GLEN BURNIE BANCORP
Form 10-Q
May 15, 2018
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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 March 31, 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	52-1782444
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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 May 6, 2018 was 2,807,819.

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GLEN BURNIE BANCORP AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	March 31, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Cash and due from banks	$ 2,449	$ 2,610
Interest-bearing deposits in other financial institutions	6,079	9,995
Cash and Cash Equivalents	8,528	12,605
Investment securities available for sale, at fair value	90,329	89,349
Restricted equity securities, at cost	1,231	1,232
Loans, net of deferred fees and costs	275,716	271,612
Allowance for loan losses	(2,899)	(2,589)
Loans, net	272,817	269,023
Real estate acquired through foreclosure	114	114
Premises and equipment, net	3,271	3,371
Bank owned life insurance	8,290	8,713
Deferred tax assets, net	2,759	2,429
Accrued interest receivable	1,182	1,133
Accrued taxes receivable	—	465
Prepaid expenses	554	433
Other assets	1,295	583
Total Assets	$ 390,370	$ 389,450
LIABILITIES		
Noninterest-bearing deposits	$ 107,073	$ 104,017
Interest-bearing deposits	229,097	230,221
Total Deposits	336,170	334,238
Short-term borrowings	20,000	20,000
Defined pension liability	341	335
Accrued Taxes Payable	134	—
Accrued expenses and other liabilities	538	835
Total Liabilities	357,183	355,408

STOCKHOLDERS' EQUITY		
Common stock, par value $1, authorized 15,000,000 shares, issued and outstanding 2,804,456 and 2,801,149 shares as of March 31, 2018 and December 31, 2017 , respectively.	2,804	2,801
Additional paid-in capital	10,301	10,267
Retained earnings	21,581	21,605
Accumulated other comprehensive loss	(1,499)	(631)
Total Stockholders' Equity	33,187	34,042
Total Liabilities and Stockholders' Equity	$ 390,370	$ 389,450

See accompanying notes to unaudited consolidated financial statements.

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GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2018	2017
INTEREST INCOME		
Interest and fees on loans	$ 2,872	$ 2,774
Interest and dividends on securities	524	518
Interest on deposits with banks and federal funds sold	48	31
Total Interest Income	3,444	3,323
INTEREST EXPENSE		
Interest on deposits	309	333
Interest on short-term borrowings	143	82
Interest on long-term borrowings	—	76
Total Interest Expense	452	491
Net Interest Income	2,992	2,832
Provision for loan losses	360	195
Net interest income after provision for loan losses	2,632	2,637
NONINTEREST INCOME		
Service charges on deposit accounts	67	67
Other fees and commissions	168	161
Gains on redemption of BOLI policies	207	—
Income on life insurance	44	49
Other income	—	2
Total Noninterest Income	486	279
NONINTEREST EXPENSE		
Salary and benefits	1,721	1,421
Occupancy and equipment expenses	305	298
Legal, accounting and other professional fees	232	206
Data processing and item processing services	132	168
FDIC insurance costs	58	60
Advertising and marketing related expenses	17	31
Loan collection costs	41	18

Telephone costs	57	55
Other expenses	272	314
Total Noninterest Expenses	2,835	2,571
Income before income taxes	283	345
Income tax expense	28	29
NET INCOME	$ 255	$ 316
Basic and diluted net income per share of common stock	$ 0.09	$ 0.11

See accompanying notes to unaudited consolidated financial statements.

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GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands)

(unaudited)

	Three Months Ended March 31, 2018	2017
Net income	$ 255	$ 316
Other comprehensive (loss) income:		
Net unrealized (loss) gain on securities available for sale:		
Net unrealized (loss) gain on securities during the period	(1,596)	69
Income tax benefit (loss) relating to item above	439	(27)
Reclassification adjustment for gain on sales of securities included in net income	—	—
Net effect on other comprehensive (loss) income	(1,157)	42
Net unrealized gain on interest rate swap:		
Net unrealized gain on interest rate swap during the period	398	—
Income tax expense relating to item above	(109)	—
Net effect on other comprehensive income	289	—
Other comprehensive (loss) income	(868)	42
Comprehensive (loss) income	$ (613)	$ 358

See accompanying notes to unaudited consolidated financial statements.

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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	$ 21,707	$ (810)	$ 33,814
Net income	—	—	316	—	316
Cash dividends, $0.10 per share	—	—	(278)	—	(278)
Dividends reinvested under dividend reinvestment plan	3	34	—	—	37
Other comprehensive income	—	—	—	42	42
Balance, March 31, 2017	2,790	10,164	21,745	(768)	33,931

	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	—	—	255	—	255
Cash dividends, $0.10 per share	—	—	(279)	—	(279)
Dividends reinvested under dividend reinvestment plan	3	34	—	—	37
Other comprehensive loss	—	—	—	(868)	(868)
Balance, March 31, 2018	$ 2,804	$ 10,301	$ 21,581	$ (1,499)	$ 33,187

See accompanying notes to unaudited consolidated financial statements.

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GLEN BURNIE BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(unaudited)

	Three Months Ended March 31, 2018	2017
Cash flows from operating activities:		
Net income	$ 255	$ 316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion of premises and equipment	319	267
Provision for loan losses	360	195
Deferred income taxes, net	—	(42)
Gain on life insurance	(207)	—
Decrease (increase) in cash surrender value of bank owned life insurance	424	(49)
Decrease in ground rents	3	5
(Increase) decrease in accrued interest receivable	(49)	19
Net (increase) decrease in other assets	234	611
Net decrease in accrued expenses and other liabilities	(175)	(371)
Net cash provided by operating activities	1,164	951
Cash flows from investing activities:		
Redemptions and maturities of investment securities available for sale	2,663	4,779
Purchases of investment securities available for sale	(5,440)	(1,310)
Net purchase of Federal Home Loan Bank stock	2	2
Net increase in loans	(4,138)	(4,726)
Purchases of premises and equipment	(19)	(89)
Net cash used in investing activities	(6,932)	(1,344)
Cash flows from financing activities:		
Net increase in deposits	1,932	7,341
Increase in short term borrowings	—	20,000
Decrease in long term borrowings	—	(20,000)
Cash dividends paid	(279)	(278)
Common stock dividends reinvested	38	38
Net cash provided by financing activities	1,691	7,101
Net (decrease) increase in cash and cash equivalents	(4,077)	6,708
Cash and cash equivalents at beginning of year	12,605	10,622

Cash and cash equivalents at end of year	$ 8,528	$ 17,330
Supplemental Disclosures of Cash Flow Information:		
Interest paid on deposits and borrowings	$ 441	$ 494
Income taxes refunded	(583)	—
Net (increase) decrease in unrealized depreciation on available for sale securities	(1,198)	69

See accompanying notes to unaudited consolidated financial statements.

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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 March 31, 2018 and December 31, 2017, the results of operations for the three-month periods ended March 31, 2018 and 2017, and the statements of cash flows for the three-month periods ended March 31, 2018 and 2017. The operating results for the three-month period ended March 31, 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 March 31, 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,

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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 March 31,	
	2018	2017
Basic and diluted earnings per share:		
Net income	$ 255,469	$ 315,786
Weighted average common shares outstanding	2,802,509	2,789,012
Basic and dilutive net income per share	$ 0.09	$ 0.11

Diluted earnings per share calculations were not required for the three-month periods ended March 31, 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 March 31, 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 March 31, 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.

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

	At March 31, 2018			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Residential mortgage-backed securities	$ 49,081	$ 18	$ (1,857)	$ 47,242
State and municipal	35,392	81	(607)	34,866
U.S. Government agency	6,870	—	(135)	6,735
U.S. Treasury	1,501	—	(15)	1,486
Total securities available for sale	$ 92,844	$ 99	$ (2,614)	$ 90,329

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(dollars in thousands)	At December 31, 2017 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Residential mortgage-backed securities	$ 49,788	$ 24	$ (1,069)	$ 48,743
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 March 31, 2018 and December 31, 2017 are as follows:

March 31, 2018	Less than 12 months		12 months or more		Total	
Securities available for sale:	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(dollars in thousands)					
Residential mortgage-backed securities	$ 14,707	$ (402)	$ 31,610	$ (1,456)	$ 46,317	$ (1,858)
Municipal securities	17,903	(336)	6,079	(271)	23,982	(607)
U.S. Government agency securities	6,230	(125)	506	(9)	6,736	(134)
U.S. Treasury securities	1,486	(15)	—	—	1,486	(15)
	$ 40,326	$ (878)	$ 38,195	$ (1,736)	$ 78,521	$ (2,614)

December 31, 2017	Less than 12 months		12 months or more		Total	
Securities available for sale:	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(dollars in thousands)					
Residential mortgage-backed securities	$ 13,333	$ (143)	$ 33,896	$ (927)	$ 47,229	$ (1,070)
Municipal securities	2,396	(11)	6,230	(148)	8,626	(159)
U.S. Government agency securities	2,965	(37)	515	(9)	3,480	(46)

U.S. Treasury securities	1,494	(7)	—	—	1,494	(7)
	$ 20,188	$ (198)	$ 40,641	$ (1,084)	$ 60,829	$ (1,282)

Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary-impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At March 31, 2018, the Company recorded unrealized losses in its portfolio of debt securities totaling $2.6 million related to 152 securities, which resulted from increases in market interest rates, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to be other-than-temporarily impaired.

At December 31, 2017, the Company recorded unrealized losses in its portfolio of debt securities totaling $1.3 million related to 114 securities, which resulted from increases in market interest rates, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be

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required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to be other-than-temporarily impaired.

Contractual maturities of debt securities at March 31, 2018 are shown below. Actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	At March 31, 2018		
(dollars in thousands)	Amortized Cost	Fair Value	Yield (1), (2)
Available for sale securities maturing:			
Within one year	$ 1,197	$ 1,207	3.84 %
Over one to five years	1,817	1,793	1.71 %
Over five to ten years	18,097	17,582	2.23 %
Over ten years	71,733	69,747	2.74 %
Total debt securities	$ 92,844	$ 90,329	

(1) Yields are stated as book yields which are adjusted for amortization and accretion of purchase premiums and discounts, respectively.

(2) Yields on tax-exempt obligations have been computed on a tax-equivalent basis.

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The fundamental lending business of the Company is based on understanding, measuring, and controlling the credit risk inherent in the loan portfolio. The Company's loan portfolio is subject to varying degrees of credit risk. These risks entail both general risks, which are inherent in the lending process, and risks specific to individual borrowers. The Company's credit risk is mitigated through portfolio diversification, which limits exposure to any single customer, industry or collateral type.

The Company currently manages its credit products and the respective exposure to loan losses by the following specific portfolio segments, which are levels at which the Company develops and documents its systematic methodology to determine the allowance for loan losses. The Company considers each loan type to be a portfolio segment having unique risk characteristics.

	March 31, 2018		December 31, 2017	
(dollars in thousands)	$	%	$	%
Consumer	$ 15,730	5	$ 16,112	6
Residential real estate	82,151	30	81,926	30
Indirect	90,278	33	85,186	32
Commercial	11,176	4	11,257	4
Construction	4,385	2	3,536	1
Commercial real estate	71,996	26	73,595	27
Total Loans	275,716	100	271,612	100
Allowance for credit losses	(2,899)		(2,589)	
Net Loans	$ 272,817		$ 269,023	

The Bank's net loans totaled $272.8 million at March 31, 2018, compared to $269.0 million at December 31, 2017, an increase of $3.8 million (1.41%). Indirect loans increased from $85.2 million to $90.3 million ($5.1 million or

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5.98%). Construction loans increased from $3.5 million to $4.4 million ($0.9 million or 24.03%). Commercial real estate loans decreased from $73.6 million to $72.0 million ($1.6 or 2.17%) as loan payoffs outpaced loan originations.

Credit Risk and Allowance for Credit Losses. Credit risk is the risk of loss arising from the inability of a borrower to meet his or her obligations and entails both general risks, which are inherent in the process of lending, and risks specific to individual borrowers. Credit risk is mitigated through portfolio diversification, which limits exposure to any single customer, industry, or collateral type. Residential mortgage and home equity loans and lines generally have the lowest credit loss experience. Loans secured by personal property, such as auto loans, generally experience medium credit losses. Unsecured loan products, such as personal revolving credit, have the highest credit loss experience and for that reason, the Bank has chosen not to engage in a significant amount of this type of lending. Credit risk in commercial lending can vary significantly, as losses as a percentage of outstanding loans can shift widely during economic cycles and are particularly sensitive to changing economic conditions. Generally, improving economic conditions result in improved operating results on the part of commercial customers, enhancing their ability to meet their particular debt service requirements. Improvements, if any, in operating cash flows can be offset by the impact of rising interest rates that may occur during improved economic times. Inconsistent economic conditions may have an adverse effect on the operating results of commercial customers, reducing their ability to meet debt service obligations.

The allowance for credit losses is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The allowance, based on evaluations of the collectability of loans and prior loan loss experience, is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The evaluations are performed for each class of loans and take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, value of collateral securing the loans and current economic conditions and trends that may affect the borrowers' ability to pay. For example, delinquencies in unsecured loans and indirect automobile installment loans will be reserved for at significantly higher ratios than loans secured by real estate. Based on that analysis, the Bank deems its allowance for credit losses in proportion to the total non-accrual loans and past due loans to be sufficient.

For purposes of determining the allowance for credit losses, the Bank has segmented the loan portfolio into the following classifications:

- Consumer
- Residential Real Estate
- Indirect
- Commercial
- Construction
- Commercial Real Estate

Each of these segments are reviewed and analyzed quarterly using the average historical charge-offs over a four year period for their respective segments as well as the following qualitative factors:

- Changes in asset quality metrics including past due (30-89 days) loans, nonaccrual loans, classified assets, watch list loans all in relation to total loans. Also policy exceptions in relationship to loan volume.
- Changes in the rate and direction of the loan volume by portfolio segment.
- Concentration of credit including the concentration percentages, changes in concentration and concentrations relative to goals.
- Changes in macro-economic factors including the rates and direction of unemployment, median income and population.
- Changes in internal factors including external loan review required reserve changes, internal review penetration, internal required reserve changes, and weighted required reserve trends.
- Changes in rate and direction of charge offs and recoveries.

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Transactions in the allowance for credit losses for the three months ended March 31, 2018 and the year ended December 31, 2017 were as follows:

March 31, 2018 (dollars in thousands)	Consumer	Residential Real Estate	Indirect	Commercial	Construction	Commercial Real Estate	Unallocated	Total
Balance, beginning of year	$ 214	$ 1,061	$ 774	$ 237	$ 12	$ 291	$ —	$ 2,589
Charge-offs	(62)	—	(39)	—	—	—	—	(101)
Recoveries	5	2	44	—	—	—	—	51
Provision for loan losses	56	(3)	14	8	(8)	293	—	360
Balance, end of year	$ 213	$ 1,060	$ 793	$ 245	$ 4	$ 584	$ —	$ 2,899
Individually evaluated for impairment:								
Balance in allowance	$ 29	$ 513	$ —	$ 214	$ —	$ 305	$ —	$ 1,061
Related loan balance	99	2,323	—	214	—	3,146	—	5,782
Collectively evaluated for impairment:								
Balance in allowance	$ 184	$ 547	$ 793	$ 31	$ 4	$ 279	$ —	$ 1,838
Related loan balance	15,631	79,828	90,278	10,962	4,385	68,850	—	269,934

December 31, 2017 (dollars in thousands)	Consumer	Residential Real Estate	Indirect	Commercial	Construction	Commercial Real Estate	Unallocated	Total
Balance, beginning of year	$ 182	$ 1,042	$ 693	$ 284	$ 10	$ 259	$ 14	$ 2,484

Charge-offs	(96)	(3)	(458)	(9)	—	—	—	(566)
Recoveries	8	27	286	—	—	14	—	335
Provision for loan losses	120	(5)	253	(38)	2			