SANDY SPRING BANCORP INC
Form 424B5
March 18, 2010

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-157134

PROSPECTUS SUPPLEMENT
(To Prospectus dated February 19, 2009)

6,500,000 Shares of Common Stock

We are offering 6,500,000 shares of our common stock. Our common stock is listed on The NASDAQ Global Select Market under the symbol SASR. On March 17, 2010, the last reported sale price of our common stock on The NASDAQ Global Select Market was $14.91 per share.

Investing in our common stock involves risks. See Risk Factors on page S-6 of this prospectus supplement before you make your investment decision.

	Per Share	Total
Public offering price	$ 13.50	$ 87,750,000
Underwriting discount	$ 0.675	$ 4,387,500
Proceeds, before expenses, to us	$ 12.825	$ 83,362,500

The underwriters have the option to purchase up to 975,000 additional shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver the common stock on or about March 23, 2010 only in book-entry form through the facilities of The Depository Trust Company.

Sole Book-Running Manager

Baird

Co-Manager

Janney Montgomery Scott

The date of this prospectus supplement is March 17, 2010.

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Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We, and the underwriters, are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the

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accompanying prospectus is accurate only as of the date of each document regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of these securities. In case there are any differences or inconsistencies between this prospectus supplement, the accompanying prospectus and the information incorporated by reference, you should rely on the information in the document with the latest date.

About This Prospectus Supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about us, the common stock offered hereby and other securities that we may offer from time to time, some of which information may not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of this offering in the prospectus supplement differs from the description in the accompanying prospectus or any document incorporated by reference filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement.

We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the common stock and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any common stock offered by this prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf registration process, we may sell any combination of securities described in the accompanying prospectus in one or more offerings from time to time. Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, our common stock and other information you should know before investing. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described under Where You Can Find More Information in this prospectus supplement.

This prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

In this prospectus supplement, Sandy Spring , the Company , we , us and our refer to Sandy Spring Bancorp, Inc. consolidated subsidiaries, unless the context requires otherwise.

A Warning About Forward-Looking Statements

The prospectus supplement and the accompanying prospectus, including formation incorporated by reference into these documents may contain statements relating to future events or future results of the Company that are considered forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by the use of words such as believe, expect, anticipate, plan, estimate, intend an potential, or words of similar meaning, or future or conditional verbs such as should, could, or may. Forward-looki statements include statements of our goals, intentions and expectations; statements regarding our business plans, prospects, growth and operating strategies; statements regarding the quality of our loan and investment portfolios; and estimates of our risks and future costs and benefits. Forward-looking statements reflect our expectation or prediction of future conditions, events or results based on information currently available. These forward-looking statements are subject to significant risks and uncertainties that may cause actual results to differ materially from those in such statements. These risk and uncertainties

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include, but are not limited to, the risks identified in this prospectus supplement, in the accompanying prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2009, as well as the following:

- general business and economic conditions nationally or in the markets we serve could adversely affect, among other things, real estate prices, unemployment levels, and consumer and business confidence, which could lead to decreases in the demand for loans, deposits and other financial services that we provide and increases in loan delinquencies and defaults;
- changes or volatility in the capital markets and interest rates may adversely impact the value of securities, loans, deposits and other financial instruments and the interest rate sensitivity of our balance sheet as well as our liquidity;
- our liquidity requirements could be adversely affected by changes in our assets and liabilities;
- our investment securities portfolio is subject to credit risk, market risk, and liquidity risk as well as changes in the estimates we use to value certain of the securities in our portfolio;
- the effect of legislative or regulatory developments including changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry;
- competitive factors among financial services companies, including product and pricing pressures and our ability to attract, develop and retain qualified banking professionals;
- the effect of changes in accounting policies and practices, as may be adopted by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Public Company Accounting Oversight Board and other regulatory agencies; and
- the effect of fiscal and governmental policies of the United States federal government.

All written or oral forward-looking statements attributable to us or any person acting on our behalf made after the date of this prospectus supplement are expressly qualified in their entirety by the risk factors and cautionary statements contained in and incorporated by reference into this prospectus supplement and the accompanying prospectus. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events.

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Prospectus Supplement Summary

The following summary contains basic information about us and this offering. Because it is a summary, it does not contain all the information that may be important to you. Before making an investment decision, you should read the entire prospectus supplement and accompanying prospectus carefully, including the section entitled Risk Factors and the documents incorporated by reference herein, including the financial statements and the accompanying notes contained in such documents. Unless otherwise indicated, all share information in this prospectus supplement assumes no exercise of the underwriter s over-allotment option.

Our Company

Sandy Spring Bancorp is the holding company for Sandy Spring Bank and its principal subsidiaries, Sandy Spring Insurance Corporation, The Equipment Leasing Company and West Financial Services, Inc. Sandy Spring Bancorp is the largest publicly traded banking company headquartered and operating in Maryland. Sandy Spring Bank is a community banking organization that focuses its lending and other services on businesses and consumers in the local market area. Independent and community-oriented, Sandy Spring Bank was founded in 1868 and offers a broad range of commercial banking, retail banking and trust services through 43 community offices in Anne Arundel, Carroll, Frederick, Howard, Montgomery and Prince George s counties in Maryland, and Fairfax and Loudoun counties in Virginia. Through its subsidiaries, Sandy Spring Bank also offers a comprehensive menu of leasing, insurance and investment management services.

Sandy Spring Bank is headquartered in Montgomery County, Maryland and conducts business primarily in the central Maryland and northern Virginia areas. Our business footprint serves one of the better performing business regions in the country. At June 30, 2009, with $2.4 billion of deposits in Maryland, Sandy Spring Bancorp had the largest deposit market share of any bank holding company headquartered in Maryland according to SNL Financial data. Maryland has the highest state median household income in the country at $70,000 for 2008, according to the U.S. Census Bureau. To complement its presence in the Maryland market, Sandy Spring Bank has expanded into Northern Virginia which is home to nearly 2.4 million people. The Baltimore-Washington area has five out of the top ten most affluent counties in the United States, as measured by median household income for counties with 250,000 or more people, according to the U.S. Census Bureau. Important to both Maryland and Northern Virginia is the accessibility to other key neighboring markets such as Philadelphia, New York City, Pittsburgh and the Richmond/Norfolk corridor. The market area benefits from the presence and employment stability of the federal government and related service industries. In addition, management believes that the market is benefiting from stimulus spending, recent military base relocation and expansion initiatives by the general defense and homeland security industries.

While the general economic decline has had an adverse impact on the local economy, the regional unemployment rate is currently below the national average, according to the Bureau of Labor Statistics as of July 2009. The workforce is relatively stable, due to government and related employment opportunities and the presence of a diverse manufacturing base and service industries, and provides a better than average regional economic outlook. Recent activity reflects improving conditions in the market as residential permit activity and sales of existing homes have experienced increases in 2009 compared to the prior year. Additionally, the decline in real estate prices has remained below the national average during the economic downturn, according to the Case-Shiller Report as of July 2009. While the data at year end 2009 on economic metrics such as retail sales, mortgage delinquencies, office vacancies, personal income and median family income provide mixed economic signals, management believes that there are indications that the economy has stabilized and is now in a position for recovery and expansion. Management believes that as the economy recovers, Sandy Spring Bancorp will be able to take advantage of growth opportunities while adequately managing credit risk.

At December 31, 2009, we had total assets of $3.6 billion, net loans and leases of $2.2 billion, total deposits of $2.7 billion and total stockholders equity of $374.0 million.

Business Strategy

As a diversified financial services provider, we pursue a strategy of achieving long-term sustainable growth, profitability, and shareholder value, without sacrificing our financial soundness. We work toward achieving this goal by focusing on increasing our loan and deposit market share in central Maryland and northern Virginia either organically or by

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way of strategic acquisitions. We believe that one of our unique strengths is an understanding of the financial needs of the communities we serve developed from our heritage as a local institution dating back to 1868.

Our key strategic focus is vigorous financial stewardship, deploying investor capital safely yet efficiently for the best possible returns. We strive to provide excellent service and a sophisticated suite of banking products, including a highly competitive Treasury management product, to our customers. We continue to focus on middle market commercial and small business banking and affluent retail customer relationship growth, while striving to maintain asset quality and improve operating efficiencies. We believe that our products, long-term heritage and customer relationship orientation distinguish us in our marketplace and position us to gain significant market share over time, particularly as our marketplace has seen the acquisition of several of our traditional competitors.

Competition

Sandy Spring Bank s principal competitors for deposits are other financial institutions, including other banks, credit unions, and savings institutions located in the Bank s primary market area of Anne Arundel, Carroll, Frederick, Howard, Montgomery and Prince George s counties in Maryland, and Fairfax and Loudoun counties in Virginia. Competition among these institutions is based primarily on interest rates and other terms offered, service charges imposed on deposit accounts, the quality of services rendered, and the convenience of banking facilities. Additional competition for depositors funds comes from mutual funds, U.S. Government securities, and private issuers of debt obligations and suppliers of other investment alternatives for depositors such as securities firms.

Capital Purchase Program

We sold 83,094 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the Series A Preferred Stock), liquidation preference $1,000 per share, to the U.S. Department of the Treasury (the Treasury), under the Capital Purchase Program in December 2008. The Series A Preferred Stock pay cumulative dividends at a rate of five percent per year for the first five years and reset to a rate of nine percent per year after the fifth year. The consent of the Treasury is required for any increase in our common dividends per share for the first three years following the Treasury s purchase of the Series A Preferred Stock (other than regular quarterly cash dividends of not more than $0.24 per share of common stock), unless prior to the end of three years, the Series A Preferred Stock has been redeemed in full or the Treasury has transferred all of the Series A Preferred Stock to third parties.

In conjunction with the purchase of the Series A Preferred Stock, the Treasury received a warrant (the Warrant) to purchase 651,547 shares of common stock. The exercise price on the Warrant is $19.13 per share. The Warrant has a term of 10 years and was immediately exercisable, in whole or in part, upon issuance.

Corporate Information

Our executive offices are located at 17801 Georgia Avenue, Olney, Maryland 20832, and our telephone number is (800) 399-5919. Our website is www.sandyspringbank.com. Information on our website is not a part of this prospectus supplement.

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The Offering

The following summary contains basic information about our common stock and is not intended to be complete. For a complete description of our common stock, see the information under the heading Description of Common Stock beginning on page S-14.

Common stock offered	6,500,000 shares (or 7,475,000 shares if the underwriters exercise in full their over-allotment option to purchase additional shares)
Common stock to be outstanding after this offering(1)	23,106,427 shares (or 24,081,427 shares if the underwriters exercise in full their over-allotment option to purchase additional shares)
Net proceeds	The net proceeds, after underwriting discount and estimated expenses, to us from the sale of the common stock offered will be approximately \$83.1 million (or approximately \$95.6 million if the underwriters exercise their over-allotment option in full).
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes which may include, without limitation, making investments at the holding company level; providing capital to support our subsidiaries, including Sandy Spring Bank; supporting asset and deposit growth; engaging in acquisitions or other business combinations; and reducing or refinancing existing debt. We do not have any specific plans for acquisitions or other business combinations at this time. Among other things, we may also seek the approval of our regulators to repurchase all or a portion of the Series A Preferred Stock and the Warrant with the net proceeds of this offering and other cash available to us. We have not determined if, or when, we will seek the approval of our regulators to repurchase all or a portion of the Series A Preferred Stock and Warrant. Our management will retain broad discretion in the allocation of net proceeds from this offering. See Use of Proceeds.
NASDAQ Global Select Market symbol	SASR
Risk Factors	Investing in our common stock involves risks. Before investing, you should consider carefully the matters set forth under Risk Factors, beginning on page S-6, for a discussion of the risks related to an investment in our common stock.

(1) The number of shares of common stock that will be outstanding after the closing of this offering is based on 16,606,427 shares of common stock outstanding as of March 10, 2010, which does not include:

975,000 shares of common stock issuable pursuant to the underwriters over-allotment option;

833,727 shares of common stock that may be issued upon the exercise of outstanding options under Sandy Spring Bancorp s equity compensation plans; and

651,547 shares of common stock reserved for issuance upon the exercise of the Warrant issued in connection with the issuance of Series A Preferred Stock to the U.S. Treasury.

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Summary Selected Consolidated Financial Information

The following selected financial data as of and for the fiscal years ended December 31, 2009, 2008, 2007, 2006 and 2005 are derived from audited consolidated financial statements of Sandy Spring Bancorp. The financial data below should be read in conjunction with the financial statements and notes thereto incorporated by reference in this prospectus supplement. See *Where You Can Find More Information.*

Dollars in thousands, except per share amounts)	**At or For the Year Ended December 31,**				
	2009	**2008**	**2007**	**2006**	**2005**
esults of Operations:					
ax-equivalent interest income	$ 160,069	$ 173,389	$ 186,481	$ 159,686	$ 129,288
terest expense	51,522	60,386	76,149	58,687	33,982
ax-equivalent net interest income	108,547	113,003	110,332	100,999	95,306
ax-equivalent adjustment	4,839	4,545	5,506	6,243	7,128
rovision for loan and lease losses	76,762	33,192	4,094	2,795	2,600
et interest income after provision for loan and ase losses	26,946	75,267	100,732	91,961	85,758
oninterest income	45,241	46,243	44,289	38,895	36,909
oninterest expense	103,039	102,089	99,788	85,096	77,194
come (loss) before taxes	(30,852)	19,421	45,233	45,760	45,293
come tax expense (benefit)	(15,997)	3,642	12,971	12,889	12,195
et income (loss)	(14,855)	15,779	32,262	32,871	33,098
et income (loss) available to common areholders	(19,665)	15,445	32,262	32,871	33,098
er Share Data:					
et income (loss) basic per share	$ (0.90)	$ 0.96	$ 2.01	$ 2.22	$ 2.26
et income (loss) basic per common share	(1.20)	0.94	2.01	2.22	2.26
et income (loss) diluted per share	(0.90)	0.96	2.01	2.20	2.24
et income (loss) diluted per common share	(1.20)	0.94	2.01	2.20	2.24
ividends declared per common share	0.37	0.96	0.92	0.88	0.84
ook value per common share (at year end)	17.80	19.05	19.31	16.04	14.73
nancial Condition (at year end):					
ssets	$ 3,630,478	$ 3,313,638	$ 3,043,953	$ 2,610,457	$ 2,459,616
eposits	2,696,842	2,365,257	2,273,868	1,994,223	1,803,210
oans and leases	2,298,010	2,490,646	2,277,031	1,805,579	1,684,379
ecurities	1,023,799	492,491	445,273	540,908	567,432
orrowings	535,646	522,658	426,525	351,540	417,378
ockholders equity	373,586	391,862	315,640	237,777	217,883
nancial Condition (average for the year):					
ssets	$ 3,557,234	$ 3,152,586	$ 2,935,451	$ 2,563,673	$ 2,352,061
eposits	2,599,284	2,284,648	2,253,979	1,866,346	1,771,381
oans and leases	2,416,470	2,420,040	2,113,476	1,788,702	1,544,990
ecurities	824,802	428,479	495,928	559,350	603,882
orrowings	535,272	513,237	361,884	451,251	355,537
ockholders equity	389,221	324,995	290,224	229,360	204,142
erformance Ratios:					

eturn on average common equity	(6.42)%	4.84%	11.12%	14.33%	16.21%
eturn on average assets	(0.55)	0.49	1.10	1.28	1.41
ield on average interest-earning assets	4.85	6.02	6.98	6.73	5.95
ate on average interest-bearing liabilities	1.97	2.56	3.50	3.08	2.02
et interest spread	2.88	3.46	3.48	3.65	3.93
et interest margin	3.29	3.92	4.13	4.26	4.39
fficiency ratio GAAP	69.18	65.99	66.92	63.67	61.71
fficiency ratio Non-GAAP(1)	64.81	59.88	61.92	58.71	58.16
ividends declared per share to diluted net income er common share	(30.83)	102.12	45.77	40.00	37.50
apital Ratios:					
er 1 leverage	9.09%	11.00%	8.87%	9.81%	9.55%
er 1 capital to risk-weighted assets	12.01	12.56	10.28	12.64	12.22
otal regulatory capital to risk-weighted assets	13.27	13.82	11.28	13.62	13.22
angible common equity to tangible assets on-GAAP(1)	5.95	7.18	7.57	8.45	8.06
verage equity to average assets	10.94	10.31	9.89	8.95	8.68
redit Quality Ratios:					
llowance for loan losses to loans and leases	2.81%	2.03%	1.10%	1.08%	1.00%
on-performing loans to total loans	5.82	2.79	1.51	0.21	0.08
on-performing assets to total assets	3.89	2.18	1.15	0.15	0.06
et charge-offs to average loans and leases	2.61	0.32	0.06	0.01	0.02

(1) Tangible equity and tangible assets are non-GAAP financial measures calculated using GAAP amounts. We calculate tangible equity by excluding the balance of goodwill and other intangible assets from our calculation of stockholders equity. We calculate tangible assets by excluding the balance of goodwill and other intangible assets from our calculation of total assets. We believe that this non-GAAP financial measure provides information to investors that is useful in understanding our financial condition. Because not all companies use the same calculation of tangible equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. A reconciliation of the non-GAAP ratio of tangible equity to tangible assets is provided below.

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The Company has for many years used a traditional efficiency ratio that is a non-GAAP financial measure of operating expense control and efficiency of operations. Management believes that its traditional ratio better focuses attention on the operating performance of the Company over time than does a GAAP ratio, and is highly useful in comparing period-to-period operating performance of the Company s core business operations. It is used by management as part of its assessment of its performance in managing non-interest expenses. However, this measure is supplemental, and is not a substitute for an analysis of performance based on GAAP measures. The reader is cautioned that the non-GAAP efficiency ratio used by the Company may not be comparable to GAAP or non-GAAP efficiency ratios reported by other financial institutions.

In general, the efficiency ratio is non-interest expenses as a percentage of net interest income plus non-interest income. Non-interest expenses used in the calculation of the non-GAAP efficiency ratio exclude goodwill impairment losses, the amortization of intangibles, and non-recurring expenses. Income for the non-GAAP ratio includes the favorable effect of tax-exempt income and excludes securities gains and losses, which vary widely from period to period without appreciably affecting operating expenses, and non-recurring gains. The measure is different from the GAAP efficiency ratio, which also is presented in the above table. The GAAP and non-GAAP efficiency ratios are reconciled as provided below.

(Dollars in thousands)	**2009**	**2008**	**2007**	**2006**	**2005**
GAAP efficiency ratio:					
Non-interest expenses	$ 103,039	$ 102,089	$ 99,788	$ 85,096	$ 77,194
Net interest income plus non-interest income	148,949	154,702	149,115	133,651	125,087
Efficiency ratio GAAP	69.18%	65.99%	66.92%	63.67%	61.71%
Non-GAAP efficiency ratio:					
Non-interest expenses	$ 103,039	$ 102,089	$ 99,788	$ 85,096	$ 77,194
Less non-GAAP adjustment:					
Amortization of intangible assets	3,646	4,447	4,080	2,967	2,198
Goodwill impairment loss		4,159			
Plus non-GAAP adjustment:					
Pension prior service credit		1,473			
Non-interest expenses as adjusted	$ 99,393	$ 94,956	$ 95,708	$ 82,129	$ 74,996
Net interest income plus non-interest income	$ 148,949	$ 154,702	$ 149,115	$ 133,651	$ 125,087
Plus non-GAAP adjustment:					
Tax-equivalent income	4,839	4,545	5,506	6,243	7,128
Less non-GAAP adjustments:					
Securities gains (losses)	418	663	43	1	3,262
Net interest income plus non-interest income as adjusted	$ 153,370	$ 158,584	$ 154,578	$ 139,893	$ 128,953

Efficiency ratio Non-GAAP	64.81%	59.88%	61.92%	58.71%	58.16%
Tangible common equity ratio:					
Total stockholders equity	$ 373,586	$ 391,862	$ 315,640	$ 237,777	$ 220,058
Accumulated other comprehensive loss	2,652	7,572	1,055	4,021	594
Goodwill	(76,816)	(76,248)	(76,585)	(12,4 94)	(12,042)
Other intangible assets, net	(8,537)	(12,183)	(16,630)	(10,6 53)	(12,218)
Preferred stock	(80,095)	(79,440)			
Tangible common equity	$ 210,790	$ 231,563	$ 223,480	$ 218,651	$ 196,392
Total assets	$ 3,630,478	$ 3,313,638	$ 3,043,953	$ 2,610,457	$ 2,459,616
Goodwill	(76,816)	(76,248)	(76,585)	(12,4 94)	(12,042)
Other intangible assets, net	(8,537)	(12,183)	(16,630)	(10,6 53)	(12,218)
Tangible assets	$ 3,545,125	$ 3,225,207	$ 2,950,738	$ 2,587,310	$ 2,435,356
Tangible common equity ratio	5.95%	7.18%	7.57%	8.45%	8.06%

Risk Factors

An investment in our common stock involves risk. You should carefully consider the risks described below and all other information contained in this prospectus supplement, the accompany prospectus and the documents incorporated by reference before you decide to buy our common stock. It is possible that risks and uncertainties not listed below may arise or become material in the future and affect our business.

Risks Associated with Our Business and Industry

A continuation of recessionary conditions could have an adverse effect on our financial position or results of operations.

United States and global markets have experienced severe disruption and volatility, and general economic conditions have declined significantly. Adverse developments in credit quality and asset values throughout the financial services industry, as well as general uncertainty regarding the economic and regulatory environment, have had a significant negative impact on the industry. The United States government has taken steps to try to stabilize the financial system, including investing in financial institutions, and also has been working to design and implement programs to stimulate economic recovery. There can be no assurances that these efforts will be successful. Factors that could continue to pressure financial services companies, including the Company, are numerous and include (1) worsening credit quality, leading to increases in loan losses and reserves, (2) continued or worsening disruption and volatility in financial markets, leading to continuing reductions in assets values, (3) capital and liquidity concerns regarding financial institutions generally, (4) limitations resulting from or imposed in connection with governmental actions intended to stabilize or provide additional regulation of the financial system, and (5) recessionary conditions that are deeper or last longer than currently anticipated.

Changes in local economic conditions could adversely affect our business.

Our commercial and commercial real estate lending operations are concentrated in Anne Arundel, Carroll, Frederick, Howard, Montgomery, and Prince George s counties in Maryland, and Fairfax and Loudoun counties in Virginia. Our success depends in part upon economic conditions in these markets. Adverse changes in economic conditions in these markets could reduce our growth in loans and deposits, impair our ability to collect our loans, increase our problem loans and charge-offs, and otherwise negatively affect our performance and financial condition. Recent declines in real estate values could cause some of our residential and commercial real estate loans to be inadequately collateralized, which would expose us to a greater risk of loss in the event that we seek to recover on defaulted loans by selling the real estate collateral.

We may not successfully execute our plan to return to profitability.

For the year ended December 31, 2009, we had a net loss available to common stockholders of approximately $19.7 million. While we are executing a plan to return to profitability on a long-term basis by stabilizing and then reducing our level of non-performing assets, enhancing our capital and liquidity, and increasing the operating income of our core community banking franchise, there can be no assurance that we will be successful in executing our plan such that we will return to profitability.

Our allowance for loan and lease losses may not be adequate to cover our actual loan and lease losses, which could adversely affect our earnings.

We maintain an allowance for loan and lease losses in an amount that we believe is adequate to provide for probable losses in the portfolio. While we strive to monitor credit quality and to identify loans and leases that may become non-performing, at any time there are loans and leases included in the portfolio that will result in losses, but that have not been identified as non-performing or potential problem credits. We cannot be sure that we will be able to identify deteriorating credits prior to them becoming non-performing assets, or that we will have the ability to limit losses on those loans and leases that are identified. As a result, future additions to the allowance may be necessary. Additionally, future additions may be required based on changes in the loans and leases comprising the portfolio and changes in the financial condition of borrowers, that may result from changes in economic conditions, or as a result of assumptions by management in determining the allowance. Additionally, federal banking regulators, as an integral part of their supervisory function, periodically review our allowance for loan and lease losses. These regulatory agencies may require us to increase

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our provision for loan and lease losses or to recognize further loan or lease charge-offs based upon their judgments, which may differ from ours. Any increase in the allowance for loan and lease losses could have a negative effect on the financial condition and results of operations of the Company.

If our non-performing assets increase, our earnings and financial condition will suffer.

At December 31, 2009, our non-performing assets totaled $141.2 million, or 3.89%, of total assets compared to non-performing assets of $72.2 million, or 2.18% of total assets at December 31, 2008. Our non-performing assets adversely affect our net income in various ways. We do not record interest income on non-accrual loans or other real estate owned. We must reserve for probable losses, which is established through a current period charge to the provision for loan and lease losses as well as from time to time, as appropriate, write-downs of the value of properties in our other real estate owned portfolio to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to our other real estate owned. Further, the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity. Finally, if our estimate for the recorded allowance for loan and lease losses proves to be incorrect and our allowance is inadequate, we will have to increase the allowance accordingly and as a result our earnings would be adversely affected. A further downturn in the market areas we serve could increase our credit risk associated with our loan portfolio, as it could have a material adverse effect on both the ability of borrowers to repay loans as well as the value of the real property or other property held as collateral for such loans. There can be no assurance that we will not experience further increases in non-performing loans in the future, or that our non-performing assets will not result in further losses in the future.

Changes in interest rates and other factors beyond our control may adversely affect our earnings and financial condition.

Our net income depends to a great extent upon the level of our net interest income. Changes in interest rates can increase or decrease net interest income and net income. Net interest income is the difference between the interest income we earn on loans, investments, and other interest-earning assets, and the interest we pay on interest-bearing liabilities, such as deposits and borrowings. Net interest income is affected by changes in market interest rates, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets in a period, an increase in market rates of interest could reduce net interest income. Similarly, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could reduce net interest income.

Changes in market interest rates are affected by many factors beyond our control, including inflation, unemployment, money supply, international events, and events in world financial markets. We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing, and balances of the different types of interest-earning assets and interest-bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our net interest margin and results of operations. Changes in the market interest rates for types of products and services in our various markets also may vary significantly from location to location and over time based upon competition and local or regional economic factors. At December 31, 2009, our interest rate sensitivity simulation model projected that net interest income would not change significantly if interest rates immediately fell by 200 basis points due to the current low level of market interest rates but would decrease by 5.03% if interest rates immediately rose by 200 basis points. The results of our interest rate sensitivity simulation model depend upon a number of assumptions which may not prove to be accurate. There can be no assurance that we will be able to successfully manage our interest rate risk.

Our investment securities portfolio is subject to credit risk, market risk, and liquidity risk.

Our investment securities portfolio has risks beyond our control that can significantly influence its fair value. These factors include, but are not limited to, rating agency downgrades of the securities, defaults of the issuers of the securities, lack of market pricing of the securities, and continued instability in the credit markets. Recent lack of market activity with respect to certain of the securities has, in certain circumstances, required us to base our fair market valuation on unobservable inputs. Any change in current accounting principles or interpretations of these principles could impact our assessment of fair value and thus our determination of other than temporary impairment of the securities in our investment

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securities portfolio. If any of our investment securities are determined to be other than temporarily impaired, we would be required to write down the securities, which could adversely affect our earnings and regulatory capital ratios.

We are subject to liquidity risks.

Market conditions could negatively affect the level or cost of liquidity available to us, which would affect our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences. Core deposits and Federal Home Loan Bank advances are our primary source of funding. A significant decrease in our core deposits, an inability to renew Federal Home Loan Bank advances, an inability to obtain alternative funding to core deposits or Federal Home Loan Bank advances, or a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a negative effect on our business and financial condition.

An impairment in the carrying value of our goodwill could negatively impact our earnings and capital.

At December 31, 2009, we had goodwill totaling $76.8 million. Goodwill is initially recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Given the current economic environment and conditions in the financial markets, we could be required to evaluate the recoverability of goodwill prior to our normal annual assessment if we experience disruption in our business, unexpected significant declines in our operating results, or sustained market capitalization declines. These types of events and the resulting analyses could result in goodwill impairment charges in the future. These non-cash impairment charges could adversely affect our results of operations in future periods. A goodwill impairment charge does not adversely affect any of our regulatory capital ratios or our tangible capital ratio. During the last quarter of 2009, the market value of the Company s stock declined significantly below its book value at December 31, 2009. Management considered this decrease to be a triggering event indicating the possibility of impairment in the Community Banking segment at December 31, 2009. Based on our analyses, we concluded that the fair value of our reporting units exceeded the carrying value of our assets and liabilities and, therefore, goodwill was not considered impaired at December 31, 2009.

We rely on our management and other key personnel, and the loss of any of them may adversely affect our operations.

We are and will continue to be dependent upon the services of our executive management team. In addition, we will continue to depend on our ability to retain and recruit key client relationship managers. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial condition.

We may fail to realize the cost savings we estimate for mergers and acquisitions.

The success of our mergers and acquisitions may depend, in part, on our ability to realize the estimated cost savings from combining the businesses. It is possible that the potential cost savings could turn out to be more difficult to achieve than we anticipated. Our cost savings estimates also depend on our ability to combine the businesses in a manner that permits those cost savings to be realized. If our estimates turn out to be incorrect or we are not able to combine successfully, the anticipated cost savings may not be realized fully or at all, or may take longer to realize than expected.

Combining acquired businesses with Sandy Spring may be more difficult, costly, or time-consuming than we expect, or could result in the loss of customers.

It is possible that the process of merger integration of acquired companies could result in the loss of key employees, the disruption of ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect the ability to maintain relationships with clients and employees or to achieve the anticipated benefits of the merger or acquisition. There also may be disruptions that cause us to lose customers or cause customers to withdraw their deposits. Customers may not readily accept changes to their banking arrangements or other customer relationships after the merger or acquisition.

Competition may decrease our growth or profits.

We compete for loans, deposits, and investment dollars with other banks and other financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers, and private lenders, many of which have substantially greater resources than ours. Credit unions have federal tax exemptions, which may allow them to offer lower rates on loans and higher rates on deposits than taxpaying financial institutions such as commercial banks. In addition, non-depository institution competitors are generally not subject to the extensive regulation applicable to institutions that offer federally insured deposits. Other institutions may have other competitive advantages in particular markets or may be willing to accept lower profit margins on certain products. These differences in resources, regulation, competitive advantages, and business strategy may decrease our net interest margin, increase our operating costs, and may make it harder for us to compete profitably.

Government regulation significantly affects our business.

The banking industry is heavily regulated. Banking regulations are primarily intended to protect the federal deposit insurance funds and depositors, not shareholders. Sandy Spring Bank is subject to regulation and supervision by the Board of Governors of the Federal Reserve System and by Maryland banking authorities. Sandy Spring Bancorp is subject to regulation and supervision by the Board of Governors of the Federal Reserve System. The burdens imposed by federal and state regulations put banks at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies, and leasing companies. Changes in the laws, regulations, and regulatory practices affecting the banking industry may increase our costs of doing business or otherwise adversely affect us and create competitive advantages for others. Regulations affecting banks and financial services companies undergo continuous change, and we cannot predict the ultimate effect of these changes, which could have a material adverse effect on our profitability or financial condition. Federal economic and monetary policy may also affect our ability to attract deposits and other funding sources, make loans and investments, and achieve satisfactory interest spreads.

Restrictions on unfriendly acquisitions could prevent a takeover.

Our articles of incorporation and bylaws contain provisions that could discourage takeover attempts that are not approved by the board of directors. The Maryland General Corporation Law includes provisions that make an acquisition of Sandy Spring Bancorp more difficult. These provisions may prevent a future takeover attempt in which our shareholders otherwise might receive a substantial premium for their shares over then-current market prices. These provisions include supermajority provisions for the approval of certain business combinations and certain provisions relating to meetings of shareholders. Our certificate of incorporation also authorizes the issuance of additional shares without shareholder approval on terms or in circumstances that could deter a future takeover attempt.

Changes in the Federal or State tax laws may negatively impact our financial performance.

The Company is subject to changes in tax law that could increase the effective tax rate payable to the state or federal government. These law changes may be retroactive to previous periods and as a result, could negatively affect the current and future financial performance of the Company.

Volatile and illiquid financial markets resulting from a significant event in the market may hinder our ability to increase or maintain our current liquidity position.

Financial concerns in broad based financial sectors such as mortgage banking or homebuilding may result in a volatile and illiquid bond market and may reduce or eliminate the Company s ability to pledge certain types of assets to increase or maintain its liquidity position. A decline in the Company s liquidity position may hinder its ability to grow the balance sheet through internally generated loan growth or through acquisitions.

We may be subject to litigation risk.

In the normal course of business, the Company may become involved in litigation, the outcome of which may have a direct material impact on our financial position and daily operations.

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Our financial results may be subject to the impact of changes in accounting standards or interpretation in new or existing standards.

From time to time the Financial Accounting Standards Board (FASB) and the SEC change accounting regulations and reporting standards that govern the preparation of the Company s financial statements. In addition, the FASB, SEC, bank regulators and the outside independent auditors may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards. These revisions in their interpretations are out of the Company s control and may have a material impact on the Company s financial statements

The limitations on executive compensation imposed through our participation in the Capital Purchase Program may restrict our ability to attract, retain and motivate key employees, which could adversely affect our operations.

As part of our participation in the Capital Purchase Program, we agreed to be bound by certain executive compensation restrictions, including limitations on severance payments and the clawback of any bonus and incentive compensation that were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria. The recently enacted American Recovery and Reinvestment Act of 2009 provides more stringent limitations on severance pay and the payment of bonuses to certain officers and highly compensated employees of participants in the Capital Purchase Program. To the extent that any of these compensation restrictions do not permit us to provide a comprehensive compensation package to our key employees that is competitive in our market area, we may have difficulty in attracting, retaining and motivating our key employees, which could have an adverse effect on our results of operations.

The terms governing the issuance of the preferred stock to Treasury may be changed, the effect of which may have an adverse effect on our operations.

The Securities Purchase Agreement that we entered into with the Treasury provides that the Treasury may unilaterally amend any provision of the agreement to the extent required to comply with any changes in applicable federal statutes that may occur in the future. The American Recovery and Reinvestment Act of 2009 placed more stringent limits on executive compensation for participants in the Capital Purchase Program and established a requirement that compensation paid to executives be presented to shareholders for a non-binding vote. Further changes in the terms of the transaction may occur in the future. Such changes may place further restrictions on our business, which may adversely affect our operations.

Our inability to raise capital at attractive rates may restrict our ability to redeem the preferred stock we issued, which may lead to a greater cost of that investment.

The terms of the preferred stock issued to the Treasury provide that the shares pay a dividend at a rate of 5% per year for the first five years after which time the rate will increase to 9% per year. It is our current goal to repay the Treasury before the date of the increase in the dividend rate. However, our ability to repay the Treasury will depend on our ability to raise capital, which will depend on conditions in the capital markets at that time, which are outside of our control. We can give no assurance that we will be able to raise additional capital or that such capital will be available on terms more attractive to us than the Treasury s investment.

Risks Related to This Offering and the Ownership of Our Common Stock

The market price for our common stock may be volatile.

The market price for our common stock has fluctuated, ranging between $6.50 and $22.48 per share during the twelve months ended December 31, 2009. The overall market and the price of our common stock may continue to be volatile.

There may be a significant impact on the market price for our common stock due to, among other things:

- past and future dividend practice;
- financial condition, performance, creditworthiness and prospects;
- quarterly variations in our operating results or the quality of our assets;
- operating results that vary from the expectations of management, securities analysts and investors;

changes in expectations as to our future financial performance;

announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by us or our competitors;

the operating and securities price performance of other companies that investors believe are comparable to us;

future sales of our equity or equity-related securities;

the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally; and

changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility and other geopolitical, regulatory or judicial events.

There can be no assurance that a more active or consistent trading market in our common stock will develop. As a result, relatively small trades could have a significant impact on the price of our common stock.

Future sales of our common stock or other securities may dilute the value and adversely affect the market price of our common stock.

In many situations, our board of directors has the authority, without any vote of our shareholders, to issue shares of our authorized but unissued stock, including shares authorized and unissued under our omnibus stock plan. In the future, we may issue additional securities, through public or private offerings, in order to raise additional capital. Any such issuance would dilute the percentage of ownership interest of existing shareholders and may dilute the per share book value of the common stock. In addition, option holders may exercise their options at a time when we would otherwise be able to obtain additional equity capital on more favorable terms. The market price of our common stock could decline as a result of this offering as well as sales of shares of our common stock made after this offering or the perception that such sales could occur.

Our ability to pay dividends is limited by law and contract.

Our ability to pay dividends to our shareholders largely depends on Sandy Spring Bancorp s receipt of dividends from Sandy Spring Bank. The amount of dividends that Sandy Spring Bank may pay to Sandy Spring Bancorp is limited by federal laws and regulations. The ability of Sandy Spring Bank to pay dividends is also subject to its profitability, financial condition and cash flow requirements. There is no assurance that Sandy Spring Bank will be able to pay dividends to Sandy Spring Bancorp in the future. We may decide to limit the payment of dividends even when we have the legal ability to pay them in order to retain earnings for use in our business. We also are prohibited from paying dividends on our common stock if the required payments on our subordinated debentures or preferred stock have not been made.

The limitations on dividends and repurchases imposed through our participation in the TARP Capital Purchase Program may make our common stock less attractive of an investment.

In December 2008, the U.S. Treasury purchased newly issued shares of our preferred stock as part of the Capital Purchase Program. As part of this transaction, we agreed to not increase the dividend paid on our common stock and to not repurchase shares of our capital stock for a period of three years. These capital management devices contribute to the attractiveness of our common stock, and limitations and prohibitions on such activities may make our common stock less attractive to investors.

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Use of Proceeds

We estimate that the net proceeds from the sale of our common stock in this offering will be approximately $83.1 million, after deducting the underwriting discount and our estimated offering expenses. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be approximately $95.6 million.

We intend to use the net proceeds from this offering for general corporate purposes, which may include, without limitation, making investments at the holding company level; providing capital to support our subsidiaries, including Sandy Spring Bank; supporting asset and deposit growth; engaging in acquisitions or other business combinations; and reducing or refinancing existing debt. We do not have any specific plans for acquisitions or other business combinations at this time. Among other things, we may also seek the approval of our regulators to repurchase all or a portion of the Series A Preferred Stock and the Warrant with the net proceeds of this offering and other cash available to us. We have not determined if, or when, we will seek the approval of our regulators to repurchase all or a portion of the Series A Preferred Stock and Warrant. Our management will retain broad discretion in the allocation of net proceeds from this offering.

Price Range of Common Stock and Dividends

Our common stock is listed on The NASDAQ Global Select Market under the symbol SASR. The following table sets forth, for the periods indicated, the high, low and closing sales prices per share of our common stock as reported on The NASDAQ Global Select Market, and the cash dividends declared per share.

	High	Low	Cash Dividends Declared per Common Share
2008			
First Quarter	$ 31.73	$ 25.07	$ 0.24
Second Quarter	28.41	16.56	0.24
Third Quarter	27.50	13.55	0.24
Fourth Quarter	22.95	13.56	0.24
2009			
First Quarter	$ 22.48	$ 6.50	$ 0.12
Second Quarter	17.13	10.59	0.12
Third Quarter	17.92	14.33	0.12
Fourth Quarter	16.61	8.19	0.01
2010			
First Quarter (through March 17, 2010)	$ 15.01	$ 8.25	$ 0.01

On March 17, 2010, the last reported sale price of our common stock was $14.91 per share. On March 16, 2010, we had approximately 2,640 holders of record of our common stock.

We previously issued preferred securities and a warrant to purchase our common stock to the Treasury. Prior to December 5, 2011, unless we have redeemed the Series A Preferred Stock or the Treasury has transferred the securities to a third party, the Treasury s consent will be required for us to (i) increase our common stock dividend in excess of $0.24 per share or (ii) repurchase our common stock, other than in connection with benefit plans consistent with past practice.

In addition to the limitations described above, the future declaration of dividends by our board of directors will depend on a number of factors, including capital requirements, regulatory limitations, our operating results and financial condition and general economic conditions. Our ability to pay dividends depends primarily on the receipt of dividends from our wholly owned bank subsidiary. Dividend payments from Sandy Spring Bank are subject to legal and regulatory limitations, generally based on retained earnings, imposed by bank regulatory agencies. The ability of Sandy Spring Bank to pay dividends is also subject to financial condition, regulatory capital requirements, capital expenditures and other cash flow requirements. As of December 31, 2009, pursuant to these restrictions, Sandy Spring Bank did not have the ability to pay dividends to us without prior regulatory approval.

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Capitalization

The following table sets forth our capitalization as of December 31, 2009. Our capitalization is presented on a historical basis and on an as adjusted basis to give effect to the sale of 6,500,000 shares of common stock in this offering and assuming:

net proceeds of the offering are $83.1 million, after deducting the underwriting discount and estimated offering expenses and

the underwriters over-allotment option is not exercised.

The following data should be read in conjunction with the Consolidated Financial Statements and the notes thereto incorporated by reference into this prospectus supplement from our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

(In thousands)	December 31, 2009 Actual	As Adjusted(1)
Liabilities:		
Noninterest-bearing liabilities	$ 540,578	$ 540,578
Interest-bearing deposits	2,156,264	2,156,264
Total deposits	2,696,842	2,696,842
Securities sold under repurchase agreements and federal funds purchased	89,062	89,062
Advances from FHLB	411,584	411,584
Subordinated debentures	35,000	35,000
Accrued interest payable and other liabilities	24,404	24,404
Total liabilities	$ 3,256,892	$ 3,256,892
Stockholders equity:		
Preferred stock par value of $1.00 (liquidation preference of $1.00 per share) shares authorized 83,094 issued and outstanding 83,094, net of discount of $2,999	$ 80,095	$ 80,095
Common stock par value $1.00; shares authorized 49,916,906; 16,487,852 shares issued and outstanding, actual; 22,987,852 shares issued and outstanding, as adjusted	16,488	22,988
Warrants	3,699	3,699
Additional paid in capital	87,334	163,922
Retained earnings	188,622	188,622
Accumulated other comprehensive loss	(2,652)	(2,652)
Total stockholders equity	$ 373,586	$ 456,674

(1)

If the underwriters exercise their over-allotment option in full, 7,475,000 shares of common stock would be sold, resulting in estimated net proceeds of $95.6 million and total stockholders equity would increase to $469.2 million.

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Description of Common Stock