

SHORE BANCSHARES INC
Form 10-Q
May 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2012

OR

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

For the transition period from _____ to _____

Commission file number 0-22345

SHORE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

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Maryland 52-1974638
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

18 East Dover Street, Easton, Maryland 21601
(Address of Principal Executive Offices) (Zip Code)

(410) 763-7800

Registrant's Telephone Number, Including Area Code

N/A

Former name, former address and former fiscal year, if changed since 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 periods 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 whether 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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,457,359 shares of common stock outstanding as of April 30, 2012.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and due from banks	\$ 19,168	\$ 22,986
Interest-bearing deposits with other banks	130,641	99,776
Federal funds sold	16,190	4,980
Investment securities:		
Available for sale, at fair value	121,093	129,780
Held to maturity, at amortized cost – fair value of \$6,305 (2012) and \$6,732 (2011)	6,056	6,480
Loans	819,015	841,050
Less: allowance for credit losses	(13,544)	(14,288)
Loans, net	805,471	826,762
Premises and equipment, net	15,243	14,662
Goodwill	12,454	12,454
Other intangible assets, net	4,082	4,208
Other real estate and other assets owned, net	11,418	9,385
Other assets	27,905	26,720
TOTAL ASSETS	\$ 1,169,721	\$ 1,158,193
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 143,800	\$ 133,801
Interest-bearing	884,271	876,118
Total deposits	1,028,071	1,009,919
Short-term borrowings	13,683	17,817
Other liabilities	8,928	8,753
Long-term debt	455	455
TOTAL LIABILITIES	1,051,137	1,036,944
STOCKHOLDERS' EQUITY		
Common stock, par value \$.01 per share; shares authorized – 35,000,000; shares issued and outstanding – 8,457,359 (2012 and 2011)	85	85

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Additional paid in capital	32,066	32,052
Retained earnings	87,680	90,801
Accumulated other comprehensive loss	(1,247)	(1,689)
TOTAL STOCKHOLDERS' EQUITY	118,584	121,249
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,169,721	\$ 1,158,193

See accompanying notes to Consolidated Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Dollars in thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2012	2011
INTEREST INCOME		
Interest and fees on loans	\$ 11,011	\$ 12,001
Interest and dividends on investment securities:		
Taxable	757	657
Tax-exempt	38	38
Interest on federal funds sold	2	16
Interest on deposits with other banks	48	6
Total interest income	11,856	12,718
INTEREST EXPENSE		
Interest on deposits	2,641	2,833
Interest on short-term borrowings	15	13
Interest on long-term debt	5	10
Total interest expense	2,661	2,856
NET INTEREST INCOME		
Provision for credit losses	9,195	9,862
	8,370	6,390
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		
	825	3,472
NONINTEREST INCOME		
Service charges on deposit accounts	648	704
Trust and investment fee income	423	376
Gains on sales of investment securities	-	79
Insurance agency commissions	2,689	2,510
Other noninterest income	814	726
Total noninterest income	4,574	4,395
NONINTEREST EXPENSE		
Salaries and wages	4,416	4,246
Employee benefits	1,170	1,153
Occupancy expense	687	596
Furniture and equipment expense	251	272
Data processing	666	851
Directors' fees	109	107
Amortization of other intangible assets	126	129

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Insurance agency commissions expense	385		375	
FDIC insurance premium expense	273		460	
Other noninterest expenses	2,415		1,702	
Total noninterest expense	10,498		9,891	
LOSS BEFORE INCOME TAX BENEFIT	(5,099)	(2,024)
Income tax benefit	(2,063)	(941)
NET LOSS	\$ (3,036)	\$ (1,083)
Basic net loss per common share	\$ (0.36)	\$ (0.13)
Diluted net loss per common share	\$ (0.36)	\$ (0.13)
Dividends paid per common share	\$ 0.01		\$ 0.06	

See accompanying notes to Consolidated Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

(Dollars in thousands)

	For the Three Months Ended March 31,	
	2012	2011
Net loss	\$ (3,036)	\$ (1,083)
Other comprehensive income (loss):		
Securities available for sale:		
Unrealized holding gains (losses) on available-for-sale securities	381	(372)
Tax effect	(153)	150
Reclassification of gains recognized in net income	-	(79)
Tax effect	-	32
Net of tax amount	228	(269)
Cash flow hedging activities:		
Unrealized holding gains on cash flow hedging activities	359	377
Tax effect	(145)	(153)
Net of tax amount	214	224
Total other comprehensive income (loss)	442	(45)
Comprehensive loss	\$ (2,594)	\$ (1,128)

See accompanying notes to Consolidated Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

For the Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share amounts)

	Common Stock	Warrant	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, January 1, 2012	\$ 85	\$-	\$ 32,052	\$ 90,801	\$ (1,689)) \$ 121,249
Comprehensive loss:						
Net loss	-	-	-	(3,036)	-	(3,036)
Unrealized gains on available-for-sale securities, net of taxes	-	-	-	-	228	228
Unrealized gains on cash flow hedging activities, net of taxes	-	-	-	-	214	214
Total comprehensive loss						(2,594)
Stock-based compensation	-	-	14	-	-	14
Cash dividends paid (\$0.01 per share)	-	-	-	(85)	-	(85)
Balances, March 31, 2012	\$ 85	\$-	\$ 32,066	\$ 87,680	\$ (1,247)) \$ 118,584
Balances, January 1, 2011	\$ 84	\$ 1,543	\$ 30,242	\$ 92,458	\$ (1,814)) \$ 122,513