UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009.

o 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	**52-1834860**
(State of Incorporation)	(I.R.S. Employer Identification Number)

1501 South Clinton Street, Baltimore, MD	**21224**	**410-342-2600**
(Address of principal executive offices)	(Zip Code)	(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 x No o

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 o No o (Not Applicable)

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

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

The number of shares of common stock outstanding as of November 6, 2009 is 6,452,631 shares.

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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)

	September 30, 2009 (unaudited)	December 31, 2008
ASSETS		
Cash and due from banks	$ 45,079	$ 21,045
Federal funds sold and interest-bearing deposits	55,087	46,294
Trading securities, at fair value	11,279	12,566
Securities available for sale, at fair value	30,526	39,666
Loans held for sale	102,569	60,203
Loans receivable	899,627	978,696
Allowance for loan losses	(11,054)	(16,777)
Loans, net	888,573	961,919
Real estate acquired through foreclosure	24,703	18,994
Restricted stock investments	7,934	7,066
Premises and equipment, net	45,419	49,964
Accrued interest receivable	5,188	6,335
Income taxes recoverable	2,394	1,812
Deferred income taxes	28,493	26,057
Bank-owned life insurance	34,402	36,436
Asset held for sale - Mariner Finance (at fair value)	101,048	
Prepaid expenses and other assets	27,733	19,140
Total assets	$ 1,410,427	$ 1,307,497
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 117,762	$ 114,751
Interest-bearing	961,617	835,482
Total deposits	1,079,379	950,233
Short-term borrowings	27,284	43,128
Long-term borrowings, at fair value	62,387	64,073
Long-term borrowings	34,124	113,795
Junior subordinated deferrable interest debentures	73,724	73,724
Liabilities of asset held for sale - Mariner Finance (at fair value)	90,076	
Accrued expenses and other liabilities ($0 and $1,199 at fair value, respectively)	14,018	16,529
Total liabilities	1,380,992	1,261,482
Stockholders equity:		
	323	323

Common stock, $.05 par value; 20,000,000 shares authorized; 6,452,631 shares issued and outstanding at both September 30, 2009 and December 31, 2008				
Additional paid-in capital		56,770		56,741
Retained deficit		(22,803)		(5,485)
Accumulated other comprehensive loss		(4,855)		(5,564)
Total stockholders equity		29,435		46,015
Total liabilities and stockholders equity	$	1,410,427	$	1,307,497

See accompanying notes to the consolidated financial statements

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First Mariner Bancorp and Subsidiaries

Consolidated Statements of Operations

(dollars in thousands except per share data)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(unaudited)		(unaudited)	
Interest income:				
Loans	$ 14,229	$ 14,138	$ 42,381	$ 43,584
Investments and other earning assets	776	1,590	2,356	4,959
Total interest income	15,005	15,728	44,737	48,543
Interest expense:				
Deposits	6,289	6,038	18,977	18,213
Short-term borrowings	147	187	583	503
Long-term borrowings	1,832	2,295	5,739	7,109
Total interest expense	8,268	8,520	25,299	25,825
Net interest income	6,737	7,208	19,438	22,718
Provision for loan losses	2,100	2,200	8,360	6,700
Net interest income after provision for loan losses	4,637	5,008	11,078	16,018
Noninterest income:				
Total other-than-temporary impairment charges	(505)	(1,024)	(2,676)	(1,024)
Less: Portion included in other comprehensive income (pre-tax)	104		470	
Net other-than-temporary impairment charges on securities available for sale	(401)	(1,024)	(2,206)	(1,024)
Origination fees and gain on sale of mortgage loans	2,728	1,922	9,552	3,686
Other mortgage-banking revenue	715	502	3,204	2,140
ATM fees	788	804	2,300	2,409
Service fees on deposits	1,353	1,643	3,992	4,767
Gain (loss) on financial instruments carried at fair value	801	(74)	2,239	(74)
Gain on sale of securities	330	279	330	279
(Loss) gain on sale of premises and equipment	(3)	312	(20)	901
Commissions on sales of nondeposit investment products	156	181	423	696
Income from bank-owned life insurance	333	385	1,005	1,131
Other	139	261	1,370	1,037
Total noninterest income	6,939	5,191	22,189	15,948
Noninterest expense:				
Salaries and employee benefits	7,543	7,039	19,681	21,429
Occupancy	2,219	2,375	6,809	6,897
Furniture, fixtures, and equipment	685	855	2,296	2,568
Professional services	962	253	2,419	999
Advertising	141	135	731	722
Data processing	449	538	1,422	1,601
ATM servicing expenses	231	258	717	770
Write-downs, losses, and costs of real estate acquired through foreclosure	1,674	1,032	5,670	2,730
Secondary marketing valuation		28		262
FDIC insurance premiums	903	191	2,411	563
Service and maintenance	631	514	1,744	1,597
Other	2,577	2,306	6,976	6,273
Total noninterest expense	18,015	15,524	50,876	46,411

Net loss from continuing operations before income taxes and discontinued operations		(6,439)		(5,325)		(17,609)		(14,445)
Income tax benefit - continuing operations		(3,292)		(2,544)		(8,108)		(7,079)
Net loss from continuing operations		(3,147)		(2,781)		(9,501)		(7,366)
(Loss) income from discontinued operations - including loss on disposal of $10.584 million in 2009		(9,809)		500		(8,965)		1,338
Net loss	$	(12,956)	$	(2,281)	$	(18,466)	$	(6,028)

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First Mariner Bancorp and Subsidiaries

Consolidated Statements of Operations (Continued)

(dollars in thousands except per share data)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(unaudited)		(unaudited)	
Net loss per common share from continuing operations:				
Basic	$ (0.49)	$ (0.44)	$ (1.47)	$ (1.16)
Diluted	$ (0.49)	$ (0.44)	$ (1.47)	$ (1.16)
Net (loss) income per common share from discontinued operations:				
Basic	$ (1.52)	$ 0.08	$ (1.39)	$ 0.21
Diluted	$ (1.52)	$ 0.08	$ (1.39)	$ 0.21
Net loss per common share:				
Basic	$ (2.01)	$ (0.36)	$ (2.86)	$ (0.95)
Diluted	$ (2.01)	$ (0.36)	$ (2.86)	$ (0.95)

See accompanying notes to the consolidated financial statements.

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First Mariner Bancorp and Subsidiaries

Consolidated Statements of Cash Flows

(dollars in thousands)

	Nine Months Ended September 30, 2009	2008
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (18,466)	$ (6,028)
Adjustments to reconcile net loss to net cash from operating activities:		
Loss (gain) from discontinued operations	8,965	(1,338)
Stock-based compensation	29	60
Depreciation and amortization	3,556	3,787
Amortization of unearned loan fees and costs, net	97	(82)
Amortization of premiums and discounts on mortgage-backed securities, net	2	10
(Gain) loss on financial instruments carried at fair value	(2,239)	74
Origination fees and gain on sale of mortgage loans	(9,552)	(3,686)
Other-than-temporary impairment charges on securities available for sale	2,206	1,024
Repurchase of loans previously sold	(113)	
Gain on sale of securities	(330)	(279)
(Increase) decrease in accrued interest receivable	(95)	398
Provision for loan losses	8,360	6,700
Write-downs and losses on sale of real estate acquired through foreclosure	5,361	2,370
Secondary marketing valuation		262
Loss (gain) on sale of premises and equipment	20	(901)
Increase in cash surrender value of bank-owned life insurance	(1,005)	(1,131)
Originations of mortgage loans held for sale	(1,313,763)	(917,974)
Proceeds from mortgage loans held for sale	1,280,449	939,503
Net increase in accrued expenses and other liabilities	1,055	56
Net increase in prepaids and other assets	(15,514)	(5,785)
Net cash (used in) provided by operating activities	(50,977)	17,040
Cash flows from investing activities:		
Loan principal (disbursements), net of repayments	(55,532)	(93,321)
Purchases of premises and equipment	(418)	(2,851)
Proceeds from disposals of premises and equipment	22	1,357
Purchases of restricted stock investments	(868)	(1,533)
Sale of trading assets		21,038
Maturities/calls/repayments of trading securities	1,840	3,221
Activity in securities available for sale:		
Sales of securities available for sale	8,752	2,884
Maturities/calls/repayments of securities available for sale	3,778	6,351
Purchase of securities available for sale	(1,749)	(16,405)
Redemptions of bank-owned life insurance	3,039	
Additional disbursements on real estate acquired through foreclosure		(32)
Proceeds from sales of real estate acquired through foreclosure	5,998	8,906
Net cash used in investing activities	(35,138)	(70,385)
Cash flows from financing activities:		
Net increase in deposits	129,160	4,811
Net (decrease) increase in other borrowed funds	(10,218)	32,546
Proceeds from stock issuance		285
Repurchase of common stock, net of costs		(67)
Net cash provided by financing activities	118,942	37,575

Increase (decrease) in cash and cash equivalents		32,827		(15,770)
Cash and cash equivalents at beginning of period		67,339		91,321
Cash and cash equivalents at end of period	$	100,166	$	75,551
Supplemental information:				
Interest paid on deposits and borrowed funds	$	24,518	$	27,853
Income taxes paid	$		$	
Real estate acquired in satisfaction of loans	$	17,446	$	8,729
Transfer of loans held for sale to loan portfolio	$	500	$	3,579

See accompanying notes to the consolidated financial statements

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First Mariner Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

(Information as of and for the three and nine months

ended September 30, 2009 and 2008 is unaudited)

(1) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements for First Mariner Bancorp have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes necessary for a full presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP) and detailed in the Financial Accounting Standards Board (FASB) Accounting Codification (Codification). The consolidated financial statements should be read in conjunction with the audited financial statements included in First Mariner Bancorp s Annual Report on Form 10-K for the year ended December 31, 2008. When used in these notes, the terms the Company , we , us , and our refer to First Mariner Bancorp and, unless the contex requires otherwise, its consolidated subsidiaries.

The consolidated financial statements include the accounts of the Company s subsidiaries, First Mariner Bank (the Bank), and FM Appraisals, LLC (FM Appraisals). All significant intercompany balances and transactions have been eliminated. Mariner Finance, LLC (Mariner Finance) has been treated as an asset held for sale in accordance with FASB guidance regarding discontinued operations.

The consolidated financial statements as of September 30, 2009 and for the three and nine months ended September 30, 2009 and 2008 are unaudited but include all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of financial position and results of operations for those periods. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that will be achieved for the entire year or any future interim period. Events occurring after the date of the financial statements through November 16, 2009 at the time of issuance were considered in the preparation of the financial statements.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses (the allowance), loan repurchases and related valuations, real estate acquired through foreclosure, impairment of securities available for sale, and deferred taxes. In connection with these determinations, management evaluates historical trends and ratios and, where appropriate, obtains independent appraisals for significant properties and prepares fair value analyses. Actual results could differ significantly from those estimates.

Securities

We designate securities into one of three categories at the time of purchase. Debt securities that we have the intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Debt and equity securities are classified as trading if bought and held principally for the purpose of selling them in the near term. Trading securities are reported at estimated fair value, with unrealized gains and losses included in earnings. Debt securities not classified as held to maturity and debt and equity securities not classified as trading securities are considered available for sale and are reported at estimated fair value, with unrealized gains and losses reported as a separate component of stockholders equity, net of tax effects, in accumulated other comprehensive income.

Securities held to maturity and available for sale are evaluated periodically to determine whether a decline in their value is other-than-temporary. The term other-than-temporary is not intended to indicate a permanent decline in value. Rather, it means that the prospects for near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the security.

The initial indication of other-than-temporary impairment for both debt and equity securities is a decline in the market value below the book value of an investment. In determining whether impairment is other-than-temporary, we consider whether it is more likely than not that we will be required to sell the security before full recovery of the value. For marketable equity securities, we also consider the issuer s financial condition, capital strength, and near-term prospects. For debt securities

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and for perpetual preferred securities that are treated as debt securities for the purpose of other-than-temporary analysis, we also consider the cause of the price decline (general level of interest rates and industry- and issuer-specific factors), the issuer s financial condition, near-term prospects and current ability to make future payments in a timely manner, the issuer s ability to service debt, and any change in agencies ratings at evaluation date from acquisition date and any likely imminent action. Once a decline in value is determined to be other-than-temporary, the security is segmented into credit and noncredit-related components. Any impairment adjustment due to identified credit-related components is recorded as an adjustment to current period earnings, while noncredit-related fair value adjustments will be recorded through other comprehensive income.

Gains or losses on the sales of securities are calculated using a specific-identification basis and are determined on a trade-date basis. Premiums and discounts on securities are amortized over the term of the security using methods that approximate the interest method. Gains and losses on trading securities are recognized regularly in income as the fair value of those securities changes.

Derivatives and Hedging Activities

We account for derivates in accordance with FASB literature on accounting for derivative instruments and hedging activities. When we enter into the derivative contract, we designate a derivative as held for trading, an economic hedge, or a qualifying hedge as detailed in the literature. The designation may change based upon management s reassessment or changing circumstances. Derivatives utilized by the Company include swaps, interest rate lock commitments, and forward settlement contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Interest rate lock commitments occur when we originate mortgage loans with interest rates determined prior to funding. Forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date, and rate or price.

We designate at inception whether a derivative contract is considered hedging or non-hedging. All of our derivatives are non-exchange traded contracts, and as such, their fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation.

For qualifying hedges, we formally document at inception all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various accounting hedges. We utilize derivatives to manage interest rate sensitivity in certain cases.

Cash flow hedges are hedges that are used to minimize the variability in cash flows of assets or liabilities, or forecasted transactions caused by interest rate or foreign exchange fluctuation. We use dollar offset or regression analysis at the hedge s inception and for each reporting period thereafter to assess whether the derivative used in a hedging transaction is expected to be, and has been, effective in offsetting changes in the fair value of the hedged item.

Fair value hedges are hedges used to minimize the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk. At inception of a fair value hedge, we formally document the hedging relationship and our risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedging instrument s effectiveness will be assessed. Each reporting period, we evaluate the effectiveness of the hedge in offsetting changes in the fair value of the hedged item.

For both cash flow and fair value hedges, we discontinue hedge accounting if it is determined that a derivative is not expected to be, or has ceased to be, effective as a hedge.

We recognize gains and losses on swap contracts in the Consolidated Statements of Financial Condition in accumulated other comprehensive income, net of tax effects; such gains and losses are reclassified into the line item in the Consolidated Statements of Operations in which the hedged item is recorded in the same period the hedged item affects earnings. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings in the same income statement line item that is used to record hedge effectiveness. We recognize any gains and losses on interest rate lock commitments or forward sales commitments on residential mortgage originations through mortgage-banking revenue in the Consolidated Statements of Operations.

Reclassifications

Certain reclassifications have been made to amounts previously reported to conform to the classifications made in 2009.

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(2) Assets Held for Sale and Discontinued Operations

On October 7, 2009, First Mariner Bancorp entered into a Contribution and Joint Venture Agreement with MF Holdco, LLC, a newly formed Delaware limited liability company (Holdco) sponsored by Milestone Partners, a middle market private equity firm, pursuant to which we will contribute all of our equity interest in our consumer finance company subsidiary, Mariner Finance, to MF Raven Holdings, Inc., a newly formed Delaware corporation (JV Corp), in exchange for 5% of JV Corp s common stock, valued at $675,000, and $9.825 million in cash, subject to adjustment based on the net assets of Mariner Finance at the time of closing. Holdco will contribute $12.825 million to JV Corp in exchange for 95% of JV Corp s common stock. We will retain a 5% interest in JV Corp. The transaction is expected to close during the fourth quarter of 2009.

In accordance with FASB guidance, we have accounted for Mariner Finance as an asset held for sale, which required reducing the asset to fair value. The operating results of Mariner Finance, along with the loss recognized from the valuation are included in the Consolidated Statements of Operations as discontinued operations. Such discontinued operations are detailed as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2009**	**2008**	**2009**	**2008**
Mariner Finance interest income	$ 6,717	$ 5,291	$ 18,895	$ 15,358
Mariner Finance interest expense	(832)	(800)	(2,458)	(2,498)
Mariner Finance net interest income	5,885	4,491	16,437	12,860
Mariner Finance provision for loan losses	(1,380)	(898)	(3,860)	(2,725)
Mariner Finance noninterest income	1,275	903	3,453	2,747
Mariner Finance noninterest expenses	(4,501)	(3,670)	(13,356)	(10,672)
Mariner Finance net income before income taxes	1,279	826	2,674	2,210
Income tax expense	(504)	(326)	(1,055)	(872)
Mariner Finance net income	775	500	1,619	1,338
Loss on write-down of Mariner Finance to fair value	(8,959)		(8,959)	
Write-off of deferred taxes related to Mariner Finance	(1,625)		(1,625)	
Net loss on disposal of Mariner Finance	(10,584)		(10,584)	
Net (loss) income from discontinued operations	$ (9,809)	$ 500	$ (8,965)	$ 1,338

The following table shows the net assets of Mariner Finance:

	September 30, 2009	**December 31, 2008**
Cash and due from banks and interest-bearing deposits	$ 2,475	$ 2,509
Loans receivable	108,524	103,224
Allowance for loan losses	(4,936)	(4,632)
Loans, net	103,588	98,592
Real estate acquired through foreclosure	378	

Other assets		3,566		3,560
Fair value adjustment		(8,959)		
Total assets		101,048		104,661
Borrowings		85,297		83,547
Other liabilities		4,779		4,035
Total liabilities		90,076		87,582
Net assets of Mariner Finance	$	10,972	$	17,079

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(3) Securities

The composition of our securities portfolio is as follows:

	September 30, 2009			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Available for Sale:				
Mortgage-backed securities	$ 13,208	$ 463	$ 69	$ 13,602
Trust preferred securities	19,877	34	6,540	13,371
Equity securities - Banks				