GLEN BURNIE BANCORP
Form 10-K
March 18, 2015

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

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2014 or
Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ____________.

Commission file number: 0-24047

GLEN BURNIE BANCORP
(Exact name of registrant as specified in its charter)

MARYLAND (State or other jurisdiction of incorporation or organization)	52-1782444 (I.R.S. Employer Identification No.)
101 Crain Highway, S.E., Glen Burnie, Maryland (Address of principal executive offices)	21061 (Zip Code)
Registrant's telephone number, including area code	(410) 766-3300

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Title of Class
Common Stock, $1.00 par value
Common Stock Purchase Rights

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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 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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2014 was $27,030,067.

The number of shares of common stock outstanding as of February 24, 2015 was 2,764,458.

DOCUMENTS INCORPORATED BY REFERENCE

To the extent specified, Part III of this Form 10-K incorporates information by reference to the Registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders (to be filed).

GLEN BURNIE BANCORP
2014 ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

General

Glen Burnie Bancorp (the “Company”) is a bank holding company organized in 1990 under the laws of the State of Maryland. The Company owns all the outstanding shares of capital stock of The Bank of Glen Burnie (the “Bank”), a commercial bank organized in 1949 under the laws of the State of Maryland, serving northern Anne Arundel County and surrounding areas from its main office and branch in Glen Burnie, Maryland and branch offices in Odenton, Riviera Beach, Crownsville, Severn (two locations), Linthicum and Severna Park, Maryland. The Bank also maintains a remote Automated Teller Machine (“ATM”) location in Pasadena, Maryland. The Bank maintains a website at www.thebankofglenburnie.com. The Bank is the oldest independent commercial bank in Anne Arundel County. The Bank is engaged in the commercial and retail banking business as authorized by the banking statutes of the State of Maryland, including the acceptance of demand and time deposits, and the origination of loans to individuals, associations, partnerships and corporations. The Bank’s real estate financing consists of residential first and second mortgage loans, home equity lines of credit and commercial mortgage loans. Commercial lending consists of both secured and unsecured loans. The Bank also originates automobile loans through arrangements with local automobile dealers. The Bank’s deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation (“FDIC”).

The Company’s principal executive office is located at 101 Crain Highway, S.E., Glen Burnie, Maryland 21061. Its telephone number at such office is (410) 766-3300.

Information on the Company and its subsidiary Bank may be obtained from the Company’s website www.thebankofglenburnie.com. Copies of the Company’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments thereto are available free of charge on the website as soon as they are filed with the SEC through a link to the SEC’s EDGAR reporting system. Simply select the “Investor Relations” menu item, then click on the “All SEC Filings” or “Insider Transactions” link.

Economic and Credit Turmoil from 2009 to 2014

As reported in the media, the recovery which followed the 2007 economic downturn appears to have been less robust than previous post recession recoveries. The Bank and, as a result, the Company, along with the rest of the financial services industry, have been impacted by the downward pressure on net interest margins caused by the lower interest rates due to steps taken by the Federal Reserve in managing the recovery. As further reported in the media, the Federal Reserve, having ended their aggressive Quantitative Easing program, is now deciding when to move to the next phase of the recovery and start raising the Federal Funds rate from historically low levels. Despite these challenges, we realized net income of $1,914,526 for 2014. We have remained well capitalized through this difficult time without governmental assistance. We have continued to be actively engaged with the communities we serve, lending and meeting their needs. We believe that we are a sound, conservatively run financial institution that has remained profitable despite the deterioration in the economic environment and the outside forces that have affected us these past six years.

Market Area

The Bank considers its principal market area for lending and deposit products to consist of Anne Arundel County, Maryland. Anne Arundel County includes mature suburbs of the City of Baltimore, which in recent years have experienced modest population growth and are characterized by an aging population. Management believes that the majority of the working population in its market area either commutes to Baltimore or is employed at businesses located at or around the nearby Baltimore Washington International Airport. Anne Arundel County is generally considered to have more affordable housing than other suburban Baltimore areas and attracts younger persons and minorities on this basis. This inflow, however, has not been sufficient to affect current population trends.

Lending Activities

The Bank offers a full range of consumer and commercial loans. The Bank's lending activities include residential and commercial real estate loans, construction loans, land acquisition and development loans, commercial loans and consumer installment lending including indirect automobile lending. Substantially all of the Bank's loan customers are residents of Anne Arundel County and surrounding areas of Central Maryland. The Bank solicits loan applications for commercial loans from small to medium sized businesses located in its market area. The Company believes that this is a market in which a relatively small community bank, like the Bank, has a competitive advantage in personal service and flexibility. The Bank's consumer lending currently consists primarily of indirect automobile loans originated through arrangements with local dealers.

The Company's total loan portfolio decreased in 2010 and increased during the 2014, 2013, 2012, and 2011 fiscal years. In 2014, the increase in the loan portfolio was primarily due to increases in indirect loans, purchase money mortgage, and commercial and industrial construction loans, partially offset by decreases in refinance mortgage loans and commercial and industrial mortgages. In 2013, the increase in the loan portfolio was primarily due to increases in indirect loans, refinance mortgage loans, non-home owner residential construction loans, home equity and purchase money mortgages, partially offset by decreases in secured business installment loans, home-owner residential construction, commercial and industrial mortgages, and demand secured business loans. In 2012, the increase in the loan portfolio was primarily due to increases in indirect loans, commercial and industrial mortgages, home equity and purchase money mortgages, partially offset by decreases in refinance mortgage loans, construction loans for commercial and industrial loans and demand secured business loans. In 2012, mortgage participations purchased also decreased. In 2011, the increase in the loan portfolio was primarily due to increases in indirect loans, residential mortgages, and installment loans, partially offset by a decrease in commercial mortgages. In 2011, mortgage participations purchased decreased but so did mortgage participations sold. In 2010, the decrease in the loan portfolio was primarily due to decreases in indirect loans, commercial mortgages, secured demand commercial loans and commercial loans, partially offset by increases in refinance and purchase money mortgage loans and land development loans. Mortgage participations purchased decreased but so did mortgage participations sold.

The following table provides information on the composition of the loan portfolio at the indicated dates.

	At December 31,									
	2014		2013		2012		2011		2010	
(Dollars in Thousands)	$	%	$	%	$	%	$	%	$	%
Mortgage:										
Residential	$120,932	43.47 %	$123,646	44.98 %	$107,729	42.41 %	$107,664	45.29 %	$102,199	43.62 %
Commercial	62,601	22.50	67,196	24.45	71,381	28.10	67,656	28.46	72,670	31.02
Construction and land development	7,074	2.54	6,582	2.40	3,915	1.54	5,092	2.14	5,363	2.29
Consumer:										
Installment	16,449	5.91	17,669	6.43	18,504	7.28	18,048	7.59	16,407	7.00
Personal unsecured lines	142	0.05	161	0.06	165	0.06	163	0.07	168	0.07
Indirect automobile	67,513	24.27	55,400	20.16	47,427	18.67	31,907	13.42	30,286	12.93
Commercial	3,519	1.26	4,173	1.52	4,901	1.94	7,193	3.03	7,193	3.07
Gross loan	278,230	100.00%	274,827	100.00%	254,022	100.00%	237,723	100.00%	234,286	100.00%
Unearned income on loans	(1,126)		(1,171)		(1,083)		(1,058)		(1,035)	
Gross loans net of unearned income	277,104		273,656		252,939		236,665		233,251	
	(3,118)		(2,972)		(3,308)		(3,931)		(3,400)	

Allowance for credit losses					
Loans, net	$273,986	$270,684	$249,631	$232,734	$229,851

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The following table sets forth the maturities for various categories of the loan portfolio at December 31, 2014. Demand loans and loans which have no stated maturity, are treated as due in one year or less. At December 31, 2014, the Bank had $18,999,355 in loans due after one year with variable rates and $239,392,985 in such loans with fixed rates.

	Due Within One Year	Due Over One To Five Years	Due Over Five Years	Total
	(In Thousands)			
Real Estate - mortgage				
Residential	$ 11,755	$ 3,518	$ 105,659	$ 120,932
Commercial	1,113	20,370	41,118	62,601
Construction and land development	4,118	49	2,907	7,074
Installment	800	8,219	7,430	16,449
Personal unsecured lines	-	10	132	142
Indirect automobile	445	40,233	26,835	67,513
Commercial	1,607	-	1,912	3,519
	$ 19,838	$ 72,399	$ 185,993	$ 278,230

Real Estate Lending. The Bank offers long-term mortgage financing for residential and commercial real estate as well as shorter term construction and land development loans. Residential mortgage and residential construction loans are originated with fixed rates, while commercial mortgages may be originated on either a fixed or variable rate basis. Commercial construction loans may be originated on either a fixed or a variable rate basis. Substantially all of the Bank’s real estate loans are secured by properties in Anne Arundel County, Maryland. Under the Bank’s loan policies, the maximum permissible loan-to-value ratio for owner-occupied residential mortgages is 80% of the lesser of the purchase price or appraised value. For residential investment properties, the maximum loan-to-value ratio is 80%. The maximum permissible loan-to-value ratio for residential and residential construction loans is 80%. The maximum loan-to-value ratio for permanent commercial mortgages is 75%. The maximum loan-to-value ratio for land development loans is 70% and for unimproved land is 65%. The Bank also offers home equity loans secured by the borrower’s primary residence, provided that the aggregate indebtedness on the property does not exceed 80% of its value. Because mortgage lending decisions are based on conservative lending policies, the Company has no exposure to the credit issues affecting the sub-prime residential mortgage market.

Commercial Lending. The Bank’s commercial loan portfolio consists of demand, installment and time loans for commercial purposes. The Bank’s business demand, installment and time lending includes various working capital loans, equipment, vehicles, lines of credit and letters of credit for commercial customers. Demand loans require the payment of interest until called, while installment loans require a monthly payment of principal and interest, and time loans require at maturity a single payment of principal and interest due monthly. Such loans may be made on a secured or an unsecured basis. All such loans are underwritten on the basis of the borrower’s creditworthiness rather than the value of the collateral.

Installment Lending. The Bank makes consumer and commercial installment loans for the purchase of automobiles, boats, other consumer durable goods, capital goods and equipment. Such loans provide for repayment in regular installments and are secured by the goods financed. Also included in installment loans are other types of credit repayable in installments. As of December 31, 2014, approximately 58.73% of the installment loans in the Bank’s portfolio (other than indirect automobile lending) had been originated for commercial purposes and 41.27% had been originated for consumer purposes.

Indirect Automobile Lending. The Bank commenced its indirect automobile lending program in January 1998. The Bank finances new and used automobiles for terms of up to 72 months. The Bank will lend a maximum of 110% of invoice on new vehicles. On used vehicles, the Bank will not lend more than 120% of the clean wholesale value as published in a nationally recognized used vehicle pricing guide. The Bank requires all borrowers to obtain vendor's single interest coverage protecting the Bank against loss in the case a borrower's automobile insurance lapses. The Bank originates indirect loans through a network of approximately 60 dealers which are primarily new car dealers located in Anne Arundel County and the surrounding counties. Participating dealers take loan applications from their customers and transmit them to the Bank for approval.

Personal Unsecured Lines. The Bank offers overdraft protection lines of credit, tied to checking accounts, as a convenience to qualified customers.

Although the risk of non-payment for any reason exists with respect to all loans, certain other specific risks are associated with each type of loan. The primary risks associated with commercial loans, including commercial real estate loans, are the quality of the borrower's management and a number of economic and other factors which induce business failures and depreciate the value of business assets pledged to secure the loan, including competition, insufficient capital, product obsolescence, changes in the borrowers' cost, environmental hazards, weather, changes in laws and regulations and general changes in the marketplace. Primary risks associated with residential real estate loans include fluctuating land and property values and rising interest rates with respect to fixed-rate, long-term loans. Residential construction lending exposes the Company to risks related to builder performance. Consumer loans, including indirect automobile loans, are affected primarily by domestic economic instability and a variety of factors that may lead to the borrower's unemployment, including deteriorating economic conditions in one or more segments of a local or broader economy. Because the Bank deals with borrowers through an intermediary on indirect automobile loans, this form of lending potentially carries greater risks of defects in the application process for which claims may be made against the Bank. Indirect automobile lending may also involve the Bank in consumer disputes under state "lemon" or other laws. The Bank seeks to control these risks by following strict underwriting and documentation guidelines. In addition, dealerships are contractually obligated to indemnify the Bank for such losses for a limited period of time.

The Bank's lending activities are conducted pursuant to written policies approved by the Board of Directors intended to ensure proper management of credit risk. Loans are subject to a well defined credit process that includes credit evaluation of borrowers, establishment of lending limits and application of lending procedures, including the holding of adequate collateral and the maintenance of compensating balances, as well as procedures for on-going identification and management of credit deterioration. Regular portfolio reviews are performed by the Bank's Senior Credit Officer to identify potential underperforming loans and other credit facilities, estimate loss exposure and to ascertain compliance with the Bank's policies. On a quarterly basis, the Bank's Internal Auditor performs, or causes to be performed, an independent loan review in accordance with the Bank's loan review policy. For significant problem loans, management review consists of evaluation of the financial strengths of the borrower and any guarantor, the related collateral, and the effects of economic conditions.

The Bank's loan approval policy provides for various levels of individual lending authority. The maximum aggregate lending authority granted by the Bank to any one Lending Officer is $750,000. A combination of approvals from certain officers may be used to lend up to an aggregate of $1,000,000. The Bank's Executive Committee is authorized to approve loans up to $3.0 million. Larger loans must be approved by the full Board of Directors.

Under Maryland law, the maximum amount which the Bank is permitted to lend to any one borrower and their related interests may generally not exceed 10% of the Bank's unimpaired capital and surplus, which is defined to include the Bank's capital, surplus, retained earnings and 50% of its allowance for possible loan losses. Under this authority, the Bank would have been permitted to lend up to $3.51 million to any one borrower at December 31, 2014. By interpretive ruling of the Commissioner of Financial Regulation, Maryland banks have the option of lending up to the amount that would be permissible for a national bank which is generally 15% of unimpaired capital and surplus (defined to include a bank's total capital for regulatory capital purposes plus any loan loss allowances not included in regulatory capital). Under this formula, the Bank was permitted to lend up to $5.34 million to any one borrower from and after January 1, 2014. At December 31, 2014, the largest amount outstanding to any one borrower and its related interests was $4,561,000. From and after January 1, 2015, the Bank is permitted to lend up to $5.515 million to any one borrower.

Non-Performing Loans

It is the policy of The Bank that any loan that is ninety (90) days or more delinquent in the payment of principal and/or interest be placed into non-accrual status. Notwithstanding the aforementioned, if it is determined that there appears to be a substantial amount of risk of not collecting all of the agreed upon interest that would normally accrue to a loan, the loan is placed into Non-Accrual status even if the determination is made prior to ninety (90) days delinquent. A variance to this rule would be if the asset is both well secured and in the process of collection. An asset is "well secured" if it is secured by (1) collateral in the form of liens on or pledges of real or personal property, including securities that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in prepayment of the debt or in its restoration to a current status in the near future.

The Bank seeks to control delinquencies through diligent collection efforts. For consumer loans, the Bank sends out payment reminders on the seventh and twelfth days after a payment is due. If a consumer loan becomes 15 days past due, the account is transferred to the Bank's collections department, which will contact the borrower by telephone and/or letter before the account becomes 30 days past due. If a consumer loan becomes more than 30 days past due, the Bank will continue its collection efforts and will move to repossession or foreclosure by the 45th day if the Bank has reason to believe that the collateral may be in jeopardy or the borrower has failed to respond to prior communications. The Bank may move to repossess or foreclose in all instances in which a consumer loan becomes more than 60 days delinquent. After repossession of a motor vehicle, the borrower has a 15-day statutory right to redeem the vehicle and is entitled to 10 days' notice before the sale of a repossessed vehicle. The Bank sells the vehicle as promptly as feasible after the expiration of these periods. If the amount realized from the sale of the vehicle is less than the loan amount, the Bank may seek a deficiency judgment against the borrower. The Bank follows similar collection procedures with respect to commercial loans.

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While weakness in the economy continued in 2014, the Bank experienced an improvement in the total of non-accrual and past due loans. The following table sets forth the amount of the Bank's restructured loans, non-accrual loans and accruing loans 90 days or more past due at the dates indicated:

	At December 31,				
	2014	2013	2012	2011	2010
	(Dollars In Thousands)				
Restructured Loans	$253	$-	$2,202	$4,108	$2,844
Non-accrual loans:					
Real estate - mortgage:					
Residential	$1,164	$1,123	$1,109	$481	$976
Commercial	1,097	-	1,370	3,192	4,522
Installment	516	338	237	75	125
Commercial	-	1,252	1,293	1,313	1,360
Total non-accrual loans	2,777	2,713	4,009	5,061	6,983
Accruing loans past due 90 days or more :					
Real estate - mortgage:					
Residential	197	431	259	19	-
Commercial	-	-	-	-	-
Installment	-	-	-	-	-
Commercial	-	1,177	1,354	-	-
Total accruing loans past due 90 days or more	197	1,608	1,613	19	-
Total non-accrual and past due loans	$2,974	$4,321	$5,622	$5,080	$6,983
Non-accrual and past due loans to gross loans	1.07 %	1.58 %	2.22 %	2.15 %	2.99 %
Allowance for credit losses to non-accrual and past due loans	104.84 %	68.78 %	58.84 %	77.38 %	48.69 %

For the year ended December 31, 2014, interest of $255,682 would have been accrued on non-accrual loans if such loans had been current in accordance with their original terms. During that period, interest on non-accrual loans was not included in income. $2,262,551, or 81.45%, of the Bank's total $2,777,904 non-accrual loans at December 31, 2014 were attributable to 7 borrowers. Two of these borrowers were in bankruptcy at that date. Because of the legal protections afforded to borrowers in bankruptcy, collections on such loans are difficult and the Bank anticipates that such loans may remain delinquent for an extended period of time.

At December 31, 2014, there were loans outstanding, totaling $3,644,758, not reflected in the above table as to which known information about the borrower's possible credit problems caused management to have serious doubts as to the ability of the borrowers to comply with present loan repayment terms. These loans consist of loans which were not 90 days or more past due but where the borrower is in bankruptcy or has a history of delinquency or the loan to value ratio is considered excessive due to deterioration of the collateral or other factors.

At December 31, 2014, the Company had $45,000 in real estate acquired in partial or total satisfaction of debt, compared to $1,171,000 and $478,000 in such properties at each of December 31, 2013 and 2012. This decrease for 2014 was the result of $91,000 being written off on three properties and four properties with a value of $1,154,000 being sold. One property was added to OREO in 2014. This increase for 2013 was the result of three properties being acquired in 2013, offset by the write-down of one of those properties, the sale of two of the properties acquired in 2012 and the write-off of the remaining balance, and the sale of units in the property acquired in 2011. All such properties are recorded at the lower of cost or fair value at the date acquired and carried on the balance sheet as other real estate owned. Losses arising at the date of acquisition are charged against the allowance for credit losses. Subsequent write-downs that may be required and expense of operation are included in non-interest expense. Gains and losses realized from the sale of other real estate owned are included in non-interest income or expense. For a description of the properties comprising other real estate owned at December 31, 2014, see “Item 2. -- Properties.”

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Allowance For Credit Losses

The Bank's allowance for credit losses is based on the probable estimated losses that may be sustained in its loan portfolio. The allowance is based on two basic principles of accounting. (1) ASC Topic 450, "Accounting for Contingencies", which requires that losses be accrued when they are probable of occurring and estimable, and (2) ASC Topic 310, "Accounting by Creditors for Impairment of a Loan", which requires that losses be accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance.

The allowance for credit losses is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The allowance, based on evaluations of the collectability of loans and prior loan loss experience, is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, value of collateral, and current economic conditions and trends that may affect the borrower's ability to pay. Because mortgage lending decisions are based on conservative lending policies, the Company has no exposure to the credit issues affecting the sub-prime residential mortgage market.

In 2014, the Bank increased its provision for credit losses due to the increase in net charge offs and growth in the loan portfolio.

Transactions in the allowance for credit losses during the last five fiscal years were as follows:

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars In Thousands)				
Beginning Balance	$2,972	$3,308	$3,931	$3,400	$3,573
Loans charged-off					
Real estate - mortgage:					
Residential	$235	$179	$735	$4	$66
Commercial	243	-	-	-	825
Installment	839	652	475	606	959
Commercial	29	202	55	6	12
Total	1,346	1,033	1,265	616	1,862
Recoveries:					
Real estate - mortgage:					
Residential	6	8	6	1	85
Commercial	128	89	89	70	11
Installment	331	313	287	409	497
Commercial	6	27	10	4	46
Total	471	437	392	484	639
Net charge offs	875	596	873	132	1,223
Provisions charged to operations	1,021	260	250	663	1,050
Ending balance	$3,118	$2,972	$3,308	$3,931	$3,400

Average Loans	$278,350	$256,820	$244,905	$233,010	$234,495
Net charge-offs to average loans	0.31 %	0.23 %	0.36 %	0.06 %	0.53 %

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The following table shows the allowance for credit losses broken down by loan category as of December 31, 2014, 2013, 2012, 2011, and 2010:

	At December 31,							
	2014				2013			
Portfolio	Allowance For Each Category	Percentage Of Loans In Each Category To Total Loans			Allowance For Each Category	Percentage Of Loans In Each Category To Total Loans		
Real estate - mortgage:								
Residential	1,156	43.47	%		578	44.98	%	
Commercial	335	22.50			898	24.45		
Real estate -construction	14	2.54			15	2.40		
Installment	349	5.91			335	6.43		
Personal unsecured lines	-	0.05			-	0.06		
Indirect automobile	932	24.27			853	20.16		
Commercial	386	1.26			413	1.52		
Unallocated	(54)	-			(120)	-		
Total	$ 3,118	100.00	%		$ 2,972	100.00	%	

	At December 31,								
	2012			2011			2010		
Portfolio	Allowance For Each Category	Percentage Of Loans In Each Category To Total Loans		Allowance For Each Category	Percentage Of Loans In Each Category To Total Loans		Allowance For Each Category	Percentage Of Loans In Each Category To Total Loans	
Real estate - mortgage:									
Residential	382	42.41	%	584	45.29	%	196	43.62	%
Commercial	1,183	28.10		2,013	28.46		2,096	31.02	
Real estate -construction	10	1.54		12	2.14		12	2.29	
Installment	223	7.28		228	7.59		196	7.00	
Personal unsecured lines	-	0.06		-	0.07		-	0.07	
Indirect automobile	835	18.68		661	13.42		634	12.93	
Commercial	542	1.93		557	3.03		263	3.07	
Unallocated	133	-		(124)	-		3	-	

Total	$	3,308	100.00	%	$	3,931	100.00	%	$	3,400	100.00 %

Investment Securities

The Bank maintains a substantial portfolio of investment securities to provide liquidity as well as a source of earnings. The Bank's investment securities portfolio consists primarily of securities issued by U.S. Government agencies including mortgage-backed securities, securities issued by certain states and their political subdivisions, and corporate trust preferred securities. The tax treatment of the Bank's portfolio of securities issued by certain states and their political subdivisions allows the Company to use the full tax advantage of this portfolio.

The following table presents at amortized cost the composition of the investment portfolio by major category at the dates indicated.

	2014	2013	2012
	(In Thousands)		
U.S. Treasury securities	$7,947	$-	$-
U.S. Government agencies and mortgage backed securities	46,859	43,541	57,523
Obligations of states and poltical subdivision	32,771	32,396	38,528
Corporate trust preferred	247	333	350
Total investment securities	$87,824	$76,270	$96,401

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The following table sets forth the scheduled maturities, amortized costs and weighted average yields for the Company's investment securities portfolio at December 31, 2014:

	One Year Or Less		One To Five Years		Five To Ten Years		More Than Ten Years		Total	
	Amort Cost	Weighted Average Yield	Amort Cost	Weighted Average Yield	Amort Cost	Weighted Average Yield	Amort Cost	Weighted Average Yield	Amort Cost	Weighted Average Yield
U.S. Treasury securities	$ -	%	$ 5,939	1.01 %	$ 2,008	1.88 %	$ -	%	7,947	1.23 %
U.S. Government agencies and mortgage backed securities	-		-		4	3.64	46,855	2.43	46,859	2.43
Obligations of states and political subdivisions	61	4.75	-		-		32,710	3.82	32,771	3.82
Corporate trust preferred	-		-		-		247	9.25	247	9.25
Total investment securities	$ 61	4.75 %	$ 5,939	1.01 %	$ 2,012	1.88 %	$ 79,812	3.02 %	$ 87,824	2.86 %

At December 31, 2014, the Bank had no investments in securities of a single issuer (other than the U.S. Government securities and securities of federal agencies and government-sponsored enterprises), which aggregated more than 10% of stockholders' equity.

Deposits And Other Sources of Funds

The funds needed by the Bank to make loans are primarily generated by deposit accounts solicited from the communities surrounding its branches in Anne Arundel County. Consolidated total deposits were $338,877,292 as of December 31, 2014. The Bank uses borrowings from the Federal Home Loan Bank ("FHLB") of Atlanta to supplement funding from deposits. The Bank was permitted to borrow up to $69.17 million under a line of credit from the FHLB of Atlanta as of December 31, 2014.

Deposits. The Bank's deposit products include regular savings accounts (statements), money market deposit accounts, demand deposit accounts, NOW checking accounts, IRA and SEP accounts, Christmas Club accounts and certificates of deposit. Variations in service charges, terms and interest rates are used to target specific markets. Ancillary products and services for deposit customers include safe deposit boxes, money orders, night depositories, automated clearinghouse transactions, wire transfers, ATMs, telephone banking, and internet banking. The Bank is a member of the Cirrus(R), Star(R), Pulse(R) and MoneyPass(R) ATM networks.

As stated above, the Bank obtains deposits principally through its network of branch offices. The Bank does not solicit brokered deposits. At December 31, 2014, the Bank had approximately $55.10 million in certificates of deposit and other time deposits of $100,000 or more, including IRA accounts. The following table provides information as to the maturity of all time deposits of $100,000 or more at December 31, 2014:

	Amount (In Thousands)
Three months or less	$ 6,587
Over three through six months	3,848
Over six through 12 months	5,937
Over 12 months	38,732
Total	$ 55,104

Borrowings. In addition to deposits, the Bank from time to time obtains advances from the FHLB of Atlanta of which it is a member. FHLB of Atlanta advances may be used to provide funds for residential housing finance, for small business lending, and to meet specific and anticipated needs. The Bank may draw on a $69.17 million line of credit from the FHLB of Atlanta, which is secured by a floating lien on the Bank’s residential first mortgage loans. There was also a $10 million convertible advance with a 3.28% rate of interest (callable monthly and with a final maturity of November 1, 2017.) There was a $5 million convertible advance settled July 21, 2008 with a final maturity of July 23, 2018. This advance has a 2.73% rate of interest and was callable quarterly, starting July 23, 2009. There was a $5 million convertible advance taken out August 22, 2008 which has a final maturity of August 22, 2018. This advance has a 3.34% rate of interest and is callable quarterly, starting August 22, 2011. The Bank also has three federal funds lines of credit in the amounts of $3 million, $5 million and $8 million, of which nothing was outstanding at December 31, 2014.

Competition

The Bank faces competition for deposits and loans from other community banks, branches or affiliates of larger banks, savings and loan associations, savings banks and credit unions, which compete vigorously (currently, sixteen FDIC-insured depository institutions operate within two miles of the Bank's headquarters). With respect to indirect lending, the Bank faces competition from other banks and the financing arms of automobile manufacturers. The Bank competes in this area by offering competitive rates and responsive service to dealers.

The Bank's interest rates, loan and deposit terms, and offered products and services are impacted, to a large extent, by such competition. The Bank attempts to provide superior service within its community and to know, and facilitate services, to, its customers. It seeks commercial relationships with small to medium size businesses, which the Bank believes would welcome personal service and flexibility. The bank believes its greatest competition comes from larger intra- and inter-state financial institutions.

Other Activities

The Company also owns all outstanding shares of capital stock of GBB Properties, Inc. ("GBB"), another Maryland corporation which was organized in 1994 and which is engaged in the business of acquiring, holding and disposing of real property, typically acquired in connection with foreclosure proceedings (or deeds in lieu of foreclosure) instituted by the Bank or acquired in connection with branch expansions by the Bank.

Employees

At December 31, 2014, the Bank had 104 full-time equivalent employees. Neither the Company nor GBB currently has any employees.

Regulation of the Company

General. The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the "BHCA"). As such, the Company is registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and subject to Federal Reserve Board regulation, examination, supervision and reporting requirements. As a bank holding company, the Company is required to furnish to the Federal Reserve Board annual and quarterly reports of its operations at the end of each period and to furnish such additional information as the Federal Reserve Board may require pursuant to the BHCA. The Company is also subject to regular inspection by Federal Reserve Board examiners.

Under the BHCA, a bank holding company must obtain the prior approval of the Federal Reserve Board before: (1) acquiring direct or indirect ownership or control of any voting shares of any bank or bank holding company if, after such acquisition, the bank holding company would directly or indirectly own or control more than 5% of such shares; (2) acquiring all or substantially all of the assets of another bank or bank holding company; or (3) merging or consolidating with another bank holding company.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act") authorizes the Federal Reserve Board to approve an application of an adequately capitalized and adequately managed bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than such holding company's home state, without regard to whether the transaction is prohibited by the laws of any state. The Federal Reserve Board may not approve the acquisition of a bank that has not been in existence for the minimum time period (not exceeding five years) specified by the statutory law of the host state. The Riegle-Neal Act also prohibits the Federal Reserve Board from approving such an application if the applicant (and its depository institution affiliates) controls or would control more than 10% of the insured deposits in the United States or 30% or more of the deposits in the target bank's home state or in any state in which the target bank maintains a branch. The Riegle-Neal Act does not affect the authority of states to limit the percentage of total insured deposits in the state which may be held or controlled by a bank or bank holding company to the extent such limitation does not discriminate against out-of-state banks or bank holding companies. Individual states may also waive the 30% state-wide concentration limit contained in the Riegle-Neal Act. Under Maryland law, a bank holding company is prohibited from acquiring control of any bank if the bank holding company would control more than 30% of the total deposits of all depository institutions in the State of Maryland unless waived by the Maryland Commissioner of Financial Regulation.

Additionally, the federal banking agencies are authorized to approve interstate merger transactions without regard to whether such transaction is prohibited by the law of any state, unless the home state of one of the banks opted out of the Riegle-Neal Act by adopting a law after the date of enactment of the Riegle-Neal Act and prior to June 1, 1997 which applies equally to all out-of-state banks and expressly prohibits merger transactions involving out-of-state banks. The State of Maryland did not pass such a law during this period. Interstate acquisitions of branches will be permitted only if the law of the state in which the branch is located permits such acquisitions. Interstate mergers and branch acquisitions will also be subject to the nationwide and statewide insured deposit concentration amounts described above.

The BHCA also prohibits, with certain exceptions, a bank holding company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of a company that is not a bank or a bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities which, by statute or by Federal Reserve Board regulation or order, have been identified as activities closely related to the business of banking or managing or controlling banks. The activities of the Company are subject to these legal and regulatory limitations under the BHCA and the Federal Reserve Board’s regulations thereunder. Notwithstanding the Federal Reserve Board’s prior approval of specific nonbanking activities, the Federal Reserve Board has the power to order a holding company or its subsidiaries to terminate any activity, or to terminate its ownership or control of any subsidiary, when it has reasonable cause to believe that the continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary of that holding company.

Effective with the enactment of the Gramm-Leach-Bliley Act (“G-L-B Act”) on November 12, 1999, bank holding companies whose financial institution subsidiaries are well capitalized and well managed and have satisfactory Community Reinvestment Act records can elect to become “financial holding companies” which will be permitted to engage in a broader range of financial activities than are currently permitted to bank holding companies. Financial holding companies are authorized to engage in, directly or indirectly, financial activities. A financial activity is an activity that is: (i) financial in nature; (ii) incidental to an activity that is financial in nature; or (iii) complementary to a financial activity and that does not pose a safety and soundness risk. The G-L-B Act includes a list of activities that are deemed to be financial in nature. Other activities also may be decided by the Federal Reserve Board to be financial in nature or incidental thereto if they meet specified criteria. A financial holding company that intends to engage in a new activity to acquire a company to engage in such an activity is required to give prior notice to the Federal Reserve Board. If the activity is not either specified in the G-L-B Act as being a financial activity or one that the Federal Reserve Board has determined by rule or regulation to be financial in nature, the prior approval of the Federal Reserve Board is required.

The Maryland Financial Institutions Code prohibits a bank holding company from acquiring more than 5% of any class of voting stock of a bank or bank holding company without the approval of the Commissioner of Financial Regulation except as otherwise expressly permitted by federal law or in certain other limited situations. The Maryland Financial Institutions Code additionally prohibits any person from acquiring voting stock in a bank or bank holding company without 60 days’ prior notice to the Commissioner if such acquisition will give the person control of 25% or more of the voting stock of the bank or bank holding company or will affect the power to direct or to cause the direction of the policy or management of the bank or bank holding company. Any doubt whether the stock acquisition will affect the power to direct or cause the direction of policy or management shall be resolved in favor of reporting to the Commissioner. The Commissioner may deny approval of the acquisition if the Commissioner determines it to be anti-competitive or to threaten the safety or soundness of a banking institution. Voting stock acquired in violation of this statute may not be voted for five years.

Capital Adequacy. The Federal Reserve Board has adopted guidelines regarding the capital adequacy of bank holding companies, which require bank holding companies to maintain specified minimum ratios of capital to total assets and capital to risk-weighted assets. See “Regulation of the Bank -- Capital Adequacy.”

Dividends and Distributions. The Federal Reserve Board has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve Board’s view that a bank holding company should pay cash dividends only to the extent that the company’s net income for the past year is sufficient to cover both the cash dividends and a rate of earning retention that is consistent with the company’s capital needs, asset quality, and overall financial condition.

Bank holding companies are required to give the Federal Reserve Board notice of any purchase or redemption of their outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the bank holding company’s consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would violate any law, regulation, Federal Reserve Board order, directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. Bank holding companies whose capital ratios exceed the thresholds for “well capitalized” banks on a consolidated basis are exempt from the foregoing requirement if they were rated composite 1 or 2 in their most recent inspection and are not the subject of any unresolved supervisory issues.

Regulation of the Bank

General. As a state-chartered bank with deposits insured by the FDIC but which is not a member of the Federal Reserve System (a "state non-member bank"), the Bank is subject to the supervision of the Maryland Commissioner of Financial Regulation and the FDIC. The Commissioner and FDIC regularly examine the operations of the Bank, including but not limited to capital adequacy, reserves, loans, investments and management practices. These examinations are for the protection of the Bank's depositors and not its stockholders. In addition, the Bank is required to furnish quarterly and annual call reports to the Commissioner and FDIC. The FDIC's enforcement authority includes the power to remove officers and directors and the authority to issue cease-and-desist orders to prevent a bank from engaging in unsafe or unsound practices or violating laws or regulations governing its business.

The Bank's deposits are insured by the FDIC to the legal maximum of $250,000 for each insured depositor. Some of the aspects of the lending and deposit business of the Bank that are subject to regulation by the Federal Reserve Board and the FDIC include reserve requirements and disclosure requirements in connection with personal and mortgage loans and savings deposit accounts. In addition, the Bank is subject to numerous Federal and state laws and regulations which set forth specific restrictions and procedural requirements with respect to the establishment of branches, investments, interest rates on loans, credit practices, the disclosure of customer information, the disclosure of credit terms and discrimination in credit transactions.

Patriot Act. The USA Patriot Act (the "Patriot Act"), includes provisions pertaining to domestic security, surveillance procedures, border protection, and terrorism laws to be administered by the Secretary of the Treasury. Title III of the Patriot Act entitled, "International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001" includes amendments to the Bank Secrecy Act which expand the responsibilities of financial institutions in regard to anti-money laundering activities with particular emphasis upon international money laundering and terrorism financing activities through designated correspondent and private banking accounts.

Section 313(a) of the Patriot Act prohibits any insured financial institution such as the Bank, from providing correspondent accounts to foreign banks which do not have a physical presence in any country (designated as "shell banks"), subject to certain exceptions for regulated affiliates of foreign banks. Section 313(a) also requires financial institutions to take reasonable steps to ensure that foreign bank correspondent accounts are not being used to indirectly provide banking services to foreign shell banks, and Section 319(b) requires financial institutions to maintain records of the owners and agent for service of process of any such foreign banks with whom correspondent accounts have been established.

Section 312 of the Patriot Act creates a requirement for special due diligence for correspondent accounts and private banking accounts. Under Section 312, each financial institution that establishes, maintains, administers, or manages a private banking account or a correspondent account in the United States for a non-United States person, including a foreign individual visiting the United States, or a representative of a non-United States person shall establish appropriate, specific, and, where necessary, enhanced, due diligence policies, procedures, and controls that are reasonably designed to detect and record instances of money laundering through those accounts.

The Company and the Bank are not currently aware of any account relationships between the Bank and any foreign bank or other person or entity as described above under Sections 313(a) or 312 of the Patriot Act.

Since the September 11, 2001 terrorist attacks, governments worldwide have enacted and tightened regulations which can assist in fighting terrorism. It is reasonable to anticipate that the United States Congress may enact additional legislation in the future to combat terrorism including modifications to existing laws such as the Patriot Act to expand powers as deemed necessary. The enactment of the Patriot Act has increased the Bank's compliance costs, and the impact of any additional legislation enacted by Congress may have upon financial institutions is uncertain. However, such legislation would likely increase compliance costs and thereby potentially have an adverse effect upon the Company's results of operations.

Community Reinvestment Act. Community Reinvestment Act ("CRA") regulations evaluate banks' lending to low and moderate income individuals and businesses across a four-point scale from "outstanding" to "substantial noncompliance," and are a factor in regulatory review of applications to merge, establish new branch offices or form bank holding companies. In addition, any bank rated in "substantial noncompliance" with the CRA regulations may be subject to enforcement proceedings. The Bank has a current rating of "satisfactory" for CRA compliance.

Capital Adequacy. The Federal Reserve Board and the FDIC have established guidelines with respect to the maintenance of appropriate levels of capital by bank holding companies and state non-member banks, respectively. The regulations impose two sets of capital adequacy requirements: minimum leverage rules, which require bank holding companies and banks to maintain a specified minimum ratio of capital to total assets, and risk-based capital rules, which require the maintenance of specified minimum ratios of capital to "risk-weighted" assets.

The regulations of the Federal Reserve Board and the FDIC require bank holding companies and state non-member banks, respectively, to maintain a minimum leverage ratio of "Tier 1 capital" (as defined in the risk-based capital guidelines discussed in the following paragraphs) to total assets of 3.0%. Although setting a minimum 3.0% leverage ratio, the capital regulations state that only the strongest bank holding companies and banks, with composite examination ratings of 1 under the rating system used by the Federal bank regulators, would be permitted to operate at or near such minimum level of capital. All other bank holding companies and banks are expected to maintain a leverage ratio of at least 1% to 2% above the minimum ratio, depending on the assessment of an individual organization's capital adequacy by its primary regulator. Any bank or bank holding company experiencing or anticipating significant growth would be expected to maintain capital well above the minimum levels. In addition, the Federal Reserve Board has indicated that whenever appropriate, and in particular when a bank holding company is undertaking expansion, seeking to engage in new activities or otherwise facing unusual or abnormal risks, it will consider, on a case-by-case basis, the level of an organization's ratio of tangible Tier 1 capital (after deducting all intangibles) to total assets in making an overall assessment of capital.

The risk-based capital rules of the Federal Reserve Board and the FDIC require bank holding companies and state non-member banks, respectively, to maintain minimum regulatory capital levels based upon a weighting of their assets and off-balance sheet obligations according to risk. Risk-based capital is composed of two elements: Tier 1 capital and Tier 2 capital. Tier 1 capital consists primarily of common stockholders' equity, certain perpetual preferred stock (which must be noncumulative in the case of banks), and minority interests in the equity accounts of consolidated subsidiaries; less all intangible assets, except for certain purchased mortgage servicing rights and credit card relationships. Tier 2 capital elements include, subject to certain limitations, the allowance for losses on loans and leases; perpetual preferred stock that does not qualify as Tier 1 capital and long-term preferred stock with an original maturity of at least 20 years from issuance; hybrid capital instruments, including perpetual debt and mandatory convertible securities; and subordinated debt and intermediate-term preferred stock.

The risk-based capital regulations assign balance sheet assets and credit equivalent amounts of off-balance sheet obligations to one of four broad risk categories based principally on the degree of credit risk associated with the obligor. The assets and off-balance sheet items in the four risk categories are weighted at 0%, 20%, 50% and 100%. These computations result in the total risk-weighted assets. The risk-based capital regulations require all banks and bank holding companies to maintain a minimum ratio of total capital (Tier 1 capital plus Tier 2 capital) to total risk-weighted assets of 8%, with at least 4% as Tier 1 capital. For the purpose of calculating these ratios: (i) Tier 2 capital is limited to no more than 100% of Tier 1 capital; and (ii) the aggregate amount of certain types of Tier 2 capital is limited. In addition, the risk-based capital regulations limit the allowance for loan losses includable as capital to 1.25% of total risk-weighted assets.

FDIC regulations and guidelines additionally specify that state non-member banks with significant exposure to declines in the economic value of their capital due to changes in interest rates may be required to maintain higher risk-based capital ratios. The Federal banking agencies, including the FDIC, have proposed a system for measuring and assessing the exposure of a bank's net economic value to changes in interest rates. The Federal banking agencies, including the FDIC, have stated their intention to propose a rule establishing an explicit capital charge for interest rate risk based upon the level of a bank's measured interest rate risk exposure after more experience has been gained with the proposed measurement process. Federal Reserve Board regulations do not specifically take into account interest rate risk in measuring the capital adequacy of bank holding companies.

The FDIC has issued regulations which classify state non-member banks by capital levels and which authorize the FDIC to take various prompt corrective actions to resolve the problems of any bank that fails to satisfy the capital standards. Under such regulations, a well-capitalized bank is one that is not subject to any regulatory order or directive to meet any specific capital level and that has or exceeds the following capital levels: a total risk-based capital ratio of 10%, a Tier 1 risk-based capital ratio of 6%, and a leverage ratio of 5%. An adequately capitalized bank is one that does not qualify as well-capitalized but meets or exceeds the following capital requirements: a total risk-based capital ratio of 8%, a Tier 1 risk-based capital ratio of 4%, and a leverage ratio of either (i) 4% or (ii) 3% if the bank has the highest composite examination rating. A bank not meeting these criteria is treated as undercapitalized, significantly undercapitalized, or critically undercapitalized depending on the extent to which the bank's capital levels are below these standards. A state non-member bank that falls within any of the three undercapitalized categories established by the prompt corrective action regulation will be subject to severe regulatory sanctions. As of December 31, 2014, the Bank was well capitalized as defined by the FDIC's regulations.

Branching. Maryland law provides that, with the approval of the Commissioner, Maryland banks may establish branches within the State of Maryland without geographic restriction and may establish branches in other states by any means permitted by the laws of such state or by federal law. The Riegle-Neal Act authorizes the FDIC to approve interstate branching de novo by state banks, only in states that specifically allow for such branching.

Dividend Limitations. Pursuant to the Maryland Financial Institutions Code, Maryland banks may only pay dividends from undivided profits or, with the prior approval of the Commissioner, their surplus in excess of 100% of required capital stock. The Maryland Financial Institutions Code further restricts the payment of dividends by prohibiting a Maryland bank from declaring a dividend on its shares of common stock until its surplus fund equals the amount of required capital stock or, if the surplus fund does not equal the amount of capital stock, in an amount in excess of 90% of net earnings. In addition, the Bank is prohibited by federal statute from paying dividends or making any other capital distribution that would cause the Bank to fail to meet its regulatory capital requirements. Further, the FDIC also has authority to prohibit the payment of dividends by a state non-member bank when it determines such payment to be an unsafe and unsound banking practice.

Deposit Insurance. The Bank is required to pay semi-annual assessments based on a percentage of its insured deposits to the FDIC for insurance of its deposits by the Bank Insurance Fund ("BIF"). Under the Federal Deposit Insurance Act, the FDIC is required to set semi-annual assessments for BIF-insured institutions to maintain the designated reserve ratio of the BIF at 1.25% of estimated insured deposits or at a higher percentage of estimated insured deposits that the FDIC determines to be justified for that year by circumstances raising a significant risk of substantial future losses to the BIF.

Under the risk-based deposit insurance assessment system adopted by the FDIC, the assessment rate for an insured depository institution depends on the assessment risk classification assigned to the institution by the FDIC, which is determined by the institution's capital level and supervisory evaluations. Based on the data reported to regulators for the date closest to the last day of the seventh month preceding the semi-annual assessment period, institutions are assigned to one of three capital groups -- "well capitalized, adequately capitalized or undercapitalized." Within each capital group, institutions are assigned to one of three subgroups on the basis of supervisory evaluations by the institution's primary supervisory authority and such other information as the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance fund. Under the current assessment schedule, well-capitalized banks with the best supervisory ratings are not required to pay any premium for deposit insurance. All BIF-insured banks, however, will be required to begin paying an assessment to the FDIC in an amount equal to 2.12 basis points times their assessable deposits to help fund interest payments on certain bonds issued by the Financing Corporation, an agency established by the federal government to finance takeovers of insolvent thrifts.

Transactions with Affiliates. A state non-member bank or its subsidiaries may not engage in "covered transactions" with any one affiliate in an amount greater than 10% of such bank's capital stock and surplus, and for all such transactions with all affiliates a state non-member bank is limited to an amount equal to 20% of capital stock and surplus. All such transactions must also be on terms substantially the same, or at least as favorable, to the bank or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar other types of transactions. An affiliate of a state non-member bank is any company or entity which controls or is under common control with the state non-member bank and, for purposes of the aggregate limit on transactions with affiliates, any subsidiary that would be deemed a financial subsidiary of a national bank. In a holding company context, the parent holding company of a state non-member bank (such as the Company) and any companies which are controlled by such parent holding company are affiliates of the state non-member bank. The BHCA further prohibits a depository institution from extending credit to or offering any other services, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or certain of its affiliates or not obtain services of a competitor of the institution, subject to certain limited exceptions.

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Loans to Directors, Executive Officers and Principal Stockholders. Loans to directors, executive officers and principal stockholders of a state non-member bank must be made on substantially the same terms as those prevailing for comparable transactions with persons who are not executive officers, directors, principal stockholders or employees of the Bank unless the loan is made pursuant to a compensation or benefit plan that is widely available to employees and does not favor insiders. Loans to any executive officer, director and principal stockholder together with all other outstanding loans to such person and affiliated interests generally may not exceed 15% of the bank's unimpaired capital and surplus and all loans to such persons may not exceed the institution's unimpaired capital and unimpaired surplus. Loans to directors, executive officers and principal stockholders, and their respective affiliates, in excess of the greater of $100,000 or 5% of capital and surplus (up to $500,000) must be approved in advance by a majority of the board of directors of the bank with any "interested" director not participating in the voting. State non-member banks are prohibited from paying the overdrafts of any of their executive officers or directors. In addition, loans to executive officers may not be made on terms more favorable than those afforded other borrowers and are restricted as to type, amount and terms of credit.

ITEM 2. PROPERTIES

The following table sets forth certain information with respect to the Bank's offices:

	Year Opened	Owned/ Leased	Book Value	Approximate Square Footage	Deposits
Main Office: 101 Crain Highway, S.E. Glen Burnie, MD 21061	1953	Owned	$ 467,062	10,000	$ 103,045,998
Branches:					
Odenton 1405 Annapolis Road Odenton, MD 21113	1969	Owned	170,571	6,000	38,120,420
Riviera Beach 8707 Ft. Smallwood Road Pasadena, MD 21122	1973	Owned	208,925	2,500	33,272,221
Crownsville 1221 Generals Highway Crownsville, MD 21032	1979	Owned	385,716	3,000	62,791,412
Severn 811 Reece Road Severn, MD 21144	1984	Owned	81,183	2,500	30,619,814
New Cut Road 740 Stevenson Road Severn, MD 21144	1995	Owned	1,218,706	2,600	28,710,752

Linthicum Burwood Village Shopping Center Glen Burnie, MD 21060	2005	Leased	79,584	2,500	19,594,961
Severna Park 534 Ritchie Highway Severna Park, MD 21146	2002	Leased	31,802	2,184	22,721,714
Operations Centers: 106 Padfield Blvd. Glen Burnie, MD 21061	1991	Owned	754,002	16,200	N/A
103 Crain Highway, S.E. Glen Burnie, MD 21061	2000	Owned	273,744	3,727	N/A

At December 31, 2014, the Bank owned one foreclosed real estate property with a total book value of $45,175.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and the Bank are involved in various legal actions relating to their business activities. At December 31, 2014, there were no actions to which the Company or the Bank was a party which involved claims for money damages exceeding 10% of the Company's consolidated current assets in any one case or in any group of proceedings presenting in large degree the same legal and factual issues.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is information about the Company's executive officers.

NAME	AGE	POSITIONS
Michael G. Livingston	61	President and Chief Executive Officer
Edward B. Connelly	48	Senior Vice President and Chief Operating Officer
John E. Porter	61	Senior Vice President and Chief Financial Officer
Joyce A. Ohmer	61	Senior Vice President and Branch Administrator
Andrew J. Hines	53	Senior Vice President and Chief Lending Officer

MICHAEL G. LIVINGSTON was appointed President and Chief Executive Officer of the Company and the Bank effective January 1, 2008. Prior to that date, Mr. Livingston was Deputy Chief Executive Officer and Executive Vice President since August 2004, Chief Operating Officer since January 2004, Deputy Chief Operating Officer from February 2003 through December 2003, Senior Vice President from January 1998 until August 2004, and Chief Lending Officer of the Bank from 1996 until August 2004. Mr. Livingston was elected as a director of the Company and the Bank on January 1, 2005.

EDWARD B. CONNELLY was appointed Chief Operating Officer and Senior Vice President of the Bank effective August 2012.

JOHN E. PORTER was appointed Senior Vice President in January 1998. He has been Treasurer and Chief Financial Officer of the Company since 1995 and Vice President, Treasurer and Chief Financial Officer of the Bank since 1990.

JOYCE A. OHMER was appointed Senior Vice President in November 2004. She has been Branch Administrator of the Bank since 2002.

ANDREW J. HINES was appointed Chief Lending Officer of the Bank effective March 1, 2014, upon the retirement of Barbara J. Elswick. He was appointed Senior Lending Officer and Senior Vice President effective January 2, 2014.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Common Stock is traded on the Nasdaq Capital Market under the symbol "GLBZ". As of February 24, 2015, there were 393 record holders of the Common Stock. The closing price for the Common Stock on that date was $12.70.

The following table sets forth the high and low sales prices for the Common Stock for each full quarterly period during 2014 and 2013 as reported by Nasdaq. The quotations represent prices between dealers and do not reflect the retailer markups, markdowns or commissions, and may not represent actual transactions. Also shown are dividends declared per share for these periods.

	2014			2013		
Quarter Ended	High	Low	Dividends	High	Low	Dividends
March 31,	$12.20	$11.89	$0.10	$12.00	$11.27	$0.10
June 30,	13.50	11.90	0.10	12.69	11.48	0.10
September 30	13.50	11.00	0.10	12.73	12.01	0.10
December 31	12.97	11.35	0.10	12.25	10.58	0.10

A regular dividend of $0.10 was declared for stockholders' of record on December 29, 2014, payable on January 8, 2015.

The Company intends to pay dividends approximating forty percent (40%) of its profits for each quarter. However, dividends remain subject to declaration by the Board of Directors in its sole discretion and there can be no assurance that the Company will be legally or financially able to make such payments. Payment of dividends may be limited by federal and state regulations which impose general restrictions on a bank's and bank holding company's right to pay dividends (or to make loans or advances to affiliates which could be used to pay dividends). Generally, dividend payments are prohibited unless a bank or bank holding company has sufficient net (or retained) earnings and capital as determined by its regulators. See "Item 1. Business - Supervision and Regulation - Regulation of the Company - Dividends and Distributions" and "Item 1. Business -- Supervision and Regulation - Regulation of the Bank - Dividend Limitations." The Company does not believe that those restrictions will materially limit its ability to pay dividends.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents consolidated selected financial data for the Company and its subsidiaries for each of the periods indicated.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars In Thousand Except Per Share Data)				
Operations Data:					
Net Interest Income	$11,986	$12,620	$12,562	$13,449	$12,880
Provision for Credit Losses	1,021	260	250	663	1,050
Other Income	2,670	2,001	1,822	2,090	1,899
Other Expense	11,412	11,113	10,795	11,115	11,178
Net Income	1,915	2,614	2,665	2,993	2,065
Share Data:					
Basic Net Income Per Share	$0.69	$0.95	$0.98	$1.10	$0.76
Diluted Net Income Per Share	0.69	0.95	0.98	1.10	0.76
Cash Dividends Declared Per Common Share	0.40	0.40	0.40	0.40	0.40
Weighted Average Common Shares Outstanding:					
Basic	2,755,671	2,742,003	2,728,072	2,710,455	2,690,218
Diluted	2,755,671	2,742,003	2,728,072	2,710,455	2,690,218
Financial Condition Data:					
Total Assets	$394,630	$377,194	$387,438	$365,260	$347,067
Loans Receivable, Net	273,986	270,684	249,631	232,734	229,851
Total Deposits	338,877	323,803	332,289	311,945	294,445
Long Term Borrowings	20,000	20,000	20,000	20,000	20,000
Total Stockholder' Equity	33,830	31,583	33,588	31,211	26,333
Performance Ratios:					
Return on Average Assets	0.48 %	0.68 %	0.71 %	0.84 %	0.58 %
Return on Average Equity	5.64	8.07	8.12	10.11	7.75
Net Interest Margin (1)	3.50	3.72	3.98	4.39	4.05
Dividend payout Ratio	57.58	41.96	40.95	36.22	52.11
Capital Ratios:					
Average Equity to Average Assets	8.57 %	8.45 %	8.71 %	8.26 %	7.45 %
Leverage Ratio	8.52	8.69	8.26	8.20	7.64
Total Risk-Based Capital Ratio	14.32	14.14	14.07	14.35	12.58
Asset Quality Ratios:					
Allowance for Credit Losses to Gross Loans	1.12 %	1.09 %	1.31 %	1.66 %	1.45 %
	1.07 %	1.58 %	2.22 %	2.15 %	2.99 %

Non-accrual and Past Due Loans to Gross Loans										
Allowance for Credit Losses to Non-Accrual and Past Due Loans	104.84	%	68.78	%	58.84	%	77.38	%	48.69	%
Net Loan Charge-offs (Recoveries) to Average Loans	0.31	%	0.23	%	0.36	%	0.06	%	0.53	%

(1) Presented on a tax-equivalent basis

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

When used in this discussion and elsewhere in this Annual Report on Form 10-K, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "intends", "estimate," "project" or similar expressions are inten identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and readers are advised that various factors, including regional and national economic conditions, unfavorable judicial decisions, substantial changes in levels of market interest rates, credit and other risks of lending and investment activities and competitive and regulatory factors could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected. The Company does not undertake and specifically disclaims any obligation to update any forward-looking statements to reflect occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Overview

During 2014, net interest income before provision for credit losses decreased to $11,985,815 from $12,620,060 in 2013, a 5.03% decrease. Total interest income decreased from $15,281,865 in 2013 to $14,519,737 in 2014, a 4.99% decrease. Interest expense for 2014 totaled $2,533,922, a 4.80% decrease from $2,661,805 in 2013. In spite of the impact of lower interest rates on net interest margins, the Company realized consolidated net income of $1,914,526 for 2014.

In the past year, the Federal Reserve ended their Quantitative Easing program and is now deciding when to start raising the Federal Funds rate from historically low levels. Through this period, we have experienced an increase in outstanding loans and deposits and look forward to continuing to meet the needs of the communities we serve.

Comparison of Results of Operations for the Years Ended December 31, 2014, 2013 and 2012

General. For the year ended December 31, 2014, the Company reported consolidated net income of $1,914,526 ($0.69 basic and diluted earnings per share) compared to consolidated net income of $2,614,177 ($0.95 basic and diluted earnings per share) for the year ended December 31, 2013 and consolidated net income of $2,665,080 ($0.98 basic and diluted earnings per share) for the year ended December 31, 2012. The decrease in the 2014 consolidated net income was mainly due to decreases in loan income, decreases in state and municipal security income, an increase in other expenses, and an increase in provision for credit losses, which was partially offset by an increase in gains on investment securities and decreases in employee benefits and deposit expense. The decrease in the 2013 consolidated net income was mainly due to decreases in loan income, an increase in impairment of securities and an increase in other expenses, which was offset by a decrease in deposit expense and an increase in gains on investment securities.

Net Interest Income. The primary component of the Company's net income is its net interest income, which is the difference between income earned on assets and interest paid on the deposits and borrowings used to fund income producing assets. Net interest income is determined by the spread between the yields earned on the Company's interest-earning assets and the rates paid on interest-bearing liabilities as well as the relative amounts of such assets and liabilities. Net interest income, divided by average interest-earning assets, represents the Company's net interest margin.

Net interest income is affected by the mix of loans in the Bank’s loan portfolio. Currently a majority of the Bank’s loans are residential and commercial mortgage loans secured by real estate and indirect automobile loans secured by automobiles.

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Consolidated net interest income for the year ended December 31, 2014 was $11,985,815 compared to $12,620,060 for the year ended December 31, 2013 and $12,562,134 for the year ended December 31, 2012. The $634,245 decrease for the most recent year was primarily due to the decline in interest income on loans and securities being greater than the decline in interest expense on deposits. The $57,926 increase for 2013 compared to 2012 was primarily due to the decline in the interest expense on deposits being greater than the decline in interest income on loans and securities. The interest income, net of tax, for 2014 was $12,697,000, a $784,000 or 5.82% decrease from the after tax net interest income for 2013, which was $13,481,000, a $199,000 or 1.50% increase from the after tax net interest income for 2012.

Interest expense decreased from $2,661,805 in 2013 to $2,533,922 in 2014, a $127,883 or a 4.80% decrease, primarily due to a decrease in deposit rates. Interest expense decreased from $3,255,096 in 2012 to $2,661,805 in 2013, a $593,291 or an 18.23% decrease, primarily due to a decrease in deposit rates. Net interest margin for the year ended December 31, 2014 was 3.50% compared to 3.72% and 3.98% for the years ended December 31, 2013 and 2012, respectively.

The following table allocates changes in income and expense attributable to the Company's interest-earning assets and interest-bearing liabilities for the periods indicated between changes due to changes in rate and changes in volume. Changes due to rate/volume are allocated to changes due to volume.

	Year Ended December 31,								
	2014	VS.	2013	2013	VS.	2012	2012	VS.	2011
	Change Due To:			Change Due To:			Change Due To:		
	Increase/ Decrease	Rate	Volume	Increase/ Decrease	Rate	Volume	Increase/ Decrease	Rate	Volume
ASSETS:									
Interest-earning assets:									
Federal funds sold	$8	$-	$8	$(1)	$-	$(1)	$(2)	$-	$(2)
Interest-bearing deposits	17	2	15	12	14	(2)	13	15	(2)
Investment securities:									
U.S. Treasury securities, obligations of U.S. government agencies and mortgage-backed securities	(121)	27	(148)	(37)	1	(38)	(580)	(635)	55
Obligations of states and political subdivisions(1)	(451)	(113)	(338)	(73)	73	(146)	142	(368)	510
All other investment securities	(12)	(5)	(7)	(25)	(9)	(16)	(56)	5	(61)
Total investment securities	(584)	(91)	(493)	(135)	65	(200)	(494)	(998)	504
Loans, net of unearned income									
Demand, time and lease	(23)	12	(35)	(130)	(5)	(125)	17	40	(23)
Mortgage and construction	(627)	(738)	111	146	(406)	552	(844)	(956)	112
Installment and personal unsecured lines	295	(573)	868	(286)	(2)	(284)	(129)	(1,111)	982
Total gross loans(2)	(355)	(1,299)	944	(270)	(413)	143	(956)	(2,027)	1,071
Allowance for credit losses	-	-	-	-	-	-	-	-	-
Total net loans	(355)	(1,299)	944	(270)	(413)	143	(956)	(2,027)	1,071
Total interest-earning assets	$(914)	$(1,388)	$474	$(394)	$(334)	$(60)	$(1,439)	$(3,010)	$1,571
LIABILITIES:									
Interest-bearing deposits:									
Savings and NOW	$(19)	$(21)	$2	$(68)	$(80)	$12	$(52)	$(87)	$35
Money market	(1)	-	(1)	(15)	(17)	2	(28)	(36)	8
Other time deposits	(101)	(218)	117	(514)	(321)	(193)	(347)	(237)	(110)
Total interest-bearing deposits	(121)	(239)	118	(597)	(418)	(179)	(427)	(360)	(67)
Borrowed funds	(8)	-	(8)	4	(3)	7	-	2	(2)
	$(129)	$(239)	$110	$(593)	$(421)	$(172)	$(427)	$(358)	$(69)

Total interest-bearing liabilities

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The following table provides information for the designated periods with respect to the average balances, income and expense and annualized yields and costs associated with various categories of interest-earning assets and interest-bearing liabilities.

	Year Ended December 31,									
	2014			2013			2012			
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance
	(Dollars In Thousands)									
ASSETS:										
Interest-earning assets:										
Federal funds sold	$4,248	$11	0.25%	$1,197	$3	0.25%	$1,760	$4	0.25%	$2,258
Interest-bearing deposits	11,316	61	0.54	8,433	44	0.52	8,945	32	0.35	10,477
Investment securities:										
U.S. Treasury securities, obligations of U,S, government agencies and mortgage-backed securities	47,237	750	1.59	56,850	871	1.53	59,359	908	1.53	57,259
Obligations of states and political subdivisions(1)	33,440	2,068	6.18	38,644	2,519	6.52	40,959	2,592	6.33	35,602
All other investment securities	266	21	8.04	345	33	9.68	479	58	12.04	1,033
Total investment securities	80,943	2,839	3.51	95,839	3,423	3.57	100,797	3,558	3.53	93,894
Loans, net of unearned income										
Demand, time and lease	3,809	217	5.70	4,478	240	5.37	6,744	370	5.48	7,195
Mortgage and construction	194,312	9,007	4.64	191,969	9,634	5.02	181,311	9,488	5.23	179,271
Installment and personal unsecured lines	83,084	3,094	3.72	63,519	2,799	4.41	60,725	3,085	5.08	46,544
Total gross loans(2)	281,205	12,318	4.38	259,966	12,673	4.87	248,780	12,943	5.20	233,010
Allowance for credit losses	(2,855)			(3,146)			(3,875)			(3,630)
Total net loans	278,350	12,318	4.43	256,820	12,673	4.93	244,905	12,943	5.28	229,380
	374,857	15,229	4.06	362,289	16,143	4.46	356,407	16,537	4.64	336,009

Total interest-earning assets											
Cash and due from banks	3,105			2,936			2,920			3,097	
Other assets	17,795			19,348			17,583			18,914	
Total assets	$395,757			$384,573			$376,910			$358,020	
LIABILITIES AND STOCKHOLDER'S EQUITY:											
Interest-bearing deposits:											
Savings and NOW	$103,253	50	0.05%	$99,085	69	0.07%	$90,813	137	0.15%	$80,707	
Money market	19,940	10	0.05	21,249	11	0.05	19,957	26	0.13	17,578	
Other time deposits	128,016	1,833	1.43	120,574	1,934	1.60	131,047	2,448	1.87	135,755	
Total interest-bearing deposits	251,209	1,893	0.75	240,908	2,014	0.84	241,817	2,611	1.08	234,040	
Short-term borrowed funds	47	-	0.29	1,876	7	0.37	428	2	0.46	1,024	
Long-term borrowed funds	20,000	640	3.20	20,000	641	3.20	20,000	642	3.21	20,000	
Total interest-bearing liabilities	271,256	2,533	0.93	262,784	2,662	1.01	262,245	3,255	1.24	255,064	
Non-interest-bearing deposits	89,279			86,542			80,373			72,280	
Other liabilities	1,301			2,838			1,457			1,907	
Stockholder's equity	33,921			32,409			32,835			28,769	
Total liabilities and equity	$395,757			$384,573			$376,910			$358,020	
Net interest income		$12,696			$13,481			$13,282			$
Net interest spread			3.13%			3.45%			3.40%		
Net interest margin			3.50%			3.72%			3.98%		

1 Tax equivalent basis. The incremental tax rate applied was 37.69% for 2014 and 34.42% for 2013.
2 Non-accrual loans included in average balance.

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Provision for Credit Losses. During the year ended December 31, 2014, the Company made a provision of $1,021,000 for credit losses, compared to a provision of $260,000 and $250,000 for credit losses for the years ended December 31, 2013 and 2012, respectively. In 2014, the Bank increased its provision for credit losses due to the increase in net charge offs and growth in the loan portfolio. At December 31, 2014, the allowance for credit losses equaled 104.84% of non-accrual and past due loans compared to 68.78% and 58.84% at December 31, 2013 and 2012, respectively. During the year ended December 31, 2014, the Company recorded net charge-offs of $875,000 compared to $596,000 and $873,000 in net charge-offs during the years ended December 31, 2013 and 2012, respectively.

Other Income. Other income includes service charges on deposit accounts, other fees and commissions, net gains on investment securities, and income on Bank owned life insurance (BOLI). Other income increased from $2,001,216 in 2013 to $2,670,498 in 2014, a $669,282, or 33.45% increase. The increase was primarily due to a increase in gains on securities partially offset by a decrease in service charges on deposit accounts. Other income increased from $1,822,072 in 2012 to $2,001,216 in 2013, a $179,144, or 9.83% increase. The increase was primarily due to a increase in gains on securities with a lesser increase in service charges on deposit accounts.

Other Expenses. Other expenses, which consist of non-interest operating expenses, increased from $11,113,244 in 2013 to $11,412,259 in 2014, a $299,015 or 2.69% increase. This increase was primarily due to increases in other professional expenses and a write-down of loan fees receivable deemed to be uncollectable. Other expenses increased from $10,795,319 in 2012 to $11,113,244 in 2013, a $317,925 or 2.95% increase. This increase was primarily due to an increase in the FDIC Assessment and other professional expenses, with lesser increases in telephone and office supplies, furniture and equipment and impairment on securities, partially offset by decreases in salaries and wages, employee benefits, and occupancy.

Income Taxes. During the year ended December 31, 2014, the Company recorded an income tax expense of $308,652, compared to an income tax expense of $633,855 for the year ended December 31, 2013. This decrease was due to the decrease in net income before taxes. During the year ended December 31, 2013, the Company recorded an income tax expense of $633,855, compared to an income tax expense of $673,807 for the year ended December 31, 2012. This decrease was due to the decrease in net income before taxes.

Comparison of Financial Condition at December 31, 2014, 2013 and 2012

The Company's total assets increased to $394,629,508 at December 31, 2014 from $377,193,574 at December 31, 2013. The Company's total assets decreased to $377,193,574 at December 31, 2013 from $387,438,269 at December 31, 2012.

The Company's net loan portfolio increased to $273,986,237 at December 31, 2014 compared to $270,684,120 at December 31, 2013 and $249,631,525 at December 31, 2012. In 2014, the increase in the loan portfolio was primarily due to increases in indirect loans, purchase money mortgage, and commercial and industrial construction loans, partially offset by decreases in refinance mortgage loans and commercial and industrial mortgages. In 2013, the increase in the loan portfolio was primarily due to increases in indirect loans, refinance mortgage loans, non-home owner residential construction loans, home equity and purchase money mortgages, partially offset by decreases in secured business installment loans, home-owner residential construction, commercial and industrial mortgages, and demand secured business loans.

During 2014, the Company's total investment securities portfolio (including both investment securities available for sale and investment securities held to maturity) totaled $87,993,145, a $13,679,463 or 18.41%, increase from $74,313,682 at December 31, 2013. This increase is due to an increase in U.S. Treasury Notes, mortgage backed securities and state and municipal securities. The market value of municipal securities also increased from 2013 to 2014 and contributed to this increase. During 2013, the Company's total investment securities portfolio (including both investment securities available for sale and investment securities held to maturity) totaled $74,313,682, a $26,176,585 or 26.05%, decrease from $100,490,267 at December 31, 2012. This decrease is primarily attributable to a decrease in mortgage backed securities and municipal securities in order to fund growth in the loan portfolio.

Deposits as of December 31, 2014 totaled $338,877,292, an increase of $15,073,936, or 4.66%, from the $323,803,356 total as of December 31, 2013. Deposits as of December 31, 2013 totaled $323,803,356, a decrease of $8,485,530, or 2.55%, from the $332,288,886 total as of December 31, 2012. Demand deposits as of December 31, 2014 totaled $88,562,924, a $1,815,399, or 2.09%, increase from $86,747,525 at December 31, 2013. NOW and Super NOW accounts, as of December 31, 2014, decreased by $1,001,279, or 3.58% from their 2013 level to $26,990,274. Money market accounts increased by $1,245,857, or 6.48%, from their 2013 level, to total $20,465,436 at December 31, 2014. Savings deposits increased by $3,568,466, or 5.00%, from their 2013 level, to $74,973,038 at December 31, 2014. Time deposits over $100,000 totaled $55,103,984 on December 31, 2014, an increase of $9,202,510, or 20.05% from December 31, 2013. Other time deposits (made up of certificates of deposit less than $100,000 and individual retirement accounts) totaled $72,781,636 on December 31, 2014, a $242,983 or 0.33% increase from December 31, 2013.

Total stockholders' equity as of December 31, 2014 increased by $2,247,366, or 7.12%, from the 2013 period. The increase was attributed to the 2013 accumulated other comprehensive loss now being comprehensive income in 2014 (a $1,280,805 change) and an increase in retained earnings from current year net income, offset by cash dividends paid, net of dividends reinvested. Total stockholders' equity as of December 31, 2013 decreased by $2,004,503, or 5.97%, from the 2012 period. The decrease was attributed to an increase in accumulated other comprehensive loss and cash dividends paid, net of dividends reinvested, offset by the increase in earnings.

Off-Balance Sheet Arrangements

Off-Balance Sheet Arrangements. The Bank is a party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements.

Loan commitments and lines of credit are agreements to lend to customers as long as there is no violation of any conditions of the contracts. Loan commitments generally have interest rates fixed at current market amounts, fixed expiration dates, and may require payment of a fee. Lines of credit generally have variable interest rates. Many of the loan commitments and lines of credit are expected to expire without being drawn upon; accordingly, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral or other security obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include deposits held in financial institutions, U.S. Treasury securities, other marketable securities, accounts receivable, inventory, property and equipment, personal residences, income-producing commercial properties, and land under development. Personal guarantees are also obtained to provide added security for certain commitments.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to guarantee the installation of real property improvements and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral and obtains personal guarantees supporting those commitments for which collateral or other securities is deemed necessary.

The Bank's exposure to credit loss in the event of nonperformance by the customer is the contractual amount of the commitment. Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. As of December 31, 2014, the Bank has accrued $200,000 for unfunded commitments related to these financial instruments with off balance sheet risk, which is included in other liabilities.

Market Risk Management

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates or equity pricing. The Company's principal market risk is interest rate risk that arises from its lending, investing and deposit taking activities. The Company's profitability is dependent on the Bank's net interest income. Interest rate risk can significantly affect net interest income to the degree that interest bearing liabilities mature or reprice at different intervals than interest earning assets. The Bank's Asset/Liability and Risk Management Committee oversees the management of interest rate risk. The primary purpose of the committee is to manage the exposure of net interest margins to unexpected changes due to interest rate fluctuations. The Company does not utilize derivative financial or commodity instruments or hedging strategies in its management of interest rate risk. The primary tool used by the committee to monitor interest rate risk is a "gap" report which measures the dollar difference between the amount of interest bearing assets and interest bearing liabilities subject to repricing within a given time period. These efforts affect the loan pricing and deposit rate policies of the Company as well as the asset mix, volume guidelines, and liquidity and capital planning.

The following table sets forth the Bank's interest-rate sensitivity at December 31, 2014.

	0-3 Months	Over 3 to 12 Months	Over 1 Through 5 Years	Over 5 Years	Total
	(Dollars in Thousands)				
Assets:					
Cash and due from banks	$-	$-	$-	$-	$9,256
Federal funds and overnight deposits	4,024	-	-	-	4,024
Securities	-	61	5,923	82,009	87,993
Loans	8,450	7,141	72,328	186,067	273,986
Fixed assets	-	-	-	-	3,671
Other assets	-	-	-	-	15,699
Total assets	$12,474	$7,202	$78,251	$268,076	$394,629
Liabilities:					
Demand deposit accounts	$-	$-	$-	$-	$88,563
NOW accounts	26,990	-	-	-	26,990
Money market deposit accounts	20,465	-	-	-	20,465
Savings accounts	74,860	113	-	-	74,973
IRA accounts	4,287	9,464	24,883	4,169	42,803
Certificates of deposit	11,066	21,238	48,612	4,167	85,083
Long-term borrowings	-	-	20,000	-	20,000
Other liabilities	-	-	-	-	1,922
Stockholders' equity:	-	-	-	-	33,830
Total liabilities and stockholders' equity	$137,668	$30,815	$93,495	$8,336	$394,629
GAP	$(125,194)	$(23,613)	$(15,244)	$259,740	
Cumulative GAP	$(125,194)	$(148,807)	$(164,051)	$95,689	
Cumulative GAP as a % of total assets	-31.72 %	-37.71 %	-41.57 %	24.25 %	

The foregoing analysis assumes that the Bank's assets and liabilities move with rates at their earliest repricing opportunities based on final maturity. Mortgage backed securities are assumed to mature during the period in which they are estimated to prepay and it is assumed that loans and other securities are not called prior to maturity. Certificates of deposit and IRA accounts are presumed to reprice at maturity. NOW savings accounts are assumed to reprice at within three months although it is the Company's experience that such accounts may be less sensitive to changes in market rates.

In addition to gap analysis, the Bank utilizes a simulation model to quantify the effect a hypothetical immediate plus or minus 200 basis point change in rates would have on net interest income and the economic value of equity. The model takes into consideration the effect of call features of investments as well as prepayments of loans in periods of declining rates. When actual changes in interest rates occur, the changes in interest earning assets and interest bearing liabilities may differ from the assumptions used in the model and, in the Bank's experience, the changes historically realized have been narrower than those projected by the model. However, the Bank believes that the model is a prudent forecasting tool. As of December 31, 2014, the model produced the following sensitivity profile for net interest income and the economic value of equity.

	Immediate Change in Rates			
	-200 Basis Points	-100 Basis Points	+100 Basis Points	+200 Basis Points
% Change in Net Interest Income	-4.1 %	-0.9 %	1.1 %	0.7 %
% Change in Economic Value of Equity	-15.5 %	-5.1 %	-3.8 %	-10.1 %

Liquidity and Capital Resources

The Company currently has no business other than that of the Bank and does not currently have any material funding commitments. The Company's principal sources of liquidity are cash on hand and dividends received from the Bank. The Bank is subject to various regulatory restrictions on the payment of dividends.

The Bank's principal sources of funds for investments and operations are net income, deposits from its primary market area, principal and interest payments on loans, interest received on investment securities and proceeds from maturing investment securities. Its principal funding commitments are for the origination or purchase of loans and the payment of maturing deposits. Deposits are considered the primary source of funds supporting the Bank's lending and investment activities. The Bank also uses borrowings from the FHLB of Atlanta to supplement deposits, residential and small business lending, and to meet specific and anticipated needs.

The Bank's most liquid assets are cash and cash equivalents, which are cash on hand, amounts due from financial institutions, federal funds sold and money market mutual funds. The levels of such assets are dependent on the Bank's operating financing and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows.

Cash and cash equivalents (cash due from banks, interest-bearing deposits in other financial institutions, and federal funds sold), as of December 31, 2014, totaled $13,280,234, an increase of $2,326,765 or 21.24%, from the December 31, 2013 total of $10,953,469. This increase was due to the inflow of deposits reduced by the purchase of securities and the growth in loans.

As of December 31, 2014, the Bank was permitted to draw on a $69.17 million line of credit from the FHLB of Atlanta. Borrowings under the line are secured by a floating lien on the Bank's residential first mortgage loans. As of December 31, 2014, there was nothing outstanding under the daily rate credit. As of December 31, 2014, the Bank had a $10 million convertible advance (callable monthly and with a final maturity of November 1, 2017) from the FHLB of Atlanta. In addition, the Bank had a $5 million convertible advance settled July 21, 2008 with a final maturity of July 23, 2018. This advance has a 2.73% rate of interest and was callable quarterly, starting July 23, 2009. Furthermore, the Bank had a $5 million convertible advance taken out August 22, 2008 which has a final maturity of August 22, 2018. This advance has a 3.34% rate of interest and is callable quarterly, starting August 22, 2011. In addition, the Bank has three unsecured lines of credit totaling $3 million, $5 million, and $8 million, on which there were no outstanding balances at December 31, 2014.

Federal banking regulations require the Company and the Bank to maintain specified levels of capital. At December 31, 2014, the Company was in compliance with these requirements with a leverage ratio of 8.52%, a Tier 1 risk-based capital ratio of 13.07% and total risk-based capital ratio of 14.32%. At December 31, 2014, the Bank met the criteria for designation as a well capitalized depository institution under FDIC regulations.

Impact of Inflation and Changing Prices

The consolidated financial statements and notes thereto presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, nearly all of the Company's assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Critical Accounting Policies

The Company's accounting policies are more fully described in Note 1 of the Notes to the Consolidated Financial Statements, starting on page F-8 and are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. As discussed there, the preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Since future events and their effects cannot be determined with absolute certainty, the determination of estimates requires the exercise of judgment. Management has used the best information available to make the estimations necessary to value the related assets and liabilities based on historical experience and on various assumptions which are believed to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences may be material to the financial statements. The Company reevaluates these variables as facts and circumstances change. Historically, actual results have not differed significantly from the Company's estimates. The following is a summary of the more judgmental accounting estimates and principles involved in the preparation of the Company's financial statements, including the identification of the variables most important in the estimation process:

Allowance for Credit Losses. The Bank's allowance for credit losses is determined based upon estimates that can and do change when the actual events occur, including historical losses as an indicator of future losses, fair market value of collateral, and various general or industry or geographic specific economic events. The use of these estimates and values is inherently subjective and the actual losses could be greater or less than the estimates. For further information regarding our allowance for credit losses, see "Allowance for Credit Losses" under Item 1- "Business" of this Annual Report.

Accrued Taxes. Management estimates income tax expense based on the amount it expects to owe various tax authorities. Income taxes are discussed in more detail in Note 10 to the consolidated financial statements. Accrued taxes represent the net estimated amount due or to be received from taxing authorities. In estimating accrued taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions taking into account statutory, judicial and regulatory guidance in the context of the Company's tax position.

Recently Issued Accounting Pronouncements

The FASB has issued several exposure drafts which, if adopted, would significantly alter the Company's (and all other financial institutions') method of accounting for, and reporting, its financial assets and some liabilities from a historical cost method to a fair value method of accounting as well as the reported amount of net interest income. Also, the FASB has issued an exposure draft regarding a change in the accounting for leases. Under this exposure draft, the total amount of "lease rights" and total amount of future payments required under all leases would be reflected on the balance sheets of all entities as assets and debt. If the changes under discussion in either of these exposure drafts are adopted, the financial statements of the Company could be materially impacted as to the amounts of recorded assets, liabilities, capital, net interest income, interest expense, depreciation expense, rent expense and net income. The Company has not determined the extent of the possible changes at this time. The exposure drafts are in different stages of review, approval and possible adoption.

ASU 2013-02, "Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 amends recent guidance related to the reporting of comprehensive income to enhance the reporting of reclassifications out of accumulated other comprehensive income. ASU 2013-02 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company's financial statements.

ASU 2013-08, “Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement and Disclosure Requirements.” ASU 2013-08 clarifies the characteristics of investment companies and sets forth a new approach for determining whether a company is an investment company. The fundamental characteristics of an investment company include (i) the company obtains funds from investors and provides the investors with investment management services; (ii) the company commits to its investors that its business purpose and only substantive activities are investing the funds for returns solely from capital appreciation, investment income, or both; and (iii) the company or its affiliates do not obtain or have the objective of obtaining returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests or that are other than capital appreciation or investment income. ASU 2013-08 also sets forth the scope, measurement and disclosure requirements for investment companies. ASU 2013-08 is effective for the Corporation on January 1, 2014 and is not expected to have any impact on the Company’s financial statements.

ASU 2013-10, "Derivatives and Hedging (Topic 815) – Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." ASU 2013-10 permits the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to interest rates on direct Treasury obligations of the U.S. government and the London Interbank Offered Rate ("LIBOR"). ASU 2013-10 became effective for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013 and is not expected to have a significant impact on the Company's financial statements.

ASU 2013-12, "Definition of a Public Business Entity - An Addition to the Master Glossary." ASU 2013-12 amends the Master Glossary of the FASB Accounting Standards Codification to include one definition of public business entity for future use in U.S. GAAP and identifies the types of business entities that are excluded from the scope of the Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies. ASU 2013-12 did not have a significant impact on the Company's financial statements.

ASU 2014−-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-−09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-−09 is that an entity should recognize revenue to depict the transfer of 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. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014−-09 is effective for the Corporation on January 1, 2017. The Corporation is still evaluating the potential impact on the Corporation's financial statements.

ASU 2014−11, "Transfers and Servicing (Topic 860)." ASU 2014−-11 requires that repurchase-−to-−maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, ASU 2014-−11 requires separate accounting for repurchase financings, which entails the transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. ASU 2014−-11 requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, ASU 2014−-11 requires disclosures related to collateral, remaining contractual tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase−-to-−maturity transactions. ASU 2014−-11 is effective for the Corporation on January 1, 2015 and is not expected to have a significant impact on the Corporation's financial statements.

ASU 2015−-01, "Income Statement − Extraordinary and Unusual Items (Subtopic 225−-20) – Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." ASU 2015-−01 eliminates from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to segregate extraordinary items considered to be unusual and infrequent from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. ASU 2015−-01 is effective for the Corporation beginning January 1, 2016, though early adoption is permitted. ASU 2015-−01 is not expected to have a significant impact on the Corporation's financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item 8 are included in the Company's Consolidated Financial Statements and set forth in the pages indicated in Item 15 of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed by the Company 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 rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to management in a timely manner. The Company's Chief Executive Officer and Chief Financial Officer have evaluated this system of disclosure controls and procedures as of the end of the period covered by this annual report, and have concluded that the system is effective.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles (GAAP). Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management (with the participation of the Company's Chief Executive Officer and Chief Financial Officer) conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fourth quarter of 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information with respect to the identity and business experience of the directors of the Company and their remuneration set forth in the section captioned “Proposal I -- Election of Directors” in the Company’s definitive Proxy Statement to be filed pursuant to Regulation 14A and issued in conjunction with the 2015 Annual Meeting of Stockholders (the “Proxy Statement”) is incorporated herein by reference. The information with respect to the identity and business experience of executive officers of the Company is set forth in Part I of this Form 10-K. The information with respect to the Company’s Audit Committee is incorporated herein by reference to the section captioned “Meetings and Committees of the Board of Directors” in the Proxy Statement. The information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the section captioned “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement. The information with respect to the Company’s Code of Ethics is incorporated herein by reference to the section captioned “Code of Ethics” in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections captioned “Director Compensation” and “Executive Compensation” in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the sections captioned “Voting Securities and Principal Holders Thereof” and “Securities Ownership of Management” in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the section captioned “Election of Directors” and “Transactions with Management” in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section captioned “Authorization for Appointment of Auditors – Disclosure of Independent Auditor Fees” in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements.

(a) 2. Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are omitted because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements and related notes thereto.

(a) 3. Exhibits required to be filed by Item 601 of Regulation S-K.

Exhibit No.

3.1 Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registrant's Form 8-A filed December 27, 1999, File No. 0-24047)
3.2 Articles of Amendment, dated October 8, 2003 (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
3.3 Articles Supplementary, dated November 16, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed December 8, 1999, File No. 0-24047)
3.4 By-Laws (incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
10.1 Glen Burnie Bancorp Director Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No.33-62280)
10.2 The Bank of Glen Burnie Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No. 333-46943)
10.3 Amended and Restated Change-in-Control Severance Plan (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001, File No. 0-24047)
10.4 The Bank of Glen Burnie Executive and Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1999, File No. 0-24047)

21	Subsidiaries of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001, File No. 0-24047)
23	Consent of TGM Group LLC
31.1	Rule 15d-14(a) Certification of Chief Executive Officer
31.2	Rule 15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

GLEN BURNIE BANCORP

March 12, 2015	By:	/s/ Michael G. Livingston Michael G. Livingston President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael G. Livingston Michael G. Livingston	President, Chief Executive Officer and Director	March 12, 2015
/s/ F. William Kuethe, Jr. F. William Kuethe, Jr.	President Emeritus and Director	March 12, 2015
/s/ John E. Porter John E. Porter	Senior Vice President and Chief Financial Officer	March 12, 2015
/s/ John E. Demyan John E. Demyan	Chairman of the Board and Director	March 12, 2015
/s/ Thomas Clocker Thomas Clocker	Director	March 12, 2015
/s/ Norman E. Harrison, Jr. Norman E. Harrison, Jr.	Director	March 12, 2015
/s/ F. W. Kuethe, III F. W. Kuethe, III	Director	March 12, 2015
/s/ Charles Lynch	Director	March 12, 2015

Charles Lynch		
/s/ Edward L. Maddox Edward L. Maddox	Director	March 12, 2015
/s/ Andrew Cooch Andrew Cooch	Director	March 12, 2015
/s/ Karen B. Thorwarth Karen B. Thorwarth	Director	March 12, 2015
/s/ Mary Lou Wilcox Mary Lou Wilcox	Director	March 12, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Glen Burnie Bancorp and Subsidiaries
Glen Burnie, Maryland

We have audited the accompanying consolidated balance sheets of Glen Burnie Bancorp and subsidiaries as of December 31, 2014, 2013, and 2012, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. Glen Burnie Bancorp and subsidiaries' management is responsible for these financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Glen Burnie Bancorp and subsidiaries as of December 31, 2014, 2013, and 2012, and the consolidated results of their operations and their consolidated cash flows for each of the years in the three-year period ended December 31, 2014 in conformity with accounting principles general accepted in the United States of America.

Salisbury, Maryland
March 5, 2015

Glen Burnie Bancorp and Subsidiaries

Consolidated Balance Sheets

December 31,	2014	2013	2012
Assets			
Cash and due from banks	$7,101,352	$9,214,503	$9,332,087
Interest-bearing deposits in other financial institutions	2,154,817	1,636,194	6,627,394
Federal funds sold	4,024,065	102,772	2,669,101
Cash and cash equivalents	13,280,234	10,953,469	18,628,582
Investment securities available for sale, at fair value	87,993,145	74,313,682	100,490,267
Federal Home Loan Bank stock, at cost	1,327,800	1,452,900	1,448,000
Maryland Financial Bank stock	30,000	30,000	30,000
Ground rents, at cost	169,200	169,200	175,200
Loans, less allowance for credit losses 2014 $3,117,870; 2013 $2,972,019; 2012 $3,307,920;	273,986,237	270,684,120	249,631,525
Premises and equipment, at cost, less accumulated depreciation	3,671,295	3,696,772	3,873,002
Accrued interest receivable on loans and investment securities	1,274,137	1,509,238	1,450,321
Deferred income tax benefits	3,045,235	3,604,461	1,235,255
Other real estate owned	45,175	1,170,773	478,190
Cash value of life insurance	9,138,658	8,914,817	8,680,519
Other assets	668,392	694,142	1,317,408
Total assets	$394,629,508	$377,193,574	$387,438,269
Liabilities and Stockholders' Equity			
Liabilities:			
Deposits:			
Noninterest-bearing	$88,562,924	$86,747,525	$84,288,485
Interest-bearing	250,314,368	237,055,831	248,000,401
Total deposits	338,877,292	323,803,356	332,288,886
Long-term borrowings	20,000,000	20,000,000	20,000,000
Dividends payable	276,096	274,737	-
Accrued interest payable on deposits	39,823	28,523	28,365
Other liabilities	1,605,770	1,503,797	1,533,353
Total liabilities	360,798,981	345,610,413	353,850,604
Commitments and contingencies			
Stockholders' equity:			
Common stock, par value $1, authorized 15,000,000 shares; issued and outstanding 2014 2,760,964 shares; 2013 2,747,370; 2012 2,736,978 shares;	2,760,964	2,747,370	2,736,978
Surplus	9,854,119	9,713,335	9,604,906
Retained earnings	21,112,714	20,300,531	18,783,164

Accumulated other comprehensive (loss) income, net of tax	102,730	(1,178,075)	2,462,617
Total stockholders' equity	33,830,527	31,583,161	33,587,665
Total liabilities and stockholders' equity	$394,629,508	$377,193,574	$387,438,269

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Glen Burnie Bancorp and Subsidiaries

Consolidated Statements of Income

Years Ended December 31,	2014	2013	2012
Interest income on:			
Loans, including fees	$12,318,461	$12,673,230	$13,123,595
U.S. Treasury securities	27,763	-	-
U.S. Government agency securities	722,587	871,287	894,024
State and municipal securities	1,357,355	1,656,670	1,705,789
Corporate trust preferred securities	21,414	33,428	57,660
Federal funds sold	10,714	3,027	4,438
Other	61,443	44,223	31,724
Total interest income	14,519,737	15,281,865	15,817,230
Interest expense on:			
Deposits	1,893,314	2,014,327	2,610,906
Short-term borrowings	134	7,004	1,962
Long-term borrowings	640,474	640,474	642,228
Total interest expense	2,533,922	2,661,805	3,255,096
Net interest income	11,985,815	12,620,060	12,562,134
Provision for credit losses	1,020,876	260,000	250,000
Net interest income after provision for credit losses	10,964,939	12,360,060	12,312,134
Other income:			
Service charges on deposit accounts	463,734	595,729	575,049
Other fees and commissions	826,945	825,859	837,065
Gains on investment securities, net	1,155,978	345,331	162,594
Income on life insurance	223,841	234,297	247,364
Total other income	2,670,498	2,001,216	1,822,072
Other expenses:			
Salaries and wages	4,998,402	4,963,600	4,996,518
Employee benefits	1,633,443	1,788,995	1,815,599
Occupancy	806,916	785,850	804,012
Furniture and equipment	925,207	842,099	792,725
Other expenses	3,048,291	2,717,119	2,386,465
Total impairment losses on investment securities	-	124,984	-
Portion of impairment losses recognized in other comprehensive income (before taxes)	-	(109,403)	-
Net impairment loss on investment securities	-	15,581	-
Total other expenses	11,412,259	11,113,244	10,795,319

Income before income taxes	2,223,178	3,248,032	3,338,887
Federal and state income taxes	308,652	633,855	673,807
Net income	$1,914,526	$2,614,177	$2,665,080
Basic and diluted earnings per share of common stock	$0.69	$0.95	$0.98

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Glen Burnie Bancorp and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31,	2014	2013	2012
Net income	$1,914,526	$2,614,177	$2,665,080
Other comprehensive income (loss), net of tax			
Unrealized holding gains (losses) arising during the period (net of deferred taxes (benefits) 2014 $1,305,107; 2013 ($2,167,273); 2012 $472,938);	1,976,117	(3,281,559)	716,095
Reclassification adjustment for impairment loss included in net income (net of deferred tax benefits 2014 $0; 2013 $6,197; 2012 $0);	-	9,384	-
Reclassification adjustment for gains included in net income (net of deferred taxes 2014 $459,212; 2013 $243,383; 2012 $65,653);	(695,312)	(368,517)	(99,408)
Total other comprehensive income (loss)	1,280,805	(3,640,692)	616,687
Comprehensive income (loss)	$3,195,331	$(1,026,515)	$3,281,767

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

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Glen Burnie Bancorp and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2014, 2013, and 2012

	Common Stock Shares	Par Value	Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
Balances, December 31, 2011	2,717,909	$2,717,909	$9,437,605	$17,209,386	$ 1,845,930	$31,210,830
Net income	-	-	-	2,665,080	-	2,665,080
Cash dividends, $.40 per share	-	-	-	(1,091,302)	-	(1,091,302)
Dividends reinvested under dividend reinvestment plan	19,069	19,069	167,301	-	-	186,370
Other comprehensive income, net of tax	-	-	-	-	616,687	616,687
Balances, December 31, 2012	2,736,978	2,736,978	9,604,906	18,783,164	2,462,617	33,587,665
Net income	-	-	-	2,614,177	-	2,614,177
Cash dividends, $.40 per share	-	-	-	(1,096,810)	-	(1,096,810)
Dividends reinvested under dividend reinvestment plan	10,392	10,392	108,429	-	-	118,821
Other comprehensive loss net of tax	-	-	-	-	(3,640,692)	(3,640,692)
Balances, December 31, 2013	2,747,370	2,747,370	9,713,335	20,300,531	(1,178,075)	31,583,161
Net income	-	-	-	1,914,526	-	1,914,526
Cash dividends, $.40 per share	-	-	-	(1,102,343)	-	(1,102,343)
Dividends reinvested under dividend reinvestment plan	13,594	13,594	140,784	-	-	154,378
Other comprehensive income, net of tax	-	-	-	-	1,280,805	1,280,805
Balances, December 31, 2014	2,760,964	$2,760,964	$9,854,119	$21,112,714	$ 102,730	$33,830,527

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Glen Burnie Bancorp and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31,	2014	2013	2012
Cash flows from operating activities:			
Net income	$1,914,526	$2,614,177	$2,665,080
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, amortization, and accretion	812,331	1,187,689	1,716,701
Provision for credit losses	1,020,876	260,000	250,000
Deferred income tax benefits, net	(286,670)	35,252	38,359
Gains on disposals of assets, net	(1,213,844)	(321,443)	(161,999)
Provision on losses of other real estate owned	91,448	5,695	-
Impairment losses on investment securities	-	15,581	-
Income on investment in life insurance	(223,841)	(234,298)	(247,364)
Changes in assets and liabilities:			
Decrease (increase) in accrued interest receivable	235,101	(58,917)	91,198
Decrease (increase) in other assets	56,011	637,425	(246,288)
Increase (decrease) in accrued interest payable	11,300	158	(19,736)
Increase (decrease) in other liabilities	101,973	(29,556)	3,222
Net cash provided by operating activities	2,519,211	4,111,763	4,089,173
Cash flows from investing activities:			
Maturities of available for sale mortgage-backed securities	9,109,664	15,171,085	18,762,583
Proceeds from sales of available for sale debt securities	30,269,965	25,626,845	18,656,622
Purchases of available for sale mortgage-backed securities	(28,703,606)	(16,920,333)	(26,023,938)
Purchases of other available for sale investment securities	(21,464,085)	(4,185,719)	(9,097,291)
Purchase of FHLB stock	125,100	(4,900)	72,400
Increase in loans, net	(4,368,168)	(22,295,595)	(17,401,804)
Proceeds from sales of other real estate	1,153,883	273,121	887,042
Purchases of premises and equipment	(442,529)	(262,598)	(182,548)
Net cash used by investing activities	(14,319,776)	(2,598,094)	(14,326,934)
Cash flows from financing activities:			
Increase in noninterest-bearing deposits, NOW accounts, money market accounts, and savings accounts, net	1,815,399	2,459,040	10,949,022
Increase (decrease) in time deposits, net	13,258,537	(10,944,570)	9,395,203
Decrease in short-term borrowings	-	-	(254,749)
Cash dividends paid	(1,100,984)	(822,073)	(1,363,093)
Common stock dividends reinvested	154,378	118,821	186,370
Net cash provided (used) by financing activities	14,127,330	(9,188,782)	18,912,753

Increase (decrease) in cash and cash equivalents	2,326,765	(7,675,113)	8,674,992
Cash and cash equivalents, beginning of year	10,953,469	18,628,582	9,953,590
Cash and cash equivalents, end of year	$13,280,234	$10,953,469	$18,628,582

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Glen Burnie Bancorp and Subsidiaries

Consolidated Statements of Cash Flows
(Continued)

Years Ended December 31,	2014	2013	2012
Supplementary Cash Flow Information:			
Interest paid	$2,522,622	$2,661,647	$3,274,832
Income taxes paid	300,000	525,000	925,000
Total decrease (increase) in unrealized depreciation on available for sale securities	2,126,700	(6,045,150)	1,023,972
Supplementary Noncash Investing Activities:			
Loans converted to other real estate	45,175	983,000	254,536

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Bank of Glen Burnie (the "Bank") provides financial services to individuals and corporate customers located in Anne Arundel County and surrounding areas of Central Maryland, and is subject to competition from other financial institutions. The Bank is also subject to the regulations of certain Federal and State of Maryland (the "State") agencies and undergoes periodic examinations by those regulatory authorities. The accounting and financial reporting policies of the Bank conform, in all material respects, to accounting principles generally accepted in the United States and to general practices within the banking industry.

Significant accounting policies not disclosed elsewhere in the consolidated financial statements are as follows:

Principles of Consolidation:

The consolidated financial statements include the accounts of Glen Burnie Bancorp and its subsidiaries, The Bank of Glen Burnie and GBB Properties, Inc., a company engaged in the acquisition and disposition of other real estate. Intercompany balances and transactions have been eliminated. The Parent Only financial statements (see Note 19) of the Company account for the subsidiaries using the equity method of accounting.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under accounting principles generally accepted in the United States. Voting interest entities are entities, in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIE's) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in an entity is present when an enterprise has a variable interest, or a combination of variable interest, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE.

Accounting Standards Codification:

The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") became effective for interim and annual periods ending after September 15, 2009. At that date, the ASC became FASB's officially recognized source of authoritative U.S. generally accepted accounting principles ("GAAP") applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF") and related literatures. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative. The switch to ASC affects the way companies refer to U.S. GAAP in financial statements and accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Use of Estimates:

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted within the United States of America 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Securities Held to Maturity:

Bonds, notes, and debentures for which the Bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the effective interest rate method over the period to maturity. Securities transferred into held to maturity from the available for sale portfolio are recorded at fair value at time of transfer with unrealized gains or losses reflected in equity and amortized over the remaining life of the security.

Securities Available for Sale:

Marketable debt securities not classified as held to maturity are classified as available for sale. Securities available for sale may be sold in response to changes in interest rates, loan demand, changes in prepayment risk, and other factors. Changes in unrealized appreciation (depreciation) on securities available for sale are reported in other comprehensive income, net of tax. Realized gains (losses) on securities available for sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. The gains and losses on securities sold are determined by the specific identification method. Premiums and discounts are recognized in interest income using the effective interest rate method over the period to maturity. Additionally, declines in the fair value of individual investment securities below their cost that are other than temporary are reflected as realized losses in the consolidated statements of income.

Other Securities:

Federal Home Loan Bank (“FHLB”) and Maryland Financial Bank (“MFB”) stocks are equity interests that do not necessarily have readily determinable fair values for purposes of the ASC Topic 320, Accounting for Certain Investments in Debt and Equity Securities, because their ownership is restricted and they lack a market. FHLB stock can be sold back only at its par value of $100 per share and only to the FHLB or another member institution.

Loans and Allowance for Credit Losses:

Loans are generally carried at the amount of unpaid principal, adjusted for deferred loan fees, which are amortized over the term of the loan using the effective interest rate method. Interest on loans is accrued based on the principal amounts outstanding. It is the Bank’s policy to discontinue the accrual of interest when a loan is specifically determined to be impaired or when principal or interest is delinquent for ninety days or more. When a loan is placed on nonaccrual status all interest previously accrued but not collected is reversed against current period interest income. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Cash collections on such loans are applied as reductions of the loan principal balance and no interest income is recognized on those loans until the principal balance has been collected. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received. The carrying value of impaired loans is based on the present value of the loan's expected future cash flows or, alternatively, the observable market price of the loan or the fair value of the collateral.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans and actual loss experience, current economic events in specific industries and geographical areas, including unemployment levels, and other pertinent factors, including regulatory guidance and general economic conditions. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for loan losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more often if deemed necessary.

The allowance for loan losses typically consists of an allocated component and an unallocated component. The components of the allowance for loan losses represent an estimation done pursuant to either ASC Topic 450, Accounting for Contingencies, or ASC Topic 310, Accounting by Creditors for Impairment of a Loan. The allocated component of the allowance for loan losses reflects expected losses resulting from an analysis developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on regular analysis of all loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. The historical loan loss element is determined statistically using a loss migration analysis that examines loss experience over a current three year period and the related internal gradings of loans charged off. The loss migration analysis is performed quarterly and loss factors are updated regularly based on actual experience. The allocated component of the allowance for loan losses also includes consideration of concentrations and changes in portfolio mix and volume.

Any unallocated portion of the allowance reflects management's estimate of probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. In addition, the unallocated allowance includes a component that explicitly accounts for the inherent imprecision in loan loss migration models. The historical losses used in the migration analysis may not be representative of actual unrealized losses inherent in the portfolio.

Reserve for Unfunded Commitments:

The reserve for unfunded commitments is established through a provision for unfunded commitments charged to other expenses. The reserve is calculated by utilizing the same methodology and factors as the allowance for credit losses. The reserve, based on evaluations of the collectibiltiy of loans and prior loan loss experience, is an amount that management believes will be adequate to absorb possible losses on unfunded commitments (off-balance sheet financial instruments) that may become uncollectible in the future.

Troubled Debt Restructurings:

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring. Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches non-accrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Other Real Estate Owned ("OREO"):

OREO comprises properties acquired in partial or total satisfaction of problem loans. The properties are recorded at the lower of cost or fair value (appraised value) at the date acquired. Losses arising at the time of acquisition of such properties are charged against the allowance for credit losses. Subsequent write-downs that may be required and expenses of operation are included in other income or expenses. Gains and losses realized from the sale of OREO are included in other income or expenses. Loans converted to OREO through foreclosure proceedings totaled $45,175, $983,000, and $254,536 for the years ended December 31, 2014, 2013, and 2012, respectively. The Bank financed no sales of OREO for 2014, 2013, or 2012, respectively.

Bank Premises and Equipment:

Bank premises and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lesser of the terms of the leases or their estimated useful lives. Expenditures for improvements that extend the life of an asset are capitalized and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of premises and equipment are reflected in the consolidated statements of income. Expenditures for repairs and maintenance are charged to other expenses as incurred. Computer software is recorded at cost and amortized over three to five years.

Long-Lived Assets:

The carrying value of long-lived assets and certain identifiable intangibles, including goodwill, is reviewed by the Bank for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, as prescribed in ASC Topic 360, Accounting for the Impairment or Disposal of Long-Lived Asset. As of December 31, 2014, 2013, and 2012, certain loans existed which management considered impaired (See Note 4). During the year ended December 31, 2013, management deemed certain investment securities were impaired and recorded an impairment loss on these securities (See Note 3).

Income Taxes:

The provision for Federal and state income taxes is based upon the results of operations, adjusted for tax-exempt income. Deferred income taxes are provided by applying enacted statutory tax rates to temporary differences between financial and taxable bases.

Temporary differences which give rise to deferred tax benefits relate principally to accrued deferred compensation, accumulated impairment losses on investment securities, allowance for credit losses, non-accrual interest, unused alternative minimum tax credits, net unrealized depreciation on investment securities available for sale, accumulated depreciation, OREO, and reserve for unfunded commitments.

Temporary differences which give rise to deferred tax liabilities relate principally to accumulated securities discount accretion and net unrealized appreciation on investment securities available for sale.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Credit Risk:

The Bank has unsecured deposits and Federal funds sold with several other financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC").

Cash and Cash Equivalents:

The Bank has included cash and due from banks, interest-bearing deposits in other financial institutions, and Federal funds sold as cash and cash equivalents for the purpose of reporting cash flows.

Accounting for Stock Options:

The Company follows ASC Topic 718, Share-Based Payments, for accounting and reporting for stock-based compensation plans. ASC Topic 718 defines a fair value at grant date based method of accounting for measuring compensation expense for stock-based plans to be recognized in the statement of income.

Earnings per share:

Basic earnings per common share are determined by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share are calculated 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.

Financial Statement Presentation:

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

Note 2. Restrictions on Cash and Due from Banks

The Federal Reserve requires the Bank to maintain noninterest-bearing cash reserves against certain categories of average deposit liabilities. Such reserves averaged approximately $4,985,000, $5,387,000, and $4,713,000 during the years ended December 31, 2014, 2013, and 2012, respectively.

Note 3. Investment Securities

Investment securities are summarized as follows:

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				

U.S. Treasury	$	7,946,530	$	5,843	$	23,883	$	7,928,490
U.S. Government agencies		28,360		295,584		-		323,944
State and municipal		32,771,006		813,974		75,534		33,509,446
Corporate trust preferred		247,150		-		83,695		163,455
Mortgage-backed		46,831,094		95,832		859,116		46,067,810
	$	87,824,140	$	1,211,233	$	1,042,228	$	87,993,145

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investment Securities (continued)

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
U.S. Government agencies	$ 28,360	$ 575,000	$ -	$ 603,360
State and municipal	32,395,630	360,384	1,746,943	31,009,071
Corporate trust preferred	333,395	-	109,403	223,992
Mortgage-backed	43,512,419	688,095	1,723,255	42,477,259
	$ 76,269,804	$ 1,623,479	$ 3,579,601	$ 74,313,682

December 31, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
U.S. Government agencies	$ 28,360	$ -	$ 320	$ 28,040
State and municipal	38,528,451	2,623,768	14,797	41,137,422
Corporate trust preferred	349,646	-	65,116	284,530
Mortgage-backed	57,494,784	1,597,567	52,076	59,040,275
	$ 96,401,241	$ 4,221,335	$ 132,309	$ 100,490,267

The gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2014 are as follows:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury	$ 5,946,025	$ 23,883	$ -	$ -	$ 5,946,025	$ 23,883
State and Municipal	2,613,263	30,438	1,261,322	45,096	3,874,585	75,534
Corporate trust preferred	-	-	163,455	83,695	163,455	83,695
Mortgaged-backed	21,210,373	144,533	18,303,420	714,583	39,513,793	859,116
	$ 29,769,661	$ 198,854	$ 19,728,197	$ 843,374	$ 49,497,858	$ 1,042,228

At December 31, 2014, the Company owned one pooled trust preferred security issued by Regional Diversified Funding, Senior notes with a Fitch credit rating of C, which is included in the securities described above. The market for these securities at December 31, 2014 was not active and markets for similar securities were also not active. As a result, the Company had cash flow testing performed as of December 31, 2014 by an unrelated third party in order to measure the possible extent of other-than-temporary-impairment ("OTTI"). This testing assumed future defaults on the currently performing financial institutions of 150 basis points applied annually with a 0% recovery on both current and future defaulting financial institutions. As a result of this testing, no write-downs were required in 2014 and 2012. A write-down of $15,581 was taken on this security during 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investment Securities (continued)

The market values for these securities (and any securities other than those issued or guaranteed by the U.S. Treasury) are very depressed relative to historical levels. Therefore, a low market price for a particular security may only provide evidence of stress in the credit markets overall rather than being an indicator of credit problems with a particular issuer.

Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2014, management had the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost. On December 31, 2014, the Bank held 27 investment securities having continuous unrealized loss positions for more than 12 months. Except as noted above, management has determined that all unrealized losses are either due to increases in market interest rates over the yields available at the time the underlying securities were purchased, current call features that are nearing, and the effect the sub-prime market has had on all mortgaged-backed securities. The Bank has no mortgaged-backed securities collateralized by sub-prime mortgages. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the remaining securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2014, management believes the impairments detailed in the table above are temporary and no additional impairment loss is required to be realized in the Company's consolidated income statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investment Securities (continued)

A rollforward of the cumulative other-than-temporary credit losses recognized in earnings for all debt and equity securities for which a portion of an other-then-temporary loss is recognized in accumulated other comprehensive loss is as follows:

	2014	2013	2012
Estimated credit losses, beginning of year	$ 3,262,496	$ 3,246,915	$ 3,246,915
Credit losses - no previous OTTI recognized	-	-	-
Credit losses - previous OTTI recognized	-	15,581	-
Estimated credit losses, end of year	$ 3,262,496	$ 3,262,496	$ 3,246,915

Contractual maturities of investment securities at December 31, 2014, 2013, and 2012 are shown below. Actual maturities may differ from contractual maturities because debtors may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities have no stated maturity and primarily reflect investments in various Pass-through and Participation Certificates issued by the Federal National Mortgage Association and the Government National Mortgage Association. Repayment of mortgage-backed securities is affected by the contractual repayment terms of the underlying mortgages collateralizing these obligations and the current level of interest rates.

	Available for Sale	
December 31, 2014	Amortized Cost	Fair Value
Due within one year	$ 61,064	$ 61,780
Due over one to five years	5,938,706	5,923,560
Due over five to ten years	2,007,824	2,004,890
Due over ten years	32,957,092	33,611,161
Mortgage-backed, due in monthly installments	46,859,454	46,391,754
	$ 87,824,140	$ 87,993,145

	Available for Sale	
December 31, 2013	Amortized Cost	Fair Value
Due within one year	$ -	$ -
Due over one to five years	-	-
Due over five to ten years	-	-
Due over ten years	32,729,025	31,233,063
Mortgage-backed, due in monthly installments	43,540,779	43,080,619
	$ 76,269,804	$ 74,313,682

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investment Securities (continued)

December 31, 2012	Available for Sale Amortized Cost	Fair Value
Due within one year	$ 125,021	$ 125,745
Due over one to five years	-	-
Due over five to ten years	400,000	415,028
Due over ten years	38,353,076	40,881,179
Mortgage-backed, due in monthly installments	57,523,144	59,068,315
	$ 96,401,241	$ 100,490,267

Proceeds from sales of available for sale securities prior to maturity totaled $30,269,965, $25,626,845, and $18,656,622 for the years ended December 31, 2014, 2013, and 2012, respectively. The Bank realized gains of $1,210,332 and losses of $54,354 on those sales for 2014. The Bank realized gains of $664,269 and losses of $318,938 on those sales for 2013. The Bank realized gains of $282,069 and losses of $119,475 on those sales for 2012. Realized gains and losses were calculated based on the amortized cost of the securities at the date of trade. Income tax expense relating to net gains on sales of investment securities totaled $455,976, $136,216, and $64,135 for the years ended December 31, 2014, 2013, and 2012, respectively.

The Bank has no derivative financial instruments required to be disclosed under ASC Topic 815, Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments.

Note 4. Loans and Allowance

Major categories of loans are as follows:

	2014	2013	2012
Mortgage:			
Residential	$ 120,933,420	$ 123,645,939	$ 107,728,972
Commercial	62,601,469	67,195,806	71,381,029
Construction and land development	7,073,720	6,582,553	3,915,299
Demand and time	3,518,752	4,172,747	4,901,107
Installment	84,103,142	73,230,433	66,096,285
	278,230,503	274,827,478	254,022,692
Unearned income on loans	(1,126,396)	(1,171,339)	(1,083,247)
	277,104,107	273,656,139	252,939,445
Allowance for credit losses	(3,117,870)	(2,972,019)	(3,307,920)
	$ 273,986,237	$ 270,684,120	$ 249,631,525

The Bank has an automotive indirect lending program where vehicle collateralized loans made by dealers to consumers are acquired by the Bank. The Bank's installment loan portfolio included approximately

$67,551,000, $55,400,000, and $47,427,000 of such loans at December 31, 2014, 2013, and 2012, respectively.

The Bank makes loans to customers located primarily in Anne Arundel County and surrounding areas of Central Maryland. Although the loan portfolio is diversified, its performance will be influenced by the economy of the region.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

Executive officers, directors, and their affiliated interests enter into loan transactions with the Bank in the ordinary course of business. These loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with unrelated borrowers. They do not involve more than normal risk of collectibility or present other unfavorable terms. At December 31, 2014, 2013, and 2012, the amounts of such loans outstanding totaled $556,188, $1,078,577, and $354,257 respectively. During 2014, loan additions and repayments/transfers totaled $126,500 and $648,889, respectively.

Allowance for Loan Losses

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Bank has segmented the loan portfolio into the following classifications:

Commercial and Industrial;
Commercial Real Estate;
Consumer and Indirect;
Residential Real Estate.

Each of these segments are reviewed and analyzed quarterly using the average historical charge-offs over a current three year period for their respective segments as well as the following qualitative factors:

Changes in the levels and trends in delinquencies, nonaccruals, classified assets and troubled debt restructurings
Changes in the nature and volume of the portfolio
Effects of any changes in lending policies and procedures, including underwriting standards and collections, charge-off and recovery practices
Changes in the experience, ability, and depth of management and staff
Changes in national and local economic conditions and developments, including the condition of various market segments
Changes in the concentration of credits within each pool
Changes in the quality of the Bank's loan review system and the degree of oversight by the Board
Changes in external factors such as competition and the legal environment including Regulation B (Equal Opportunity Credit)
Changes in the underlying collateral for collateral dependent loans

The above factors result in a FAS 5, as codified in FASB ASC 450-10-20, calculated reserve for environmental factors.

All credit exposures graded above a rating of "4" with outstanding balances (see ratings on page 21) are to be reviewed no less than quarterly for the purpose of determining if a specific allocation is needed for that credit. The determination for a specific reserve is evaluated relative to the general reserve factor for assets of the same type and grade. If a specific reserve is appropriate and exceeds the general reserve factor, a specific reserve is to be established. Otherwise, the asset is included in the portfolio of assets that comprise the base upon which the general reserve is calculated. The establishment of a specific reserve does not necessarily mean that the credit with the specific reserve will definitely incur loss at the reserve level. It is only an estimation of potential loss based upon anticipated events. A specific reserve will not be established unless loss elements can be determined and quantified based on known facts. The total allowance reflects management’s estimate of loan losses inherent in the loan portfolio as of December 31, 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

The following table presents the total allowance by loan segment:

2014	Commercial and Industrial	Commercial Real Estate	Consumer and Indirect	Residential Real Estate	Unallocated	Total
Balance, beginning of year	$412,909	$898,362	$1,187,604	$593,463	$(120,319)	$2,972,019
Provision for credit losses	(4,580)	(448,027)	601,522	805,261	66,700	1,020,876
Recoveries	6,440	128,068	331,108	5,714	-	471,330
Loans charged off	(29,138)	(243,394)	(839,012)	(234,811)	-	(1,346,355)
Balance, end of year	$385,631	$335,009	$1,281,222	$1,169,627	$(53,619)	$3,117,870
Individually evaluated for impairment:						
Balance in allowance	$252,500	$148,791	$186,226	$682,642	$-	$1,270,159
Related loan balance	252,500	2,155,816	1,106,217	2,931,143	-	6,445,676
Collectively evaluated for impairment:						
Balance in allowance	$133,131	$186,218	$1,094,996	$486,985	$(53,619)	$1,847,711
Related loan balance	3,266,252	63,486,816	82,996,925	122,034,834	-	271,784,827

2013	Commercial and Industrial	Commercial Real Estate	Consumer and Indirect	Residential Real Estate	Unallocated	Total
Balance, beginning of year	$541,916	$1,183,240	$1,057,531	$392,506	$132,727	$3,307,920
Provision for credit losses	46,303	(374,067)	468,559	372,251	(253,046)	260,000
Recoveries	26,804	89,189	313,795	7,714	-	437,502
Loans charged off	(202,114)	-	(652,281)	(179,008)	-	(1,033,403)
Balance, end of year	$412,909	$898,362	$1,187,604	$593,463	$(120,319)	$2,972,019
Individually evaluated for impairment:						
Balance in allowance	$278,786	$550,794	$178,657	$155,330	$-	$1,163,567
Related loan balance	278,786	3,364,193	636,174	1,629,643	-	5,908,796
Collectively evaluated for impairment:						
Balance in allowance	$134,123	$347,568	$1,008,947	$438,133	$(120,319)	$1,808,452
Related loan balance	3,893,961	65,414,415	72,594,259	127,016,047	-	268,918,682

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

2012	Commercial and Industrial	Commercial Real Estate	Consumer and Indirect	Residential Real Estate	Unallocated	Total
Balance, beginning of year	$557,169	$2,012,962	$888,614	$595,812	$(123,633)	$3,930,924
Provision for credit losses	29,282	(919,161)	357,622	525,897	256,360	250,000
Recoveries	10,558	89,439	286,564	5,714	-	392,275
Loans charged off	(55,093)	-	(475,269)	(734,917)	-	(1,265,279)
Balance, end of year	$541,916	$1,183,240	$1,057,531	$392,506	$132,727	$3,307,920
Individually evaluated for impairment:						
Balance in allowance	$451,126	$807,735	$20,000	$35,916	$-	$1,314,777
Related loan balance	796,511	4,980,503	76,251	1,545,028	-	7,398,293
Collectively evaluated for impairment:						
Balance in allowance	$90,790	$375,505	$1,037,531	$356,590	$132,727	$1,993,143
Related loan balance	4,104,596	67,898,601	66,020,034	108,601,168	-	246,624,399

As of December 31, 2014 and 2013, the allowance for loan losses included an unallocated shortfall of $53,619 and $120,319, respectively. The 2014 and 2013 shortfall is well within the internal Bank policy of 5% tolerance for actual to required reserves. As of December 31, 2012 the allowance for loan losses included an unallocated excess amount of $132,727. Management is comfortable with these amounts as they feel the amounts are adequate to absorb inherent potential losses in the loan portfolio.

Credit Quality Information

The following table represents credit exposures by creditworthiness category for the year ending December 31, 2014. The use of creditworthiness categories to grade loans permits management to estimate a portion of credit risk. The Bank’s internal creditworthiness is based on experience with similarly graded credits. Loans that trend upward toward higher credit grades typically have less credit risk and loans that migrate downward typically have more credit risk.

The Bank’s internal risk ratings are as follows:

1 Superior – minimal risk. (normally supported by pledged deposits, United States government securities, etc.)
2 Above Average – low risk. (all of the risks associated with this credit based on each of the bank’s creditworthiness criteria are minimal)
3 Average – moderately low risk. (most of the risks associated with this credit based on each of the bank’s creditworthiness criteria are minimal)
4 Acceptable – moderate risk. (the weighted overall risk associated with this credit based on each of the bank’s creditworthiness criteria is acceptable)
5

Other Assets Especially Mentioned – moderately high risk. (possesses deficiencies which corrective action by the bank would remedy; potential watch list)

6 Substandard – (the bank is inadequately protected and there exists the distinct possibility of sustaining some loss if not corrected)

7 Doubtful – (weaknesses make collection or liquidation in full, based on currently existing facts, improbable)

8 Loss – (of little value; not warranted as a bankable asset)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

Loans rated 1-4 are considered "Pass" for purposes of the risk rating chart below.

The Bank contracts with an independent 3rd party loan review firm that reviews and validates the credit risk program on a quarterly basis. Results of these reviews are presented to the Audit Committee for approval and then to management for implementation. The loan review process compliments and reinforces the risk identification and assessment decisions made by the lenders and credit personnel as well as the Bank's policies and procedures.

Risk ratings of loans by categories of loans are as follows:

2014	Commercial and Industrial	Commercial Real Estate	Consumer and Indirect	Residential Real Estate	Total
Pass	$ 3,177,639	$ 58,837,254	$ 80,501,928	$ 121,244,374	$ 263,761,195
Special mention	88,613	4,649,562	2,555,654	832,546	8,126,375
Substandard	252,500	2,155,816	882,600	2,726,156	6,017,072
Doubtful	-	-	162,960	-	162,960
Loss	-	-	-	162,901	162,901
	$ 3,518,752	$ 65,642,632	$ 84,103,142	$ 124,965,977	$ 278,230,503
Non-accrual	-	1,097,112	515,352	1,165,440	2,777,904
Troubled debt restructures	252,500	-	-	-	252,500
Number of TDRs accounts	1	-	-	-	1
Non-performing TDRs	-	-	-	-	-
Number of TDR accounts	-	-	-	-	-

2013	Commercial and Industrial	Commercial Real Estate	Consumer and Indirect	Residential Real Estate	Total
Pass	$ 3,594,809	$ 59,914,422	$ 71,554,400	$ 126,774,441	$ 261,838,072
Special mention	299,152	5,499,993	1,102,091	1,312,103	8,213,339
Substandard	278,786	3,364,193	508,243	559,146	4,710,368
Doubtful	-	-	65,699	-	65,699
Loss	-	-	-	-	-
	$ 4,172,747	$ 68,778,608	$ 73,230,433	$ 128,645,690	$ 274,827,478
Non-accrual	14,286	1,237,647	338,212	1,123,248	2,713,393
Troubled debt restructures	-	-	-	-	-
Number of TDRs contracts	-	-	-	-	-
Non-performing TDRs	-	-	-	-	-

Number of TDR accounts	-	-	-	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

2012	Commercial and Industrial	Commercial Real Estate	Consumer and Indirect	Residential Real Estate	Total
Pass	$4,296,139	$63,297,427	$64,160,355	$107,943,667	$239,697,588
Special mention	183,507	5,970,942	1,485,366	1,189,613	8,829,428
Substandard	421,461	3,610,735	360,672	1,012,916	5,405,784
Doubtful	-	-	89,892	-	89,892
Loss	-	-	-	-	-
	$4,901,107	$72,879,104	$66,096,285	$110,146,196	$254,022,692
Non-accrual	17,286	2,645,320	237,193	1,108,866	4,008,665
Troubled debt restructures	-	1,369,768	-	832,500	2,202,268
Number of TDRs accounts	-	1	-	1	2
Non-performing TDRs	-	1,369,768	-	832,500	2,202,268
Number of TDR accounts	-	1	-	1	2

At December 31, 2014, the recorded investment in TDR's reflected one loan in the amount of $252,500 which is performing under the terms of the modified agreement. The TDR from 2012 that had a balance of $832,500 was brought into OREO in 2013 and later sold in 2014. The remaining TDR from 2012 in the amount of $1,369,768 was paid off in 2013.

The Bank has no commitments to loan additional funds to the borrowers of restructured, impaired, or non-accrual loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

Current, past due, and nonaccrual loans by categories of loans are as follows:

2014	Current	30-89 Days Past Due	90 Days or More and Still Accruing	Nonaccrual	Total
Commercial and industrial	$3,518,752	$-	$-	$-	$3,518,752
Commercial real estate	64,545,207	313	-	1,097,112	65,642,632
Consumer and indirect	81,315,689	2,272,101	-	515,352	84,103,142
Residential real estate	123,284,983	318,782	196,772	1,165,440	124,965,977
	$272,664,631	$2,591,196	$196,772	$2,777,904	$278,230,503

2013	Current	30-89 Days Past Due	90 Days or More and Still Accruing	Nonaccrual	Total
Commercial and industrial	$4,158,461	$-	$-	$14,286	$4,172,747
Commercial real estate	66,191,062	173,000	1,176,899	1,237,647	68,778,608
Consumer and indirect	71,755,109	1,137,112	-	338,212	73,230,433
Residential real estate	126,934,475	157,123	430,844	1,123,248	128,645,690
	$269,039,107	$1,467,235	$1,607,743	$2,713,393	$274,827,478

2012	Current	30-89 Days Past Due	90 Days or More and Still Accruing	Nonaccrual	Total
Commercial and industrial	$4,678,297	$205,524	$-	$17,286	$4,901,107
Commercial real estate	68,879,791	-	1,353,993	2,645,320	72,879,104
Consumer and indirect	64,427,468	1,431,624	-	237,193	66,096,285
Residential real estate	108,545,538	233,045	258,747	1,108,866	110,146,196
	$246,531,094	$1,870,193	$1,612,740	$4,008,665	$254,022,692

Loans on which the accrual of interest has been discontinued totaled $2,777,904, $2,713,393, and $4,008,665 at December 31, 2014, 2013, and 2012, respectively. Interest that would have been accrued under the terms of these loans totaled $255,682, $180,770, and $273,974 for the years ended December 31, 2014, 2013, and 2012, respectively. Loans past due 90 days or more and still accruing interest totaled $196,772, $1,607,743, and $1,612,740 at December 31, 2014, 2013 and 2012, respectively. Management believes these particular loans are well secured and in the process of full collection of all amounts owed.

Non-accrual loans with specific reserves at December 31, 2014 are comprised of:

Commercial Real Estate – Two loans to two borrowers in the amount of $1,094,708 secured by commercial and/or residential properties with specific reserves of $148,791 established for the loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

Residential Real Estate – Three loans to three borrowers in the amount of $622,584 secured by residential properties with specific reserves of $193,605 established for the loans.

Consumer and Indirect Loans – Four loans to four borrowers in the amount of $538,248 with $166,226 of specific reserves established for the loans.

Impaired Loans

When management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases management used the current fair value of the collateral, less selling cost when foreclosure is probable, instead of discounted cash flows. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The following table includes the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable. Management determined the specific reserve in the allowance based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded.

Also presented are the average recorded investments in the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired. When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

2014	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
Real-estate - mortgage:					
Residential	$2,726,247	$2,726,247	$177,707	$682,642	$2,747,299
Commercial	1,094,708	1,094,708	783	148,791	1,162,367
Consumer	611,728	611,728	30,903	186,226	622,854
Installment	-	-	-	-	-
Home Equity	-	-	-	-	-
Commercial	252,500	252,500	11,027	252,500	258,577
Total impaired loans with specific reserves	$4,685,183	$4,685,183	$220,420	$1,270,159	$4,791,097
Impaired loans with no specific reserve:					
Real-estate - mortgage:					
Residential	$204,896	$266,091	$2,641	n/a	$340,435
Commercial	1,061,108	1,061,108	48,548	n/a	1,089,641
Consumer	60,656	60,656	-	n/a	-
Installment	433,833	433,833	-	n/a	-
Home Equity	-	-	-	n/a	-
Commercial	-	-	-	n/a	-
Total impaired loans with no specific reserve	$1,760,493	$1,821,688	$51,189	-	$1,430,076

2013	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
Real-estate - mortgage:					
Residential	$559,146	$559,146	$15,768	$155,330	$563,961
Commercial	2,187,294	2,187,294	55,535	550,794	2,271,949
Consumer	393,740	393,740	20,767	178,657	394,356
Installment	-	-	-	-	-
Home Equity	-	-	-	-	-
Commercial	278,786	278,786	11,541	278,786	286,433
Total impaired loans with specific reserves	$3,418,966	$3,418,966	$103,611	$1,163,567	$3,516,699
Impaired loans with no specific reserve:					
Real-estate - mortgage:					
Residential	$1,070,497	$1,070,497	$39,257	n/a	$1,071,479
Commercial	1,176,899	1,176,899	46,583	n/a	1,231,505
Consumer	10,602	10,602	-	n/a	-
Installment	180,204	180,204	-	n/a	-

Home Equity	51,628	51,628	-	n/a	50,999
Commercial	-	-	-	n/a	-
Total impaired loans with no specific reserve	$2,489,830	$2,489,830	$85,840	-	$2,353,983

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans and Allowance (continued)

2012	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
Real-estate - mortgage:					
Residential	$180,416	$180,416	$11,838	$35,916	$182,019
Commercial	3,610,735	4,210,735	99,079	807,735	3,642,095
Consumer	75,513	75,513	7,759	20,000	76,098
Installment	147,301	147,301	7,806	29,666	147,574
Home Equity	-	-	-	-	-
Commercial	421,460	421,460	20,463	421,460	432,174
Total impaired loans with specific reserves	$4,435,425	$5,035,425	$146,945	$1,314,777	$4,479,960
Impaired loans with no specific reserve:					
Real-estate - mortgage:					
Residential	$1,364,612	$1,812,535	$75,050	n/a	$1,794,861
Commercial	1,369,768	1,369,768	-	n/a	2,440,982
Consumer	738	-	-	n/a	-
Installment	227,750	-	-	n/a	-
Home Equity	-	-	-	n/a	-
Commercial	-	-	-	n/a	-
Total impaired loans with no specific reserve	$2,962,868	$3,182,303	$75,050	-	$4,235,843

Note 5. Premises and Equipment

A summary of premises and equipment is as follows:

	Useful lives	2014	2013	2012
Land		$ 684,977	$ 684,977	$ 684,977
Buildings	5-50 years	6,221,980	6,142,509	6,083,675
Equipment and fixtures	5-30 years	5,400,514	5,187,984	5,126,477
Construction in progress		53,197	61,155	4,150
		12,360,668	12,076,625	11,899,279
Accumulated depreciation		(8,689,373)	(8,379,853)	(8,026,277)
		$ 3,671,295	$ 3,696,772	$ 3,873,002

Depreciation expense totaled $399,083, $392,146, and $409,032 for the years ended December 31, 2014, 2013, and 2012, respectively. Amortization of software totaled $21,970, $26,236, and $42,791 for the years ended December

31, 2014, 2013, and 2012, respectively.

The Bank leases its Severna Park and Linthicum branches. Minimum lease obligations under the Severna Park branch are $30,000 per year through September 2012 and $33,000 through September 2015. Minimum lease obligations under the Linthicum branch are $120,952 per year through December 2024, adjusted annually on a pre-determined basis. The Bank is also required to pay all maintenance costs under all these leasing arrangements. Rent expense totaled $150,145, $137,232, and $141,170 for the years ended December 31, 2014, 2013, and 2012, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Short-term Borrowings

Short-term borrowings are as follows:

	2014	2013	2012
Notes payable - U.S. Treasury	$ -	$ -	$ 254,749
	$ -	$ -	$ 254,749

Notes payable to the U.S. Treasury represented Federal treasury tax and loan deposits accepted by the Bank from its customers to be remitted on demand to the Federal Reserve Bank. The Bank paid interest on these balances at or below the Federal funds rate.

The Bank owned 13,278 shares of common stock of the FHLB at December 31, 2014. The Bank is required to maintain an investment of 0.2% of total assets, adjusted annually, plus 4.5% of total advances, adjusted for advances and repayments. The credit available under this facility is determined at 20% of the Bank's total assets, or approximately $69,169,000 at December 31, 2014. Long-term advances totaled $20,000,000 under this credit arrangement at December 31, 2014 (see Note 7). This credit facility is secured by a floating lien on the Bank's residential mortgage loan portfolio. Average short-term borrowings under this facility approximated $24,658, $1,838,000, and $399,000 for 2014, 2013, and 2012, respectively.

The Bank also had available unsecured federal funds lines of credit from three financial institutions for $3,000,000, $5,000,000, and $8,000,000. No balances were outstanding on these lines of credit on December 31, 2014

Note 7. Long-term Borrowings

Long-term borrowings are as follows:

	2014	2013	2012
Federal Home Loan Bank of Atlanta, convertible advances	$ 20,000,000	$ 20,000,000	$ 20,000,000

The Federal Home Loan Bank of Atlanta, convertible advances total includes the following:

A $10,000,000 convertible advance issued in 2007, which has a final maturity of November, 1, 2017, but is callable monthly. This advance has a 3.28% interest rate, with interest payable monthly. The proceeds of the convertible advance were used to fund loans and purchase investment securities.

A $5,000,000 convertible advance issued in 2008, which has a final maturity of July 23, 2018, but is callable quarterly starting July 23, 2009. This advance has a 2.73% interest rate, with interest payable quarterly. The proceeds of the convertible advance were used to fund loans.

A $5,000,000 convertible advance issued in 2008, which has a final maturity of August 22, 2018, but is callable quarterly starting August 22, 2011. This advance has a 3.34% interest rate, with interest payable quarterly. The proceeds of the convertible advance were used to fund loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Long-term Borrowings (continued)

At December 31, 2014, the scheduled maturities of long-term borrowings are approximately as follows:

	2014
2017	$ 10,000,000
2018	10,000,000
	$ 20,000,000

Note 8. Deposits

Major classifications of interest-bearing deposits are as follows:

	2014	2013	2012
NOW and SuperNOW	$ 26,990,274	$ 27,991,553	$ 31,699,734
Money Market	20,465,436	19,219,579	20,734,875
Savings	74,973,038	71,278,801	68,516,141
Certificates of Deposit, $100,000 or more	36,118,031	28,916,597	28,213,893
Other time deposits	91,767,589	89,649,301	98,835,758
	$ 250,314,368	$ 237,055,831	$ 248,000,401

Interest expense on deposits is as follows:

	2014	2013	2013
NOW and SuperNOW	$ 11,608	$ 11,300	$ 15,754
Money Market	9,965	10,618	25,914
Savings	37,537	55,591	106,424
Certificates of Deposit, $100,000 or more	523,472	373,880	459,130
Other time deposits	1,310,732	1,562,938	2,003,684
	$ 1,893,314	$ 2,014,327	$ 2,610,906

At December 31, 2014, the scheduled maturities of time deposits are approximately as follows:

	2014
2015	$ 46,167,000
2016	22,907,000
2017	7,022,000
2018	17,514,000
2019	26,052,000
2020 and thereafter	8,224,000

$ 127,886,000

Deposit balances of executive officers and directors and their affiliated interests totaled approximately $2,331,000, $2,147,000, and $2,188,000 at December 31, 2014, 2013, and 2012, respectively.

The Bank had no brokered deposits at December 31, 2014, 2013, and 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Income Taxes

The components of income tax expense for the years ended December 31, 2014, 2013, and 2012 are as follows:

	2014	2013	2012
Current:			
Federal	$ 408,056	$ 400,931	$ 448,832
State	187,266	197,671	186,616
Total current	595,322	598,602	635,448
Deferred income (benefits) taxes:			
Federal	(253,848)	(9,542)	(5,130)
State	(32,822)	44,795	43,489
Total deferred (benefits) taxes	(286,670)	35,252	38,359
Income tax expense	$ 308,652	$ 633,855	$ 673,807

A reconciliation of income tax expense computed at the statutory rate of 34% to the actual income tax expense for the years ended December 31, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
Income before income tax expense (benefit)	$ 2,223,178	$ 3,248,032	$ 3,338,887
Taxes computed at Federal income tax rate	$ 755,881	$ 1,104,331	$ 1,135,222
Increase (decrease) resulting from:			
Tax-exempt income	(531,764)	(630,710)	(644,546)
State income taxes, net of Federal income tax benefit	101,933	160,027	151,869
Other	(17,398)	207	31,262
Income tax expense	$ 308,652	$ 633,855	$ 673,807

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Income Taxes (continued)

The components of the net deferred income tax benefits as of December 31, 2014, 2013, and 2012 are as follows:

	2014	2013	2012
Deferred income tax benefits:			
Accrued deferred compensation	$ 142,308	$ 129,101	$ 120,695
Impairment loss on investment securities	1,305,584	1,218,497	1,212,351
Allowance for credit losses	364,697	458,303	816,722
Nonaccrual interest	445,173	339,765	283,045
Alternative minimum tax credits	615,186	485,444	306,523
Accumulated depreciation	72,354	60,627	75,650
Other real estate owned	14,940	14,940	-
Reserve for unfunded commitments	78,890	78,890	78,890
Other temporary differences	2,116	1,332	-
Accumulated securities premium accretion	71,834	39,514	-
Net unrealized depreciation on investment securities available for sale	-	778,048	-
Total deferred income tax benefits	3,113,082	3,604,461	2,893,876
Deferred income tax liabilities:			
Accumulated securities discount accretion	-	-	32,209
Net unrealized appreciation on investment securities available for sale	67,847	-	1,626,412
Total deferred income tax liabilities	67,847	-	1,658,621
Net deferred income tax benefits	$ 3,045,235	$ 3,604,461	$ 1,235,255

Management has determined that no valuation allowance is required as it believes it is more likely than not that all of the deferred tax assets will be fully realizable in the future. At December 31, 2014, 2013, and 2012, management believes there are no uncertain tax positions under ASC Topic 740 Income Taxes (formerly FIN 48, Accounting for Uncertainty in Income Taxes).

The Company's federal income tax returns for 2013, 2012, and 2011 are subject to examinations by the IRS generally for three years after they were filed. In addition, the Company's state tax returns for the same years are subject to examination by state tax authorities for similar time periods. The 2014 income tax return will be filed in 2015.

Note 10. Pension and Profit Sharing Plans

The Bank has a money purchase pension plan, which provides for annual employer contributions based on employee compensation, and covers substantially all employees. Annual contributions, included in employee benefit expense, totaled $229,500, $260,400, and $241,035 for the years ended December 31, 2014, 2013 and 2012, respectively. The Bank is also making additional contributions under this plan for the benefit of certain employees, whose retirement funds were negatively affected by the termination of a prior defined benefit pension plan. These additional contributions, also included in employee benefit expense, totaled $8,098, $8,159, and $8,159 for the years ended December 31, 2014, 2013, and 2012, respectively.

The Bank also has a defined contribution retirement plan qualifying under Section 401(k) of the Internal Revenue Code that is funded through a profit sharing agreement and voluntary employee contributions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Pension and Profit Sharing Plans (continued)

The plan provides for discretionary employer matching contributions to be determined annually by the Board of Directors. The plan covers substantially all employees. The Bank's contributions to the plan, included in employee benefit expense, totaled $228,516, $304,558, and $317,108 for the years ended December 31, 2014, 2013, and 2012, respectively.

Note 11. Other Benefit Plans

The Bank has life insurance contracts on several officers and is the sole owner and beneficiary of the policies. Cash value totaled $9,138,658, $8,914,817, and $8,680,519 at December 31, 2014, 2013, and 2012, respectively. Income on their insurance investment totaled $223,841, $234,297, and $247,364 for 2014, 2013, and 2012, respectively.

The Bank has an unfunded grantor trust, as part of a change in control severance plan, covering substantially all employees. Participants in the plan are entitled to cash severance benefits upon termination of employment, for any reason other than just cause, should a "change in control" of the Company occur.

Note 12. Other Operating Expenses

Other operating expenses include the following:

	2014	2013	2012
Professional services	$ 677,308	$ 635,502	$ 531,112
Stationery, printing and supplies	185,963	201,883	178,932
Postage and delivery	164,814	139,096	150,374
FDIC assessment	279,584	234,203	39,622
Directors fees and expenses	239,769	226,881	194,700
Marketing	239,437	207,527	253,177
Data processing	25,404	34,909	46,939
Correspondent bank services	45,362	55,444	43,466
Telephone	223,071	255,955	218,414
Liability insurance	73,925	71,722	72,578
Losses (gains) and expenses on OREO	62,493	73,698	68,499
Other ATM expense	125,845	117,617	134,510
Other	705,316	462,682	454,142
	$ 3,048,291	$ 2,717,119	$ 2,386,465

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Commitments and Contingencies

Financial instruments:

The Bank is a party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements.

Outstanding loan commitments, unused lines of credit and letters of credit are as follows:

	2014		2013		2012	
Loan commitments:						
Construction and land development	$	-	$	1,561,000	$	822,000
Other mortgage loans		1,666,000		2,817,000		6,225,000
	$	1,666,000	$	4,378,000	$	7,047,000
Unused lines of credit:						
Home-equity lines	$	3,825,462	$	11,067,236	$	9,882,497
Commercial lines		15,156,201		7,726,424		8,615,844
Secured consumer line		50,000		24,043		3,002
Unsecured consumer lines		674,429		673,123		687,173
	$	19,706,092	$	19,490,826	$	19,188,516
Letters of credit:	$	57,580	$	32,000	$	32,000

Loan commitments and lines of credit are agreements to lend to customers as long as there is no violation of any conditions of the contracts. Loan commitments generally have interest rates fixed at current market amounts, fixed expiration dates, and may require payment of a fee. Lines of credit generally have variable interest rates. Many of the loan commitments and lines of credit are expected to expire without being drawn upon; accordingly, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral or other security obtained, if deemed necessary by the Bank upon extension of credit, is based on management’s credit evaluation. Collateral held varies but may include deposits held in financial institutions, U.S. Treasury securities, other marketable securities, accounts receivable, inventory, property and equipment, personal residences, income-producing commercial properties, and land under development. Personal guarantees are also obtained to provide added security for certain commitments.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to guarantee the installation of real property improvements and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral and obtains personal guarantees supporting those commitments for which collateral or other securities is deemed necessary.

The Bank's exposure to credit loss in the event of nonperformance by the customer is the contractual amount of the commitment. Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. As of December 31, 2014, the Bank has accrued $200,000 as a reserve for losses on unfunded commitments related to these financial instruments with off balance sheet risk, which is included in other liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Stockholders' Equity

Restrictions on dividends:

Banking regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agencies. Regulatory approval is required to pay dividends that exceed the Bank's net profits for the current year plus its retained net profits for the preceding two years.

Retained earnings from which dividends may not be paid without prior approval totaled approximately $17,171,000, $15,293,000, and $14,312,000 at December 31, 2014, 2013, and 2012, respectively, based on the earnings restrictions and minimum capital ratio requirements noted below.

Employee stock purchase benefit plans:

The Company has a stock-based compensation plan, which is described below. There were no options issued during the years ended December 31, 2014, 2013 and 2012.

Employees who have completed one year of service are eligible to participate in the employee stock purchase plan. The number of shares of common stock granted under options will bear a uniform relationship to compensation. The plan allows employees to buy stock under options granted at 85% of the fair market value of the stock on the date of grant. Options are vested when granted and will expire no later than 27 months from the grant date or upon termination of employment. Activity under this plan is as follows:

At December 31, 2014, shares of common stock reserved for issuance under the plan totaled 48,011.

The Board of Directors may suspend or discontinue the plan at its discretion.

Dividend reinvestment and stock purchase plan:

The Company's dividend reinvestment and stock purchase plan allows all participating stockholders the opportunity to receive additional shares of common stock in lieu of cash dividends at 95% of the fair market value on the dividend payment date.

During 2014, 2013, and 2012, shares of common stock purchased under the plan totaled 13,594, 10,392, and 19,069 respectively. At December 31, 2014, shares of common stock reserved for issuance under the plan totaled 197,524.

The Board of Directors may suspend or discontinue the plan at its discretion.

Stockholder purchase plan:

The Company's stockholder purchase plan allows participating stockholders an option to purchase newly issued shares of common stock. The Board of Directors shall determine the number of shares that may be purchased pursuant to options. Options granted will expire no later than three months from the grant date. Each option will entitle the stockholder to purchase one share of common stock, and will be granted in proportion to stockholder share holdings. At the discretion of the Board of Directors, stockholders may be given the opportunity to purchase unsubscribed shares.

There was no activity under this plan for the years ended December 31, 2014, 2013, and 2012.

At December 31, 2014, shares of common stock reserved for issuance under the plan totaled 313,919.

The Board of Directors may suspend or discontinue the plan at its discretion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Stockholders' Equity (continued)

Under all three plans, options granted, exercised, and expired, shares issued and reserved, and grant prices have been restated for the effects of any stock dividends or stock splits.

Regulatory capital requirements:

The Company and Bank are subject to various regulatory capital requirements administered by Federal and State banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The Company and Bank must meet specific capital guidelines that involve quantitative measures of their respective assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting principles. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (as defined in the regulations) of total and Tier I capital to risk-weighted assets and of Tier I capital to average assets. Management believes, as of December 31, 2014, 2013, and 2012, that both the Company and Bank meet all capital adequacy requirements to which they are subject.

The Bank has been notified by its regulator that, as of its most recent regulatory examination, it is regarded as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios. There have been no conditions or events since that notification that management believes have changed the Bank's category.

A comparison of capital as of December 31, 2014, 2013, and 2012 with minimum requirements is approximately as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2014						
Total Capital (to Risk Weighted Assets)						
Company	$ 36,959,000	14.3 %	$ 20,645,810	8.0 %	N/A	
Bank	36,655,000	14.3 %	20,477,654	8.0 %	$ 25,597,067	10.0 %
Tier I Capital (to Risk Weighted						

Assets)									
Company	$ 33,728,000	13.1	%	$ 10,322,265	4.0	%	N/A		
Bank	33,454,000	13.1	%	10,238,409	4.0	%	15,357,613	6.0	%
Tier I Capital (to Average Assets)									
Company	$ 33,728,000	8.5	%	$ 15,834,742	4.0	%	N/A		
Bank	33,454,000	8.4	%	16,006,699	4.0	%	20,008,373	5.0	%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Stockholders' Equity (continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2013						
Total Capital (to Risk Weighted Assets)						
Company	$ 35,933,000	14.1 %	$ 20,329,844	8.0 %	N/A	
Bank	35,624,000	14.1 %	20,183,569	8.0 %	$ 25,229,462	10.0 %
Tier I Capital (to Risk Weighted Assets)						
Company	$ 32,761,000	12.9 %	$ 10,166,330	4.0 %	N/A	
Bank	32,470,000	12.9 %	10,091,686	4.0 %	$ 15,137,529	6.0 %
Tier I Capital (to Average Assets)						
Company	$ 32,761,000	8.7 %	$ 15,079,862	4.0 %	N/A	
Bank	32,470,000	8.6 %	15,119,907	4.0 %	$ 18,899,884	5.0 %
As of December 31, 2012						
Total Capital (to Risk Weighted Assets)						
Company	$ 34,165,000	14.1 %	$ 19,425,729	8.0 %	N/A	
Bank	33,807,000	14.0 %	19,290,728	8.0 %	$ 24,113,409	10.0 %
Tier I Capital (to Risk Weighted Assets)						
Company	$ 31,124,000	12.8 %	$ 9,711,076	4.0 %	N/A	
Bank	30,787,000	12.8 %	9,643,540	4.0 %	$ 14,465,309	6.0 %

Tier I Capital (to Average Assets)						
Company	$ 31,124,000	8.3 %	$ 15,072,155	4.0 %	N/A	
Bank	30,787,000	8.1 %	15,297,888	4.0 %	$ 19,122,360	5.0 %

Note 15. Earnings Per Common Share

Earnings per common share are calculated as follows:

	2014	2013	2012
Basic:			
Net income	$ 1,914,526	$ 2,614,177	$ 2,665,080
Weighted average common shares outstanding	2,755,671	2,742,003	2,728,072
Basic net income per share	$ 0.69	$ 0.95	$ 0.98

Diluted earnings per share calculations were not required for 2014, 2013, and 2012 as there were no options outstanding at December 31, 2014, 2013, and 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Fair Values of Financial Instruments

ASC Topic 825, Disclosure about Fair Value of Financial Instruments, requires the disclosure of the estimated fair values of financial instruments. Quoted market prices, where available, are shown as estimates of fair values. Because no quoted market prices are available or a significant part of the Company's financial instruments, the fair values of such instruments have been derived based on the amount and timing of future cash flows and estimated discount rates.

Present value techniques used in estimating the fair value of the Company's financial instruments are significantly affected by the assumptions used. Fair values derived from using present value techniques are not substantiated by comparisons to independent markets, and in many cases, could not be realized in immediate settlement of the instruments.

ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following table shows the estimated fair value and the related carrying values of the Company's financial instruments as December 31, 2014, 2013, and 2012. Items that are not financial instruments are not included.

	2014 Carrying Amount	Fair Value	2013 Carrying Amount	Fair Value	2012 Carrying Amount	Fair Value
Financial assets:						
Cash and due from banks	$7,101,352	$7,101,352	$9,214,503	$9,214,503	$9,332,087	$9,332,087
Interest-bearing deposits in other financial institutions	2,154,817	2,154,817	1,636,194	1,636,194	6,627,394	6,627,394
Federal funds sold	4,024,065	4,024,065	102,772	102,772	2,669,101	2,669,101
Investment securities available for sale	87,993,145	87,993,145	74,313,682	74,313,682	100,490,267	100,490,267
Federal Home Loan Bank Stock	1,327,800	1,327,800	1,452,900	1,452,900	1,448,000	1,448,000
Maryland Financial Bank Stock	30,000	30,000	30,000	30,000	30,000	30,000
Ground rents	169,200	169,200	169,200	169,200	175,200	175,200
	273,986,237	268,536,000	270,684,120	270,684,120	249,631,525	251,419,000

Loans, less allowance for credit losses						
Accrued interest receivable	1,274,137	1,274,137	1,509,238	1,509,238	1,450,321	1,450,321
Financial liabilities:						
Deposits	338,877,292	310,239,000	323,803,356	291,046,000	332,288,886	314,680,000
Long-term borrowings	20,000,000	20,951,000	20,000,000	21,032,000	20,000,000	21,899,000
Dividends payable	276,096	276,096	274,737	274,737	-	-
Accrued interest payable	39,823	39,823	28,523	28,523	28,365	28,365
Unrecognized financial instruments:						
Commitments to extend credit	21,372,092	21,372,092	23,868,826	23,868,826	26,235,516	26,235,516
Standby letters of credit	57,580	57,580	32,000	32,000	32,000	32,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Fair Values of Financial Instruments (continued)

For purposes of the disclosures of estimated fair value, the following assumptions were used.

Loans:

The estimated fair value for loans is determined by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Investment securities:

Fair values for investment securities are based on quoted market prices, where applicable. When quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Deposits:

The estimated fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair value of certificates of deposit is based on the rates currently offered for deposits of similar maturities. The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

Borrowings:

The estimated fair value approximates carrying value for short-term borrowings. The fair value of long-term fixed rate borrowings is estimated by discounting future cash flows using current interest rates currently offered for similar financial instruments over the same maturities.

Other assets and liabilities:

The estimated fair values for cash and due from banks, interest-bearing deposits in other financial institutions, Federal funds sold, accrued interest receivable and payable, and short-term borrowings are considered to approximate cost because of their short-term nature.

Other assets and liabilities of the Bank that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. In addition, non-financial instruments typically not recognized in the financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the trained work force, customer goodwill, and similar items.

Note 17. Fair Value Measurements

The Company follows ASC Topic 820, Fair Value Measurements which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. ASC Topic 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or on a nonrecurring basis.

ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Fair Value Measurements (continued)

Fair Value Hierarchy
Level 1 – Quoted prices in active markets for identical assets or liabilities
Level 2 – Other significant observable inputs (including quoted prices in active markets for similar assets or liabilities)
Level 3 – Significant unobservable inputs (including the Bank's own assumptions in determining the fair value of assets or liabilities)

In determining the appropriate levels, the Company performs a detailed analysis of assets and liabilities that are subject to ASC Topic 820. The Bank's securities available-for-sale are the only assets or liabilities subject to fair value measurements on a recurring basis. The Bank may also be required,
from time to time, to measure certain other financial and non-financial assets and liabilities at fair value on a non-recurring basis in accordance with GAAP. At December 31, 2014 these non-recurring assets consisted of 28 loans classified as both nonaccrual (11) and accruing loans (17) and a homogeneous pool of indirect and consumer loans considered to be impaired, which are valued under Level 3 inputs and one property classified as OREO valued under Level 2 inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Fair Value Measurements (continued)

Fair value measurements on a recurring and non-recurring basis at December 31, 2014 are as follows:

December 31, 2013	Level 1	Level 2	Level 3	Fair Value
Recurring:				
Securities available for sale	$573,600	$73,515,807	$224,275	$74,313,682
Non-recurring:				
Maryland Financial Bank stock	-	-	30,000	30,000
Impaired loans	-	-	4,745,229	4,745,229
OREO	-	1,170,773	-	1,170,773
	$573,600	$74,686,580	$4,999,504	$80,259,684
Activity:				
Securities available for sale:				
Purchases of securities	-	50,167,691	-	50,167,691
Sales, calls, and maturities of securities	-	(38,223,651)	-	(38,223,651)
Net amortization/accretion of premium/discount	-	(391,144)	(134)	(391,278)
Increase (decrease) in market value	216,944	1,746,303	163,454	2,126,701
OTTI on investments	-	-	-	-
Transfer to level 1	-	-	-	-
Transfer to level 2	-	-	-	-
Maryland Financial Bank stock				
OTTI on stock	-	-	-	-
Impaired loans:				
New impaired loans	-	-	5,897,664	5,897,664
Payments and other loan reductions	-	-	(5,874,910)	(5,874,910)
Change in total provision	-	-	452,709	452,709
Loans converted to OREO	-	-	(45,175)	(45,175)
OREO:				
OREO converted from loans	-	45,175	-	45,175
Sales of OREO	-	(1,153,883)	-	(1,153,883)
Write-down of OREO	-	(16,448)		(16,448)
Loss on disposal of OREO	-	(442)		(442)
December 31, 2014				
Recurring:				
Securities available for sale	790,544	86,815,006	387,595	87,993,145
Non-recurring:				

Maryland Financial Bank stock	-	-	30,000	30,000
Impaired loans	-	-	5,175,517	5,175,517
OREO	-	45,175	-	45,175
	$-	$86,860,181	$5,593,112	$93,243,837

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Fair Value Measurements (continued)

Securities available-for-sale are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Measured on a Non-Recurring Basis:

Financial Assets and Liabilities

The Bank is predominantly a cash flow lender with real estate serving as collateral on a majority of loans. Loans which are deemed to be impaired and foreclosed real estate assets are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. The Bank determines such fair values from independent appraisals. Based on these appraisals, management has applied a specific valuation allowance allocation of $1,270,159 to the impaired loans, which management considers to be level 3 inputs. In addition, the Maryland Financial Bank stock was written down to a value of $30,000 due to the price of a new stock offering, which was discounted to par, which management considered level 3 inputs.

Non-Financial Assets and Non-Financial Liabilities

Application of ASC Topic 820 to non-financial assets and non-financial liabilities became effective January 1, 2009. The Corporation has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Certain non-financial assets and non-financial liabilities typically measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment.

Foreclosed real estate were adjusted to their fair values, resulting in an impairment charge, which was included in earnings for the year. Foreclosed real estate, which are considered to be non-financial assets, have been valued using a market approach. The values were determined using market prices of similar current real estate assets in the same geographical area, which the Bank considers to be level 2 inputs.

Note 18. Recently Issued Accounting Pronouncements

The FASB has issued several exposure drafts which, if adopted, would significantly alter the Company's (and all other financial institutions') method of accounting for, and reporting, its financial assets and some liabilities from a historical cost method to a fair value method of accounting as well as the reported amount of net interest income. Also, the FASB has issued an exposure draft regarding a change in the accounting for leases. Under this exposure draft, the total amount of "lease rights" and total amount of future payments required under all leases would be reflected on the balance sheets of all entities as assets and debt. If the changes under discussion in either of these exposure drafts are adopted, the financial statements of the Company could be materially impacted as to the amounts of recorded assets, liabilities, capital, net interest income, interest expense, depreciation expense, rent expense and net income. The Company has not determined the extent of the possible changes at this time. The exposure drafts are in different stages of review, approval and possible adoption.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The main objective of the ASU is to conform the requirements for measuring fair value and the disclosure information under U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for the disclosure about fair value measurements. Other amendments clarify existing requirements and change particular principles or requirements for measuring fair value or disclosing information about fair value measurements. The ASU is effective for the first interim or annual period beginning on or after December 15, 2011, early application for public entities is not permitted. The Company will review the requirements of ASU No. 2011-04 and comply with its requirements. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Recently Issued Accounting Pronouncements (continued)

In December 2011, the FASB issued ASU 2011-10, Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate-a Scope Clarification. The amendments in this Update affect entities that cease to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt. Under the amendments in this Update, when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. Generally, a reporting entity would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. That is, even if the reporting entity ceases to have a controlling financial interest under Subtopic 810-10, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. The amendments in this Update should be applied on a prospective basis to deconsolidation events occurring after the effective date. Prior periods should not be adjusted even if the reporting entity has continuing involvement with previously derecognized in substance real estate entities. For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted. This ASU did not have a significant impact on the Company's financial statements.

ASU 2011-11, "Balance Sheet (Topic 210) – "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 amends Topic 210, "Balance Sheet," to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013, and did not have a significant impact on the Company's financial statements.

ASU 2012-02 "Intangibles – Goodwill and Other (Topic 350) – Testing Indefinite-Lived Intangible Assets for Impairment." ASU 2012-02 give entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that an indefinite-lived intangible asset is impaired, then the entity must perform the quantitative impairment test. If, under the quantitative impairment test, the carrying amount of the intangible asset exceeds its fair value, an entity should recognize an impairment loss in the amount of that excess. Permitting an entity to assess qualitative factors when testing indefinite-lived intangible assets for impairment results in guidance that is similar to the goodwill impairment testing guidance in ASU 2011-08. ASU 2012-02 is effective for the Corporation beginning January 1, 2013 (early adoption permitted) and did not have a significant impact on the Corporation's financial statements.

ASU 2013-02, "Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 amends recent guidance related to the reporting of comprehensive income to enhance the reporting of reclassifications out of accumulated other comprehensive income. ASU 2013-02 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Recently Issued Accounting Pronouncements (continued)

ASU 2013-08, "Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement and Disclosure Requirements." ASU 2013-08 clarifies the characteristics of investment companies and sets forth a new approach for determining whether a company is an investment company. The fundamental characteristics of an investment company include (i) the company obtains funds from investors and provides the investors with investment management services; (ii) the company commits to its investors that its business purpose and only substantive activities are investing the funds for returns solely from capital appreciation, investment income, or both; and (iii) the company or its affiliates do not obtain or have the objective of obtaining returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests or that are other than capital appreciation or investment income. ASU 2013-08 also sets forth the scope, measurement and disclosure requirements for investment companies. ASU 2013-08 is effective for the Corporation on January 1, 2014 and is not expected to have any impact on the Company's financial statements.

ASU 2013-10, "Derivatives and Hedging (Topic 815) – Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." ASU 2013-10 permits the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to interest rates on direct Treasury obligations of the U.S. government and the London Interbank Offered Rate ("LIBOR"). ASU 2013-10 became effective for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013 and did not have a significant impact on the Company's financial statements.

ASU 2013-12, "Definition of a Public Business Entity - An Addition to the Master Glossary." ASU 2013-12 amends the Master Glossary of the FASB Accounting Standards Codification to include one definition of public business entity for future use in U.S. GAAP and identifies the types of business entities that are excluded from the scope of the Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies. ASU 2013-12 did not have a significant impact on the Company's financial statements.

ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of 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. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for the Corporation on January 1, 2017. The Corporation is still evaluating the potential impact on the Corporation's financial statements.

ASU 2014-11, "Transfers and Servicing (Topic 860)." ASU 2014-11 requires that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, ASU 2014-11 requires separate accounting for repurchase financings, which entails the transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. ASU 2014-11 requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, ASU 2014-11 requires disclosures related to collateral, remaining contractual tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. ASU 2014-11 is effective for the Corporation on January 1, 2015 and is not expected to have a significant impact on the Corporation's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Recently Issued Accounting Pronouncements (continued)

ASU 2015-01, “Income Statement -– Extraordinary and Unusual Items (Subtopic 225-20) – Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.” ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to segregate extraordinary items considered to be unusual and infrequent from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. ASU 2015-01 is effective for the Corporation beginning January 1, 2016, though early adoption is permitted. ASU 2015-01 is not expected to have a significant impact on the Corporation’s financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Parent Company Financial Information

The Balance Sheets, Statements of Income, and Statements of Cash Flows for Glen Burnie Bancorp (Parent Only) are presented below:

Balance Sheets

December 31,	2014	2013	2012
Assets			
Cash	$ 283,796	$ 296,245	$ 75,902
Investment in The Bank of Glen Burnie	33,557,329	31,292,459	33,250,639
Investment in GBB Properties, Inc.	254,870	255,170	255,470
Due from subsidiaries	2,095	2,067	1,362
Other assets	8,533	11,957	4,292
Total assets	$ 34,106,623	$ 31,857,898	$ 33,587,665
Liabilities and Stockholders' Equity			
Dividends payable	276,096	$ 274,737	$ -
Total liabilities	276,096	274,737	-
Stockholders' equity:			
Common stock	2,760,964	2,747,370	2,736,978
Surplus	9,854,119	9,713,335	9,604,906
Retained earnings	21,112,714	20,300,531	18,783,164
Accumulated other comprehensive income (loss), net of benefits	102,730	(1,178,075)	2,462,617
Total stockholders' equity	33,830,527	31,583,161	33,587,665
Total liabilities and stockholders' equity	$ 34,106,623	$ 31,857,898	$ 33,587,665

Statements of Income

Years Ended December 31,	2014	2013	2012
Dividends and distributions from subsidiaries	$ 980,000	$ 980,000	$ 980,000
Other expenses	(77,375)	(76,005)	(65,446)
Income before income tax benefit and equity in undistributed net income of	902,625	903,995	914,554

subsidiaries						
Income tax benefit		28,136		27,970		24,084
Change in undistributed equity of subsidiaries		983,765		1,682,212		1,726,442
Net income	$	1,914,526	$	2,614,177	$	2,665,080

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Parent Company Financial Information (continued)

Statements of Cash Flows

Years Ended December 31,	2014	2013	2012
Cash flows from operating activities:			
Net income	$ 1,914,526	$ 2,614,177	$ 2,665,080
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease (increase) in other assets	3,424	(7,665)	-
(Increase) in due from subsidiaries	(28)	(705)	(335)
Change in undistributed equity of subsidiaries	(983,765)	(1,682,212)	(1,726,441)
Net cash provided by operating activities	934,157	923,595	938,304
Cash flows from financing activities:			
Proceeds from dividend reinvestment plan	154,378	118,821	186,369
Dividends paid	(1,100,984)	(822,073)	(1,363,093)
Net cash used in financing activities	(946,606)	(703,252)	(1,176,724)
(Decrease) increase in cash	(12,449)	220,343	(238,420)
Cash, beginning of year	296,245	75,902	314,322
Cash, end of year	$ 283,796	$ 296,245	$ 75,902

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20. Quarterly Results of Operations (Unaudited)

The following is a summary of consolidated unaudited quarterly results of operations:

2014 (Dollars in thousands, except per share amounts)	Three months ended, December 31	September 30	June 30	March 31
Interest income	$ 3,627	$ 3,658	$ 3,560	$ 3,675
Interest expense	652	666	628	588
Net interest income	2,975	2,992	2,932	3,087
Provision for credit losses	746	125	112	38
Net securities gains	575	361	141	79
Income before income taxes	521	637	498	567
Net income	480	526	435	473
Net income per share (basic and diluted)	$ 0.17	$ 0.19	$ 0.16	$ 0.17

2013 (Dollars in thousands, except per share amounts)	Three months ended, December 31	September 30	June 30	March 31
Interest income	$ 4,004	$ 3,940	$ 3,708	$ 3,630
Interest expense	571	675	699	717
Net interest income	3,433	3,265	3,009	2,913
Provision for credit losses	260	-	-	-
Net securities gains	71	150	122	2
Income before income taxes	814	1,039	788	607
Net income	650	795	640	529
Net income per share (basic and diluted)	$ 0.23	$ 0.29	$ 0.24	$ 0.19

2012 (Dollars in thousands, except per share amounts)	Three months ended, December 31	September 30	June 30	March 31
Interest income	$ 3,828	$ 4,005	$ 3,928	$ 4,056
Interest expense	767	810	830	848
Net interest income	3,061	3,195	3,098	3,208
Provision for credit losses	100	150	-	-
Net securities gains	45	62	33	23
Income before income taxes	761	833	805	940

Net income	609	670	656	730
Net income per share (basic and diluted)	$ 0.23	$ 0.24	$ 0.24	$ 0.27