

FIRST MARINER BANCORP
Form 10-Q
August 09, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006.

**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: 0-21815

FIRST MARINER BANCORP

(Exact name of registrant as specified in its charter)

Maryland

(State of Incorporation)

52-1834860

(I.R.S. Employer Identification Number)

3301 Boston Street, Baltimore, MD
(Address of principal executive offices)

21224
(Zip Code)

410-342-2600
(Telephone Number)

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 during the preceding 12 months (or for such shorter period that the registrant was required to file such report, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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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 common stock outstanding as of August 4, 2006 is 6,286,084 shares.

**FIRST MARINER BANCORP AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION**Item 1 Financial Statements****First Mariner Bancorp and Subsidiaries****Consolidated Statements of Financial Condition***(dollars in thousands, except per share data)*

	June 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Cash and due from banks	\$ 30,484	\$ 40,157
Federal funds sold and interest-bearing deposits	16,455	5,678
Securities available for sale, at fair value	266,639	276,939
Loans held for sale	119,405	92,351
Loans receivable	860,748	851,586
Allowance for loan losses	(12,112)	(11,743)
Loans, net	848,636	839,843
Other real estate owned	1,065	931
Restricted stock investments	13,446	13,647
Premises and equipment, net	44,215	40,402
Accrued interest receivable	8,750	8,037
Deferred income taxes	7,118	5,940
Bank-owned life insurance	27,882	27,375
Prepaid expenses and other assets	12,537	11,178
Total assets	\$ 1,396,632	\$ 1,362,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 187,218	\$ 182,049
Interest-bearing	695,550	693,961
Total deposits	882,768	876,010
Short-term borrowings	221,342	199,376
Long-term borrowings	129,829	131,000
Junior subordinated deferrable interest debentures	73,724	73,724
Accrued expenses and other liabilities	14,198	9,993
Total liabilities	1,321,861	1,290,103
Stockholders' equity:		
Common stock, \$.05 par value; 20,000,000 shares authorized; 6,286,084 and 6,262,442 shares issued and outstanding, respectively	314	313
Additional paid-in capital	55,590	55,193
Retained earnings	24,045	20,185
Accumulated other comprehensive loss	(5,178)	(3,316)
Total stockholders' equity	74,771	72,375
Total liabilities and stockholders' equity	\$ 1,396,632	\$ 1,362,478

See accompanying notes to the consolidated financial statements

First Mariner Bancorp and Subsidiaries
Consolidated Statements of Operations
(dollars in thousands except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2006 <i>(unaudited)</i>	2005	June 30, 2006 <i>(unaudited)</i>	2005
Interest income:				
Loans	\$ 20,668	\$ 16,514	\$ 39,696	\$ 31,186
Investments and other earning assets	3,520	3,519	6,807	7,006
Total interest income	24,188	20,033	46,503	38,192
Interest expense:				
Deposits	5,585	4,004	10,632	7,512
Short-term borrowings	2,697	897	4,694	2,347
Long-term borrowings	3,264	3,192	6,293	5,149
Total interest expense	11,546	8,093	21,619	15,008
Net interest income	12,642	11,940	24,884	23,184
Provision for loan losses	623	981	1,045	1,395
Net interest income after provision for loan losses	12,019	10,959	23,839	21,789
Noninterest income:				
Gain on sale of mortgage loans	2,263	979	3,706	1,739
Other mortgage-banking revenue	799	646	1,424	1,004
ATM fees	824	800	1,609	1,519
Service fees on deposits	1,769	1,801	3,448	3,472
Commissions on sales of nondeposit investment products	122	167	216	292
Income from bank-owned life insurance	256	252	508	509
Commissions on sales of other insurance products	753	569	1,318	982
Other	601	393	1,154	616
Total noninterest income	7,387	5,607	13,383	10,133
Noninterest expense:				
Salaries and employee benefits	9,006	7,818	17,438	14,963
Occupancy	1,932	1,412	3,635	3,057
Furniture, fixtures and equipment	750	761	1,550	1,517
Professional services	257	310	459	643
Advertising	397	340	863	790
Data processing	468	518	917	1,039
ATM servicing expenses	242	277	525	559
Service & maintenance	528	428	1,066	838
Other	2,706	2,254	5,349	4,200
Total noninterest expense	16,286	14,118	31,802	27,606
Net income before income taxes	3,120	2,448	5,420	4,316
Income tax expense	919	721	1,559	1,214
Net income	\$ 2,201	\$ 1,727	\$ 3,861	\$ 3,102
Net income per common share:				
Basic	\$ 0.35	\$ 0.28	\$ 0.62	\$ 0.52
Diluted	\$ 0.33	\$ 0.27	\$ 0.58	\$ 0.48

See accompanying notes to the consolidated financial statements.

First Mariner Bancorp and Subsidiaries
Consolidated Statements of Cash Flows
dollars in thousands)

	Six Months Ended June 30,	
	2006	2005
	<i>(unaudited)</i>	
Cash flows from operating activities:		
Net income	\$ 3,861	\$ 3,102
Adjustments to reconcile net income to net cash from operating activities:		
Stock-based compensation	51	
Depreciation and amortization	2,200	1,847
Amortization of unearned loan fees and costs, net	(612)	(477)
Amortization of premiums and discounts on loans, net	(368)	(370)
Amortization of premiums and discounts on mortgage-backed securities, net	115	144
Gain on sale of mortgage loans	(3,706)	(1,739)
Increase in accrued interest receivable	(713)	(459)
Provision for loan losses	1,045	1,395
Gain on sale of other real estate owned	(9)	
Loss (gain) on disposal of premises and equipment	2	(2)
Increase in cash surrender value of bank-owned life insurance	(508)	(514)
Originations of mortgage loans held for sale	(615,874)	(554,556)
Proceeds from mortgage loans held for sale	592,526	490,828
Net increase in accrued expenses and other liabilities	4,191	1,215
Net increase in prepaids and other assets	(1,360)	(222)
Net cash used in operating activities	(19,159)	(59,808)
Cash flows from investing activities:		
Loan disbursements, net of principal repayments	(9,858)	(67,546)
Purchases of premises and equipment	(6,030)	(22,783)
Proceeds from disposals of premises and equipment	15	
Redemptions (purchases) of restricted stock investments	201	(3,606)
Activity in securities available for sale:		
Maturities/calls/repayments of securities available for sale	12,402	