OLD LINE BANCSHARES INC
Form 10-Q
August 05, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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	20-0154352
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1525 Pointer Ridge Place	
Bowie, Maryland	20716
(Address of principal executive offices)	(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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.

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 July 31, 2016, the registrant had 10,839,021 shares of common stock outstanding.

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OLD LINE BANCSHARES, INC. AND SUBSIDIARIES

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Part 1. Financial Information

Old Line Bancshares, Inc. & Subsidiaries

Consolidated Balance Sheets

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and due from banks	$ 32,123,006	$ 40,239,384
Interest bearing accounts	1,167,418	1,135,263
Federal funds sold	352,572	2,326,045
Total cash and cash equivalents	33,642,996	43,700,692
Investment securities available for sale-at fair value	190,297,596	194,705,675
Loans held for sale, fair value of $6,382,539 and $8,277,775	6,111,808	8,112,488
Loans held for investment (net of allowance for loan losses of $6,018,923 and $4,909,818, respectively)	1,242,017,598	1,147,034,715
Equity securities at cost	7,304,646	4,942,346
Premises and equipment	36,567,012	36,174,978
Accrued interest receivable	3,704,287	3,814,546
Deferred income taxes	12,666,462	13,820,679
Bank owned life insurance	37,081,638	36,606,105
Other real estate owned	2,443,543	2,472,044
Goodwill	9,786,357	9,786,357
Core deposit intangible	3,923,987	4,351,226
Other assets	4,482,981	4,567,038
Total assets	$ 1,590,030,911	$ 1,510,088,889
Liabilities and Stockholders’ Equity		
Deposits		
Non-interest bearing	$ 313,439,435	$ 328,549,405
Interest bearing	949,451,184	907,330,561
Total deposits	1,262,890,619	1,235,879,966
Short term borrowings	153,751,725	107,557,246
Long term borrowings	9,559,018	9,593,318
Accrued interest payable	448,406	416,686
Supplemental executive retirement plan	5,479,842	5,336,509
Income taxes payable	5,418,623	3,615,677
Other liabilities	3,275,804	3,700,598
Total liabilities	1,440,824,037	1,366,100,000
Stockholders’ equity		
Common stock, par value $0.01 per share; 25,000,000 shares authorized; 10,816,429 and 10,802,560 shares issued and outstanding in 2016 and	108,164	108,026

2015, respectively		
Additional paid-in capital	105,555,548	105,293,606
Retained earnings	42,275,517	38,290,876
Accumulated other comprehensive income	1,009,402	38,200
Total Old Line Bancshares, Inc. stockholders' equity	148,948,631	143,730,708
Non-controlling interest	258,243	258,181
Total stockholders' equity	149,206,874	143,988,889
Total liabilities and stockholders' equity	$ 1,590,030,911	$ 1,510,088,889

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

Old Line Bancshares, Inc. & Subsidiaries

Consolidated Statements of Income

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest Income				
Loans, including fees	$ 13,562,643	$ 11,516,860	$ 26,619,823	$ 23,138,353
U.S. treasury securities	4,997	2,630	8,774	5,236
U.S. government agency securities	85,686	132,736	211,418	266,094
Mortgage backed securities	494,145	350,544	1,007,450	723,554
Municipal securities	371,596	305,650	731,032	620,634
Federal funds sold	376	184	1,501	360
Other	94,297	43,850	192,068	105,800
Total interest income	14,613,740	12,352,454	28,772,066	24,860,031
Interest expense				
Deposits	1,309,379	1,021,560	2,579,811	1,932,517
Borrowed funds	328,613	159,707	604,272	294,423
Total interest expense	1,637,992	1,181,267	3,184,083	2,226,940
Net interest income	12,975,748	11,171,187	25,587,983	22,633,091
Provision for loan losses	300,000	85,658	1,078,611	647,389
Net interest income after provision for loan losses	12,675,748	11,085,529	24,509,372	21,985,702
Non-interest income				
Service charges on deposit accounts	433,498	441,382	844,835	856,584
Gain on sales or calls of investment securities	823,214	3,924	900,212	64,618
Earnings on bank owned life insurance	282,358	249,421	564,544	497,805
Gain on disposal of assets	22,784	—	22,784	19,975
Rental Income	208,556	209,568	417,135	418,348
Income on marketable loans	587,030	484,635	964,168	1,048,517
Other fees and commissions	206,244	115,460	833,659	391,979
Total non-interest income	2,563,684	1,504,390	4,547,337	3,297,826
Non-interest expense				
Salaries and benefits	5,472,638	4,331,572	10,849,190	8,510,468
Occupancy and equipment	1,647,490	1,338,660	3,372,043	2,738,536
Data processing	383,689	367,190	781,481	719,250
FDIC insurance and State of Maryland assessments	285,630	251,993	520,914	500,886
Merger and integration	301,538	—	661,019	—
Core deposit premium amortization	200,998	193,766	427,239	403,883
(Gain) loss on sales of other real estate owned	(48,099)	9,169	(52,307)	143,923
OREO expense	63,192	75,552	218,158	195,753
Directors Fees	162,900	160,200	331,700	330,200

Network services	146,334	195,447	283,230	377,110
Telephone	201,141	160,901	419,775	325,837
Other operating	1,735,287	1,708,500	3,364,815	3,200,245
Total non-interest expense	10,552,738	8,792,950	21,177,257	17,446,091
Income before income taxes	4,686,694	3,796,969	7,879,452	7,837,437
Income tax expense	1,554,000	1,195,273	2,597,366	2,490,308
Net income	3,132,694	2,601,696	5,282,086	5,347,129
Less: Net loss (income) attributable to the non-controlling interest	1,728	776	62	(7,944)
Net income available to common stockholders	$ 3,130,966	$ 2,600,920	$ 5,282,024	$ 5,355,073
Basic earnings per common share	$ 0.29	$ 0.25	$ 0.49	$ 0.50
Diluted earnings per common share	$ 0.28	$ 0.24	$ 0.48	$ 0.49
Dividend per common share	$ 0.06	$ 0.05	$ 0.12	$ 0.10

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

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Old Line Bancshares, Inc. & Subsidiaries

Consolidated Statements of Comprehensive Income

(Unaudited)

Three Months Ended June 30,	2016	2015
Net income	$ 3,132,694	$ 2,601,696
Other comprehensive income:		
Unrealized gain (loss) on securities available for sale, net of taxes of $514,611, and ($574,719), respectively	790,018	(882,295)
Reclassification adjustment for realized gain on securities available for sale included in net income, net of taxes of ($324,717) and ($1,548), respectively	(498,497)	(2,376)
Other comprehensive income (loss)	291,521	(884,671)
Comprehensive income	3,424,215	1,717,025
Comprehensive loss attributable to the non-controlling interest	1,728	776
Comprehensive income available to common stockholders	$ 3,422,487	$ 1,716,249

Six Months Ended June 30,	2016	2015
Net income	$ 5,282,086	$ 5,347,129
Other comprehensive income:		
Unrealized gain (loss) on securities available for sale, net of taxes of $987,721 and ($43,969), respectively	1,516,325	(67,500)
Reclassification adjustment for realized gain on securities available for sale included in net income, gross of taxes of ($355,089) and ($25,489), respectively	(545,123)	(39,129)
Other comprehensive income (loss)	971,202	(106,629)
Comprehensive income	6,253,288	5,240,500
Comprehensive income (loss) attributable to the non-controlling interest	62	(7,944)
Comprehensive income available to common stockholders	$ 6,253,226	$ 5,248,444

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

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Old Line Bancshares, Inc. & Subsidiaries

Consolidated Statement of Changes in Stockholders' Equity

(Unaudited)

	Common stock Shares	Par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling Interest	Total Stockho Equity
ecember 31, 2015	10,802,560	$ 108,026	$ 105,293,606	$ 38,290,876	$ 38,200	$ 258,181	$ 143
e attributable to Old shares, Inc.	—	—	—	5,282,024	—	—	5,28
l gain on securities or sale, net of income 2,633	—	—	—	—	971,202	—	971
tributable to olling interest	—	—	—	—	—	62	62
d compensation	—	—	262,080	—	—	—	262
stock issued	13,869	138	(138)	—	—	—	—
tock cash dividends share	—	—	—	(1,297,383)	—	—	(1,2
ne 30, 2016	10,816,429	$ 108,164	$ 105,555,548	$ 42,275,517	$ 1,009,402	$ 258,243	$ 149

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

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Old Line Bancshares, Inc. & Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 2016	2015
Cash flows from operating activities		
Net income	$ 5,282,086	$ 5,347,129
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,320,718	1,135,823
Provision for loan losses	1,078,611	647,389
Change in deferred loan fees net of costs	47,952	18,279
(Gain)/loss on sales or calls of securities	(900,212)	(64,618)
Amortization of premiums and discounts	445,587	452,813
Origination of loans held for sale	(38,982,301)	(54,080,338)
Proceeds from sale of loans held for sale	40,982,984	52,266,793
Gain on sale of loans held for sale	(964,168)	(1,048,517)
(Gain)/loss on sales of other real estate owned	(52,307)	143,923
Write down of other real estate owned	—	57,375
Gain on sale of fixed assets	(22,784)	(19,975)
Amortization of intangible assets	427,239	403,883
Deferred income taxes	521,555	3,067,155
Stock based compensation awards	262,080	182,067
Increase (decrease) in		
Accrued interest payable	31,720	56,903
Income tax payable	1,802,946	(485,435)
Income tax receivable	—	(1,198,299)
Supplemental executive retirement plan	143,333	127,528
Other liabilities	(424,794)	41,251
Decrease (increase) in		
Accrued interest receivable	110,259	(123,142)
Bank owned life insurance	(475,533)	(427,200)
Other assets	84,057	(348,529)
Net cash provided by operating activities	$ 10,719,028	$ 6,152,257
Cash flows from investing activities		
Purchase of investment securities available for sale	(88,943,976)	—
Proceeds from disposal of investment securities		
Available for sale at maturity, call or paydowns	95,410,514	9,936,344
Loans made, net of principal collected	(95,145,250)	(81,661,710)
Proceeds from sale of other real estate owned	52,307	1,034,932
Investments in other real estate owned	28,501	—
Redemption/improvements in equity securities	(2,362,300)	2,246,101
Purchase of premises and equipment	(1,689,968)	(602,096)
Proceeds from the sale of premises and equipment	—	—
Net cash used in investing activities	(92,650,172)	(69,046,429)

Cash flows from financing activities		
Net increase (decrease) in		
Time deposits	5,654,458	26,251,703
Other deposits	21,356,195	42,422,747
Short term borrowings	46,194,479	15,719,553
Long term borrowings	(34,300)	(55,985)
Stock proceeds from stock repurchase program	—	(4,191,596)
Proceeds from stock options exercised	—	271,952
Cash dividends paid-common stock	(1,297,384)	(1,069,370)
Net cash provided by financing activities	71,873,448	79,349,004
Net increase (decrease) in cash and cash equivalents	(10,057,696)	16,454,832
Cash and cash equivalents at beginning of period	43,700,692	25,404,736
Cash and cash equivalents at end of period	$ 33,642,996	$ 41,859,568
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 2,743,048	$ 1,904,014
Income taxes	$ 885,000	$ 1,060,000
Supplemental Disclosure of Non-Cash Flow Operating Activities:		
Loans transferred to other real estate owned	$ 261,700	$ —

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

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OLD LINE BANCSHARE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business - Old Line Bancshares, Inc. (Old Line Bancshares) was incorporated under the laws of the State of Maryland on April 11, 2003 to serve as the holding company of Old Line Bank. The primary business of Old Line Bancshares is to own all of the capital stock of Old Line Bank. We provide a full range of banking services to customers located in Anne Arundel, Baltimore, Calvert, Carroll, Charles, Montgomery, Prince George's, and St. Mary's Counties in Maryland and surrounding areas.

Basis of Presentation and Consolidation - The accompanying condensed consolidated financial statements include the activity of Old Line Bancshares and its wholly owned subsidiary, Old Line Bank, and its majority owned subsidiary Pointer Ridge Office Investments, LLC (Pointer Ridge), a real estate investment company. We have eliminated all significant intercompany transactions and balances.

We report the non-controlling interests in Pointer Ridge separately in the consolidated balance sheet. We report the income of Pointer Ridge attributable to Old Line Bancshares on the consolidated statement of income.

The foregoing consolidated financial statements for the periods ended June 30, 2016 and 2015 are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP); 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, 2015 from audited financial statements. These statements should be read in conjunction with Old Line Bancshares' financial statements and accompanying notes included in Old Line Bancshares' Form 10-K for the year ended December 31, 2015. We have made no significant changes to Old Line Bancshares' accounting policies as disclosed in the Form 10-K.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions may affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Reclassifications - We have made certain reclassifications to the 2015 financial presentation to conform to the 2016 presentation. These reclassifications did not change net income or stockholders' equity.

Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 – Revenue from Contracts with Customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of this ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU will be effective for us in our first quarter of 2018. Early adoption is not permitted. The ASU allows for either full retrospective or modified retrospective adoption. We are evaluating the transition method that will be elected and the potential effects of the adoption of this ASU on our financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in ASU No. 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. Old Line Bancshares is currently evaluating the provisions of this amendment to determine the potential impact the new standard will have on Old Line Bancshares' consolidated financial statements as it relates to our most recent acquisition and future business combinations.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Recognition and Measurement of Financial Assets and Liabilities, which is intended to improve the recognition and measurement of financial instruments by: requiring equity investments (other than equity method or consolidation) to be measured at fair value with changes in fair value recognized in net income; requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities; eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. This ASU is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This ASU permits early adoption of the instrument-specific credit risk provision. Old Line Bancshares is currently evaluating the impact of adopting the new guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this ASU is permitted for all entities. Old Line Bancshares is currently assessing the impact that the adoption of this standard will have on the financial condition and results of operations of Old Line Bancshares.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which sets forth a "current expected credit loss" ("CECL") model requiring Old Line Bancshares to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. For public business entities that are U.S. Securities and Exchange Commission filers, the amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Old Line Bancshares is currently assessing the impact of the adoption of this ASU on its consolidated financial statements.

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2.POINTER RIDGE OFFICE INVESTMENT, LLC

Old Line Bank has a 62.5% ownership of Pointer Ridge Office Investment, LLC and we have consolidated its results of operations from the date of acquisition. One of Old Line Bank's directors owns a 12.5% interest in this investment.

The following table summarizes the condensed Balance Sheets and Statements of Income information for Pointer Ridge Office Investment, LLC.

Balance Sheets	June 30, 2016	December 31, 2015
Current assets	$ 373,677	$ 281,441
Non-current assets	6,140,685	6,281,601
Liabilities	5,825,715	5,874,560
Equity	688,647	688,484

	Three Months Ended June 30,		Six Months Ended June 30,	
Statements of Income	2016	2015	2016	2015
Revenue	$ 251,300	$ 243,981	$ 502,374	$ 487,258
Expenses	246,691	241,912	502,210	508,442
Net income (loss)	$ 4,609	$ 2,069	$ 164	$ (21,184)

3.INVESTMENT SECURITIES

Presented below is a summary of the amortized cost and estimated fair value of securities.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
June 30, 2016				
Available for sale				
U.S. treasury	$ 2,998,835	$ 931	$ —	$ 2,999,766
U.S. government agency	5,419,910	7,543	(3,794)	5,423,659
Municipal securities	62,357,478	1,015,951	(8,750)	63,364,679
Mortgage backed securities:				
FHLMC certificates	21,558,321	157,333	(7,846)	21,707,808
FNMA certificates	71,029,528	451,146	(4,943)	71,475,731
GNMA certificates	25,266,607	121,763	(62,417)	25,325,953
	$ 188,630,679	$ 1,754,667	$ (87,750)	$ 190,297,596

December 31, 2015				
Available for sale				
U.S. treasury	$ 2,999,978	$ 118	$ (96)	$ 3,000,000
U.S. government agency	36,874,804	10,283	(278,424)	36,606,663
Municipal securities	49,130,632	1,092,044	(19,970)	50,202,706
Mortgage backed securities				
FHLMC certificates	21,734,289	55,218	(26,350)	21,763,157
FNMA certificates	49,461,464	22,916	(382,909)	49,101,471
GNMA certificates	29,758,449	48,759	(389,199)	29,418,009
SBA loan pools	4,682,975	—	(69,306)	4,613,669
	$ 194,642,591	$ 1,229,338	$ (1,166,254)	$ 194,705,675

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At June 30, 2016 and December 31, 2015, securities with unrealized losses segregated by length of impairment were as follows:

	June 30, 2016					
	Less than 12 months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. government agency	$ 2,416,488	$ 3,423	$ 1,499,630	$ 371	$ 3,916,118	$ 3,794
Municipal securities	2,784,392	8,750	—	—	2,784,392	8,750
Mortgage backed securities						
FHLMC certificates	3,078,492	7,846	—	—	3,078,492	7,846
FNMA certificates	2,915,538	4,943	—	—	2,915,538	4,943
GNMA certificates	1,329,149	17,363	7,679,516	45,054	9,008,666	62,417
Total unrealized losses	$ 12,524,059	$ 42,325	$ 9,179,146	$ 45,425	$ 21,703,206	$ 87,750

	December 31, 2015					
	Less than 12 months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. treasury	$ 1,500,000	$ 96	$ —	$	$ 1,500,000	$ 96
U.S. government agency	33,613,513	261,290	1,482,867	17,133	35,096,380	278,423
Municipal securities	4,864,113	12,224	762,762	7,747	5,626,875	19,971
Mortgage backed securities						
FHLMC certificates	9,150,943	26,350	—	—	9,150,943	26,350
FNMA certificates	33,441,909	345,209	2,999,700	37,700	36,441,609	382,909
GNMA certificates	13,781,185	141,005	12,352,866	248,194	26,134,051	389,199
SBA loan pools	—	—	4,613,669	69,306	4,613,669	69,306
	$ 96,351,663	$ 786,174	$ 22,211,864	$ 380,080	$ 118,563,527	$ 1,166,254

At June 30, 2016 and December 31, 2015, we had 11 and 23 investment securities, respectively, in an unrealized loss position greater than the 12 month time frame and 11 and 71 securities, respectively, in an unrealized loss position less than the 12 month time frame. We consider all unrealized losses on securities as of June 30, 2016 to be temporary losses because we will redeem each security at face value at or prior to maturity. We have the ability and intent to hold these securities until recovery or maturity. As of June 30, 2016, we do not have the intent to sell any of the securities classified as available for sale and believe that it is more likely than not that we will not have to sell any such securities before a recovery of cost. In most cases, market interest rate fluctuations cause a temporary impairment in value. We expect the fair value to recover as the investments approach their maturity date or re-pricing date or if market yields for these investments decline. We do not believe that credit quality caused the impairment in any of these securities. Because we believe these impairments are temporary, we have not realized any loss in our consolidated statement of income.

During the three months ended June 30, 2016, we received $74.5 million in proceeds from sales, maturities or calls and principal pay-downs on investment securities and realized gains of $823 thousand. Such sales, maturities or calls and principal pay-downs consisted of the sale of three mortgage backed securities (MBS) pools, one municipal bond, 17 callable agency securities, 19 municipal bonds and 22 MBS during the three month period ending June 30, 2016. All the net proceeds of these transactions were used to purchase new investment securities. There were no sales of investment securities for the three months ending June 30, 2015. There were three municipal bonds that were called and one agency security that matured during the three month period ended June 30, 2015, and the remaining discount/accretion of $4 thousand on the called bonds was recorded as gain on sale. During the six months ended June 30, 2016, we received $95.4 million in proceeds from sales, maturities or calls and principal pay-downs on investment securities and realized gains of $967 thousand and realized losses of $67 thousand for total realized net gain of $900 thousand. The net proceeds of these transactions were used to re-balance the investment portfolio which resulted in an overall slightly higher yield on our security investments. There were no sales of investment securities for the six months ending June 30, 2015, however, there were a total of five municipal bonds that were called and one agency security that matured for a total of $65 thousand in gains.

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Contractual maturities and pledged securities at June 30, 2016 are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties. We classify MBS based on maturity date. However, we receive payments on a monthly basis.

	Available for Sale	
June 30, 2016	Amortized cost	Fair value
Maturing		
Within one year	$ 1,499,209	$ 1,499,297
Over one to five years	6,417,766	6,470,342
Over five to ten years	14,866,952	15,119,768
Over ten years	165,846,752	167,208,189
	$ 188,630,679	$ 190,297,596
Pledged securities	$ 35,235,637	$ 35,470,113

4.LOANS

Major classifications of loans held for investment are as follows:

	June 30, 2016			December 31, 2015		
	Legacy (1)	Acquired	Total	Legacy (1)	Acquired	Total
Commercial Real Estate						
Owner Occupied	$ 196,462,753	$ 53,384,974	$ 249,847,727	$ 193,909,818	$ 57,212,598	$ 251,122,416
Investment	358,365,721	54,714,414	413,080,135	298,434,087	57,749,376	356,183,463
Hospitality	118,939,670	10,843,261	129,782,931	91,440,548	10,776,561	102,217,109
Land and A&D	49,995,687	6,064,059	56,059,746	50,584,469	7,538,964	58,123,433
Residential Real Estate						
First Lien-Investment	74,514,405	27,200,255	101,714,660	69,121,743	31,534,452	100,656,195
First Lien-Owner Occupied	47,761,829	49,471,539	97,233,368	37,486,858	52,204,717	89,691,575
Residential Land and A&D	38,453,812	5,493,403	43,947,215	35,219,801	6,578,950	41,798,751
HELOC and Jr. Liens	24,878,535	3,925,124	28,803,659	24,168,289	4,350,956	28,519,245
Commercial and Industrial	112,819,640	7,962,586	120,782,226	105,963,233	9,519,465	115,482,698
Consumer	5,386,911	171,324	5,558,235	6,631,311	243,804	6,875,115
	1,027,578,963	219,230,939	1,246,809,902	912,960,157	237,709,843	1,150,670,000

Allowance for loan losses	(5,702,857)	(316,066)	(6,018,923)	(4,821,214)	(88,604)	(4,909,818)
Deferred loan costs, net	1,226,619	—	1,226,619	1,274,533	—	1,274,533
	$ 1,023,102,725	$ 218,914,873	$ 1,242,017,598	$ 909,413,476	$ 237,621,239	$ 1,147,034,715

(1) As a result of the acquisitions of Maryland Bankcorp, Inc. (Maryland Bankcorp), the parent company of Maryland Bank & Trust Company, N.A. (MB&T), in April 2011, WSB Holdings Inc. , the parent company of The Washington Savings Bank (WSB), in May 2013, and Regal Bancorp, Inc. (Regal), the parent company of Regal Bank & Trust (Regal Bank), in December 2015, we have segmented the portfolio into two components, loans originated by Old Line Bank "Legacy" and loans acquired from MB&T, WSB and Regal Bank "Acquired".

Credit Policies and Administration

We have adopted a comprehensive lending policy, which includes stringent underwriting standards for all types of loans. We have designed our underwriting standards to promote a complete banking relationship rather than a transactional relationship. In an effort to manage risk, prior to funding, the loan committee consisting of the Executive Officers and seven members of the Board of Directors must approve by a majority vote all credit decisions in excess of a lending officer's lending authority.

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Management believes that it employs experienced lending officers, secures appropriate collateral and carefully monitors the financial condition of its borrowers and loan concentrations.

In addition to the internal business processes employed in the credit administration area, Old Line Bank retains an outside independent firm to review the loan portfolio. This firm performs a detailed annual review and an interim update. We use the results of the firm's report to validate our internal ratings and we review the commentary on specific loans and on our loan administration activities in order to improve our operations.

Commercial Real Estate Loans

We finance commercial real estate for our clients, for owner occupied and investment properties, hospitality and land acquisition and development. Commercial real estate loans totaled $848.8 million and $767.6 million at June 30, 2016 and December 31, 2015, respectively. This lending has involved loans secured by owner occupied commercial buildings for office, storage and warehouse space, as well as non owner occupied commercial buildings. Our underwriting criteria for commercial real estate loans include maximum loan to value ratios, debt coverage ratios, secondary sources of repayments, guarantor requirements, net worth requirements and quality of cash flows. Loans secured by commercial real estate may be large in size and may involve a greater degree of risk than one to four family residential mortgage loans. Payments on such loans are often dependent on successful operation or management of the properties. We will generally finance owner occupied commercial real estate that does not exceed loan to value of 80% and investor real estate at a maximum loan to value of 75%.

Commercial real estate lending entails significant risks. Risks inherent in managing our commercial real estate portfolio relate to sudden or gradual drops in property values as well as changes in the economic climate that may detrimentally impact the borrower's ability to repay. We monitor the financial condition and operating performance of the borrower through a review of annual tax returns and updated financial statements. In addition, we meet with the borrower and/or perform site visits as required.

At June 30, 2016, we had approximately $129.8 million of commercial real estate loans outstanding to the hospitality industry. An individual review of these loans indicates that they generally have a low loan to value, more than acceptable existing or projected cash flow, are to experienced operators and are generally dispersed throughout the region.

Residential Real Estate Loans

We offer a variety of consumer oriented residential real estate loans including home equity lines of credit, home improvement loans and first or second mortgages on owner occupied and investment properties. Our residential loan portfolio amounted to $271.7 million and $260.7 million at June 30, 2016 and December 31, 2015, respectively. Although most of these loans are in our market area, the diversity of the individual loans in the portfolio reduces our potential risk. Usually, we secure our residential real estate loans with a security interest in the borrower's primary or secondary residence with a loan to value not exceeding 85%. Our initial underwriting includes an analysis of the borrower's debt/income ratio which generally may not exceed 43%, collateral value, length of employment and prior credit history. A credit score of 660 is required. We do not originate any subprime residential real estate loans.

This segment of our portfolio also consists of funds advanced for construction of custom single family residences homes (where the home buyer is the borrower) and financing to builders for the construction of pre-sold homes and multi family housing. These loans generally have short durations, meaning maturities typically of twelve months or less. Old Line Bank limits its construction lending risk through adherence to established underwriting procedures. These loans generally have short durations, meaning maturities typically of twelve months or less. Residential houses, multi family dwellings and commercial buildings under construction and the underlying land for which the loan was obtained secure the construction loans. The vast majority of these loans are concentrated in our market area.

Construction lending also entails significant risk. These risks generally involve larger loan balances concentrated with single borrowers with funds advanced upon the security of the land or the project under construction. An appraisal of the property estimates the value of the project "as is and as if" completed. An appraisal of the property estimates the value of the project prior to completion of construction. Thus, initial funds are advanced based on the current value of the property with the remaining construction funds advanced under a budget sufficient to successfully complete the project within the "as completed" loan to value. To further mitigate the risks, we generally limit loan amounts to 80% or less of appraised values and obtain first lien positions on the property.

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We generally only offer real estate construction financing only to experienced builders, commercial entities or individuals who have demonstrated the ability to obtain a permanent loan “take out” (conversion to a permanent mortgage upon completion of the project). We also perform a complete analysis of the borrower and the project under construction. This analysis includes a review of the cost to construct, the borrower’s ability to obtain a permanent “take out” the cash flow available to support the debt payments and construction costs in excess of loan proceeds, and the value of the collateral. During construction, we advance funds on these loans on a percentage of completion basis. We inspect each project as needed prior to advancing funds during the term of the construction loan. We may provide permanent financing on the same projects for which we have provided the construction financing.

We also offer fixed rate home improvement loans. Our home equity and home improvement loan portfolio gives us a diverse client base. Although most of these loans are in our market area, the diversity of the individual loans in the portfolio reduces our potential risk. Usually, we secure our home equity loans and lines of credit with a security interest in the borrower’s primary or secondary residence.

Under our loan approval policy, all residential real estate loans approved must comply with federal regulations. Generally, we will make residential mortgage loans in amounts up to the limits established from time to time by Fannie Mae and Freddie Mac for secondary market resale purposes. This amount for single-family residential loans currently varies from $417,000 up to a maximum of $625,500 for certain high-cost designated areas. We also make residential mortgage loans up to limits established by the Federal Housing Administration, which currently is $625,500. The Washington, D.C. and Baltimore areas are both considered high-cost designated areas. We will, however, make loans in excess of these amounts if we believe that we can sell the loans in the secondary market or that the loans should be held in our portfolio. For loans sold in the secondary market, we require a credit score of at least 640 with some exceptions to 620 for veterans. Loans sold in the secondary market are sold to investors on a servicing released basis and recorded as loans held-for-sale. The premium is recorded in gain on sale of loans in non-interest income, net of commissions paid to the loan officers.

Commercial and Industrial Lending

Our commercial and industrial lending consists of lines of credit, revolving credit facilities, accounts receivable financing, term loans, equipment loans, SBA loans, standby letters of credit and unsecured loans. We originate commercial loans for any business purpose including the financing of leasehold improvements and equipment, the carrying of accounts receivable, general working capital, and acquisition activities. We have a diverse client base and we do not have a concentration of these types of loans in any specific industry segment. We generally secure commercial business loans with accounts receivable, equipment, deeds of trust and other collateral such as marketable securities, cash value of life insurance and time deposits at Old Line Bank.

Commercial business loans have a higher degree of risk than residential mortgage loans because the availability of funds for repayment generally depends on the success of the business. They may also involve high average balances, increased difficulty monitoring and a high risk of default. To help manage this risk, we typically limit these loans to proven businesses and we generally obtain appropriate collateral and personal guarantees from the borrower’s principal owners and monitor the financial condition of the business. For loans in excess of $250,000, monitoring generally includes a review of the borrower’s annual tax returns and updated financial statements.

Consumer Installment Lending

We offer various types of secured and unsecured consumer loans. We make consumer loans for personal, family or household purposes as a convenience to our customer base. This category includes our luxury boat loans, which we made prior to 2008 and that remain in our portfolio. Consumer loans, however, are not a focus of our lending activities. The underwriting standards for consumer loans include a determination of the applicant’s payment history on other debts and an assessment of his or her ability to meet existing obligations and payments on the proposed loan. As a general guideline, a consumer's total debt service should not exceed 40% of his or her gross income.

Consumer loans may present greater credit risk than residential mortgage loans because many consumer loans are unsecured or rapidly depreciating assets secure these loans. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage, loss or depreciation. Consumer loan collections depend on the borrower's continuing financial stability. If a borrower suffers personal financial difficulties, the consumer may not repay the loan. Also, various federal and state laws, including bankruptcy and insolvency laws, may limit the amount we can recover on such loans. However,

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in our opinion, many of these risks do not apply to the luxury boat portion of the loan portfolio due to the credit quality and liquidity of these borrowers.

Concentrations of Credit

Most of our lending activity occurs within the state of Maryland within the suburban Washington, D.C. market area in Anne Arundel, Calvert, Charles, Montgomery, Prince George’s and St. Mary’s Counties. The majority of our loan portfolio consists of commercial real estate loans and residential real estate loans. As a result of the Regal Bancorp acquisition, we have expanded our presence further north to Baltimore County and Carroll County, Maryland.

Non Accrual and Past Due Loans

We consider loans past due if the borrower has not paid the required principal and interest payments when due under the original or modified terms of the promissory note and place a loan on non accrual status when the payment of principal or interest has become 90 days past due. When we classify a loan as non accrual, we no longer accrue interest on such loan and we reverse 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 legacy loans only when received. We originally recorded purchased, credit impaired loans at fair value upon acquisition, and an accretable yield is established and recognized as interest income on purchased loans to the extent subsequent cash flows support the estimated accretable yield. Purchased, credit impaired loans that perform consistently with the accretable yield expectations are not reported as non accrual or non performing. However, purchased, credit impaired loans that do not continue to perform according to accretable yield expectations are considered impaired, and presented as non accrual and non performing. Currently, management expects to fully collect the carrying value of acquired, credit impaired loans.

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The table below presents an age analysis of the loans held for investment portfolio at June 30, 2016 and December 31, 2015.

Age Analysis of Past Due Loans

	June 30, 2016			December 31, 2015		
	Legacy	Acquired	Total	Legacy	Acquired	Total
Current	$ 1,019,387,462	$ 214,767,596	$ 1,234,155,058	$ 907,545,764	$ 230,336,630	$ 1,137,882,394
Accruing past due loans:						
30-89 days past due						
Commercial Real Estate:						
Owner Occupied	704,925	39,189	744,114	—	1,359,110	1,359,110
Investment	268,464	147,444	415,908	—	—	—
Land and A&D	476,968	400,661	877,629	459,655	157,866	617,521
Residential Real Estate:						
First-Investment	406,717	1,186,349	1,593,066	288,747	1,253,005	1,541,752
First-Owner Occupied	387,710	382,569	770,279	241,445	2,124,416	2,365,861
Commercial	—	46,550	46,550	4,471	873,796	878,267
Consumer	234,486	—	234,486	—	2,039	2,039
Total 30-89 days past due	2,479,270	2,202,762	4,682,032	994,318	5,770,232	6,764,550
90 or more days past due						
Commercial Real Estate:						
Land and A&D	—	—	—	—	128,938	128,938
Consumer	—	—	—	—	499	499
Total 90 or more days past due	—	—	—	—	129,437	129,437
Total accruing past due loans	2,479,270	2,202,762	4,682,032	994,318	5,899,669	6,893,987
Recorded Investment Non-accruing loans:						
Commercial Real Estate:						
Owner Occupied	2,461,431	—	2,461,431	2,474,813	—	2,474,813
Investment	—	—	—	—	64,447	64,447
Hospitality	1,355,719	296,518	1,652,237			
Land and A&D	—	—	—	—	261,700	261,700
Residential Real Estate:						

First-Investment	—	224,314	224,314	102,443	580,696	683,139
First-Owner Occupied	—	865,953	865,953	—	566,701	566,701
Commercial	1,895,081	873,796	2,768,877	1,842,819	—	1,842,819
Consumer	—	—	—	—	—	—
Total Recorded Investment Non-accruing loans:	5,712,231	2,260,581	7,972,812	4,420,075	1,473,544	5,893,619
Total Loans	$ 1,027,578,963	$ 219,230,939	$ 1,246,809,902	$ 912,960,157	$ 237,709,843	$ 1,150,670,000

We consider all non-performing loans and troubled debt restructurings (TDRs) to be impaired. We do not recognize interest income on non-performing loans during the time period that the loans are non-performing. We only recognize interest income on non-performing loans when we receive payment in full for all amounts due of all contractually required principle and interest, and the loan is current with its contractual terms. The tables below present our impaired loans at and for the periods ended June 30, 2016 and December 31, 2015.

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Impaired Loans at June 30, 2016

	Unpaid Principal Balance	Recorded Investment	Related Allowance	Three months June 30, 2016 Average Recorded Investment	Three months June 30, 2016 Interest Income Recognized	Six Months Ended June 30, 2016 Average Recorded Investment	Six Months Ended June 30, 2016 Interest Income Recognized
Legacy							
With no related allowance recorded:							
Commercial Real Estate:							
Owner Occupied	$ 571,287	$ 571,287	$ —	$ 1,225,002	$ 5,130	$ 1,220,351	$ 8,313
Investment	1,243,319	1,243,319	—	1,243,319	21,838	1,256,772	35,506
Commercial	885,570	885,570	—	3,297,366	3,076	3,338,295	3,076
With an allowance recorded:							
Commercial Real Estate:							
Owner Occupied	2,139,832	2,139,832	541,175	6,570,593	39,440	6,605,858	39,440
Hospitality	1,355,719	1,355,719	135,572	4,183,419	14,038	4,199,162	15,038
Commercial	1,009,512	1,009,512	550,046	2,082,387	215	2,046,717	946
Total legacy impaired	7,205,239	7,205,239	1,226,793	18,602,086	83,737	18,667,155	102,319
Acquired (1)							
With no related allowance recorded:							
Commercial Real Estate:							
Land and A&D	616,862	344,322	—	621,069	9,248	619,545	9,248
Residential Real Estate:							
First-Owner Investment	348,325	225,948	—	383,802	2,484	348,325	484
First-Owner Occupied	1,251,813	1,251,813	—	2,471,487	14,515	2,466,386	960

Land and A&D	334,271	45,000	—	334,271	—	334,271	—
Commercial	952,002	952,002	—	5,410,826	2,488	5,392,356	400
With an allowance recorded:							
Residential Real Estate:							
First-Owner Investment	79,761	79,761	78,145	367,261	—	367,132	—
First-Owner Occupied	297,451	297,451	237,921	1,804,205	—	1,800,018	—
Commercial	—	—	—	—	—	—	—
Total acquired impaired	3,880,485	3,196,297	316,066	11,392,921	28,735	11,328,033	11,092
Total impaired	$ 11,085,724	$ 10,401,536	$ 1,542,859	$ 29,995,007	$ 112,472	$ 29,995,188	$ 113,411

(1) Generally accepted accounting principles require that we record acquired loans at fair value which includes a discount for loans with credit impairment. These purchase credit impaired loans are not performing according to their contractual terms and meet the definition of an impaired loan. Although we do not accrue interest income at the contractual rate on these loans, we do recognize an accretable yield as interest income to the extent such yield is supported by cash flow analysis of the underlying loans.

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Impaired Loans

December 31, 2015

	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Legacy					
With no related allowance recorded:					
Commercial Real Estate:					
Owner Occupied	$ 575,562	$ 575,562	$ —	$ 1,232,306	$ 13,147
Investment	1,264,141	1,264,141	—	1,264,141	56,959
Residential Real Estate:					
First-Investment	102,443	102,443	—	330,106	—
Commercial	922,826	922,826	—	3,338,295	—
With an allowance recorded:					
Commercial Real Estate:					
Owner Occupied	2,153,214	2,153,214	119,199	6,605,858	—
Commercial	1,039,255	1,039,255	605,336	1,997,077	9,593
Consumer	—	—	—	—	—
Total legacy impaired	6,057,441	6,057,441	724,535	14,767,783	79,699
Acquired (1)					
With no related allowance recorded:					
Commercial Real Estate:					
Investment	—	—	—	—	—
Land and A&D	267,113	261,700	—	490,977	—
Residential Real Estate:					
First-Owner Occupied	528,964	518,243	—	1,062,798	28,477
With an allowance recorded:					
Residential Real Estate:					
First-Investment	223,617	219,225	88,604	367,261	—
Total acquired impaired	1,019,694	999,168	88,604	1,921,036	28,477
Total impaired	$ 7,077,135	$ 7,056,609	$ 813,139	$ 16,688,819	$ 108,176

(1) Generally accepted accounting principles require that we record acquired loans at fair value which includes a discount for loans with credit impairment. These purchase credit impaired loans are not performing according to their contractual terms and meet the definition of an impaired loan. Although we do not accrue interest income at the contractual rate on these loans, we do recognize an accretable yield as interest income to the extent such yield is supported by cash flow analysis of the underlying loans.

We consider a loan a TDR when we conclude that both of the following conditions exist: the restructuring constitutes a concession and the debtor is experiencing financial difficulties. Restructured loans at June 30, 2016 consisted of six loans for $908 thousand compared to five loans at December 31, 2015 for $711 thousand.

The following table includes the recorded investment in and number of modifications of TDRs for the three and six months ended June 30, 2016 and 2015. We report the recorded investment in loans prior to a modification and also the recorded investment in the loans after the loans were restructured. Reductions in the recorded investment are primarily due to the partial charge off of the principal balance prior to the modification. We had

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no loans that were modified as a TDR that defaulted within twelve months of the modification date during the three or six month periods ending June 30, 2016.

	Loans Modified as a TDR for the three months ended					
	June 30, 2016			June 30, 2015		
Troubled Debt Restructurings— (Dollars in thousands)	# of Contracts	Pre-Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment	# of Contracts	Pre-Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment
Commercial Real Estate	—	—	—	—	—	—
Residential Real Estate Non-Owner Occupied	—	—	—	—	—	—
Total Troubled Debt Restructurings	—	$ —	$ —	—	$ —	$ —

	Loans Modified as a TDR for the six months ended					
	June 30, 2016			June 30, 2015		
Troubled Debt Restructurings— (Dollars in thousands)	# of Contracts	Pre-Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment	# of Contracts	Pre-Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment
Commercial Real Estate	1	256,669	91,770	—	—	—
Residential Real Estate Non-Owner Occupied	1	136,173	66,767	—	—	—
Total Troubled Debt Restructurings	2	$ 392,842	$ 158,537	—	$ —	$ —

Acquired impaired loans

The following table documents changes in the accretable (premium) discount on acquired impaired loans during the six months ended June 30, 2016 and 2015, along with the outstanding balances and related carrying amounts for the beginning and end of those respective periods.

	June 30, 2016	June 30, 2015
Balance at beginning of period	$ 276,892	$ (31,551)
Accretion of fair value discounts	(44,967)	(368,943)
Payoff of acquired loans	(390,990)	—
Reclassification from non-accretable	352,714	371,518
Balance at end of period	$ 193,649	$ (28,976)

	Contractually Required Payments Receivable	Carrying Amount
At June 30, 2016	$ 12,798,858	$ 10,099,810

At December 31, 2015	14,875,352	10,675,943
At June 30, 2015	9,629,522	7,756,071
At December 31, 2014	10,658,840	7,994,604

Credit Quality Indicators

We review the adequacy of the allowance for loan losses at least quarterly. We base the evaluation of the adequacy of the allowance for loan losses upon loan categories. We categorize loans as residential real estate loans, commercial real estate loans, commercial loans and consumer loans. We further divide commercial real estate loans by owner occupied, investment, hospitality and land acquisition and development. We also divide residential real estate by owner occupied, investment, land acquisition and development and junior liens. All categories are divided by risk rating and loss factors and weighed 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 collateral separately and assign loss amounts based upon the evaluation.

We determine loss ratios for all loans based upon a review of the three year loss ratio for the category and qualitative factors.

We charge off loans that management has identified as losses. We consider suggestions from our external loan review firm and bank examiners when determining which loans to charge off. We automatically charge off consumer loan accounts based on regulatory requirements.

If a loan that was previously rated a pass performing loan, from our acquisitions, deteriorates subsequent to the acquisition, the subject loan will be assessed for risk and, if necessary, evaluated for impairment. If the risk assessment rating is adversely changed and the loan is determined to not be impaired, the loan will be placed in a migration category and the credit mark established for the loan will be compared to the general reserve allocation that would be applied using the current allowance for loan losses formula for General Reserves. If the credit mark exceeds the allowance for loan losses formula for General Reserves, there will be no change to the allowance for loan losses. If the credit mark is less than the current allowance for loan losses formula for General Reserves, the allowance for loan losses will be increased by the amount of the shortfall by a provision recorded in the income statement. If the loan is deemed impaired, the loan will be subject to evaluation for loss exposure and a specific reserve. If the estimate of loss exposure exceeds the credit mark, the allowance for loan losses will be increased by the amount of the excess loss exposure through a provision. If the credit mark exceeds the estimate of loss exposure there will be no change to the allowance for loan losses. If a loan from the acquired loan portfolio is carrying a specific credit mark and a current evaluation determines that there has been an increase in loss exposure, the allowance for loan losses will be increased by the amount of the current loss exposure in excess of the credit mark.

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The following tables outline the class of loans by risk rating at June 30, 2016 and December 31, 2015:

June 30, 2016	Account Balance Legacy	Acquired	Total
Risk Rating			
Pass (1-5)			
Commercial Real Estate:			
Owner Occupied	$ 190,086,565	$ 47,499,193	$ 237,585,758
Investment	353,124,354	50,869,548	403,993,902
Hospitality	117,583,951	9,419,177	127,003,128
Land and A&D	47,420,599	5,847,126	53,267,725
Residential Real Estate:			
First-Investment	73,307,420	24,732,424	98,039,844
First-Owner Occupied	47,447,037	45,118,367	92,565,404
Land and A&D	34,903,309	4,077,792	38,981,101
HELOC and Jr. Liens	24,878,535	3,925,124	28,803,659
Commercial	108,918,447	6,812,561	115,731,008
Consumer	5,386,910	171,324	5,558,234
	1,003,057,127	198,472,636	1,201,529,763
Special Mention (6)			
Commercial Real Estate:			
Owner Occupied	2,831,952	4,666,970	7,498,922
Investment	407,875	2,315,635	2,723,510
Hospitality	—	1,424,084	1,424,084
Land and A&D	2,575,088	171,933	2,747,021
Residential Real Estate:			
First-Investment	922,517	1,591,375	2,513,892
First-Owner Occupied	314,793	1,919,678	2,234,471
Land and A&D	3,550,503	846,656	4,397,159
Commercial	658,239	198,578	856,817
	11,260,967	13,134,909	24,395,876
Substandard (7)			
Commercial Real Estate:			
Owner Occupied	3,544,235	1,218,812	4,763,047
Investment	4,833,493	1,529,231	6,362,724
Hospitality	1,355,719	—	1,355,719
Land and A&D	—	45,000	45,000
Residential Real Estate:			
First-Investment	284,468	876,457	1,160,925
First-Owner Occupied	—	2,433,493	2,433,493
Land and A&D	—	568,955	568,955
Commercial	3,242,954	951,446	4,194,400
	13,260,869	7,623,394	20,884,263
Doubtful (8)	—	—	—
Loss (9)	—	—	—
Total	$ 1,027,578,963	$ 219,230,939	$ 1,246,809,902

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December 31, 2015	Account Balance		
	Legacy	Acquired	Total
Risk Rating			
Pass (1-5)			
Commercial Real Estate:			
Owner Occupied	$ 187,470,038	$ 50,432,486	$ 237,902,524
Investment	296,144,038	54,124,835	350,268,873
Hospitality	91,440,548	9,346,283	100,786,831
Land and A&D	47,935,681	6,105,829	54,041,510
Residential Real Estate:			
First-Investment	67,862,579	28,921,586	96,784,165
First-Owner Occupied	37,409,003	47,907,579	85,316,582
Land and A&D	33,611,213	5,810,524	39,421,737
HELOC and Jr. Liens	24,162,182	4,350,955	28,513,137
Commercial	102,721,919	8,367,518	111,089,437
Consumer	6,631,311	243,804	6,875,115
	895,388,512	215,611,399	1,110,999,911
Special Mention (6)			
Commercial Real Estate:			
Owner Occupied	2,863,922	4,843,163	7,707,085
Investment	1,025,908	1,821,487	2,847,395
Hospitality	—	1,430,277	1,430,277
Land and A&D	2,648,788	323,655	2,972,443
Residential Real Estate:			
First-Investment	867,973	1,543,819	2,411,792
First-Owner Occupied	77,855	2,805,695	2,883,550
Land and A&D	1,608,588	1,022,872	2,631,460
HELOC and Jr. Liens	6,107	—	6,107
Commercial	1,279,234	198,578	1,477,812
	10,378,375	13,989,546	24,367,921
Substandard (7)			
Commercial Real Estate:			
Owner Occupied	3,575,859	1,936,948	5,512,807
Investment	1,264,141	1,803,055	3,067,196
Land and A&D	—	42,670	42,670
Residential Real Estate:			
First-Investment	391,190	1,069,048	1,460,238
First-Owner Occupied	—	1,491,443	1,491,443
Land and A&D	—	812,364	812,364
Commercial	1,962,080	953,370	2,915,450
	7,193,270	8,108,898	15,302,168
Doubtful (8)	—	—	—
Loss (9)	—	—	—
Total	$ 912,960,157	$ 237,709,843	$ 1,150,670,000

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The following table details activity in the allowance for loan losses by portfolio segment for the three and six month periods ended June 30, 2016 and 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

Three Months Ended June 30, 2016	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Beginning balance	$ 989,005	$ 3,801,163	$ 904,204	$ 11,485	$ 5,705,857
General provision for loan losses	146,461	138,069	14,615	855	300,000
Recoveries	7,386	—	11,308	3,212	21,906
	1,142,852	3,939,232	930,127	15,552	6,027,763
Loans charged off	—	—	(3,055)	(5,785)	(8,840)
Ending Balance	$ 1,142,852	$ 3,939,232	$ 927,072	$ 9,767	$ 6,018,923

Six Months Ended June 30, 2016	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Beginning balance	$ 1,168,529	$ 3,046,714	$ 682,962	$ 11,613	$ 4,909,818
General provision for loan losses	(35,490)	892,518	227,996	(6,413)	1,078,611
Recoveries	14,285	—	19,169	10,853	44,307
	1,147,324	3,939,232	930,127	16,053	6,032,736
Loans charged off	(4,472)	—	(3,055)	(6,286)	(13,813)
Ending Balance	$ 1,142,852	$ 3,939,232	$ 927,072	$ 9,767	$ 6,018,923
Amount allocated to:					
Legacy Loans:					
Individually evaluated for impairment	$ 550,046	$ 676,747	$ —	$ —	$ 1,226,793
Other loans not individually evaluated	592,806	3,262,485	611,006	9,767	4,476,064
Acquired Loans:					
Individually evaluated for impairment	—	—	316,066	—	316,066
Ending balance	$ 1,142,852	$ 3,939,232	$ 927,072	$ 9,767	$ 6,018,923

Three Months Ended June 30, 2015	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Beginning balance	$ 761,671	$ 2,594,659	$ 1,238,113	$ 41,605	$ 4,636,048
General provision for loan losses	125,012	180,995	(186,420)	(33,929)	85,658
Recoveries	600	—	44,927	27,459	72,986
	887,283	2,775,654	1,096,620	35,135	4,794,692
Loans charged off	(14,235)	—	(340,500)	(4,044)	(358,779)
Ending Balance	$ 873,048	$ 2,775,654	$ 756,120	$ 31,091	$ 4,435,913

Six Months Ended June 30, 2015	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Beginning balance	$ 696,371	$ 2,558,368	$ 926,995	$ 100,001	$ 4,281,835
General provision for loan losses	372,111	217,266	171,040	(113,028)	647,389
Recoveries	1,542	20	55,085	48,062	104,709
	1,070,024	2,775,654	1,153,120	35,135	5,033,933
Loans charged off	(196,976)	—	(397,000)	(4,044)	(598,020)
Ending Balance	$ 873,048	$ 2,775,654	$ 756,120	$ 31,091	$ 4,435,913
Allowance allocated to:					
Legacy Loans:					
Individually evaluated for impairment	$ —	$ 30,604	$ 144,637	$ —	$ 175,241
Other loans not individually evaluated	873,048	2,621,420	415,845	31,091	3,941,404
Acquired Loans:					
Individually evaluated for impairment	—	123,630	195,638	—	319,268
Ending balance	$ 873,048	$ 2,775,654	$ 756,120	$ 31,091	$ 4,435,913

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Our recorded investment in loans at June 30, 2016 and 2015 related to each balance in the allowance for probable loan losses by portfolio segment and disaggregated on the basis of our impairment methodology was as follows:

June 30, 2016	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Legacy loans:					
Individually evaluated for impairment with specific reserve	$ 1,009,512	$ 3,495,551	$ —	$ —	$ 4,505,063
Individually evaluated for impairment without specific reserve	885,570	1,814,606	—	—	2,700,176
Other loans not individually evaluated	110,924,558	718,453,673	185,608,582	5,386,911	1,020,373,724
Acquired loans:					
Individually evaluated for impairment with specific reserve subsequent to acquisition (ASC 310-20 at acquisition)	—	—	377,212	—	377,212
Individually evaluated for impairment without specific reserve (ASC 310-20 at acquisition)	952,002	616,862	1,934,409	—	3,503,273
Individually evaluated for impairment without specific reserve (ASC 310-30 at acquisition)	—	5,789,245	4,310,565	—	10,099,810
Collectively evaluated for impairment without reserve (ASC 310-20 at acquisition)	7,010,584	118,600,602	79,468,134	171,324	205,250,644
Ending balance	$ 120,782,226	$ 848,770,539	$ 271,698,902	$ 5,558,235	$ 1,246,809,902

June 30, 2015	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Legacy loans:					
Individually evaluated for impairment with specific reserve	$ —	$ 44,807	$ 144,637	$ —	$ 189,444
Individually evaluated for impairment without specific reserve	700,655	1,548,011	107,853	—	2,356,519

Other loans not individually evaluated	99,854,902	585,914,275	150,993,440	8,190,009	844,952,626
Acquired loans:					
Individually evaluated for impairment with specific reserve subsequent to acquisition (ASC 310-20 at acquisition)	—	411,546	895,827	—	1,307,373
Individually evaluated for impairment without specific reserve (ASC 310-20 at acquisition)	126,331	315,472	1,165,322	—	1,607,125
Individually evaluated for impairment without specific reserve (ASC 310-30 at acquisition)	4,052	3,483,381	4,268,638	—	7,756,071
Collectively evaluated for impairment without reserve (ASC 310-20 at acquisition)	8,466,629	74,663,133	70,241,101	258,685	153,629,548
Ending balance	$ 109,152,569	$ 666,380,625	$ 227,816,818	$ 8,448,694	$ 1,011,798,706

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5.OTHER REAL ESTATE OWNED

At June 30, 2016 and December 31, 2015, the fair value of other real estate owned was $2.4 million and $2.5 million, respectively. As a result of the acquisitions of MB&T, WSB and Regal Bank, we have segmented the other real estate owned (OREO) into two components, real estate obtained as a result of loans originated by Old Line Bank (legacy) and other real estate acquired from MB&T, WSB and Regal Bank or obtained as a result of loans originated by MB&T, WSB and Regal Bank (acquired). We are currently aggressively either marketing these properties for sale or improving them in preparation for sale.

The following outlines the transactions in other real estate owned during the period.

Six Months Ended June 30, 2016	Legacy	Acquired	Total
Beginning balance	$ 425,000	$ 2,047,044	$ 2,472,044
Real estate acquired through foreclosure of loans	—	261,700	261,700
Additional valuation adjustment of real estate owned	—	(35,400)	(35,400)
Sales/deposit on sales	—	(307,108)	(307,108)
Net realized gain on sale of real estate owned	—	52,307	52,307
Ending balance	$ 425,000	$ 2,018,543	$ 2,443,543

Residential Foreclosures and Repossessed Assets — Once all potential alternatives for reinstatement are exhausted, past due loans collateralized by residential real estate are referred for foreclosure proceedings in accordance with local requirements of the applicable jurisdiction. Once possession of the property collateralizing the loan is obtained, the repossessed property will be recorded within other assets either as other real estate owned or, where management has both the intent and ability to recover its losses through a government guarantee, as a foreclosure claim receivable. At June 30, 2016, residential foreclosures classified as other real estate owned totaled $1.8 million. Loans secured by residential real estate in process of foreclosure totaled $518 thousand at June 30, 2016 compared to $583 thousand at December 31, 2015.

6.EARNINGS PER COMMON SHARE

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

We calculate diluted earnings per common share by including the average dilutive common stock equivalents outstanding during the period. Dilutive common equivalent shares consist of stock options, calculated using the treasury stock method.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted average number of shares	10,816,429	10,617,225	10,812,314	10,711,771
Dilutive average number of shares	10,989,854	10,759,628	10,980,534	10,847,352

7.STOCK BASED COMPENSATION

For the three months ended June 30, 2016 and 2015, we recorded stock-based compensation expense of $147,649 and $91,902, respectively. For the six months ended June 30, 2016 and 2015, we recorded stock-based compensation expense of $262,080 and $182,067, respectively. At June 30, 2016, there was $1,151,228 million of total unrecognized compensation cost related to non-vested stock options and restricted stock awards that we expect to realize over the next 2.5 years. As of June 30, 2016, there were 324,992 shares remaining available for future issuance under the 2010 equity incentive plan. The officers did not exercise any options during the six month period ended June 30, 2016 compared to 22,000 options exercised during the six month period ended June 30, 2015.

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For purposes of determining estimated fair value of stock options and restricted stock awards, we have computed the estimated fair values of all stock-based compensation using the Black-Scholes option pricing model and, for stock options and restricted stock awards granted prior to December 31, 2015, have applied the assumptions set forth in Old Line Bancshares' Annual Report on Form 10-K for the year ended December 31, 2015. During the six months ended June 30, 2016 and 2015, we granted 58,927 and 50,597 stock options, respectively. The weighted average grant date fair value of these 2016 stock options is $5.38 and was computed using the Black-Scholes option pricing model under similar assumptions.

During the six months ended June 30, 2016 and 2015, we granted 13,869 and 9,331 restricted common stock awards, respectively. The weighted average grant date fair value of these restricted stock awards is $17.75 at June 30, 2016. There were no restricted shares forfeited during the six month periods ending June 30, 2016 and 2015.

8.FAIR VALUE MEASUREMENT

The fair value of an asset or liability is the price that participants would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

The fair value hierarchy established by accounting standards defines three input levels for fair value measurement. The applicable standard describes three levels of inputs that may be used to measure fair value: Level 1 is based on quoted market prices in active markets for identical assets. Level 2 is based on significant observable inputs other than Level 1 prices. Level 3 is based on significant unobservable inputs that reflect a company's own assumptions about the assumption that market participants would use in pricing an asset or liability. We evaluate fair value measurement inputs on an ongoing basis in order to determine if there is a change of sufficient significance to warrant a transfer between levels. For the three and six months ended June 30, 2016 and year ended December 31, 2015, there were no transfers between levels.

At June 30, 2016, we hold, as part of our investment portfolio, available for sale securities reported at fair value consisting of municipal securities, U.S. government sponsored entities, mortgage-backed securities. The fair value of the majority of these securities is determined using widely accepted valuation techniques including matrix pricing and broker-quote based applications. Inputs include benchmark yields, reported trades, issuer spreads, prepayments speeds and other relevant items. These are inputs used by a third-party pricing service used by us.

To validate the appropriateness of the valuations provided by the third party, we regularly update the understanding of the inputs used and compare valuations to an additional third party source. We classify all our investment securities available for sale in Level 2 of the fair value hierarchy, with the exception of treasury securities which fall into Level 1.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

	At June 30, 2016 (In thousands)				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Changes in Fair Values Included in Period Earnings
Available-for-sale:					
U.S. Treasury securities	$ 3,000	$ 3,000	$ —	$ —	$ —
U.S. government agency	5,424	—	5,424	—	—
Municipal securities	63,364	—	63,364	—	—
FHLMC MBS	21,708	—	21,708	—	—
FNMA MBS	71,476	—	71,476	—	—
GNMA MBS	25,326	—	25,326	—	—
Total recurring assets at fair value	$ 190,298	$ 3,000	$ 187,298	$ —	$ —

	At December 31, 2015 (In thousands)				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Changes in Fair Values Included in Period Earnings
Available-for-sale:					
U.S. Treasury securities	$ 3,000	$ 3,000	$ —	$ —	$ —
U.S. government agency	36,607	—	36,607	—	—
Municipal securities	50,203	—	50,203	—	—
FHLMC MBS	21,763	—	21,763	—	—
FNMA MBS	49,101	—	49,101	—	—
GNMA MBS	29,418	—	29,418	—	—
SBA loan pools	4,614	—	4,614	—	—
Total recurring assets at fair value	$ 194,706	$ 3,000	$ 191,706	$ —	$ —

Our valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes our methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value. Furthermore, we have not comprehensively revalued the fair value amounts since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the above presented amounts.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We may be required from time to time, to measure certain assets at fair value on a non-recurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis at June 30, 2016 and December 31, 2015 are included in the tables below.

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We also measure certain non-financial assets such as other real estate owned, TDRs, and repossessed or foreclosed property at fair value on a non-recurring basis. Generally, we estimate the fair value of these items using Level 2 inputs based on observable market data or Level 3 inputs based on discounting criteria.

	At June 30, 2016 (In thousands)			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired Loans				
Legacy:	$ 5,978	$ —	$ —	$ 5,978
Acquired:	2,880	—	—	2,880
Total Impaired Loans	8,858	—	—	8,858
Other real estate owned:				
Legacy:	425	—	—	425
Acquired:	2,019	—	—	2,019
Total other real estate owned:	2,444	—	—	2,444
Total	$ 11,302	$ —	$ —	$ 11,302

	At December 31, 2015 (In thousands)			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired Loans				
Legacy:	$ 5,333	$ —	$ —	$ 5,333
Acquired:	1,958	—	—	1,958
Total Impaired Loans	7,291	—	—	7,291
Other real estate owned:				
Legacy:	425	—	—	425
Acquired:	2,047	—	—	2,047
Total other real estate owned:	2,472	—	—	2,472
Total	$ 9,763	$ —	$ —	$ 9,763

As of June 30, 2016 and December 31, 2015, we estimated the fair value of impaired assets using Level 3 inputs to be $11.3 million and $9.8 million, respectively. We determined these Level 3 inputs based on appraisal evaluations, offers to purchase and/or appraisals that we obtained from an outside third party during the preceding twelve months less costs to sell. Discounts have predominantly been in the range of 0% to 50%. As a result of the acquisition of Maryland Bankcorp, WSB Holdings and Regal, we have segmented the other real estate owned into two components, real estate obtained as a result of loans originated by Old Line Bank (legacy) and other real estate acquired from MB&T, WSB and Regal Bank or obtained as a result of loans originated by MB&T, WSB and Regal Bank (acquired).

We use the following methodologies for estimating fair values of financial instruments that we do not measure on a recurring basis. The estimated fair values of financial instruments equal the carrying value of the instruments except as noted.

Cash and Cash Equivalents - For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value because of the short maturities of these instruments.

Loans- We estimate the fair value of loans, segregated by type based on similar financial characteristics, by discounting future cash flows using current rates for which we would make similar loans to borrowers with similar credit histories. We then adjust this calculated amount for any credit impairment.

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Loans held for Sale- Loans held for sale are carried at the lower of cost or market value. The fair values of loans held for sale are based on commitments on hand from investors within the secondary market for loans with similar characteristics.

Investment Securities- We base the fair values of investment securities upon quoted market prices or dealer quotes.

Equity Securities- Equity securities are considered restricted stock and are carried at cost which approximates fair value.

Accrued Interest Receivable and Payable- The carrying amount of accrued interest and dividends receivable on loans and investments and payable on borrowings and deposits approximate their fair values.

Interest bearing deposits-The fair value of demand deposits and savings accounts is the amount payable on demand. We estimate the fair value of fixed maturity certificates of deposit using the rates currently offered for deposits of similar remaining maturities.

Non-Interest bearing deposits- The fair value of non-interest bearing accounts is the amount payable on demand at the reporting date.

Long and short term borrowings- The fair value of long and short term fixed rate borrowings is estimated by discounting the value of contractual cash flows using rates currently offered for advances with similar terms and remaining maturities.

Off-balance Sheet Commitments and Contingencies- Carrying amounts are reasonable estimates of the fair values for such financial instruments. Carrying amounts include unamortized fee income and, in some cases, reserves for any credit losses from those financial instruments. These amounts are not material to our financial position.

Under ASC Topic 825, entities may choose to measure eligible financial instruments at fair value at specified election dates. The fair value measurement option (i) may be applied instrument by instrument, with certain exceptions, (ii) is generally irrevocable and (iii) is applied only to entire instruments and not to portions of instruments. We must report in earnings unrealized gains and losses on items for which we have elected the fair value measurement option at each subsequent reporting date. We measure certain financial assets and financial

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liabilities at fair value on a non-recurring basis. These assets and liabilities are subject to fair value adjustments in certain circumstances such as when there is evidence of impairment.

	June 30, 2016 (In thousands)				
	Carrying Amount (000's)	Total Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 33,643	$ 33,643	$ 33,643	$ —	$ —
Loans receivable, net	1,242,018	1,245,029	—	—	1,245,029
Loans held for sale	6,112	6,192	—	6,192	—
Investment securities available for sale	190,298	190,298	3,000	187,298	—
Equity Securities at cost	7,305	7,305	—	7,305	—
Accrued interest receivable	3,704	3,704	—	748	2,956
Liabilities:					
Deposits:					
Non-interest-bearing	313,439	313,439	—	313,439	—
Interest bearing	949,451	962,163	—	962,163	—
Short term borrowings	153,752	153,752	—	153,752	—
Long term borrowings	9,559	9,559	—	9,559	—
Accrued Interest payable	448	448	—	448	—

	December 31, 2015 (In thousands)				
	Carrying Amount (000's)	Total Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 43,701	$ 43,701	$ 43,701	$ —	$ —
Loans receivable, net	1,147,035	1,153,976	—	—	1,153,976
Loans held for sale	8,112	8,397	—	8,397	—
Investment securities available for sale	194,706	194,706	3,000	191,706	—
Equity Securities at cost	4,942	4,942	—	4,942	—
Accrued interest receivable	3,815	3,815	—	908	2,907
Liabilities:					

Deposits:					
Non-interest-bearing	328,549	328,549	—	328,549	—
Interest bearing	907,331	908,356	—	908,356	—
Short term borrowings	107,557	107,557	—	107,557	—
Long term borrowings	9,593	9,593	—	9,593	—
Accrued Interest payable	417	417	—	417	—

9.SHORT TERM BORROWINGS

Short term borrowings consist of promissory notes or overnight repurchase agreements sold to Old Line Bank's customers, federal funds purchased and advances from the FHLB.

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Securities Sold Under Agreements to Repurchase

To support the $27.3 million in repurchase agreements at June 30, 2016, we have provided collateral in the form of investment securities. At June 30, 2016 we have pledged $35.5 million in U.S. government agency securities and mortgage-backed securities to customers who require collateral for overnight repurchase agreements and deposits. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. As a result, there is no offsetting or netting of the investment securities assets with the repurchase agreement liabilities. We monitor collateral levels on a continuous basis. We may be required to provide additional collateral based on the fair value of the underlying securities in the event the collateral fair value falls below stipulated levels. We closely monitor the collateral levels to ensure adequate levels are maintained. Securities pledged as collateral under repurchase agreements are maintained with our safekeeping agents. We have the right to sell or re-pledge the investment securities. For government entity repurchase agreements, the collateral is held by Old Line Bank in a segregated custodial account under a tri-party agreement. The repurchase agreements totaling $27.3 million mature daily and will remain fully collateralized until the account has been closed or terminated.

10.REGAL ACQUISITION

On December 4, 2015, Old Line Bancshares completed its acquisition of Regal, the parent company of Regal Bank, through the merger of Regal with and into Bancshares (the “Merger”). The Merger was consummated pursuant to the Agreement and Plan of Merger dated as of August 5, 2015, by and between Old Line Bancshares and Regal, as amended (the “Merger Agreement”). This acquisition facilitates Old Line Bank’s entry into the attractive markets of Baltimore County and Carroll County Maryland.

As a result of the Merger, each share of preferred stock of Regal was converted into the right to receive $2.00 in cash, and each share of common stock of Regal was converted into the right to receive, at the holder’s election, $12.68 in cash or 0.7718 shares of Old Line Bancshares’ common stock, provided that (i) cash was paid in lieu of any fractional shares of Old Line Bancshares common stock and (ii) no more than 59% of the total consideration paid in the merger could consist of cash. As a result Old Line Bancshares issued approximately 230,640 shares of its common stock and paid approximately $2.9 million in cash in exchange for the shares of common stock and preferred stock of Regal in the Merger. The aggregate Merger consideration was approximately $7.0 million as calculated pursuant to the Merger Agreement.

In connection with the Merger, the parties have caused Regal Bank to merge with and into Old Line Bank, with Old Line Bank the surviving bank.

The acquired assets and assumed liabilities of Regal were measured at estimated fair value. Management made significant estimates and exercised significant judgment in accounting for the acquisition of Regal. Management judgmentally assigned risk ratings to loans based on appraisals and estimated collateral values, expected cash flows, prepayment speeds and estimated loss factors to measure fair values for loans. Management used quoted or current market prices to determine the fair value of investment securities, long term borrowings and trust preferred subordinated debentures that were assumed from Regal.

The following table provides the purchase price as of the acquisition date and the identifiable assets acquired and liabilities assumed at their estimated fair values.

Purchase Price Consideration	
Cash consideration	$ 2,852,321
Purchase price assigned to shares exchanged for stock	4,144,601
Total purchase price for Regal acquisition	6,996,922

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Fair Value of Assets Acquired	
Cash and due from banks	$ 6,344,304
Investment securities available for sale	23,832,038
Loans, net of deferred fees and costs	91,440,695
Premises and equipment	1,807,143
Accrued interest receivable	253,863
Deferred income taxes	502,320
Bank owned life insurance	4,309,770
Other real estate owned	808,150
Core deposit intangible	722,780
Other assets	603,020
Total assets acquired	$ 130,624,083
Fair Value of Liabilities assumed	
Deposits	$ 103,975,043
Long term borrowings	16,090,182
Trust preferred subordinated debentures	3,716,838
Other liabilities	1,837,790
Total liabilities assumed	$ 125,619,853
Fair Value of net assets acquired	5,004,230
Total Purchase Price	6,996,922
Goodwill recorded for Regal	$ 1,992,692

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" 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 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 $430 thousand investment in a real estate investment limited liability company named Pointer Ridge Office Investment, LLC (Pointer Ridge). We own 62.5% of Pointer Ridge. Frank Lucente, one of our directors and a director of Old

Line Bank, controls 12.5% 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 98% of this building for our main office and operate a branch of Old Line Bank from this address.

On April 1, 2011, we acquired Maryland Bankcorp, Inc. ("Maryland Bankcorp"), the parent company of Maryland Bank & Trust Company, N.A ("MB&T"), on May 10, 2013, we acquired WSB Holdings, Inc. (WSB Holdings), the parent company of The Washington Savings Bank, F.S.B. ("WSB") and on December 4, 2015, we acquired Regal Bancorp, ("Regal"), the parent company of Regal Bank & Trust ("Regal Bank"). These acquisitions created the third largest independent commercial bank based in Maryland, with assets of more than $1.5 billion and with 23 full service branches serving eight counties at the time of the Regal acquisition.

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Summary of Recent Performance and Other Activities

Net loans held-for-investment increased $95.0 million, or 8.28%, and deposits grew $27.0 million, or 2.19% during the six months ended June 30, 2016. Net income available to common stockholders increased $530 thousand, or 20.38%, to $3.1 million for the three months ended June 30, 2016, compared to $2.6 million for the three months ended June 30, 2015. Earnings were $0.29 per basic and $0.28 per diluted common share for the three months ended June 30, 2016 and $0.25 per basic and $0.24 per diluted common share for the same period in 2015. The increase in net income is primarily the result of a $1.8 million increase in net interest income and a $1.1 million increase in non-interest income, offsetting a $1.8 million increase in non-interest expenses and a $214 thousand increase in the provision for loan losses. Net income included $302 thousand in merger-related expenses and $393 thousand in severance payments. The severance payments were the result of a strategic reduction of staff. The merger-related expenses are in connection with the Company's acquisition of Regal in December 2015.

Net income available to common stockholders was $5.3 million for the six months ended June 30, 2016, compared to $5.4 million for the same six month period last year, a decrease of $73 thousand, or 1.36%. Earnings were $0.49 per basic and $0.48 per diluted common share for the six months ended June 30, 2016 compared to $0.50 per basic and $0.49 per diluted common share for the same period last year. The decrease in net income is primarily the result of an increase of $3.7 million in non-interest expenses, offsetting increases of $3.0 million, or 13.06%, in net interest income and $1.2 million, or 37.89%, in non-interest income. Net income included $393 thousand for severance payments and $661 thousand in merger-related expenses in connection with the Company's acquisition of Regal.

The following highlights contain additional financial data and events that have occurred during the three and six month periods ended June 30, 2016:

- Net loans held-for-investment increased $66.2 million, or 5.63%, and $95.0 million, or 8.28%, respectively, during the three and six months ended June 30, 2016, to $1.2 billion at June 30, 2016, compared to $1.1 billion at December 31, 2015, as a result of organic growth within our market area. Average gross loans increased $211.3 million, or 21.07%, to $1.2 billion for the three month period ending June 30, 2016 compared to $1.0 billion during the three months ended June 30, 2015. Average gross loans for the six month period increased $214.5 million, or 21.91%, to $1.2 billion compared to $979 million for the six month period ended June 30, 2015. The growth in average loans during the six month period this year compared to the same period last year includes approximately $88.8 million in loans acquired in the Regal merger.
- Total assets increased $79.9 million, or 5.29%, since December 31, 2015.
- Net income available to common stockholders increased 20.38% to $3.1 million, or $0.29 per basic and $0.28 per diluted share, for the three month period ending June 30, 2016, from $2.6 million, or $0.25 per basic and $0.24 per diluted share, for the second quarter of 2015. Net income available to common stockholders decreased $73 thousand or 1.36% to $5.3 million, or $0.49 per basic and $0.48 per diluted share, for the six month period ending June 30, 2016, from $5.4 million, or $0.50 per basic and $0.49 per diluted share, for the six months ending June 30, 2015.
- The net interest margin during the three months ended June 30, 2016 was 3.85% compared to 4.01% for the same period in 2015. Total yield on interest earning assets decreased to 4.32% for the three months ending June 30, 2016, compared to 4.42% for the same three month period last year. Interest expense as a percentage of total interest-bearing liabilities was 0.61% for the three months ended June 30, 2016 compared to 0.54% for the same period of 2015.
- The net interest margin during the six months ended June 30, 2016 was 3.85% compared to 4.16% for the same period in 2015. Total yield on interest earning assets decreased to 4.31% for the six months ending June 30, 2016, compared to 4.55% for the same six month period last year. Interest expense as a percentage of total interest-bearing liabilities was 0.60% for the six months ended June 30, 2016 compared to 0.52% for the same period of 2015.

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- The second quarter of 2016 return on average assets (ROAA) and return on average equity (ROAE) were 0.81% and 8.63%, respectively, compared to ROAA and ROAE of 0.80% and 7.58%, respectively, for the second quarter of 2015.
- The ROAA and ROAE were 0.69% and 7.41%, respectively, for the six months ended June 30, 2016 compared to ROAA and ROAE of 0.85% and 7.82%, respectively, for the six months ending June 30, 2015.
- In June 2016, management conducted an organizational review that identified areas of job overlap as well as areas requiring improved staffing efficiencies. As a part of this process several departments were identified for small strategic reductions in force in order to maintain competitive efficiency levels. The analysis resulted in the elimination of a limited number of positions with an aggregate quarterly savings in salaries, benefits and taxes of approximately $285 thousand. These savings will be realized beginning in the third quarter of 2016. Approximately $393 thousand of severance was accrued in the second quarter in conjunction with these actions.
- The Company ended the second quarter of 2016 with a book value of $13.77 per common share and a tangible book value of $12.50 per common share compared to $13.31 and $12.00, respectively, at December 31 2015.
- We maintained appropriate levels of liquidity and by all regulatory measures remained "well capitalized."

The following summarizes the highlights of our financial performance for the three and six month periods ended June 30, 2016 compared to same periods in 2015 (figures in the table may not match those discussed in the balance of this section due to rounding).

	Three months ended June 30, (Dollars in thousands)			
	2016	2015	$ Change	% Change
Net income available to common stockholders	$ 3,131	$ 2,601	$ 530	20.38 %
Interest income	14,614	12,352	2,262	18.31
Interest expense	1,638	1,181	457	38.70
Net interest income before provision for loan losses	12,976	11,171	1,805	16.16
Provision for loan losses	300	86	214	248.84
Non-interest income	2,564	1,504	1,060	70.48
Non-interest expense	10,553	8,793	1,760	20.02
Average total loans	1,214,193	1,002,896	211,297	21.07
Average interest earning assets	1,402,850	1,161,092	241,758	20.82
Average total interest bearing deposits	916,952	765,328	151,624	19.81
Average non-interest bearing deposits	313,709	269,427	44,282	16.44
Net interest margin	3.85 %	4.01 %		(3.99)
Return on average equity	8.63 %	7.58 %		13.85
Basic earnings per common share	$ 0.29	$ 0.25	$ 0.04	16.00
Diluted earnings per common share	0.28	0.24	0.04	16.67

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	Six months ended June 30, (Dollars in thousands) 2016	2015	$ Change	% Change
Net income available to common stockholders	$ 5,282	$ 5,355	$ (73)	(1.36) %
Interest income	28,772	24,860	3,912	15.74
Interest expense	3,184	2,227	957	42.97
Net interest income before provision for loan losses	25,588	22,633	2,955	13.06
Provision for loan losses	1,079	647	432	66.77
Non-interest income	4,547	3,298	1,249	37.87
Non-interest expense	21,177	17,446	3,731	21.39
Average total loans	1,193,476	979,017	214,459	21.91
Average interest earning assets	1,385,537	1,140,138	245,399	21.52
Average total interest bearing deposits	912,731	769,063	143,668	18.68
Average non-interest bearing deposits	319,979	266,306	53,673	20.15
Net interest margin	3.85 %	4.16 %		(7.45)
Return on average equity	7.41 %	7.82 %		(5.24)
Basic earnings per common share	$ 0.49	$ 0.50	$ (0.01)	(2.00)
Diluted earnings per common share	0.48	0.49	(0.01)	(2.04)

Strategic Plan

We have based our strategic plan on the objective of enhancing stockholder value and growth through branching and operating profits. Our short term goals include continuing the growth of the loan and deposit portfolios, collecting payments on non-accrual and past due loans, profitably disposing of certain acquired loans and other real estate owned, enhancing and maintaining credit quality, maintaining an attractive branch network, expanding fee income, generating extensions of core banking services, and using technology to maximize stockholder value. During the past few years, we have expanded organically in Montgomery County and both organically and through acquisitions in Baltimore, Carroll, Charles, Prince George’s and Anne Arundel Counties, Maryland.

We use the Internet and technology to augment our growth plans. Currently, we offer our customers image technology, Internet and mobile banking with online account access and bill payer service. We provide selected commercial customers the ability to remotely capture their deposits and electronically transmit them to us. We will continue to evaluate cost effective ways that technology can enhance our management capabilities, products and services.

We may continue 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 also continually evaluate and consider opportunities with financial services companies or institutions with which we may become a strategic partner, merge or acquire such as we have done with Maryland Bankcorp, WSB Holdings and Regal.

Although the current economic and regulatory climate continues to present challenges for our industry, we have worked diligently towards our goal of becoming the premier community bank in suburban Maryland, resulting in increased penetration into the Charles, Prince George’s, Anne Arundel, St. Mary’s and Montgomery County markets as well as expansion into the Baltimore County and Carroll County. While we are uncertain about the pace of economic growth or the impact of the current political environment, and we believe that international concerns, including slowing growth in China’s economy and Great Britain’s planned exit from the European Union, and the growing national debt will continue to dampen the economic climate, we remain cautiously optimistic that we have identified any problem assets, that our remaining borrowers will stay current on their loans and that we can continue to grow our balance sheet and earnings.

If the Board of Governors of the Federal Reserve System maintains the federal funds rate at or near current levels and the economy remains stable, we believe that we can continue to grow total loans and can grow deposits during the remainder of 2016. We also believe that we will be able to maintain a strong net interest margin during the remainder of 2016. As a result of this growth and expected continued strength in the net interest margin, we expect that net interest income will continue to increase during the second half of 2016, although there can be no guarantee that this will be the case.

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We also expect that salaries and benefits expenses and other operating expenses will continue to be higher during 2016 than they were in 2015 due to the additional staff resulting from the Regal acquisition. We will continue to look for opportunities to reduce expenses as we did pursuant to the organizational review we conducted this year that identified areas of job overlap as well as areas requiring improved staffing efficiencies which resulted in the elimination of a limited number of positions. Similarly, we recently announced plans to close three branches that had branches that have other Old Line Bank branches within close proximity of their locations.

We believe with our existing and planned branches, our lending staff, our corporate infrastructure and our solid balance sheet and strong capital position, we can continue to focus our efforts on continuing to improve earnings per share and enhance stockholder value.

Critical Accounting Policies

Critical accounting policies are those that involve significant judgments and assessments by management, and which could potentially result in materially different results under different assumptions and conditions. As discussed in Old Line Bancshares' Form 10-K for the fiscal year ended December 31, 2015, we consider our critical accounting policies to be the allowance for loan losses, other-than-temporary impairment of investment securities, goodwill and other intangible assets, income taxes, business combinations and accounting for acquired loans. There have been no material changes in our critical accounting policies during the six months ended June 30, 2016.

Results of Operations for the Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015.

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, interest bearing deposits and federal funds sold. Cost of funds consists of interest paid on interest bearing deposits and other borrowings. Non-interest bearing deposits and capital are also funding sources. Changes in the volume and mix of earning assets and funding sources along with changes in associated interest rates determine changes in net interest income.

Net interest income before provision for loan losses for the three months ended June 30, 2016 increased $1.8 million, or 16.15%, to $13.0 million from $11.2 million for the same period in 2015. As outlined in detail in the Rate/Volume Variance Analysis, this increase was the result of an increase in total interest income, resulting primarily from an increase in the volume of our average loans partially offset by a decrease in the yield on the loan portfolio, as well as an increase in interest expense resulting from an increase in the average rate on and, to a lesser extent, the average balance of, our interest-bearing liabilities, all as discussed further below. We continue to adjust the mix and volume of interest earning assets and liabilities on the balance sheet to maintain a relatively strong net interest margin.

Total interest income increased $2.3 million, or 18.31%, to $14.6 million during the three months ended June 30, 2016 compared to $12.4 million during the three months ended June 30, 2015, primarily as a result of a $2.0 million increase in interest and fees on loans. The increase in interest and fees on loans is the result of a $211.3 million increase in our average loans for the three months ended June 30, 2016 compared to the same period in 2015 as a result of strong organic loan growth and, to a lesser extent, the acquisition of Regal Bank, partially offset by a decrease in the average yield on loans. The average yield on the loan portfolio decreased to 4.57% for the three months ended June 30, 2016 from 4.70% during the three months ended June 30, 2015 due to lower yields on new loans and re-pricing in the loan portfolio. The fair value accretion/amortization on acquired loans affects interest income, primarily due to payoffs on such acquired loans. Payoffs during the three months ended June 30, 2016 contributed a 4 basis point increase in interest income, as compared to 1 basis point for the three months ending June 30, 2015. In addition, a $216 thousand increase in interest earned on investment and other securities also impacted total interest income for the 2016 period. This increase was primarily related to increases in the interest earned on mortgage backed and municipal securities due to increases in the average balances of these securities, partially offset by a 54 basis point decrease in the yield on the municipal securities.

Total interest expense increased $457 thousand, or 38.66%, to $1.6 million during the three months ended June 30, 2016 from $1.2 million for the same period in 2015, as a result of the increases in the average rate paid on and, to a lesser extent, the average balance of interest bearing liabilities. The average rate paid on interest bearing deposits increased to 0.57% during the three months ended June 30, 2016 from 0.54% the same three month period last year, primarily as a result of higher rates paid on time deposits acquired in the Regal acquisition. The average interest rate paid on all interest bearing liabilities increased to 0.61% during the three months ended June 30, 2016 compared to 0.54% during the three months ended June 30, 2015, due to higher rates paid on our borrowings, which includes the interest paid on our trust

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preferred securities, and to a lesser extent, the increase in the average rate paid on deposits. The fair value accretion recorded on acquired deposits also affects interest expense. The benefit from accretion on such deposits increased by one basis point as compared to the same three month period of 2015.

The average balance of interest bearing liabilities increased $200.0 million, or 22.65%, to $1.1 billion for the three months ended June 30, 2016 from $882.9 million for the three months ended June 30, 2015, as a result of increases of $151.6 million, or 19.82%, in our average interest bearing deposits and $48.3 million, or 41.12%, in our average borrowings quarter over quarter. The increase in our average interest bearing deposits is primarily due to the deposits acquired in the Regal acquisition and, to a lesser extent, organic deposit growth. The increase in our average borrowings is due to the use of short term Federal Home Loan Bank advances to fund new loan originations.

Non-interest bearing deposits allow us to fund growth in interest earning assets at minimal cost. As a result of the growth generated primarily from our branch network and also from the efforts of our commercial loan officers in working with loan clients to move their commercial deposits to Old Line Bank, average non-interest bearing deposits increased $44.3 million to $313.7 million for the three months ended June 30, 2016, compared to $269.4 million for the three months ended June 30, 2015.

Our net interest margin decreased to 3.85% for the three months ended June 30, 2016 from 4.01% for the three months ended June 30, 2015. The yield on average interest earning assets decreased 10 basis points for the period from 4.42% for the quarter ended June 30, 2015 to 4.32% for the quarter ended June 30, 2016 due to the decrease on the yield on our loan portfolio, and the average rate paid on our interest-bearing liabilities increased seven basis points as discussed above.

During the three months ended June 30, 2016 and 2015, we continued to successfully collect payments on acquired loans that we had recorded at fair value at the acquisition date, which resulted in a positive impact in interest income. Total accretion increased by $132 thousand for the three months ended June 30, 2016, as compared to the same period last year. The payments received were a direct result of our efforts to negotiate payments, sell notes or foreclose on and sell collateral after the acquisition date.

The accretion positively impacted the yield on loans and increased the net interest margin during these periods as follows:

	Three months ended June 30,					
	2016			2015		
	Accretion Dollars	% Impact on Net Interest Margin		Accretion Dollars	% Impact on Net Interest Margin	
Commercial loans	$ (479)	—	%	$ (3,114)	—	%
Mortgage loans	127,100	0.04		35,386	0.01	
Consumer loans	10,963	—		4,298	—	
Interest bearing deposits	68,569	0.02		37,677	0.01	
Total accretion (amortization)	$ 206,153	0.06	%	$ 74,247	0.02	%

Average Balances, Yields and Accretion of Fair Value Adjustments Impact. The following table illustrates average balances of total interest earning assets and total interest bearing liabilities for the three months ended June 30, 2016 and 2015, showing the average distribution of assets, liabilities, stockholders' equity and related income, expense and corresponding weighted average yields and rates. Non-accrual loans are included in total loan balances lowering the

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effective yield for the portfolio in the aggregate. The average balances used in this table and other statistical data were calculated using average daily balances.

	Average Balances, Interest and Yields					
	2016			2015		
Three months ended June 30,	Average balance	Interest	Yield/ Rate	Average balance	Interest	Yield/ Rate
Assets:						
Federal funds sold (1)	$ 327,683	$ 379	0.47 %	$ —	$ —	— %
Interest bearing deposits (1)	1,520,554	3	—	914,076	190	0.08
Investment securities (1)(2)						
U.S. Treasury	2,997,364	5,285	0.71	3,000,450	2,799	0.37
U.S. government agency	23,454,182	90,625	1.55	39,550,224	140,387	1.42
Mortgage backed securities	104,087,876	494,145	1.91	73,110,402	350,544	1.92
Municipal securities	55,881,307	591,467	4.26	41,079,942	491,891	4.80
Other equity securities	6,231,432	97,728	6.31	5,117,703	45,569	3.57
Total investment securities	192,652,161	1,279,250	2.67	161,858,721	1,031,190	2.56
Loans(1)						
Commercial	145,376,806	1,458,969	4.04	136,097,742	1,312,704	3.87
Mortgage real estate	1,061,962,806	12,236,782	4.63	857,687,731	10,311,174	4.82
Consumer	6,853,629	87,168	5.12	9,110,583	128,665	5.66
Total loans	1,214,193,241	13,782,919	4.57	1,002,896,056	11,752,543	4.70
Allowance for loan losses	5,844,078	—		4,576,511	—	
Total loans, net of allowance	1,208,349,163	13,782,919	4.59	998,319,545	11,752,543	4.72
Total interest earning assets(1)	1,402,849,561	15,062,551	4.32	1,161,092,342	12,783,923	4.42
Non-interest bearing cash	43,063,212			37,463,216		
Premises and equipment	36,183,279			33,865,762		
Other assets	73,789,163			65,683,005		
Total assets(1)	1,555,885,215			1,298,104,325		

Liabilities and Stockholders' Equity:												
Interest bearing deposits												
Savings		102,310,829		30,739	0.12			91,333,862		27,645	0.12	
Money market and NOW		381,648,262		227,643	0.24			303,598,740		160,017	0.21	
Time deposits		432,992,550		1,050,997	0.98			370,395,193		833,898	0.90	
Total interest bearing deposits		916,951,641		1,309,379	0.57			765,327,795		1,021,560	0.54	
Borrowed funds		165,943,308		328,613	0.80			117,595,112		159,707	0.54	
Total interest bearing liabilities		1,082,894,949		1,637,992	0.61			882,922,907		1,181,267	0.54	
Non-interest bearing deposits		313,709,097						269,427,296				
		1,396,604,046						1,152,350,203				
Other liabilities		13,171,739						7,866,395				
Non-controlling interest		257,582						252,293				
Stockholders' equity		145,851,848						137,635,434				
Total liabilities and stockholders' equity	$	1,555,885,215					$	1,298,104,325				
Net interest spread(1)					3.71						3.88	
Net interest margin(1)			$	13,424,559	3.85	%			$	11,602,656	4.01	%

(1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these types of assets. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See "Reconciliation of Non-GAAP Measures."

(2) Available for sale investment securities are presented at amortized cost.

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The following table describes the impact on our interest revenue and expense resulting from changes in average balances and average rates for the three months ended June 30, 2016 and 2015. We have allocated the change in interest income, 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 June 30, 2016 compared to 2015 Variance due to:		
	Total	Rate	Volume
Interest earning assets:			
Federal funds sold(1)	$ 379	$ —	$ —
Interest bearing deposits	(187)	(368)	181
Investment Securities(1)			
U.S. treasury	2,486	2,491	(5)
U.S. government agency	(49,762)	30,431	(80,193)
Mortgage backed securities	143,601	(11,075)	154,676
Municipal securities	99,576	(143,288)	242,864
Other	52,159	48,692	3,467
Loans:(1)			
Commercial	146,265	102,752	43,513
Mortgage	1,925,608	(1,220,972)	3,146,580
Consumer	(41,497)	(25,524)	(15,973)
Total interest revenue (1)	2,278,628	(1,216,861)	3,495,110
Interest bearing liabilities			
Savings	3,094	(702)	3,796
Money market and NOW	67,626	45,486	22,140
Time deposits	217,099	141,042	76,057
Borrowed funds	168,906	138,023	30,883
Total interest expense	456,725	323,849	132,876
Net interest income(1)	$ 1,821,903	$ (1,540,710)	$ 3,362,234

(1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these types of assets. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See "Reconciliation of Non-GAAP Measures."

Provision for Loan Losses. The provision for loan losses for the three months ended June 30, 2016 was $300 thousand, an increase of $214 thousand, or 250.23% compared to $86 thousand for the three months ended June 30, 2015. This increase is primarily the result of an increase in our loan held-for-investment portfolio and an increase in our reserves on specific loans.

Management identified probable losses in the loan portfolio and recorded charge-offs of $9 thousand for the three months ended June 30, 2016 compared to $359 thousand for the three months ended June 30, 2015. Recoveries of $22 thousand were recognized for the three months ending June 30, 2016 compared to $73 thousand for the same three month period in 2015.

The allowance for loan losses to gross loans held-for-investment was 0.48% and 0.43%, and allowance for loan losses to non-accrual loans was 75.49% and 83.31%, at June 30, 2016 and December 31, 2015, respectively. The increase in the allowance for loan losses as a percentage of gross loans held-for-investment was the result of the increase in the loan portfolio balance and in our classified substandard and special mention loans within our Legacy loan portfolio. The decrease in the allowance for loan losses to non-accrual loans is primarily the result of an increase in the amount of non-accrual loans in the 2016 period as a result of one legacy commercial real estate hospitality loan for $1.3 million and six

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additional acquired non-accrual loans totaling $1.0 million, primarily one commercial loan and one commercial real estate lot loan, partially offset by an increase of $300 thousand in the allowance.

Non-interest Income. Non-interest income totaled $2.6 million for the three months ended June 30, 2016, an increase of $1.1 million, or 70.41%, from the corresponding period of 2015 amount of $1.5 million.

The following table outlines the amounts of and changes in non-interest income for the three month periods.

	Three months ended June 30, 2016	2015	$ Change	% Change
Service charges on deposit accounts	$ 433,498	$ 441,382	$ (7,884)	(1.79)
Gain on sale of investment securities	823,214	3,924	819,290	20878.95%
Earnings on bank owned life insurance	282,358	249,421	32,937	13.21%
Rental income	208,556	209,568	(1,012)	(0.48)
Gain/(loss) on sale of assets	22,784	—	22,784	100.00%
Income on marketable loans	587,030	484,635	102,395	21.13%
Other fees and commissions	206,244	115,460	90,784	78.63%
Total non-interest revenue	$ 2,563,684	$ 1,504,390	$ 1,059,294	70.41%

Non-interest income increased during the 2016 period primarily as a result of increases in gains on sale of investment securities, income on marketable loans, earnings on bank owned life insurance and other fees and commissions.

During the three months ended June 30, 2016, gain on the sale of investment securities of $823 thousand resulted from the re-positioning of our investment portfolio pursuant to which we sold approximately $74.5 million of our lowest yielding securities, resulting in the gain. All the net proceeds of these transactions were used to purchase new investment securities. There were no sales of investment securities for the three months ending June 30, 2015. The $4 thousand gain on sale of investment securities during the second quarter last year reflects the remaining discount/accretion on called bonds during the quarter.

Income on marketable loans consists of gain on the sale of loans and any fees we receive in connection with such sales. Income on marketable loans increased $102 thousand during the three months ended June 30, 2016 compared to the same period last year primarily due to gains recorded on the sale of marketable loans as a result of an increased number of loans sold into the secondary market and higher premiums received on such loans, offsetting the impact from the smaller dollar volume of loans sold. The residential mortgage division originated loans aggregating $22.3 million in the secondary market during the second quarter of 2016 compared to $31.0 million for the same period last year.

Other fees and commissions increased primarily related to other loan fees, primarily commission fees to renew lines of credit.

The increase in earnings on bank owned life insurance is due to the bank owned life insurance we acquired in the Regal acquisition.

Non-interest Expense. Non-interest expense increased $1.8 million, or 20.01%, for the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

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The following table outlines the amounts of and changes in non-interest expenses for the periods.

	Three months ended June 30,			
	2016	2015	$ Change	% Change
Salaries and benefits	$ 5,472,638	$ 4,331,572	$ 1,141,066	26.34
Occupancy and equipment	1,647,490	1,338,660	308,830	23.07
Data processing	383,689	367,190	16,499	4.49
FDIC insurance and State of Maryland assessments	285,630	251,993	33,637	13.35
Merger and integration	301,538	—	301,538	100
Core deposit premium	200,998	193,766	7,232	3.73
(Gain) loss on sale of other real estate owned	(48,099)	9,169	(57,268)	(624.58)
OREO expense	63,192	75,552	(12,360)	(16.36)
Director Fees	162,900	160,200	2,700	1.69
Network services	146,334	195,447	(49,113)	(25.13)
Telephone	201,141	160,901	40,240	25.01
Other operating	1,735,287	1,708,500	26,787	1.57
Total non-interest expenses	$ 10,552,738	$ 8,792,950	$ 1,759,788	20.01

Non-interest expenses increased quarter over quarter primarily as a result of increases in salaries and benefits, occupancy and equipment, and merger-related expenses, partially offset by a decline in network services and a gain on sale of other real estate owned properties compared to the 2015 period. Salaries and benefits increased $1.1 million primarily as a result of additional staff due to our acquisition of Regal Bank, the addition of two commercial lending officers in the third quarter of 2015, two commercial lending officers in the first quarter of 2016, and the additional staff for our new Rockville locations that opened in November 2015 and June 2016. Also included in salaries and benefits is severance expense of $393 thousand associated with a reduction in our operating staff, effective during the second quarter of 2016. Occupancy and equipment increased $309 thousand as a result of the addition of the former Regal Bank branches and our new Rockville branches. Merger-related expenses during the quarter ended June 30, 2016 consisted primarily of approximately $272 thousand in an employment contract payout associated with the Regal acquisition. Telephone increased as a result of the additional branches acquired in the Regal acquisition and the opening our two new Rockville locations. Offsetting the above increases, gain on the sale of other real estate owned was $48 thousand during the three month period ended June 30, 2016, which related to one property that we sold during the quarter compared to a net loss of $9 thousand on the sale of one other real estate property we sold during the same period of 2015. Finally, network services costs decreased as a result of our transition from outsourced services to internal monitoring with respect to our information technology.

Income Taxes. We had an income tax expense of $1.6 million (33.16% of pre-tax income) for the three months ended June 30, 2016 compared to an income tax expense of $1.2 million (31.48% of pre-tax income) for the same period in 2015. The effective tax rate increased for the 2016 period due to an increase in our taxable income related to loan interest and a decline in interest on tax exempt municipal securities as a percentage of total pre-tax income, compared to the same period last year.

Net Income Available to Common Stockholders. Net income available to common stockholders was $3.1 million or $0.29 per basic and $0.28 per diluted common share for the three month period ending June 30, 2016 compared to $2.6 million, or $0.25 per basic and $0.24 per diluted common share, for the same period in 2015. The increase in net income is primarily the result of the $1.8 million increase in net interest income, and $1.1 million increase in non-interest income, offsetting the increases of $1.8 million in non-interest expenses and $214 thousand in the provision for loan losses.

Results of Operations for the six months ended June 30, 2016 compared to six months ended June 30, 2015.

Net Interest Income. Net interest income before provision for loan losses for the six months ended June 30, 2016 increased $3.0 million or 13.06% to $25.6 million from $22.6 million for the same period in 2015. As outlined in detail in the Rate/Volume Variance Analysis, this increase was primarily the result of an increase in total interest income resulting from an increase in average interest earning assets, partially offset by a decrease in yield on such assets and an increase in both the volume and rate on our interest bearing liabilities. Average interest earning assets compared to the same six month period last year increased $245.4 million primarily due to organic loan growth and to a lesser extent, the acquisition of Regal Bank, partially offset by a decrease in the average yield on loans. A competitive rate environment and re-pricing of our loan portfolio resulted in decreases in the yield on interest earning assets to 4.31% during the six months ended June 30, 2016, compared to 4.55% for the six months ended June 30, 2015. Average interest-bearing liabilities increased $196.1 million for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. The rate on such liabilities increased to 0.57% for the 2016 period compared to 0.52% for the same six month period in 2015. We continue to adjust the mix and volume of interest earning assets and liabilities on the balance sheet to maintain a strong net interest margin.

The net effect of fair value accretion/amortization on acquired loans affects the net interest income, primarily due to payoffs on such acquired loans. Payoffs during the six months ended June 30, 2016 contributed an 11 basis point increase in the yield on earning assets, as compared to 11 basis points for the six months ending June 30, 2015. The fair value accretion recorded on acquired deposits affects interest expense. The benefit from accretion on such deposits increased by four basis points as compared to the same six month period of 2015.

Total interest income increased $3.9 million, or 15.74%, to $28.8 million during the six months ended June 30, 2016 compared to $24.9 million during the six months ended June 30, 2015, primarily as a result of the $3.5 million increase in interest and fees on loans. The increase in interest and fees on loans is the result of a $214.5 million increase in our average loans for the six months ended June 30, 2016 compared to the same period in 2015, resulting from organic loan growth and, to a lesser extent, the Regal acquisition, partially offset by a decrease in the average yield on loans. The average yield on net loans decreased to 4.56% for the six months ended June 30, 2016 from 4.86% during the six months ended June 30, 2015, due to lower yields on new loans and re-pricing in the loan portfolio as a result of the continuing competitive rate environment In addition, the $489 thousand increase in interest earned on investment securities during the six months ended June 30, 2016 compared to the same period last year also contributed to the increase in interest income during the 2016 period. This increase is a result of increases in both the average balance of investment securities and the average yield on these assets. The average balance of investment securities increased by $31.1 million, or 18.92%, to $195.3 million during the six months ended June 30, 2016 from $164.2 million during the same period last year, and the average yield increased to 2.68% during the six months ended June 30, 2016 from 2.60% during the same period in 2015 due to an increase in our U.S. Treasuries, U.S. government agencies, MBS. And other investment securities, offsetting the decrease in the municipal bond portfolio Also, during the six months ending June 30, 2016, we sold investment securities that had longer durations, as part of managing our interest rate risk, and used the proceeds from such sales to purchase mortgage-backed securities and municipal bond with slightly higher book yields. There were no such sales during the six months ended June 30, 2015.

Accretion on acquired loans also contributed to the increase in interest income, as described above.

Total interest expense increased $957 thousand, or 42.98%, to $3.2 million during the six months ended June 30, 2016 from $2.2 million for the same period in 2015, as a result of the increase in the average rate paid on interest bearing liabilities and, to a lesser extent, an increase in the average balance of such liabilities. The average interest rate paid on all interest bearing liabilities increased to 0.60% during the six months ended June 30, 2016 compared to 0.52% during the six months ended June 30, 2015, primarily as a result of an increase in the average rate paid on time deposits and borrowings. The average rate paid on our time deposits increased to 0.96% during the six months ended June 30, 2016 from 0.86% during the same period last year and the average rate on our borrowings increased to 0.82% for the six months ending June 30, 2016 compared to 0.62% for the same six month period last year. The average balance of interest bearing liabilities increased $196.1 million or 22.69% to $1.1 billion during the six months ended June 30, 2016 from $864.3 million during the six months ended June 30, 2015, as a result of an increase in the average balance of our interest bearing deposits and, to a lesser extent, our borrowings. The increase in our average interest bearing deposits is primarily due to the deposits acquired in the Regal acquisition and, to a lesser extent, organic deposit growth. Borrowings increased due to liquidity needed to fund the increase of $214.5 million in our average loan portfolio.

Our net interest margin was 3.85% for the six months ended June 30, 2016 compared to 4.16% for the six months ended June 30, 2015. The yield on average interest earning assets decreased 24 basis points during the period from 4.55% for the six months ended June 30, 2015 to 4.31% for the six months ended June 30, 2016. Re-pricing in the loan portfolio and lower average yields on new loans caused the average loan yield, and hence the average yield on interest earning assets, to decline.

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During the six months ended June 30, 2016 and 2015, we continued to successfully collect payments on acquired loans that we had recorded at fair value according to ASC 310-20 and ASC 310-30, which contributed to the $517 thousand of total accretion recorded during the six months ended June 30, 2016 as compared to $721 thousand recorded during the same period last year. The payments received were a direct result of our efforts to negotiate payments, sell notes or foreclose on and sell collateral after the acquisition date.

The benefit of accretion on net interest margin decreased for the six months ending June 30, 2016 as compared to the six months ending June 30, 2015 primarily due to higher fair value accretion in 2016 on interest bearing deposits acquired in the Regal acquisition offsetting the decrease in accretion on loans. We expect that the impact of accretion will continue to decline as time elapses from the acquisition dates. The accretion impacted the yield on loans and increased the net interest margin during these periods as follows:

	Six months ended June 30,				
	2016			2015	
	Accretion Dollars	% Impact on Net Interest Margin		Accretion Dollars	% Impact on Net Interest Margin	
Commercial loans	$ 26,925	—	%	$ 5,576	—	%
Mortgage loans	306,650	0.04		624,653	0.11	
Consumer loans	22,516	—		15,689	—	
Interest bearing deposits	161,402	0.02		74,940	0.01	
Total accretion	$ 517,493	0.06	%	$ 720,858	0.12	%

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The following table illustrates average balances of total interest earning assets and total interest bearing liabilities for the six months ended June 30, 2016 and 2015, showing the average distribution of assets, liabilities, stockholders' equity and related income, expense and corresponding weighted average yields and rates. Non-accrual loans are included in total loan balances lowering the effective yield for the portfolio in the aggregate. The average balances used in this table and other statistical data were calculated using average daily balances.

	Average Balances, Interest and Yields					
	2016			2015		
	Average		Yield/	Average		Yield/
Six months ended June 30,	balance	Interest	Rate	balance	Interest	Rate
Assets:						
Federal funds sold (1)	$ 644,457	$ 1,509	0.47 %	$ 138,801	$ 362	0.53 %
Interest bearing deposits	1,549,022	11	—	1,273,003	11	—
Investment securities (1)(2)						
U.S. Treasury	3,006,641	9,285	0.62	3,000,538	5,572	0.37
U.S. government agency	29,694,920	223,604	1.51	39,699,617	281,432	1.43
Mortgage backed securities	102,632,817	1,007,450	1.97	74,789,433	723,554	1.95
Municipal securities	53,748,864	1,166,576	4.36	41,572,234	996,770	4.84
Other equity securities	6,231,432	199,207	6.43	5,185,211	110,268	4.29
Total investment securities	195,314,674	2,606,122	2.68	164,247,033	2,117,596	2.60
Loans(1)						
Commercial	144,593,771	2,905,008	4.04	136,663,909	2,648,341	3.91
Mortgage real estate	1,041,826,785	23,993,295	4.63	832,998,433	20,683,163	5.01
Consumer	7,055,492	180,515	5.15	9,354,867	271,625	5.86
Total loans	1,193,476,048	27,078,818	4.56	979,017,209	23,603,129	4.86
Allowance for loan losses	5,447,403	—		4,537,841	—	
Total loans, net of allowance	1,188,028,645	27,078,818	4.58	974,479,368	23,603,129	4.88
Total interest earning assets(1)	1,385,536,798	29,686,460	4.31	1,140,138,205	25,721,098	4.55
Non-interest bearing cash	43,437,395			36,062,528		
	36,172,478			34,118,569		

Premises and equipment						
Other assets	72,086,270			66,614,782		
Total assets(1)	1,537,232,941			1,276,934,084		
Liabilities and Stockholders' Equity:						
Interest bearing deposits						
Savings	100,253,407	60,371	0.12	90,346,169	54,388	0.12
Money market and NOW	377,385,565	452,838	0.24	315,068,141	321,199	0.21
Time deposits	435,091,908	2,066,603	0.96	363,648,231	1,556,929	0.86
Total interest bearing deposits	912,730,880	2,579,812	0.57	769,062,541	1,932,516	0.51
Borrowed funds	147,692,134	604,272	0.82	95,282,146	294,423	0.62
Total interest bearing liabilities	1,060,423,014	3,184,084	0.60	864,344,687	2,226,939	0.52
Non-interest bearing deposits	319,978,869			266,305,809		
	1,380,401,883			1,130,650,496		
Other liabilities	13,151,052			8,011,171		
Non-controlling interest	256,956			255,267		
Stockholders' equity	143,423,050			138,017,150		
Total liabilities and stockholders' equity	$ 1,537,232,941			$ 1,276,934,084		
Net interest spread(1)			3.71			4.03
Net interest margin(1)		$ 26,502,376	3.85 %		$ 23,494,159	4.16 %

(1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these types of assets. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See "Reconciliation of Non-GAAP Measures."

(2) Available for sale investment securities are presented at amortized cost.

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The following table describes the impact on our interest revenue and expense resulting from changes in average balances and average rates for the six months ended June 30, 2016 and 2015. We have allocated the change in interest income, interest expense and net interest income due to both volume and rate proportionately to the rate and volume variances.

Rate/Volume Variance Analysis

	Six months ended June 30, 2016 compared to 2015 Variance due to:		
	Total	Rate	Volume
Interest earning assets:			
Federal funds sold(1)	$ 1,147	$ (42)	$ 1,189
Interest bearing deposits	—	(2)	2
Investment Securities(1)			
U.S. treasury	3,713	3,702	11
U.S. government agency	(57,828)	16,080	(73,908)
Mortgage backed securities	283,896	8,761	275,135
Municipal securities	169,806	(89,218)	259,024
Other	88,939	52,397	36,542
Loans:(1)			
Commercial	256,667	(129,294)	385,961
Mortgage	3,310,132	(2,679,236)	5,989,368
Consumer	(91,110)	(33,077)	(58,033)
Total interest revenue (1)	3,965,362	(2,849,929)	6,815,291
Interest bearing liabilities			
Savings	5,983	(129)	6,112
Money market and NOW	131,639	61,573	70,066
Time deposits	509,674	179,023	330,651
Borrowed funds	309,849	114,065	195,784
Total interest expense	957,145	354,532	602,613
Net interest income(1)	$ 3,008,217	$ (3,204,461)	$ 6,212,678

(1) Interest revenue is presented on a fully taxable equivalent (FTE) basis. The FTE basis adjusts for the tax favored status of these types of assets. Management believes providing this information on a FTE basis provides investors with a more accurate picture of our net interest spread and net interest income and we believe it to be the preferred industry measurement of these calculations. See "Reconciliation of Non-GAAP Measures."

Provision for Loan Losses. The provision for loan losses for the six months ended June 30, 2016 was $1.1 million, an increase of $431 thousand compared to $647 thousand for the six months ended June 30, 2015. Management identified probable losses in the loan portfolio and recorded charge-offs of $14 thousand for the six months ended June 30, 2016, compared to $598 thousand for the six months ended June 30, 2015. Recoveries were $44 thousand for the six months ended June 30, 2016 compared to $105 thousand for the comparable six months in 2015.

The increase in our provision for loan losses during the six months ended June 30, 2016 compared to the same period last year is due to the increase in our loans held-for-investment portfolio and an increase in our reserves on specific loans. The reserves on specific loans increased primarily due to loans to one large commercial borrower, consisting of two commercial real estate loans totaling $2.5 million and 21 commercial and industrial loans totaling $1.0 million. These loans are classified as impaired and we believe that they have been adequately reserved for at June 30, 2016.

The allowance for loan losses to gross loans held-for-investment was 0.48% and 0.43%, and the allowance for loan losses to non-accrual loans was 75.49% and 83.31%, at June 30, 2016 and December 31, 2015, respectively. The increase in the allowance for loan losses to gross loans held-for-investment is primarily due to the growth in our loan portfolio, substandard loans and our specific reserves on impaired loans.

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Non-interest income. Non-interest income totaled $4.5 million for the six months ended June 30, 2016, an increase of $1.2 million, or 37.89%, from the corresponding period of 2015 amount of $3.3 million.

The following table outlines the amounts of and changes in non-interest income for the six month periods.

	Six months ended June 30,			
	2016	2015	$ Change	% Change
Service charges on deposit accounts	$ 844,835	$ 856,584	$ (11,749)	(1.37)
Gain on sales or calls of investment securities	900,212	64,618	835,594	1,293.13
Earnings on bank owned life insurance	564,544	497,805	66,739	13.41
Gain/(loss) on disposal of assets	22,784	19,975	2,809	14.06
Rental income	417,135	418,348	(1,213)	(0.29)
Income on marketable loans	964,168	1,048,517	(84,349)	(8.04)
Other fees and commissions	833,659	391,979	441,680	112.68
Total non-interest revenue	$ 4,547,337	$ 3,297,826	$ 1,249,511	37.89

Non-interest income increased primarily as a result of increases of $836 thousand in gains on sales of investment securities, $442 thousand in other fees and commissions and $67 thousand in earnings on bank owned life insurance, partially offset by decreases of $84 thousand in income on marketable loans and $12 thousand in service charges on deposit accounts.

The increase in gain on sales of investment securities is the result of re-positioning our investment portfolio, pursuant to which we sold approximately $87.5 million of our lowest yielding investments resulting in a gain on investments of $900 thousand, compared to no sales of investment securities for the same six month period last year. The proceeds were used to repurchase investment securities with a slightly higher book yield. There were no sales of investment securities for the six months ending June 30, 2015, however, there were a total of five municipal bonds that were called and one agency security that matured for a total of $65 thousand in gains.

The increase in other fees and commissions during the 2016 period is primarily the result of a one-time incentive fee received for our check card program and commission fees to renew lines of credit.

The increase in earnings on bank owned life insurance is due to the bank owned life insurance we acquired in the Regal acquisition.

The decrease in income on marketable loans is the result of a decrease in the number of loans sold in the secondary market as compared to the same period last year. The residential mortgage division originated $39.0 million of loans to be sold in the secondary market for the six months ending June 30, 2016 compared to $54.6 million for the same period last year.

Service charges on deposit accounts decreased as a result of lower overdraft and ATM fees compared to the same period last year.

Non-Interest Expense. Non-interest expense increased $3.7 million or 21.39%, for the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

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The following chart outlines the changes in non-interest expenses for the period.

	Six months ended June 30, 2016	2015	$ Change	% Change
Salaries and benefits	$ 10,849,190	$ 8,510,468	$ 2,338,722	27.48
Occupancy and equipment	3,372,043	2,738,536	633,507	23.13
Data processing	781,481	719,250	62,231	8.65
FDIC insurance and State of Maryland assessments	520,914	500,886	20,028	4.00
Merger and integration	661,019	—	661,019	(100.00)
Core deposit premium	427,239	403,883	23,356	5.78
(Gain) loss on sale of other real estate owned	(52,307)	143,923	(196,230)	(136.34)
OREO expense	218,158	195,753	22,405	11.45
Director Fees	331,700	330,200	1,500	0.45
Network Services	283,230	377,110	(93,880)	(24.89)
Telephone	419,775	325,837	93,938	28.83
Other operating	3,364,815	3,200,245	164,570	5.14
Total non-interest expenses	$ 21,177,257	$ 17,446,091	$ 3,731,166	21.39

Non-interest expenses increased $3.7 million for the six month period ending June 30, 2016 compared to the same period of 2015, primarily as a result of increases in salaries and benefits, occupancy and equipment, merger and integration expenses, telephone and other operating expenses, partially offset by a gain on other real estate owned properties and a decrease in network services. Salaries and benefits increased $2.3 million primarily as a result of additional staff due to the acquisition of Regal Bank, the addition of 4 new commercial lenders and the additional staff for our two new Rockville locations. Also included in salaries and benefits is severance payments of $393 thousand associated with the strategic reduction in our operating staff. Occupancy and equipment increased $634 thousand and telephone increased $94 thousand as a result of the additional branches acquired in the Regal Bank acquisition and the additional opening of our two new Rockville locations. Merger and integration expenses include approximately $412 thousand in severance payments associated with merger-related staff reductions. Telephone increased as a result of the additional branches acquired in the Regal acquisition and the opening our two new Rockville locations. Other operating expenses increased primarily as result of increases in software expense, internet banking support, and audit and exam expenses. Gain on the sale of other real estate properties increased $196 thousand as a result of recording a gain of $52 thousand for one property that sold during the six months ending June 30, 2016 compared to a net loss of $144 thousand on the sale of four other real estate properties sold during the same six month period last year. Network services costs decreased as a result of our transition from outsourced services to internal monitoring with respect to our information technology.

Income Taxes. We had income tax expense of $2.6 million (32.96% of pre-tax income) for the six months ended June 30, 2015 compared to income tax expense of $2.5 million (31.78% of pre-tax income) for the same period in 2015. Taxes were higher during the 2016 period primarily because income increased and the percentage of income related to tax-exempt securities was lower as compared to the same six months last year.

Net income available to common stockholders. Net income available to common stockholders was $5.3 million or $0.49 per basic and $0.48 per diluted common share for the six month period ending June 30, 2016 compared to net income available to common stockholders of $5.4 million, or $0.50 per basic and $0.49 per diluted common share, for the same period in 2015. The slight decrease in net income available to common stockholders for the 2016 period was primarily the result of the increases of $3.7 million in non-interest expenses and $431 thousand in the provision for loan losses, offsetting increases of $3.9 million in net interest income and $1.2 million in non-interest income.

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 (recorded at cost), including Federal Home Loan Bank stock, Maryland Financial Bank stock, and Atlantic Central Bankers Bank stock.

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We have prudently managed our investment portfolio to maintain liquidity and safety. The portfolio provides a source of liquidity, collateral for borrowings as well as a means of diversifying our earning asset portfolio. While we usually intend to hold the investment securities until maturity, currently we classify all of our investment securities as available for sale. This classification provides us the opportunity to divest of securities that may no longer meet our liquidity objectives. We account for investment securities at fair value and report the unrealized appreciation and depreciation as a separate component of stockholders' equity, net of income tax effects. Although we will periodically sell a securities to reposition the portfolio, generally, we invest in securities for the yield they produce and not to profit from trading the securities. We continually evaluate our investment portfolio to ensure it is adequately diversified, provides sufficient cash flow and does not subject us to undue interest rate risk. There are no trading securities in our portfolio.

The investment securities at June 30, 2016 amounted to $190.3 million, a decrease of $4.4 million, or 2.26%, from the December 31, 2015 amount of $194.7 million. As outlined above, at June 30, 2016, all securities are classified as available for sale.

The fair value of available for sale securities included net unrealized gains of $1.7 million at June 30, 2016 (reflected as $1.0 million net of taxes) as compared to net unrealized gains of $63 thousand (reflected as $38 thousand net of taxes) at December 31, 2015. The improvement in the value of the investment securities is due to a decrease in market interest rates, which resulted in an increase in bond values. We have evaluated securities with unrealized losses for an extended period of time and determined that all such losses are temporary because, at this point in time, we expect to hold them until maturity. We have no intent or plan to sell these securities, it is not likely that we will have to sell these securities and we have not identified any portion of the loss that is a result of credit deterioration in the issuer of the security. As the maturity date moves closer and/or interest rates decline, any unrealized losses in the portfolio will decline or dissipate.

Loan Portfolio. Net of allowance, unearned fees and origination costs, loans held for investment increased $95.0 million or 8.28% to $1.2 billion at June 30, 2016 from $1.1 billion at December 31, 2015. The loan growth during the period was primarily due to new commercial real estate originations resulting from our enhanced presence in our market area. Commercial real estate loans increased by $81.1 million, residential real estate loans increased by $11.0 million, commercial and industrial loans increased by $5.3 million and consumer loans decreased $1.3 million from their respective balances at December 31, 2015. The decrease in our consumer loans is the result of loan pay-downs during the period.

Most of our lending activity occurs within the state of Maryland within the suburban Washington, D.C. market area in Anne Arundel, Calvert, Charles, Montgomery, Prince George's and St. Mary's Counties. The majority of our loan portfolio consists of commercial real estate loans and commercial and industrial loans. Due to the recent acquisition of Regal Bank, our lending activity has expanded to include the Baltimore metropolitan areas.

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The following table summarizes the composition of the loan portfolio held for investment by dollar amount at the dates indicated:

	June 30, 2016			December 31, 2015		
	Legacy (1)	Acquired	Total	Legacy (1)	Acquired	Total
Commercial Real Estate						
Owner Occupied	$ 196,462,753	$ 53,384,974	$ 249,847,727	$ 193,909,818	$ 57,212,598	$ 251,122,416
Investment	358,365,721	54,714,414	413,080,135	298,434,087	57,749,376	356,183,463
Hospitality	118,939,670	10,843,261	129,782,931	91,440,548	10,776,561	102,217,109
Land and A&D	49,995,687	6,064,059	56,059,746	50,584,469	7,538,964	58,123,433
Residential Real Estate						
First Lien-Investment	74,514,405	27,200,255	101,714,660	69,121,743	31,534,452	100,656,195
First Lien-Owner Occupied	47,761,829	49,471,539	97,233,368	37,486,858	52,204,717	89,691,575
Residential Land and A&D	38,453,812	5,493,403	43,947,215	35,219,801	6,578,950	41,798,751
HELOC and Jr. Liens	24,878,535	3,925,124	28,803,659	24,168,289	4,350,956	28,519,245
Commercial and Industrial	112,819,640	7,962,586	120,782,226	105,963,233	9,519,465	115,482,698
Consumer	5,386,911	171,324	5,558,235	6,631,311	243,804	6,875,115
	1,027,578,963	219,230,939	1,246,809,902	912,960,157	237,709,843	1,150,670,000
Allowance for loan losses	(5,702,857)	(316,066)	(6,018,923)	(4,821,214)	(88,604)	(4,909,818)
Deferred loan costs, net	1,226,619	—	1,226,619	1,274,533	—	1,274,533
	$ 1,023,102,725	$ 218,914,873	$ 1,242,017,598	$ 909,413,476	$ 237,621,239	$ 1,147,034,715

(1) As a result of the acquisitions of Maryland Bankcorp, WSB Holdings, and Regal, we have segmented the portfolio into two components, loans originated by Old Line Bank (legacy) and loans acquired from MB&T, WSB and Regal Bank (acquired).

Bank owned life insurance. At June 30, 2016, we have invested $37.1 million in life insurance policies on our executive officers, other officers of Old Line Bank, retired officers of MB&T, and former officers of WSB and Regal Bank. This represents a $476 thousand increase from December 31, 2015 as a result of interest earned on these policies. Earnings on bank owned life insurance were $565 thousand offset by an expense of $89 thousand in expenses associated with the policies.

Deposits. The deposit portfolio increased $27.0 million, or 2.19%, during the six month period ending June 30, 2016, to $1.3 billion at June 30 2016 compared to $1.2 billion at December 31, 2015. The deposit increase was comprised of a $42.1 million, or 4.64%, increase in interest bearing deposits, offsetting a decrease of $15.1 million, or 4.60%, in non-interest bearing deposits.

The following table outlines the changes in interest bearing deposits:

	June 30, 2016	December 31, 2015	$ Change	% Change
	(Dollars in thousands)			
Certificates of deposit	$ 449,118	$ 443,463	$ 5,655	1.28 %
Interest bearing checking	396,795	367,239	29,556	8.05
Savings	103,538	96,629	6,909	7.15
Total	$ 949,451	$ 907,331	$ 42,120	4.64 %

We acquire brokered certificates of deposit and money market accounts through the Promontory Interfinancial Network (Promontory). Through this deposit matching network and its certificate of deposit account registry service (CDARS) and money market account service, we have the ability to offer our customers access to FDIC insured deposit products in aggregate amounts exceeding current insurance limits. When we place funds through Promontory 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 June 30, 2016, we had $39.9 million in CDARS and $106.3 million in money market accounts through Promontory's reciprocal deposit program compared to $43.5 million and $97.0 million, respectively, at December 31, 2015. During 2013, we acquired $18.0 million in brokered certificates of deposit in the WSB acquisition. At December 31, 2015, the balance of brokered deposits was $14.0 million. During the six months ending June 30, 2016, $5.4 million of brokered certificate of deposits matured and brought the remaining balance of our brokered deposits at June 30, 2016 to $8.6 million. This balance will continue to decrease as brokered certificates of deposit mature. We expect that we will continue to use brokered deposits as an element of our funding strategy when required to maintain an acceptable loan to deposit ratio.

Borrowings. Short-term borrowings consist of short-term borrowings with the FHLB and short-term promissory notes issued to Old Line Bank's commercial customers as an enhancement to the basic non-interest bearing demand deposit account. This service electronically sweeps excess funds from the customer's account into a short term promissory note with Old Line Bank. These obligations are payable on demand and are secured by investments. At June 30, 2016, we had $126.5 million outstanding in short term FHLB borrowings, compared to $74.0 million at December 31, 2015. At June 30, 2016 and December 31, 2015, we had no unsecured promissory notes and $27.3 million and $33.5 million, respectively, in secured promissory notes.

Long-term borrowings consist of a promissory note related to Pointer Ridge for which we have guaranteed to the lender payment of up to 62.50% of the loan payment plus any costs the lender incurs resulting from any omissions or alleged acts by Pointer Ridge. The outstanding balance on such promissory note was $5.8 million and $5.9 million, respectively, at June 30, 2016 and December 31, 2015. The note has a 10 year fixed interest rate of 6.28% and matures on September 5, 2016. Also included in long-term borrowings are trust preferred subordinated debentures we acquired in the Regal acquisition, which consist of two trusts - Trust 1 in the amount of $4.0 million (fair value adjustment of $1.6 million) maturing in 2034 and Trust 2 in the amount of $2.5 million (fair value adjustment of $1.3 million) maturing in 2035.

Liquidity and Capital Resources. 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 regulatory guidelines. As further discussed below, we have credit lines, unsecured and secured, available from several correspondent banks totaling $33.5 million. Additionally, we may borrow funds from the FHLB and the Federal Reserve Bank of Richmond. We can use these credit facilities in conjunction with the normal deposit strategies, which include pricing changes to increase deposits as necessary. We can also sell available for sale investment securities or pledge investment securities as collateral to create additional liquidity. From time to time we may sell or participate out loans to create additional liquidity as required. Additional sources of liquidity include funds held in time deposits and cash flow from the investment and loan portfolios.

Our immediate sources of liquidity are cash and due from banks, federal funds sold and time deposits in other banks. On June 30, 2016, we had $32.1 million in cash and due from banks, $1.2 million in interest bearing accounts, and $353 thousand in federal funds sold. As of December 31, 2015, we had $40.2 million in cash and due from banks, $1.1 million in interest bearing accounts, and $2.3 million in federal funds sold.

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.

We did not have any unusual liquidity requirements during the three months ended June 30, 2016. Although we plan for various liquidity scenarios, if turmoil in the financial markets occurs and our depositors lose confidence in us, we could experience liquidity issues.

Old Line Bancshares has available a $5.0 million unsecured line of credit at June 30, 2016. In addition, Old Line Bank has available lines of credit, including overnight federal funds of $28.5 million and repurchase agreements of $5.0 million from its correspondent banks, totaling $33.5 million at June 30, 2016. Old Line Bank has an additional secured line of credit from the FHLB of $454.8 million at June 30 2016. 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, we have provided collateral to support up to $172.8 million in lendable collateral value for FHLB borrowings. We may increase availability by providing additional collateral. Additionally, we have overnight repurchase agreements sold to Old Line Bank's customers and have provided collateral in the form of investment securities to support the $27.3 million in repurchase agreements.

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The Board of Governors of the Federal Reserve System and FDIC approved the final rules implementing the Basel III. Under the final rules, minimum requirements increased for both the quantity and quality of capital held by the Company. The rules include a new common equity Tier 1 capital for risk-weighted assets minimum ratio of 4.5%, raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%, require a minimum ratio of Total Capital to risk-weighted assets of 8.0%, and require a minimum Tier 1 leverage ratio of 4.0%. A new capital conservation buffer, comprised of common equity Tier 1 capital, is also established above the regulatory minimum capital requirements. The capital conservation buffer is being phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increase each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. Strict eligibility criteria for regulatory capital instruments were also implemented under the final rules. The final rules also revise the definition and calculation of Tier 1 capital, Total Capital, and risk-weighted assets.

Old Line Bank has elected to permanently opt out of the inclusion of accumulated other comprehensive income in our capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital levels.

The phase-in period for the final rules became effective for Old Line Bancshares and Old Line Bank on January 1, 2015, with full compliance with all of the final rule requirements phased in over a multi-year schedule, to be fully phased in by January 1, 2019. As of June 30, 2016, Old Line Bancshares' capital levels remained characterized as "well-capitalized" under the new rules.

Current regulations require subsidiaries of a financial institution to be separately capitalized and require investments in and extensions of credit to any subsidiary engaged in activities not permissible for a bank to be deducted in the computation of the institution's regulatory capital. Regulatory capital and regulatory assets below also reflect decreases of $1.0 million and $1.7 million, respectively, which represents unrealized gains (after-tax for capital additions and pre-tax for asset additions, respectively) on mortgage-backed securities and investment securities classified as available for sale. In addition, the risk-based capital reflects an increase of $6.0 million for the general loan loss reserve during the six months ended June 30, 2016.

As of June 30, 2016, Old Line Bank met all capital adequacy requirements to be considered well capitalized. There were no conditions or events since the end of the second quarter of 2016 that management believes have changed Old Line Bank's classification as well capitalized.

The following table shows Old Line Bank's regulatory capital ratios and the minimum capital ratios currently required by its banking regulator to be "well capitalized" at June 30, 2016.

June 30, 2016	Actual Amount	Ratio	Minimum capital adequacy Amount	Ratio	To be well capitalized Amount	Ratio
	(Dollars in 000's)					
Common equity tier 1 (to risk-weighted assets)	$ 131,728	9.98 %	$ 59,409	4.5 %	$ 85,813	6.5 %
Total capital (to risk weighted assets)	$ 138,011	10.45 %	$ 105,616	8 %	$ 132,019	10 %
Tier 1 capital (to risk weighted assets)	$ 131,728	9.98 %	$ 79,212	6 %	$ 105,616	8 %
Tier 1 leverage (to average assets)	$ 131,728	8.60 %	$ 61,291	4 %	$ 76,613	5 %

On February 25, 2015, Old Line Bancshares' board of directors approved the repurchase of up to 500,000 shares of its outstanding common stock. As of June 30, 2016, 339,237 shares have been repurchased at an average price of $15.73 per share. The repurchased shares have been returned to the status of authorized but unissued shares. We have repurchased shares for a total cost of approximately $5.3 million since the board of directors authorized such transactions.

Our management believes that, under current regulations, and eliminating the assets of Old Line Bancshares, Old Line Bank remains well capitalized and will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond our control, such as a shift in interest rates or an economic downturn in areas where we extend credit, could adversely affect future earnings and, consequently, our ability to meet minimum capital requirements in the future.

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Asset Quality

Overview. Management performs reviews of all delinquent loans and foreclosed assets and directs relationship officers to work with customers to resolve potential credit issues in a timely manner. Management reports to the Loan Committee for their approval and recommendation to the Board of Directors on a monthly basis. The reports presented include information on delinquent loans and foreclosed real estate. We have formal action plans on criticized assets and provide status reports on OREO on a quarterly basis. These action plans include our actions and plans to cure the delinquent status of the loans and to dispose of the foreclosed properties. The Loan Committee consists of three executive officers and four non-employee members of the board of directors.

We classify any property acquired as a result of foreclosure on a mortgage loan as “other real estate owned” and record it at the lower of the unpaid principal balance or fair value at the date of acquisition and subsequently carry the property at the lower of cost or net realizable value. We charge any required write down of the loan to its net realizable value against the allowance for loan losses at the time of foreclosure. We charge to expense any subsequent adjustments to net realizable value. Upon foreclosure, Old Line Bank generally requires an appraisal of the property and, thereafter, appraisals of the property generally on an annual basis and external inspections on at least a quarterly basis.

As required by ASC Topic 310-Receivables and ASC Topic 450-Contingencies, we measure all impaired loans, which consist of all modified loans (trouble debt restructurings) and other loans for which collection of all contractual principal and interest is not probable, based on the present value of expected future cash flows discounted at the loan’s effective interest rate, or at the loan’s observable market price or the fair value of the collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, we recognize impairment through a valuation allowance and corresponding provision for loan losses. Old Line Bank considers consumer loans as homogenous loans and thus does not apply the impairment test to these loans. We write off impaired loans when collection of the loan is doubtful.

Potential problem loans represent those loans with a well-defined weakness and where information about possible credit problems of a borrower has caused management to have serious doubts about the borrower’s ability to comply with present repayment terms. These loans do not meet the criteria for, and are therefore not included in, non-performing assets. Management, however, classifies potential problem loans as either special mention, watch, or substandard. These loans were considered in determining the adequacy of the allowance for loan losses and are closely and regularly monitored to protect our interests. Potential problem loans, which are not included in non-performing assets, amounted to $37.3 million at June 30, 2016 compared to $33.8 million at December 31, 2015. At June 30, 2016, we had $18.8 million and $18.5 million, respectively, of potential problem loans attributable to our legacy and acquired loan portfolios, compared to $13.2 million and $20.6 million, respectively, at December 31, 2015.

Acquired Loans. Loans acquired in mergers are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan losses. Generally accepted accounting principles require that we record acquired loans at fair value, which includes a discount for loans with credit impairment. These loans are not performing according to their contractual terms and meet our definition of a non-performing loan. The discounts that arise from recording these loans at fair value were due to credit quality. Although we do not accrue interest income at the contractual rate on these loans, we may accrete these discounts to interest income as a result of pre-payments that exceed our expectations or payment in full of amounts due. Purchased, credit-impaired loans that perform consistent with the accretable yield expectations are not reported as non-accrual or non-performing.

All acquired loans from MB&T, WSB and Regal Bank were recorded at fair value. The fair value of the acquired loans includes expected loan losses, and as a result there was no allowance for loan losses recorded for acquired loans at the time of acquisition. Accordingly, the existence of the acquired loans reduces the ratios of the allowance for loan losses to total gross loans and the allowance for loan losses to non-accrual loans, and this measure is not directly comparable to prior periods. Similarly, net loan charge-offs are normally lower for acquired loans since we recorded these loans net of expected loan losses. Therefore, the ratio of net charge-offs during the period to average loans outstanding is reduced as a result of the existence of acquired loans, and the measures are not directly comparable to prior periods. Other institutions may not have acquired loans, and therefore there may be no direct comparability of these ratios between and among other institutions when compared in total.

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The accounting guidance also requires that if we experience a decrease in the expected cash flows of a loan subsequent to the acquisition date, we establish an allowance for loan losses for those acquired loans with decreased cash flows. At June 30, 2016, there was $316 thousand of allowance reserved for potential loan losses on acquired loans compared to $89 thousand at December 31, 2015.

Nonperforming Assets. As of June 30, 2016, our nonperforming assets totaled $10.4 million and consisted of $8.0 million of nonaccrual loans and other real estate owned of $2.4 million. We had no loans past due 90 days and still accruing.

The table below sets forth the amounts and categories of our nonperforming assets at the dates indicated.

	Nonperforming Assets					
	June 30, 2016			December 31, 2015		
	Legacy	Acquired	Total	Legacy	Acquired	Total
Accruing loans 90 or more days past due						
Commercial Real Estate						
Land and A&D	$ —	$ —	$ —	$ —	$ 128,938	$ 128,938
Residential Real Estate:						
First-Owner Occupied	—	—	—	—	—	—
Consumer	—	—	—	—	499	499
Total accruing loans 90 or more days past due	—	—	—	—	129,437	129,437
Non-accruing loans:						
Commercial Real Estate						
Owner Occupied	$ 2,461,431	$ —	$ 2,461,431	$ 2,474,813	$ —	$ 2,474,813
Investment	—	—	—	—	64,447	64,447
Hospitality	1,355,719	—	1,355,719	—	—	—
Land and A&D	—	296,518	296,518	—	261,700	261,700
Residential Real Estate:						
First-Investment	—	224,314	224,314	102,443	580,696	683,139
First-Owner Occupied	—	865,953	865,953	—	566,701	566,701
Commercial	1,895,081	873,796	2,768,877	1,842,819	—	1,842,819
Consumer	—	—	—	—	—	—
Total Non-accruing loans:	5,712,231	2,260,581	7,972,812	4,420,075	1,473,544	5,893,619
	425,000	2,018,543	2,443,543	425,000	2,047,044	2,472,044

Other real estate owned ("OREO")						
Total non performing assets	$ 6,137,231	$ 4,279,124	$ 10,416,355	$ 4,845,075	$ 3,650,025	$ 8,495,100
Accruing Troubled Debt Restructurings Residential Real Estate:						
Land and A&D	$ —	$ 91,770	$ 91,770	$ —	$ —	$ —
First-Investment	—	66,767	66,767	—	—	—
First-Owner Occupied	—	671,538	671,538	—	631,777	631,777
Commercial	—	77,650	77,650	—	79,574	79,574
Total Accruing Troubled Debt Restructurings	$ —	$ 907,725	$ 907,725	$ —	$ 711,351	$ 711,351

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The table below reflects our ratios of our non-performing assets at June 30, 2016 and December 31, 2015.

	June 30, 2016	December 31, 2015
Ratios, Excluding Acquired Assets		
Total nonperforming assets as a percentage of total loans held for investment and OREO	0.60 %	0.53 %
Total nonperforming assets as a percentage of total assets	0.45 %	0.38 %
Total nonperforming assets as a percentage of total loans held for investment	0.60 %	0.53 %
Ratios, Including Acquired Assets		
Total nonperforming assets as a percentage of total loans held for investment and OREO	0.83 %	0.74 %
Total nonperforming assets as a percentage of total assets	0.66 %	0.56 %
Total nonperforming assets as a percentage of total loans held for investment	0.84 %	0.74 %

The table below presents a breakdown of the recorded book balance of non-accruing loans at June 30, 2016 and December 31, 2015.

	June 30, 2016				December 31, 2015		
	# of Contracts	Unpaid Principal Balance	Recorded Investment	Interest Not Accrued	# of Contracts	Unpaid Principal Balance	Recorded Investment
Legacy							
Commercial Real Estate:							
Owner Occupied	3	$ 2,461,431	$ 2,461,431	$ 76,075	3	$ 2,474,813	$ 2,474,813
Hospitality	1	1,355,719	1,355,719	30,518	—	—	—
Residential Real Estate							
First-Investment				—	1	102,443	102,443
Commercial	25	1,895,081	1,895,081	223,681	24	1,842,819	1,842,819
Consumer	—	—	—	—	—	—	—
Total non-accrual loans	29	5,712,231	5,712,231	330,274	28	4,420,075	4,420,075
Acquired (1)							
Commercial Real Estate:							
Land and A & D	3	694,765	296,518	161,298	1	267,113	261,700
Residential Real Estate							
First-Investment	5	292,585	224,314	68,048	5	542,547	468,156
First-Owner Occupied	3	877,711	865,953	164,822	3	754,408	743,688
Commercial	1	873,796	873,796	176,582	—	—	—
	12	$ 2,738,857	$ 2,260,581	$ 570,750	9	$ 1,564,068	$ 1,473,544

Total non-accrual loans							
Total all non-accrual loans	41	$ 8,451,088	$ 7,972,812	$ 901,024	37	$ 5,984,143	$ 5,893,619

(1) Generally accepted accounting principles require that we record acquired loans at fair value at acquisition which includes a discount for loans with credit impairment. These loans are not performing according to their contractual terms and meet our definition of a non-performing loan. The discounts that arise from recording these loans at fair value were due to credit quality. Although we do not accrue interest income at the contractual rate on these loans, we may accrete these discounts to interest income as a result of pre-payments that exceed our cash flow expectations or payment in full of amounts due even though we classify them as 90 or more days past due.

Non-performing legacy loans increased $1.3 million from December 31, 2015, primarily due to the addition of one commercial real estate hospitality loan.

Non-performing acquired loans increased $787 thousand from December 31, 2015, primarily due to the addition of one commercial real estate loan and two land acquisition loans.

At June 30, 2016, legacy OREO consisted of one property.

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At June 30, 2016, acquired OREO has decreased by $28.5 thousand from December 31, 2015. The decrease in acquired OREO was driven by the sale of one property offsetting the transfer of one property into OREO and a credit adjustment on one acquired property from the Regal merger.

We recorded net gain on OREO of $48 thousand during the three month period ended June 30, 2016 compared to a net loss of $9 thousand during the three month period ended June 30, 2015. This gain is the result of the sale of one OREO property during the quarter. We recorded a net gain of $52 thousand for the six months ending June 30, 2016 compared to a net loss of $144 thousand for the six months ending June 30, 2015. This gain is the result of previously sold OREO property pursuant to which we periodically receive payments of $4 thousand and a $48 thousand gain on the sale of one property that sold during the second quarter of 2016.

Allowance for Loan Losses. We review the adequacy of the allowance for loan losses at least quarterly. Our review includes evaluation of impaired loans as required by ASC Topic 310-Receivables, and ASC Topic 450-Contingencies. Also incorporated in determining the adequacy of the allowance is guidance contained in the Securities and Exchange Commission's SAB No. 102, Loan Loss Allowance Methodology and Documentation, the Federal Financial Institutions Examination Council's Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions and the Interagency Policy Statement on the Allowance for Loan and Lease Losses. We also continue to measure the credit impairment at each period end on all loans that have been classified as a TDR using the guidance in ASC 310-10-35.

We have risk management practices designed to ensure timely identification of changes in loan risk profiles. However, undetected losses inherently exist within the portfolio. Although we may allocate specific portions of the allowance for specific loans or other factors, the entire allowance is available for any loans that we should charge off. We will not create a specific valuation allowance unless we consider a loan impaired.

The following tables provide an analysis of the allowance for loan losses for the periods indicated:

Six Months Ended June 30, 2016	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Beginning balance	$ 1,168,529	$ 3,046,714	$ 682,962	$ 11,613	$ 4,909,818
General provision for loan losses	(35,490)	892,518	227,996	(6,413)	1,078,611
Recoveries	14,285	—	19,169	10,853	44,307
	1,147,324	3,939,232	930,127	16,053	6,032,736
Loans charged off	(4,472)	—	(3,055)	(6,286)	(13,813)
Ending Balance	$ 1,142,852	$ 3,939,232	$ 927,072	$ 9,767	$ 6,018,923
Amount allocated to:					
Legacy Loans:					
Individually evaluated for impairment	$ 550,046	$ 676,747	$ —	$ —	$ 1,226,793
Other loans not individually evaluated	592,806	3,262,485	611,006	9,767	4,476,064
Acquired Loans:					
Individually evaluated for impairment	—	—	316,066	—	316,066
Ending balance	$ 1,142,852	$ 3,939,232	$ 927,072	$ 9,767	$ 6,018,923

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December 31, 2015	Commercial	Commercial Real Estate	Residential Real Estate	Other Consumer	Total
Beginning balance	$ 696,371	$ 2,558,368	$ 926,995	$ 100,101	$ 4,281,835
Provision for loan losses	675,598	495,537	282,398	(142,549)	1,310,984
Recoveries	16,068	20	135,908	58,105	210,101
	1,388,037	3,053,925	1,345,301	15,657	5,802,920
Loans charged off	(226,719)	—	(662,339)	(4,044)	(893,102)
Ending Balance	$ 1,161,318	$ 3,053,925	$ 682,962	$ 11,613	$ 4,909,818
Allowance allocated to:					
Legacy Loans:					
Individually evaluated for impairment	$ 605,336	$ 119,199	$ —	$ —	$ 724,535
Other loans not individually evaluated	555,982	2,934,726	594,358	11,613	4,096,679
Acquired Loans:					
Individually evaluated for impairment	—	—	88,604	—	88,604
Ending balance	$ 1,161,318	$ 3,053,925	$ 682,962	$ 11,613	$ 4,909,818

The ratios of the allowance for loan losses are as follows:

	June 30, 2016	December 31, 2015
Ratio of allowance for loan losses to:		
Total gross loans held for investment	0.48 %	0.43 %
Non-accrual loans	75.49 %	83.31 %
Net charge-offs to average loans	0.00 %	0.07 %

During the six months ended June 30, 2016, we charged-off $14 thousand in loans through the allowance for loan losses.

The allowance for loan losses represented 0.48% and 0.43% of gross loans held for investment at June 30, 2016 and December 31, 2015, respectively and 0.55% and 0.54% of legacy loans at June 30, 2016 and December 31, 2015, respectively. 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.

Overall, we continue to believe that the loan portfolio remains manageable in terms of charge-offs and nonperforming assets as a percentage of total loans. We remain diligent and aware of our credit costs and the impact that these can have on our financial institution, and we have taken proactive measures to identify problem loans, including in-house and independent review of larger transactions. Our policy for evaluating problem loans includes obtaining new certified real estate appraisals as needed. We continue to monitor and review frequently the overall asset quality within the loan portfolio.

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

Old Line Bancshares 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 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 that would have a material effect on Old Line Bancshares. Old Line Bancshares also has operating lease obligations.

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Outstanding loan commitments and lines and letters of credit at June 30, 2016 and December 31, 2015, are as follows:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Commitments to extend credit and available credit lines:		
Commercial	$ 89,236	$ 82,875
Real estate-undisbursed development and construction	77,093	43,079
Consumer	20,635	19,577
	$ 186,964	$ 145,531
Standby letters of credit	$ 18,193	$ 17,442

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 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 all 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. We regularly reevaluate many of our commitments to extend credit. Because we conservatively underwrite these facilities at inception, we generally do not have 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 $77.1 million, or 41.2% of the $187.0 million of outstanding commitments at June 30, 2016, 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 non-performance by the customer is the contract amount of the commitment. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. In general, loan commitments, credit lines and letters of credit are made on the same terms, including with respect to collateral, as outstanding loans. We evaluate each customer's credit worthiness and the collateral required on a case by case basis.

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 June 30, 2016

Net

	Net Interest Income	Yield	Interest Spread
GAAP net interest income	$ 12,975,748	3.72 %	3.58 %
Tax equivalent adjustment			
Federal funds sold	3	—	—
Investment securities	228,532	0.07	0.07
Loans	220,276	0.06	0.06
Total tax equivalent adjustment	448,811	0.13	0.13
Tax equivalent interest yield	$ 13,424,559	3.85 %	3.71 %

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Three months ended June 30, 2015

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 11,171,187	3.86 %	3.73 %
Tax equivalent adjustment			
Federal funds sold	1	—	—
Investment securities	195,785	0.07	0.07
Loans	235,683	0.08	0.08
Total tax equivalent adjustment	431,469	0.15	0.15
Tax equivalent interest yield	$ 11,602,656	4.01 %	3.88 %

Six months ended June 30, 2016

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 25,587,983	3.71 %	3.57 %
Tax equivalent adjustment			
Federal funds sold	8	—	—
Investment securities	455,393	0.07	0.07
Loans	458,992	0.07	0.07
Total tax equivalent adjustment	914,393	0.14	0.14
Tax equivalent interest yield	$ 26,502,376	3.85 %	3.71 %

Six months ended June 30, 2015

	Net Interest Income	Yield	Net Interest Spread
GAAP net interest income	$ 22,633,091	4.01 %	3.88 %
Tax equivalent adjustment			
Federal funds sold	2	—	—
Investment securities	396,289	0.07	0.07
Loans	464,777	0.08	0.08
Total tax equivalent adjustment	861,068	0.15	0.15
Tax equivalent interest yield	$ 23,494,159	4.16 %	4.03 %

Non-GAAP financial measures included in this quarterly report should be read along with these tables providing a reconciliation of non-GAAP financial measures to GAAP financial measures. The Company's management believes that the non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the Company and provide meaningful comparison to its peers. Non-GAAP financial measures should not be consider as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the

Company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP.

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 a 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.

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 (the "Securities Act") 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' 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' plans, objectives, expectations and intentions, including expanding fee income, increases in net interest income, maintenance of the net interest margin, increases in non-interest expenses, hiring and acquisition possibilities, planned branches, our belief that we have identified any problem assets and that our borrowers will remain current on their loans, the impact of outstanding off-balance sheet commitments, sources of liquidity and that we have sufficient liquidity, the sufficiency of the allowance for loan losses, expected loan, deposit, balance sheet and earnings growth, the expected impact of accretion going forward, expected losses on and our intentions with respect to our investment securities, the amount of potential problem loans, continuing to meet regulatory capital requirements, continued use of brokered deposits for funding, expectations with respect to the impact of pending legal proceedings, improving earnings per share and stockholder value, and financial and other goals and plans are forward looking. Old Line Bancshares 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 generally, among others: those discussed in this report; the ability of Old Line Bancshares to retain key personnel; the ability of Old Line Bancshares 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; that changes in regulatory requirements and/or restrictive banking legislation may adversely affect Old Line Bancshares; that the market value of investments could negatively impact stockholders' equity; risks associated with our lending limit; potential conflicts of interest associated with the interest in Pointer Ridge; deterioration in general economic conditions or a return to recessionary conditions; and changes in competitive, governmental, regulatory, technological and other factors which may affect Old Line Bancshares specifically or the banking industry generally. For a more complete discussion of some of these risks and uncertainties see "Risk Factors" in Old Line Bancshares' Annual Report on Form 10-K for the year ended December 31, 2015.

Old Line Bancshares' 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 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.

Old Line Bancshares' 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 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. Various factors, including interest rates, foreign exchange rates, commodity prices, or equity prices, may

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cause these changes. We are subject to market risk primarily through the effect of changes in interest rates on our portfolio of assets and liabilities. Foreign exchange rates, commodity prices, or equity prices do not pose significant market risk to us. Due to the nature of our operations, only interest rate risk is significant to our consolidated results of operations or financial position. We have no material changes in our quantitative and qualitative disclosures about market risk as of June 30, 2016 from that presented in our Annual Report on Form 10-K for the year ended December 31, 2015.

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 tables below present Old Line Bank's interest rate sensitivity at June 30, 2016 and December 31, 2015. Because certain categories of securities and loans are prepaid before their maturity date even without regard to interest rate fluctuations, we have made certain assumptions to calculate the expected maturity of securities and loans.

	Interest Sensitivity Analysis June 30, 2016 Maturing or Repricing				
	Within 3 Months	4 - 12 Months	1 - 5 Years	Over 5 Years	Total
	(Dollars in thousands)				
Interest Earning Assets:					
Interest bearing accounts	$ 30	$ —	$ —	$ —	$ 30
Time deposits in other banks	—	—	—	—	—
Federal funds sold	356	—	—	—	356
Investment securities	—	1,499	6,470	182,329	190,298
Loans	240,092	68,845	637,132	306,853	1,252,922
Total interest earning assets	240,478	70,344	643,602	489,182	1,443,606
Interest Bearing Liabilities:					
Interest-bearing transaction deposits	264,453	132,342	—	—	396,795
Savings accounts	34,513	34,513	34,513	—	103,539
Time deposits	59,848	165,720	223,550	—	449,118
Total interest-bearing deposits	358,814	332,575	258,063	—	949,452
FHLB advances	126,500	—	—	—	126,500
Other borrowings	27,252	—	5,816	3,743	36,811
Total interest-bearing liabilities	512,566	332,575	263,879	3,743	1,112,763
Period Gap	$ (272,088)	$ (262,231)	$ 379,723	$ 485,439	$ 330,843
Cumulative Gap	$ (272,088)	$ (534,319)	$ (154,596)	$ 330,843	
Cumulative Gap/Total Assets	(17.19) %	(33.76) %	(9.77) %	20.90 %	

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	Interest Sensitivity Analysis December 31, 2015 Maturing or Repricing Within 3 Months	4 - 12 Months	1 - 5 Years	Over 5 Years	Total
	(Dollars in thousands)				
Interest Earning Assets:					
Interest bearing accounts	$ 30	$ —	$ —	$ —	$ 30
Time deposits in other banks	—	—	—	—	—
Federal funds sold	2,326	—	—	—	2,326
Investment securities	1,500	1,500	37,821	153,885	194,706
Loans	210,191	92,863	594,825	260,903	1,158,782
Total interest earning assets	214,047	94,363	632,646	414,788	1,355,844
Interest Bearing Liabilities:					
Interest-bearing transaction deposits	244,826	122,413	—	—	367,239
Savings accounts	32,210	32,210	32,210	—	96,630
Time deposits	72,208	148,981	222,274	—	443,463
Total interest-bearing deposits	349,244	303,604	254,484	—	907,332
FHLB advances	74,000	—	—	—	74,000
Other borrowings	33,557	—	5,875	3,717	43,149
Total interest-bearing liabilities	456,801	303,604	260,359	3,717	1,024,481
Period Gap	$ (242,754)	$ (209,241)	$ 372,287	$ 411,071	$ 331,363
Cumulative Gap	$ (242,754)	$ (451,995)	$ (79,708)	$ 331,363	
Cumulative Gap/Total Assets	(16.15) %	(30.08) %	(5.30) %	22.05 %	

Item 4.Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, Old Line Bancshares' Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of Old Line Bancshares' disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based upon that evaluation, Old Line Bancshares' Chief Executive Officer and Chief Financial Officer concluded that Old Line Bancshares' disclosure controls and procedures are effective as of June 30, 2016. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by Old Line Bancshares 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 Securities and Exchange Commission's rules and forms.

In addition, there were no changes in Old Line Bancshares' internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, Old Line Bancshares' internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our normal course of business. Currently, we are not involved in any legal proceedings the outcome of which, in management's opinion, would be material to our financial condition or results of operations.

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, 2015.

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

As reflected in the following table there were no share repurchases by the Company's during the quarter ended June 30, 2016:

Shares Purchased during the period:	Total number of shares repurchased	Average Price paid per share	Total number of share purchased as part of publicly announced program(1)	Maximum number of shares that may yet be purchased under the program (1)
April 1 -June 30, 2016	—	—	339,237	160,763

(1) On February 25, 2015, Old Line Bancshares' board of directors approved the repurchase of up to 500,000 shares of our outstanding common stock. As of June 30, 2016, 339,237 shares have been repurchased at an average price of $15.77 per share or a total cost of approximately $5.3 million.

Item 3.Defaults Upon Senior Securities

None

Item 4.Mine Safety Disclosures

Not applicable

Item 5.Other Information

None

Item 6.Exhibits

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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

101 Interactive Data Files pursuant to Rule 405 of Regulation S-T.

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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: August 5, 2016	By:	/s/ James W. Cornelsen James W. Cornelsen, President and Chief Executive Officer (Principal Executive Officer)
Date: August 5, 2016	By:	/s/ Elise M. Hubbard Elise M. Hubbard, Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)