

GLEN BURNIE BANCORP
Form 10-Q
May 14, 2013

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, 2013

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

52-1782444

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(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

101 Crain Highway, S.E.

Glen Burnie, Maryland

21061

(Address of principal executive offices) (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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if 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

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

At May 1, 2013, the number of shares outstanding of the registrant's common stock was 2,740,319.

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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, 2013 (unaudited)	December 31, 2012 (audited)
ASSETS		
Cash and due from banks	\$ 7,530	\$ 9,332
Interest-bearing deposits in other financial institutions	6,663	6,627
Federal funds sold	444	2,669
Cash and cash equivalents	14,637	18,628
Investment securities available for sale, at fair value	103,298	100,490
Federal Home Loan Bank stock, at cost	1,363	1,448
Maryland Financial Bank stock	30	30
Loans, less allowance for credit losses (March 31: \$3,291; December 31: \$3,308)	252,070	249,632
Premises and equipment, at cost, less accumulated depreciation	3,874	3,873
Other real estate owned	412	478
Cash value of life insurance	8,739	8,681
Other assets	4,444	4,178
Total assets	\$ 388,867	\$ 387,438
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 334,141	\$ 332,289
Long-term borrowings	20,000	20,000
Other liabilities	1,292	1,561
Total liabilities	355,433	353,850
Commitments and contingencies		
Stockholders' equity:		
	2,737	2,737

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Common stock, par value \$1, authorized 15,000,000 shares; issued and outstanding:

March 31: 2,736,978 shares; December 31: 2,736,978 shares

Surplus	9,605	9,605
Retained earnings	19,038	18,783
Accumulated other comprehensive gain, net of taxes	2,054	2,463
Total stockholders' equity	33,434	33,588
Total liabilities and stockholders' equity	\$ 388,867	\$ 387,438

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2013	2012
Interest income on:		
Loans, including fees	\$3,003	\$3,364
U.S. Treasury and U.S. Government agency securities	187	254
State and municipal securities	418	417
Other	22	21
Total interest income	3,630	4,056
Interest expense on:		
Deposits	559	688
Long-term borrowings	158	160
Total interest expense	717	848
Net interest income	2,913	3,208
Provision for credit losses	-	-
Net interest income after provision for credit losses	2,913	3,208
Other income:		
Service charges on deposit accounts	138	143
Other fees and commissions	175	187
Other non-interest income	6	5
Income on life insurance	58	60
Gains on investment securities	2	23
Total other income	379	418
Other expenses:		
Salaries and employee benefits	1,655	1,732
Occupancy	202	197
Other expenses	828	757
Total other expenses	2,685	2,686
Income before income taxes	607	940
Income tax expense	78	210

Net income	\$529	\$730
Basic and diluted earnings per share of common stock	\$0.19	\$0.27
Weighted average shares of common stock outstanding	2,736,978	2,722,419
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 INCOME

(Dollars in Thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net income	\$ 529	\$ 730
Other comprehensive income, net of tax		
Unrealized (losses) gains on securities:		
Unrealized holding (losses) gains arising during the period	(408)	303
Reclassification adjustment for gains included in net income	(1)	(14)
Comprehensive income	\$ 120	\$ 1,019

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,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 529	\$ 730
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	383	455
Gains on disposals of assets, net	(2)	(23)
Income on investment in life insurance	(58)	(60)
Changes in assets and liabilities:		
(Increase) decrease in other assets	(6)	88
Decrease in other liabilities	(543)	(498)
Net cash provided by operating activities	303	692
Cash flows from investing activities:		
Maturities of available for sale mortgage-backed securities	4,871	5,075
Proceeds from maturities and sales of other investment securities	282	2,544
Purchases of investment securities	(8,910)	(8,855)
Purchase of Federal Home Loan Bank stock	-	(4)
Sales of Federal Home Loan Bank stock	85	-
Proceeds from sales of other real estate	66	182
Increase in loans, net	(2,438)	(5,829)
Purchases of premises and equipment	(102)	(45)
Net cash used by investing activities	(6,146)	(6,932)
Cash flows from financing activities:		
Increase in deposits, net	1,852	9,019
Decrease in short-term borrowings, net	-	(255)
Dividends paid	-	(270)
Common stock dividends reinvested	-	36
Net cash provided by financing activities	1,852	8,530
(Decrease) increase in cash and cash equivalents	(3,991)	2,290

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Cash and cash equivalents, beginning of year	18,628	9,954
Cash and cash equivalents, end of period	\$ 14,637	\$ 12,244

See accompanying notes to condensed consolidated financial statements.

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, 2012, 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, 2013 and 2012.

Operating results for the three months ended March 31, 2013 is not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

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,	
	2013	2012
Basic and diluted:		
Net income	\$529,000	\$730,000
Weighted average common shares outstanding	2,736,978	2,722,419
Basic and dilutive net income per share	\$0.19	\$0.27

Diluted earnings per share calculations were not required for the three months ended March 31, 2013 and 2012, since there were no options outstanding.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

ASU 2013-02, Comprehensive Income (Topic 220), “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This standard is effective prospectively for public entities for annual and interim reporting periods beginning after December 15, 2012. Being disclosure-related only, the Company’s adoption of ASU 2013-02 on January 1, 2013 did not have a material effect on the Company’s results of operations or financial condition.

NOTE 4 – FAIR VALUE

ASC 820-10, formerly SFAS No. 157, defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements.

Fair Value Hierarchy

ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, 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 ASC 820-10.

The Company’s bond holdings in the investment securities portfolio are the only asset or liability subject to fair value measurements on a recurring basis. No assets are valued under Level 1 inputs at March 31, 2013 or December 31, 2012. The Company has assets measured by fair value measurements on a non-recurring basis during 2013. At March 31, 2013, these assets include 18 loans classified as impaired, which include nonaccrual, past due 90 days or more and still accruing, or troubled debt restructuring, and a homogeneous pool of indirect loans all considered to be impaired loans, which are valued under Level 3 inputs and three properties classified as OREO valued under Level 2 inputs.

The changes in the assets subject to fair value measurements are summarized below by Level:

December 31, 2012	(Dollars in Thousands)			Fair Value
	Level 1	Level 2	Level 3	
Recurring:				
Investment securities available for sale (AFS)	\$-	\$100,490	\$-	\$100,490
Non-recurring:				
Maryland Financial Bank stock	-	-	30	30
Impaired loans	-	-	6,084	6,084
OREO	-	478	-	478
	-	100,968	6,114	107,082
Activity:				
Investment securities AFS				
Purchases of investment securities	-	8,910	-	8,910
Sales, calls and maturities of investment securities	-	(5,153)	-	(5,153)
Amortization/accretion of premium/discount	-	(273)	-	(273)
Increase in market value	-	(676)	-	(676)
Loans				
New impaired loans	-	-	170	170
Payments and other loan reductions	-	-	(130)	(130)
Change in total provision	-	-	118	118
OREO				
OREO converted from loans	-	-	-	-