

# **CHARTER OF THE RISK COMMITTEE OF THE BOARD OF DIRECTORS OF OLD LINE BANCSHARES, INC.**

## **Purpose**

The Risk Committee (the "Committee") is established as a committee of the Board of Directors of Old Line Bancshares, Inc. In general, the Committee will document, review and approve the enterprise-wide risk management practices of the Bank, and assist the Board of Directors in fulfilling their responsibility to oversee the Bank's enterprise-wide risk management. The Committee will have such other purposes, and such specific duties and responsibilities, as are described in this Charter or as may be assigned to it from time to time by the Board.

## **Composition and Appointment**

The Committee will be comprised of not less than three members who will be appointed annually by the Board. Members of the Committee will serve at the pleasure of, and may be removed at any time by, the Board. The Board will appoint one of the members of the Committee to serve as Committee Chairman. Each Committee member must (i) be a member of the Board of Directors of the Bank, and (ii) satisfy all other applicable requirements of law, rules, regulations or other requirements of governmental or regulatory bodies, all as in effect from time to time and applicable to the membership of the Committee. The Committee will be chaired by an Independent Director. At least one member of the Committee will have risk management expertise that is commensurate with the Bank's capital structure, risk profile, complexity, activities, size, and other appropriate risk related factors.

## **Meetings**

The Committee will meet at least once every quarter, and may meet more frequently as the Committee and/or its Chairman may consider necessary and when requested to meet by the Chairman of the Board or by the Lead Independent Director. Dates, times and locations of meetings will be determined by the Committee or its Chairman. A majority of the number of regular members then serving on the Committee will constitute a quorum. The Committee will determine who, if anyone, other than Committee members may be present during its deliberations or voting. The Committee will keep minutes of its meetings and, following each Committee meeting, the Chairman will make a report at the next scheduled meeting of the Board regarding the deliberations of or actions taken by the Committee.

## Responsibilities

A. **General.** In general, the Committee will:

1. Monitor and advise the Board of Directors regarding the Bank's risk exposures, such as credit, market, liquidity, operational, compliance, legal, strategic and reputational risks.
2. Establish a level of risk tolerance/appetite; evaluate, monitor and oversee the adequacy and effectiveness of the Bank's risk management framework to ensure strategic plans and business operations are commensurate with the established risk tolerance and appropriately identifies, monitors, and controls risk. Management is responsible for defining and executing the Bank's enterprise-wide risk management program, using the risk appetite approved by the Committee.
3. Monitor the work of the Enterprise Risk Oversight Committee ("EROC"), a management committee, and receive reports from the EROC and subcommittees of the EROC.
4. Review and approve, at least annually, and make revisions as needed in, the charter of the EROC.
5. Review, approve and monitor the Bank's risks, risk appetite and supporting risk tolerance levels.
6. Review reports from the EROC and management to ensure risks are managed within the approved risk tolerances.

B. **ESTABLISHED RISK TOLERANCE:** The Board of Directors Risk Committee resolved to continue with the Bank's generally low risk culture; not entering into any High risk activities unless the risks are adequately identified, measured, and appropriately controlled to mitigate overall risks to an acceptable level.

C. **Risk Oversight:** The Risk Committee will maintain responsibility for all areas of risk. The Committee may delegate direct oversight of specific areas of risk to other Board Committees as deemed appropriate.

**Credit Risk:** The Loan Committee will maintain direct oversight of credit risk. In performing credit risk oversight, the Loan Committee will:

1. Review and approve significant lending and credit policies.
2. Review and approve the Credit Risk Review Annual Plan.
3. Review and discuss management's assessment of the credit risk associated with loan growth.
4. Review and discuss management's assessment of asset quality and asset quality trends, credit quality administration and underwriting standards, and the effectiveness of

portfolio credit risk management systems and processes to enable management to monitor and control credit risk.

5. Review and discuss management's assessment of the adequacy of the Bank's credit management information systems.
6. Review and discuss the quarterly Credit Risk Review results, including progress against the plan and the status of management's actions to address significant recommendations.

**Financial, Liquidity and Market Risk Oversight:** The Asset & Liability Committee (ALCO) will maintain direct oversight over financial risks (IRR, liquidity, price, market). In performing oversight, ALCO will:

1. Review and approve significant asset/liability policies and activities, including those relating to rate sensitivity, liquidity and capital adequacy.
2. Review and make recommendations to the Board with respect to the issuance or repurchase of equity and debt securities and other significant financial transactions and equity investments.
3. Review and discuss capital, interest rate sensitivity, liquidity, derivatives activity and investment portfolio position reports for compliance with approved policies.
4. Review and discuss market risk management policies and risk limits, and review reports of trading activities and risk exposures for compliance with such policies.

**Operational and Regulatory Compliance Risk:** The Risk Committee will maintain direct oversight over operational and regulatory compliance risk. In performing oversight, the Risk Committee will:

1. Review and approve items as mandated by regulatory agencies which may include, but are not limited to, annual reviews of the Bank's Business Continuity Plan and Emergency Preparedness Program, Information Security, and the AML/BSA program.
2. Review and approve significant policies relating to regulatory compliance and operational risk management including substantive changes made to those policies following approval.
3. Review and monitor the Compliance Risk Management Program.
4. Monitor legal activity and risk by reviewing the status of pending and potential litigation, and other legal matters, that may reasonably be expected to present exposure for the Bank at or above the approved risk tolerance levels.
5. Review and monitor circumstances that potentially pose significant reputational risks to the Bank and oversee management's identification of and responses to those matters.
6. Review and approve the adequacy of significant insurance coverages for the Bank.

**CRA Responsibilities.** The Risk Committee will maintain direct oversight over CRA responsibilities and risk. In performing its CRA responsibilities, the Risk Committee will:

1. Review and monitor the Bank's CRA performance in (i) meeting the credit needs of the communities the Bank serves; (ii) community services; and, (iii) community investments.
2. At least annually, review the Bank's overall policy and goals concerning CRA activities.
3. Receive and review CRA compliance examination reports and management's responses to those reports.
4. Evaluate the Bank's CRA performance at least annually.

**Other Responsibilities.**

1. Conduct a self-evaluation of the Committee's performance at least annually, to include a review of the Committee's composition, responsibilities, structure, processes, and effectiveness, and report the results of the self-evaluation to the Board.
2. Review and assess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for consideration.

**Authority**

The Committee is authorized to perform each of its duties and responsibilities set forth in this Charter, and to undertake such other duties and responsibilities within the scope of its primary functions outlined above as the Committee or the Board may from time to time deem necessary or appropriate. The Committee also is authorized to, as it considers appropriate:

- Seek any information it requires from the Bank's employees, all of whom are directed to cooperate with the Committee's requests, or from external parties.
- Delegate any of its responsibilities to other Board Committees, subcommittees, or individual members of the Committee to the extent not inconsistent with other sections of this Charter or applicable laws or regulations.
- At its discretion and without the prior approval of management or the Board, retain or obtain the advice of outside consultants or advisors (including legal counsel and other advisors), at the expense of the Bank, in accordance with procedures established from time to time by the Committee, and oversee and approve all terms of the engagement of such consultants or advisors, including, but not limited to, their fees or other compensation.
- Conduct such investigations and request and consider such information (from management or otherwise) as the Committee shall consider necessary, relevant, or helpful in its deliberations and

the formulation of its recommendations. In connection with any such investigation, the Committee may rely on information provided to it by management without further verification.

- Consult to the extent it deems appropriate with the Chairman of the Board, the Chief Executive Officer (if the Chairman is not also the Chief Executive Officer), other officers or employees of the Bank, the Lead Independent Director (if a Lead Independent Director has been elected), and other directors.

## **Other**

1. Each member of the Committee will be entitled to rely on the advice, expertise and integrity of those persons and organizations within and outside the Bank who provide information to the Committee, and the accuracy and completeness of the financial and other information provided to the Committee by such persons or organizations, absent actual knowledge that such reliance is not reasonable or warranted.
2. In the performance of the Committee's responsibilities, each Committee member (and the Committee as a whole) shall at all times be under the continuing duty to exercise independent judgment on an informed basis, in good faith, and in a manner each considers to be in the best interests of the Bank and their shareholders.
3. Certain matters within the scope of the Committee's oversight responsibilities also may fall within the scope of the oversight responsibilities of other committees of the Board (such as the Audit Committee or the Compensation, Nominations and Governance Committee). To minimize the duplication of time and effort, the Committee may defer to those other committees with respect to such specific matters, but it will consult with, and may request reports or information from, those other committees in order to ensure that such matters are adequately addressed as part of the Bank's enterprise-wide risk management framework.