

GLEN BURNIE BANCORP
Form 10-Q
August 14, 2018
Table of Contents

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 ACT OF 1934

For the Quarterly period ended June 30, 2018

OR

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

Commission file number 0-24047

GLEN BURNIE BANCORP

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

52-1782444
(I.R.S. Employer
Identification No.)

Edgar Filing: GLEN BURNIE BANCORP - Form 10-Q

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	(Do not check if a smaller reporting company)	Smaller Reporting Company Emerging growth company

Edgar Filing: GLEN BURNIE BANCORP - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the registrant's common stock outstanding as of August 3, 2018 was 2,810,961.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
<u>Part I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets: As of June 30, 2018 (unaudited) and December 31, 2017 (audited)</u>	3
<u>Consolidated Statements of Income: Three and Six Months Ended June 30, 2018 and 2017 (unaudited)</u>	4
<u>Consolidated Statements of Comprehensive Income: Three and Six Months Ended June 30, 2018 and 2017 (unaudited)</u>	5
<u>Consolidated Statements of Changes in Stockholders' Equity: Three and Six Months Ended June 30, 2018 and 2017 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows: Three and Six Months Ended June, 2018 and 2017 (unaudited)</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	36
<u>Item 4. Controls and Procedures</u>	36
<u>Part II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>Item 3. Defaults Upon Senior Securities</u>	37
<u>Item 4. Mine Safety Disclosures</u>	37
<u>Item 5. Other Information</u>	37
<u>Item 6. Exhibits</u>	38
<u>SIGNATURES</u>	39

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	June 30, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Cash and due from banks	\$ 2,584	\$ 2,610
Interest-bearing deposits in other financial institutions	5,498	9,995
Cash and Cash Equivalents	8,082	12,605
Investment securities available for sale, at fair value	87,314	89,349
Restricted equity securities, at cost	1,443	1,232
Loans, net of deferred fees and costs	289,408	271,612
Less: Allowance for loan losses	(2,284)	(2,589)
Loans, net	287,124	269,023
Real estate acquired through foreclosure	114	114
Premises and equipment, net	3,195	3,371
Bank owned life insurance	7,780	8,713
Deferred tax assets, net	2,713	2,429
Accrued interest receivable	1,142	1,133
Accrued taxes receivable	—	465
Prepaid expenses	471	433
Other assets	2,093	583
Total Assets	\$ 401,471	\$ 389,450
LIABILITIES		
Noninterest-bearing deposits	\$ 108,414	\$ 104,017
Interest-bearing deposits	233,393	230,221
Total Deposits	341,807	334,238
Short-term borrowings	25,000	20,000
Defined pension liability	317	335
Accrued Taxes Payable	28	—
Accrued expenses and other liabilities	775	835
Total Liabilities	367,927	355,408
STOCKHOLDERS' EQUITY		
	2,808	2,801

Edgar Filing: GLEN BURNIE BANCORP - Form 10-Q

Common stock, par value \$1, authorized 15,000,000 shares, issued and outstanding 2,807,819 and 2,801,149 shares as of June 30, 2018 and December 31, 2017 , respectively.

Additional paid-in capital	10,335	10,267
Retained earnings	21,778	21,605
Accumulated other comprehensive loss	(1,377)	(631)
Total Stockholders' Equity	33,544	34,042
Total Liabilities and Stockholders' Equity	\$ 401,471	\$ 389,450

See accompanying notes to unaudited consolidated financial statements.

- 3 -

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Interest and fees on loans	\$ 2,958	\$ 2,842	\$ 5,830	\$ 5,616
Interest and dividends on securities	535	507	1,059	1,025
Interest on deposits with banks and federal funds sold	50	31	98	62
Total Interest Income	3,543	3,380	6,987	6,703
INTEREST EXPENSE				
Interest on deposits	325	327	634	659
Interest on short-term borrowings	165	84	308	167
Interest on long-term borrowings	—	76	—	152
Total Interest Expense	490	487	942	978
Net Interest Income	3,053	2,893	6,045	5,725
Provision for loan losses	(5)	(30)	355	165
Net interest income after provision for loan losses	3,058	2,923	5,690	5,560
NONINTEREST INCOME				
Service charges on deposit accounts	61	68	128	136
Other fees and commissions	179	168	347	328
Gains on redemption of BOLI policies	101	—	308	—
Income on life insurance	45	51	89	100
Other income	—	1	—	3
Total Noninterest Income	386	288	872	567
NONINTEREST EXPENSE				
Salary and benefits	1,649	1,615	3,371	3,036
Occupancy and equipment expenses	274	286	579	584
Legal, accounting and other professional fees	277	197	509	403
Data processing and item processing services	154	143	286	312
FDIC insurance costs	65	63	122	123
Advertising and marketing related expenses	32	42	49	73
Loan collection costs	80	29	121	47

Edgar Filing: GLEN BURNIE BANCORP - Form 10-Q

Telephone costs	67	59	124	114
Other expenses	413	376	685	689
Total Noninterest Expenses	3,011	2,810	5,846	5,381
Income before income taxes	433	401	716	746
Income tax (benefit) expense	(45)	63	(17)	92
NET INCOME	\$ 478	\$ 338	\$ 733	\$ 654
Basic and diluted net income per share of common stock	\$ 0.17	\$ 0.12	\$ 0.26	\$ 0.23

See accompanying notes to unaudited consolidated financial statements.

- 4 -

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 478	\$ 338	\$ 733	\$ 654
Other comprehensive income (loss):				
Net unrealized gain (loss) on securities available for sale:				
Net unrealized gain (loss) on securities during the period	15	507	(1,576)	549
Income tax (expense) benefit relating to item above	(6)	—	434	—
Reclassification adjustment for gain on sales of securities included in net income	—	(1)	—	(1)
Net effect on other comprehensive income (loss)	9	506	(1,142)	548
Net unrealized gain on interest rate swap:				
Net unrealized gain on interest rate swap during the period	107	—	546	—
Income tax expense relating to item above	(41)	—	(150)	—
Net effect on other comprehensive income	66	—	396	—
Other comprehensive income (loss)	75	506	(746)	548
Comprehensive income	\$ 553	\$ 844	\$ (13)	\$ 1,202

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands)

(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2016	\$ 2,787	\$ 10,130	\$ 21,708	\$ (810)	\$ 33,815
Net income	—	—	654	—	654
Cash dividends, \$0.20 per share	—	—	(559)	—	(559)
Dividends reinvested under dividend reinvestment plan	7	69	—	—	76
Other comprehensive income	—	—	—	548	548
Balance, June 30, 2017	2,794	10,199	21,803	(262)	34,534
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2017	\$ 2,801	\$ 10,267	\$ 21,605	\$ (631)	\$ 34,042
Net income	—	—	733	—	733
Cash dividends, \$0.20 per share	—	—	(560)	—	(560)
Dividends reinvested under dividend reinvestment plan	7	68	—	—	75
Other comprehensive loss	—	—	—	(746)	(746)
Balance, June 30, 2018	\$ 2,808	\$ 10,335	\$ 21,778	\$ (1,377)	\$ 33,544

See accompanying notes to unaudited consolidated financial statements.

- 6 -

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 733	\$ 654
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion of premises and equipment	579	518
Provision for loan losses	355	165
Gain on life insurance	(308)	—
Gain on disposals of assets, net	—	(1)
Decrease (increase) in cash surrender value of bank owned life insurance	935	(100)
Decrease in ground rents	3	7
(Increase) decrease in accrued interest receivable	(9)	42
Net (increase) decrease in other assets	(232)	730
Net decrease in accrued expenses and other liabilities	(51)	(269)
Net cash provided by operating activities	2,005	1,746
Cash flows from investing activities:		
Redemptions and maturities of investment securities available for sale	5,557	9,209
Purchases of investment securities available for sale	(5,440)	(4,659)
Net purchase of Federal Home Loan Bank stock	(211)	(210)
Net increase in loans	(18,457)	(6,012)
Purchases of premises and equipment	(61)	(119)
Net cash used in investing activities	(18,612)	(1,791)
Cash flows from financing activities:		
Net increase in deposits	7,569	2,244
Increase in short term borrowings	5,000	15,000
Decrease in long term borrowings	—	(10,000)
Cash dividends paid	(560)	(559)
Common stock dividends reinvested	75	76
Net cash provided by financing activities	12,084	6,761
Net (decrease) increase in cash and cash equivalents	(4,523)	6,716
Cash and cash equivalents at beginning of year	12,605	10,622

Edgar Filing: GLEN BURNIE BANCORP - Form 10-Q

Cash and cash equivalents at end of year	\$ 8,082	\$ 17,338
Supplemental Disclosures of Cash Flow Information:		
Interest paid on deposits and borrowings	\$ 908	\$ 1,122
Net income taxes (refunded) paid	(573)	49
Net (increase) decrease in unrealized depreciation on available for sale securities	(1,576)	905
Net (increase) decrease in unrealized depreciation on Swaps	546	—

See accompanying notes to unaudited consolidated financial statements.

- 7 -

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATIONAL

Nature of Business

Glen Burnie Bancorp (the “Company”) is a bank holding company organized in 1990 under the laws of the State of Maryland. The Company owns all the outstanding shares of capital stock of The Bank of Glen Burnie (the “Bank”), a commercial bank organized in 1949 under the laws of the State of Maryland (the “State”). The Bank provides financial services to individuals and corporate customers located in Anne Arundel County and surrounding areas of Central Maryland, and is subject to competition from other financial institutions. The Bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

NOTE 2 – BASIS OF PRESENTATION

In management’s opinion, the accompanying unaudited consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim period reporting, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position at June 30, 2018 and December 31, 2017, the results of operations for the three- and six-month periods ended June 30, 2018 and 2017, and the statements of cash flows for the three- and six-month periods ended June 30, 2018 and 2017. The operating results for the three- and six-month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2018 or any future interim period. The consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements included in the Company’s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (the “SEC”) on April 2, 2018. The unaudited consolidated financial statements for June 30, 2018 and 2017, the consolidated balance sheet at December 31, 2017, and accompanying notes should be read in conjunction with the Company’s audited consolidated financial statements and the accompanying notes thereto that are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, The Bank of Glen Burnie and GBB Properties. Consolidation resulted in the elimination of all intercompany accounts and transactions.

Cash Flow Presentation

In the statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, Federal Home Loan Bank of Atlanta (“FHLB Atlanta”) overnight deposits, and federal funds sold. Generally, federal funds are sold for one-day periods.

Reclassifications

Certain items in the 2017 consolidated financial statements have been reclassified to conform to the 2018 classifications. The reclassifications had no effect on previously reported results of operations or retained earnings.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for loan losses (the “allowance”); the fair value of financial instruments,

- 8 -

Table of Contents

such as loans and investment securities; benefit plan obligations and expenses; and the valuation of deferred tax assets and liabilities.

NOTE 3 – EARNINGS PER SHARE

Basic earnings per common share (“EPS”) is computed by dividing net income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average common shares outstanding, plus the effect of common stock equivalents (for example, stock options computed using the treasury stock method).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Basic and diluted earnings per share:				
Net income	\$ 477,685	\$ 337,927	\$ 733,154	\$ 653,713
Weighted average common shares outstanding	2,806,599	2,792,656	2,804,565	2,791,824
Basic and dilutive net income per share	\$ 0.17	\$ 0.12	\$ 0.26	\$ 0.23

Diluted earnings per share calculations were not required for the three- and six-month periods ended June 30, 2018 and 2017, as there were no stock options outstanding.

NOTE 4 – INVESTMENT SECURITIES

Investment securities are accounted for according to their purpose and holding period. Trading securities are those that are bought and held principally for the purpose of selling them in the near term. The Company held no trading securities at June 30, 2018 or December 31, 2017. Available-for-sale investment securities, comprised of debt and mortgage-backed securities, are those that may be sold before maturity due to changes in the Company's interest rate risk profile or funding needs, and are reported at fair value with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income. Held-to-maturity investment securities are those that management has the positive intent and ability to hold to maturity and are reported at amortized cost. The Company held no held-to-maturity securities at June 30, 2018 or December 31, 2017.

Realized gains and losses are recorded in noninterest income and are determined on a trade date basis using the specific identification method. Interest and dividends on investment securities are recognized in interest income on an accrual basis. Premiums and discounts are amortized or accreted into interest income using the interest method over the expected lives of the individual securities.

- 9 -

Table of Contents

The following table summarizes the amortized cost and estimated fair value of the Company's investment securities portfolio at June 30, 2018 and December 31, 2017:

(dollars in thousands)	At June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	\$ 22,923	\$ 13	\$ (918)	\$ 22,018
Agency mortgage-backed securities	28,055	4	(1,056)	27,003
Municipal securities	35,330	75	(533)	34,872
U.S. Government agency securities	1,999	—	(64)	1,935
U.S. Treasury securities	1,501	—	(15)	1,486
Total securities available for sale	\$ 89,808	\$ 92	\$ (2,586)	\$ 87,314

(dollars in thousands)	At December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	\$ 24,063	\$ 20	\$ (569)	\$ 23,514
Agency mortgage-backed securities	25,725	4	(500)	25,229
Municipal securities	35,453	339	(159)	35,633
U.S. Government agency securities	3,526	—	(46)	3,480
U.S. Treasury securities	1,501	—	(8)	1,493
Total securities available for sale	\$ 90,268	\$ 363	\$ (1,282)	\$ 89,349

The gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2018 and December 31, 2017 are as follows:

June 30, 2018 Securities available for sale:	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(dollars in thousands)					
Collateralized mortgage obligations	\$ 6,053	\$ (169)	\$ 14,783	\$ (749)	\$ 20,836	\$ (918)

Edgar Filing: GLEN BURNIE BANCORP - Form 10-Q

Agency mortgage-backed securities	8,799	(273)	18,019	(783)	26,818	(1,056)
Municipal securities	17,130	(310)	6,099	(223)	23,229	(533)
U.S. Government agency securities	1,935	(64)	—	—	1,935	(64)
U.S. Treasury securities	1,485	(15)	—	—	1,485	(15)
	\$ 35,402	\$ (831)				