OLBK 10-Q 9/30/2008

Section 1: 10-Q (10-Q)

FORM 10-Q

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

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 000-50345

Old Line Bancshares, Inc.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	20-0154352 (I.R.S. Employer Identification No.)
1525 Pointer Ridge Place Bowie, Maryland (Address of principal executive offices)	20716 (Zip Code)

Registrant’s telephone number, including area code: (301) 430-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

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 ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of October 31, 2008 the registrant had 3,858,764 shares of common stock outstanding.

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Part I. Financial Information

Item 1. Financial Statements

Old Line Bancshares, Inc. & Subsidiary
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and due from banks	$ 3,949,847	$ 3,172,089
Federal funds sold	21,904,173	9,822,079
Total cash and cash equivalents	25,854,020	12,994,168
Time deposits in other banks	—	2,000,000
Investment securities available for sale	8,751,056	9,393,356
Investment securities held to maturity	9,847,243	2,301,591
Loans, less allowance for loan losses	223,531,239	201,941,667
Restricted equity securities at cost	2,126,550	2,080,250
Investment in real estate LLC	811,925	805,971
Bank premises and equipment	4,801,831	4,207,395
Accrued interest receivable	992,284	918,078
Deferred income taxes	186,948	161,940
Bank owned life insurance	8,013,389	7,769,290
Other assets	1,042,618	637,570
	$285,959,103	$245,211,276
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 35,483,127	$ 35,141,289
Interest-bearing	176,913,764	142,670,944
Total deposits	212,396,891	177,812,233
Short-term borrowings	23,310,048	16,347,096
Long-term borrowings	15,000,000	15,000,000
Accrued interest payable	653,738	693,868
Income tax payable	48,609	238,226
Other liabilities	559,142	488,599
	251,968,428	210,580,022
Stockholders' equity		
Common stock, par value $.01 per share; authorized 15,000,000 shares; issued and outstanding 3,859,117 in 2008, and 4,075,849 in 2007	38,591	40,758
Additional paid-in capital	28,802,634	30,465,013
Retained earnings	5,175,823	4,155,232
	34,017,048	34,661,003
Accumulated other comprehensive income	(26,373)	(29,749)
	33,990,675	34,631,254
	$285,959,103	$245,211,276

The accompanying notes are an integral part of these consolidated financial statements

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Old Line Bancshares, Inc. & Subsidiary
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Interest revenue				
Loans, including fees	$3,642,695	$3,359,297	$10,620,360	$ 9,210,576
U.S. Treasury securities	17,052	27,993	58,237	89,337
U.S. government agency securities	40,319	70,848	90,026	230,830
Mortgage backed securities	96,203	11,731	209,053	38,447
Municipal securities	23,883	26,954	72,694	80,898
Federal funds sold	85,110	270,175	257,079	1,025,129
Other	31,262	19,268	125,213	62,196
Total interest revenue	3,936,524	3,786,266	11,432,662	10,737,413
Interest expense				
Deposits	1,256,945	1,485,826	3,773,591	4,249,039
Borrowed funds	202,894	180,826	593,015	420,122
Total interest expense	1,459,839	1,666,652	4,366,606	4,669,161
Net interest income	2,476,685	2,119,614	7,066,056	6,068,252
Provision for loan losses	180,000	120,000	345,000	206,000
Net interest income after provision for loan losses	2,296,685	1,999,614	6,721,056	5,862,252
Non-interest revenue				
Service charges on deposit accounts	78,533	76,579	230,737	220,497
Marine division broker origination fees	—	49,260	—	262,218
Earnings on bank owned life insurance	90,895	91,492	273,609	248,130
Income (loss) on investment in real estate LLC	(7,737)	(3,512)	5,904	256
Gain (loss) on disposal of assets	—	(7,372)	—	(7,372)
Other fees and commissions	47,419	71,436	191,958	191,105
Total non-interest revenue	209,110	277,883	702,208	914,834
Non-interest expense				
Salaries	822,131	851,056	2,308,762	2,406,093
Employee benefits	222,607	236,253	723,965	749,518
Occupancy	286,729	241,648	837,438	676,269
Equipment	81,771	66,197	228,437	184,599
Data processing	67,163	51,293	193,042	165,385
Other operating	348,886	338,654	1,014,822	1,027,878
Total non-interest expense	1,829,287	1,785,101	5,306,466	5,209,742
Income before income taxes	676,508	492,396	2,116,798	1,567,344
Income taxes	243,115	163,857	741,748	503,603
Net income	$ 433,393	$ 328,539	$ 1,375,050	$ 1,063,741
Basic earnings per common share	$ 0.11	$ 0.08	$ 0.35	$ 0.25
Diluted earnings per common share	$ 0.11	$ 0.08	$ 0.35	$ 0.25

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiary
Consolidated Statement of Changes in Stockholders' Equity
Nine Months Ended September 30, 2008
(Unaudited)

	Common stock Shares	Common stock Par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Comprehensive income
Balance, December 31, 2007	4,075,849	$ 40,758	$30,465,013	$4,155,232	$ (29,749)	
Common stock repurchased	(216,732)	(2,167)	(1,747,000)	—	—	
Net income	—	—	—	1,375,050	—	$ 1,375,050
Unrealized gain on securities available for sale, net of income taxes of $2,199	—	—	—	—	3,376	3,376
Comprehensive income						$ 1,378,426
Stock based compensation awards	—	—	84,621	—	—	
Cash dividend $0.09 per share	—	—	—	(354,459)	—	
Balance, September 30, 2008	3,859,117	$ 38,591	$28,802,634	$5,175,823	$ (26,373)	

The accompanying notes are an integral part of these consolidated financial statements

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Old Line Bancshares, Inc. & Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended September 30,	2008	2007
Cash flows from operating activities		
Interest received	$ 11,337,320	$ 10,538,974
Fees and commissions received	452,155	700,985
Interest paid	(4,406,736)	(4,527,904)
Cash paid to suppliers and employees	(5,257,879)	(5,112,192)
Income taxes paid	(958,572)	(830,109)
	1,166,288	769,754
Cash flows from investing activities		
Purchases of time deposits in other banks	2,000,000	—
Purchase of investment securities		
Held to maturity	(8,237,285)	—
Available for sale	(5,534,900)	—
Proceeds from disposal of investment securities		
Held to maturity	693,467	500,000
Available for sale at maturity or call	6,178,534	1,845,400
Loans made, net of principal collected	(21,911,029)	(37,780,841)
Purchase of equity securities	(46,300)	(9,700)
Investment in bank owned life insurance (BOLI)	—	(4,000,000)
Investment in real estate LLC	(50)	10,322
Purchase of premises, equipment and software	(892,856)	(553,066)
Proceeds from sale of premises and equipment	—	76,493
	(27,750,419)	(39,911,392)
Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	34,182,473	9,891,630
Other deposits	402,184	145,272
(Decrease) increase in short-term borrowings	6,962,952	13,383,246
(Decrease) increase in long-term borrowings	—	(3,000,000)
Repurchase of common stock	(1,749,167)	—
Proceeds from stock options exercised, including tax benefit	—	6,250
Dividends paid	(354,459)	(382,915)
	39,443,983	20,043,483
Net increase (decrease) in cash and cash equivalents	12,859,852	(19,098,155)
Cash and cash equivalents at beginning of year	12,994,168	39,628,195
Cash and cash equivalents at end of year	$ 25,854,020	$ 20,530,040

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended September 30,	2008	2007
Reconciliation of net income to net cash provided (used) by operating activities		
Net income	$1,375,050	$1,063,741
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation and amortization	311,780	248,936
Provision for loan losses	345,000	206,000
Loss on sale of equipment	—	7,372
Change in deferred loan fees net of costs	(23,543)	(68,887)
Amortization of premiums and discounts	2,408	3,130
Deferred income taxes	(27,207)	(41,095)
Stock based compensation awards	84,621	149,623
(Income) loss from investment in real estate LLC	(5,904)	(256)
Increase (decrease) in		
Accrued interest payable	(40,130)	141,257
Income tax payable & other liabilities	(119,074)	(377,003)
Decrease (increase) in		
Accrued interest receivable	(74,206)	(129,552)
Bank owned life insurance	(244,099)	(227,045)
Other assets	(418,408)	(206,467)
	$1,166,288	$ 769,754

The accompanying notes are an integral part of these consolidated financial statements

Old Line Bancshares, Inc. & Subsidiary
Notes to Consolidated Financial Statements
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business-Old Line Bancshares, Inc. 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, Inc. is to own all of the capital stock of Old Line Bank. Old Line Bancshares, Inc. also has an approximately $812,000 investment in a real estate investment limited liability company named Pointer Ridge Office Investment, LLC ("Pointer Ridge").

Old Line Bank is a full service commercial bank operating in the suburban Maryland (Washington, D.C. suburbs) counties of Prince George's, Anne Arundel, Charles and northern St. Mary's. Old Line Bank offers deposit services and loans to individuals, small businesses, associations and government entities. Other services include direct deposit of payroll and social security checks, automatic drafts from accounts, automated teller machine services, cash management services, safe deposit boxes, money orders and travelers cheques. Old Line Bank also offers credit card services and on-line account access with bill payer service.

Basis of Presentation and Consolidation-The accompanying consolidated financial statements include the activity of Old Line Bancshares, Inc. and its wholly owned subsidiary, Old Line Bank. We have eliminated all significant intercompany transactions and balances.

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, 2007 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, Inc.'s Form 10-K for the year ended December 31, 2007. 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, Inc. conform to accounting principles generally accepted in the United States of America.

2. INVESTMENT SECURITIES

As Old Line Bancshares 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.

3. INVESTMENT IN REAL ESTATE LLC

We have a 50% investment in a real estate limited liability company named Pointer Ridge Office Investment, LLC ("Pointer Ridge). As required under FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN46R"), we have considered our investment in Pointer Ridge and determined Pointer Ridge is a variable interest entity, but Old Line Bancshares is not the primary beneficiary. Therefore, we do not consolidate Pointer Ridge's results and financial position with that of Old Line Bancshares. Rather, we account 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

Balance Sheets	September 30, 2008	December 31, 2007
Current assets	$ 508,342	$ 440,256
Non-current assets	7,685,421	7,815,892
Liabilities	6,569,913	6,644,206
Equity	1,623,850	1,611,942

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Statements of Income				
Revenue	$ 265,181	$ 238,684	$ 754,427	$ 692,397
Expenses	280,655	245,708	742,619	691,885
Net income (loss)	$ (15,474)	$ (7,024)	$ 11,808	$ 512

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 allocate tax expense and tax benefits to the Bank and Bancshares based on their proportional share of taxable income.

Old Line Bancshares, Inc. & Subsidiary
Notes to Consolidated Financial Statements
(Unaudited)

5. EARNINGS PER SHARE

We determine basic earnings per common share by dividing net income by the weighted average number of shares of common stock outstanding giving retroactive effect to the stock dividends.

We calculate diluted earnings per 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 MonthsEnded September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Weighted average number of shares	3,880,460	4,254,599	3,940,228	4,254,599
Dilutive average number of shares	1,324	8,193	2,742	5,869

6. STOCK-BASED COMPENSATION

We account for employee 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. In the first quarter of 2006, we adopted Statement of Financial Accounting Standards (SFAS) 123R, *Share-Based Payment*, under the modified prospective method. Statement 123R requires companies to recognize compensation expense related to stock-based compensation awards in their income statements over the period during which an individual is required to provide service in exchange for such award. For the nine months ended September 30, 2008 and 2007, we recorded stock-based compensation expense of $84,621 and $149,623, respectively. For the three months ended September 30, 2008 and 2007, we recorded stock-based compensation expense of $19,821 and $30,333, respectively.

Under SFAS 123R, a company may 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 and nine months ended September 30, 2008. For the three and nine months ended September 30, 2007, we recognized an $11,887 tax benefit associated with the portion of the expense that was related to the issuance of non-qualified 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 issued grants with 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. At September 30, 2008, there was $79,248 of total unrecognized compensation cost related to nonvested stock options that we expect to realize over the next 3.75 years. As of September 30, 2008, there were 134,180 shares remaining available for future issuance under the stock option plans.

Directors and officers did not exercise any options during the three or nine month period ended September 30, 2008. The intrinsic value of the 900 options that directors and officers exercised during the nine months ended September 30, 2007 was $5,184. Directors and officers did not exercise any options during the three month period ended September 30, 2007.

Old Line Bancshares, Inc. & Subsidiary
Notes to Consolidated Financial Statements
(Unaudited)

6. STOCK-BASED COMPENSATION (Continued)

A summary of the stock option activity during the nine month period follows:

	September 30, 2008 Number of shares	2008 Weighted average exercise price	2007 Number of shares	2007 Weighted average exercise price
Outstanding, beginning of period	216,920	$ 9.37	182,820	$ 8.91
Options granted	37,300	7.75	47,200	10.57
Options exercised	—	—	(900)	4.72
Options forfeited	(14,000)	11.09	(4,000)	11.31
Outstanding, end of period	240,220	$ 9.02	225,120	$ 9.23

Information related to options as of September 30, 2008 follows:

Exercise price	Outstanding options: Number of shares at September 30, 2008	Outstanding options: Weighted average remaining term	Outstanding options: Weighted average exercise price	Exercisable options: Number of shares at September 30, 2008	Exercisable options: Weighted average exercise price
$3.33-$4.17	11,700	2.25	$ 3.44	11,700	$ 3.44
$4.18-$5.00	21,600	3.21	4.65	21,600	4.65
$5.01-$10.00	83,920	7.42	8.85	59,054	9.32
$10.01-$11.31	123,000	7.56	10.43	100,200	10.41
	240,220	6.86	$ 9.02	192,554	$ 9.00

Intrinsic value of outstanding options where the market value exceeds the exercise price	$117,375
Intrinsic value of exercisable options where the market value exceeds the exercise price	$117,375

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 employee eligible compensation. Our contributions to the plan, included in employee benefit expenses, for the nine months ended September 30, 2008 and 2007 were $100,273, and $97,182, respectively. Old Line Bank's contributions to the plan for the three months ended September 30, 2008 and 2007 were $33,280 and $36,172, 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, 2008 and 2007 were $89,434 and $72,448, respectively. The SERP expense for the three month periods ended September 30, 2008 and 2007 were $29,812 and $23,478, respectively.

8. ASSETS MEASURED AT FAIR VALUE ON A CONTINUING BASIS

On January 1, 2008, we adopted Statement of Financing Accounting Standards No. 157, *Fair Value Measurements*. Old Line Bank values investment securities classified as available for sale at fair value. The fair value hierarchy established in SFAS 157, 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 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, 2008, we established values for available for sale investment securities as follows (000's):

	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Invesment securities available for sale	8,751	5,507	3,244	—

The following table reconciles the changes in Level 3 input balances during the quarter (000's):

Balance beginning of quarter	$ 2,937
Total unrealized losses included in other comprehensive income	
Purchases, issuances, and settlments	
Transfers in and/or out of Level 3	(2,937)
Balance September 30, 2008	$ —
The amount of total losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ —

There were no changes in gains and losses (realized and unrealized) included in earnings for the quarter ended September 30, 2008.

9. RECENT ACCOUNTING STANDARDS

The following are recent accounting pronouncements approved by the Financial Accounting Standards Board (FASB). These Statements will not have any material impact on the financial statements of Bancshares or the Bank.

In December 2007, the FASB issued SFAS No. 160 (revised 2007), *Noncontrolling Interests in Consolidated Financial Statements.* SFAS 160 amends Accounting Research Bulletin 51, *Consolidated Financial Statements*, to establish accounting and reporting standards for noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 is effective at the beginning of the company's first fiscal year after December 15, 2008. We do not expect that SFAS 160 will have a material impact on our consolidated results of operations or financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*. SFAS No. 141(R) will significantly change the accounting for business combinations in a number of areas, including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development costs and restructuring costs. Additionally, under SFAS No. 141(R), changes in deferred tax asset valuation allowances and acquired income uncertainties in a business combination after the measurement period will impact income tax expense. The provisions of this standard are effective beginning January 1, 2009. We do not expect that SFAS No. 141(R) will have a material impact on our consolidated results of operations or financial position.

FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*, requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financing reporting. The use and complexity of derivative instruments and hedging activities have increased significantly over the past several years. Constituents have expressed concerns that the existing disclosure requirements in FASB Statement No. 133, *Accounting for Derivative Instruments Hedging Activities,* do not provide adequate information about how derivative and hedging activities affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We do not expect SFAS No. 161 will have a material impact on our consolidated results of operations or financial position.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

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," "intend" or other words 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 heading "Information Regarding Forward Looking Statements."

Overview

Old Line Bancshares, Inc. 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 $812,000 investment in a real estate investment limited liability company named Pointer Ridge Office Investment, LLC ("Pointer Ridge"). We own 50% of Pointer Ridge. Frank Lucente, one of our directors and a director of Old Line Bank, controls 25% 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.

Summary of Recent Performance and Other Activities

We are pleased to report sound financial performance for the third quarter of 2008. Net income was $433,393 or $0.11 per basic and diluted common share for the three month period ending September 30, 2008. This was $104,854 or 31.92% higher than net income of $328,539 or $0.08 per basic and diluted common share for the same period in 2007. Net income for the nine month period ended September 30, 2008 was $1.4 million or $0.35 per basic and diluted common share. This represented an increase of $311,309 or 29.27% compared to net income of $1.1 million or $0.25 per basic and diluted common share for the nine months ended September 30, 2007.

During the first nine months of 2008, the following events occurred.

- We opened our 8th branch at 167-U Jennifer Road, Annapolis, Anne Arundel County, Maryland.
- We maintained asset quality and collected all principal, interests and costs on an approximately $127,000 non-accrual loan that we previously reported.
- We increased the provision for loan losses 67.48% or $139,000.
- The loan portfolio grew $21.6 million (10.70%).
- Total assets increased $40.8 million (16.64%).
- We repurchased 216,732 shares of our common stock at an average price of $8.07 per share.
- We increased earnings per basic share $0.10 or 40.0%.
- We increased the number of shares of the Company's common stock that we may repurchase under the previously approved Stock Repurchase Program from 400,000 shares of common stock to 500,000 shares.
- We maintained liquidity and by all regulatory measures remained "well capitalized".

We believe that it was an accomplishment to increase earnings, grow the loan portfolio and maintain credit quality despite the turbulence in the financial markets, the continued weak economic environment and the uncertainties faced by our industry. Because of this weak economic environment and growth in the loan portfolio, we increased the provision for loan losses 50.0% or $60,000 during the three month period and 67.48% or $139,000 during the nine month period ended September 30, 2008.

The following summarizes the highlights of our financial performance for the three month period ended September 30, 2008 compared to the three month period ended September 30, 2007 (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)			
	2008	2007	$ Change	% Change
Net income	$ 433	$ 329	$ 104	31.61%
Interest revenue	3,937	3,786	151	3.99
Interest expense	1,460	1,667	(207)	(12.42)
Net interest income after provision for loan losses	2,297	2,000	297	14.85
Non-interest revenue	209	278	(69)	(24.82)
Non-interest expense	1,829	1,785	44	2.46
Average total loans	223,182	179,228	43,954	24.52
Average interest earning assets	259,704	215,098	44,606	20.74
Average total interest-bearing deposits	171,862	143,586	28,276	19.69
Average noninterest-bearing deposits	35,866	33,090	2,776	8.39
Net interest Margin [1]	3.81%	3.96%		
Return on average equity	5.04%	3.65%		
Basic earnings per common share	$ 0.11	$ 0.08	$ 0.03	37.50
Diluted earnings per common share	0.11	0.08	0.03	37.50

(1) See "Reconciliation of Non-GAAP Measures"

The following outlines the highlights of our financial performance for the nine month period ended September 30, 2008 compared to the nine month period ended September 30, 2007.

	Nine months ended September 30, (Dollars in thousands)			
	2008	2007	$ Change	% Change
Net income	$ 1,375	$ 1,064	$ 311	29.23%
Interest revenue	11,433	10,737	696	6.48
Interest expense	4,367	4,669	(302)	(6.47)
Net interest income after provision for loan losses	6,721	5,862	859	14.65
Non-interest revenue	702	915	(213)	(23.28)
Non-interest expense	5,306	5,210	96	1.84
Average total loans	213,755	165,611	48,144	29.07
Average interest earning assets	245,186	207,957	37,229	17.90
Average total interest-bearing deposits	158,310	139,420	18,890	13.55
Average noninterest-bearing deposits	35,730	34,632	1,098	3.17
Net interest Margin (1)	3.87%	3.95%	(0)	(2.03)
Return on average equity	5.34%	4.01%	0	33.17
Basic earnings per common share	$ 0.35	$ 0.25	$ 0.10	40.00
Diluted earnings per common share	0.35	0.25	0.10	40.00

(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.

We believe a natural evolution of a community-focused bank like Old Line Bank is to expand the delivery channels via the branch network. We plan to expand in Prince George’s County, Maryland and may expand in Charles County and Anne Arundel County as well as contiguous northern and western counties, such as Montgomery County and Howard County, Maryland.

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 the County of Anne Arundel. In September 2008, we opened this branch. We hired the staff for this branch during the months of August and September of 2008.

In February 2008, we opened a branch in College Park (Prince George’s County), Maryland at 9658 Baltimore Avenue, College Park, Maryland. This branch is in the same building as the loan production office that houses our team of loan officers. We hired the Branch Manager and staff for this location in February 2008.

As part of our expansion efforts, in July 2004, Old Line Bank executed a lease and applied to regulatory authorities to open a branch at 1641 State Route 3 North, Crofton, Maryland in Anne Arundel County. We anticipated that construction of the building in which we plan to locate the branch would begin during the second or third quarter of 2006 and we expected to open the branch in the first quarter of 2007. However, the owner of the property was unable to complete the requirements contained in the lease and begin construction of the branch. Construction of this location began in 2007. We expect to open this branch during the first or second quarter of 2009.

In July 2007, we identified a site for a second branch location in Bowie, Maryland. Currently, the landlord is preparing a pad site. Assuming the landlord completes the preparation of the pad site and meets all of the conditions of the lease, we plan to lease the pad site and construct a branch. The pad site is located in the Fairwood Office Park in Bowie, Maryland. We anticipate we will open this branch during the 1st or 2nd quarter of 2009.

As expected, the costs associated with opening of the Annapolis branch caused a $60,655 or 19.70% increase in occupancy and equipments costs during the three month period ended September 30, 2008. The openings of this branch, the Greenbelt branch in June 2007 and the College Park branch in February 2008 were the major factors contributing to the $205,007 or 23.81% increase in these costs during the nine month period ended September 30, 2008. Because of the new branches, we anticipate salaries and benefits expenses and other operating expenses will increase. We anticipate that, over time, income generated from the branches will offset any increase in expenses.

Expansion of Commercial, Construction and Commercial Real Estate Lending

We hired a new Vice President of Commercial Lending for our Waldorf office and a new Senior Vice President of Commercial Lending to service the Anne Arundel County market during 2007. As we expected, the increase in personnel during 2007 and the staffing for the new Annapolis, College Park and Greenbelt branches caused an increase in salary and benefit expenses in the third quarter of 2008 compared to the third quarter of 2007. This increase was offset by the termination of the employees that worked in the marine division that we closed at the end of the third quarter of 2007.

Although the current economic climate presents significant challenges to our industry, as a result of the new branches and lending personnel, we anticipate the bank will experience loan and deposit growth during the remainder of 2008 and beyond. We do expect that the current economic climate will cause a slower rate of loan growth in the future than we have historically experienced. We anticipate that after establishment of the Bowie and Crofton branches outlined above that we will slow down the rate of branch expansion, although should we identify new branch locations that will support our long term growth plans we may open additional branches.

Other Opportunities

We use the Internet and technology to augment our growth plans. Currently, we offer our customers image technology, telephone banking and Internet banking with on-line account access and bill payer service. In the fourth quarter of 2007, we began offering selected commercial customers the ability to remotely capture their deposits and electronically transmit them to us. This service has modestly increased equipment cost, reduced courier fees, and positively impacted deposit growth. We will continue to evaluate cost effective ways that technology can enhance our management, products and services.

We plan to take advantage of strategic opportunities presented to us via mergers occurring in our marketplace. For example, we may purchase branches that other banks close or lease branch space from other banks or hire additional loan officers. We currently have no specific plans to acquire existing financial institutions or branches thereof or to hire additional loan officers.

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; interest-bearing deposits and other borrowings make up the cost of funds. Noninterest-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, 2008 compared to three months ended September 30, 2007

Net interest income after provision for loan losses for the three months ended September 30, 2008 increased $297,071 or 14.86% to $2.3 million from $2.0 million for the same period in 2007.

Interest revenue increased from $3.8 million for the three months ended September 30, 2007 to $3.9 million for the same period in 2008. 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 the interest rates on these assets partially offset the growth in loans. The increase in interest bearing assets was primarily caused by a $44.0 million increase in average total loans. In order to fund this loan growth, we deployed funds from lower yielding 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 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 decreased $206,813 or 12.41% to $1.5 million for the three months ended September 30, 2008. This was primarily attributable to a 121 basis point decrease in the cost of interest-bearing deposits and a 142 basis point decrease in the cost of borrowed funds. This decrease in the cost of interest bearing liabilities was partially offset by a $44.9 million increase in total interest bearing liabilities. As a result of these items, our net interest margin was 3.81% for the three months ended September 30, 2008, as compared to 3.96% for the three months ended September 30, 2007.

The following table illustrates average balances of total interest earning assets and total interest-bearing liabilities for the three months ended September 30, 2008 and 2007, 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,	2008			2007		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Assets:						
Federal funds sold[1]	$ 17,066,658	$ 86,739	2.02%	$ 20,716,231	$ 275,598	5.28%
Time deposits in other banks	1,539,007	11,083	2.86	—	—	
Investment securities[1][2]						
U.S. Treasury	2,000,219	18,035	3.58	3,499,976	29,349	3.33
U.S. government agency	4,252,471	42,643	3.98	7,248,935	74,280	4.07
Mortgage backed securities	8,478,144	96,203	4.50	1,188,637	11,731	3.92
Municipal securities	2,872,573	38,626	5.33	3,226,799	42,700	5.25
Other	2,093,391	20,627	3.91	1,375,179	19,600	5.65
Total investment securities	19,696,798	216,134	4.35	16,539,526	177,660	4.26
Loans:[3]						
Commercial	65,730,075	1,098,186	6.63	44,282,892	928,169	8.32
Mortgage	141,040,659	2,320,927	6.53	114,914,717	2,159,857	7.46
Installment	16,411,781	223,582	5.40	20,030,827	271,271	5.37
Total loans	223,182,515	3,642,695	6.48	179,228,436	3,359,297	7.44
Allowance for loan losses	1,780,801	—		1,385,694	—	
Total loans, net of allowance	221,401,714	3,642,695	6.53	177,842,742	3,359,297	7.49
Total interest earning assets[1]	259,704,177	3,956,651	6.04	215,098,499	3,812,555	7.03
Non-interest bearing cash	4,095,686			3,766,509		
Premises and equipment	4,558,753			4,303,295		
Other assets	11,382,635			10,262,060		
Total assets	$279,741,251			$233,430,363		
Liabilities and Stockholders' Equity:						
Interest bearing deposits						
Savings	$ 6,891,844	10,271	0.59	$ 8,385,896	14,083	0.67
Money market and NOW	34,783,690	77,031	0.88	30,400,034	182,704	2.38
Other time deposits	130,186,143	1,169,643	3.56	104,800,085	1,289,039	4.88
Total interest-bearing deposits	171,861,677	1,256,945	2.90	143,586,015	1,485,826	4.11
Borrowed funds	36,418,106	202,894	2.21	19,772,858	180,826	3.63
Total interest-bearing liabilities	208,279,783	1,459,839	2.78	163,358,873	1,666,652	4.05
Noninterest-bearing deposits	35,866,273			33,089,747		
	244,146,056			196,448,620		
Other liabilities	1,455,087			1,248,865		
Stockholders' equity	34,140,108			35,732,878		
Total liabilities and stockholders' equity	$279,741,251			$233,430,363		
Net interest spread[1]			3.26			2.98
Net interest income and Net interest margin[1]		$2,496,812	3.81%		$2,145,903	3.96%

1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these investments. 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, 2008 and 2007 were $934,705 and $126,440, respectively.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

Net interest income after provision for loan losses for the nine months ended September 30, 2008 amounted to $6.7 million, which was $858,804 or 14.65% greater than the 2007 level of $5.9 million. The increase was primarily attributable to a $37.2 million increase in total average interest earning assets to $245.2 million for the nine months ended September 30, 2008 from $208.0 million for the nine months ended September 30, 2007. Interest expense for all interest bearing liabilities was $4.4 million for the nine months ended September 30, 2008 versus $4.7 million for the nine months ended September 30, 2007. The increase in earnings assets was a result of increased business development efforts from the entire Old Line Bank lending team. Additionally, we believe that the opening of the College Park and Greenbelt branches provided us with increased name recognition that also contributed to our growth.

Our net interest margin was 3.87% for the nine months ended September 30, 2008, as compared to 3.95% for the nine months ended September 30, 2007. The decrease in the net interest margin is the result of several components. The yield on average interest-earning assets declined during the period 72 basis points from 6.96% in 2007 to 6.24% 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. 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 103 basis point reduction in the cost of interest-bearing liabilities that occurred as a result of re-pricing of interest bearing accounts to current market interest rates and maturities of and subsequent re-pricing of time deposits partially offset the decrease in yield on interest earning assets and improved our net interest spread. However, because of an increase in the percentage of average total interest bearing liabilities relative to average total liabilities the net interest margin declined.

Because of increased recognition in the Prince George's County market, the new loan officers in Charles and Anne Arundel Counties, the addition of the College Park, Greenbelt, and Annapolis branches and with continued growth in deposits; we anticipate that we will continue to grow earning assets during the remainder of 2008. In an effort to stimulate the economy, the Federal Reserve has continued to decrease interest rates which may result in lower interest rates that we can charge on loans as well lower interest rates paid on our other interest-earning assets. Although we expect to deploy federal funds into higher earning investments and loans for the remainder of the year, we anticipate that it will be a challenge to continue to grow net interest income and the net interest margin during the remainder of 2008.

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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

	2008			2007		
Nine Months Ended September 30,	Average balance	Interest	Yield	Average balance	Interest	Yield
Assets:						
Federal funds sold(1)	$ 14,324,829	$ 262,020	2.44%	$ 26,200,812	$ 1,049,652	5.36%
Time deposits in other banks	1,850,149	47,198	3.40	—	—	
Investment securities(1)(2)						
U.S. Treasury	2,345,107	61,594	3.50	3,747,278	93,664	3.34
U.S. government agency	3,373,028	95,215	3.76	7,771,329	242,011	4.16
Mortgage backed securities	6,206,584	209,053	4.49	1,303,726	38,447	3.94
Municipal securities	2,917,024	107,488	4.91	3,227,878	121,146	5.02
Other	2,100,469	80,317	5.09	1,459,307	63,365	5.81
Total investment securities	16,942,212	553,667	4.35	17,509,518	558,633	4.27
Loans: (3)						
Commercial	61,197,893	3,171,251	6.90	41,160,713	2,591,531	8.42
Mortgage	135,422,739	6,772,121	6.66	103,742,840	5,804,009	7.48
Installment	17,134,442	676,988	5.26	20,707,507	815,036	5.26
Total loans	213,755,074	10,620,360	6.62	165,611,060	9,210,576	7.44
Allowance for loan losses	1,686,510	—		1,364,252	—	
Total loans, net of allowance	212,068,564	10,620,360	6.67	164,246,808	9,210,576	7.50
Total interest earning assets(1)	245,185,754	11,483,245	6.24	207,957,138	10,818,861	6.96
Non-interest bearing cash	3,955,090			3,836,934		
Premises and equipment	4,414,384			4,168,379		
Other assets	11,095,402			9,736,622		
Total assets	$264,650,630			$225,699,073		
Liabilities and Stockholders' Equity:						
Interest bearing deposits						
Savings	$ 6,647,613	31,901	0.64	$ 8,668,562	43,283	0.67
Money market and NOW	34,244,291	259,736	1.01	26,441,171	423,018	2.14
Other time deposits	117,417,843	3,481,954	3.95	104,310,045	3,782,738	4.85
Total interest-bearing deposits	158,309,747	3,773,591	3.18	139,419,778	4,249,039	4.07
Borrowed funds	34,915,382	593,015	2.26	14,955,868	420,122	3.76
Total interest-bearing liabilities	193,225,129	4,366,606	3.01	154,375,646	4,669,161	4.04
Noninterest-bearing deposits	35,729,533			34,631,504		
	228,954,662			189,007,150		
Other liabilities	1,385,765			1,233,502		
Stockholders' equity	34,310,203			35,458,421		
Total liabilities and stockholders' equity	$264,650,630			$225,699,073		
Net interest spread(1)			3.23			2.92
Net interest income and Net interest margin(1)		$ 7,116,639	3.87%		$ 6,149,700	3.95%

1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these investments. 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 months ended September 30, 2008 and 2007 were $1,019,502 and $42,147, respectively.

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The following tables describe the impact on our interest income 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, 2008 compared to 2007		
		Variance due to:	
	Total	Rate	Volume
Interest earning assets:			
Federal funds sold[1]	$(188,859)	$ (176,198)	$ (12,661)
Time deposits in other banks	11,083	—	11,083
Investment Securities[1]			
U.S. Treasury	(11,314)	5,683	(16,997)
U.S. Government agency	(31,637)	(5,389)	(26,248)
Mortgage backed securities	84,472	7,460	77,012
Municipal securities	(4,074)	1,953	(6,027)
Other	1,027	(13,632)	14,659
Loans:			
Commercial	170,017	(455,172)	625,189
Mortgage	161,070	(562,201)	723,271
Installment	(47,689)	5,817	(53,506)
Total interest revenue [1]	144,096	(1,191,679)	1,335,775
Interest-bearing liabilities			
Savings	(3,812)	(2,725)	(1,087)
Money market and NOW	(105,673)	(149,746)	44,073
Other time deposits	(119,396)	(606,515)	487,119
Borrowed funds	22,068	(183,012)	205,080
Total interest expense	(206,813)	(941,998)	735,185
Net interest income[1]	$ 350,909	$ (249,681)	$ 600,590

(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."

Rate/Volume Variance Analysis

	Nine months Ended September 30, 2008 compared to 2007		
		Variance due to:	
	Total	Rate	Volume
Interest earning assets:			
Federal funds sold[1]	$(787,632)	$ (484,926)	$ (302,706)
Time deposits in other banks	47,198	—	47,198
Investment Securities[1]			
U.S. Treasury	(32,070)	5,484	(37,554)
U.S. Government agency	(146,796)	(27,252)	(119,544)
Mortgage backed securities	170,606	7,951	162,655
Municipal securities	(13,658)	(3,161)	(10,497)
Other	16,952	(10,550)	27,502
Loans:			
Commercial	579,720	(644,313)	1,224,033
Mortgage	968,112	(836,679)	1,804,791
Installment	(138,048)	190	(138,238)
Total interest revenue [1]	664,384	(1,993,256)	2,657,640
Interest-bearing liabilities			
Savings	(11,382)	(2,220)	(9,162)
Money market and NOW	(163,282)	(291,487)	128,205
Other time deposits	(300,784)	(831,539)	530,755
Borrowed funds	172,893	(270,631)	443,524
Total interest expense	(302,555)	(1,395,877)	1,093,322
Net interest income[1]	$ 966,939	$ (597,379)	$1,564,318

(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 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). 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.

The provision for loan losses was $180,000 for the three months ended September 30, 2008, as compared to $120,000 for the three months ended September 30, 2007, an increase of $60,000 or 50%. After completing the analysis outlined below, during the three month period ended September 30, 2008, we increased the provision for loan losses primarily because there was a 10.69% growth in the loan portfolio from December 31, 2007 to September 30, 2008, and there remains significant weakness in the economic environment in which we operate. We have not experienced any change in the quality of the loans in the portfolio and at quarter end we had one credit card with a balance of approximately $2,000 past due and the one non-performing asset, we previously reported, past due more than 30 days. We believe that most of our clients, even those that directly or indirectly serve the real estate industry, remain financially strong. However, as the real estate industry continues to encounter weakness, gasoline prices remain high and there is evidence that we are in a recession, we believe that it is prudent to continue to increase our provision for loan losses.

The provision for the nine month period was $345,000. This represented a $139,000 or 67.48% increase as compared to the nine months ended September 30, 2007. For the nine months ended September 30, 2008, we increased the provision for loan losses because the real estate industry continues to encounter difficulties, there is significant turbulence in the financial markets, there is evidence of weakness in the general economy and this may worsen. Although we do not have any investments or substantive loans comprised of sub-prime mortgages, because the real estate industry is a significant contributor to our local economy, we believe that its difficulties and higher gasoline prices have started to cause financial turmoil for other segments of the local economy and continued deterioration may negatively impact us. After completing the analysis outlined below, we determined during the nine month period that there were changes in economic factors during the period that would directly impact the quality of the loan portfolio and warrant a higher provision. Although we continue to closely monitor our loan portfolio and have not identified any specific areas of weakness, in the current economic environment, we believe that it is prudent to continue to increase the loan loss provision for all segments of our portfolio.

We review the adequacy of the allowance for loan losses at least quarterly. Our review includes evaluation of impaired loans as required by SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, and SFAS No. 118, *Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosure.* 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 Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, 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 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 assign loss amounts 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 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 above, we have increased our provision for loan losses for the period 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 economic factors, 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.

We will not create a separate valuation allowance unless we consider a loan impaired under SFAS No. 114 and SFAS No. 118. At September 30, 2008, we had one non-accrual loan totaling $934,705. We have not designated a specific allowance for this non-accrual loan. We have one credit card with a balance of approximately $2,000 that was past due 30 days at quarter end. The borrower subsequently made a payment on this credit card. We have no other loans past due 30 days or more. We also do not have any substantive loans comprised of sub-prime mortgages.

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 will be 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.

The allowance for loan losses represents 0.85% of gross loans at September 30, 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 provides an analysis of the allowance for loan losses for the periods indicated:

Allowance for Loan Losses

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Year Ended December 31, 2007
Balance, beginning of period	$1,586,737	$1,280,396	$ 1,280,396
Provision for loan losses	345,000	206,000	318,000
Chargeoffs:			
Commercial	—	—	(6,064)
Installment	(15,940)	(5,896)	(6,085)
Total chargeoffs	(15,940)	(5,896)	(12,149)
Recoveries:			
Installment	454	352	490
Total recoveries	454	352	490
Net (chargeoffs) recoveries	(15,486)	(5,544)	(11,659)
Balance, end of period	$1,916,251	$1,480,852	$ 1,586,737
Allowance for loan losses to gross loans	0.85%	0.78%	0.78%
Ratio of net-chargeoffs during period to average loans outstanding during period	0.007%	0.003%	0.007%

The following table provides a breakdown of the allowance for loan losses:

Allocation of Allowance for Loan Losses

	September 30, 2008		September 30, 2007		December 31, 2007	
	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category	Amount	% of Loans in Each Category
Installment & others	$ 13,850	0.52%	$ 12,200	0.59%	$ 10,236	0.45%
Boat	101,544	6.61	124,244	9.78	106,405	8.66
Mortgage	1,287,905	63.62	958,367	62.96	1,080,897	63.57
Commercial	512,952	29.25	386,041	26.67	389,199	27.32
Total	$1,916,251	100.00%	$1,480,852	100.00%	$1,586,737	100.00%

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Non-interest Revenue

Three months ended September 30, 2008 compared to three months ended September 30, 2007

Non-interest revenue totaled $209,110 for the three months ended September 30, 2008, a decrease of $68,773 or 24.75% from the 2007 amount of $277,883. Non-interest revenue for the three months ended September 30, 2008 and September 30, 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 September 30, 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 three month periods.

	September 30, 2008	September 30, 2007	$ Change	% Change
Service charges on deposit accounts	$ 78,533	$ 76,579	$ 1,954	2.55%
Marine division broker origination fees	—	49,260	(49,260)	(100.00)
Earnings on bank owned life insurance	90,895	91,492	(597)	(0.65)
Income (loss) on investment in real estate LLC	(7,737)	(3,512)	(4,225)	120.30
Gain (loss) on disposal of assets	—	(7,372)	7,372	
Other fees and commissions	47,419	71,436	(24,017)	(33.62)
Total non-interest revenue	$ 209,110	$ 277,883	$(68,773)	(24.75)%

Service charges on deposit accounts increased due to increases in the number of customers and the services they used. There were no marine division broker origination fees earned during the quarter ended September 30, 2008 because late in the third quarter of 2007, we closed this division. Earnings on bank owned life insurance decreased primarily because the rate earned on the investment decreased. As a result of increased operating expenses, the loss on investment in real estate LLC was higher in the 3rd quarter of 2008 than the comparable period of 2007. Other fees and commissions decreased $24,017 primarily because of a decrease in other loan fees that was caused primarily from a decline in construction related settlements.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

The following table outlines the changes in non-interest revenue for the nine month periods.

	September 30, 2008	September 30, 2007	$ Change	% Change
Service charges on deposit accounts	$ 230,737	$ 220,497	$ 10,240	4.64%
Marine division broker origination fees	—	262,218	(262,218)	(100.00)
Earnings on bank owned life insurance	273,609	248,130	25,479	10.27
Income (loss) on investment in real estate LLC	5,904	256	5,648	2206.25
Gain (loss) on disposal of assets	—	(7,372)	7,372	(100.00)
Other fees and commissions	191,958	191,105	853	0.45
Total non-interest revenue	$ 702,208	$ 914,834	$(212,626)	(23.24)%

Service charges on deposit accounts increased due to increases in the number of customers and the services they use. 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 thirty days of interest income on the investment in 2008. Pointer Ridge income increased $5,648 because it had more tenants and there were rent increases implemented during the nine month period. Other fees and commissions increased $853 primarily 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. These increases were offset by a decline in construction loan fees.

Because of the new lenders we have hired and the new Annapolis, College Park and Greenbelt branches that we have opened, we expect that customer relationships will continue to grow during the remainder of 2008. We anticipate this growth will cause an increase in service charges on deposit accounts. As a result of our decision to cease operations in the marine division, we will not have any fee income from the marine division in 2008. We believe the demand in the commercial real estate market will slow during the 4th quarter of 2008. As a result, we expect other loan fees which are included in other fees and commissions will either remain consistent with the 3rd quarter or decline slightly. We expect our earnings on bank owned life insurance will remain stable during the remainder of 2008. We anticipate the loss from Pointer Ridge in the 4th quarter 2008 will remain comparable to the loss in the 3rd quarter of 2008. The Federal Reserve's recent decrease in the Federal Funds rate may cause a decline in our net interest income and net interest margin.

Non-interest Expense

Three months ended September 30, 2008 compared to three months ended September 30, 2007

Non-interest expense increased 2.48% or $44,186 for the three months ended September 30, 2008. The following chart outlines the changes in non-interest expenses for the period.

	September 30, 2008	September 30, 2007	$ Change	% Change
Salaries	$ 822,131	$ 851,056	$(28,925)	(3.40)%
Employee benefits	222,607	236,253	(13,646)	(5.78)
Occupancy	286,729	241,648	45,081	18.66
Equipment	81,771	66,197	15,574	23.53
Data processing	67,163	51,293	15,870	30.94
Other operating	348,886	338,654	10,232	3.02
Total non-interest expenses	$ 1,829,287	$ 1,785,101	$ 44,186	2.48%

Salaries and benefits decreased primarily because we closed the marine division late in the third quarter of 2007 and terminated the employees associated with it. This reduction was partially offset by the costs associated with the new personnel hired for the College Park and Annapolis branches and the new loan officer hired in September of 2007.

Occupancy and equipment expenses increased because of the opening of the new Annapolis branch in September 2008, the College Park branch in February 2008 and annual rental increases. Data processing costs increased because of our new locations and new services provided by our data processor. Other operating expenses increased primarily because of increased business development and other employees expenses that were partially offset by a decrease in the origination costs derived from the marine division during the period.

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Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

Non-interest expense for the nine months ended September 30, 2008 increased 1.86% or $96,724 relative to the amount reported in the same period in 2007. The following chart outlines the changes in non-interest expenses for the period.

	September 30, 2008	September 30, 2007	$ Change	% Change
Salaries	$ 2,308,762	$ 2,406,093	$ (97,331)	(4.05)%
Employee benefits	723,965	749,518	(25,553)	(3.41)
Occupancy	837,438	676,269	161,169	23.83
Equipment	228,437	184,599	43,838	23.75
Data processing	193,042	165,385	27,657	16.72
Other operating	1,014,822	1,027,878	(13,056)	(1.27)
Total non-interest expenses	$ 5,306,466	$ 5,209,742	$ 96,724	1.86%

Salary and benefit expenses decreased primarily because we closed the marine division late in the third quarter of 2007 and terminated the employees associated with it and stock based compensation expense decreased from $149,623 in 2007 to $84,621 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. These reductions were partially offset by the costs associated with the new personnel hired for the Greenbelt, College Park and Annapolis branches and the new loan officers hired in April and September 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, the Annapolis branch in September 2008, and 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 decreased primarily because of the elimination of the costs associated with the marine division.

For the remainder of 2008, we anticipate non-interest expenses will increase relative to the comparable period in 2007. We will incur increased rent expense related to the new Greenbelt and Annapolis locations and increased operational expenses associated with these branches as well as costs associated with the additional branch we expect to open during the 1st or 2nd quarter 2009.

Income Taxes

Three months ended September 30, 2008 compared to three months ended September 30, 2007

Income tax expense was $243,115 (35.94% of pre-tax income) for the three months ended September 30, 2008 as compared to $163,857 (33.28% 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.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

Income tax expense was $741,748 (35.04% of pre-tax income) for the nine months ended September 30, 2008 compared to $503,603 (32.13% 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.

Net Income

Three months ended September 30, 2008 compared to three months ended September 30, 2007

Net income was $433,393 or $0.11 per basic and diluted common share for the three month period ending September 30, 2008 compared to net income of $328,539 or $0.08 per basic and diluted common share for the same period in 2007. The increase in net income was the result of a $297,071 increase in net interest income after provision for loan losses that was partially offset by a $68,773 decrease in non-interest revenue, a $44,186 increase in non-interest expense and a $79,258 increase in income taxes for the period compared to the same period in 2007. Earnings per common share increased on a basic and diluted basis because of higher earnings in 2008 and because the average number of common shares decreased by 374,139 common shares from 4,254,599 for the three months ended September 30, 2007 to 3,880,460 for the same period in 2008. This occurred because we repurchased 216,732 shares of common stock during 2008 and 185,950 shares of common stock in the 4th quarter of 2007 that caused the average shares outstanding to decline.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

Net income was $1.4 million or $0.35 per basic and diluted common share for the nine month period ending September 30, 2008, an increase of $311,309 or 29.27% compared to net income of $1.1 million or $0.25 per basic and diluted common share for the same period in 2007. The increase in net income was the result of an $858,804 increase in net interest income after provision for loan losses. This was partially offset by a $212,626 decrease in non-interest revenue, a $96,724 increase in non-interest expense and a $238,145 increase in income taxes. Earnings per share increased on a basic and diluted basis because of higher earnings and because we repurchased 216,732 shares of common stock during the nine month period ended September 30, 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 3,940,228 from 4,254,599 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, collateral for repurchase agreements 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. 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, 2008 amounted to $18.6 million, an increase of $6.9 million, or 58.97%, from the December 31, 2007 amount of $11.7 million. Available for sale investment securities decreased to $8.8 million at September 30, 2008 from $9.4 million at December 31, 2007. The decrease in the available for sale investment securities occurred because some of these assets matured and with the proceeds we purchased federal funds, investment securities held to maturity, and funded loans. Held to maturity securities at September 30, 2008 increased to $9.8 million from the $2.3 million balance on December 31, 2007 because we purchased new securities during the period. The fair value of available for sale securities included net unrealized losses of $43,552 at September 30, 2008 (reflected as unrealized losses of $26,373 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 under SFAS No. 115, 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, the unrealized losses in the portfolio will decline or dissipate.

Investment in real estate LLC

As discussed above, Old Line Bancshares has a 50% ownership or $811,925 investment in Pointer Ridge, a real estate investment limited liability company. In July 2006, we moved our main office facility from Waldorf, Maryland to the building owned by Pointer Ridge at 1525 Pointer Ridge Place, Bowie, Maryland in Prince George's County and established a branch in this facility.

Frank Lucente, a director of Old Line Bancshares, Inc. and Old Line Bank, controls 25% 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 for our new headquarters. The leases which commenced on July 1, 2006, are for thirteen years, with two, five-year renewal options. The leases are full service leases and payment terms include the cost of taxes, insurance and maintenance with basic monthly payments of $43,226 and 3% annual increases in base rents plus adjustment for increased taxes, insurances and maintenance.

Loan Portfolio

Loans secured by real estate or luxury boats 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 $21.6 million or 10.70% to $223.5 million at September 30, 2008 from $201.9 million at December 31, 2007. Commercial business loans increased by $10.3 million (18.56%), commercial real estate loans increased by $12.2 million (12.71%), residential real estate loans (generally home equity and fixed rate home improvement loans) increased by $665,000 (5.92%), real estate construction loans (primarily commercial real estate construction) increased by $1.2 million (5.48%) and installment loans decreased by $2.4 million (12.97%) from their respective balances at December 31, 2007.

During the first nine months of 2008, we received several loan payoffs that negatively impacted our loan growth for the period. These payoffs were primarily attributable to a significant slowdown in the real estate market. In spite of these payoffs, we experienced 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 2008 and continue to grow the loan portfolio. However, continued deterioration in the 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, 2008		December 31, 2007	
Real Estate				
Commercial	$108,225	48.08%	$ 96,018	47.26%
Construction	23,088	10.26	21,905	10.78
Residential	11,892	5.28	11,227	5.53
Commercial	65,829	29.25	55,513	27.32
Installment	16,053	7.13	18,528	9.11
	225,087	100.00%	203,191	100.00%
Allowance for loan losses	(1,916)		(1,586)	
Deferred loan costs, net	361		337	
	$223,532		$ 201,942	

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. 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. At December 31, 2007, we had two loans totaling $1.1 million that were 90 days past due and were classified as non-accrual. The foreclosure process on one of these loans in the amount of $127,000 was completed in January 2008 and we received payment in full in June 2008. The borrower on the second loan in the amount of $934,705 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%. During the first quarter, the borrower began remitting payments and advised us that the borrower will make all past due interest and principal current prior to March 31, 2009. We do not expect to incur any losses on this loan. As of September 30, 2008, the interest not accrued on this loan was $55,209 none of which was included in net income for the nine months or quarter ended September 30, 2008. During the 2nd quarter, we repossessed a boat that secured a loan at the time of repossession of approximately $80,000. At the time of repossession, we charged $15,000 to the allowance for loan losses for anticipated losses we expect to incur on this transaction and reversed all accrued and unpaid interest. We recorded this repossessed boat in other assets. We anticipate we will sell the boat and we do not expect to recognize any substantive additional losses on the boat. Other than the loans outlined above and the payment on the $2,000 credit card balance that we previously outlined, there were no loans 30 days or more past due as of September 30, 2008 and only one loan in the amount of approximately $6,000 was more than 30 days past due as of December 31, 2007.

We classify any property acquired as a result of foreclosure on a mortgage loan as "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 loan 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, 2008 and December 31, 2007, we held no real estate acquired as a result of foreclosure.

We apply the provisions of Statement of Financial Accounting Standards No. 114 ("SFAS No. 114"), *Accounting by Creditors for Impairment of a Loan,* as amended by Statement of Financial Accounting Standards No. 118 ("SFAS No. 118"), *Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosure.* SFAS No. 114 and SFAS No. 118 require that impaired loans, which consist of all modified loans and other loans for which collection of all contractual principal and interest is not probable, be measured 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 SFAS No. 114 impairment test to these loans. We write off impaired loans when collection of the loan is doubtful.

As of September 30, 2008 and December 31, 2007, we had no impaired or restructured loans. Although we are currently unaware that any of our borrowers are facing significant financial difficulty and have no impaired or restructured loans, a continued decline in the economy may adversely affect our asset quality.

Bank owned life insurance

We increased our investment in Bank Owned Life Insurance ("BOLI") in February 2007 by

$4.0 million. 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 the new 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 pay for 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. The additional $4 million investment and higher rates caused increased earnings, during the first nine months of 2008 and the cash surrender value of the insurance policies increased by $244,099. There were no post retirement death benefits associated with the BOLI policies.

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, 2008, the deposit portfolio had grown to $212.4 million, a $34.6 million or 19.46% increase over the December 31, 2007 level of $177.8 million. Noninterest-bearing deposits increased $341,838 during the period to $35.5 million from $35.1 million primarily due to the addition of new customers which caused an increase in commercial checking accounts. Interest-bearing deposits grew $34.2 million to $176.9 million from $142.7 million. Substantially all of the growth in interest-bearing deposits was in certificates of deposit. Certificates of deposit grew because during the period we implemented a new Internet related deposit service that allows other financial institutions to electronically open certificates of deposit with us. As a result of this service, our new branches and our business development efforts, we opened new customer relationships and collected new deposits from existing customers.

In the first quarter of 2006, we began acquiring brokered certificates of deposit through the Promontory Interfinancial Network. Through this deposit matching network and its certificate of deposit 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. We can also place deposits through this network without receiving matching deposits. At September 30, 2008, we had $15.8 million in CDARS through the reciprocal deposit program compared to $13.5 million at December 31, 2007. At September 30, 2008, we had received $12.0 million in deposits through the CDARS network that were not reciprocal deposits. At December 31, 2007, we had $5 million in brokered certificates of deposit.

Borrowings

Old Line Bank has available lines of credit, including overnight federal funds and repurchase agreements from its correspondent banks totaling $33.3 million as of September 30, 2008. Old Line Bank has an additional secured line of credit from the Federal Home Loan Bank of Atlanta (FHLB) that totaled $80.5 million at September 30, 2008 and $71.1 million at December 31, 2007. 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. Therefore, at September 30, 2008 we have provided collateral to support up to $65.5 million of borrowings. Of this, we had borrowed $15 million at September 30, 2008 and December 31, 2007.

Short-term borrowings consisted of short-term promissory notes issued to Old Line Bank's customers. 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 and have maturities of 270 days or less. At September 30, 2008, Old Line Bank had $23.3 million outstanding in these short term promissory notes with an average interest rate of 1.42%. At December 31, 2007, Old Line Bank had $16.3 million outstanding with an average interest rate of 2.53%.

At September 30, 2008 and December 31, 2007, Old Line Bank had three advances in the amount of $5 million each, from the FHLB totaling $15 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 (3) month London Interbank Offer Rate (LIBOR) based variable rate. Old Line Bank must repay 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 three (3) 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 (1) month LIBOR based variable rate. This borrowing matures on December 19, 2012.

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. We have credit lines unsecured and secured available from several correspondent banks totaling $33.3 million. Additionally, we may borrow funds from the Federal Home Loan Bank of Atlanta. 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 or pledge available for sale investment securities 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 and federal funds sold. On September 30, 2008, we had $3.9 million in cash and due from banks, and $21.9 million in federal funds sold and overnight investments. As of December 31, 2007, we had $3.2 million in cash and due from banks, and $9.8 million in federal funds sold and other overnight investments.

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 continues or worsens and our depositors lose confidence in us, we could experience liquidity issues.

Capital

Our stockholders’ equity amounted to $34.0 million at September 30, 2008 and $34.6 million at December 31, 2007. We are considered "well capitalized" under the risk-based capital guidelines adopted by the Federal Reserve. Stockholders’ equity decreased during the nine month period because of the $1.7 million cost for stock repurchases during the period and the $354,459 in total dividends paid in March, June and September 2008. These items were partially offset by net income of $1.4 million, the $84,621 adjustment for stock based compensation awards, and the $3,376 after tax unrealized gain on available for sale securities. By all regulatory measures, we remain well capitalized. We are currently evaluating participation in the Treasury Capital Purchase Program to determine if it will benefit us, our customers, employees or shareholders.

Contractual Obligations, Commitments, Contingent Liabilities, and Off-balance Sheet Arrangements

Old Line Bancshares, Inc. is a 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. Old Line Bancshares, Inc. uses these financial instruments to meet the financing needs of its 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 which would have a material effect on Old Line Bancshares, Inc. Old Line Bancshares, Inc. also has operating lease obligations.

Old Line Bancshares, Inc's guaranty obligation made in connection with Pointer Ridge's mortgage loan, outlined below, also creates off-balance sheet risk, as further described below.

Outstanding loan commitments and lines and letters of credit at September 30, 2008 and December 31, 2007, are as follows:

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Commitments to extend credit and available credit lines:		
Commercial	$ 25,753	$ 16,398
Real estate-undisbursed development and construction	35,655	35,966
Real estate-undisbursed home equity lines of credit	5,509	5,250
	$ 66,917	$ 57,614
Standby letters of credit	$ 1,556	$ 1,634

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. Old Line Bancshares, Inc. generally requires collateral to support financial instruments with credit risk on the same basis as it does for on-balance sheet instruments. The collateral is based on management's 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 many of the commitments are expected 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 re-evaluated 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.

Commitments for real estate development and construction, which totaled $35.7 million, or 53.36% of the $66.9 million of outstanding commitments, 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.

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.

On August 25, 2006, Pointer Ridge entered into a loan agreement with an unrelated bank, pursuant to which the bank agreed to make a mortgage loan to Pointer Ridge in a principal amount of $6.6 million to finance the commercial office building at 1525 Pointer Ridge Place, Bowie, Maryland. We lease approximately half of this building for our main office and operate a branch of Old Line Bank from this address. Old Line Bancshares, Inc. has a 50% ownership in Pointer Ridge and we record this investment on the equity method.

The Amended Promissory Note provides that the loan will accrue interest from the date of the Amended Promissory Note through September 5, 2016 at a rate of 6.28% ("Initial Term Interest Rate"). After September 5, 2016, the interest rate will adjust to the greater of (i) the Initial Term Interest Rate plus 200 basis points or (ii) the Treasury Rate (as defined in the Amended Promissory Note) plus 200 basis points.

Payments on the Amended Promissory Note began October 5, 2006. For the first 12 months, Pointer Ridge paid to the lender an installment of interest only. Commencing with the 13th payment and continuing until August 5, 2036, Pointer Ridge pays equal monthly payments of principal and interest based on a 30-year amortization. There is a prepayment penalty if Pointer Ridge prepays the loan prior to September 5, 2016. At September 30, 2008, Pointer Ridge had borrowed $6.6 million under the Amended Promissory Note.

On August 25, 2006, Old Line executed a new Guaranty Agreement with the lender that was effective upon Pointer Ridge’s execution of the Amended Promissory Note and Amended Deed of Trust. Pursuant to the terms of the guaranty, Old Line has guaranteed the payment to the lender of up to 50% of the loan amount plus any costs incurred by the lender resulting from any acts, omissions or alleged acts or omissions arising out of or relating to: (1) the misapplication or misappropriation by Pointer Ridge of any or all money collected, paid or received; (2) rents, issues, profits and revenues of all or any portion of the property located at 1525 Pointer Ridge Place, Bowie, Maryland (the "Security Property") received or applicable to a period after the occurrence of any Event of Default which are not applied to pay, first (a) real estate taxes and other charges which, if unpaid, could result in liens superior to that of the Amended Deed of Trust and (b) premiums on insurance policies required under the loan documents, and, second, the other ordinary and necessary expenses of owning and operating the Security Property; (3) waste committed on the Security Property or damage to the Security Property as a result of intentional misconduct or gross negligence or the removal of all or any portion of the Security Property in violation of the terms of the loan documents; (4) fraud or material misrepresentation or failure to disclose a material fact; (5) the filing of any petition for bankruptcy; or (6) Pointer Ridge’s failure to maintain its status as a single purpose entity as required by the loan documents.

We do not believe that we will incur any obligations under the guaranty. If we were to become obligated under the guaranty, we do not believe that it would have any material effect on our liquidity or capital resources.

Reconciliation of Non-GAAP Measures

Below is a reconciliation of the fully tax equivalent adjustments and the GAAP basis information presented in this report:

Three months ended September 30, 2008

	Federal Funds Sold	Investment Securities	Interest Earning Assets	Net Interest Income	Net Interest Spread
GAAP interest income	$ 85,110	$ 197,636	$ 3,936,524	$ 2,476,685	
Tax equivalent adjustment	1,629	18,498	20,127	20,127	
Tax equivalent interest income	$ 86,739	$ 216,134	$ 3,956,651	$ 2,496,812	
GAAP interest yield	1.98%	3.98%	6.01%	3.78%	3.23%
Taxable equivalent adjustment	0.04%	0.37%	0.03%	0.03%	0.03%
Tax equivalent interest yield	2.02%	4.35%	6.04%	3.81%	3.26%

Three months ended September 30, 2007

	Federal Funds Sold	Investment Securities	Interest Earning Assets	Net Interest Income	Net Interest Spread
GAAP interest income	$ 270,175	$ 156,794	$ 3,786,266	$ 2,119,614	
Tax equivalent adjustment	5,423	20,866	26,289	26,289	
Tax equivalent interest income	$ 275,598	$ 177,660	$ 3,812,555	$ 2,145,903	
GAAP interest yield	5.17%	3.76%	6.98%	3.91%	2.94%
Taxable equivalent adjustment	0.11%	0.50%	0.05%	0.05%	0.04%
Tax equivalent interest yield	5.28%	4.26%	7.03%	3.96%	2.98%

Nine months ended September 30, 2008

	Federal Funds Sold	Investment Securities	Interest Earning Assets	Net Interest Income	Net Interest Spread
GAAP interest income	$ 257,079	$ 508,025	$ 11,432,662	$ 7,066,056	
Tax equivalent adjustment	4,941	45,642	50,583	50,583	
Tax equivalent interest income	$ 262,020	$ 553,667	$ 11,483,245	$ 7,116,639	
GAAP interest yield	2.39%	3.99%	6.21%	3.84%	3.20%
Taxable equivalent adjustment	0.05%	0.36%	0.03%	0.03%	0.03%
Tax equivalent interest yield	2.44%	4.35%	6.24%	3.87%	3.23%

Nine months ended September 30, 2007

	Federal Funds Sold	Investment Securities	Interest Earning Assets	Net Interest Income	Net Interest Spread
GAAP interest income	$ 1,025,129	$ 501,708	$ 10,737,413	$ 6,068,252	
Tax equivalent adjustment	24,523	56,925	81,448	81,448	
Tax equivalent interest income	$ 1,049,652	$ 558,633	$ 10,818,861	$ 6,149,700	
GAAP interest yield	5.23%	3.83%	6.90%	3.90%	2.86%
Taxable equivalent adjustment	0.13%	0.44%	0.06%	0.05%	0.06%
Tax equivalent interest yield	5.36%	4.27%	6.96%	3.95%	2.92%

Impact of Inflation and Changing Prices

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. As discussed above, 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 Policies

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. We base the fair values and the information used to record valuation adjustments for certain assets and liabilities on quoted market prices or from information other third-party sources provide, when available.

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 provision 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.

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".

Information Regarding Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We may also include forward-looking statements in other statements that we make. All statements that are not descriptions of historical facts are forward-looking statements. Forward-looking statements often use words such as "believe," "expect," "plan," "may," "will," "should," "project," "contemplate," "anticipate," "forecast," "intend" or other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

The statements presented herein with respect to, among other things, Old Line Bancshares, Inc.'s plans, objectives, expectations and intentions, including market expansion, statements regarding anticipated changes in revenue and expenses, future sources of earnings/income, strategic opportunities, sources of liquidity, the allowance for loan losses, expected loan, deposit and asset growth, expected net income and interest margin growth, costs of funds, commercial real estate demand and related financing opportunities, losses on non-accrual and non-performing loans, interest rate sensitivity, financial and other goals and plans, the expected income from new branches offsetting related expenses, expected openings of new branches, earnings on BOLI, and customer growth are forward looking. Old Line Bancshares, Inc. bases these statements on our beliefs, assumptions and on information available to us as of the date of this filing, which involves risks and uncertainties. These risks and uncertainties include, among others those discussed in this report; the ability of Old Line Bancshares, Inc. to retain key personnel; the ability of Old Line Bancshares, Inc. to successfully implement its growth and expansion strategy; risk of loan losses; that the allowance for loan losses may not be sufficient; that changes in interest rates and monetary policy could adversely affect Old Line Bancshares, Inc.; that changes in regulatory requirements and/or restrictive banking legislation may adversely affect Old Line Bancshares, Inc.; that the market value of investments could negatively impact stockholders' equity; risks associated with Old Line Bancshares, Inc.'s lending limit; increased expenses due to stock benefit plans; expenses associated with operating as a public company; potential conflicts of interest associated with the interest in Pointer Ridge; further deterioration in general economic conditions; and changes in competitive, governmental, regulatory, technological and other factors which may affect Old Line Bancshares, Inc. specifically or the banking industry generally. For a more complete discussion of some of these risks and uncertainties see "Factors Affecting Future Results" in Old Line Bancshares, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007.

Old Line Bancshares, Inc.'s actual results and the actual outcome of our expectations and strategies could differ materially from those anticipated or estimated because of these risks and uncertainties and you should not put undue reliance on any forward-looking statements. All forward-looking statements speak only as of the date of this filing, and Old Line Bancshares, Inc. undertakes no obligation to update the forward-looking statements to reflect factual assumptions, circumstances or events that have changed after we have made the forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the exposure to economic loss that arises from changes in the values of certain financial instruments. Due to the nature of our operations, only interest rate risk is significant to our consolidated results of operations or financial position. For information regarding our Quantitative and Qualitative Disclosure about Market Risk, see "Interest Rate Sensitivity Analysis and Interest Rate Risk Management" in Part I, Item 2 of this Form 10-Q.

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, Old Line Bancshares, Inc.'s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of Old Line Bancshares, Inc.'s disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based upon that evaluation, Old Line Bancshares, Inc.'s Chief Executive Officer and Chief Financial Officer concluded that Old Line Bancshares, Inc.'s disclosure controls and procedures are effective as of September 30, 2008. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by Old Line Bancshares, Inc. in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

In addition, there were no changes in Old Line Bancshares, Inc.'s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, Old Line Bancshares, Inc.'s internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

There have been no material changes in the risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

We announced on August 17, 2007 that our board of directors had authorized our repurchase of up to 300,000 shares of our common stock. On March 12, 2008, we announced that the board of directors had authorized the repurchase of an additional 100,000 shares of our common stock. On July 18, 2008, we announced that the board of directors had authorized the repurchase of another 100,000 shares of our common stock. The following table outlines the purchases we have made of our shares of common stock during the quarter ended September 30, 2008.

Date	Total Number of Shares Purchased	Average Price Paid Per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares That May Yet Be Purchased Under the Plan or Programs
June 30, 2008				136,251
July 1-31, 2008	6,900	$ 7.33	6,900	129,351
August 1-31, 2008	26,644	7.45	26,644	102,707
September 1-30. 2008	5,389	7.79	5,389	97,318
Total Third Quarter	**38,933**	**$ 7.48**	**38,933**	**97,318**

1) Includes commissions and fees.

At September 30, 2008, there are 97,318 shares of common stock that we may yet repurchase as part of our publicly announced plan.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Old Line Bancshares, Inc.

Date: November 10, 2008

By: /s/ James W. Cornelsen
James W. Cornelsen,
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 10, 2008

By: /s/ Christine M. Rush
Christine M. Rush,
Executive Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

I, James W. Cornelsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Old Line Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 10, 2008

By: /s/ James W. Cornelsen
Name: James W. Cornelsen

Title: President and Chief Executive Officer

Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

I, Christine M. Rush, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Old Line Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

By: /s/ Christine M. Rush
Name: Christine M. Rush
Title: Executive Vice President and
Chief Financial Officer

Section 4: EX-32 (EX-32)

Exhibit 32

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Old Line

Bancshares, Inc. (the "Company") each certifies to the best of his or her knowledge that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James W. Cornelsen

James W. Cornelsen
President and Chief Executive Officer
November 10, 2008

/s/ Christine M. Rush

Christine M. Rush
Executive Vice President and Chief Financial Officer
November 10, 2008

This certification is made solely for the purpose of 18 U.S.C. Section 1350, and is not being filed as part of the Form 10-Q or as a separate disclosure document, and may not be disclosed, distributed or used by any person for any reason other than as specifically required by law.