000.

Old Line Bank has entered into various transactions with 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. We paid to these parties a total of $21,566 and $15,481 during the years ended December 31, 2009 and December 31, 2008, respectively.

Old Line Bancshares has a 62.50% or $1.1 million investment in Pointer Ridge. Frank Lucente, a director of Old Line Bancshares and Old Line Bank, controls 12.50% of Pointer Ridge and controls the manager of Pointer Ridge. In 2009 and 2008, Old Line Bank paid Pointer Ridge $526,495 and $513,939, respectively. We have paid Pointer Ridge $450,573 to date during 2010.

I INFORMATION ABOUT MARYLAND BANKCORP, INC. AND MARYLAND BANK & TRUST COMPANY, N.A.

In this section references to we and our refer to Maryland Bankcorp, Inc. and its subsidiaries collectively, and the Bank refers to Maryland Bank & Trust Company, N.A., unless the context requires otherwise.

BUSINESS OF MARYLAND BANKCORP, INC.

Maryland Bankcorp, Inc. was organized on September 28, 2001, at the direction of the board of directors of the Bank, to acquire the stock of the Bank and to engage in such other business activities permitted by law for bank holding companies. On September 28, 2001, after board of directors, stockholder and regulatory approval, each outstanding share of common stock of the Bank was exchanged for one share of Maryland Bankcorp s common stock. As a result of the exchange of shares, the stockholders of the Bank became stockholders of Maryland Bankcorp and Maryland Bankcorp became the sole stockholder of the Bank.

Our primary business is to own all of the capital stock of the Bank.

BUSINESS OF MARYLAND BANK & TRUST COMPANY, N.A.

General

The Bank was originally incorporated in 1959 under the laws of the State of Maryland, and effective August 1, 1997, became a national bank. The Bank provides a full range of banking services to individuals and corporate customers primarily in Southern Maryland. The Bank is subject to competition from other financial institutions and is subject to the regulations of certain federal and state agencies.

We are headquartered in Lexington Park, Maryland, approximately 60 miles south-east of Washington, D.C. We provide a variety of products and services to individuals and businesses in our market area. Deposit accounts include savings, checking (including NOW accounts), money market, individual retirement accounts and certificates of deposit. Our lending products include real estate loans, personal loans and commercial loans. The loan products also include charge cards, overdraft protection, home equity loans and others. We offer other services such as money orders, safe deposit boxes, ACH origination, payroll direct deposit services, ATMs and remote cash dispensers, direct and remote deposit and banking by mail. We offer a Visa Check (Debit) Card product and a telephone banking service. Additionally, we provide a PC banking product for both personal and commercial customers and a business cash management service as well as an Internet bill pay product. We emphasize meeting the needs of our local consumers and businesses while subscribing to strong community reinvestment activities and a committed to quality bank image. Our current primary market area is Southern Maryland.

Recent Business Developments

Formal Agreement with the OCC

In February 2006 we signed a formal written agreement with the OCC under which we have agreed, among other things, to improve our credit administration process, commercial loan underwriting and loan asset quality, compliance with regulatory and policy requirements (including the Bank Secrecy Act and Regulation O), board of director committee structure and processes and personnel management. We are also required to maintain higher than normal risk-based and leverage capital levels. We believe that we have resolved the issues set forth in the formal written agreement, and have met, and continue to meet, the minimum capital requirements under the formal written agreement. See The Merger Agreement and the Merger Regulatory Matters Regarding Maryland Bank & Trust for more information.

Fiftieth Anniversary

In 2009 we celebrated the 50th anniversary of the founding of the Bank.

Growth

Over the last five to ten years, we have taken advantage of growth opportunities resulting largely from the Base Realignment and Closing legislation (BRAC) mandated by Congress. The Patuxent River Naval Air Station and other military bases in our market area have produced an influx of over 25,000 residents, many of whom have high-paying jobs. This prosperity and our close proximity to Washington, D.C. and Baltimore, Maryland have provided the Bank growth opportunities.

Location and Market Area

We consider our current primary market area to be Southern Maryland. Our headquarters and a branch of the Bank are located at Lexington Park, St. Mary s County, Maryland. We currently have a support center in Waldorf, Maryland, and a total of ten branches in Waldorf, Lexington Park, Bryans Road, Fort Washington, La Plata (two branches), California, Callaway, Solomons and Prince Frederick, Maryland.

Competition

We experience substantial competition both in attracting and retaining deposits and in the making of loans. We compete for deposits with other commercial banks, savings institutions and credit unions located in our primary market area. Additional competition for deposits comes from mutual funds and corporate and government debt securities. The primary factors in competing for deposits and loans are interest rates and loan origination fees and the range of services offered by the various financial institutions. Competition for origination of real estate and other loans normally comes from other commercial banks, thrift institutions, mortgage bankers, mortgage brokers and insurance companies.

Employees

As of September 30, 2010, the Bank had 98 full time and 14 part time employees. No collective bargaining unit represents any of our employees and we believe that relations with our employees are good. Maryland Bankcorp has five appointed executive officers, who at the present time do not receive compensation for their services to Maryland Bankcorp.

Lending Activities

General. Our lending activity consists mainly of construction lending, commercial business lending, commercial real estate lending, home mortgage and home equity lending and consumer lending in our primary market area. We have always taken pride in our local community reinvestment achievements and we remain committed to providing loans locally while ensuring high standards for customer satisfaction.

All credit decisions in excess of a lending officer s lending authority must be approved by a majority vote of our loan committee consisting of the board of directors, Chief Credit Officer and Chief Lending Officer. We believe that we employ experienced lending officers, secure appropriate collateral and carefully monitor the financial condition of our borrowers and the concentrations of loans in our portfolio. Senior management monitors the loan portfolio closely to ensure that we minimize past due loans and that we promptly address potential problem loans.

The Bank also retains an outside, independent credit review firm to supplement and validate the review of its loan portfolio. This firm performs detailed reviews of the Bank s loan portfolio semi-annually. We use the results of the firm s report to validate our internal loan ratings and we utilize their commentary on our loan portfolio and on our loan administration activities in order to improve our business and operations. In addition, the Bank s regulator and independent auditor may conduct reviews of our loan portfolio.

Commercial Business Lending. Commercial business loans generally have a higher degree of risk than loans secured by real property but have higher yields. To manage this risk, we generally obtain appropriate collateral and personal guarantees from the borrower s principal owners and monitor the financial condition of our business borrowers. The ability of our business borrowers to repay the commercial business loans is substantially dependent on the success of the business itself. We have a loan review and monitoring process to regularly assess the repayment ability of commercial borrowers. For loans in excess of $325,000, monitoring usually includes a review of the borrower s annual tax returns and updated financial statements.

Commercial Real Estate Lending. Commercial real estate loans comprise our largest loan category. At September 30, 2010, commercial real estate loans totaled $115.3 million, or 51.26% of our total loans. We generally will lend up to 80% of the secured property s appraised value. Commercial real estate loans typically involve larger loan balances concentrated with single borrowers or group of related borrowers. Additionally, the payment of loans secured by income producing properties is typically dependent on the successful operation of a business or a real estate project, and thus may be subject to a greater extent to adverse conditions in the real estate market or in the economic environment. Our commercial real estate loan underwriting criteria require an examination of debt service coverage ratios, the borrower s creditworthiness and prior credit history and reputation and we often require personal guarantees or endorsements of the borrower s principal owners. We also carefully evaluate the location of the property securing the loan. For loans of this type in excess of $325,000, we monitor the financial condition and operating performance of the borrower through a review of annual tax returns and updated financial statements, and will meet with the borrower or perform site visits as required.

Construction and Development Lending. We make local construction and land acquisition and development loans. Residential houses and commercial real estate under construction and the underlying land secure construction loans. These loans are concentrated in our local markets. These loans typically mature in less than one year. Construction lending entails significant additional risks compared to residential mortgage lending. Construction loans often involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, it is difficult to estimate the value and cost of the building under construction. Thus, it is difficult to evaluate accurately the total loan funds required to complete a project and related loan-to-value ratios. To mitigate the risks associated with construction lending, we generally limit loan amounts to 75% of appraised value in addition to analyzing the creditworthiness of our borrowers. During construction, we may advance funds on these loans on a percentage of completion basis, and will inspect each project as needed prior to advancing funds during the term of the construction loan.

Residential Real Estate Lending. We offer a variety of consumer-oriented residential real estate mortgage loans. The majority of these loans are in our primary market area. In connection with our residential real estate loans, we generally require title insurance, hazard insurance and if required, flood insurance. We do not have any sub-prime residential real estate loans. We also offer home equity lines of credit and loans.

Consumer Lending. We also offer our customers secured and unsecured consumer loans, including unsecured personal loans and lines of credit, automobile loans, installment and demand loans and credit cards. The underwriting standards we employ to mitigate the risk related to consumer loans include a determination of the applicant s payment history on other debts and an assessment of the applicant s ability to meet existing obligations and payments on the proposed loan, sources of income, and an analysis of the value of any security in relation to the proposed loan amount. We typically make such loans to customers with whom we have a pre-existing relationship.

Consumer loans may present greater credit risk than residential mortgage loans, particularly loans that are unsecured, or secured by rapidly depreciable assets such as automobiles. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage, loss or depreciation. Consumer loan collections depend on the borrower s continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Also, various federal and state laws, including bankruptcy and insolvency laws, may limit the amount we can recover on such loans.

Lending Limit. As of September 30, 2010, our legal lending limit for loans to one borrower was approximately $4.9 million. As part of our risk management strategy, we may attempt to participate a portion of larger loans to other financial institutions. This strategy allows the Bank to maintain customer relationships yet reduce credit exposure. However, this strategy may not always be available.

Investments and Funding

Our investment portfolio at September 30, 2010 was $84.6 million. This investment portfolio consists of interest-bearing deposits with banks and short-term money market securities, as well as U.S. Treasury securities, corporate bonds, Federal Reserve Bank and Federal Home Loan Bank stock and other investments. The investment portfolio may increase or decrease depending upon the comparative returns on investments in relation to our loans.

Other Banking Products

We offer other services such as money orders, safe deposit boxes, ACH origination, payroll direct deposit services, ATMs and remote cash dispensers, overdraft protection, direct and remote deposit and banking by mail. We offer a Visa

Check (Debit) Card product and a telephone banking service. Additionally, we provide a PC banking product for both personal and commercial customers and a business cash management service as well as an Internet bill pay product.

Deposit Activities

We offer a broad array of deposit products that include savings, checking (including NOW accounts), money market, individual retirement accounts and certificates of deposit. We believe that we pay competitive rates on our interest bearing deposits. Through the Promontory Interfinancial Network we provide the certificate of deposit account registry service (CDARS). This product offers our customers access to FDIC-insured deposit products in aggregate amounts exceeding current insurance limits.

Supervision and Regulation

Maryland Bankcorp and Maryland Bank & Trust are subject to extensive regulation under state and federal banking laws and regulations. These laws impose specific requirements and restrictions on virtually all aspects of operations and generally are intended to protect depositors. The following discussion is only a summary and readers should refer to particular statutory and regulatory provisions for more detailed information. In addition, management cannot predict the nature or the extent of the effect on business and earnings that new federal or state legislation may have in the future.

Maryland Bankcorp, Inc.

Maryland Bankcorp is a Maryland corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. We are subject to regulation and examination by the Federal Reserve Board, and are required to file periodic reports and any additional information that the Federal Reserve Board may require. The Bank Holding Company Act generally prohibits a bank holding company from engaging in activities other than banking, managing or controlling banks or other permissible subsidiaries and acquiring or retaining direct or indirect control of any company engaged in any activities closely related to banking or managing or controlling banks.

The Federal Reserve Board must approve, among other things, the acquisition by a bank holding company of control of more than 5% of the voting shares, or substantially all the assets, of any bank, or the merger or consolidation by a bank holding company with another bank holding company. Subject to certain time and deposit base requirements, we can acquire a bank located in Maryland or any other state, and a bank holding company located outside of Maryland can acquire any Maryland-based bank holding company or bank.

Subsidiary banks of a bank holding company are subject to certain restrictions imposed by statute on any extensions of credit to the bank holding company or any of its subsidiaries, or investments in their stock or other securities, and on taking such stock or securities as collateral for loans to any borrower. Further, a bank holding company and any of its subsidiary banks are prohibited from engaging in certain tie-in arrangements in connection with the extension of credit. In 1997, the Federal Reserve Board adopted amendments to its Regulation Y, creating exceptions to the Bank Holding Company Act s anti-tying prohibitions that give bank subsidiaries of holding companies greater flexibility in packaging products and services with their affiliates.

In accordance with Federal Reserve Board policy, Maryland Bankcorp is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances in which Maryland Bankcorp might not otherwise do so. The Federal Reserve Board may require a bank holding company to terminate any activity or relinquish control of a non-bank subsidiary (other than a non-bank subsidiary of a bank) upon the Federal Reserve s determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank holding company. Further, federal bank regulatory authorities have additional discretion to require a bank holding company to divest itself of any bank or non-bank subsidiary if the agency determines that divestiture may aid the depository institution s financial condition.

The Federal Reserve Board imposes risk-based capital measures on bank holding companies in order to insure their capital adequacy. Additionally, the Dodd-Frank Act requires the Federal Reserve Board to issue consolidated regulatory capital requirements for holding companies that are at least as stringent as those applicable to the Bank. However, the Dodd-Frank Act appears to allow the Federal Reserve Board to continue to exempt bank holding companies of less than $500 million in consolidated assets from the holding company capital requirements.

Under Maryland law, an existing bank holding company that desires to acquire a Maryland state-chartered bank or trust company, a federally-chartered bank with its main office in Maryland, or a bank holding company that has its principal place of business in Maryland, must file an application with the Maryland Commissioner. In approving the application, the Maryland Commissioner must consider whether the acquisition may be detrimental to the safety and soundness of the entity being acquired or whether the acquisition may result in an undue concentration of resources or a substantial reduction in competition in Maryland. The Maryland Commissioner may not approve an acquisition if, on consummation of the transaction, the acquiring company, together with all its insured depository institution affiliates, would control 30% or more of the total amount of deposits of insured depository institutions in Maryland. The Maryland Commissioner has authority to adopt by regulation a procedure to waive this requirement for good cause. In a transaction for which approval of the Maryland Commissioner is not required due to an exemption under Maryland law, or for which federal law authorizes the transaction without application to the Maryland Commissioner, the parties to the acquisition must provide written notice to the Maryland Commissioner at least 15 days before the effective date of the transaction.

The status of Maryland Bankcorp as a registered bank holding company under the Bank Holding Company Act does not exempt it from certain federal and state laws and regulations applicable to Maryland corporations generally, including, without limitation, certain provisions of the federal securities laws.

Maryland Bank & Trust Company, N.A.

Maryland Bank & Trust is a national banking association, and the FDIC insures its deposit accounts up to the maximum legal limits. It is subject to regulation, supervision and regular examination by the OCC. The Bank is also subject to applicable banking provisions of Maryland law insofar as they do not conflict with or are not preempted by federal law. The regulations of these various agencies govern most aspects of the Bank s business, including required reserves against deposits, loans, investments, mergers and acquisitions, borrowing, dividends and location and number of branch offices. The laws and regulations governing the Bank generally have been promulgated to protect depositors and the deposit insurance fund, and not for the purpose of protecting its stockholders.

As discussed above, we are subject to a formal written agreement with the OCC.

The following references to the laws and regulations which regulate Maryland Bank & Trust are brief summaries thereof, do not purport to be complete, and are qualified in their entirety by reference to such laws and regulations.

Capital Adequacy Guidelines

The Federal Reserve Board, the OCC and the FDIC have adopted risk based capital adequacy guidelines pursuant to which they assess the adequacy of capital in examining and supervising banks and in analyzing bank regulatory applications. Risk-based capital requirements determine the adequacy of capital based on the risk inherent in various classes of assets and off-balance sheet items.

National banks are expected to meet a minimum ratio of total qualifying capital (the sum of core capital (Tier 1) and supplementary capital (Tier 2)) to risk weighted assets of 8%. At least half of this amount (4%) should be in the form of Tier 1 Capital. In general, this requirement is similar to the capital that a bank must have in order to be considered adequately capitalized under the prompt corrective action regulations. See Prompt Corrective Action. Under our written agreement with the OCC we are required to maintain capital levels as follows: Tier 1 Risk-Based Capital of 12%; Total Risk-Based Capital of 14%; and Tier 1 Leverage Capital of 8%. We believe that the Bank meets, and will continue to be able to meet, the required higher risk-based and leverage capital minimums as set forth in the written agreement.

Tier 1 Capital generally consists of the sum of common stockholders equity and perpetual preferred stock (subject in the case of the latter to limitations on the kind and amount of such stock which may be included as Tier 1 Capital), less goodwill, without adjustment for changes in the market value of securities classified as available for sale. Tier 2 Capital consists of the following: hybrid capital instruments; perpetual preferred stock which is not otherwise eligible to be included as Tier 1 Capital; term subordinated debt and intermediate-term preferred stock; and, subject to limitations, general allowances for loan losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics, with the categories ranging from 0% (requiring no risk-based capital) for assets such as cash, to 100% for the bulk of assets which are typically held by a commercial bank, including certain

multi-family residential and commercial real estate loans, commercial business loans and consumer loans.

Residential first mortgage loans on one to four family residential real estate and certain seasoned multi-family residential real estate loans, which are not 90 days or more past-due or non-performing and which have been made in accordance with prudent underwriting standards are assigned a 50% level in the risk-weighing system, as are certain privately-issued mortgage-backed securities representing indirect ownership of such loans. Off-balance sheet items also are adjusted to take into account certain risk characteristics.

In addition to the risk-based capital requirements, the OCC and the FDIC have established a minimum 3.0% Leverage Capital Ratio (Tier 1 Capital to total adjusted assets) requirement for the most highly-rated national banks, with an additional cushion of at least 100 to 200 basis points for all other banks, which effectively increases the minimum Leverage Capital Ratio for such other banks to 4.0% 5.0% or more. The highest-rated banks are those that the OCC and FDIC determine are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and, in general, those which are considered a strong banking organization. A national bank or bank holding company having less than the minimum Leverage Capital Ratio requirement must, within 60 days of the date as of which it fails to comply with such requirement, submit to the applicable regulatory agency for review a reasonable plan describing the means and timing by which the bank will achieve its minimum Leverage Capital Ratio requirement. A national bank or bank holding company that fails to file such a plan is deemed to be operating in an unsafe and unsound manner, and could be subject to a cease-and-desist order.

The OCC and FDIC regulations also provide that any insured depository institution with a Leverage Capital Ratio less than 2% is deemed to be operating in an unsafe or unsound condition. Operating in an unsafe or unsound manner could lead the FDIC to terminate deposit insurance. However, such an institution will not be subject to an enforcement proceeding solely on account of its capital ratios if it has entered into and is in compliance with a written agreement with the OCC and FDIC to increase its Leverage Capital Ratio to such level as the OCC or FDIC deems appropriate and to take such other action as may be necessary for the institution to be operated in a safe and sound manner. The capital regulations also provide, among other things, for the issuance by the OCC or the FDIC or their respective designee(s) of a capital directive, which is a final order issued to a bank that fails to maintain minimum capital or to restore its capital to the minimum capital requirement within a specified time period. Such directive is enforceable in the same manner as a final cease-and-desist order.

On September 3, 2009, the U. S. Treasury issued a policy statement (the Treasury Policy Statement) entitled Principles for Reforming the U.S. and International Regulatory Capital Framework for Banking Firms. The U.S. Treasury developed this statement in consultation with the U.S. bank regulatory agencies and contemplates changes to the existing regulatory capital regime that would involve substantial revisions to the regulatory capital and liquidity regime for regulated banking organizations and other systemically important institutions. The Treasury Policy Statement calls for, among other things, higher and stronger capital requirements for all banking firms. The Treasury Policy Statement suggested that changes to the regulatory capital framework be phased in over a period of several years. The recommended schedule provides for a comprehensive international agreement by December 31, 2010, with the implementation of reforms by December 31, 2012, although it does remain possible that U.S. bank regulatory agencies could officially adopt, or informally implement new capital standards at an earlier date.

On December 17, 2009, the Basel Committee on Banking Supervision (Basel Committee) issued a set of proposals (the Capital Proposals) that would significantly revise the definitions of Tier 1 Capital and Tier 2 Capital, with the most significant changes being to Tier 1 Capital. Most notably, the Capital Proposals would also re-emphasize that common equity is the predominant component of Tier 1 Capital by adding a minimum common equity to risk-weighted assets ratio and requiring that goodwill, general intangibles and certain other items that currently must be deducted from Tier 1 Capital instead be deducted from common equity as a component of Tier 1 Capital. The Capital Proposals also leave open the possibility that the Basel Committee will recommend changes to the minimum Tier 1 Capital and total capital ratios of 4.0% and 8.0%, respectively.

Concurrently with the release of the Capital Proposals, the Basel Committee also released a set of proposals related to liquidity risk exposure (the Liquidity Proposals, and together with the Capital Proposals, the 2009 Basel Committee Proposals). The Liquidity Proposals have three key elements, including the implementation of (i) a liquidity coverage ratio designed to ensure that a bank maintains an adequate level of unencumbered, high-quality

assets sufficient to meet the bank s liquidity needs over a 30-day time horizon under an acute liquidity stress scenario, (ii) a net stable funding ratio designed to promote more medium and long term funding of the assets and activities of banks over a one year time horizon, and (iii) a set of monitoring tools that the Basel Committee indicates should be considered as the minimum types of information that banks should report to supervisors and that supervisors should use in monitoring the liquidity risk profiles of supervised entities.

Comments on the 2009 Basel Committee Proposals were due by April 16, 2010, with the expectation that the Basel Committee will release a comprehensive set of proposals by December 31, 2010 and that final provisions will be implemented by December 31, 2012. The U.S. bank regulators urged comment on the 2009 Basel Committee Proposals. Ultimate implementation of such proposals in the U.S. will be subject to the discretion of the U.S. bank regulators and the regulations or guidelines adopted by such agencies may differ from the 2009 Basel Committee Proposals and other proposals that the Basel Committee may promulgate in the future.

Prompt Corrective Action

Under Section 38 of the FDIA, each federal banking agency is required to implement a system of prompt corrective action for institutions that it regulates. The federal banking agencies have promulgated substantially similar regulations to implement the system of prompt corrective action established by Section 38 of the FDIA. Under the regulations, a bank will be deemed to be: (i) well capitalized if it has a Total Risk Based Capital Ratio of 10.0% or more, a Tier 1 Risk Based Capital Ratio of 6.0% or more, a Leverage Capital Ratio of 5.0% or more and is not subject to any written capital order or directive; (ii) adequately capitalized if it has a Total Risk Based Capital Ratio of 8.0% or more, a Tier 1 Risk Based Capital Ratio of 4.0% or more and a Tier 1 Leverage Capital Ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of well capitalized; (iii) undercapitalized if it has a Total Risk Based Capital Ratio that is less than 8.0%, a Tier 1 Risk Based Capital Ratio that is less than 4.0% or a Leverage Capital Ratio that is less than 4.0% (3.0% under certain circumstances); (iv) significantly undercapitalized if it has a Total Risk Based Capital Ratio that is less than 6.0%, a Tier 1 Risk Based Capital Ratio that is less than 3.0% or a Leverage Capital Ratio that is less than 3.0%; and (v) critically undercapitalized if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%.

An institution generally must file a written capital restoration plan which meets specified requirements with an appropriate federal banking agency within 45 days of the date the institution receives notice or is deemed to have notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. A federal banking agency must provide the institution with written notice of approval or disapproval within 60 days after receiving a capital restoration plan, subject to extensions by the applicable agency.

An institution that is required to submit a capital restoration plan must concurrently submit a performance guaranty by each company that controls the institution. Such guaranty will be limited to the lesser of (i) an amount equal to 5.0% of the institution s total assets at the time the institution was notified or deemed to have notice that it was undercapitalized or (ii) the amount necessary at such time to restore the relevant capital measures of the institution to the levels required for the institution to be classified as adequately capitalized. Such a guaranty will expire after the federal banking agency notifies the institution that it has remained adequately capitalized for each of four consecutive calendar quarters. An institution which fails to submit a written capital restoration plan within the requisite period, including any required performance guaranty, or fails in any material respect to implement a capital restoration plan, will be subject to the restrictions in Section 38 of the FDIA which are applicable to significantly undercapitalized institutions.

Immediately upon becoming undercapitalized, an institution becomes subject to the provisions of Section 38 of the FDIA, which (i) restrict payment of capital distributions and management fees; (ii) require that the appropriate federal banking agency monitor the condition of the institution and its efforts to restore its capital; (iii) require submission of a capital restoration plan; (iv) restrict the growth of the institution s assets; and (v) require prior approval of certain expansion proposals. The appropriate federal banking agency for an undercapitalized institution also may take any number of discretionary supervisory actions if the agency determines that any of these actions is necessary to resolve the problems of the institution at the least possible long-term cost to the deposit insurance fund, subject in certain cases to specified procedures. These discretionary supervisory actions include: requiring the institution to raise additional capital, restricting transactions with affiliates, requiring divestiture of the institution or sale of the institution to a willing purchaser, and any other supervisory action that the agency deems appropriate. These and additional mandatory and permissive supervisory actions may be taken with respect to significantly undercapitalized and critically undercapitalized institutions.

A critically undercapitalized institution will be placed in conservatorship or receivership within 90 days unless the FDIC formally determines that forbearance from such action would better protect the deposit insurance fund.

Unless the FDIC or other appropriate federal banking regulatory agency makes specific further findings and certifies that the institution is viable and is not expected to fail, an institution that remains critically undercapitalized on average during the fourth calendar quarter after the date it becomes critically undercapitalized must be placed in receivership. The general rule is that the FDIC will be appointed as receiver within 90 days after a bank becomes critically undercapitalized unless extremely good cause is shown and the federal regulators agree to an extension. In general, good cause is defined as capital that has been

raised and is immediately available for infusion into the bank except for certain technical requirements that may delay the infusion for a period of time beyond the 90 day time period.

Additionally, under Section 11(c)(5) of the FDIA, a conservator or receiver may be appointed for an institution where: (i) an institution s obligations exceed its assets; (ii) there is substantial dissipation of the institution s assets or earnings as a result of any violation of law or any unsafe or unsound practice; (iii) the institution is in an unsafe or unsound condition; (iv) there is a willful violation of a cease-and-desist order; (v) the institution is unable to pay its obligations in the ordinary course of business; (vi) losses or threatened losses deplete all or substantially all of an institution s capital, and there is no reasonable prospect of becoming adequately capitalized without assistance; (vii) there is any violation of law or unsafe or unsound practice or condition that is likely to cause insolvency or substantial dissipation of assets or earnings, weaken the institution s condition, or otherwise seriously prejudice the interests of depositors or the insurance fund; (viii) an institution ceases to be insured; (ix) the institution is undercapitalized and has no reasonable prospect that it will become adequately capitalized, fails to become adequately capitalized when required to do so, or fails to submit or materially implement a capital restoration plan; or (x) the institution is critically undercapitalized or otherwise has substantially insufficient capital.

As a result of the written agreement with the OCC, although it exceeds its ratio minimums, Maryland Bank & Trust is considered adequately capitalized.

Deposit Insurance Assessments

The DIF insures substantially all of the Bank s deposits. The FDIC maintains a risk based assessment system for determining deposit insurance premiums. The FDIC has established four risk categories (I-IV), each subject to different premium rates, based upon an institution s status as well capitalized, adequately capitalized or under capitalized, and the institution s supervisory rating. In December 2008, the FDIC raised the then current assessment rates uniformly by 7 basis points for the first quarter of 2009 assessment, which resulted in annualized assessment rates for institutions in Risk Category 1 (well capitalized institutions, perceived as posing the least risk to the insurance fund) from 12 to 14 basis points. In February 2009, the FDIC issued final rules to amend the DIF restoration plan, change the risk-based assessment system and set assessment rates for Risk Category 1 institutions beginning in the second quarter of 2009. As a result of this final rule the annualized assessment rates for institutions in Risk Category 1 range from 12 to 16 basis points. The Bank s annualized base assessment rate is 16 basis points.

The FDIC has authority to further increase insurance assessments. In addition, the Dodd-Frank Act requires that the FDIC amend its assessment system to base it on total assets less tangible equity rather than deposits. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

Under the FDIA, the FDIC may terminate insurance of deposits upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Deposit Insurance

Because of the recent difficult economic conditions, deposit insurance per account owner had been raised to $250,000 for all types of accounts until January 1, 2014. That level was made permanent by the newly enacted Dodd-Frank Act. In addition, the FDIC adopted an optional Temporary Liquidity Guarantee Program under which, for a fee, noninterest-bearing transaction accounts would receive unlimited insurance coverage until June 30, 2010, subsequently extended to December 31, 2010. The Dodd-Frank Act extends the unlimited coverage of noninterest-bearing transaction accounts until December 31, 2012 without providing an opt out. The TLGP also included a debt component under which certain senior unsecured debt issued by institutions and their holding companies between October 13, 2008 and October 31, 2009 would be guaranteed by the FDIC through June 30, 2012, or in some cases, December 31, 2012.

Regulatory Enforcement Authority

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) included substantial enhancement to the enforcement powers available to federal banking regulators, including the Federal Reserve Board. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue

cease-and-desist or

removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities. FIRREA significantly increased the amount of and grounds for civil money penalties and requires, except under certain circumstances, public disclosure of final enforcement actions by the federal banking agencies.

Dividends

Maryland Bankcorp is a legal entity separate and distinct from Maryland Bank & Trust. Virtually all of Maryland Bankcorp s revenue available for the payment of dividends on its common stock results from dividends paid to Maryland Bankcorp by the Bank. All such dividends are subject to limitations imposed by federal and state laws and by regulations and policies adopted by federal and state regulatory agencies. As a national association, Maryland Bank & Trust is required by federal law to obtain the approval of the OCC for the payment of dividends if the total of all dividends declared by the board of directors of the Bank in any calendar year will exceed the total of the Bank s net income for that year and the retained net income for the preceding two years, less any required transfers to surplus or a fund for the retirement of any preferred stock, subject to the further limitations that a national association can pay dividends only to the extent that the national association would not become undercapitalized as defined under federal law.

Dividends may be further restricted if, in the opinion of the OCC, the national association or bank holding company under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice.

Community Reinvestment Act

The Bank is required to comply with the Community Reinvestment Act (CRA) regardless of its capital condition. The CRA requires that, in connection with its examinations of the Bank, the OCC evaluates the record of the Bank in meeting the credit needs of its local community, including low and moderate income neighborhoods, consistent with the safe and sound operation of the institution. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. These factors are considered in, among other things, evaluating mergers, acquisitions and applications to open a branch or facility. The CRA also requires all institutions to make public disclosure of their CRA ratings. The Bank received a Satisfactory rating in its latest CRA examination.

USA Patriot Act

The USA Patriot Act of 2001 (the USA Patriot Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The Patriot Act requires financial institutions, including banks, to establish anti-money laundering programs, including employee training and independent audit requirements, meet minimum standards specified by the Act, follow minimum standards for customer identification and maintenance of customer identification records, and regularly compare customer lists against lists of suspected terrorists, terrorist organizations and money launderers. The U.S. Treasury has issued a number of implementing regulations that apply to various requirements of the USA Patriot Act to financial institutions such as the Bank. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing.

Failure of a financial institution to comply with the USA Patriot Act s requirements could have serious legal and reputational consequences for the institution. The Bank has adopted appropriate policies, procedures and controls to address compliance with the requirements of the USA Patriot Act under the existing regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by the USA Patriot Act and the U.S. Treasury s regulations.

The costs or other effects of the compliance burdens imposed by the Patriot Act or future anti-terrorist, homeland security or anti-money laundering legislation or regulations cannot be predicted with certainty.

Consumer Protection Laws

Maryland Bank & Trust is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, and the Real Estate Settlement Procedures Act, and various state law counterparts.

In addition, federal law currently contains extensive customer privacy protection provisions. Under these provisions, a financial institution must provide to its customers, at the inception of the customer relationship and annually thereafter, the institution s policies and procedures regarding the handling of customers nonpublic personal financial information. These provisions also provide that, except for certain limited exceptions, a financial institution may not provide such personal information to unaffiliated third parties unless the institution discloses to the customer that such information may be so provided and the customer is given the opportunity to opt out of such disclosure. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

The Dodd-Frank Act transferred responsibility for the implementation of financial consumer protection laws to a new independent agency in the Federal Reserve Board. The new agency, the Consumer Financial Protection Bureau, will issue rules and regulations governing consumer financial protection. However, depository institutions of less than $10 billion in assets will continue to be examined for compliance with consumer protection laws by the prudential regulators which will also have enforcement authority.

Effective July 1, 2010, the Electronic Fund Transfer Act prohibits financial institutions from charging consumers fees for paying overdrafts on ATMs and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those types of transactions. If a consumer does not opt in, any ATM transaction or debit that overdraws the consumer s account will be denied. Overdrafts on the payment of checks and regular electronic bill payments are not covered by this new rule. Before opting in, the consumer must be provided a notice that explains the financial institution s overdraft services, including the fees associated with the service, and the consumer s choices. Financial institutions must provide consumers who do not opt in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt in.

Financial Regulatory Legislation

The previously referenced Dodd-Frank Act contains a wide variety of provisions affecting the regulation of depository institutions in addition to those already mentioned. Those include restrictions related to mortgage originations, risk retention requirements as to securitized loans and the noted newly created consumer protection agency. The full impact of the Dodd-Frank Act on our business and operations will not be known for years until regulations implementing the statute are written and adopted. The Dodd-Frank Act may have a material impact on our operations, particularly through increased compliance costs resulting from possible future consumer and fair lending regulations.

In addition to the Dodd-Frank Act and the regulations that will be promulgated thereunder, new regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations, and competitive relationships of the nation s financial institutions. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which any new regulation or statute may affect our business.

Insider Transactions

The Bank is subject to the provisions of Section 23A and 23B of the Federal Reserve Act and Regulation W of the Federal Reserve Board s regulations (collectively, Regulation W), which place limits on the amount of loans or extensions of credit to affiliates (including Maryland Bankcorp), investments in or certain other transactions with affiliates and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. Regulation W limits the aggregate amount of transactions with any individual affiliate to 10% of the capital and surplus of the Bank, and also limits the aggregate amount of transactions with all affiliates to 20% of capital and surplus. Loans and certain other extensions of credit to affiliates are required to be secured by collateral in an amount and of a type described in the regulation.

Federal law and Regulation W, among other things, prohibit an institution from engaging in certain transactions with certain affiliates (as defined in the Federal Reserve Act) unless the transactions are on terms substantially the same, or at least as favorable to such institution and/or its subsidiaries, as those prevailing at the time for comparable transactions with non-affiliated entities. In the absence of comparable transactions, such transactions may only occur under terms and circumstances, including credit standards that in good faith would be offered to or would apply to non-affiliated companies. In addition, under Regulation W:

- a bank and its subsidiaries may not purchase a low-quality asset from an affiliate;
- covered transactions and other specified transactions between a bank or its subsidiaries and an affiliate must be on terms and conditions that are consistent with safe and sound banking practices; and
- with some exceptions, each loan or extension of credit by a bank to an affiliate must be secured by collateral with a market value ranging from 100% to 130%, depending on the type of collateral, of the amount of the loan or extension of credit.

Regulation W generally excludes all nonbank and nonsavings association subsidiaries of banks from treatment as affiliates, except to the extent that the Federal Reserve Board decides to treat these subsidiaries as affiliates.

The Bank is also subject to the restrictions contained in Section 22(h) of the Federal Reserve Act and the Federal Reserve Board s Regulation O thereunder (collectively Regulation O), which govern loans and extensions of credit to executive officers, directors and principal stockholders. Under Section 22(h), loans to a director, an executive officer or a greater-than-10% stockholder of a bank as well as certain affiliated interests of any of the foregoing may not exceed, together with all other outstanding loans to such person and affiliated interests, the loans-to-one-borrower limit applicable to national banks (generally 15% of the institution s unimpaired capital and surplus), and all loans to all such persons in the aggregate may not exceed the institution s unimpaired capital and unimpaired surplus. Regulation O also prohibits the making of loans in an amount greater than $25,000 or 5% of capital and surplus but in any event not over $500,000, to directors, executive officers and greater-than-10% stockholders of a bank, and their respective affiliates, unless such loans are approved in advance by a majority of its board of directors with any interested director not participating in the voting. Further, Regulation O requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as those that are offered in comparable transactions to unrelated third parties unless the loans are made pursuant to a benefit or compensation program that is widely available to all employees of the bank and does not give preference to insiders over other employees. Regulation O also prohibits a depository institution from paying overdrafts over $1,000 of any of its executive officers or directors unless they are paid pursuant to written pre-authorized extension of credit or transfer of funds plans.

All of the Bank s loans to its and Maryland Bankcorp s executive officers, directors and greater-than-10% stockholders, and affiliated interests of such persons, comply with the requirements of Regulation W and Regulation O.

Loans to One Borrower

As a national bank, the Bank is subject to the statutory and regulatory limits on the extension of credit to one borrower. Generally, the maximum amount of total outstanding loans that a national bank may have to any one borrower at any one time is 15% of the bank s unimpaired capital and surplus. A national bank may lend an additional 10% on top of the 15% if the amount that exceeds 15% of the bank s unimpaired capital and surplus is fully secured by readily marketable collateral.

Liquidity

The Bank is subject to the reserve requirements of the Federal Reserve Board s Regulation D, which applies to all depository institutions with transaction accounts or non-personal time deposits. Specifically, amounts in transaction accounts above $10.7 million and up to $55.2 million must have reserves held against them in the ratio of 3 percent of the amount. Amounts above $55.2 million require reserves of $1.355 million plus 10 percent of the amount in excess of $55.2 million. The Bank is in compliance with the applicable liquidity requirements.

Other Matters

Federal and state law also contain a wide variety of other provisions that affect the operations of Maryland Bankcorp and the Bank, including, but not limited to, certain reporting and disclosure requirements; standards and guidelines for underwriting, account management and other aspects of lending activities; laws that prohibit discrimination; restrictions on establishing and closing branches; limitations on transactions with affiliates; restrictions on loans to insiders; and requirements relating to privacy and data security.

Effect of Governmental Monetary Policies

Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Board s monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board affect the levels of bank loans, investments and deposits through its control over the issuance of United States government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. We cannot predict the nature or impact of future changes in monetary and fiscal policies.

Legal Proceedings

From time to time, Maryland Bankcorp or the Bank may be involved in litigation relating to claims arising out of its normal course of business. As of the date of this joint proxy statement/prospectus, we did not have any material pending legal matters or litigation for Maryland Bankcorp or the Bank.

MARYLAND BANKCORP MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Some of the matters discussed below include forward-looking statements. Forward-looking statements often use words such as believe, expect, plans, may, will, should, project, contemplate, anticipate, forecast, words of similar meaning. You can also identify them by the fact that they do no relate strictly to historical or current facts. Our actual results and the actual outcome of our expectations and strategies could be different from those anticipated or estimated for the reason discussed below and under the heading Caution Regarding Forward Looking Statements. The following discussion is intended to further your understanding of Maryland Bankcorp s consolidated financial condition and results of operations for the periods indicated, and should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this joint proxy statement/prospectus.

Overview

Maryland Bankcorp was organized on September 28, 2001 at the direction of the Board of Directors of Maryland Bank & Trust to acquire the stock of the Bank and to engage in such other business activities permitted by law for bank holding companies. On September 28, 2001, each outstanding share of common stock of the Bank was exchanged for one share of the common stock of Maryland Bankcorp. As a result of the exchange of shares, the stockholders of the Bank became stockholders of Maryland Bankcorp and Maryland Bankcorp became the sole stockholder of the Bank.

The Bank was originally incorporated in 1959 under the laws of the State of Maryland, and effective August 1, 1997, became a national bank. The Bank provides a full range of banking services to individuals and corporate customers primarily in Southern Maryland.

As we have previously discussed in this joint proxy statement/prospectus, the Bank operates under a formal written agreement with the OCC dated February 10, 2006. Pursuant to the written agreement, the Bank formally agreed to, among other things, maintain higher than normal risk-based and leverage capital minimums as follows: Tier 1 Risk-Based capital of 12%; Total Risk-Based capital of 14%; and Tier 1 leverage capital of 8%. We currently exceed these minimums and expect to exceed them in the foreseeable future. We believe the Bank is in substantial compliance with all aspects of the written agreement.

Summary of Recent Performance and Other Activities

Year Ended December 31, 2009

The recession of 2008 and 2009 has shaken many of the world s financial markets and Southern Maryland was no exception to that reality. It has always been our focus to lend money to help people in Southern Maryland build homes and enable them to start and grow their businesses. As a result, much of the collateral for those types of loans is centered in real estate or associated with real estate construction and development. Lending challenges resulting from decreased values and demand for home and real estate loans presented increased credit quality issues to go along with a sudden drop in interest rates and an unprecedented increase in fees imposed on banks by the government. We responded to the increase in credit quality issues and charge offs by increasing our allowance for loan losses from $2.6 million at December 31, 2008 to $6.2 million at December 31, 2009. This increase in the allowance for loan losses contributed largely to our $3.8 million loss in 2009.

The following events occurred during 2009:

- Total assets grew over $43.4 million or 14.08%.
- Gross loans grew $27.5 million or 12.42%.
- We took a $5.7 million provision for loan losses allowing the allowance for loan losses to increase by $3.6 million from $2.6 million to $6.2 million.
- We had charged-off loans of $2.6 million and an increase of $1.8 million in nonaccrual loans.
- Investment portfolio grew by $20.5 million or 30.01%.
- Total deposits grew $38.6 million or 14.78%.
- The Bank maintained Tier 1 Risk-Based Capital, Total Risk-Based Capital and Tier 1 Leverage Capital ratios of 13.10%, 14.36% and 8.83%, respectively, at year end, exceeding the required regulatory capital minimums.
- We obtained a line of credit of $3.5 million and a $2.0 million loan as measures to assure the protection of the Bank s capital ratios.
- We recorded $551,000 net gains from sales on investment securities.
- We incurred a $552,000 increase in FDIC insurance premiums inclusive of special assessments of $264,000.

Nine-Month Period Ended September 30, 2010

Increased credit quality issues and increased credit losses required an increase in the allowance for loan losses to $7.2 million at September 30, 2010 from $6.2 million at December 31, 2009 and $4.3 million at September 30, 2009. The provision for loan losses of $3.1 million for the nine-month period ended September 30, 2010 compares to $3.3 million for the nine-month period ended September 30, 2009 and $5.7 million for the year ended December 31, 2009. The credit losses of $2.2 million for the nine-month period ended September 30, 2010 compares to $1.6 million for the nine-month period ended September 30, 2009 and $2.6 million for the year ended December 31, 2009. The provision for loan losses contributed largely to our $1.1 million net loss during the nine-month period ended September 30, 2010 and to the $1.8 million net loss for the nine-month period ended September 30, 2009.

The following is an overview of key factors affecting the Bank s results from continuing operations for the period ended September 30, 2010.

- Net interest income before the provision for loan losses increased by $1.1 million to $9.5 million for the nine-month period ended September 30, 2010 as compared to $8.4 million for the same period in 2009.

Other operating expenses increased by $284,000 to $10.1 million for the nine-month period ended September 30, 2010 as compared to $9.8 million for the same period in 2009.

The provision for loan losses decreased by $151,000 to $3.1 million for the nine-month period ended September 30, 2010 as compared to $3.3 million for the same period in 2009.

Other real estate owned (OREO) assets grew by $4.4 million to $6.2 million at September 30, 2010 as compared to $1.8 million at the same period in 2009.

The Bank maintained Tier 1 Risk-Based Capital, Total Risk-Based Capital and Tier 1 Leverage Capital ratios of 13.60%, 14.87%, and 8.65% respectively at September 30, 2010, exceeding the required regulatory capital minimums.

The Bank recorded $778,000 net gains from sales on investment securities for the nine-month period ended September 30, 2010 as compared to $293,000 for the same period in 2009.

Results of Operations

Net Interest Income

2009 compared to 2008

Net interest income before the provision for loan losses for the year ended December 31, 2009 was $11.5 million compared to $11.6 million for the year ended December 31, 2008. Net interest income to average earning assets was 3.77% for year ended December 31, 2009 compared to 4.34% for year ended December 31, 2008.

Despite a low interest rate environment, total interest income increased to $16.5 million for the year ended December 31, 2009 compared to $16.1 million for the year ended December 31, 2008, an increase of $436,469 or 2.71%. Total interest income increased during 2009 primarily as a result of an increase in interest and fees on loans, partially offset by decreases in interest on interest bearing deposits and federal funds sold. Interest and fees on loans increased to $13.9 million in 2009 compared to $13.2 million in 2008, an increase of $649,619 or 4.91%. Interest and fees on loans increased primarily as a result of higher interest rates on and an increased volume of loans during the 2009 period. Interest income on investment securities increased $9,341 or .36%, remaining at $2.6 million during both 2009 and 2008.

These increases were partially offset by decreases of $80,458 in interest on interest-bearing deposits and $142,033 in interest on federal funds sold during 2009 compared to 2008. These decreases were the result of lower interest rates paid on our deposits and federal funds during 2009 compared to 2008. The average interest rate on our deposits at other banks decreased to 0.39% during 2009 compared to 2.24% during 2008, and the average interest rate on federal funds sold decreased to 0.24% during 2009 compared to 2.55% during 2008.

Interest income to average earning assets was 5.41% during the year ended December 31, 2009 compared to 6.01% for the year ended December 31, 2008.

Total interest expense was $5.0 million during the year ended December 31, 2009 compared to $4.5 million during the year ended December 31, 2008, an increase of $555,767 or 12.44%, primarily as a result of an increase in interest paid on deposits. Interest expense on deposits grew to $4.8 million in 2009 compared to $4.3 million in 2008, an increase of $505,185 or 11.81%. This increase was primarily attributable to increased volumes in interest bearing deposits, offset by downward repricing in interest rates and the mix in deposits that helped maintain the Bank s low cost of funds. Non-interest bearing deposits and non-maturity interest bearing deposits represent 58.61% and 53.98% of all deposits at September 30, 2010 and December 31, 2009, respectively. Other interest expenses were $242,390 in 2009 compared to $191,808 in 2008, an increase of $50,582 or 26.37%. This increase was primarily a result of an increase on interest paid on demand notes partially offset by decreases in interest on federal funds purchased and capital leases.

Interest expense to average earning assets was 1.64% during the year ended December 31, 2009 compared to 1.67% during the year ended December 31, 2008.

The provision for loan losses increased to $5.7 million during the year ended December 31, 2009 compared to $991,262 during the year ended December 31, 2008, as a result of increased credit quality issues and charge offs. As a result

of this increase and the factors discussed above, net interest income after the provision for loan losses decreased $4.8 million to $5.8 million for the year ended December 31, 2009 from $10.6 million during the year ended December 31, 2008.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Net interest income before the provision for loan losses for the nine-month period ended September 30, 2010 was $9.5 million compared to $8.4 million for the nine-month period ended September 30, 2009, an increase of $1.1 million or 12.71%. Net interest income to average earning assets was 4.00% at September 30, 2010 compared to 3.74% at September 30, 2009.

Despite a low interest rate environment, total interest income increased to $12.4 million for the nine-month period ended September 30, 2010 compared to $12.3 million for the nine-month period ended September 30, 2009, an increase of $85,000 or .69%. Total interest income increased during the 2010 period primarily as a result of increased interest income and fees on loans. Interest and fees on loans grew to $10.6 million for the nine-month period ended September 30, 2010 compared to $10.3 million for the same period in 2009, an increase of $230,000 or 2.23%. Interest and fees on loans increased during the 2010 period primarily as a result of increased volume of loans during the 2010 period. Interest income on investment securities and other investments decreased $142,000 or 7.19% to $1.8 million for the nine-month period ended September 30, 2010 compared to $2.0 million for the nine-month period ended September 30, 2009, primarily as a result of a decrease in rates on interest-earning securities assets.

Interest income to average earning assets was 5.20% for the nine-month period ended September 30, 2010 compared to 5.45% for the same period in 2009.

Total interest expense was $2.9 million for the nine-month period ended September 30, 2010 compared to $3.9 million for the nine-month period ended September 30, 2009, a decrease of $990,000 or 25.62%. Total interest expense decreased primarily as a result of decreased interest expense on deposits, partially offset by increases in other interest expenses. Interest expense on deposits decreased to $2.6 million for the nine-month period ended September 30, 2010 compared to $3.7 million for the same period in 2009, a decrease of $1.1 million or 29.41%. This decrease was mostly attributable to decreased volumes in certificates of deposit balances, which pay interest at higher rates than most deposit products, and a shift in the mix of deposits to lower interest cost products along with an overall downward repricing in interest rates. Other interest expenses increased to $278,000 for the nine-month period ended September 30, 2010 compared to $186,000 in the same period of 2009, an increase of $92,000 or 49.25%. This increase was primarily attributable to our paying more interest on demand notes in the 2010 period.

Interest expense to average earning assets was 1.09% for the nine-month period ended September 30, 2010 compared to 1.65% for the same period ended September 30, 2009.

The following tables illustrate average balances of total interest earning assets and total interest bearing liabilities for the periods indicated, showing the average distribution of assets, liabilities, stockholders equity and related income, expense and corresponding weighted average yields and rates. The average balances used in this table and other statistical data were calculated using average daily balances. The following table illustrates average balances of total interest earning assets and total interest bearing liabilities for the periods indicated, showing the average distribution of assets, liabilities, stockholders equity and related income, expense and corresponding weighted average yields and rates. The average balances used in this table and other statistical data were calculated using average daily balances.

Average Balances, Interest and Yields
(Dollars in thousands)

Twelve Months Ended December 31,	2009			2008		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Assets:						
Federal funds sold	$ 15,274	$ 36	0.24%	$ 6,987	$ 178	2.55%
Interest bearing deposits	4,562	18	0.39	4,378	98	2.24
Investment securities(1)						
U.S. Treasury	1,374	48	3.49	1,341	55	4.10
U.S. government agency	15,585	544	3.49	16,387	673	4.11
Mortgage backed securities	31,473	1,238	3.93	23,503	1,027	4.37
Municipal securities	19,114	714	3.74	20,416	790	3.87
Other	1,468	58	3.95	1,215	48	3.95
Total investment securities	69,014	2,602	3.77	62,862	2,593	4.12
Loans:(1)						
Commercial	24,536	1,428	5.82	20,124	1,408	7.00
Mortgage	190,270	12,040	6.33	170,788	11,397	6.67
Consumer	5,145	414	8.05	4,971	428	8.61
Total loans	219,951	13,882	6.31	195,883	13,233	6.76
Allowance for loan losses	3,114			2,322		
Total loans, net of allowance	216,837	13,882		193,561	13,233	
Total interest earning assets	305,687	16,538	5.41	267,788	16,102	6.01
Non-interest bearing cash	8,738			9,828		
Premises and equipment	3,335			3,275		
Other assets	14,642			12,704		
Total assets	$ 332,402			$ 293,595		
Liabilities and Stockholders Equity:						
Interest bearing deposits						
Savings	$ 42,647	194	0.45	$ 41,849	194	0.46
Money market and NOW	26,381	107	0.41	26,922	110	0.41

Other time deposits	135,681	4,480	3.30	101,735	3,972	3.90
Total interest bearing deposits	204,709	4,781	2.34	170,506	4,276	2.51
Borrowed funds	12,124	242	2.00	13,111	192	1.46
Total interest bearing liabilities	216,833	5,023	2.32	183,617	4,468	2.43
Non-interest bearing deposits	80,452			75,037		
	297,285	5,023		258,654	4,468	
Other liabilities	5,122			5,639		
Stockholders equity	29,995			29,302		
Total liabilities and stockholders equity	$ 332,402			$ 293,595		
Net interest spread			3.09			3.58
Net interest income		$ 11,515	3.77%		$ 11,634	4.34%

1) Available for sale investment securities are presented at amortized cost.

Average Balances, Interest and Yields
(Dollars in thousands)

Nine Months Ended September 30,	2010			2009		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Assets:						
Federal funds sold	$ 8,017	$ 16	0.27%	$ 18,579	$ 32	0.23%
Interest bearing deposits	12,516	22	0.23	4,307	73	2.26
Investment securities(1)						
U.S. Treasury	1,506	32	2.83	1,358	37	3.63
U.S. government agency	13,495	295	2.92	15,098	405	3.58
Mortgage backed securities	41,008	986	3.21	28,562	865	4.04
Municipal securities	17,140	443	3.45	19,080	533	3.73
Other	1,318	39	3.95	1,453	34	3.12
Total investment securities	74,467	1,795	3.22	65,551	1,874	3.81
Loans:						
Commercial	21,217	946	5.95	24,400	1,056	5.77
Mortgage	202,636	9,323	6.14	186,425	8,966	6.42
Consumer	5,119	307	8.00	5,094	323	8.46
Total loans	228,972	10,576	6.16	215,919	10,345	6.39
Allowance for loan losses	5,856			2,584		
Total loans, net of allowance	223,116	10,576		213,335	10,345	
Total interest earning assets	318,116	12,409	5.20	301,772	12,324	5.45
Non-interest bearing cash	8,781			8,930		
Premises and equipment	3,365			3,299		
Other assets	21,082			14,094		
Total assets	$ 351,344			$ 328,095		
Liabilities and Stockholders Equity:						
Interest bearing deposits						
Savings	$ 47,065	162	0.46	$ 42,497	145	0.46
Money market and NOW	31,727	94	0.40	25,656	78	0.41
Other time deposits	131,121	2,341	2.38	134,882	3,456	3.42
Total interest bearing deposits	209,913	2,597	1.65	203,035	3,679	2.42
Borrowed funds	15,205	278	2.44	12,067	186	2.06
Total interest bearing liabilities	225,118	2,875	1.70	215,102	3,865	2.40
Non-interest bearing deposits	90,807			77,818		

	315,925	2,875		292,920	3,865	
Other liabilities	5,184			5,280		
Stockholders equity	30,235			29,895		
Total liabilities and stockholders equity	$ 351,344			$ 328,095		
Net interest spread			3.50			3.05
Net interest income		$ 9,534	4.00		$ 8,459	3.74

1) Available for sale investment securities are presented at amortized cost.

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The following table describes the impact on our interest income and expense resulting from changes in average balances and average rates for the periods indicated. The change in interest income due to both volume and rate is reported with the rate variance.

Rate/Volume Variance Analysis

	Nine Months Ended September 30, 2010 compared to 2009 Variance due to:			Twelve Months Ended December 31, 2009 compared to 2008 Variance due to:		
	Total	Rate	Volume	Total	Rate	Volume
Interest earning assets:						
Federal funds sold	$ (16)	$ 3	$ (19)	$ (142)	$ (245)	$ 103
Interest bearing deposits	(51)	20	(71)	(80)	(84)	4
Investment Securities						
U.S. Treasury	(4)	(8)	4	(6)	(7)	1
U.S. government agency	(111)	(129)	18	(129)	(97)	(32)
Mortgage backed securities	129	(241)	370	211	(110)	321
Municipal securities	(91)	(70)	(21)	(76)	(27)	(49)
Other	(2)	(2)		10		10
Loans:						
Commercial	(110)	(43)	(67)	20	(259)	279
Mortgage	357	(374)	731	642	(611)	1,253
Consumer	(16)	(25)	9	(14)	(29)	15
Total interest revenue	85	(869)	954	436	(1,469)	1,905
Interest bearing liabilities:						
Savings	17	9	8		(4)	4
Money market and NOW	16	2	14	(3)	(1)	(2)
Other time deposits	(1,115)	(1,164)	49	508	(678)	1,186
Borrowed funds	92	61	31	50	(295)	345
Total interest expense	(990)	(1,092)	102	555	(978)	1,533
Net interest income	$ 1,075	$ 223	$ 852	$ (119)	$ (491)	$ 372

Asset Quality, Provision for Loan Losses and Allowance for Loan Losses

Originating loans involves a degree of risk that credit losses will occur in varying amounts according to, among other factors, the composition and risk of the loan portfolio, volume trends, the credit-worthiness of the borrower over the term of the loans, the quality of the collateral for the loan, if any, as well as general economic conditions. We charge the provision for loan losses to earnings to maintain the allowance for loan losses at a level considered by management to represent its best estimate of the losses known and inherent in the portfolio that are both probable and reasonable to estimate, based on, among other factors, prior loss experience, volume and type of lending conducted, estimated value of any underlying collateral, economic conditions, regulatory guidance, peer statistics, management s judgment, delinquencies, charge off experience and concentrations of risk (if any). We charge recognized loan losses to the allowance for loan losses when we believe that collection of loan principal is unlikely and add back recoveries on loans previously written off to the allowance for loan losses.

Accounting principles generally accepted in the United States of America require that the impairment of loans that have been separately identified for evaluation be measured based on the present value of expected future cash flow or, alternatively, the observable market price of the loans or the fair value of the collateral. For those loans that are collateral dependent (that is, if repayment of the loan is expected to be provided solely by the underlying collateral) and for which the Bank has determined foreclosure is probable, the measure of impairment of those loans is based on the fair value of the collateral.

2009 compared to 2008

Nonaccrual loans increased in the reporting period by $1.8 million or 22.78% and amounted to $9.7 million and $7.9 million at December 31, 2009 and 2008, respectively. Loss of income from nonaccrual loans approximated $684,000 and $310,000 for the years ended December 31, 2009 and 2008, respectively. Accruing loans, which were 90 days or more past due, totaled $274,000 and $0 as of December 31, 2009 and 2008, respectively.

The provision for loan losses was $5,669,565 for the year ended December 31, 2009 compared to $991,262 for the year ended December 31, 2008. The increase in the allowance for loan losses was necessary primarily to meet the challenges of increased credit quality issues of our loan customers brought about largely by the weak economy as well as other factors.

The allowance for loan losses was $6.2 million or approximately 2.66% of total loans at December 31, 2009 compared to $2.6 million or approximately 1.20% at December 31, 2008. Total loans charged off were $2.6 million in the 2009 period compared to $1.1 million in the 2008 period. Total recoveries were $515,034 in the 2009 period compared to $121,672 in the 2008 period.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Nonaccrual loans at the nine-month period ended September 30, 2010 amounted to $12.2 million compared to $8.9 million at September 30, 2009 and $9.7 million at December 31, 2009. Accruing loans, which were 90 days or more past due, totaled $0 at September 30, 2010 and September 30, 2009 compared to $274,000 at December 31, 2009.

The provision for loan losses was $3.1 million for the nine-month period ended September 30, 2010 compared to $3.3 million for the nine-month period ended September 30, 2009. The increases in the allowance for loan losses were necessary primarily to meet the challenges of increased credit quality issues of our loan customers brought about largely by the weak economy as well as other factors.

The allowance for loan losses was $7.2 million or approximately 3.19% of total loans at September 30, 2010 compared to $4.3 million or approximately 1.88% at September 30, 2009 and 2.66% at December 31, 2009. Total loans charged off were $2.2 million for the nine-month period ended September 30, 2010 compared to $1.6 million for the same period in 2009. Total recoveries were $77,000 in the 2010 period compared to $72,000 in the 2009 period.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process and independent consultants engaged by the Bank, periodically review the Bank s allowance for loan losses. Such reviews may require additions to the allowance for loan losses based on their analysis of the information available to them at the time of their examination.

The following table provides an analysis of the allowance for loan losses for the periods indicated:

Allowance for Loan Losses
(Dollars in thousands)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Year Ended December 31, 2009
Balance, beginning of period	$ 6,191	$ 2,590	$ 2,590
Provision for loan losses	3,149	3,300	5,669
Chargeoffs:			
Commercial	(302)	(294)	
Mortgage	(1,863)	(1,197)	(2,583)
Consumer	(75)	(158)	
Total chargeoffs	(2,240)	(1,649)	(2,583)
Recoveries:			
Commercial	22	6	
Mortgage	9		515
Consumer	46	66	
Total recoveries	77	72	515
Net (chargeoffs) recoveries	(2,163)	(1,577)	(2,068)
Balance, end of period	$ 7,177	$ 4,313	$ 6,191
Ratio of allowance for loan losses to:			
Total gross loans	3.19%	1.88%	2.66%
Non-accrual loans	58.93%	48.42%	63.67%
Ratio of net-chargeoffs during period to average total loans during period	0.945%	0.730%	0.940%

The following table provides a breakdown of the allowance for loan losses:

Allocation of Allowance for Loan Losses
(Dollars in thousands)

	September 30, 2010		September 30, 2009		December 31, 2009	
	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category
Consumer & others	$ 157	2.19%	$ 204	4.73%	$ 153	2.47%
Mortgage	6,636	92.46	3,508	81.33	5,330	86.09
Commercial	384	5.35	601	13.94	708	11.44

Total	$ 7,177	100.00%	$ 4,313	100.00%	$ 6,191	100.00%

Other Operating Income

Other operating income consists of services charges on deposit accounts, other fees, commissions and miscellaneous income, and net gains on sales or calls of investment securities.

2009 compared to 2008

Total other operating income was $2.3 million in the year ended December 31, 2009 compared to $1.9 million in the year ended December 31, 2008. This increase is primarily a result of an increase in net gains on sales or calls on investment securities in the amount of $439,491 in the 2009 period over the 2008 period as a result of taking advantage of net gains on sales opportunities while helping to protect the Bank s risk-based capital ratio levels.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Total other operating income was $1.9 million for the nine-month period ended September 30, 2010 compared to $1.5 million for the same period in 2009, an increase of $395,000 or 25.36%. This increase includes an increase in net gains on sales and calls in the amount of $484,000 for the nine-month period ended September 30, 2010 compared to the same period in 2009 as a result of taking advantage of net gains on sales opportunities while helping to protect the Bank s risk-based capital ratio levels.

Other Operating Expenses

Other operating expenses consist of salaries and employee benefits, occupancy and equipment, and other expenses such as data processing expenses and FDIC insurance expenses.

2009 compared to 2008

Total other operating expenses were $13.1 million for the year ended December 31, 2009 compared to $12.4 million for the year ended December 31, 2008, an increase of $690,000 or 5.55%. This increase was a result of increases in salaries and employee benefits and other expenses partially offset by a decrease in occupancy and equipment expenses. Salaries and employee benefits increased $170,303 or 2.49%, primarily as a result of employee insurance costs and costs relating to ASC 310-20 Receivables Nonrefundable Fees and Other increasing $163,278 and $240,949, respectively, partially offset by a $519,576 reduction in salaries and payroll tax expenses as a result of staff reductions. Occupancy and equipment expenses decreased $201,050 to $1.8 million in 2009 compared to $2.0 million in 2008 primarily as a result of reduced depreciation and repair expenses. Other expenses increased to $4.3 million in 2009 compared to $3.6 million in 2008, an increase of $720,765 or 20.19%, primarily as a result of increased foreclosure expenses of $140,271 on OREO properties and increased FDIC insurance premiums of $552,000 during 2009 compared to 2008.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Total other operating expenses were $10.1 million for the nine-month period ended September 30, 2010 compared to $9.8 million for the nine-month period ended September 30, 2009, an increase of $284,000 or 2.90%. This increase is primarily attributable to increased losses on foreclosure expenses of $431,000 during the 2010 period compared to the 2009 period.

(Loss) Income before Income Taxes

2009 compared to 2008

For the year ended December 31, 2009 we had a loss before income taxes of $4,996,013 compared to income before taxes of $90,834 for the year ended December 31, 2008.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

For the nine-month period ended September 30, 2010 we had a loss before income taxes of $1,759,128 compared to a loss before income taxes of $3,096,292 for the same period in 2009.

Income Tax Benefit

2009 compared to 2008

For the year ended December 31, 2009 we had an income tax benefit of $1,164,236 compared to an income tax benefit of $245,181 for the year ended December 31, 2008.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

For the nine-month period ended September 30, 2010 we had an income tax benefit of $709,047 compared to an income tax benefit of $1,297,489 for the same period in 2009.

Net (Loss) Income

2009 compared to 2008

For the year ended December 31, 2009 we had a net loss of $3,831,777 compared to net income of $336,015 for the year ended December 31, 2008. The basic and diluted earnings per share of common stock were $(5.93) and $.52 per share for the years ended December 31, 2009 and December 31, 2008, respectively.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

For the nine-month period ended September 30, 2010 we had a net loss of $1,050,081 compared to a net loss of $1,798,803 for the nine-month period ended September 30, 2009.

Analysis of Financial Condition

Investment Securities

Our investment portfolio consists primarily of time deposits in other banks, investment grade securities including U. S. Treasury securities, obligations of U. S. government agencies, obligations of states and political subdivisions, mortgage backed securities, and certain equity securities, including Federal Reserve Bank stock, Federal Home Loan Bank stock, and Atlantic Central Bankers Bank stock. We have prudently managed our investment portfolio to maintain liquidity and safety. The portfolio provides a source of liquidity, collateral for borrowings and pledging as well as a means of diversifying our earning asset portfolio. While we generally intend to hold the investment securities until maturity, we classify all of the investment securities as available for sale. We account for investment securities so classified at fair value and report the unrealized appreciation and depreciation as a separate component of stockholders equity, net of income tax effects. We account for investment securities classified in the held to maturity category at amortized cost. Although we will occasionally sell a security, generally, we invest in securities for the yield they produce and not to profit from trading the securities. There are no trading securities in the portfolio.

2009 compared to 2008

The investment portfolio at December 31, 2009 amounted to $88.8 million, an increase of $20.5 million, or 30.01%, from the December 31, 2008 amount of $68.3 million. All our investment securities were classified as available for sale at December 31, 2009. At December 31, 2009 investment securities having an amortized cost of $24.0 million were pledged as collateral for deposit and customer sweep accounts (short term borrowings) compared to $22.6 million at December 31, 2008. We have evaluated securities with unrealized losses for an extended period of time and determined that these losses are temporary because, at this point in time, we expect to hold them until maturity. We have no intent or plan to sell these securities, it is not likely that we will have to sell these securities and we have not identified any portion of the loss that is a result of credit deterioration in the issuer of the security. As the maturity date moves closer and/or interest rates decline, the unrealized losses in the portfolio will decline or dissipate.

Nine-month period ended September 30, 2010

The investment portfolio at September 30, 2010 amounted to $84.6 million, an increase of $265,000, or .31%, from $84.4 million at December 31, 2009. All investment securities were classified as available for sale at September 30, 2010. At September 30, 2010, investment securities having an amortized cost of $25.9 million were pledged as collateral for

deposit and customer sweep accounts (short term borrowings) compared to $24.1 million at September 30, 2009 and $24.0 million at December 31, 2009. We have evaluated securities with unrealized losses for an extended period of time and determined that these losses are temporary because, at this point in time, we expect to hold them until maturity. We have no intent or plan to sell these securities, it is not likely that we will have to sell these securities and we have not identified any portion of the loss that is a result of credit deterioration in the issuer of the security. As the maturity date moves closer and/or interest rates decline, the unrealized losses in the portfolio will decline or dissipate.

The following table shows the maturities for the securities portfolio at December 31, 2009:

Fair Value, Amortized Cost and Weighted Average Yield

(Dollars in thousands)

	Available for Sale		
December 31, 2009	Amortized Cost	Fair Value	Weighted Average Yield
Maturing			
Less than 3 months	$ 3,316	$ 3,322	3.45%
Over 3 months through 1 year	9,948	9,997	3.46%
Over one to five years	34,805	35,333	3.46%
Over five to ten years	18,096	18,151	4.06%
Over ten years	10,732	10,748	4.15%
	$ 76,897	$ 77,551	
Pledged Securities	$ 24,057	$ 24,348	

The following table shows the maturities for the securities portfolio at December 31, 2009:

Loan Portfolio

Commercial loans, construction loans and loans secured by real estate comprise the majority of our loan portfolio. The Bank s loan customers are generally located in the Southern Maryland region.

2009 compared to 2008

The loan portfolio, net of the allowance for loan losses and deferred loan fees, increased $13.7 million or 6.45% to $226.2 million at December 31, 2009 from $212.5 million at December 31, 2008. Construction loans increased $3.3 million (21.15%), mortgage loans increased $28.6 million (16.93%), commercial loans decreased $4.7 million (14.69%), and consumer loans increased $300,000 (6.00%) from their respective balances at December 31, 2008. We saw loan and deposit growth generated throughout our market area. We have reinvested over $52 million in new loans back into our market area in 2009. We continue to take great pride in our community reinvestment activity while focusing on the success of businesses and individuals working and living in Southern Maryland.

Nine-month period ended September 30, 2010

The loan portfolio, net of the allowance for loan losses and deferred loan fees, decreased $8.4 million or 3.72% to $217.8 million at September 30, 2010 from $226.2 million at December 31, 2009. The decrease in loans from December 31, 2009 resulted from normal run-off, a low loan demand and the sale of approximately $4 million in participations back to Atlantic Central Bankers Bank to help protect the Bank s risked-based capital ratios.

The following table summarizes the composition of the loan portfolio by dollar amount and percentages:

Loan Portfolio
(Dollars in thousands)

December 31,	2009		2008	
Real Estate				
Commercial	$ 72,381	31.29%	$ 64,554	30.15%
Construction	36,178	15.64	27,743	12.96
Residential	82,180	35.53	80,462	37.59
Commercial	35,322	15.27	36,380	16.99
Consumer	5,248	2.27	4,941	2.31
	231,309	100.00%	214,080	100.00%
Allowance for loan losses	(6,191)		(2,590)	
Deferred loan costs, net	1,086		1,015	
	$ 226,204		$ 212,505	

The following table presents the maturities or re-pricing periods of selected loans outstanding at December 31, 2009:

	Loan Maturity Distribution at December 31, 2009			
	1 year or less	1-5 years	After 5 years	Total
	(Dollars in thousands)			
Real Estate				
Commercial	$ 7,713	$ 14,633	$ 50,035	$ 72,381
Construction	13,541	12,133	10,504	36,178
Residential	8,094	10,342	63,744	82,180
Commercial	11,179	5,078	19,065	35,322
Consumer	1,749	2,763	736	5,248
Total Loans	$ 42,276	$ 44,949	$ 144,084	$ 231,309
Fixed Rates	$ 38,670	$ 36,017	$ 83,532	$ 158,219
Variable Rates	3,606	8,932	60,552	73,090
Total Loans	$ 42,276	$ 44,949	$ 144,084	$ 231,309

Allowance for Loan Losses

Please refer to matters as previously discussed in Results of Operations Asset Quality, Provision for Loan Losses and Allowance for Loan Losses.

2009 compared to 2008

The allowance for loan losses represented approximately 2.66% of total loans outstanding at December 31, 2009 compared to approximately 1.20% of total loans outstanding at December 31, 2008.

Nine-month period ended September 30, 2010

The allowance for loan losses represented approximately 3.19% of total loans outstanding at September 30, 2010 compared to 2.66% of total loans outstanding at December 31, 2009.

Other Real Estate Owned

Other real estate owned (OREO) represents property acquired through, or in lieu of, loan foreclosure and is initially recorded at fair value less estimated costs to dispose at the date of foreclosure. After foreclosure, valuations are periodically performed and the real estate is carried at the lower of (1) cost or (2) fair value based on an appraised value minus estimated costs to dispose. Adjustments are subsequently made to mark the property below this amount if circumstances warrant. At the date of acquisition, losses arising from foreclosure transactions are charged against the allowance for loan losses. Costs to maintain real estate owned and any subsequent gains or losses are included in the Bank s consolidated Statements of Operations.

2009 compared to 2008

The total OREO balance at December 31, 2009 was $1.9 million compared to $1.7 million at December 31, 2008. During 2009, the Bank foreclosed on four real estate properties originating from three borrowers. The outstanding principal balances of the loans totaled $3.2 million at the time of their foreclosures. The Bank charged $1.4 million to reduce the carrying value of the OREO to their approximate fair values less costs to sell. Also during 2009, the Bank sold two of its foreclosed assets for $1.7 million. There were no gains or losses on these sales. As of December 31, 2009, the Bank is pursuing opportunities to market the remaining foreclosed collateral for sale.

Nine-month period ended September 30, 2010

The total OREO balance at September 30, 2010 was $6.2 million compared to $1.9 million at December 31, 2009. In February 2010, the Bank foreclosed on a participatory commercial real estate loan that had been classified as impaired as of December 31, 2009. The Bank s portion of the loan had a balance of $4.4 million as of December 31, 2009 with a specific reserve of $1.5 million. The Bank charged off $1.5 million and recorded OREO in the amount of $4.3 million in the first quarter of 2010. At September 30, 2010 the Bank has three additional OREO parcels totaling $1.9 million. The Bank is pursuing opportunities to market all of the foreclosed collateral for sale.

The table below presents a breakdown of the non-performing loans and accruing past due loans at December 31, 2009 and 2008.

Non- Perfoming Assets and Past Due Loans
(Dollars in thousands)

Year Ended December 31,	2009			2008		
	# of Borrowers	Account Balance	Interest Not Accrued	# of Borrowers	Account Balance	Interest Not Accrued
Real Estate						
Commercial	8	$ 7,867	$ 622		$	$
Construction						
Residential	2	573	23	5	6,343	282
Commercial	7	480	39	3	400	28
Consumer						
Other real estate owned	4	1,939			1,726	
Total non-performing assets	**21**	**$ 10,859**	**$ 684**	**8**	**$ 8,469**	**$ 310**
Non-performing assets as a percentage of:						
Total gross loans		4.67%			3.94%	
Total assets		3.11%			2.74%	
Accruing past due loans:						
30-89 days past due	31	$ 4,785		32	$ 8,597	
90 or more days past due	7	275				
Total accruing past due loans	**38**	**$ 5,060**		**32**	**$ 8,597**	
Ratio of accruing past due loans to total loans:						
30-89 days past due		2.06%			4.00%	
90 or more days past due		0.12				
Total accruing past due loans		**2.18%**			**4.00%**	

The table below presents a breakdown of the non-performing loans, other real estate owned and accruing past due loans at September 30, 2010 and December 31, 2009.

Non-Performing Assets and Past Due Loans

(Dollars in thousands)

	September 30, 2010			December 31, 2009		
	# of Borrowers	Balance	Interest Not Accrued	# of Borrowers	Account Balance	Interest Not Accrued
Real Estate						
Commercial	15	$ 11,694	$ 874	8	$ 7,867	$ 622
Construction						
Residential	3	302	4	2	573	23
Commercial	2	126	12	7	480	39
Consumer	1	55				
Other real estate owned	4	6,173		4	1,939	
Total non-performing assets	**25**	**$ 18,350**	**$ 890**	**21**	**$ 10,859**	**$ 684**
Non-performing assets as a percentage of total assets		5.29%			4.67%	
Non-performing loans as a percentage of total gross loans		7.57%			3.11%	
Accruing past due loans:						
30-89 days past due	34	$ 3,066		31	$ 4,785	
90 or more days past due				7	275	
Total accruing past due loans	**34**	**$ 3,066**		**38**	**$ 5,060**	
Ratio of accruing past due loans to total loans:						
30-89 days past due		1.36%			2.06%	
90 or more days past due					0.12	
Total accruing past due loans		**1.36%**			**2.18%**	

Deposits

We seek deposits within our market area by paying competitive interest rates, offering high quality customer service and using technology to deliver deposit services effectively.

2009 compared to 2008

At December 31, 2009, deposits had grown to $299.8 million, a $38.6 million or 14.78% increase over the December 31, 2008 level of $261.2 million. Non-interest bearing deposits increased $12.1 million (15.61%) over the period to $89.6 million from $77.5 million. Interest bearing deposits increased $26.5 million (14.43%) over the same period to $210.2 million from $183.7 million. Non-maturity interest bearing deposits contributed $9.0 million (34.03%) to the interest bearing deposits increase while certificates of deposit (time deposits) contributed $17.5 million (65.97%). The Bank s deposit mix primarily continues to be a positive, meaning approximately two-thirds of the deposit base is at low cost funding. The core deposit base and low cost of funds continue to reflect a favorable benefit to the Bank. Our deposit products, pricing strategies, and customer satisfaction and loyalty also continue to contribute to our deposit base.

Nine-month period ended September 30, 2010

At September 30, 2010, the deposits were $291.1 million, an $8.6 million or 2.88% decrease from the December 31, 2009 level of $299.8 million. Although the level of deposits at September 30, 2010 compares similarly to the December 31, 2009 level, the Bank s core deposits increased by $1.4 million or .58% to $246.9 million from $245.5 million at December 31, 2009. As mentioned previously, certain deposits, such as matured large non-core certificates of deposits balances, shifted to non-maturity deposits in the nine-month period ended September 30, 2010 benefiting interest expense costs. The Bank s deposit mix primarily continues to be a positive, meaning approximately two-thirds of the deposit base is at low cost funding. The core deposit base and low cost of funds continue to reflect a favorable benefit to the Bank. Our deposit products, pricing strategies and customer satisfaction and loyalty also continue to contribute to our deposit base.

The following is a summary of the maturity distribution of certificates of deposit as of December 31, 2009:

	Certificate of Deposit Maturity Distribution December 31, 2009			
	Three Months or Less	Three Months to Twelve Months	Over Twelve Months	Total
	(Dollars in thousands)			
Certificates of deposit				
Less than $100,000	$ 10,621	$ 45,239	$ 26,230	$ 82,090
Greater than or equal to $100,000	3,081	29,933	22,857	55,871
Total	$ 13,702	$ 75,172	$ 49,087	$ 137,961

Borrowings

The Bank has available lines of credit, including overnight federal funds from its correspondent banks totaling $40.4 million as of September 30, 2010 and $38.6 million as of December 31, 2009. The Bank had an unused secured line of credit from the Federal Home Loan Bank of Atlanta (FHLB) of $25.4 million, an unused secured line of credit from M & T Bank of $10.0 million and an unused unsecured line of credit from the Atlantic Central Bankers Bank of $5.0 million as of September 30, 2010. No such borrowings were outstanding at September 30, 2010 or at December 31, 2009. Borrowings at September 30, 2009 were $350,000.

Other short-term borrowings consist of short-term funds the Bank offers its commercial customers in overnight repurchase agreements which are obligations to the Bank s cash management or sweep account funds. As of September 30, 2010 and December 31, 2009, other short-term borrowings were $19.0 million and $15.1 million,

respectively.

On December 15, 2008, we received a $2.0 million unsecured loan from an affiliated stockholder. The loan is for five years with a maturity date of December 15, 2013 at which time a balloon payment of the entire indebtedness then remaining unpaid is required. The rate of interest is equal to 7.00% with interest payable semi-annually. Interest expense for the nine-month period ended September 30, 2010 and the year ended December 31, 2009 was $104,622 and $140,365, respectively. The loan is current at September 30, 2010.

On December 30, 2009, we obtained a line of credit note of $3.5 million from Atlantic Central Bankers Bank. This line of credit is secured by capital stock of the Bank and accrues interest equal to the greater of 4.75% or the prime rate charged by large commercial banks as reported in the Wall Street Journal. Monthly payments of interest only commence on February 1, 2011 and the principal balance matures on December 30, 2011, with the option to extend an additional year. As of September 30, 2010 and December 31, 2009 the amount drawn on the line of credit was $3.3 million and $3.2 million respectively. The loan is current at September 30, 2010.

The purpose of the two abovementioned loans by Maryland Bankcorp was to provide funds for capital infusion into the Bank in order to protect the Bank s required risk-based and leverage capital ratios minimums under the Bank s Formal Agreement with the OCC as described in Overview.

Capital

As previously discussed in Overview, the Bank operates under a formal written agreement with the OCC signed on February 10, 2006 in which the Bank formally agreed to among other things, to maintain higher than normal risk-based and leverage capital minimums. The minimum ratios required are as follows: Tier 1 Risk-Based Capital of 12.00%; Total Risk-Based Capital of 14.00%; and Tier 1 Leverage Capital of 8.00%. The actual respective ratios as of December 31, 2009 were 13.10%, 14.36% and 8.83%, and 13.76%, 14.97% and 9.81% as of December 31, 2008. We currently exceed these minimum ratios and expect to continue to exceed them in the foreseeable future.

At a special stockholders meeting held on December 3, 2008, our stockholders approved our Amended and Restated Articles of Incorporation to authorize 5,000,000 shares of preferred stock, par value $0.01 per share, and to eliminate preemptive rights for holders of the preferred stock. The primary objective in establishing a class of preferred stock was to provide maximum flexibility with respect to a future financing transaction, including, but not limited to, the preparation for the possible participation in the Capital Purchase Program (CPP) established by the U.S. Treasury Department pursuant to the Emergency Economic Stabilization Act of 2008. We initially filed an application to participate in the CPP but subsequently withdrew the application due to the emergence of details of the program. As of September 30, 2010, and December 31, 2009 and 2008, there were no shares of preferred stock issued or outstanding.

2009 compared to 2008

Our stockholders equity amounted to $26.1 million at December 31, 2009 and $29.3 million at December 31, 2008. Stockholders equity decreased by $3.2 million during such twelve month period primarily because of the $3.8 million net loss and the $670,000 change in unrealized gain on securities, net of tax. We did not pay a common stock cash dividend in 2009 compared to a $259,000, or a $.40 per share, cash dividend paid in 2008.

Nine-month period ended September 30, 2010

Our stockholders equity amounted to $25.1 million at September 30, 2010 compared to $26.1 million at December 31, 2009. Stockholders equity decreased by $979,000 during the nine-month period ending September 30, 2010 primarily because of the $1.1 million net loss and the $71,000 change in accumulated other comprehensive income, net of tax. We did not pay a common stock cash dividend in the nine-month period ended September 30, 2010 or in the year ended December 31, 2009.

The following table shows Maryland Bankcorp s regulatory capital ratios and the minimum capital ratios currently required by its banking regulator.

(Dollars in thousands)

December 31,	2009	2008
Tier 1 Capital		
Preferred and common stock	$ 8,876	$ 6,466
Additional paid-in capital	8,876	6,466
Retained earnings	12,757	16,481
Less: disallowed assets		
Total Tier 1 Capital	$ 30,509	$ 29,413
Tier 2 Capital:		
Allowance for loan losses	2,952	2,590
Total Risk Based Capital	$ 33,461	$ 32,003
Risk weighted assets	$ 277,989	$ 213,757

			Regulatory Minimum
Capital Ratios:			
Tier 1 risk based capital ratio	13.1%	13.8%	12.00%
Total risk based capital ratio	14.4%	15.0%	14.00%
Leverage ratio	8.8%	9.8%	8.00%

Return on Average Assets and Average Equity

The ratio of net income to average equity and average assets and certain other ratios are as follows:

	December 31,	
	2009	2008
	(Dollars in thousands)	
Average total assets	$332,293	$293,570
Average equity	29,142	29,339
Net loss attributable to Maryland Bankcorp, Inc.	(3,832)	336
Cash dividends declared on common stock	0	259
Dividend payout ratio for period	0.00%	76.98%
Return on average assets	(1.15)%	0.11%
Return on average equity	(13.16)%	1.15%
Average stockholders equity to average total assets	8.77%	9.99%

Contractual Obligations

The following table presents, as of December 31, 2009, significant fixed and determinable contractual obligations to third parties by payment date.

Contractual Obligations
(Dollars in thousands)

As of December 31, 2009	Within one year	One to three years	Three to five years	Over five years	Total
Noninterest-bearing deposits	$ 89,578	$	$	$	$ 89,578
Interest-bearing deposits	160,358	46,110	3,710		210,178
Short-term borrowings	15,056				15,056
Long-term borrowings					
Line of Credit/Due to Affiliate		3,168	2,000		5,168
Capital lease	48	12			60
Operating leases	558	1,053	916	2,083	4,610
Total	$ 265,598	$ 50,343	$ 6,626	$ 2,083	$ 324,650

Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business. These financial instruments include mortgage loan commitments, unfunded construction loans, undisbursed lines of credit, unused lines of credit related to check loans, and standby letters of credit. These instruments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the balance sheet. These commitments do not represent unusual risk and the Bank does not anticipate any losses which would have material effect on it.

2009 compared to 2008

The Bank had $27.7 million in commitments to extend credit and available credit lines and $2.7 million in standby letters of credit at December 31, 2009 compared to $28.9 million and $1.7 million respectively at December 31, 2008.

Nine-month period ended September 30, 2010

The Bank had $25.0 million in commitments to extend credit and available credit lines and $3.8 million in standby letters of credit at September 30, 2010 compared to $27.7 million and $2.7 million respectively at December 31, 2009.

Liquidity Management and Interest Rate Sensitivity

The Asset/Liability Committee (ALCO) of the board of directors oversees the review of liquidity management and interest rate sensitivity.

A principal objective of the Bank s Asset/Liability Management Policy is to ensure the availability of sufficient cash flow to meet all financial commitments and to capitalize on opportunities for business expansion. Our liquidity management addresses our need to maintain adequate liquidity to fund asset growth and deposit runoff. Liquidity is managed on a daily basis enabling the Bank to monitor changes in liquidity and to react accordingly to fluctuations in market conditions. Primary sources of liquidity include funding available from growth of its existing deposit base, new deposits, and cash flow from the investment and loan portfolios. We have credit lines secured and unsecured available from correspondent banks (including the FHLB), totaling $40.4 million. Additionally, we may borrow funds from the Federal Reserve Bank of

Richmond. The ALCO believes it has the necessary reporting and sources in place to determine liquidity needs and that it has sufficient liquidity to meet its loan commitments as well as fluctuations in deposit. The Bank is not aware of any demands, trends commitments, or events that would result in the Bank s inability to meet anticipated or unexpected liquidity needs.

The goal of interest rate sensitivity management is to avoid fluctuating net interest margins, and to enhance consistent growth of net interest income through periods of changing interest rates. Such sensitivity is measured as the difference in the volume of assets and liabilities in the existing portfolio that are subject to repricing in a future time period. The Bank s interest rate sensitivity, or its gap position, within one year (or short term) has a positive gap which suggests that the net yield on interest earning assets may increase during periods of rising interest rates. The tool the Bank uses to evaluate interest rate risk is a computer simulation model that assesses the impact of changes in interest rates on net interest income and net income under various interest rate forecasts and scenarios. The ALCO has set acceptable limits of risk within its Asset/Liability Management Policy and monitors the results of the simulations against these limits quarterly. The ALCO monitors interest rate risk as a regular part of the Bank management with the intention of maintaining a stable net interest margin and net economic value. Management makes adjustments to the mix of assets and liabilities periodically in an effort to achieve dependable, steady growth in net interest income regardless of the behavior of interest rates in general.

WHERE YOU CAN FIND MORE INFORMATION

Old Line Bancshares files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information on file with the SEC at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. SEC filings are also available to the public at the SEC s website at http://www.sec.gov. Further, Old Line Bancshares makes available, free of charge through its website, http://www.oldlinebank.com, Old Line Bancshares reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after such reports are filed with or furnished to the SEC.

Old Line Bancshares has filed a registration statement on Form S-4 to register with the SEC the shares of Old Line Bancshares common stock that Maryland Bankcorp stockholders will receive in the merger. This joint proxy statement/prospectus is part of the registration statement of Old Line Bancshares on Form S-4 and is a prospectus of Old Line Bancshares and a proxy statement of Old Line Bancshares and Maryland Bankcorp for the Old Line Bancshares and Maryland Bankcorp special meetings, respectively.

Neither Old Line Bancshares nor Maryland Bankcorp has authorized anyone to give any information or make any representation about the merger or the special meetings that is different from, or in addition to, that contained in this joint proxy statement/ prospectus or in any of the materials that are incorporated by reference into this joint proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this joint proxy statement/prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this joint proxy statement/prospectus nor any distribution of securities pursuant to this joint proxy statement/prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated into this joint proxy statement/prospectus by reference or in our affairs since the date of this joint proxy statement/prospectus. The information contained in this proxy joint statement/prospectus with respect to Old Line Bancshares was provided by Old Line Bancshares, and the information contained in this joint proxy statement/prospectus with respect to Maryland Bankcorp was provided by Maryland Bankcorp. The information contained in this joint proxy statement/prospectus speaks only as of the date of this joint proxy statement/prospectus unless the information specifically indicates that another date applies.

FINANCIAL STATEMENTS
UNAUDITED PRO FORMA COMBINED CONSOLIDATED BALANCE SHEET AND STATEMENT OF INCOME

The following unaudited pro forma condensed combined balance sheet at September 30, 2010 and unaudited pro forma condensed combined statements of income for the nine months ended September 30, 2010 and twelve months ended December 31, 2009 illustrate the effect of the proposed merger. We have based the unaudited pro forma condensed combined financial statements on the unaudited consolidated balance sheets at September 30, 2010 and the consolidated statements of income for the nine months ended September 30, 2010 and twelve months ended December 31, 2009.

As required by FASB ASC Topic 805-Business combinations, we have used the acquisition method of accounting and adjusted the acquired assets and liabilities of Maryland Bankcorp to fair value as of the balance sheet date. Under this method, we will record Maryland Bankcorp s assets and liabilities as of the date of the acquisition at their respective fair values and add them to those of Old Line Bancshares. We will record in goodwill any difference between the purchase price for Maryland Bankcorp and the fair value of the identifiable net assets acquired (including core deposit intangibles). We will not expense the amortization of the goodwill that results from the acquisition, if any, but will review it for impairment at least annually. To the extent there is an impairment of the goodwill, we will expense the impairment. We will amortize to expense core deposit and other intangibles with definite useful lives that we record in conjunction with the merger. Financial statements that Old Line Bancshares issues after the acquisition will reflect the results attributable to the acquired operations of Maryland Bankcorp beginning on the date of completion of the acquisition.

In connection with the acquisition, Old Line Bancshares and Maryland Bankcorp are currently working to further develop their preliminary plans to consolidate their operations. During the next several months, we expect to refine the specific details. We are currently in the process of assessing the two companies personnel, benefit plans, premises, equipment, computer systems and service contracts to determine where we may take advantage of redundancies. We will record cost associated with such decisions and any other merger related costs as incurred and have not included them in the pro forma adjustments to the pro forma consolidated statements of income. We anticipate that we can reduce consolidated operating expenses by 25% to 35%. We have not included these savings in the pro forma consolidated statements of income and there are no assurances that we will realize these reductions.

We have provided the unaudited pro forma information for information purposes only. The pro forma financial information presented is not necessarily indicative of the actual results that we would have achieved had we consummated the merger on the dates or at the beginning of the periods presented, and it is not necessarily indicative of future results. You should read the unaudited pro forma financial information in conjunction with notes thereto and the audited and unaudited consolidated financial statements and the notes thereto of Old Line Bancshares and Maryland Bankcorp contained in this joint proxy statement/prospectus.

The unaudited pro forma stockholders equity and net income derived from the above assumptions are qualified by the statements set forth under this caption and you should not consider them indicative of the market value of Old Line Bancshares common stock, its financial condition or the actual or future results of operations of Old Line Bancshares for any periods. Actual results may be materially different than the pro forma data presented.

We have made certain reclassification adjustments to the pro forma financial statements to conform to Old Line Bancshares financial statement presentation.

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Proforma Balance Sheets with Maryland Bankcorp
(Unaudited)

	Old Line Bancshares September 30, 2010	Maryland Bankcorp September 30, 2010	Proforma Adjustments September 30, 2010	Proforma Combined September 30, 2010
Assets				
Cash and due from banks	$ 10,330,900	$ 8,836,071	$ (6,278,215) (1)(9)	$ 12,888,756
Interest bearing accounts	13,328,485	21,878,122		35,206,607
Federal funds sold	3,112,431	8,623,256		11,735,687
Total cash and cash equivalents	26,771,816	39,337,449	(6,278,215)	59,831,050
Time deposits in other banks	7,894,859			7,894,859
Investment securities available for sale	24,113,001	61,440,056		85,553,057
Investment securities held to maturity	23,528,079			23,528,079
Loans, net of deferred fees and costs	298,460,330	224,973,476	(10,690,605) (5)(6)	512,743,201
Allowance for loan losses	(1,826,272)	(7,176,605)	7,176,605 (6)	(1,826,272)
Restricted equity securities at cost	2,623,351	1,323,239		3,946,590
Premises and equipment	17,041,913	3,618,176	463,708 (12)	21,123,797
Accrued interest receivable	1,241,977	1,211,745		2,453,722
Prepaid income taxes	325	1,146,018		1,146,343
Deferred income taxes	117,722	3,811,271	3,455,239 (4)(11)	7,384,232
Bank owned life insurance	8,635,741	7,383,097		16,018,838
Prepaid pension costs		1,130,859		1,130,859
Other real estate owned	823,169	6,172,568	(4,790,000) (7)	2,205,737
Goodwill			89,927 (1)	89,927
Other intangible assets, net			3,762,000 (3)	3,762,000
Other assets	1,786,434	2,177,880		3,964,314
Total assets	$ 411,212,445	$ 346,549,229	$ (6,811,341)	$ 750,950,333
Liabilities and Stockholders Equity				
Deposits				
Non-interest bearing	$ 64,254,972	$ 89,364,716	$	$ 153,619,688
Interest bearing	276,859,497	201,767,560	3,143,000 (8)	481,770,057
Total deposits	341,114,469	291,132,276	3,143,000	635,389,745
Short term borrowings	13,947,355	24,326,215	(5,278,215) (9)	32,995,355
Long term borrowings	16,393,239			16,393,239
Accrued interest payable	460,362	114,404		574,766
Deferred compensation and supplemental benefits	614,320	3,729,325		4,343,645

Other liabilities	882,070	2,129,432	1,450,685 (10)	4,462,187
Total liabilities	373,411,815	321,431,652	(684,530)	694,158,937
Stockholders equity				
Common stock	38,800	6,466	17,184 (1)(2)	62,450
Additional paid-in capital	29,126,953	20,845,536	(1,878,420) (1)(2)	48,094,069
Retained earnings	7,456,442	4,568,645	(4,568,645) (1)(2)	7,456,442
Accumulated other comprehensive income (loss)	557,129	(303,070)	303,070 (1)(2)	557,129
Total stockholders equity	37,179,324	25,117,577	(6,126,811)	56,170,090
Non-controlling interest	621,306			621,306
Total stockholders equity	37,800,630	25,117,577	(6,126,811)	56,791,396
Total liabilities and stockholders equity	$ 411,212,445	$ 346,549,229	$ (6,811,341)	$ 750,950,333

The accompanying notes are an integral part of these consolidated financial statements

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Old Line Bancshares, Inc. & Subsidiaries
Consolidated Proforma Statement of Income with Maryland Bankcorp
(Unaudited)

	Old Line Bancshares September 30, 2010	Maryland Bankcorp September 30, 2010	Proforma Adjustments September 30, 2010	Proforma Combined September 30, 2010
Interest revenue				
Loans, including fees	$ 12,259,381	$ 10,575,571	$ 1,266,594 (5),(6)	$ 24,101,546
U.S. Treasury securities		7,656		7,656
U.S. government agency securities	132,830	318,876	(231,300) (4)	220,406
Mortgage backed securities	1,047,096	986,187		2,033,283
Municipal securities	60,059	465,012		525,071
Federal funds sold	4,842	16,523		21,365
Other	218,920	39,079		257,999
Total interest revenue	13,723,128	12,408,904	1,035,294	27,167,326
Interest expense				
Deposits	2,960,315	2,597,446	(393,661) (8)	5,164,100
Borrowed funds	803,025	277,886		1,080,911
Total interest expense	3,763,340	2,875,332	(393,661)	6,245,011
Net interest income	9,959,788	9,533,572	1,428,955	20,922,315
Provision for loan losses	440,000	3,149,000		3,589,000
Net interest income after provision for loan losses	9,519,788	6,384,572	1,428,955	17,333,315
Non-interest revenue				
Service charges on deposit accounts	231,478	1,105,478		1,336,956
Gains on sales of investment securities		777,675		777,675
Earnings on bank owned life insurance	254,071	174,821		428,892
Other fees and commissions	381,639	71,612		453,251
Total non-interest revenue	867,188	2,129,586		2,996,774
Non-interest expense				
Salaries	3,559,727	3,727,989		7,287,716
Employee benefits	987,488	1,274,903		2,262,391
Occupancy	983,209	1,348,883	11,593 (12)	2,343,685
Equipment	311,370	2,831		314,201
Data processing	325,912	507,619		833,531

FDIC insurance and State of Maryland assessments		361,263		396,713				757,976
Merger		187,125		257,190				444,315
Other operating		1,656,814		2,757,158		513,000 (3)		4,926,972
Total non-interest expense		8,372,908		10,273,286		524,593		19,170,787
Income before income taxes		2,014,068		(1,759,128)		904,362		1,159,302
Income taxes		765,431		(709,047)		307,483 (11)		363,867
Net Income		1,248,637		(1,050,081)		596,879		795,435
Less: Net Income (loss) attributable to the noncontrolling interest		(58,559)						(58,559)
Net Income	$	1,307,196	$	(1,050,081)	$	596,879	$	853,994
Basic earnings (loss) per common share	$	0.34	$	(1.62)	$		$	0.14
Diluted earnings (loss) per common share	$	0.34	$	(1.62)	$		$	0.14
Dividend per common share	$	0.09	$		$		$	0.09

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Proforma Statement of Income with Maryland Bankcorp
(Unaudited)

	Old Line Bancshares December 31, 2009	Maryland Bankcorp December 31, 2009	Proforma Adjustments December 31, 2009	Proforma Combined December 31, 2009
Interest revenue				
Loans, including fees	$ 15,304,608	$ 13,882,947	$ 1,688,792 (5)(6)	$ 30,876,347
U.S. Treasury securities	7,230	28,081		35,311
U.S. government agency securities	296,560	564,048	(308,400) (4)	552,208
Mortgage backed securities	1,059,386	1,237,582		2,296,968
Municipal securities	84,797	727,985		812,782
Federal funds sold	1,148	35,504		36,652
Other	342,127	62,185		404,312
Total interest revenue	17,095,856	16,538,332	1,380,392	35,014,580
Interest expense				
Deposits	4,553,099	4,781,040	(524,881) (8)	8,809,258
Borrowed funds	1,026,755	242,390		1,269,145
Total interest expense	5,579,854	5,023,430	(524,881)	10,078,403
Net interest income	11,516,002	11,514,902	1,905,273	24,936,177
Provision for loan losses	900,000	5,669,565		6,569,565
Net interest income after provision for loan losses	10,616,002	5,845,337	1,905,273	18,366,612
Non-interest revenue				
Service charges on deposit accounts	307,012	1,541,142		1,848,154
Gains on sales of investment securities	158,551	550,833		709,384
Earnings on bank owned life insurance	376,165	223,647		599,812
Other fees and commissions	978,039	195,089		1,173,128
Total non-interest revenue	1,819,767	2,510,711		4,330,478
Non-interest expense				
Salaries	4,037,027	5,417,894		9,454,921
Employee benefits	1,012,014	1,810,487		2,822,501
Occupancy	1,085,768	1,832,341	15,457 (12)	2,933,566
Equipment	354,531	193		354,724
Data processing	340,870	646,138		987,008
	561,850	113,409		675,259

FDIC insurance and State of Maryland assessments				
Other operating	1,864,821	3,531,599	684,000 (3)	6,080,420
Total non-interest expense	9,256,881	13,352,061	699,457	23,308,399
Income before income taxes	3,178,888	(4,996,013)	1,205,816	(611,309)
Income taxes	1,055,522	(1,164,236)	409,977 (11)	301,263
Net Income	2,123,366	(3,831,777)	795,839	(912,572)
Less: Net Income (loss) attributable to the noncontrolling interest	87,216			87,216
Net Income	2,036,150	(3,831,777)	795,839	(999,788)
Preferred stock dividends and discount accretion	485,993			485,993
Net income available to common stockholders	$ 1,550,157	$ (3,831,777)	$ 795,839	$ (1,485,781)
Basic earnings (loss) per common share	$ 0.40	$ (5.93)	$	$ (0.24)
Diluted earnings (loss) per common share	$ 0.40	$ (5.93)	$	$ (0.24)
Dividend per common share	$ 0.12	$	$	$ 0.12

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE UNAUDITED PRO FORMA COMBINED CONSOLIDATED BALANCE SHEET AND STATEMENT OF INCOME

1. Old Line Bancshares will issue shares of its stock to stockholders of Maryland Bankcorp to effect the acquisition. The exchange ratio is based on a pricing mechanism that adjusts based on the average price as defined in the merger agreement. The unaudited pro forma combined financial information assumes that Old Line Bancshares exchanges each share of Maryland Bankcorp stock for 3.85 shares of Old Line Bancshares common stock and that there are no further reductions in the consideration as a result of Maryland Bankcorp incurring operating losses, further deterioration in credit quality or expenses that exceed those outlined in the merger agreement.

   It is anticipated that Maryland Bankcorp stockholders will own approximately 37.87% of the voting stock of the combined company after the acquisition. The shares of Old Line Bancshares common stock illustrated in this pro forma were assumed to be recorded at $8.03 per share, the ninety day average sales price of Old Line Bancshares common stock for the period ended September 30, 2010. The final accounting acquisition price assigned to record the shares issued in the acquisition will be based on the average price of Old Line Bancshares common stock on the effective date of the acquisition. Old Line Bancshares and Maryland Bankcorp cannot predict what the value or average price of Old Line Bancshares stock will be at the closing of the transaction or how the value or price of Old Line Bancshares stock may trade at any time, including the date hereof. The pro forma financial statements assume that 5% of Maryland Bankcorp stockholders elect to receive cash consideration for a total cash payment of $1 million.

   Old Line Bancshares will determine the final allocation of the purchase price after we have completed additional analysis to determine the fair values of Maryland Bankcorp tangible and identifiable intangible assets and liabilities as of the date of the acquisition. Changes in the fair value of the net assets of Maryland Bankcorp as of the date of the acquisition will likely change the amount of the purchase price allocable to goodwill. The further refinement of transaction costs, changes in Maryland Bankcorp s shareholders equity including net income between September 30, 2010 and the date of the acquisition will likely change the amount of goodwill recorded. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

   Old Line Bancshares has prepared the pro forma financial information to include the estimated adjustments necessary to record the assets and liabilities of Maryland Bankcorp at their respective fair values and represents management s best estimate based upon the information available at this time. The pro forma adjustments included herein are subject to change as additional information becomes available and as we perform additional analyses. Furthermore, Old Line Bancshares will determine the final allocation of the acquisition price after we complete the consolidation. The final acquisition accounting adjustments may be materially different from the pro forma adjustment presented herein. Increases or decreases in the fair value of certain balance sheet amounts including loans, securities, deposits and related intangibles and debt will result in adjustments to the balance sheet and statement of operations. Such adjustments, when compared to the information shown in this document, may change the amount of the purchase price allocated to goodwill while changes to other assets and liabilities may impact the statement of income due to adjustments in the yield and/or amortization/accretion of the adjusted assets and liabilities. We have included the unaudited pro forma combined financial statements only as of and for the nine months ended September 30, 2010 and the year ended December 31, 2009. The unaudited pro forma combined financial information presented herein does not necessarily provide an indication of the combined results of operations or the combined financial position that would have resulted had we actually completed the consolidation as of the assumed consummation date, nor is it indicative of the results of operations in future periods or the future financial position of the combined company.

   The total estimated purchase price for the purpose of this pro forma financial information is $20.0 million. The following table provides the calculation and allocation of the purchase price used in the pro forma financial statements and a reconcilement of pro forma shares outstanding assuming that 5% of Maryland Bankcorp stockholders elect to receive cash consideration for a total cash payment of $1 million:

Summary of Purchase Price Calculation and Goodwill Resutling from Merger And Reconciliation of Pro Forma Shares Outstanding at September 30, 2010
($ in thousands except share and per share data)

		September 30, 2010
Purchase Price Consideration-Common Stock		
Maryland Bankcorp shares outstanding exchanged for stock	614,295	
Exchange ratio	3.85	
Old Line Bancshares to be issued to Maryland Bankcorp stockholders	2,365,035	
Purchase price per Maryland Bankcorp common share	$ 30.9298	
Cash consideration	$ 1,000	
Purchase price assigned to shares exchanged for stock	$ 18,991	
Total purchase price		$ 19,991
Maryland Bankcorp shareholders equity	$ 25,118	
Estimated adjustments to reflect assets acquired at fair value:		
Loans	(10,690)	
Allowance for loan losses	7,177	
Core deposit intangible	3,762	
Premises and equipment	464	
Deferred income taxes	3,455	
Other real estate owned	(4,790)	
Estimated adjustments to reflect liabilities acquired at fair value:		
Interest bearing deposits	(3,143)	
Merger liabilities accrued at closing	(1,451)	
		19,902
Goodwill resulting from merger		$ 89
Reconcilement of Pro Forma Shares Outstanding		
Maryland Bankcorp shares outstanding		646,626
Less 5% elect cash consideration		(32,331)
Maryland Bankcorp shares converted		614,295
Exchange ratio		3.85
Old Line Bancshares shares to be issued to Maryland Bankcorp stockholders		2,365,035
Old Line Bancshares shares outstanding		3,880,005
Pro forma Old Line Bancshares shares outstanding		6,245,040
Pro forma % ownership by Maryland Bankcorp		37.87%
Pro forma % ownership by legacy Old Line Bancshares		62.13%

2. Adjustment to reflect the issuance of common shares of Old Line Bancshares common stock with a $0.01 par value in connection with the merger and the adjustments to stockholders equity for the reclassification of

Maryland Bankcorp s historical equity accounts (common stock, accumulated other comprehensive income and retained earnings) into additional paid-in capital.

3. Adjustment of $3.8 million to core deposit intangible to reflect the fair value of this asset and the related amortization adjustment based upon an expected life of 10 years and using a sum of the years digit method. We expect the amortization of the core deposit intangible to increase pro forma before tax non-interest expense by $684 thousand in the first year following consummation.

4. Since all investments were recorded as available for sale and at fair value and pension assets were recorded at fair value, no balance sheet adjustment is necessary, except to reclassify this amount from accumulated comprehensive income to the deferred tax asset. There is no net effect on the balance sheet. The statement of income adjustment reflects amortization of the $771 thousand investment premium. We expect this adjustment to decrease pro forma before tax interest income by $308 thousand in the first year following consummation.

5. Adjustment of $4.7 million to increase the fair values of loans based on current interest rates of similar loans. We will recognize this adjustment using the level yield amortization method based upon the expected life of the loans. We expect this adjustment will decrease pro forma before tax interest income by $1.0 million in the first year following consummation.

6. Adjustments to reflect the fair value of loans include:

   An adjustment of $7.2 million to reflect the removal of the allowance for loan losses in connection with applying acquisition accounting under ASC 805. We expect this adjustment will increase pro forma before tax interest income by $1.2 million in the first year following consummation of the merger.

   An adjustment of $500 thousand for loans within the scope of ASC 310-30 (ASC 310-30 occurs as a result of the accounting for the differences between contractual cash flows and cash flows expected to be collected from an investor s initial investment in loans, including those acquired in a business combination, if those differences are attributable, at least in part, to credit quality considerations). Old Line Bank s management and independent loan review personnel determined this amount based on a review of Maryland Bankcorp s loans. This review considered payment history, relevant collateral values, debt service coverage ratios and other factors. There is no estimated accretion for this credit quality adjustment in the pro forma statement of income.

   An adjustment of $7.7 million for loans determined not to be within the scope of ASC 310-30. To determine the fair value of the loans that are not within the scope of ASC 310-30, Old Line Bank s management and independent loan review personnel evaluated Maryland Bankcorp s loan portfolio and considered the risk characteristics inherent within the remaining portfolio. This review included payment history, concentrations, quality of underwriting, and economic weaknesses. We will recognize this credit quality adjustment over approximately 10 years using an accretion method based upon the expected life of the loans using sum of the years digits method. We anticipate this adjustment will increase pro forma before tax interest income by $1.5 million.

7. An adjustment of $4.8 million to reflect the fair value of other real estate owned, based on Old Line Bank s management detailed analysis of these assets that included site visits where possible, review of appraisals by a certified appraiser, and current tax assessed values.

8. Adjustment of $3.1 million to reflect the fair values of interest bearing time deposit liabilities based on current interest rates for similar instruments. We will recognize this adjustment using a level yield amortization method based upon the maturities of the deposit liabilities. We expect this adjustment will decrease pro forma before tax interest expense by $525 thousand the first year following consummation.

9. Adjustment of $5.3 million to reflect the repayment of short term borrowings by Maryland Bankcorp concurrent with the merger.

10. Adjustment relates to recognition of estimated merger obligations and costs of $1.5 million before tax that we expect to record as a liability on the closing date. During the nine months ended September 30, 2010, the companies have expensed $444 thousand dollars in merger expenses.

11. Adjustment to reflect the net deferred tax at a rate of 34% related to fair value adjustments on the balance sheet and a statutory tax rate of 34% for book tax expense. We have not taken a tax benefit for certain merger obligations and cost that we do not consider tax deductible. This adjustment also includes the removal of a $1 million valuation allowance recorded by Maryland Bankcorp which we believe will be recoverable after the merger. We assumed an effective tax rate of 34% for income statement adjustments.

12. Adjustment of $464 thousand to reflect the increase in fair value for premises and equipment. We have presented the amortization of the fair value adjustment over a 30 year period. We expect this adjustment to increase pro forma occupancy and equipment expense by $16 thousand in the first year of consummation.

OLD LINE BANCSHARES, INC. & SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Balance Sheets

	September 30, 2010 (Unaudited)	December 31, 2009
Assets		
Cash and due from banks	$ 10,330,900	$ 7,402,137
Interest bearing accounts	13,328,485	3,953,312
Federal funds sold	3,112,431	81,138
Total cash and cash equivalents	26,771,816	11,436,587
Time deposits in other banks	7,894,859	15,031,102
Investment securities available for sale	24,113,001	28,012,948
Investment securities held to maturity	23,528,079	5,806,507
Loans, less allowance for loan losses	296,634,058	265,008,669
Restricted equity securities at cost	2,623,351	2,957,650
Premises and equipment	17,041,913	17,326,099
Accrued interest receivable	1,241,977	1,055,249
Prepaid income taxes	325	
Deferred income taxes	117,722	178,574
Bank owned life insurance	8,635,741	8,422,879
Other real estate owned	823,169	
Other assets	1,786,434	1,982,262
Total assets	$ 411,212,445	$ 357,218,526
Liabilities and Stockholders Equity		
Deposits		
Non-interest bearing	$ 64,254,972	$ 40,883,419
Interest bearing	276,859,497	245,464,373
Total deposits	341,114,469	286,347,792
Short term borrowings	13,947,355	16,149,939
Long term borrowings	16,393,239	16,454,067
Accrued interest payable	460,362	517,889
Income tax payable		175,543
Other liabilities	1,496,390	941,165
Total liabilities	373,411,815	320,586,395
Stockholders equity		
Common stock, par value $0.01 per share; authorized 15,000,000 shares; issued and outstanding 3,880,005 in 2010 and 3,862,364 in 2009	38,800	38,624
Additional paid-in capital	29,126,953	29,034,954
Retained earnings	7,456,442	6,498,446
Accumulated other comprehensive income	557,129	368,880

Total Old Line Bancshares, Inc. stockholders equity	37,179,324	35,940,904
Non-controlling interest	621,306	691,227
Total stockholders equity	37,800,630	36,632,131
Total liabilities and stockholders equity	$ 411,212,445	$ 357,218,526

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest revenue				
Loans, including fees	$ 4,260,382	$ 3,952,742	$ 12,259,381	$ 11,343,471
U.S. Treasury securities				7,230
U.S. government agency securities	42,133	75,672	132,830	262,862
Mortgage backed securities	373,619	276,302	1,047,096	800,666
Municipal securities	19,699	20,809	60,059	64,808
Federal funds sold	2,656	233	4,842	973
Other	60,707	66,360	218,920	241,390
Total interest revenue	4,759,196	4,392,118	13,723,128	12,721,400
Interest expense				
Deposits	985,950	1,153,366	2,960,315	3,499,621
Borrowed funds	248,292	252,263	803,025	772,037
Total interest expense	1,234,242	1,405,629	3,763,340	4,271,658
Net interest income	3,524,954	2,986,489	9,959,788	8,449,742
Provision for loan losses	200,000	210,000	440,000	760,000
Net interest income after provision for loan losses	3,324,954	2,776,489	9,519,788	7,689,742
Non-interest revenue				
Service charges on deposit accounts	78,247	80,641	231,478	225,495
Gains on sales of investment securities		634		158,551
Earnings on bank owned life insurance	83,963	95,322	254,071	282,937
Loss on disposal of assets		(4,803)		(4,803)
Other fees and commissions	141,036	196,614	381,639	844,828
Total non-interest revenue	303,246	368,408	867,188	1,507,008
Non-interest expense				
Salaries	1,263,368	1,075,572	3,559,727	2,851,559
Employee benefits	319,550	242,778	987,488	760,624
Occupancy	330,752	306,871	983,209	773,177
Equipment	105,342	96,004	311,370	258,398
Data processing	126,412	90,821	325,912	247,812
FDIC insurance and State of Maryland assessments	130,595	100,590	361,263	442,892
Merger	187,125		187,125	

Other operating	605,068	471,475	1,656,814	1,384,027
Total non-interest expense	3,068,212	2,384,111	8,372,908	6,718,489
Income before income taxes	559,988	760,786	2,014,068	2,478,261
Income taxes	265,299	257,512	765,431	812,414
Net Income	294,689	503,274	1,248,637	1,665,847
Less: Net Income (loss) attributable to the noncontrolling interest	(17,876)	(4,258)	(58,559)	95,930
Net Income attributable to Old Line Bancshares, Inc.	312,565	507,532	1,307,196	1,569,917
Preferred stock dividends and discount accretion		280,849		485,993
Net income available to common stockholders	$ 312,565	$ 226,683	$ 1,307,196	$ 1,083,924
Basic earnings per common share	$ 0.08	$ 0.06	$ 0.34	$ 0.28
Diluted earnings per common share	$ 0.08	$ 0.06	$ 0.34	$ 0.28
Dividend per common share	$ 0.03	$ 0.03	$ 0.09	$ 0.09

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statement of Changes in Stockholders Equity
Nine Months Ended September 30, 2010
(Unaudited)

	Common stock		Additional paid-in	Retained	Accumulated other comprehensive	Comprehensive	Non-controlling
	Shares	Par value	capital	earnings	income	income	Interest
Balance, December 31, 2009	3,862,364	$ 38,624	$ 29,034,954	$ 6,498,446	$ 368,880	$	$ 691,227
Net income attributable to Old Line Bancshares, Inc.				1,307,196		1,307,196	
Unrealized gain on securities available for sale, net of income tax benefit of $122,624					188,249	188,249	
Comprehensive income						$ 1,495,445	
Net income attributable to noncontrolling interest							(58,559)
Distributions to minority member(s)							(11,362)
Stock based compensation awards	17,641	176	91,999				
Common stock cash dividend $0.09 per share				(349,200)			
Balance September 30, 2010	3,880,005	$ 38,800	$ 29,126,953	$ 7,456,442	$ 557,129		$ 621,306

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended September 30,	2010	2009
Cash flows from operating activities		
Interest received	$ 13,694,364	$ 12,705,525
Fees and commissions received	654,326	1,102,930
Interest paid	(3,820,867)	(4,221,461)
Cash paid to suppliers and employees	(6,924,009)	(8,533,195)
Income taxes paid	(1,003,071)	(816,988)
	2,600,743	236,811
Cash flows from investing activities		
Net change in time deposits in other banks	7,136,243	(3,136,920)
Purchase of investment securities		
Held to maturity	(20,316,548)	
Available for sale	(3,140,625)	(9,936,282)
Proceeds from disposal of investment securities		
Held to maturity at maturity or call	2,819,165	1,809,595
Available for sale at maturity or call	6,940,703	5,912,538
Available for sale securities sold		3,994,289
Loans made, net of principal collected	(32,859,969)	(31,996,060)
Redemption (Purchase) of equity securities	334,299	(831,100)
Purchase of premises, equipment and software	(321,485)	(3,271,907)
	(39,408,217)	(37,455,847)
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	5,800,014	40,615,700
Other deposits	48,966,663	6,361,915
Increase in short term borrowings	(2,202,584)	(2,120,523)
Decrease in long term borrowings	(60,828)	(57,064)
Redemption of preferred stock and warrants		(7,225,000)
Cash dividends paid-preferred stock		(213,888)
Cash dividends paid-common stock	(349,200)	(347,612)
Distributions to minority members	(11,362)	
	52,142,703	37,013,528
Net increase (decrease) in cash and cash equivalents	15,335,229	(205,508)
Cash and cash equivalents at beginning of period	11,436,587	10,963,695

Cash and cash equivalents at end of period	$ 26,771,816	$ 10,758,187

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended September 30,	2010	2009
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 1,248,637	$ 1,665,847
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	605,671	510,237
Provision for loan losses	440,000	760,000
Change in deferred loan fees net of costs	(28,589)	(60,517)
Gain on sale of securities		(158,551)
Amortization of premiums and discounts	186,553	67,900
Deferred income taxes	(61,772)	(40,636)
Stock based compensation awards	92,175	106,230
Increase (decrease) in		
Accrued interest payable	(57,527)	50,197
Income tax payable	(175,543)	413
Other liabilities	555,225	(2,640,960)
Decrease (increase) in		
Accrued interest receivable	(186,728)	(23,258)
Bank owned life insurance	(212,862)	(245,527)
Prepaid income taxes	(325)	35,649
Other assets	195,828	209,787
	$ 2,600,743	$ 236,811
Supplemental Disclosure:		
Loans transferred to other real estate owned	$ 823,169	$

The accompanying notes are an integral part of these consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business-Old Line Bancshares, Inc. (Old Line Bancshares) was incorporated under the laws of the State of Maryland on April 11, 2003 to serve as the holding company of Old Line Bank. The primary business of Old Line Bancshares is to own all of the capital stock of Old Line Bank. We provide a full range of banking services to customers located in Prince George s, Charles, Anne Arundel, and St. Mary s counties in Maryland and surrounding areas.

On November 17, 2008, we purchased Chesapeake Custom Homes, L.L.C. s 12.5% membership interest in Pointer Ridge Office Investment, LLC (Pointer Ridge), a real estate investment company. The effective date of the purchase was November 1, 2008. As a result of this purchase, our membership interest increased from 50.0% to 62.5%. Consequently, we consolidated Pointer Ridge s results of operations from the date of acquisition. Prior to the date of acquisition, we accounted for our investment in Pointer Ridge using the equity method.

Basis of Presentation and Consolidation-The accompanying consolidated financial statements include the activity of Old Line Bancshares and its wholly owned subsidiary, Old Line Bank, and its majority owned subsidiary Pointer Ridge. We have eliminated all significant intercompany transactions and balances.

We report the non-controlling interest in Pointer Ridge separately in the consolidated balance sheet. We report the income of Pointer Ridge attributable to Old Line Bancshares on the consolidated statement of income.

The foregoing consolidated financial statements are unaudited; however, in the opinion of management we have included all adjustments (comprising only normal recurring accruals) necessary for a fair presentation of the results of the interim period. We derived the balances as of December 31, 2009 from audited financial statements. These statements should be read in conjunction with Old Line Bancshares financial statements and accompanying notes included in Old Line Bancshares Form 10-K for the year ended December 31, 2009. We have made no significant changes to Old Line Bancshares accounting policies as disclosed in the Form 10-K.

The accounting and reporting policies of Old Line Bancshares conform to accounting principles generally accepted in the United States of America.

***Accounting Standards Codification*-**The Financial Accounting Standards Board s (FASB) Accounting Standards Codification (ASC) became effective on July 1, 2009. At that date, ASC became FASB s officially recognized source of authoritative United States (U.S.) generally accepted accounting principles (GAAP) applicable to all public and non-public, non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. Rules and interpretive releases of the United States Securities and Exchange Commission (SEC) under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative. The switch to ASC affects the way companies refer to U.S. GAAP in financial statements and accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure.

Reclassifications-We have made certain reclassifications to the 2009 financial presentation to conform to the 2010 presentation.

Subsequent Events-We evaluated subsequent events after September 30, 2010 through November 8, 2010, the date this report was available to be issued. No significant subsequent events were identified which would affect the presentation of the financial statements.

2. INVESTMENT SECURITIES

As Old Line Bank purchases securities, management determines if we should classify the securities as held to maturity, available for sale or trading. We record the securities which management has the intent and ability to hold to maturity at amortized cost which is cost adjusted for amortization of premiums and accretion of discounts to maturity. We classify securities which we may sell before maturity as available for sale and carry these securities at fair value with unrealized gains and losses included in stockholders equity on an after tax basis. Management has not identified any investment securities as trading.

We record gains and losses on the sale of securities on the trade date and determine these gains or losses using the specific identification method. We amortize premiums and accrete discounts using the interest method. Presented below is a summary of the amortized cost and estimated fair value of securities.

September 30, 2010	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available for sale				
U.S. government agency	$ 4,791,451	$ 110,424	$ (9,067)	$ 4,892,808
Municipal securities	1,303,147	65,421	(111)	1,368,457
Mortgage-backed	17,098,365	753,371		17,851,736
	$ 23,192,963	$ 929,216	$ (9,178)	$ 24,113,001
Held to maturity				
Municipal securities	$ 984,451	$ 27,009	$	$ 1,011,460
Mortgage-backed	22,543,628	618,829		23,162,457
	$ 23,528,079	$ 645,838	$	$ 24,173,917
December 31, 2009				
Available for sale				
U.S. government agency	$ 7,133,657	$ 171,946	$ (14,928)	$ 7,290,675
Municipal securities	2,253,107	36,759	(14,294)	2,275,572
Mortgage-backed	18,017,019	429,682		18,446,701
	$ 27,403,783	$ 638,387	$ (29,222)	$ 28,012,948
Held to maturity				
Municipal securities	$ 300,779	$ 2,714	$	$ 303,493
Mortgage-backed	5,505,728	267,544		5,773,272
	$ 5,806,507	$ 270,258	$	$ 6,076,765

2. INVESTMENT SECURITIES (Continued)

As of September 30, 2010, securities with unrealized losses segregated by length of impairment were as follows:

September 30, 2010	Fair value	Unrealized losses
Unrealized losses less than 12 months		
U.S. government agency	$	$
Municipal securities		
Mortgage-backed		
Total unrealized losses less than 12 months		
Unrealized losses greater than 12 months		
U.S. government agency	1,757,789	9,067
Municipal securities	200,402	111
Mortgage-backed		
Total unrealized losses greater than 12 months	**1,958,191**	**9,178**
Total unrealized losses		
U.S. government agency	1,757,789	9,067
Municipal securities	200,402	111
Mortgage-backed		
Total unrealized losses	**$ 1,958,191**	**$ 9,178**

We consider all unrealized losses on securities as of September 30, 2010 to be temporary losses because we will redeem each security at face value at or prior to maturity. We have the ability and intent to hold these securities until recovery or maturity. As of September 30, 2010, we do not have the intent to sell any of the securities classified as available for sale and believe that it is more likely than not that we will not have to sell any such securities before a recovery of cost. In most cases, market interest rate fluctuations cause a temporary impairment in value. We expect the fair value to recover as the investments approach their maturity date or repricing date or if market yields for these investments decline. We do not believe that credit quality caused the impairment in any of these securities. Because we believe these impairments are temporary, we have not realized any loss in our consolidated statement of income.

In the three and nine month periods ended September 30, 2010, we did not record any gains or losses from the sale of available for sale securities. In the three and nine month periods ended September 30, 2009, we recorded gross realized gains of $634 and $158,551, respectively from the sale of available-for-sale securities.

2. INVESTMENT SECURITIES (Continued)

Contractual maturities and pledged securities at September 30, 2010 are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties. We classify mortgage backed securities based on maturity date. However, we receive payments on a monthly basis.

	Available for Sale		*Held to Maturity*	
September 30, 2010	Amortized cost	Fair value	Amortized cost	Fair value
Maturing				
Over one to five years	$ 4,047,832	$ 4,201,476	$	$
Over five to ten years	9,756,293	10,062,011	7,170,646	7,503,589
Over ten years	9,388,838	9,849,514	16,357,433	16,670,328
	$ 23,192,963	$ 24,113,001	$ 23,528,079	$ 24,173,917
Pledged securities	$	$	$	$

3. POINTER RIDGE OFFICE INVESTMENT, LLC

In 2008, we purchased Chesapeake Custom Homes, L.L.C. s 12.5% membership interest in Pointer Ridge. As a result of this purchase, we own 62.5% of Pointer Ridge and consolidated their results of operations from the date of acquisition.

The following table summarizes the condensed Balance Sheets and Statements of Income information for Pointer Ridge.

Pointer Ridge Office Investment, LLC

Balance Sheets	September 30, 2010	December 31, 2009
Current assets	$ 786,313	$ 891,233
Non-current assets	7,301,501	7,432,268
Liabilities	6,430,997	6,480,230
Equity	1,656,817	1,843,271

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Statements of Income				
Revenue	$ 215,704	$ 251,274	$ 612,900	$ 1,032,235
Expenses	263,374	262,630	769,058	776,423
Net income (loss)	$ (47,670)	$ (11,356)	$ (156,158)	$ 255,812

4. INCOME TAXES

The provision for income taxes includes taxes payable for the current year and deferred income taxes. We determine deferred tax assets and liabilities based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which we expect the differences to reverse. We have not recorded a valuation allowance against deferred tax assets as management believes that it is more likely than not that we will realize all of the deferred tax assets because they were supported by recoverable taxes paid in prior years. We allocate tax expense and tax benefits to Old Line Bank and Old Line Bancshares based on their proportional share of taxable income.

5. EARNINGS PER COMMON SHARE

Effective January 1, 2009, we adopted the new authoritative accounting guidance under FASB ASC Topic 260, *Earnings Per Share*, which provides that non-vested share based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of basic earnings per common share pursuant to the two class method. We have determined that our outstanding stock option awards are not participating securities and do not include them in the computation of basic earnings per common share. We have determined that our restricted stock awards are participating securities and include them in the computation of basic earnings per common share. We calculate basic earnings per common share by dividing net income by the weighted average number of shares of common stock outstanding giving retroactive effect to stock dividends.

We calculate diluted earnings per common share by including the average dilutive common stock equivalents outstanding during the period. Dilutive common equivalent shares consist of stock options, calculated using the treasury stock method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Weighted average number of shares	3,880,005	3,862,364	3,880,005	3,862,364
Dilutive average number of shares	24,011	9,159	19,154	6,857

6. STOCK-BASED COMPENSATION

We account for stock options and restricted stock awards under the fair value method of accounting using a Black-Scholes valuation model to measure stock-based compensation expense at the date of grant. We recognize compensation expense related to stock-based compensation awards in our income statements over the period during which we require an individual to provide service in exchange for such award. For the nine months ended September 30, 2010 and 2009, we recorded stock-based compensation expense of $92,175 and $106,230, respectively. For the three months ended September 30, 2010 and 2009, we recorded stock-based compensation expense of $25,923 and $15,646, respectively.

We only recognize tax benefits for options that ordinarily will result in a tax deduction when the grant is exercised (non-qualified options). There were no non-qualified options included in the expense calculation during the three months and nine months ended September 30, 2010 or the three months ended September 30, 2009. We recognized an $8,298 tax benefit associated with the portion of the expense that was related to the issuance of non-qualified options for the nine months ended September 30, 2009.

6. STOCK-BASED COMPENSATION (Continued)

We have three equity incentive plans under which we may issue stock options and restricted stock, the 2010 Equity Incentive Plan, approved at the 2010 Annual Meeting of stockholders, the 2001 Incentive Stock Option Plan, as amended, and the 2004 Equity Incentive Plan. Our Compensation Committee administers the equity incentive plans. As the plans outline, the Compensation Committee approves stock option and restricted stock grants to directors and employees, determines the number of shares, the type of award, the option or share price, the term (not to exceed 10 years from the date of issuance), the restrictions, and the vesting period of options and restricted stock issued. The Compensation Committee has approved and we have granted options vesting immediately as well as over periods of two, three and five years and restricted stock awards that vest over periods of twelve months to three years. We recognize the compensation expense associated with these grants over their respective vesting periods. At September 30, 2010, there was $114,419 of total unrecognized compensation cost related to non-vested stock options and restricted stock awards that we expect to realize over the next 3 years. As of September 30, 2010, there were 281,308 shares remaining available for future issuance under the equity incentive plans. Directors and officers did not exercise any options during the three month or nine month periods ended September 30, 2010 or 2009.

A summary of the stock option activity during the nine month period follows:

	September 30,			
	2010		2009	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of period	299,270	$ 8.50	236,620	$ 9.09
Options granted	22,581	7.13	62,650	6.30
Options forfeited				
Outstanding, end of period	321,851	$ 8.41	299,270	$ 8.50

Information related to options as of September 30, 2010 follows:

	Outstanding options			Exercisable options	
Exercise price	Number of shares at September 30, 2010	Weighted average remaining term	Weighted average exercise price	Number of shares at September 30, 2010	Weighted average exercise price
$3.33-$4.17	11,700	0.25	$ 3.44	11,700	$ 3.44
$4.18-$5.00	18,000	1.80	4.69	18,000	4.69
$5.01-$7.64	85,231	8.59	6.52	53,294	6.42
$7.65-$8.65	37,300	7.34	7.75	37,300	7.75
$8.66-$10.00	46,620	3.89	9.74	46,620	9.74
$10.01-$11.31	123,000	5.56	10.43	119,000	10.42
	321,851	5.92	$ 8.41	285,914	$ 8.57

Intrinsic value of outstanding options where the market value exceeds the exercise price	$268,166
Intrinsic value of exercisable options where the market value exceeds the exercise price	$222,215

6. STOCK-BASED COMPENSATION (Continued)

During the nine months ended September 30, 2010, we granted 17,641 restricted common stock awards. Of these, 8,280 will vest on December 31, 2010, 4,681 will vest on December 31, 2011 and 4,680 will vest on December 31, 2012. We did not grant any restricted common stock awards during the nine months ended September 30, 2009. A summary of the restricted stock awards during the nine month period follows:

	September 30, 2010	
	Number of shares	Weighted average grant date fair value
Outstanding, beginning of period		$
Restricted stock granted	17,641	7.13
Restricted stock forfeited		
Outstanding, end of period	17,641	$ 7.13
Vested, end of period		
Intrinsic value of outstanding restricted stock awards		$ 143,421
Intrinsic value of vested restricted stock awards		$

7. RETIREMENT PLAN

Eligible employees participate in a profit sharing plan that qualifies under Section 401(k) of the Internal Revenue Code. The plan allows for elective employee deferrals and Old Line Bank makes matching contributions of up to 4% of eligible employee compensation. Our contributions to the plan, included in employee benefit expenses, for the nine months ended September 30, 2010 and 2009 were $120,598 and $99,106, respectively. Old Line Bank s contribution to the plan for the three months ended September 30, 2010 and 2009 were $41,648 and $35,485, respectively.

Old Line Bank also offers Supplemental Executive Retirement Plans (SERPs) to its executive officers providing for retirement income benefits. We accrue the present value of the SERPs over the remaining number of years to the executives retirement dates. Old Line Bank s expenses for the SERPs for the nine month periods ended September 30, 2010 and 2009 were $163,086 and $91,738, respectively. The SERP expense for the three month periods ended September 30, 2010 and 2009 were $60,410 and $30,569, respectively. The SERPs are non-qualified defined benefit pension plans that we have not funded.

8. FAIR VALUE MEASUREMENTS

On January 1, 2008, we adopted FASB ASC Topic 820 *Fair Value Measurements and Disclosures* which defines fair value as the price that participants would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An

orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are

8. FAIR VALUE MEASUREMENTS (Continued)

buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact. We value investment securities classified as available for sale at fair value.

The fair value hierarchy established in FASB ASC Topic 820 defines three input levels for fair value measurement. Level 1 is based on quoted market prices in active markets for identical assets. Level 2 is based on significant observable inputs other than those in Level 1. Level 3 is based on significant unobservable inputs.

We value investment securities classified as available for sale at fair value on a recurring basis. We value treasury securities, government sponsored entity securities, and some agency securities under Level 1, and collateralized mortgage obligations and some agency securities under Level 2. At September 30, 2010, we established values for available for sale investment securities as follows (000 s);

	Total Fair Value September 30, 2010	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment securities available for sale	$ 24,113	$ 3,135	$ 20,978	$

Our valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes our methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value. Furthermore, we have not comprehensively revalued the fair value amounts since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the above presented amounts.

We use the following methodologies for estimating fair values of financial instruments that we do not measure on a recurring basis. The estimated fair values of financial instruments equal the carrying value of the instruments except as noted.

Time Deposits The fair value of time deposits in other banks is an estimate determined by discounting future cash flows using current rates offered for deposits of similar remaining maturities.

Investment Securities We base the fair values of investment securities upon quoted market prices or dealer quotes.

Loans We estimate the fair value of loans by discounting future cash flows using current rates for which we would make similar loans to borrowers with similar credit histories. We then adjust this calculated amount for any impairment.

Interest bearing deposits The fair value of demand deposits and savings accounts is the amount payable on demand. We estimate the fair value of fixed maturity certificates of deposit using the rates currently offered for deposits of similar remaining maturities.

Long and short term borrowings The fair value of long and short term fixed rate borrowings is estimated by discounting the value of contractual cash flows using rates currently offered for advances with similar terms and remaining maturities.

Loan Commitments, Standby and Commercial Letters of Credit Lending commitments have variable interest rates and escape clauses if the customer s credit quality deteriorates. Therefore, the fair value of these items is insignificant and we have not included it in the following table.

8. FAIR VALUE MEASUREMENTS (Continued)

	September 30, 2010		December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Time deposits	$ 7,894,859	$ 7,911,366	$ 15,031,102	$ 15,491,899
Investment securities	47,641,080	48,286,918	33,819,455	34,089,713
Loans	296,634,058	299,646,603	265,008,669	269,907,318
Financial liabilities				
Interest bearing deposits	276,859,497	278,146,941	$245,464,373	$247,456,675
Short term borrowings	13,947,355	13,965,558	16,149,939	16,297,360
Long term borrowings	16,393,239	17,018,884	16,454,067	17,261,757

We measure certain financial assets and financial liabilities at fair value on a non-recurring basis. These assets and liabilities are subject to fair value adjustments in certain circumstances such as when there is evidence of impairment. We did not have any financial assets or liabilities measured at fair value on a non-recurring basis during the nine months ended September 30, 2010 or year ended December 31, 2009.

We also measure certain non-financial assets such as other real estate owned and repossessed or foreclosed property at fair value on a non-recurring basis. Generally, we estimate the fair value of these items using Level 2 inputs based on observable market data or Level 3 inputs based on discounting criteria. At September 30, 2010, other real estate owned measured at fair value using Level 2 valuation inputs was $823,169 and we did not have any repossessed property.

9. ACCOUNTING STANDARDS UPDATES

Accounting Standards Updates (ASU) No. 2009-16, Transfers and Servicing (Topic- 860)-Accounting for Transfers of Financial Assets amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. ASU 2009-16 also requires additional disclosures about all continuing involvement with transferred financial assets including information about gains and losses resulting from transfers during the period. The provisions of ASU 2009-16 became effective on January 1, 2010 and did not have a significant impact on our consolidated results of operations or financial position.

ASU No. 2009-17, Consolidations (Topic 810)-Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities amends prior guidance to change how a company determines when an entity that is sufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. ASU 2009-17 requires additional disclosures about the reporting entity s involvement with variable interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity s financial statements. As further discussed below, ASU No. 2010-10, Consolidations (Topic 810), deferred the effective date of ASU 2009-17 for a reporting entity s interests in investment companies. The provisions of ASU 2009-17 became effective on January 1, 2010 and they did not have a material impact on our consolidated results of operations or financial position.

9. ACCOUNTING STANDARDS UPDATES (Continued)

ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures About Fair Value Measurements requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers, (ii) the reasons for transfers of assets or liabilities in or out of Level 3 of the fair value hierarchy, with significant transfers disclosed separately, (iii) the policy for determining when transfers between the levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchases, sales, issuances and settlements. ASU 2010-06 further clarifies that (i) companies should provide fair value measurement disclosures for each class of assets and liabilities (rather than major category), which would generally be a subset of assets or liabilities within a line item in the statement of financial position and (ii) companies should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. ASU No. 2010-06 requires the disclosures related to the gross presentation of purchases, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy beginning January 1, 2011. The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective on January 1, 2010. See Note 8-Fair Value Measurements.

ASU No. 2010-10, Consolidations (Topic 810)-Amendments for Certain Investment Funds defers the effective date of the amendments to the consolidation requirements made by ASU 2009-17 to a company s interest in an entity (i) that has all of the attributes of an investment company, as specified under ASC Topic 946, Financial Services-Investment Companies, or (ii) for which it is industry practice to apply measurement principles of financial reporting that are consistent with those in ASC Topic 946. As a result of the deferral, companies are not required to apply the ASU 2009-17 amendments to the Subtopic 810-10 consolidation requirements to its interest in an entity that meets the criteria to qualify for the deferral. ASU 2010-10 also clarifies that any interest held by a related party should be treated as though it is an entity s own interest when evaluating the criteria for determining whether such interest represents a variable interest. ASU 2010-10 also clarifies that companies should not use a quantitative calculation as the sole basis for evaluating whether a decision maker s or service provider s fee is variable interest. The provisions of ASU 2010-10 became effective as of January 1, 2010 and did not have a material impact on our consolidated results of operations or financial position.

ASU No. 2010-11, Derivatives and Hedging (Topic 815)-Scope Exception Related to Embedded Credit Derivatives clarifies that the only form of an embedded credit derivative that is exempt from the embedded derivative bifurcation requirement are those that relate to the subordination of one financial instrument to another. Entities that have contracts containing an embedded credit derivative feature in a form other than subordination may need to separately account for the embedded credit derivative feature. The provisions of ASU 2010-11 became effective on July 1, 2010 and did not have a material impact on our consolidated results of operations or financial position.

ASU No. 2010-20 Receivables (Topic 310)-Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systemic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a carry forward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-2 will become

effective for financial statements as of December 31, 2010 as it relates to disclosures required as of the end of the reporting period. Disclosures that relate to activity during a reporting period will be required for financial statements that include periods beginning on or after January 2011.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Old Line Bancshares, Inc.
Bowie, Maryland

We have audited the accompanying consolidated balance sheets of Old Line Bancshares, Inc. and Subsidiaries as of December 31, 2009, 2008, and 2007, and the related consolidated statements of income, changes in stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2009. These financial statements are the responsibility of the Company 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Old Line Bancshares, Inc. and Subsidiaries as of December 31, 2009, 2008, and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Baltimore, Maryland
March 22, 2010

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Old Line Bancshares, Inc. & Subsidiaries
Consolidated Balance Sheets

December 31,	2009	2008	2007
Assets			
Cash and due from banks	$ 7,402,137	$ 8,823,170	$ 3,172,089
Interest bearing accounts	3,953,312		
Federal funds sold	81,138	2,140,525	9,822,079
Total cash and cash equivalents	11,436,587	10,963,695	12,994,168
Time deposits in other banks	15,031,102	13,267,000	2,000,000
Investment securities available for sale	28,012,948	29,565,976	9,393,356
Investment securities held to maturity	5,806,507	8,003,391	2,301,591
Loans, less allowance for loan losses	265,008,669	231,053,618	201,941,667
Restricted equity securities at cost	2,957,650	2,126,550	2,080,250
Investment in real estate LLC			805,971
Premises and equipment	17,326,099	12,388,046	4,207,395
Accrued interest receivable	1,055,249	1,091,560	918,078
Prepaid income taxes		35,649	
Deferred income taxes	178,574		161,940
Bank owned life insurance	8,422,879	8,096,039	7,769,290
Other assets	1,982,262	1,139,101	637,570
Total assets	$ 357,218,526	$ 317,730,625	$ 245,211,276
Liabilities and Stockholders Equity			
Deposits			
Non-interest bearing	$ 40,883,419	$ 39,880,119	$ 35,141,289
Interest bearing	245,464,373	191,550,521	142,670,944
Total deposits	286,347,792	231,430,640	177,812,233
Short term borrowings	16,149,939	17,773,934	16,347,096
Long term borrowings	16,454,067	21,531,133	15,000,000
Accrued interest payable	517,889	625,446	693,868
Income tax payable	175,543		238,226
Deferred income taxes		65,651	
Other liabilities	941,165	4,012,968	488,599
Total liabilities	320,586,395	275,439,772	210,580,022
Stockholders equity			
Preferred stock, par value $0.01 per share and additional paid in capital; 7,000 shares issued and outstanding in 2008		6,703,591	
Common stock, par value $0.01 per share; authorized 15,000,000 shares; issued and outstanding 3,862,364 in 2009 and 2008 and 4,075,849 in 2007	38,624	38,624	40,758

Additional paid-in capital	29,034,954	28,838,810	30,465,013
Warrants to purchase 141,892 shares of common stock		301,434	
Retained earnings	6,498,446	5,411,772	4,155,232
Accumulated other comprehensive income	368,880	392,611	(29,749)
Total Old Line Bancshares, Inc. stockholders equity	35,940,904	41,686,842	34,631,254
Non-controlling interest	691,227	604,011	
Total stockholders equity	36,632,131	42,290,853	34,631,254
Total liabilities and stockholders equity	$ 357,218,526	$ 317,730,625	$ 245,211,276

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Income

Years Ended December 31,	2009	2008	2007
Interest revenue			
Loans, including fees	$ 15,304,608	$ 14,240,545	$ 12,768,154
U.S. Treasury securities	7,230	69,079	115,597
U.S. government agency securities	296,560	181,792	288,161
Mortgage backed securities	1,059,386	356,398	48,946
Municipal securities	84,797	95,822	107,852
Federal funds sold	1,148	285,619	1,116,822
Other	342,127	194,981	108,826
Total interest revenue	17,095,856	15,424,236	14,554,358
Interest expense			
Deposits	4,553,099	5,101,608	5,689,554
Borrowed funds	1,026,755	808,127	573,405
Total interest expense	5,579,854	5,909,735	6,262,959
Net interest income	11,516,002	9,514,501	8,291,399
Provision for loan losses	900,000	415,000	318,000
Net interest income after provision for loan losses	10,616,002	9,099,501	7,973,399
Non-interest revenue			
Service charges on deposit accounts	307,012	311,268	292,610
Marine division broker origination fees			272,349
Net gains on sales of investment securities	158,551	(3,081)	
Earnings on bank owned life insurance	376,165	366,785	340,853
Income on investment in real estate LLC		3,741	24,100
Other fees and commissions	978,039	285,219	243,402
Total non-interest revenue	1,819,767	963,932	1,173,314
Non-interest expense			
Salaries	4,037,027	3,316,219	3,045,932
Employee benefits	1,012,014	923,666	953,554
Occupancy	1,085,768	1,124,838	934,277
Equipment	354,531	313,133	248,182
Data processing	340,870	269,632	221,107
FDIC insurance and State of Maryland assessments	561,850	151,149	87,766
Other operating	1,864,821	1,274,141	1,283,733
Total non-interest expense	9,256,881	7,372,778	6,774,551

Income before income taxes	3,178,888	2,690,655	2,372,162
Income taxes	1,055,522	939,383	789,053
Net income	2,123,366	1,751,272	1,583,109
Less: Net income (loss) attributable to the non-controlling interest	87,216	(4,846)	
Net income attributable to Old Line Bancshares, Inc.	2,036,150	1,756,118	1,583,109
Preferred stock dividends and discount accretion	485,993	29,329	
Net income available to common stockholders	$ 1,550,157	$ 1,726,789	$ 1,583,109
Basic earnings per common share	$ 0.40	$ 0.44	$ 0.37
Diluted earnings per common share	0.40	0.44	0.37
Dividend per common share	0.12	0.12	0.12

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Changes in Stockholders Equity

	Preferred stock & warrants	Common stock Shares	Common stock Par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Comprehensive income	Non-contr interest
ance, December 31, 2006	$	4,253,699	$ 42,537	$ 31,868,025	$ 3,077,313	$ (171,921)		$
nmon stock repurchased		(185,950)	(1,860)	(1,621,238)				
income attributable to Old Line cshares, Inc.					1,583,109		1,583,109	
ealized gain on securities available sale, net of income taxes of $92,590						142,172	142,172	
nprehensive income							$ 1,725,281	
ck based compensation awards				173,714				
nmon stock cash dividend $0.12 per re					(505,190)			
ck options exercised including tax efit of $6,345		8,100	81	44,512				
ance, December 31, 2007		4,075,849	40,758	30,465,013	4,155,232	(29,749)		
nmon stock repurchased		(217,085)	(2,170)	(1,749,485)				
income attributable to Old Line cshares, Inc.					1,756,118		1,756,118	
ealized gain on securities available sale, net of income taxes of 5,122						422,360	422,360	
nprehensive income							$ 2,178,478	
ognition of non-controlling interest								608,8
income (loss) attributable to -controlling interest								(4,8
ck based compensation awards				104,541				
nmon stock cash dividend $0.12 per re					(470,249)			

ance of preferred stock & warrants	7,000,000						
ferred stock dividend payable and retion	5,025				(29,329)		
ck options exercised including tax efit of $2,777		3,600	36	18,741			
ance, December 31, 2008	$ 7,005,025	3,862,364	$ 38,624	$ 28,838,810	$ 5,411,772	$ 392,611	$ 604,0

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Changes in Stockholders Equity (Continued)

	Preferred stock & warrants	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Comprehensive income	Non-contr interes
		Shares	Par value					
ance, December 31, 2008	$ 7,005,025	3,862,364	$ 38,624	$ 28,838,810	$ 5,411,772	$ 392,611		$ 604,0
income attributable to Old Line ncshares, Inc.					2,036,150		2,036,150	
realized loss on securities available sale, net of income tax benefit of ,458						(23,731)	(23,731)	
mprehensive income							$ 2,012,419	
income attributable to -controlling interest								87,2
ck based compensation awards				119,711				
mmon stock cash dividend $0.12 per re					(463,483)			
payment of preferred stock and rrant	(7,301,433)			76,433				
ferred stock dividend and accretion	296,408				(485,993)			
ance, December 31, 2009	$	3,862,364	$ 38,624	$ 29,034,954	$ 6,498,446	$ 368,880		$ 691,2

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Cash Flows

Years Ended December 31,	2009	2008	2007
Cash flows from operating activities			
Interest received	$ 17,125,737	$ 15,224,058	$ 14,349,483
Fees and commissions received	1,339,179	438,955	853,995
Interest paid	(5,687,411)	(5,978,157)	(6,198,648)
Cash paid to suppliers and employees	(12,328,485)	(3,101,842)	(6,636,141)
Income taxes paid	(1,073,097)	(1,260,789)	(909,184)
	(624,077)	5,322,225	1,459,505
Cash flows from investing activities			
Net change in time deposits in other banks	(1,764,102)	(11,267,000)	(2,000,000)
Purchase of investment securities			
Held to maturity		(8,237,285)	
Available for sale	(12,868,441)	(27,029,054)	
Proceeds from disposal of investment securities			
Held to maturity at maturity or call	2,203,921	2,539,088	500,000
Available for sale at maturity or call	10,197,347	7,399,382	4,952,894
Available for sale sold	4,243,654	141,919	
Loans made, net of principal collected	(34,755,829)	(29,494,324)	(51,735,025)
Purchase of equity securities	(831,100)	(46,300)	(504,700)
Investment in bank owned life insurance			(4,000,000)
Return of principal from (investment in) real estate LLC		(205,050)	11,843
Purchase of premises, equipment and software	(5,642,201)	(1,006,641)	(630,950)
Proceeds from sale of premises and equipment		28,315	102,008
	(39,216,751)	(67,176,950)	(53,303,930)
Cash flows from financing activities			
Net increase (decrease) in			
Time deposits	40,266,481	52,043,034	7,316,708
Other deposits	14,650,671	1,575,373	823,680
Short term borrowings	(1,623,995)	1,408,972	7,153,705
Long term borrowings	(5,077,066)		12,000,000
Proceeds from stock options exercised, including tax benefit		18,777	44,593
Proceeds from issuance of preferred stock & warrants		7,000,000	
Repurchase of preferred stock & warrants	(7,225,000)		
Repurchase of common stock		(1,751,655)	(1,623,098)
Cash dividends paid-preferred stock	(213,888)		
Cash dividends paid-common stock	(463,483)	(470,249)	(505,190)
	40,313,720	59,824,252	25,210,398

Net increase (decrease) in cash and cash equivalents	472,892	(2,030,473)	(26,634,027)
Cash and cash equivalents at beginning of year	10,963,695	12,994,168	39,628,195
Cash and cash equivalents at end of year	$ 11,436,587	$ 10,963,695	$ 12,994,168

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiaries
Consolidated Statements of Cash Flows

Years Ended December 31,	2009	2008	2007
Reconciliation of net income to net cash provided (used) by operating activities			
Net income	$ 2,123,365	$ 1,751,272	$ 1,583,109
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation and amortization	699,345	447,529	359,720
Provision for loan losses	900,000	415,000	318,000
Loss on sale of equipment	4,803	3,099	7,372
Change in deferred loan fees net of costs	(99,222)	(32,627)	(107,425)
(Gain) loss on sale of securities	(158,551)	3,081	
Amortization of premiums and discounts	92,792	5,931	4,162
Deferred income taxes	(228,766)	(47,531)	(23,861)
Stock based compensation awards	119,711	104,541	173,714
(Income) loss from investment in real estate LLC		3,741	(24,100)
Increase (decrease) in			
Accrued interest payable	(107,557)	(68,422)	6 4,311
Income tax payable	175,543	(238,226)	(96,270)
Other liabilities	(3,047,499)	3,941,133	3,181
Decrease (increase) in			
Accrued interest receivable	36,311	(173,482)	(97,450)
Bank owned life insurance	(326,840)	(326,749)	(311,225)
Prepaid income taxes	35,649	(35,649)	
Other assets	(843,161)	(430,416)	(393,733)
	$ (624,077)	$ 5,322,225	$ 1,459,505

On November 1, 2008, Old Line Bancshares, Inc. acquired a 12.5% membership interest in Pointer Ridge, LLC. As a result of this purchase, our membership interest in Pointer Ridge increased to 62.5%. The fair values of the non-cash assets acquired and liabilities assumed were $7.7 million and $6.6 million.

The accompanying notes are an integral part of these consolidated financial statements

1. Summary of Significant Accounting Policies

Organization and Description of Business-Old Line Bancshares, Inc. (Bancshares) is the holding company for Old Line Bank (Bank). We provide a full range of banking services to customers located in Anne Arundel, Charles, Prince George s and St. Mary s counties in Maryland and surrounding areas.

On November 17, 2008, we purchased Chesapeake Custom Homes, L.L.C. s 12.5% membership interest in Pointer Ridge Office Investment, LLC (Pointer Ridge), a real estate investment company. The effective date of the purchase was November 1, 2008. As a result of this purchase, our membership interest increased from 50.0% to 62.5%. Consequently, we consolidated Pointer Ridge s results of operations from the date of acquisition. Prior to the date of acquisition, we accounted for our investment in Pointer Ridge using the equity method.

Basis of Presentation and Consolidation-The accompanying consolidated financial statements include the activity of Bancshares, its wholly owned subsidiary, Old Line Bank, and its majority owned membership interest in Pointer Ridge. We have eliminated all significant intercompany transactions and balances.

We report the non-controlling interests in Pointer Ridge separately in the consolidated balance sheet. We reported the income of Pointer Ridge attributable to Bancshares from the date of our acquisition of majority interest on the consolidated statement of income.

Use of estimates-The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from these estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Cash and cash equivalents-For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, we purchase and sell federal funds for one-day periods.

Time deposits in other banks-We record time deposits in other banks at cost. All time deposits in other banks mature within one year.

Investment securities-As we purchase securities, management determines if we should classify the securities as held to maturity, available for sale or trading. We record the securities which management has the intent and ability to hold to maturity at amortized cost which is cost adjusted for amortization of premiums and accretion of discounts to maturity. We classify securities which we may sell before maturity as available for sale and carry these securities at fair value with unrealized gains and losses included in stockholders equity on an after tax basis. Management has not identified any investment securities as trading.

We record gains and losses on the sale of securities on the trade date and determine these gains or losses using the specific identification method. We amortize premiums and accrete discounts using the interest method.

Stock options-We account for individual stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock-based compensation expense at the date of grant. For the years ended December 31, 2009, 2008 and 2007, we recorded stock-based compensation expense of $119,711, $104,541, and $173,714 respectively.

1. Summary of Significant Accounting Policies (Continued)

We may only recognize tax benefits for options that ordinarily will result in a tax deduction when the grant is exercised (non-qualified options). For the year ended December 31, 2009, we recognized an $8,298 tax benefit associated with the portion of the expense that was related to the issuance of non-qualified options. There were no non-qualified options included in the expense calculation for the year ended December 31, 2008. For the year ended December 31, 2007, we recognized a $12,141 tax benefit.

Premises and equipment-We record premises and equipment at cost less accumulated depreciation. Generally we compute depreciation using the straight-line method over the estimated useful life of the assets.

Foreclosed real estate-We record real estate acquired through foreclosure at the lower of cost or fair market value on the date acquired. We charge losses incurred at the time of acquisition of the property to the allowance for loan losses. We include subsequent reductions in the estimated value of the property in non-interest expense.

Advertising-We expense advertising costs over the life of ad campaigns. We expense general purpose advertising as we incur it.

Loans and allowance for loan losses-We report loans at face value plus deferred origination costs, less deferred origination fees and the allowance for loan losses. We accrue interest on loans based on the principal amounts outstanding. We amortize origination fees and costs to income over the terms of the loans using an approximate interest method.

We discontinue the accrual of interest when any portion of the principal or interest is ninety days past due and collateral is insufficient to discharge the debt in full. Based on current information, we consider loans impaired when management determines that it is unlikely that the borrower will make principal and interest payments according to contractual terms. Generally, we do not review loans for impairment until we have discontinued the accrual of interest. We consider several factors in determining impairment including payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Usually, we do not classify loans that experience insignificant payment delays and payment shortfalls as impaired. Management determines the significance of payment delays and payment shortfalls on a case by case basis. We consider all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. We measure impairment on a loan by loan basis for commercial and real estate loans by determining either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price or the fair value of the collateral if the loan is collateral dependent. If it is doubtful that we will collect principal, we apply all payments to principal.

We collectively evaluate large groups of smaller balance homogeneous loans for impairment. Accordingly, we do not separately identify individual consumer and residential loans for impairment unless such loans are the subject of a restructuring agreement.

The allowance for loan losses represents an amount which, in management s judgment, will be adequate to absorb probable losses on existing loans and other extensions of credit that may become uncollectible. Management bases its judgment in determining the adequacy of the allowance on evaluations of the collectibility of loans. Management takes 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 continues to suffer a severe downturn, we may need to increase the estimate for uncollectible accounts. We charge off loans which we deem uncollectible and deduct them from the allowance. We add recoveries on loans previously charged off to the allowance.

1. Summary of Significant Accounting Policies (Continued)

Income taxes-The provision for income taxes includes taxes payable for the current year and deferred income taxes. We determine deferred tax assets and liabilities based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which we expect the differences to reverse. We allocate tax expense and tax benefits to Bancshares and its subsidiaries based on their proportional share of taxable income.

Earnings per share-We determine basic earnings per common share by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding giving retroactive effect to stock dividends.

We calculate diluted earnings per common share by including the average dilutive common stock equivalents outstanding during the period. Dilutive common equivalent shares consist of stock options and warrants, calculated using the treasury stock method.

December 31,	2009	2008	2007
Weighted average number of shares	3,862,364	3,919,903	4,237,266
Dilutive average number of shares	7,102	3,320	6,038

Comprehensive income-Comprehensive income includes net income attributable to Bancshares and the unrealized gain (loss) on investment securities available for sale net of related income taxes.

Accounting Standards Codification-The Financial Accounting Standards Board s (FASB) Accounting Standards Codification (ASC) became effective on July 1, 2009. At that date, ASC became FASB s officially recognized source of authoritative United States (U.S.) generally accepted accounting principles (GAAP) applicable to all public and non-public, non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. Rules and interpretive releases of the United States Securities and Exchange Commission (SEC) under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative. The switch to ASC affects the way companies refer to U.S. GAAP in financial statements and accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure.

Reclassifications-We have made certain reclassifications to the 2008 and 2007 financial presentation to conform to the 2009 presentation.

2. Cash and Equivalents

The Bank may carry balances with other banks that exceed the federally insured limit. In 2009, the average balance exceeded the federally insured limit by $11,263,538. The average balances in 2008 and 2007 did not exceed the federally insured limit. The Bank also sells federal funds on an unsecured basis to the same banks. The average balance sold was $458,457, $13,342,150 and $21,525,420 in 2009, 2008 and 2007, respectively.

Federal banking regulators require banks to carry non-interest 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. Investment Securities

Investment securities are summarized as follows:

December 31, 2009	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Available for sale				
U. S. government agency	$ 7,133,657	$ 171,946	$ (14,928)	$ 7,290,675
Municipal securities	2,253,107	36,759	(14,294)	2,275,572
Mortgage-backed	18,017,019	429,682		18,446,701
	$ 27,403,783	$ 638,387	$ (29,222)	$ 28,012,948
Held to maturity				
Municipal securities	$ 300,779	$ 2,714	$	$ 303,493
Mortgage-backed	5,505,728	267,544		5,773,272
	$ 5,806,507	$ 270,258	$	$ 6,076,765
December 31, 2008				
Available for sale				
U. S. government agency	$ 10,578,928	$ 318,722	$	$ 10,897,650
Municipal securities	2,425,036	21,547	(3,105)	2,443,478
Mortgage-backed	15,913,656	311,457	(265)	16,224,848
	$ 28,917,620	$ 651,726	$ (3,370)	$ 29,565,976
Held to maturity				
U. S. Treasury	$ 499,942	$ 7,089	$	$ 507,031
Municipal securities	300,866	194	(2,753)	298,307
Mortgage-backed	7,202,583	227,092		7,429,675
	$ 8,003,391	$ 234,375	$ (2,753)	$ 8,235,013
December 31, 2007				
Available for sale				
U. S. Treasury	$ 999,398	$	$ (1,117)	$ 998,281
U. S. government agency	4,499,658		(27,480)	4,472,178
Municipal securities	2,924,037	2,984	(12,902)	2,914,119
Mortgage-backed	1,019,390		(10,612)	1,008,778
	$ 9,442,483	$ 2,984	$ (52,111)	$ 9,393,356
Held to maturity				
U. S. Treasury	$ 2,000,638	$ 4,436	$ (2,183)	$ 2,002,891
Municipal securities	300,953	183	(6,688)	294,448
	$ 2,301,591	$ 4,619	$ (8,871)	$ 2,297,339

3. Investment Securities (Continued)

The table below summarizes investment securities with unrealized losses and the length of time the securities have been in an unrealized loss position as of December 31, 2009:

December 31, 2009	Fair value	Unrealized losses
Unrealized losses less than 12 months		
U.S. government agency	$ 2,554,652	$ 14,928
Municipal securities	800,059	14,294
Mortgage-backed		
Total unrealized losses less than 12 months	**3,354,711**	**29,222**
Unrealized losses greater than 12 months		
U.S. government agency		
Municipal securities		
Mortgage-backed		
Total unrealized losses greater than 12 months		
Total unrealized losses		
U.S. government agency	2,554,652	14,928
Municipal securities	800,059	14,294
Mortgage-backed		
Total unrealized losses	**$ 3,354,711**	**$ 29,222**

We consider all unrealized losses on securities as of December 31, 2009 to be temporary losses because we will redeem each security at face value at or prior to maturity. In most cases, market interest rate fluctuations cause a temporary impairment in value. The Bank has the intent and ability to hold these securities until recovery or maturity.

During the year ended December 31, 2009, we received $4,243,654 in proceeds from the sale of investment securities and recorded gross realized gains of $158,551 from the sale of available-for-sale securities. During 2008, proceeds from sales of investment securities were $141,919 resulting in gross losses of $3,081. There were no sales of securities in 2007.

3. Investment Securities (Continued)

Contractual maturities and pledged securities at December 31, 2009, 2008 and 2007, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties. We classify mortgage backed securities based on maturity date. However, the Bank receives payments on a monthly basis.

	Available for Sale		*Held to Maturity*	
December 31, 2009	Amortized cost	Fair value	Amortized cost	Fair value
Maturing				
Within one year	$ 1,644,598	$ 1,663,512	$	$
Over one to five years	4,440,360	4,621,900	99,927	100,210
Over five to ten years	8,567,790	8,760,477	2,279,892	2,373,515
Over ten years	12,751,035	12,967,059	3,426,688	3,603,040
	$ 27,403,783	$ 28,012,948	$ 5,806,507	$ 6,076,765
Pledged securities	$	$	$	$
December 31, 2008				
Maturing				
Within one year	$ 1,150,265	$ 1,171,205	$ 499,942	$ 507,031
Over one to five years	11,635,121	11,957,725	99,881	100,075
Over five to ten years	8,995,942	9,249,654	2,051,611	2,091,071
Over ten years	7,136,292	7,187,392	5,351,957	5,536,836
	$ 28,917,620	$ 29,565,976	$ 8,003,391	$ 8,235,013
Pledged securities	$	$	$	$
December 31, 2007				
Maturing				
Within one year	$ 3,994,083	$ 3,977,436	$ 1,500,855	$ 1,498,672
Over one to five years	3,530,043	3,512,777	599,618	604,237
Over five to ten years	1,707,775	1,693,237	201,118	194,430
Over ten years	210,582	209,906		
	$ 9,442,483	$ 9,393,356	$ 2,301,591	$ 2,297,339
Pledged securities	$ 5,921,558	$ 5,890,011	$ 2,000,638	$ 2,002,891

In 2007, we pledged securities to secure a line of credit from the Federal Home Loan Bank.

4. Credit Commitments

The Bank is party to financial instruments with off balance sheet risk in the normal course of business in order to meet the financing needs of customers. These financial instruments include commitments to extend credit, available credit lines and standby letters of credit.

December 31,	2009	2008	2007
Commitments to extend credit and available credit lines:			
Commercial	$ 21,153,839	$ 23,073,938	$ 15,506,189
Real estate undisbursed development and construction	14,573,064	21,980,974	35,966,127
Consumer	9,014,671	6,378,630	6,142,229
	$ 44,741,574	$ 51,433,542	$ 57,614,545
Standby letters of credit	$ 3,882,806	$ 1,582,717	$ 1,634,022

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.

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 it would incur by funding its outstanding commitments.

5. Loans

Major classifications of loans are as follows:

December 31,	2009	2008	2007
Real estate			
Commercial	$ 124,002,072	$ 110,826,321	$ 96,017,558
Construction	30,872,499	23,422,258	21,905,237
Residential	23,350,018	12,819,445	11,227,505
Commercial	74,174,400	69,961,313	55,513,122
Consumer	14,622,153	15,638,011	18,527,588
	267,021,142	232,667,348	203,191,010
Allowance for loan losses	(2,481,716)	(1,983,751)	(1,586,737)
Deferred loan costs, net	469,243	370,021	337,394
	$ 265,008,669	$ 231,053,618	$ 201,941,667

5. Loans (Continued)

The following table outlines the maturity and rate repricing distribution of the loan portfolio. For purposes of this disclosure, we have classified non-accrual loans as immediately repricing or maturing.

December 31,	2009	2008	2007
Within one year	$ 101,809,560	$ 91,649,352	$ 84,698,659
Over one to five years	131,119,339	118,762,804	90,379,861
Over five years	34,092,243	22,255,192	28,112,490
	$ 267,021,142	$ 232,667,348	$ 203,191,010

Transactions in the allowance for loan losses were as follows:

December 31,	2009	2008	2007
Beginning balance	$ 1,983,751	$ 1,586,737	$ 1,280,396
Provision charged to operations	900,000	415,000	318,000
Recoveries		454	490
	2,883,751	2,002,191	1,598,886
Loans charged off	402,035	18,440	12,149
Ending balance	$ 2,481,716	$ 1,983,751	$ 1,586,737

At December 31, 2009, we had three loans totaling $1,586,499 past due and classified as non-accrual. The first loan is the same loan that we reported in our December 31, 2008 financial statements and described below. During 2009, we received $40,384 in payments on this loan and the current balance is $810,291. In October 2009, the Borrower re-entered bankruptcy under Chapter 11 of the United States Bankruptcy Code. We have a hearing scheduled to obtain a lift stay on the commercial property that secures this loan. Assuming the court provides the lift stay on the property, we plan to proceed with foreclosure on the property. The second loan is in the amount of $223,169. The value of the collateral is sufficient to provide repayment and we do not consider this loan impaired. We have foreclosed on the property and were awaiting ratification from the court. Once we receive ratification, we anticipate that we will hold the real estate for future sale. The third loan is a land development loan secured by real estate in the amount of $553,039. The borrower on this loan has filed bankruptcy. A recent appraisal of the property securing this loan indicates that the value of the collateral is sufficient to provide repayment and we do not consider this loan impaired. We plan to proceed with foreclosure on this property. We have not designated a specific allowance for any of these non-accrual loans. The total non-accrued interest on these loans at December 31, 2009 was $190,701.

At December 31, 2008, we had one loan past due and classified as non-accrual in the amount of $850,675. The borrower on this loan filed for bankruptcy protection in November, 2007. A commercial real estate property secures this loan. The loan to value at inception of this loan was 80%. We anticipate that we will receive repayment for all of the balance due on this loan. As of December 31, 2008, the interest not accrued on this loan was $85,706. During the year ended December 31, 2008, we applied $80,099 in interest payments to the principal balance on the loan. We have not designated a specific allowance for this non-accrual loan.

At December 31, 2007, we had two loans totaling $1,061,144 that were 90 days past due and were classified as non-accrual. We received payment in full on one of these loans in June 2008. There were no accruing loans 90 days or more past due or considered impaired at December 31, 2009, 2008 and 2007.

5. Loans (Continued)

The company has pledged loans totaling $114,160,379 to support Federal Home Loan Bank borrowings.

The Bank makes loans to customers located in the Maryland suburbs of Washington D.C. Residential and commercial real estate secure substantial portions of the Bank s loans. Although the loan portfolio is diversified, the regional real estate market and economy will influence its performance.

6. Restricted Equity Securities

We own the following restricted equity securities:

December 31,	2009	2008	2007
Federal Reserve Bank stock	$ 1,037,050	$ 827,050	$ 827,050
Atlantic Central Bankers Bank stock	12,000	12,000	12,000
Federal Home Loan Bank stock	1,733,600	1,112,500	1,066,200
Maryland Financial Bank stock	175,000	175,000	175,000
Total	$ 2,957,650	$ 2,126,550	$ 2,080,250

We have recorded these securities at cost and have not evaluated them for impairment.

7. Pointer Ridge Office Investment, LLC

On November 17, 2008, we purchased Chesapeake Custom Homes, L.L.C. s 12.5% membership interest in Pointer Ridge. The effective date of the purchase was November 1, 2008. As a result of this purchase, we own 62.5% of Pointer Ridge and consolidated their results of operations from the date of the acquisition. Prior to the acquisition date of a majority interest, we accounted for our investment in Pointer Ridge using the equity method. The following table summarizes the condensed Balance Sheets and Statements of Income information for Pointer Ridge.

Pointer Ridge Office Investment, LLC December 31,	2009	2008	2007
Balance Sheets			
Current assets	$ 891,233	$ 540,105	$ 440,256
Non-current assets	7,432,268	7,619,352	7,815,892
Liabilities	6,480,230	6,548,760	6,644,206
Equity	1,843,271	1,610,697	1,611,942
Statements of Income			
Revenue	$ 1,239,137	$ 1,014,136	$ 941,520
Expenses	1,006,563	1,019,577	893,320
Net income (loss)	$ 232,574	$ (5,441)	$ 48,200

We purchased Chesapeake Custom Homes, L.L.C. s 12.5% membership interest at the book value which was equivalent to the fair value. Accordingly, we did not record any goodwill with this purchase.

8. Premises and Equipment

A summary of our premises and equipment and the related depreciation follows:

December 31,	Useful lives	2009	2008	2007
Land		$ 5,061,583	$ 2,959,864	$ 487,673
Building	5-50 years	10,188,380	7,351,089	1,600,297
Leasehold improvements	3-30 years	2,171,310	1,890,119	1,380,032
Furniture and equipment	3-23 years	2,384,207	2,005,424	1,743,823
		19,805,480	14,206,496	5,211,825
Accumulated depreciation		2,479,381	1,818,450	1,004,430
Net premises and equipment		$ 17,326,099	$ 12,388,046	$ 4,207,395
Depreciation expense		$ 676,127	$ 420,595	$ 336,844

Computer software included in other assets, and related amortization, are as follows:

Cost	3 years	$ 224,028	$ 214,670	$ 205,564
Accumulated amortization		204,280	181,063	154,654
Net computer software		$ 19,748	$ 33,607	$ 50,910
Amortization expense		$ 23,218	$ 26,934	$ 22,876

9. Deposits

Major classifications of interest bearing deposits are as follows:

December 31,	2009	2008	2007
Money market and NOW	$ 43,424,979	$ 31,852,127	$ 33,935,011
Savings	7,578,780	5,504,261	6,584,834
Other time deposits-$100,000 and over	58,681,241	44,319,687	41,150,781
Other time deposits	135,779,373	109,874,446	61,000,318
	$ 245,464,373	$ 191,550,521	$ 142,670,944

Time deposits mature as follows:

December 31,	2009	2008	2007
Within three months	$ 63,785,047	$ 44,327,104	$ 33,624,666
Over three to twelve months	82,433,333	55,066,817	55,367,386
Over one to three years	42,526,579	46,923,119	12,392,117
Over three to five years	5,715,655	7,877,093	766,930

$ 194,460,614	$ 154,194,133	$ 102,151,099

9. Deposits (Continued)

Interest on deposits for the years ended December 31, 2009, 2008, and 2007, consisted of the following:

December 31,	2009	2008	2007
Money market and NOW	$ 171,476	$ 321,164	$ 588,824
Savings	25,602	39,492	55,660
Other time deposits $100,000 and over	1,608,367	1,490,587	1,503,715
Other time deposits	2,747,654	3,250,365	3,541,355
	$ 4,553,099	$ 5,101,608	$ 5,689,554

10. Short Term Borrowings

The Bank has available lines of credit including overnight federal funds and reverse repurchase agreements from its correspondent banks totaling $32.0 million as of December 31, 2009. The Bank has an additional secured line of credit from the Federal Home Loan Bank of Atlanta (FHLB) of $103.7 million. Prior to allowing the Bank to borrow under the line of credit, the FHLB requires that the Bank provide collateral to support borrowings. At December 31, 2009, we had provided $39.3 million in collateral value and as outlined below have borrowed $15.0 million. We have additional available borrowing capacity of $24.3 million. We may increase this availability by pledging additional collateral. As a condition of obtaining the line of credit from the FHLB, the FHLB also requires that the Bank purchase shares of capital stock in the FHLB.

Short term borrowings consist of promissory notes sold to the Bank s customers, federal funds purchased and advances from the FHLB. The 3.66% FHLB borrowing matures November 23, 2010. Interest is payable on the 23rd day of each February, May, August, and November. On any interest payment date, the FHLB has the option to convert the interest rate on this advance from a fixed rate to a three (3) month LIBOR based variable rate.

The Bank sells short term promissory notes to its customers. These notes reprice daily and have maturities of 270 days or less. Federal funds purchased are unsecured, overnight borrowings from other financial institutions.

Information relating to short term borrowings is as follows:

December 31,	2009		2008		2007	
	Amount	Rate	Amount	Rate	Amount	Rate
Amount outstanding at year end						
Short term promissory notes	$ 11,149,939	0.50%	$ 17,773,934	0.50%	$ 16,347,096	2.53%
FHLB advance due Nov. 2010	5,000,000	3.66%				
Total	$ 16,149,939		$ 17,773,934		$ 16,347,096	
Average for the year						
Short term promissory notes	$ 14,928,391	0.62%	$ 18,954,799	1.36%	$ 13,674,099	3.23%
FHLB advance due Jan. 2007					169,862	5.65%
FHLB advance due Nov. 2010	1,837,268	3.66%				

Federal funds purchased	603	0.66%	253,338	0.66%	55,069	5.99%
Total	$ 16,766,262		$ 19,208,137		$ 13,899,030	

11. Long Term Borrowings

At December 31, 2009, the Bank had two advances, in the amount of $5,000,000 each, from the Federal Home Loan Bank (FHLB) totaling $10,000,000. The 3.3575% FHLB borrowing matures December 12, 2012. Interest is payable on the 12th day of each March, June, September and December. On any interest payment date, the FHLB has the option to convert the interest rate on this advance from a fixed rate to a three (3) month LIBOR based variable rate.

The 3.119% FHLB borrowing matures December 19, 2012. Interest is payable on the 19th day of each month. On any interest payment date, the FHLB has the option to convert the interest rate on this advance from a fixed rate to a one (1) month LIBOR based variable rate.

The Senior note is an obligation of Pointer Ridge. It has a 10 year fixed interest rate of 6.28% and matures on September 5, 2016.

December 31,	2009		2008		2007	
	Amount	Rate	Amount	Rate	Amount	Rate
Amount outstanding at year end						
FHLB advance due Nov. 2010	$	%	$ 5,000,000	3.660%	$ 5,000,000	3.660%
FHLB advance due Dec. 2012	5,000,000	3.358	5,000,000	3.358	5,000,000	3.358
FHLB advance due Dec. 2012	5,000,000	3.119	5,000,000	3.119	5,000,000	3.119
Senior note	6,454,067	6.280	6,531,133	6.280		
Total	$ 16,454,067		$ 21,531,133		$ 15,000,000	
Average for the year						
FHLB advance due Nov. 2010	$ 4,561,644	3.660%	$ 5,000,000	3.660%	$ 520,548	3.660%
FHLB advance due Dec. 2012	5,000,000	3.358	5,000,000	3.358	260,274	3.358
FHLB advance due Dec. 2012	5,000,000	3.119	5,000,000	3.119	164,384	3.119
FHLB advance due July 2009					1,652,055	5.328
Senior note, fixed at 6.28%	6,489,559	6.280	546,018	6.280		
Total	$ 21,051,203		$ 15,546,018		$ 2,597,261	

Principal payments on long term debt obligations are due as follows:

Year	Amount
2010	$ 83,297
2011	88,743
2012	10,094,545
2013	100,727
2014	107,312

Remaining	5,979,443
	$ 16,454,067

12. Related Party Transactions

The Bank has entered into various transactions with 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 $21,566, $15,481, and $110, during the years ended December 31, 2009, 2008, and 2007, respectively.

Effective November 1, 2008, we purchased Chesapeake Custom Homes, L.L.C. s 12.5% membership interest in Pointer Ridge for the book value of $205,000. This purchase increased Bancshares membership interest from 50.0% to 62.5%. Frank Lucente, a director of Bancshares and the Bank, is the President and 52.0% stockholder of Lucente Enterprises, Inc. Lucente Enterprises, Inc. is the manager and majority member of Chesapeake Custom Homes, L.L.C. Lucente Enterprises has retained its 12.5% membership interest in Pointer Ridge. In 2009 and 2008, the Bank paid Pointer Ridge $526,494 and $513,939 in lease payments, respectively. In 2007, the Bank paid Pointer Ridge $496,272 in lease payments and $24,005 for leasehold improvements.

The directors, executive officers and their affiliated companies maintained deposits with the Bank of $8,798,695, $11,026,340, and $9,117,683, at December 31, 2009, 2008, and 2007, respectively.

The schedule below summarizes changes in amounts of loans outstanding to directors and executive officers or their affiliated companies:

December 31,	2009	2008	2007
Balance at beginning of year	$ 889,630	$ 4,260,564	$ 4,756,505
Additions	967,630	454,252	877,550
Repayments	(393,145)	(3,825,186)	(1,373,491)
Balance at end of year	$ 1,464,115	$ 889,630	$ 4,260,564

In addition to the outstanding balances, the directors and executive officers or affiliated companies have $941,050 in unused commitments as of December 31, 2009. In the opinion of management, these transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

13. Income Taxes

The components of income tax expense are as follows:

December 31,	2009	2008	2007
Current			
Federal	$ 1,024,750	$ 786,677	$ 715,134
State	259,538	200,237	97,780
	1,284,288	986,914	812,914
Deferred	(228,766)	(47,531)	(23,861)
	$ 1,055,522	$ 939,383	$ 789,053

13. Income Taxes (Continued)

The components of deferred income taxes are as follows:

December 31,	2009	2008	2007
Provision for loan losses	$ (171,316)	$ (163,697)	$ (135,333)
Nonaccrual interest	6,110	(22,633)	(11,174)
Organization costs		5,132	5,190
Director stock option expense	(8,298)		(12,141)
Supplemental executive retirement plan	(52,760)	(47,036)	(42,586)
Deferred loan origination costs, net	(114,426)	57,172	94,909
Depreciation	111,924	123,531	77,274
	$ (228,766)	$ (47,531)	$ (23,861)

The components of net deferred tax assets and liabilities are as follows:

December 31,	2009	2008	2007
Deferred tax assets			
Allowance for loan losses	$ 933,688	$ 762,372	$ 598,675
Nonaccrual interest	27,697	33,807	11,174
Organization costs			5,132
Director stock option expense	20,439	12,141	12,141
Supplemental executive retirement plan	178,652	125,892	78,856
Net unrealized loss on securities available for sale			19,378
	1,160,476	934,212	725,356
Deferred tax liabilities			
Deferred loan origination costs	292,879	407,305	350,133
Depreciation	448,738	336,814	213,283
Net unrealized gain on securities available for sale	240,285	255,744	
	981,902	999,863	563,416
Net deferred tax asset (liability)	$ 178,574	$ (65,651)	$ 161,940

13. Income Taxes (Continued)

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

December 31,	2009	2008	2007
Statutory federal income tax rate	34.0%	34.0%	34.0%
Increase (decrease) resulting from			
State income taxes, net of federal income tax benefit	4.0	4.3	2.3
Tax exempt income	(1.8)	(0.9)	(1.2)
Stock based compensation awards	1.1	1.3	2.1
Other nondeductible expenses	0.3	0.3	0.6
Bank owned life insurance	(3.5)	(4.1)	(4.5)
Net income attributable to the non-controlling interest	(0.9)		
Effective tax rate	33.2%	34.9%	33.3%

14. Retirement Plan

Eligible employees participate in a profit sharing plan that qualifies under Section 401(k) of the Internal Revenue Code. The plan allows for elective employee deferrals and the Bank makes matching contributions of up to 4% of eligible employee compensation. Our contributions to the plan, included in employee benefit expenses, were $132,284, $128,189, and $122,901 for 2009, 2008, and 2007, respectively.

The Bank also offers Supplemental Executive Retirement Plans (SERPs) to its executive officers providing for retirement income benefits. We accrue the present value of the SERPs over the remaining number of years to the executives expected retirement dates. The Bank s expenses for the SERPs were $133,758, $119,245, and $105,997 in 2009, 2008, and 2007, respectively.

15. Capital Standards

The Federal Deposit Insurance Corporation and the Federal Reserve Board 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, 2009, 2008, and 2007, the capital ratios and minimum capital requirements are as follows:

(in thousands)	Actual		Minimum capital adequacy		To be well capitalized	
December 31, 2009	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$38,088	13.7%	$22,239	8.0%	$27,799	10.0%
Old Line Bank	$36,444	12.8%	$22,700	8.0%	$28,385	10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$35,571	12.8%	$11,120	4.0%	$16,679	6.0%
Old Line Bank	$36,444	12.0%	$11,354	4.0%	$17,031	6.0%
Tier 1 capital (to average assets)						
Consolidated	$35,571	10.0%	$14,228	4.0%	$17,785	5.0%
Old Line Bank	$36,444	9.6%	$14,181	4.0%	$17,727	5.0%
December 31, 2008	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$43,278	17.4%	$19,884	8.0%	$24,856	10.0%
Old Line Bank	$41,596	16.8%	$19,766	8.0%	$24,707	10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$41,294	16.6%	$ 9,942	4.0%	$14,913	6.0%
Old Line Bank	$39,612	16.0%	$ 9,883	4.0%	$14,824	6.0%
Tier 1 capital (to average assets)						
Consolidated	$41,294	14.0%	$11,767	4.0%	$14,708	5.0%
Old Line Bank	$39,612	13.5%	$11,707	4.0%	$14,634	5.0%
December 31, 2007	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$36,248	16.3%	$17,763	8.0%	$22,203	10.0%
Old Line Bank	$32,913	15.0%	$17,583	8.0%	$21,979	10.0%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$34,661	15.6%	$ 8,881	4.0%	$13,322	6.0%
Old Line Bank	$31,326	14.3%	$ 8,791	4.0%	$13,187	6.0%
Tier 1 capital (to average assets)						

Consolidated	$34,661	14.6%	$ 9,480	4.0%	$11,850	5.0%
Old Line Bank	$31,326	13.3%	$ 9,390	4.0%	$11,738	5.0%

Tier 1 capital consists of common and preferred stock, additional paid-in capital and retained earnings. 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 requirement could affect our ability to pay dividends and accept deposits and may significantly affect our operations.

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

16. Commitments and Contingencies

We lease seven branch locations and one loan production office from non-related parties under lease agreements expiring through 2040. We lease our corporate headquarters and one branch location from Pointer Ridge. Each of the leases provides extension options.

The approximate future minimum lease commitments under the operating leases as of December 31, 2009, are presented below. We have eliminated 62.5% of lease commitments to Pointer Ridge in consolidation.

Year	Amount
2010	$ 650,104
2011	664,590
2012	662,468
2013	608,461
2014	548,274
Remaining	9,244,843
	$ 12,378,740

Rent expense was $475,113, $796,429, and $671,110, for the years ended December 31, 2009, 2008, and 2007, respectively.

On August 25, 2006, Pointer Ridge entered into a loan agreement with an unrelated bank, in an original principal amount of $6.6 million to finance the commercial office building located at 1525 Pointer Ridge Place, Bowie, Maryland. We lease approximately half of this building for our main office and operate a branch from this address. Pursuant to the terms of a guaranty between the bank and Bancshares dated August 25, 2006, Bancshares has guaranteed up to 62.5% of the loan amount plus costs incurred by the lender resulting from any acts, omissions or alleged acts or omissions.

In the normal course of business the Bank is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Bank s financial statements.

17. Fair Value of Financial Instruments

On January 1, 2008, we adopted FASB ASC Topic 820 *Fair Value Measurements and Disclosures* which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact. The Bank values investment securities classified as available for sale at fair value. The fair value hierarchy established in FASB ASC Topic 820 defines three input levels for fair value measurement. Level 1 is based on quoted market prices in active markets for identical assets. Level 2 is based on significant observable inputs other than those in Level 1. Level 3 is based on significant unobservable inputs.

17. Fair Value of Financial Instruments (Continued)

We value investment securities classified as available for sale at fair value on a recurring basis. We value treasury securities, government sponsored entity securities, and some agency securities under Level 1, and collateralized mortgage obligations and some agency securities under Level 2. At December 31, 2009, we established values for available for sale investment securities as follows (000 s);

	Total Fair Value December 31, 2009	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment securities available for sale	$ 28,013	$ 4,708	$ 23,305	$

Our valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes our methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value. Furthermore, we have not comprehensively revalued the fair value amounts since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the above presented amounts.

We use the following methodologies for estimating fair values of financial instruments that we do not measure on a recurring basis. The estimated fair values of financial instruments equal the carrying value of the instruments except as noted.

Time Deposits The fair value of time deposits in other banks is an estimate determined by discounting future cash flows using current rates offered for deposits of similar remaining maturities.

Investment Securities The fair values of investment securities are based upon quoted market prices or dealer quotes.

Loans The fair value of loans is an estimate determined by discounting future cash flows using current rates for which the Bank would make similar loans to borrowers with similar credit histories.

Interest bearing deposits The fair value of demand deposits and savings accounts is the amount payable on demand. The fair value of fixed maturity certificates of deposit is an estimate using the rates currently offered for deposits of similar remaining maturities.

Long and short term borrowings The fair value of long and short term fixed rate borrowings is estimated by discounting the value of contractual cash flows using rates currently offered for advances with similar terms and remaining maturities.

17. Fair Value of Financial Instruments (Continued)

Loan Commitments, Standby and Commercial Letters of Credit-Lending commitments have variable interest rates and escape clauses if the customer s credit quality deteriorates. Therefore, the fair value of these items is insignificant and is not included in the following table.

	Carrying amount	Fair value
December 31, 2009		
Financial assets		
Time deposits	$ 15,031,102	$ 15,491,899
Investment securities	33,819,455	34,089,713
Loans	265,008,669	269,907,318
Financial liabilities		
Interest bearing deposits	$245,464,373	$247,456,675
Short term borrowings	16,149,939	16,297,360
Long term borrowings	16,454,067	17,261,757
December 31, 2008		
Financial assets		
Time deposits	$ 13,267,000	$ 13,276,560
Investment securities	37,569,367	37,800,989
Loans	231,053,618	233,640,929
Financial liabilities		
Interest bearing deposits	$191,550,521	$194,267,851
Long term borrowings	21,531,133	22,314,640
December 31, 2007		
Financial assets		
Time deposits	$ 2,000,000	$ 2,003,325
Investment securities	11,694,947	11,690,695
Loans	201,941,667	200,202,101
Financial liabilities		
Interest bearing deposits	$142,670,944	$143,517,303
Long term borrowings	15,000,000	14,980,071

18. Other Operating Expenses

Other operating expenses that are significant are as follows:

Years Ended December 31,	2009	2008	2007
Advertising	$ 41,787	$ 30,102	$ 46,797
Audit & exam fees	60,500	67,000	54,000
Branch security costs	44,020	45,417	50,422
Broker referrals			27,565
Business development	116,819	96,418	78,935
Courier fees	15,680	30,435	81,067
Director fees	137,698	124,450	120,400

Organizational & legal expenses	68,491	43,944	36,734
Stationery & supplies	64,037	75,107	75,180
Other	1,315,789	761,268	712,633
Total	$ 1,864,821	$ 1,274,141	$ 1,283,733

19. Parent Company Financial Information

The balance sheets, statements of income, and statements of cash flows for Bancshares (Parent Company) follow:

Old Line Bancshares, Inc.
Balance Sheets

December 31,	2009	2008	2007
Assets			
Cash and due from banks	$ 95,232	$ 164,263	$ 985,479
Loans	275,920	551,752	1,424,317
Investment in real estate LLC	1,152,044	1,006,686	805,971
Investment in Old Line Bank	34,331,418	40,004,678	31,296,637
Deferred income taxes			5,132
Other assets	120,918	9,321	189,065
	$ 35,975,532	$ 41,736,700	$ 34,706,601
Liabilities and Stockholders Equity			
Accounts payable	$ 34,628	$ 49,858	$ 75,347
Stockholders equity			
Preferred stock		6,703,591	
Common stock	38,624	38,624	40,758
Additional paid-in capital	29,034,954	28,838,810	30,465,013
Warrants to purchase common stock		301,434	
Retained earnings	6,498,446	5,411,772	4,155,232
	35,572,024	41,294,231	34,661,003
Accumulated other comprehensive income	368,880	392,611	(29,749)
	35,940,904	41,686,842	34,631,254
	$ 35,975,532	$ 41,736,700	$ 34,706,601

19. Parent Company Financial Information (Continued)

Old Line Bancshares, Inc.
Statements of Income

Years Ended December 31,	2009	2008	2007
Interest and dividend revenue			
Dividend from Old Line Bank	$ 653,067	$ 445,943	$ 505,189
Interest on money market and certificates of deposit	612	5,921	128,775
Interest on loans	37,019	76,783	54,170
Total interest and dividend revenue	690,698	528,647	688,134
Non-interest revenue			
Income (loss) on investment in real estate LLC	145,359	(4,335)	24,100
Other fees			5,000
Total non-interest revenue	145,359	(4,335)	29,100
Non-interest expense	129,134	117,381	105,057
Income before income taxes	706,923	406,931	612,177
Income tax expense (benefit)	21,243	(14,775)	41,319
	685,680	421,706	570,858
Undistributed net income of Old Line Bank	1,350,470	1,334,412	1,012,251
Net income	$ 2,036,150	$ 1,756,118	$ 1,583,109

19. Parent Company Financial Information (Continued)

Old Line Bancshares, Inc.
Statements of Cash Flows

Years Ended December 31,	2009	2008	2007
Cash flows from operating activities			
Interest and dividends received	$ 692,352	$ 530,833	$ 683,087
Income taxes (refund received)	(8,613)	(35,894)	35,894
Reimbursement received (cash paid) for operating expenses	(126,231)	219,457	(30,349)
	557,508	714,396	688,632
Cash flows from investing activities			
Loans made, net of principal collected	275,832	872,565	(1,424,317)
Investment in Old Line Bank	7,000,000	(7,000,000)	
Return of principal from (investment in) real estate LLC		(205,050)	11,843
	7,275,832	(6,332,485)	(1,412,474)
Cash flows from financing activities			
Proceeds from stock options exercised		16,000	32,706
Tax benefit from stock options exercised		2,777	11,887
Proceeds from issuance of preferred stock		7,000,000	
Repurchase of preferred stock & warrants	(7,225,000)		
Repurchase of common stock		(1,751,655)	(1,623,098)
Cash dividends paid-preferred stock	(213,888)		
Cash dividends paid-common stock	(463,483)	(470,249)	(505,190)
	(7,902,371)	4,796,873	(2,083,695)
Net increase (decrease) in cash and cash equivalents	(69,031)	(821,216)	(2,807,537)
Cash and cash equivalents at beginning of year	164,263	985,479	3,793,016
Cash and cash equivalents at end of year	$ 95,232	$ 164,263	$ 985,479
Reconciliation of net income to net cash provided by operating activities			
Net income	$ 2,036,150	$ 1,756,118	$ 1,583,109
Adjustments to reconcile net income to net cash provided by operating activities			
Undistributed net income of Old Line Bank	(1,350,470)	(1,334,412)	(1,012,251)
Stock based compensation awards	119,711	104,541	173,714
Decrease in deferred income taxes		5,132	5,190
(Income) Loss from investment in real estate LLC	(145,359)	4,335	(24,100)

Increase (Decrease) in other liabilities	9,073	(1,063)	41,086
(Increase) decrease in other assets	(111,597)	179,745	(78,116)
	$ 557,508	$ 714,396	$ 688,632

20. Stockholders Equity

Stock Options

We have two stock option plans under which we may issue options, the 2001 Incentive Stock Option Plan, as amended, and the 2004 Equity Incentive Plan. Our Compensation Committee administers the stock option plans. As the plans outline, the Compensation Committee approves stock option grants to directors and employees, determines the number of shares, the type of option, the option price, the term (not to exceed 10 years from the date of issuance) and the vesting period of options issued. The Compensation Committee has approved and we have granted options vesting immediately as well as over periods of two, three and five years. We recognize the compensation expense associated with these grants over their respective vesting period. As of December 31, 2009, there were 71,530 shares remaining available for future issuance under the stock option plans.

The intrinsic value of the options that directors and officers exercised for the years ended December 31, 2009, 2008, and 2007 was $0, $7,040, and $26,432, respectively.

A summary of the status of the outstanding options follows:

	2009		2008		2007	
	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	236,620	$ 9.09	216,920	$ 9.37	182,820	$ 8.91
Options granted	62,650	6.30	37,300	7.75	47,200	10.57
Options exercised			(3,600)	4.44	(8,100)	4.72
Options expired			(14,000)	11.09	(5,000)	11.31
Outstanding, end of year	299,270	$ 8.50	236,620	$ 9.09	216,920	$ 9.37

	Outstanding options			Exercisable options	
Exercise price	Number of shares at December 31, 2009	Weighted average remaining term in years	Weighted average exercise price	Number of shares at December 31, 2009	Weighted average exercise price
$3.33-$4.17	11,700	1.00	$ 3.44	11,700	$ 3.44
$4.18-$5.00	18,000	2.55	4.69	18,000	4.69
$5.01-$7.64	62,650	9.07	6.30	28,884	6.30
$7.65-$8.65	37,300	8.09	7.75	24,866	7.75
$8.66-$10.00	46,620	4.64	9.74	46,620	9.74
$10.01-11.31	123,000	6.31	10.43	117,000	10.41
	299,270	6.41	$ 8.50	247,070	$ 8.79

Intrinsic value of vested exercisable options where the market value exceeds the exercise price		$79,400

Intrinsic value of outstanding options where the market value exceeds the exercise price	$89,192

20. Stockholders Equity (Continued)

At December 31, 2009, there was $37,862 of total unrecognized compensation cost related to non-vested stock options that we expect to realize over the next 3.5 years. The following table summarizes the fair values of the options granted and weighted-average assumptions used to calculate the fair values. We used the Black-Scholes option pricing model.

Years Ended December 31,	2009	2008	2007
Expected dividends	2%	2%	1%
Risk free interest rate	2.15%	3.31%	4.64%
Expected volatility	25.40%	20.80%	20.2-20.4%
Weighted average volatility	25.39%	20.79%	20.31%
Expected life in years	6.8-10.0	7.80	6.0-7.0
Weighted average fair value of options granted	$ 1.57	$ 1.94	$ 2.92

Preferred stock

On December 5, 2008, Bancshares issued 7,000 shares of Fixed Rate Cumulative Preferred Stock, Series A, $1 par value (Series A Preferred Stock) with a liquidation preference per share equal to $1,000 and a ten year warrant to purchase up to 141,892 shares of Bancshares common stock, $0.01 par value per share, at an exercise price of $7.40 per share, for a total purchase price of $7 million in cash as part of the Troubled Asset Relief Program-Capital Purchase Program of the U.S. Treasury (Treasury). Bancshares allocated the cash proceeds between the Series A Preferred Stock and the warrant to purchase common stock based on the relative estimated fair values at the date of issuance.

In July of 2009, we repurchased from the Treasury the 7,000 shares of preferred stock that we issued to them. We paid Treasury $7,058,333 to repurchase the preferred stock which reflects the liquidation value of the preferred stock and $58,333 of accrued but unpaid dividends. In August, we also repurchased at a fair market value of $225,000 the warrant to purchase 141,892 shares of our common stock.

21. Quarterly Results of Operations (Unaudited)

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

Three months ended

(Dollars in thousands except per share data)

2009	December 31,	September 30,	June 30,	March 31,
Interest revenue	$ 4,374	$ 4,392	$4,227	$4,102
Interest expense	1,308	1,406	1,416	1,450
Net interest income	3,066	2,986	2,811	2,652
Provision for loan losses	140	210	250	300
Net income available to common stockholders	466	227	447	410
Earnings per share-basic	0.12	0.06	0.12	0.11
Earnings per share-diluted	0.12	0.06	0.12	0.11

2008	December 31,	September 30,	June 30,	March 31,
Interest revenue	$ 3,991	$ 3,937	$3,726	$3,770
Interest expense	1,543	1,460	1,366	1,541
Net interest income	2,448	2,477	2,360	2,229
Provision for loan losses	70	180	127	38
Net income available to common stockholders	352	433	497	445
Earnings per share-basic	0.09	0.11	0.13	0.11
Earnings per share-diluted	0.09	0.11	0.13	0.11

2007	December 31,	September 30,	June 30,	March 31,
Interest revenue	$ 3,817	$ 3,786	$3,523	$3,428
Interest expense	1,594	1,666	1,536	1,467
Net interest income	2,223	2,120	1,987	1,961
Provision for loan losses	112	120	30	56
Net income available to common stockholders	519	328	408	328
Earnings per share-basic	0.13	0.08	0.10	0.08
Earnings per share-diluted	0.13	0.08	0.10	0.08

CONSOLIDATED FINANCIAL STATEMENTS
MARYLAND BANKCORP, INC.
AND SUBSIDIARY
SEPTEMBER 30, 2010 AND 2009
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Maryland Bankcorp, Inc. and Subsidiary
CONSOLIDATED BALANCE SHEETS
UNAUDITED
September 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents		
Cash and due from banks	$ 8,836,071	$ 9,331,089
Federal funds sold	8,623,256	
Total cash and cash equivalents	17,459,327	9,331,089
Interest-bearing deposits with banks	21,878,122	4,312,799
Investment securities available for sale	61,440,056	78,863,084
Federal Home Loan Bank stock, at cost	555,600	555,600
Federal Reserve Bank and other stock, at cost	767,639	644,939
Loans, net of allowance for loan losses of $7,176,605 and $4,312,894, respectively	217,796,871	224,581,766
Accrued interest receivable	1,211,745	1,433,115
Bank premises and equipment, net	3,618,176	3,749,798
Other real estate owned	6,172,568	1,769,113
Deferred tax asset	3,811,271	2,790,908
Other assets	11,837,854	10,587,634
Total assets	$ 346,549,229	$ 338,619,845
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits	$ 291,132,276	$ 287,237,704
Other short-term borrowings	19,048,000	15,392,000
Federal funds purchased		350,000
Line of credit	3,278,215	
Due to affiliate	2,000,000	2,000,000
Accrued expenses and other liabilities	2,011,100	2,230,105
Deferred compensation and supplemental benefits	3,729,325	3,302,302
Capital lease obligations	22,932	65,772
Deferred income	209,804	238,532
Total liabilities	321,431,652	310,816,415
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		

Preferred stock, $.01 par value per share, 5,000,000 shares authorized as of September 30, 2010 and 2009, and 0 shares outstanding as of September 30, 2010 and 2009		
Common stock, $.01 par value per share, 10,000,000 shares authorized; authorized; 646,626 shares issued and outstanding as of September 30, 2010 and 2009	6,466	6,466
Additional paid-in capital	20,845,536	20,845,536
Retained earnings	4,568,645	7,651,700
Accumulated other comprehensive loss	(303,070)	(700,272)
Total stockholders equity	25,117,577	27,803,430
Total liabilities and stockholders equity	$ 346,549,229	$ 338,619,845

See notes to consolidated financial statements

Maryland Bankcorp, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED
Nine months ended September 30, 2010 and 2009

	2010	2009
INTEREST INCOME		
Interest and fees on loans	$ 10,575,571	$ 10,345,104
Interest on investment securities	1,795,185	1,874,684
Interest on interest bearing deposits	21,625	72,717
Interest on federal funds sold	16,523	31,522
Total interest income	12,408,904	12,324,027
INTEREST EXPENSE		
Interest on deposits	2,597,446	3,679,414
Interest on demand notes	273,642	176,693
Interest on federal funds purchased	80	620
Interest on capital leases	4,164	8,871
Total interest expense	2,875,332	3,865,598
Net interest income	9,533,572	8,458,429
Provision for loan losses	3,149,000	3,299,800
Net interest income after provision for loan losses	6,384,572	5,158,629
OTHER OPERATING INCOME		
Service charges	1,105,478	1,167,291
Fees, commissions and miscellaneous	71,612	98,757
Gain on sale or call of investment securities	777,675	293,307
Total other operating income	1,954,765	1,559,355
OTHER OPERATING EXPENSES		
Salaries and employee benefits	5,177,713	5,387,805
Occupancy and equipment expenses	1,351,714	1,362,361
Other expenses	3,569,038	3,064,110

Total other operating expense	10,098,465	9,814,276
Loss before income taxes	(1,759,128)	(3,096,292)
Income tax benefit	(709,047)	(1,297,489)
Net loss	$ (1,050,081)	$ (1,798,803)
Basic and diluted earnings per share of common stock	$ (1.62)	$ (2.78)

See notes to consolidated financial statements

Maryland Bankcorp, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
UNAUDITED
Nine months ended September 30, 2010 and 2009

	Preferred Stock		Common Stock		Additional		Comprehensive	Accumulated other comprehensive	
	Shares	Amount	Shares	Amount	paid-in capital	Retained earnings	income (loss)	income (loss)	Total
Balance, December 31, 2008		$	646,626	$ 6,466	$ 20,845,536	$ 9,450,503		$ (1,044,605)	$ 29,257,900
Comprehensive income (loss)									
Net loss						(1,798,803)	$ (1,798,803)		(1,798,803)
Other comprehensive income, net of tax									
Change in unrealized gain on securities, net of tax							344,333	344,333	344,333
Total comprehensive loss							$ (1,454,470)		
Balance, September 30, 2009			646,626	$ 6,466	$ 20,845,536	$ 7,651,700		$ (700,272)	$ 27,803,430