GLEN BURNIE BANCORP
Form 10-Q
April 28, 2009

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

FORM 10-Q

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

For the Quarterly period ended March 31, 2009

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

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

Inapplicable
(Former name, former address and former fiscal year if changed from last report.)

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 x No ¨

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. Large accelerated filer ¨ Accelerated filer ¨ Non-Accelerated Filer ¨ Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

At April 17, 2009, the number of shares outstanding of the registrant's common stock was 2,675,051.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GLEN BURNIE BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	March 31, 2009 (unaudited)	December 31, 2008 (audited)
ASSETS		
Cash and due from banks	$ 8,277	$ 6,960
Interest-bearing deposits in other financial institutions	8,779	7,884
Federal funds sold	4,602	6,394
Cash and cash equivalents	21,658	21,238
Investment securities available for sale, at fair value	68,300	57,949
Federal Home Loan Bank stock, at cost	1,813	1,768
Maryland Financial Bank stock, at cost	100	100
Common Stock in the Glen Burnie Statutory Trust I	155	155
Loans, less allowance for credit losses (March 31: $1,977; December 31: $2,022)	237,748	235,133
Premises and equipment, at cost, less accumulated depreciation	3,326	3,099
Other real estate owned	550	550
Cash value of life insurance	7,503	7,435
Other assets	4,947	5,075
Total assets	$ 346,100	$ 332,502
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 287,433	$ 269,768
Short-term borrowings	180	630
Long-term borrowings	27,062	27,072
Junior subordinated debentures owed to unconsolidated subsidiary trust	5,155	5,155
Other liabilities	1,365	1,969
Total liabilities	321,195	304,594
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $1, authorized 15,000,000 shares; issued and outstanding: March 31: 2,675,051 shares; December 31: 2,967,727 shares	2,675	2,968
Surplus	9,137	11,568
Retained earnings	14,315	14,129

Accumulated other comprehensive loss, net of tax benefits	(1,222)	(757)
Total stockholders' equity	24,905	27,908
Total liabilities and stockholders' equity	$ 346,100	$ 332,502

See accompanying notes to condensed consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Interest income on:		
Loans, including fees	$ 3,766	$ 3,373
U.S. Treasury and U.S. Government agency securities	373	564
State and municipal securities	330	347
Other	64	129
Total interest income	4,533	4,413
Interest expense on:		
Deposits	1,269	1,222
Short-term borrowings	-	1
Long-term borrowings	262	188
Junior subordinated debentures	137	137
Total interest expense	1,668	1,548
Net interest income	2,865	2,865
Provision for credit losses	150	55
Net interest income after provision for credit losses	2,715	2,810
Other income (loss):		
Service charges on deposit accounts	170	191
Other fees and commissions	179	199
Other non-interest income (loss)	(1)	3
Income on life insurance	68	68
(Losses) gains on investment securities	(2)	7
Total other income	414	468
Other expenses:		
Salaries and employee benefits	1,532	1,589
Occupancy	232	229
Impairment of securities	30	-
Other expenses	825	835
Total other expenses	2,619	2,653
Income before income taxes	510	625
Income tax expense	55	89
Net income	$ 455	$ 536

Basic and diluted earnings per share of common stock	$ 0.16	$ 0.18
Weighted average shares of common stock outstanding	2,918,679	2,996,496
Dividends declared per share of common stock	$ 0.10	$ 0.10

See accompanying notes to condensed consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net income	$ 455	$ 536
Other comprehensive (loss) income, net of tax		
Unrealized gains (losses) securities:		
Unrealized holding (losses) gains arising during the period	(466)	248
Reclassification adjustment for losses (gains) included in net income	1	(1)
Comprehensive (loss) income	$ (10)	$ 783

See accompanying notes to condensed consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31, 2009	2008
Cash flows from operating activities:		
Net income	$ 455	$ 536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	110	168
Provision for credit losses	150	55
Losses (gains) on disposals of assets, net	4	(7)
Impairment of securities	30	-
Income on investment in life insurance	(68)	(68)
Changes in assets and liabilities:		
Decrease in other assets	424	164
Decrease in other liabilities	(442)	(559)
Net cash provided by operating activities	663	289
Cash flows from investing activities:		
Maturities of available for sale mortgage-backed securities	635	1,247
Proceeds from maturities and sales of other investment securities	1,498	3,007
Purchases of investment securities	(13,293)	(9,692)
(Purchases) sales of Federal Home Loan Bank stock	(45)	19
Increase in loans, net	(2,765)	(4,299)
Purchases of premises and equipment	(323)	(194)
Net cash used by investing activities	(14,293)	(9,912)
Cash flows from financing activities:		
Increase in deposits, net	17,665	8,095
Decrease in short-term borrowings, net	(450)	(360)
Repayment of long-term borrowings	(10)	(8)
Repurchase and retirement of common stock	(2,769)	(123)
Dividends paid	(431)	(430)
Common stock dividends reinvested	45	43
Net cash provided by financing activities	14,050	7,217
Increase (decrease) in cash and cash equivalents	420	(2,406)
Cash and cash equivalents, beginning of year	21,238	14,795
Cash and cash equivalents, end of period	$ 21,658	$ 12,389

See accompanying notes to condensed consolidated financial statements.

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GLEN BURNIE BANCORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed balance sheet as of December 31, 2008, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations, changes in stockholders' equity, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the unaudited consolidated financial statements have been included in the results of operations for the three months ended March 31, 2009 and 2008.

Operating results for the three month period ended March 31, 2009 is not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

NOTE 2 - EARNINGS PER SHARE

Basic earnings per share of common stock are computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by including the average dilutive common stock equivalents outstanding during the periods. Dilutive common equivalent shares consist of stock options, calculated using the treasury stock method.

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Basic and diluted:		
Net income	$ 455,000	$ 536,000
Weighted average common shares outstanding	2,918,679	2,996,496
Basic and dilutive net income per share	$ 0.16	$ 0.18

Diluted earnings per share calculations were not required for the three months ended March 31, 2009 and 2008, since there were no options outstanding.

NOTE 3 – REPURCHASE AND RETIREMENT OF COMMON STOCK

In February 2008, the Company instituted a Stock Repurchase Program. Under the program, as extended and increased, the Company was authorized to spend up to $4,127,309 to repurchase shares of its outstanding common stock. The repurchases may be made from time to time at a price not to exceed $12.50 per share. During 2008, the Company repurchased 50,300 shares at an average price of $11.48.

During the three month period ending March 31, 2009, the Company increased the authorized amount by $2,549,865 and repurchased 297,679 shares at an average price of $9.30 for a total of $2,769,067. As of March 31, 2009, $780,798 remains available for repurchases under the program.

NOTE 4 – RECENT ACCOUNTING PRONOUNCEMENTS

On January 12, 2009, the FASB issued FASB Staff Position EITF 99-20-1, Amendments to the Impairment Guidance of EITF Issue No. 99-20 (FSP). FASB FSP 99-20-1 amends the impairment guidance in FASB EITF Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests that Continue to be held by a Transferor in Securitized Financial Assets. The intent of the FSP is to reduce complexity and achieve more consistent determinations as to whether other-than-temporary impairments of available for sale or held to maturity debt securities have occurred. The FSP is effective for interim and annual reporting periods ending after December 15, 2008. The adoption of this FSP did not have an impact on the Company's consolidated financial statements.

In April 2009, the FASB issued three Final Staff Positions (FSPs) to provide additional guidance and disclosures regarding fair value measurements and impairments of securities:

FSP FAS 157-4. "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly", provides guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased. The Company does not expect that FSP FAS 157-4 will have a material impact on the Company's consolidated financial statements.

FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in financial statements. The Company does not expect that FSP FAS 115-2 and FAS 124-2 will have a material impact on the Company's consolidated financial statements.

FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, requires disclosure about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The Company will review the requirements of FSP FAS 107-1 and comply with its requirements.

These three FSPs are effective for interim and annual periods ending after June 15, 2009.

NOTE 5 – FAIR VALUE

SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements.

Fair Value Hierarchy

SFAS No. 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with SFAS No. 157, these inputs are summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical securities

- Level 2 – Other significant observable inputs (including quoted prices in active markets for similar securities)

- Level 3 – Significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157.

The following table presents fair value measurements as of March 31, 2009:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Recurring:				
Investment securities available for sale	$ -	$ 68,300	$ -	$ 68,300

Non-recurring:								
Impaired loans		-		-		886		886
OREO		-		550		-		550
	$	-	$	68,850	$	886	$	69,736

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

When used in this discussion and elsewhere in this Form 10-Q, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-lookin 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 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. While it is impossible to identify all such factors, such factors include, but are not limited to, those risks identified in the Company's periodic reports filed with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K.

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

Net interest income before provision for credit losses, for the first quarter, was $2,865,000 in 2008 compared to $2,865,000 in 2009. Interest income for the first quarter increased from $4,413,000 in 2008 to $4,533,000 in 2009, a 2.722% increase. Total interest expense for the quarter increased from $1,548,000 in 2008 to $1,668,000 in 2009, a 7.75% increase. The Company realized consolidated net income of $455,000 for the first quarter of 2009 compared to consolidated net income $536,000 for the first quarter of 2008, a 15.11% decrease. The decrease was primarily due to a larger provision for loan losses, a write-down recognized on a security and a decrease in income on service charges and other fees and commissions. This was partially offset by a decrease in salaries and employee benefits and a decrease in income tax expense.

While the Bank has not been directly impacted by many of the difficulties facing other financial institutions in the current economic downturn, the turbulence in the U.S. economy and in the stock market has had significant impact on the Bank in specific identifiable areas. Overall deposits have increased as stock market investors seek more secure places to invest their funds, and there has been an overall decline in interest rates in response to stock market turbulence. Both rates of interest paid by the Bank on deposits and rates of interest earned by the Bank on loans and other interest earning assets have declined; however, the rates earned by the Bank on loans and other interest earning assets have declined faster than the rates paid on deposits.

results of operations

General. Glen Burnie Bancorp, a Maryland corporation (the "Company"), and its subsidiaries, The Bank of Glen Burnie (the "Bank") and GBB Properties, Inc., both Maryland corporations, and Glen Burnie Statutory Trust I, a Connecticut business trust, had consolidated net income of $455,000 ($0.16 basic and diluted loss per share) for the first quarter of 2009, compared to the first quarter 2008 consolidated net income of $536,000 ($0.18 basic and diluted earnings per share). The decrease in consolidated net income for the three month period was due to an increase in the provision for loan losses and a write-down of a security held in the Bank's investment portfolio, offset by a decrease in salaries and employee benefits and income tax expense.

Net Interest Income. The Company's consolidated net interest income prior to provision for credit losses for the three months ended March 31, 2009 was $2,865,000, compared to $2,865,000 for the same period in 2008.

Interest income increased $120,000 (2.72%) for the three months ended March 31, 2009, compared to the same period in 2008. Interest income increased for the three month period due to an increase in loan income, partially offset by a decrease in interest income on U.S. Government agency securities, as a result of recent sales and maturities, and a decrease in other income.

Interest expense increased $120,000 (7.75%) for the three months ended March 31, 2009, compared to the same 2008 period. The increase in interest expense for the three month period ended March 31, 2009 was due to an increase in interest paid on increased deposit balances and interest on long-term borrowings used to fund maturing higher rate deposits and loan growth.

Net interest margin for the three months ended March 31, 2009 was 4.04%, compared to tax equivalent net interest margin of 4.43% for the three months ended March 31, 2008. This decline is due to the narrowing of the gap between the interest rates offered by the Bank on increasing customer deposits and the rates the Bank is able to obtain on loans and other interest earning assets. Accordingly, while net interest income before provision for credit losses for the quarters ended March 31, 2008 and 2009 are identical, the net interest margin for 2009 was lower than in 2008.

Provision for Credit Losses. The Company made a provision for credit losses of $150,000 during the three month period ended March 31, 2009 and $55,000 for credit losses during the three month period ended March 31, 2008. As of March 31, 2009, the allowance for credit losses equaled 180.05% of non-accrual and past due loans compared to 224.42% at December 31, 2008 and 181.56% at March 31, 2008. During the three month period ended March 31, 2009, the Company recorded net charge-offs of $195,000, compared to net charge-offs of $310,000 during the corresponding period of the prior year. On an annualized basis, net charge-offs for the 2009 period represent 0.33% of the average loan portfolio.

Other Income. Other income decreased from $468,000 for the three month period ended March 31, 2008, to $414,000 for the corresponding 2009 period, a $54,000 (11.54%) decrease. The decrease for the three month period was primarily due to a decrease in service charges and other fees.

Other Expenses. Other expenses decreased from $2,653,000 for the three month period ended March 31, 2008, to $2,619,000 for the corresponding 2009 period, a $34,000 (1.28%) decrease. The decrease for the three month period was primarily due to a decrease in salaries and employee benefits and a $30,000 write-down on the value of a Trust Preferred security held by the Bank due to a default by one of the financial institutions in the Trust Preferred pool.

Income Taxes. Income tax expense for the quarter ended March 31, 2009 was $55,000 compared to $89,000 for the same period in 2008 reflecting the effect of the increased provision for loan losses. The effective tax rate for the quarter in 2009 was 10.78%, compared to 14.24% for the prior year period. The decrease in the effective tax rate for the three month period was due to a decrease in the amount of income subject to the marginal tax rate.

Comprehensive Income. In accordance with regulatory requirements, the Company reports comprehensive income in its financial statements. Comprehensive income consists of the Company’s net income, adjusted for unrealized gains and losses on the Bank’s investment portfolio of investment securities. For the first quarter of 2009, comprehensive (loss) income, net of tax, totaled ($10,000), compared to the March 31, 2008 total of $783,000. The decrease for the three month period was due primarily to the increase in unrealized losses on securities.

FINANCIAL CONDITION

General. The Company’s assets increased to $346,100,000 at March 31, 2009 from $332,502,000 at December 31, 2008, primarily due to an increase in loans and in securities. The Bank’s net loans totaled $237,748,000 at March 31, 2009, compared to $235,133,000 at December 31, 2008, an increase of $2,615,000 (1.11%), primarily attributable to an increase in refinanced mortgages with lesser increase in mortgage participations purchased and demand loans, partially offset by a decrease in indirect loans (primarily auto loans).

The Company’s total investment securities portfolio (investment securities available for sale) totaled $68,300,000 at March 31, 2009, a $10,351,000 (17.86%) increase from $57,949,000 at December 31, 2008. This increase was funded by the increase in deposits received during the quarter that exceeded the amount needed to fund loan growth. The Bank’s cash and due from banks (cash due from banks, interest-bearing deposits in other financial institutions, and federal funds sold), as of March 31, 2009, totaled $21,658,000, an increase of $420,000 (1.98%) from the December 31, 2008 total of $21,238,000.

Deposits as of March 31, 2009 totaled $287,433,000, which is an increase of $17,665,000 (6.55%) from $269,768,000 at December 31, 2008. Demand deposits as of March 31, 2009 totaled $66,697,000, which is an increase of $3,158,000 (4.97%) from $63,539,000 at December 31, 2008. NOW accounts as of March 31, 2009 totaled $23,789,000, which is an increase of $2,710,000 (12.86%) from $21,079,000 at December 31, 2008. Money market accounts as of March 31, 2009 totaled $13,997,000, which is an increase of $1,233,000 (9.66%), from $12,764,000 at December 31, 2008. Savings deposits as of March 31, 2009 totaled $47,327,000, which is an increase of $1,525,000 (3.33%) from $45,802,000 at December 31, 2008. Certificates of deposit over $100,000 totaled $31,108,000 on March 31, 2009, which is an increase of $3,225,000 (11.57%) from $27,883,000 at December 31, 2008. Other time deposits (made up of certificates of deposit less than $100,000 and individual retirement accounts) totaled $104,515,000 on March 31, 2009, which is a $5,814,000 (5.90%) increase from the $98,701,000 total at December 31, 2008. Management believes that the growth in deposits was due in part to the recent instability in the stock market and the resulting reallocation of investment portfolios by the Bank’s customers.

Asset Quality. 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 March 31, 2009	At December 31, 2008
	(Dollars in Thousands)	
Restructured loans	$ -	$ -
Non-accrual loans:		
Real-estate - mortgage:		
Residential	$ -	$ -
Commercial	659	659
Real-estate - construction	-	-
Installment	342	208
Home Equity	-	-
Commercial	-	-
Total non-accrual loans	1,001	867
Accruing loans past due 90 days or more:		
Real-estate - mortgage:		
Residential	3	3
Commercial	-	-
Real-estate - construction	-	5
Installment	20	26
Credit card and related	-	-
Commercial	74	-
Other	-	-
Total accruing loans past due 90 days or more	97	34
Total non-accrual loans and past due loans	$ 1,098	$ 901
Non-accrual and past due loans to gross loans	0.47%	0.38%
Allowance for credit losses to non-accrual and past due loans	180.05%	224.42%

At March 31, 2009, there were $282,000 in loans outstanding, other than those reflected in the above table, as to which known information about possible credit problems of borrowers caused management to have serious doubts as to the ability of such borrowers to comply with present loan repayment terms. Such 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. Reflected in the above table are $0 of prior period troubled debt restructurings that are now not performing under the terms of their modified agreements.

Allowance For Credit Losses. 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 collectibility of the principal is unlikely. The allowance, based on evaluations of the collectibility 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, and current economic conditions and trends that may affect the borrowers’ ability to pay.

Transactions in the allowance for credit losses for the three months ended March 31, 2009 and 2008 were as follows:

	Three Months Ended March 31,	
	2009	2008
	(Dollars in Thousands)	
Beginning balance	$ 2,022	$ 1,604
Charge-offs	(268)	(399)
Recoveries	73	89
Net charge-offs	(195)	(310)
Provisions charged to operations	150	55
Ending balance	$ 1,977	$ 1,349
Average loans	$ 235,942	$ 201,688
Net charge-offs to average loans (annualized)	0.33%	0.61%

Reserve for Unfunded Commitments. As of March 31, 2009, the Bank had outstanding commitments totaling $22,829,000. These outstanding commitments consisted of letters of credit, undrawn lines of credit, and other loan commitments. The following table shows the Bank's reserve for unfunded commitments arising from these transactions:

	Three Months Ended March 31,	
	2009	2008
	(Dollars in Thousands)	
Beginning balance	$ 200	$ 200
Provisions charged to operations	-	-
Ending balance	$ 200	$ 200

Contractual Obligations and Commitments. No material changes, outside the normal course of business, have been made during the first quarter of 2009.

MARKET RISK AND INTEREST RATE SENSITIVITY

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 Company's interest-rate sensitivity at March 31, 2009.

	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	$ -	$ -	$ -	$ -	$ 17,056
Federal funds and overnight deposits	4,602	-	-	-	4,602
Securities	-	-	4,072	64,228	68,300
Loans	12,601	6,774	88,232	130,141	237,748
Fixed assets	-	-	-	-	3,326
Other assets	-	-	-	-	15,068
Total assets	$ 17,203	$ 6,774	$ 92,304	$ 194,369	$ 346,100
Liabilities:					
Demand deposit accounts	$ -	$ -	$ -	$ -	$ 66,697
NOW accounts	23,789	-	-	-	23,789
Money market deposit accounts	13,997	-	-	-	13,997
Savings accounts	47,327	-	-	-	47,327
IRA accounts	3,145	11,535	20,934	728	36,342
Certificates of deposit	16,792	50,651	31,669	169	99,281
Short-term borrowings	180	-	-	-	180
Long-term borrowings	9	29	7,024	20,000	27,062
Other liabilities	-	-	-	-	1,365
Junior subordinated debenture	-	-	5,155	-	5,155
Stockholders' equity:	-	-	-	-	24,905
Total liabilities and stockholders' equity	$ 105,239	$ 62,215	$ 64,782	$ 20,897	$ 346,100
GAP	$ (88,036)	$ (55,441)	$ 27,522	$ 173,472	
Cumulative GAP	$ (88,036)	$ (143,477)	$ (115,955)	$ 57,517	
Cumulative GAP as a % of total assets	-25.44%	-41.46%	-33.50%	16.62%	

The foregoing analysis assumes that the Company'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. As of December 31, 2008, 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	4.0%	1.5%	2.2%	1.1%
% Change in Economic Value of Equity	-25.5%	-11.6%	7.9%	-0.9%

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 a primary source of funds supporting the Bank's lending and investment activities.

The Bank's most liquid assets are cash and cash equivalents, which are cash on hand, amounts due from financial institutions, federal funds sold, certificates of deposit with other financial institutions that have an original maturity of three months or less 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. The Bank's cash and cash equivalents (cash due from banks, interest-bearing deposits in other financial institutions, and federal funds sold), as of March 31, 2009, totaled $21,658,000, an increase of $420,000 (1.98%) from the December 31, 2008 total of $21,238,000.

As of March 31, 2009, the Bank was permitted to draw on a $66,460,000 line of credit from the FHLB of Atlanta. Borrowings under the line are secured by a floating lien on the Bank's residential mortgage loans. As of March 31, 2009, there were $27.0 million in long-term convertible advances outstanding with various monthly and quarterly call features and with final maturities ranging from November 2017 through August 2018. In addition, the Bank has two unsecured federal funds lines of credit in the amount of $10.0 million from two commercial banks, of which nothing was outstanding as of March 31, 2009. Furthermore, as of March 31, 2009, the Company had outstanding $5,155,000 of its 10.6% Junior Subordinated Deferrable Interest Debentures issued to Glen Burnie Statutory Trust I, a Connecticut statutory trust subsidiary of the Company.

The Company's stockholders' equity decreased $3,003,000 (10.76%) during the three months ended March 31, 2009, due mainly to an increase in accumulated other comprehensive loss, net of tax benefits, and an increase in retained earnings, offset by decreases in common stock and surplus. The Company's accumulated other comprehensive loss, net of tax benefits increased by $465,000 (61.43%) from ($757,000) at December 31, 2008 to ($1,222,000) at March 31, 2009, as a result of a decrease in the market value of securities classified as available for sale. Retained earnings increased by $186,000 (1.32%) as the result of the Company's net income for the three months, partially offset by dividends. Common stock and surplus declined due to the repurchase of 297,679 shares of the Company's common stock for a total of $2,769,067. In addition, $45,156 was transferred within stockholders' equity in consideration for shares to be issued under the Company's dividend reinvestment plan in lieu of cash dividends.

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. At March 31, 2009, the Bank was in full compliance with these guidelines with a Tier 1 leverage ratio of 9.77%, a Tier 1 risk-based capital ratio of 13.74% and a total risk-based capital ratio of 14.64%.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are more fully described in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 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 the Bank’s allowance for credit losses, see “Allowance for Credit Losses”, above.

Accrued Taxes. Management estimates income tax expense based on the amount it expects to owe various tax authorities. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For information regarding the market risk of the Company’s financial instruments, see “Market Risk and Interest Rate Sensitivity” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

ITEM 4. 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 Securities and Exchange Act of 1934, as amended, 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 quarterly report, and have concluded that the system is effective. There have been no changes in the Company’s internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information with respect to purchases of common stock by the Company or any affiliated purchasers during the three months ended March 31, 2009:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2009 – January 31, 2009	5,500	$ 9.85	5,500	$ 3,495,683
February 1, 2009 – February 28, 2009	5,000	$ 9.30	5,000	$ 3,449,176
March 1, 2009 – March 31, 2009	287,179	$ 9.29	287,179	$ 780,798
Total	297,679	$ 9.30	297,679	$ 780,798

On February 19, 2008, the Company announced a stock buyback program and authorized the purchase of up to $1,000,000 of common stock at a price not to exceed $12.50 per share. Shares may be purchased from time to time under this program in the open market, through block trades and/or in negotiated transactions. This program was extended by the Company's Board of Directors from the original expiration date of December 31, 2008 and is now scheduled to terminate on the earlier of December 31, 2009 or when the available balance in market purchase price of shares of common stock have been repurchased by the Company pursuant to the program (unless extended or terminated by the Board of Directors). The funds authorized for repurchases were increased from $1,000,000 to $4,127,309, and as of March 31, 2009 $780,798 remains available under the program (unless increased or decreased by the Board of Directors). Other than the purchase of 274,179 shares in a single private transaction in March 2009 for $2,549,865, all of the shares were purchased in the open market.

ITEM 6. EXHIBITS

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 March 31, 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 March 31, 2003, File No. 0-24047)
4.1	Rights Agreement, dated as of February 13, 1998, between Glen Burnie Bancorp and The Bank of Glen Burnie, as Rights Agent, as amended and restated as of December 27, 1999 (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registrant's Form 8-A filed December 27, 1999, 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)
10.5	Stock Repurchase Agreement, dated March 18, 2009, between the Registrant and Eugene P. Nepa
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
99.1	Press Release dated April 28, 2009

SIGNATURES

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

GLEN BURNIE BANCORP
(Registrant)

Date: April 28, 2009	By:	/s/ Michael G. Livingston. Michael G. Livingston President, Chief Executive Officer
	By:	/s/ John E. Porter John E. Porter Chief Financial Officer