

SHORE BANCSHARES INC  
Form 10-Q  
August 09, 2011

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, 2011

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)

Maryland  
(State or Other Jurisdiction of  
Incorporation or Organization)

52-1974638  
(I.R.S. Employer  
Identification No.)

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

21601  
(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

Edgar Filing: SHORE BANCSHARES INC - Form 10-Q

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(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 July 29, 2011.

---

## INDEX

	Page
Part I. Financial Information	2
Item 1. Financial Statements	2
Consolidated Balance Sheets - June 30, 2011 (unaudited) and December 31, 2010	2
Consolidated Statements of Operations - For the three and six months ended June 30, 2011 and 2010 (unaudited)	3
Consolidated Statements of Comprehensive Loss - For the three and six months ended June 30, 2011 and 2010 (unaudited)	4
Consolidated Statements of Changes in Stockholders' Equity - For the six months ended June 30, 2011 and 2010 (unaudited)	5
Consolidated Statements of Cash Flows - For the six months ended June 30, 2011 and 2010 (unaudited)	6
Notes to Consolidated Financial Statements (unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures about Market Risk	36
Item 4. Controls and Procedures	36
Part II. Other Information	36
Item 1A. Risk Factors	36
Item 6. Exhibits	37
Signatures	37
Exhibit Index	38

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

SHORE BANCSHARES, INC.  
 CONSOLIDATED BALANCE SHEETS  
 (Dollars in thousands, except per share amounts)

	June 30, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Cash and due from banks	\$21,234	\$ 19,680
Interest-bearing deposits with other banks	45,598	21,593
Federal funds sold	13,881	36,691
Investment securities:		
Available for sale, at fair value	106,742	99,055
Held to maturity, at amortized cost – fair value of \$6,747 (2011) and \$6,851 (2010)	6,529	6,727
Loans	877,331	895,404
Less: allowance for credit losses	(16,358 )	(14,227 )
Loans, net	860,973	881,177
Premises and equipment, net	14,377	14,483
Goodwill	13,678	13,678
Other intangible assets, net	4,583	4,840
Other real estate and other assets owned, net	7,877	3,702
Other assets	28,719	28,685
<b>TOTAL ASSETS</b>	<b>\$ 1,124,191</b>	<b>\$ 1,130,311</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 130,789	\$ 124,188
Interest-bearing	842,653	855,328
Total deposits	973,442	979,516
Short-term borrowings	18,251	16,041
Other liabilities	10,625	11,309
Long-term debt	932	932
<b>TOTAL LIABILITIES</b>	<b>1,003,250</b>	<b>1,007,798</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$.01 per share; shares authorized – 35,000,000; shares issued and outstanding – 8,457,359 (2011) and 8,443,436 (2010)	85	84
Warrant	1,543	1,543
Additional paid in capital	30,334	30,242
Retained earnings	90,551	92,458
Accumulated other comprehensive loss	(1,572 )	(1,814 )
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>120,941</b>	<b>122,513</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,124,191</b>	<b>\$ 1,130,311</b>

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		For the Six Months	
	June 30,		Ended	
	2011	2010	2011	2010
<b>INTEREST INCOME</b>				
Interest and fees on loans	\$ 11,896	\$ 13,047	\$ 23,897	\$ 25,921
<b>Interest and dividends on investment securities:</b>				
Taxable	782	846	1,439	1,728
Tax-exempt	40	56	78	115
Interest on federal funds sold	5	14	21	26
Interest on deposits with other banks	12	4	18	5
Total interest income	12,735	13,967		