

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

FIRST UNITED CORP/MD/

CIK: **763907** | IRS No.: **521380770** | State of Incorpor.: **MD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-14237** | Film No.: **95536238**
SIC: **6021** National commercial banks

Mailing Address
19 S SECOND ST
OAKLAND MD 21550

Business Address
19 S SECOND ST
OAKLAND MD 21550
3013349471

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended March 31, 1995

Commission file number 0-14237

First United Corporation
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

52-1380770
(I. R. S. Employer
Identification no.)

19 South Second Street, Oakland, Maryland
(address of principal executive offices)

21550-0009
(zip code)

(301) 334-9471
Registrant's telephone number, including area code

Not applicable
Former name, 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 the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practical date.

Common stock, \$.01 Par value--6,191,767 shares outstanding as of
March 31, 1995 Preferred stock, No par value--No shares
outstanding as of March 31, 1995.

INDEX
FIRST UNITED CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets - March 31, 1995
(Unaudited), December 31, 1994, and March 31, 1994
(Unaudited).

Consolidated Statements of Income (Unaudited) - Three months
ended March 31, 1995 and 1994.

Consolidated Statement of Cash Flows (Unaudited) - Three
months ended March 31, 1995 and 1994.

Notes to Unaudited Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Item 2. Changes in Securities.

Item 3. Defaults upon Senior Securities.

Item 4. Submission of Matters to a Vote of Security Holders.

Item 5. Other Information.

Item 6. Exhibits and Reports on Form 8-k.

SIGNATURES

FIRST UNITED CORPORATION
Consolidated Balance Sheet
(In Thousands)

ASSETS	March 31, 1995 (Unaudited)	Dec. 31, 1994 (*)	March 31, 1994 (Unaudited)
Cash and Due From Banks	\$15,494	\$14,536	\$13,451
Investments:			
Available-for-Sale:			
U.S. Treasury Securities	18,289	21,252	22,480
Obl. of Other U S Gov. Agen.	30,360	29,975	30,922
Obl. of St. and Loc. Govt	3,566	2,663	0
Other Investments	19,684	21,450	17,519
Total Available-for-Sale	71,899	75,340	70,921
Held-to-Maturity:			
Obl. of Other U S Govt Agen	3,800	3,800	0
Obl. of St. and Loc. Govt	5,239	5,294	8,687
Other Investments	11,558	11,185	0
Total Held-to-Maturity	20,597	20,279	8,687
Total Investment Securities	92,496	95,619	79,608
Federal Funds Sold	500	0	2
Loans	344,590	335,725	319,018
Reserve for Poss. Credit Loss	(2,370)	(2,350)	(2,320)
Net Loans	342,220	333,375	316,698
Bank Premises and Equipment	9,510	9,354	8,165
Acc. Int. Rec. and Other Assets	6,772	6,156	4,541
TOTAL ASSETS	\$466,992	\$459,040	\$422,465

* The balance sheet at December 31, 1994 has been derived from the audited financial statements at that date.

See notes to unaudited consolidated financial statements.

FIRST UNITED CORPORATION
Consolidated Balance Sheet

	March 31, 1995 (Unaudited)	Dec. 31, 1994 (*)	March 31, 1994 (Unaudited)
LIABILITIES			
Deposits			
Non-int. Bearing Deposits	\$ 44,155	\$ 43,090	\$ 38,535
Interest Bearing Deposits	362,352	348,560	327,957

Total Deposits	406,507	391,650	366,492
Reserve for Taxes, Int., & Other Liabilities	3,857	4,886	4,858
Fed funds purchased & other borrowed money	4,000	11,373	1,195
Dividends Payable	743	0	0

TOTAL LIABILITIES	415,107	407,909	372,545
 SHAREHOLDER'S EQUITY			
Preferred Stock -No Par Value Authorized and Unissued; 2,000 Shares			
Capital Stock -Par Value \$.01 per Share: Authorized 12,000 shares; Issued and Outstanding 6,192 shares at March 31, 1995, 6,192 outstanding at December 31, 1994, and 6,192 outstanding at March 31, 1994	62	62	62
Surplus	23,141	23,141	23,141
Retained Earnings	29,347	29,435	26,899
Unrealized (Losses) on Available for Sale Securities net of taxes	(665)	(1,507)	(182)

TOTAL SHAREHOLDER'S EQUITY	51,885	51,131	49,920

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$466,992	\$459,040	\$422,465
	=====		

* The balance sheet at December 31, 1994 has been derived from the audited financial statements at that date.

See Notes to unaudited consolidated financial statements.

() Indicates Deduction

FIRST UNITED CORPORATION
Consolidated Statement Of Income
(In Thousands, except per share data)

	Three Months Ended March 31,	
	1995	1994
	----- (Unaudited)	
INTEREST INCOME		
Interest and fees on loans	\$7,471	\$6,892
Interest on investment securities:		
Taxable	1,236	770
Exempt from federal income tax	108	153

	\$1,344	\$ 923
Interest on federal funds sold	32	22

TOTAL INTEREST INCOME	\$8,847	\$7,837
INTEREST EXPENSE		
Interest on deposits:		
Savings	\$527	\$606
Interest-bearing transaction acct.	583	444
Time, \$100,000 or more	384	222
Other time	1,801	1,229
Interest on Fed Funds purchased & other borrowed money	69	1

TOTAL INTEREST EXPENSE	\$3,364	\$2,502
NET INTEREST INCOME	\$5,415	\$5,335
Provision for possible credit losses	30	80

NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE CREDIT LOSSES	\$5,453	\$5,255
OTHER OPERATING INCOME		
Trust department income	\$234	\$210
Service charges on deposit accts.	349	297
Insurance premium income	62	58
Security gains	0	3
Other income	304	349

Total Other Operating Income	\$949	\$917

OTHER OPERATING EXPENSES

Salaries and Employees Benefits	\$2,329	\$2,111
Occupancy Expense of Premises	177	226
Equipment Expense	293	268
Data Processing Expense	161	120
Deposit Assess. and Related Fees	263	236
Other Expense	1,082	909
	-----	-----
Total Other Operating Expenses	\$4,305	\$3,870
INCOME BEFORE TAX	\$2,097	\$2,302
Applicable Income Taxes	(698)	(702)
	-----	-----
NET INCOME	\$1,399	\$1,600
	=====	=====
NET INCOME PER SHARE	\$0.23	\$0.26
	=====	=====
Average Common Shares Outstanding	6,192	6,192
	=====	=====

See Notes to Unaudited consolidated financial statements.

FIRST UNITED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF DOLLARS)

Three Months
Ended March 31,
1995 1994

(Unaudited)

OPERATING ACTIVITIES

Net Income	\$ 1,399	\$ 1,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for possible credit losses	30	80
Provision for depreciation	262	209
Net accretion & amortization of investment security discounts & premiums	128	258
(Increase)decrease in acc. interest & other receivables.	(616)	71
(Decrease)in accrued interest & other payables	(286)	(428)

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 917 \$ 1,790

INVESTING ACTIVITIES

Proceeds from maturities of available-for-sale securities	\$ 30,453	\$ 19,696
Purchases of available-for-sale securities	(25,715)	(17,893)
Proceeds form maturities of held-to-maturity securities	1,713	552
Purchases of held-to-maturity securities	(2,614)	(690)
Net (increase)in loans	(8,875)	(2,302)
Purchases of premises & equipment	(418)	(348)

NET CASH USED IN INVESTING ACTIVITIES \$ (5,456) \$ (985)

FINANCING ACTIVITIES

(Decrease)in Fed Fund Purchased and Other Borrowed Money	\$ (7,373)	0
Net increase (decrease)in demand deposits, NOW accounts and savings accounts	6,880	(3,046)
Net increase in certificates of deposits	7,977	829
Cash dividends paid or declared	(1,487)	0
Proceeds form issuance of capital stock	0	130

NET CASH PROVIDED BY (USED) IN

FINANCING ACTIVITIES	\$ 5,997	\$ (2,087)

Cash and cash equivalents at beg. of qtr.	\$ 14,536	\$ 14,735
Increase (decrease) in cash & cash equiv.	\$ 1,458	\$ (1,282)

Cash & cash equivalents at end of period	\$ 15,994	\$ 13,453
	=====	

See Notes to unaudited consolidated financial statements.

March 31, 1995

Note A -- Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting of normal recurring items have been included. Operating results for the three month period ended March 31, 1995, are not necessarily indicative of the results that may be expected for the year ending December 31, 1995. The enclosed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1994.

Earnings per share are based on the weighted average number of shares outstanding of 6,192 for the three months ended March 31, 1995 and 1994.

Note B -- Recently Issued Accounting Guidance

In May 1993, The FASB issued Statements No. 114 "Accounting by Creditors for Impairment of a Loan," and in October, 1994 the FASB issued Statement No. 118 "Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures." The Corporation adopted Statements No. 114 and 118 on January 1, 1995. The Corporation has determined that the effect of implementing these Statements was immaterial on the Corporation's financial position and results of operations.

Consolidated net earnings for the quarter totaled \$1.399 million, which is \$.201 million less than was recorded for the first quarter of 1994. This translates into \$.23 per share for the current period. For the same quarter of 1994, each share earned \$.26. Return on average equity (ROAE) fell from 12.32 percent, at December 31, 1994, to 10.79 percent as of March 31, 1995. During the first quarter of 1994 the Corporation received a non recurring tax credit of \$.09 million. The remainder of the decrease is attributed to costs associated with the Corporation's expansion in the Frederick and Hagerstown, MD markets, the implementation of a Corporate Wide Area Network, and interest costs associated with a deposit campaign conducted in early 1995.

The efficiency ratio, which is a key measuring tool for profitability and operating efficiency, was -66.08 percent for the period ended March 31, 1995. This represents an increase from year end 1994 when the ratio was -63.70 percent. This increase was largely due to a rise in non-interest expense and a shrinking net interest margin. The rise in the efficiency ratio can be attributed to the expansion in the Frederick and Hagerstown markets along with the implementation of a Corporate Wide Area Network. As the Corporation expanded into new market areas, a slight lessening effect on first quarter earnings occurred. However, it is anticipated that these investments will enhance the Corporation's market share, customer service, and profitability in the future. Non-interest income and non-interest expense in 1995 were \$0.949 million and \$4.305 million versus \$0.917 and \$3.870 in the same period in 1994, respectively.

Interest expense increased \$.881 million from the same quarter last year. As interest rates continue to rise it is of utmost importance that we take advantage of increasing our deposit base which is a less expensive source of funding to support loan growth versus other sources. The Corporation conducted a deposit campaign during the first quarter which was successful in raising \$16 million in new deposits. The Corporation embarked on the campaign not only in an effort to increase our deposit base, but also to reduce our external borrowing which totaled \$11.4 million at December 31, 1994. The deposits were also raised prior to the last increase in rates by the Federal Reserve Bank. By taking this approach, the Corporation was also able to secure deposits to fund future loan

-11-

growth at a lower cost. The deposit growth was also obtained at a yield that was lower than the external borrowing cost which was 6.39 percent at December 31, 1994. The timing of gathering deposits is critical in the management of the Corporation's

interest rate margin and liquidity needs. Our distinct line of products allows us to offer unparalleled diversity. In return, our depositors not only enjoy benefits that are unavailable elsewhere, but competitive rates as well.

Net interest income for the first three months of 1995 increased 2.77 percent from the same period in 1994, to \$5.483 million. Although interest expense has increased, the Asset/Liability Management Committee has made a concerted effort to obtain an optimal return on average assets (ROAA), as a result ROAA was 1.22 percent at March 31, 1995 compared to 1.53 at March 31, 1994. The result was a corporate net interest margin of 5.18 percent in comparison to the interest margin of 5.34 percent at the end of year 1994. The 5.18 percent net interest margin is within the expectations of the Corporation, as deposit costs have increased faster than asset yields during the first quarter of 1995. This is the opposite of what occurred in 1994.

The Reserve for Possible Credit Losses amounted to \$2.370 million at March 31, 1995 which amounts to 0.69 percent of total loans. First United's loan review process continues to keep the loan portfolio under close scrutiny. Net charge offs for the first quarter totaled \$.011 million. This represents .0032 percent of our net loan total of \$342.220 million.

First United opened its newest supermarket community office on March 8, 1995. This office is located in the new Martin's Food Store on Dual Highway in Hagerstown. This is the third supermarket office opened by the First United family of community banks.

Myersville Bank's Riverside Center has made a great contribution to the Corporation by assisting in growing its deposits. This office contributed \$6.536 million of the Corporation's \$406.507 million deposits during the first quarter of 1995.

The Corporation, in an effort to control costs, is in the process of closing its Thayer Center office. The Corporation will transfer the customer relationship to the main office which is located less than one-half mile away, thus gaining efficiency of both staffing and facility expense while maintaining good

-12-

customer accessibility and service. The office is scheduled to close May 13, 1995.

The Corporation is also in the process of merging its banking subsidiaries into one entity. First United National Bank

and Trust and First United Bank of West Virginia are planned to be consolidated in early third quarter and Myersville Bank in early fourth quarter 1995. The Corporation is currently applying to the various regulatory agencies for approval of the transactions. As a result of the consolidation, the Citizens office, located in Westernport, MD, will be closed July 15, 1995. The Corporation will transfer the customer relationships to the Corporation's Piedmont office which is located less than one-half mile away, thus gaining efficiency of both staffing and facility expense while maintaining good customer accessibility and service.

Another strong quality of First United is its capital position. Shareholders equity increased to \$51.885 million, a 3.94 percent increase from the first quarter of 1994, which was \$49.92 million. Risk based capital, which is an expression of your Corporation's stability and security was 16.35 percent, which far surpasses the regulatory minimum of 8.00 percent.

The Corporation paid a cash dividend of .12 on February 1, 1995, and on March 29 declared another dividend of equal amount, to be paid May 1, 1995, to shareholders of record as of April 24, 1995.

In keeping with the Corporation's on-going efforts to maintain or increase profitability in an increasingly competitive marketplace, and to make the most productive use of employees, the Corporation is offering a voluntary retirement plan. The cost of the plan will be covered by a special charge to earnings. To carry out this plan, the Board of Directors has authorized a one-time pre-tax charge of \$0.813 million against second quarter earnings.

While the charge is expected to lower 1995 pre-tax earnings by approximately \$.13 per share, management believes the overall expense reduction resulting from this action will better position the Corporation for profitable growth in the years ahead. As we implement our restructuring plan, we will realize cost savings of increasing magnitude. These savings will further improve our profitability and enable us to more aggressively implement our ambitious marketing and new product programs. We also expect that they will help us sustain our strong dividend payment record.

-13-

Part II. OTHER INFORMATION
Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

Results of 1995 Proxy Vote

	For	Against	Abstain
Directors	4,156,420	13,056	
Ernst & Young	4,554,890	3,267	56,781

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

The Company did not file any reports on Form 8-K for the period ending March 31, 1995.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of

1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST UNITED CORPORATION

Date 05/10/95 /s/ RICHARD G. STANTON

Richard G. Stanton, Chairman of the
Board, President, and Chief Executive
Officer

Date 05/10/95 /s/ ROBERT W. KURTZ

Robert W. Kurtz, Executive Vice
President and Treasurer

-15-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of

1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST UNITED CORPORATION

Date 05/10/95

Richard G. Stanton, Chairman of the
Board, President and Chief Executive
Officer

Date 05/10/95

Robert W. Kurtz, Executive Vice
President and Treasurer

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