

Bancorp, Inc.
Form 10-Q
August 08, 2017

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, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to _____

Commission file number: 51018

THE BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

23-3016517
(IRS Employer Identification No.)

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409 Silverside Road, Wilmington, DE 19809
(Address of principal executive offices and zip code)

(302) 385-5000
(Registrant's telephone number, including area code)

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 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 whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
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 Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 3, 2017, there were 55,857,645 outstanding shares of common stock, \$1.00 par value.

THE BANCORP, INC

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

THE BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | June 30, 2017 (unaudited) (in thousands) | December 31, 2016 |
|--|---|----------------------|
| ASSETS | | |
| Cash and cash equivalents | | |
| Cash and due from banks | \$ 6,458 | \$ 4,127 |
| Interest earning deposits at Federal Reserve Bank | 475,387 | 955,733 |
| Securities purchased under agreements to resell | 65,076 | 39,199 |
| Total cash and cash equivalents | 546,921 | 999,059 |
| Investment securities, available-for-sale, at fair value | 1,149,116 | 1,248,614 |
| Investment securities, held-to-maturity (fair value \$92,161 and \$91,799, respectively) | 93,419 | 93,467 |
| Commercial loans held for sale | 542,819 | 663,140 |
| Loans, net of deferred loan fees and costs | 1,370,263 | 1,222,911 |
| Allowance for loan and lease losses | (7,353) | (6,332) |
| Loans, net | 1,362,910 | 1,216,579 |
| Federal Home Loan Bank and Atlantic Central Bankers Bank stock | 6,211 | 1,613 |
| Premises and equipment, net | 22,004 | 24,125 |
| Accrued interest receivable | 10,880 | 10,589 |
| Intangible assets, net | 5,515 | 6,906 |
| Other real estate owned | - | 104 |
| Deferred tax asset, net | 53,226 | 55,666 |
| Investment in unconsolidated entity, at fair value | 120,862 | 126,930 |
| Assets held for sale from discontinued operations | 336,246 | 360,711 |
| Other assets | 53,888 | 50,611 |
| Total assets | \$ 4,304,017 | \$ 4,858,114 |
| LIABILITIES | | |
| Deposits | | |
| Demand and interest checking | \$ 3,437,482 | \$ 3,816,524 |
| Savings and money market | 438,602 | 421,780 |
| Total deposits | 3,876,084 | 4,238,304 |

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| | | |
|--|--------------|--------------|
| Securities sold under agreements to repurchase | 273 | 274 |
| Subordinated debentures | 13,401 | 13,401 |
| Long-term borrowings | 42,680 | 263,099 |
| Other liabilities | 40,560 | 44,073 |
| Total liabilities | 3,972,998 | 4,559,151 |
| SHAREHOLDERS' EQUITY | | |
| Common stock - authorized, 75,000,000 shares of \$1.00 par value; 55,857,645 and 55,419,204 shares issued at June 30, 2017 and December 31, 2016, respectively | 55,858 | 55,419 |
| Treasury stock, at cost (100,000 shares) | (866) | (866) |
| Additional paid-in capital | 361,478 | 360,564 |
| Accumulated deficit | (85,114) | (111,941) |
| Accumulated other comprehensive loss | (337) | (4,213) |
| Total shareholders' equity | 331,019 | 298,963 |
| Total liabilities and shareholders' equity | \$ 4,304,017 | \$ 4,858,114 |

The accompanying notes are an integral part of these consolidated statements.

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|-----------|-----------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | (in thousands, except per share data) | | | |
| Interest income | | | | |
| Loans, including fees | \$ 20,017 | \$ 15,362 | \$ 37,646 | \$ 31,231 |
| Interest on investment securities: | | | | |
| Taxable interest | 9,138 | 7,900 | 18,143 | 14,432 |
| Tax-exempt interest | 70 | 176 | 142 | 497 |
| Federal funds sold/securities purchased under agreements to resell | 333 | 128 | 560 | 155 |
| Interest earning deposits | 1,255 | 378 | 2,771 | 1,280 |
| | 30,813 | 23,944 | 59,262 | 47,595 |
| Interest expense | | | | |
| Deposits | 3,432 | 2,815 | 6,866 | 5,786 |
| Securities sold under agreements to repurchase | - | 1 | - | 1 |
| Short-term borrowings | 22 | 110 | 22 | 110 |
| Subordinated debenture | 144 | 128 | 282 | 252 |
| | 3,598 | 3,054 | 7,170 | 6,149 |
| Net interest income | 27,215 | 20,890 | 52,092 | 41,446 |
| Provision for loan and lease losses | 350 | 1,060 | 1,350 | 1,060 |
| Net interest income after provision for loan and lease losses | 26,865 | 19,830 | 50,742 | 40,386 |
| Non-interest income | | | | |
| Service fees on deposit accounts | 1,520 | 978 | 3,195 | 1,825 |
| Card payment and ACH processing fees | 1,504 | 1,457 | 3,032 | 2,724 |
| Prepaid card fees | 13,234 | 13,510 | 26,781 | 27,084 |
| Gain (loss) on sale of loans | 758 | 1,339 | 6,141 | (94) |
| Gain on sale of investment securities | 586 | 124 | 1,089 | 2,150 |
| Change in value of investment in unconsolidated entity | 3 | (13,936) | (16) | (13,124) |
| Leasing income | 832 | 464 | 1,383 | 868 |
| Affinity fees | 149 | 1,322 | 1,170 | 2,416 |

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| | | | | |
|---|---------|--------|---------|---------|
| Gain on sale of health savings accounts | 2,538 | - | 2,538 | - |
| Loss from sale of European prepaid operations | (3,437) | - | (3,437) | - |
| Other | 486 | 4,282 | 516 | 4,379 |
| Total non-interest income | 18,173 | 9,540 | 42,392 | 28,228 |
| Non-interest expense | | | | |
| Salaries and employee benefits | 18,108 | 21,308 | 36,114 | 40,892 |
| Depreciation and amortization | 1,119 | 1,271 | 2,325 | 2,510 |
| Rent and related occupancy cost | 1,398 | 1,371 | 2,859 | 2,830 |
| Data processing expense | 2,641 | 3,730 | 6,121 | 7,690 |
| Printing and supplies | 333 | 826 | 838 | 1,369 |
| Audit expense | 456 | 245 | 877 | 500 |
| Legal expense | 1,427 | 2,223 | 3,165 | 2,972 |
| Amortization of intangible assets | 377 | 344 | 756 | 638 |
| Losses on sale and write downs on other real estate owned | 19 | - | 19 | - |
| FDIC insurance | 3,458 | 2,332 | 5,523 | 4,682 |
| Software | 3,012 | 2,818 | 6,240 | 4,986 |
| Insurance | 542 | 554 | 1,220 | 1,064 |
| Telecom and IT network communications | 425 | 587 | 1,017 | 965 |
| Securitization and servicing expense | 105 | 178 | 100 | 747 |
| Consulting | 706 | 836 | 1,240 | 2,513 |
| Bank Secrecy Act and lookback consulting expenses | - | 13,421 | - | 27,736 |
| Other | 3,237 | 5,092 | 6,732 | 10,180 |
| Total non-interest expense | 37,363 | 57,136 | 75,146 | 112,274 |

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| | | | | |
|--|-----------|-------------|-----------|-------------|
| Income (loss) from continuing operations before income taxes | 7,675 | (27,766) | 17,988 | (43,660) |
| Income tax benefit | (9,923) | (10,004) | (5,912) | (15,276) |
| Net income (loss) from continuing operations | \$ 17,598 | \$ (17,762) | \$ 23,900 | \$ (28,384) |
| Discontinued operations | | | | |
| Income (loss) from discontinued operations before income taxes | 1,992 | (16,214) | 4,659 | (16,583) |
| Income tax expense (benefit) | 726 | (2,616) | 1,732 | (2,695) |
| Income (loss) from discontinued operations, net of tax | 1,266 | (13,598) | 2,927 | (13,888) |
| Net income (loss) available to common shareholders | \$ 18,864 | \$ (31,360) | \$ 26,827 | \$ (42,272) |
| Net income (loss) per share from continuing operations - basic | \$ 0.32 | \$ (0.47) | \$ 0.43 | \$ (0.75) |
| Net income (loss) per share from discontinued operations - basic | \$ 0.02 | \$ (0.36) | \$ 0.05 | \$ (0.37) |
| Net income (loss) per share - basic | \$ 0.34 | \$ (0.83) | \$ 0.48 | \$ (1.12) |
| Net income (loss) per share from continuing operations - diluted | \$ 0.32 | \$ (0.47) | \$ 0.43 | \$ (0.75) |
| Net income (loss) per share from discontinued operations - diluted | \$ 0.02 | \$ (0.36) | \$ 0.05 | \$ (0.37) |
| Net income (loss) per share - diluted | \$ 0.34 | \$ (0.83) | \$ 0.48 | \$ (1.12) |

The accompanying notes are an integral part of these consolidated statements.

THE BANCORP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | For the six months ended June 30, | |
|---|--------------------------------------|-------------|
| | 2017 | 2016 |
| | (in thousands) | |
| Net income (loss) | \$ 26,827 | \$ (42,272) |
| Other comprehensive income (loss) net of reclassifications into net income: | | |
| Other comprehensive income (loss) | | |
| Change in net unrealized gain during the period | 7,172 | 20,472 |
| Reclassification adjustments for losses included in income | (1,089) | (2,150) |
| Reclassification adjustments for foreign currency translation gains | 216 | 335 |
| Amortization of losses previously held as available-for-sale | 17 | 17 |
| Net unrealized gain | 6,316 | 18,674 |
| Deferred tax expense | | |
| Securities available-for-sale: | | |
| Change in net unrealized gain during the period | 2,869 | 8,189 |
| Reclassification adjustments for losses included in income | (436) | (860) |
| Amortization of losses previously held as available-for-sale | 7 | 7 |
| Income tax expense related to items of other comprehensive income | 2,440 | 7,336 |
| Other comprehensive income net of tax and reclassifications into net income | 3,876 | 11,338 |
| Comprehensive income (loss) | \$ 30,703 | \$ (30,934) |

The accompanying notes are an integral part of these consolidated statements.

THE BANCORP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2017

(in thousands, except share data)

| | Common stock shares | Common stock | Treasury stock | Additional paid-in capital | Retained earnings/ (accumulated deficit) | Accumulated other comprehensive income (loss) | Total |
|---|---------------------------|-----------------|-------------------|----------------------------------|---|--|------------|
| Balance at January 1, 2017 | 55,419,204 | \$ 55,419 | \$ (866) | \$ 360,564 | \$ (111,941) | \$ (4,213) | \$ 298,963 |
| Net income | - | - | - | - | 26,827 | - | 26,827 |
| Common stock issuance expense | - | - | - | (200) | - | - | (200) |
| Common stock issued from restricted shares, net of tax benefits | 438,441 | 439 | - | (439) | - | - | - |
| Stock-based compensation | - | - | - | 1,553 | - | - | 1,553 |
| Other comprehensive income net of reclassification adjustments and tax | - | - | - | - | - | 3,876 | 3,876 |
| Balance at June 30, 2017 | 55,857,645 | \$ 55,858 | \$ (866) | \$ 361,478 | \$ (85,114) | \$ (337) | \$ 331,019 |

The accompanying notes are an integral part of this consolidated statement.

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the six months ended June 30, | |
|---|--------------------------------------|-------------|
| | 2017 | 2016 |
| | (in thousands) | |
| Operating activities | | |
| Net income (loss) from continuing operations | \$ 23,900 | \$ (28,384) |
| Net income (loss) from discontinued operations | 2,927 | (13,888) |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 3,081 | 3,148 |
| Provision for loan and lease losses | 1,350 | 1,060 |
| Net amortization of investment securities discounts/premiums | 3,867 | 4,033 |
| Stock-based compensation expense | 1,553 | 1,215 |
| Loans originated for sale | (246,172) | (263,473) |
| Sale of loans originated for resale | 126,388 | 311,912 |
| Loss (gain) on sales of loans originated for resale | 3,047 | (94) |
| Loss on sale of fixed assets | 28 | 44 |
| Loss on sale of other real estate owned | 19 | - |
| Fair value adjustment on investment in unconsolidated entity | (16) | 14,932 |
| Gain on sales of investment securities | (1,089) | (2,150) |
| Increase in accrued interest receivable | (291) | (800) |
| Increase in other assets | (7,025) | (25,248) |
| Decrease (increase) in discontinued assets held for sale | 5,723 | (1,145) |
| Increase (decrease) in other liabilities | (29,531) | 23,082 |
| Net cash provided by (used in) operating activities | (112,241) | 24,244 |
| Investing activities | | |
| Purchase of investment securities available-for-sale | (106,677) | (422,166) |
| Proceeds from sale of investment securities available-for-sale | 60,115 | 84,245 |
| Proceeds from redemptions and prepayments of securities held-to-maturity | - | 28 |
| Proceeds from redemptions and prepayments of securities available-for-sale | 192,088 | 93,081 |
| Proceeds from sale of other real estate owned | 85 | - |
| Net increase in loans | (147,894) | (104,091) |
| Net decrease in discontinued loans held for sale | 18,742 | 97,680 |
| Proceeds from sale of fixed assets | 366 | 210 |

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| | | |
|--|------------|------------|
| Purchases of premises and equipment | (385) | (3,562) |
| Investment in unconsolidated entity | 6,084 | 1,313 |
| Net cash provided by (used in) investing activities | 22,524 | (253,262) |
| Financing activities | | |
| Net decrease in deposits | (362,220) | (354,077) |
| Net decrease in securities sold under agreements to repurchase | (1) | (607) |
| Common stock issuance expense | (200) | - |
| Net cash used in financing activities | (362,421) | (354,684) |
| Net decrease in cash and cash equivalents | (452,138) | (583,702) |
| Cash and cash equivalents, beginning of period | 999,059 | 1,155,162 |
| Cash and cash equivalents, end of period | \$ 546,921 | \$ 571,460 |
| Supplemental disclosure: | | |
| Interest paid | \$ 7,163 | \$ 6,290 |
| Taxes paid | \$ 44 | \$ 585 |

The accompanying notes are an integral part of these consolidated statements.

THE BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Structure of Company

The Bancorp, Inc. (the Company) is a Delaware corporation and a registered financial holding company. Its primary subsidiary is The Bancorp Bank (the Bank) which is wholly owned by the Company. The Bank is a Delaware chartered commercial bank located in Wilmington, Delaware and is a Federal Deposit Insurance Corporation (FDIC) insured institution. In its continuing operations, the Bank has four primary lines of specialty lending: securities-backed lines of credit (SBLOC), leasing, Small Business Administration (SBA) loans and loans generated for sale into capital markets primarily through commercial loan securitizations (CMBS). Through the Bank, the Company also provides banking services nationally, which include prepaid cards, private label banking, institutional banking, card payment and other payment processing.

The Company and the Bank are subject to regulation by certain state and federal agencies and, accordingly, they are examined periodically by those regulatory authorities. As a consequence of the extensive regulation of commercial banking activities, the Company's and the Bank's businesses may be affected by state and federal legislation and regulations.

Note 2. Significant Accounting Policies

Basis of Presentation

The financial statements of the Company, as of June 30, 2017 and for the three and six month periods ended June 30, 2017 and 2016, are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, in the opinion of management, these interim financial statements include all necessary adjustments to fairly present the results of the interim periods presented. The unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (2016 Form 10-K Report). The results of operations for the six month period ended June 30, 2017 may not necessarily be indicative of the results of operations for the full year ending December 31, 2017.

Note 3. Share-based Compensation

The Company recognizes compensation expense for stock options in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, "Stock Based Compensation". The expense of the option is generally measured at fair value at the grant date with compensation expense recognized over the service period, which is typically the vesting period. For grants subject to a service condition, the Company utilizes the Black-Scholes option-pricing model to estimate the fair value of each option on the date of grant. The Black-Scholes model takes into consideration the exercise price and expected life of the options, the current price of the underlying stock and its expected volatility, the expected dividends on the stock and the current risk-free interest rate for the expected life of the option. The Company's estimate of the fair value of a stock option is based on expectations derived from historical

experience and may not necessarily equate to its market value when fully vested. In accordance with ASC 718, the Company estimates the number of options for which the requisite service is expected to be rendered. At June 30, 2017, the Company had two active stock-based compensation plans, which are more fully described in its 2016 Form 10-K Report.

The Company did not grant stock options during the six month period ended June 30, 2017. The Company granted 300,000 stock options with a vesting period of four years in the first six months of 2016. There were no common stock options exercised in the six month periods ended June 30, 2017 or June 30, 2016.

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A summary of the status of the Company's equity compensation plans is presented below.

| | Shares | Weighted average exercise price | Weighted average remaining contractual term (years) | Aggregate intrinsic value |
|--------------------------------|-----------|------------------------------------|--|------------------------------|
| Outstanding at January 1, 2017 | 2,021,625 | \$ 8.32 | 5.24 | \$ - |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| Forfeited | (2,500) | 10.45 | - | - |
| Outstanding at June 30, 2017 | 2,019,125 | \$ 8.32 | 4.74 | \$ - |
| Exercisable at June 30, 2017 | 1,696,625 | \$ 8.58 | 4.18 | \$ - |

The Company granted 807,482 restricted stock units (RSUs) in the first six months of 2017 of which 672,482 have a vesting period of three years and 135,000 have a vesting period of one year. Of the RSUs granted in the first half of 2017, 799,599 had a fair value of \$5.06 and 7,923 RSUs had a fair value of \$6.31 at issuance. In the first six months of 2016, the Company granted 789,000 restricted stock units (RSUs) of which 620,000 had a vesting period of three years and 169,000 had a vesting period of one year. Of the RSUs granted in the first half of 2016, 489,000 had a fair value of \$4.50 and 300,000 RSUs had a fair value of \$6.75 at issuance. The total fair value of RSUs vested for the six months ended June 30, 2017 and 2016 was \$2.6 million and \$830,000, respectively.

A summary of the status of the Company's RSUs is presented below.

| | Shares | Weighted average grant date fair value | Average remaining contractual term (years) |
|--------------------------------|-----------|--|--|
| Outstanding at January 1, 2017 | 831,775 | \$ 5.77 | 1.62 |
| Granted | 807,482 | 5.07 | |
| Vested | (438,441) | 5.89 | |
| Forfeited | (46,192) | 4.98 | |
| Outstanding at June 30, 2017 | 1,154,624 | \$ 5.27 | 2.08 |

As of June 30, 2017, there was a total of \$5.8 million of unrecognized compensation cost related to unvested awards under share-based plans. This cost is expected to be recognized over a weighted average period of approximately 2.2

years. Related compensation expense for the six months ended June 30, 2017 and 2016 was \$1.6 million and \$1.2 million, respectively.

Note 4. Earnings Per Share

The Company calculates earnings per share under ASC 260, "Earnings Per Share". Basic earnings per share exclude dilution and are computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock.

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The following tables show the Company's earnings per share for the periods presented:

| | For the three months ended June 30, 2017 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic earnings per share from continuing operations | | | |
| Net earnings available to common shareholders | \$ 17,598 | 55,689,439 | \$ 0.32 |
| Effect of dilutive securities | | | |
| Common stock options | - | 340,596 | - |
| Diluted earnings per share | | | |
| Net earnings available to common shareholders | \$ 17,598 | 56,030,035 | \$ 0.32 |

| | For the three months ended June 30, 2017 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic earnings per share from discontinued operations | | | |
| Net earnings available to common shareholders | \$ 1,266 | 55,689,439 | \$ 0.02 |
| Effect of dilutive securities | | | |
| Common stock options | - | 340,596 | - |
| Diluted earnings per share | | | |
| Net earnings available to common shareholders | \$ 1,266 | 56,030,035 | \$ 0.02 |

| | For the three months ended June 30, 2017 | | |
|--------------------------|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic earnings per share | | | |

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| | | | | | |
|---|----|--------|------------|----|------|
| Net earnings available to common shareholders | \$ | 18,864 | 55,689,439 | \$ | 0.34 |
| Effect of dilutive securities | | | | | |
| Common stock options | - | | 340,596 | - | |
| Diluted earnings per share | | | | | |
| Net earnings available to common shareholders | \$ | 18,864 | 56,030,035 | \$ | 0.34 |

Stock options for 2,019,125 shares, exercisable at prices between \$6.75 and \$25.43 per share, were outstanding at June 30, 2017, but were not included in the dilutive shares because the exercise price per share was greater than the average market price.

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| | For the six months ended June 30, 2017 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic earnings per share from continuing operations | | | |
| Net earnings available to common shareholders | \$ 23,900 | 55,612,288 | \$ 0.43 |
| Effect of dilutive securities | | | |
| Common stock options | - | 277,697 | - |
| Diluted earnings per share | | | |
| Net earnings available to common shareholders | \$ 23,900 | 55,889,985 | \$ 0.43 |

| | For the six months ended June 30, 2017 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic earnings per share from discontinued operations | | | |
| Net earnings available to common shareholders | \$ 2,927 | 55,612,288 | \$ 0.05 |
| Effect of dilutive securities | | | |
| Common stock options | - | 277,697 | - |
| Diluted earnings per share | | | |
| Net earnings available to common shareholders | \$ 2,927 | 55,889,985 | \$ 0.05 |

| | For the six months ended June 30, 2017 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic earnings per share | | | |
| Net earnings available to common shareholders | \$ 26,827 | 55,612,288 | \$ 0.48 |
| Effect of dilutive securities | | | |
| Common stock options | - | 277,697 | - |
| Diluted earnings per share | | | |
| Net earnings available to common shareholders | \$ 26,827 | 55,612,288 | \$ 0.48 |

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Stock options for 2,019,125 shares, exercisable at prices between \$6.75 and \$25.43 per share, were outstanding at June 30, 2017, but were not included in the dilutive shares because the exercise price per share was greater than the average market price.

| | For the three months ended June 30, 2016 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic loss per share from continuing operations | | | |
| Net loss available to common shareholders | \$ (17,762) | 37,845,250 | \$ (0.47) |
| Effect of dilutive securities | | | |
| Common stock options | - | - | - |
| Diluted loss per share | | | |
| Net loss available to common shareholders | \$ (17,762) | 37,845,250 | \$ (0.47) |

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| | For the three months ended June 30, 2016 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic loss per share from discontinued operations | | | |
| Net loss available to common shareholders | \$ (13,598) | 37,845,250 | \$ (0.36) |
| Effect of dilutive securities | | | |
| Common stock options | - | - | - |
| Diluted loss per share | | | |
| Net loss available to common shareholders | \$ (13,598) | 37,845,250 | \$ (0.36) |

| | For the three months ended June 30, 2016 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic loss per share | | | |
| Net loss available to common shareholders | \$ (31,360) | 37,845,250 | \$ (0.83) |
| Effect of dilutive securities | | | |
| Common stock options | - | - | - |
| Diluted loss per share | | | |
| Net loss available to common shareholders | \$ (31,360) | 37,845,250 | \$ (0.83) |

Stock options for 2,276,500 shares, exercisable at prices between \$6.75 and \$25.43 per share, were outstanding at June 30, 2016 but were not included in dilutive shares because the Company had a net loss available to common shareholders.

| | For the six months ended June 30, 2016 | | |
|---|--|-------------------------|---------------------|
| | Income (numerator) | Shares (denominator) | Per share amount |
| | (dollars in thousands except share and per share data) | | |
| Basic loss per share from continuing operations | | | |
| Net loss available to common shareholders | \$ (28,384) | 37,824,996 | \$ (0.75) |
| Effect of dilutive securities | | | |

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| | | | |
|---|----|---------------------|-----------|
| Common stock options | - | - | - |
| Diluted loss per share | | | |
| Net loss available to common shareholders | \$ | (28,384) 37,824,996 | \$ (0.75) |

For the six months ended
June 30, 2016

| | | |
|-----------------------|-------------------------|---------------------|
| Income (numerator) | Shares (denominator) | Per share amount |
|-----------------------|-------------------------|---------------------|

(dollars in thousands except share and per share data)

| | | | |
|---|----|---------------------|-----------|
| Basic loss per share from discontinued operations | | | |
| Net loss available to common shareholders | \$ | (13,888) 37,824,996 | \$ (0.37) |
| Effect of dilutive securities | | | |
| Common stock options | - | - | - |
| Diluted loss per share | | | |
| Net loss available to common shareholders | \$ | (13,888) 37,824,996 | \$ (0.37) |

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For the six months ended
June 30, 2016
Income Shares Per share
(numerator) (denominator) amount

(dollars in thousands except share and per share data)

| | | | | |
|---|----|----------|------------|-----------|
| Basic loss per share | | | | |
| Net loss available to common shareholders | \$ | (42,272) | 37,824,996 | \$ (1.12) |
| Effect of dilutive securities | | | | |
| Common stock options | - | | - | - |
| Diluted loss per share | | | | |
| Net loss available to common shareholders | \$ | (42,272) | 37,824,996 | \$ (1.12) |

Stock options for 2,276,500 shares exercisable at prices between \$6.75 and \$25.43 per share, were outstanding at June 30, 2016 but were not included in dilutive shares because the Company had a net loss available to common shareholders.

Note 5. Investment Securities

The amortized cost, gross unrealized gains and losses, and fair values of the Company's investment securities classified as available-for-sale and held-to-maturity at June 30, 2017 and December 31, 2016 are summarized as follows (in thousands):

| Available-for-sale | June 30, 2017 | | | |
|---|----------------|------------------------|-------------------------|------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| U.S. Government agency securities | \$ 24,672 | \$ 69 | \$ (1) | \$ 24,740 |
| Asset-backed securities * | 255,792 | 872 | (562) | 256,102 |
| Tax-exempt obligations of states and political subdivisions | 13,309 | 182 | (21) | 13,470 |
| Taxable obligations of states and political subdivisions | 76,959 | 1,960 | (173) | 78,746 |
| Residential mortgage-backed securities | 354,000 | 923 | (3,764) | 351,159 |
| Collateralized mortgage obligation securities | 136,410 | 491 | (911) | 135,990 |
| Commercial mortgage-backed securities | 131,013 | 472 | (63) | 131,422 |
| Foreign debt securities | 56,220 | 364 | (91) | 56,493 |
| Corporate debt securities | 100,304 | 847 | (157) | 100,994 |

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\$ 1,148,679 \$ 6,180 \$ (5,743) \$ 1,149,116

| | June 30, 2017 | | | |
|---|---------------|------------------|------------------|------------|
| | Amortized | Gross unrealized | Gross unrealized | Fair |
| * Asset-backed securities as shown above | cost | gains | losses | value |
| Federally insured student loan securities | \$ 98,541 | \$ 118 | \$ (558) | \$ 98,101 |
| Collateralized loan obligation securities | 139,576 | 641 | - | 140,217 |
| Other | 17,675 | 113 | (4) | 17,784 |
| | \$ 255,792 | \$ 872 | \$ (562) | \$ 256,102 |

| Held-to-maturity | June 30, 2017 | | | |
|--|---------------|------------------|------------------|-----------|
| | Amortized | Gross unrealized | Gross unrealized | Fair |
| | cost | gains | losses | value |
| Other debt securities - single issuers | \$ 18,005 | \$ 223 | \$ (2,867) | \$ 15,361 |
| Other debt securities - pooled | 75,414 | 1,386 | - | 76,800 |
| | \$ 93,419 | \$ 1,609 | \$ (2,867) | \$ 92,161 |

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| Available-for-sale | December 31, 2016 | | | | | | |
|--|-------------------|--|------------------------------|--|-------------------------------|---------------|--|
| | Amortized cost | | Gross unrealized gains | | Gross unrealized losses | Fair value | |
| U.S. Government agency securities | \$ 27,771 | | \$ 23 | | \$ (92) | \$ 27,702 | |
| Asset-backed securities * | 355,622 | | 1,811 | | (2,037) | 355,396 | |
| Tax-exempt obligations of states and political subdivisions | 15,492 | | 129 | | (137) | 15,484 | |
| Taxable obligations of states and political subdivisions | 78,143 | | 1,539 | | (633) | 79,049 | |
| Residential mortgage-backed securities | 347,120 | | 598 | | (5,149) | 342,569 | |
| Collateralized mortgage obligation securities | 160,649 | | 619 | | (1,445) | 159,823 | |
| Commercial mortgage-backed securities | 117,844 | | 250 | | (1,008) | 117,086 | |
| Foreign debt securities | 56,603 | | 168 | | (274) | 56,497 | |
| Corporate debt securities | 95,005 | | 421 | | (418) | 95,008 | |
| | \$ 1,254,249 | | \$ 5,558 | | \$ (11,193) | \$ 1,248,614 | |

| * Asset-backed securities as shown above | December 31, 2016 | | | | | | |
|--|-------------------|--|------------------------------|--|-------------------------------|---------------|--|
| | Amortized cost | | Gross unrealized gains | | Gross unrealized losses | Fair value | |
| Federally insured student loan securities | \$ 122,579 | | \$ 346 | | \$ (2,000) | \$ 120,925 | |
| Collateralized loan obligation securities | 215,117 | | 1,294 | | (14) | 216,397 | |
| Other | 17,926 | | 171 | | (23) | 18,074 | |
| | \$ 355,622 | | \$ 1,811 | | \$ (2,037) | \$ 355,396 | |

| Held-to-maturity | December 31, 2016 | | | | | | |
|--|-------------------|--|------------------------------|--|-------------------------------|---------------|--|
| | Amortized cost | | Gross unrealized gains | | Gross unrealized losses | Fair value | |
| Other debt securities - single issuers | \$ 17,983 | | \$ 179 | | \$ (3,026) | \$ 15,136 | |
| Other debt securities - pooled | 75,484 | | 1,179 | | - | 76,663 | |
| | \$ 93,467 | | \$ 1,358 | | \$ (3,026) | \$ 91,799 | |

Investments in Federal Home Loan and Atlantic Central Bankers Bank stock are recorded at cost and amounted to \$6.2 million and \$1.6 million, respectively, at June 30, 2017 and December 31, 2016.

The amortized cost and fair value of the Company's investment securities at June 30, 2017, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

| | Available-for-sale | | Held-to-maturity | |
|--|--------------------|---------------|-------------------|---------------|
| | Amortized cost | Fair value | Amortized cost | Fair value |
| Due before one year | \$ 4,508 | \$ 4,511 | \$ - | \$ - |
| Due after one year through five years | 157,935 | 158,902 | 7,002 | 7,114 |
| Due after five years through ten years | 364,091 | 364,609 | - | - |
| Due after ten years | 622,145 | 621,094 | 86,417 | 85,047 |
| | \$ 1,148,679 | \$ 1,149,116 | \$ 93,419 | \$ 92,161 |

At June 30, 2017 and December 31, 2016, there were no investment securities pledged to secure securities sold under repurchase agreements as required or permitted by law. The balance of pledged securities was reduced to \$0 as balances requiring pledging were not expected to increase from minimal levels exceeded by deposit insurance. At June 30, 2017 and December 31, 2016, investment securities with a fair value of approximately \$600.0 million and \$607.2 million, respectively, were pledged to secure a line of credit with the FHLB and a letter of credit with that institution.

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Fair value of available-for-sale securities are based on the fair market value supplied by a third-party market data provider, while the fair value of held-to-maturity securities are based on the present value of cash flows, which discounts expected cash flows from principal and interest using yield to maturity at the measurement date. The Company periodically reviews its investment portfolio to determine whether unrealized losses are other than temporary, based on an evaluation of the creditworthiness of the issuers/guarantors as well as the underlying collateral, if applicable, in addition to the continuing performance of the securities. The amount of the credit impairment is calculated by estimating the discounted cash flows for those securities. The Company did not recognize any other-than-temporary impairment charges in the first six months of 2017.

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at June 30, 2017 (dollars in thousands):

| Available-for-sale Description of Securities | Number of securities | Less than 12 months | | 12 months or longer | | Total |
|---|----------------------------|---------------------|-------------------|---------------------|-------------------|------------|
| | | Fair Value | Unrealized losses | Fair Value | Unrealized losses | Fair Value |
| U.S. Government agency securities | 1 | \$ 841 | \$ (1) | \$ - | \$ - | \$ 841 |
| Asset-backed securities | 16 | 406 | (1) | 73,048 | (561) | 73,454 |
| Tax-exempt obligations of states and political subdivisions | 5 | 4,777 | (21) | - | - | 4,777 |
| Taxable obligations of states and political subdivisions | 15 | 19,418 | (173) | - | - | 19,418 |
| Residential mortgage-backed securities | 81 | 209,559 | (3,286) | 40,056 | (478) | 249,615 |
| Collateralized mortgage obligation securities | 25 | 46,078 | (503) | 31,154 | (408) | 77,232 |
| Commercial mortgage-backed securities | 9 | 18,043 | (62) | 1,192 | (1) | 19,235 |
| | 17 | 13,443 | (91) | - | - | 13,443 |

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| | | | | | | | | |
|--|-----|------------|------------|------------|------------|----|--|---------|
| Foreign debt securities | | | | | | | | |
| Corporate debt securities | 25 | 22,615 | (157) | - | - | | | 22,615 |
| Total temporarily impaired investment securities | 194 | \$ 335,180 | \$ (4,295) | \$ 145,450 | \$ (1,448) | \$ | | 480,630 |

| Description of Securities | Held-to-maturity | Number of securities | Less than 12 months | | 12 months or longer | | Total | |
|--|------------------|----------------------|---------------------|-------------------|---------------------|-------------------|------------|------------|
| | | | Fair Value | Unrealized losses | Fair Value | Unrealized losses | Fair Value | Fair Value |
| Corporate and other debt securities: | | | | | | | | |
| Single issuers | 1 | \$ | - | \$ - | \$ 6,224 | \$ (2,867) | \$ | 6,224 |
| Total temporarily impaired investment securities | 1 | \$ | - | \$ - | \$ 6,224 | \$ (2,867) | \$ | 6,224 |

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at December 31, 2016 (dollars in thousands):

| Description of Securities | Available-for-sale | Number of securities | Less than 12 months | | 12 months or longer | | Total | |
|-----------------------------------|--------------------|----------------------|---------------------|-------------------|---------------------|-------------------|------------|------------|
| | | | Fair Value | Unrealized losses | Fair Value | Unrealized losses | Fair Value | Fair Value |
| U.S. Government agency securities | 5 | \$ | 7,414 | \$ (36) | \$ 7,824 | \$ (56) | \$ | 15,186 |
| Asset-backed securities | 23 | 10,186 | (49) | 93,375 | (1,988) | | | 103,561 |
| Tax-exempt obligations of | | | | | | | | |

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| | | | | | | |
|--|-----|------------|------------|------------|------------|------------|
| states and political subdivisions | 8 | 6,056 | (118) | 3,301 | (19) | 9,357 |
| Taxable obligations of states and political subdivisions | 27 | 42,963 | (633) | - | - | 42,963 |
| Residential mortgage-backed securities | 68 | 180,357 | (4,833) | 54,254 | (316) | 234,611 |
| Collateralized mortgage obligation securities | 28 | 88,936 | (1,004) | 30,386 | (441) | 119,322 |
| Commercial mortgage-backed securities | 28 | 79,345 | (963) | 4,547 | (45) | 83,892 |
| Foreign debt securities | 34 | 26,696 | (274) | 700 | - | 27,396 |
| Corporate debt securities | 39 | 30,418 | (414) | 645 | (4) | 31,063 |
| Total temporarily impaired investment securities | 260 | \$ 472,371 | \$ (8,324) | \$ 195,032 | \$ (2,869) | \$ 667,000 |

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| Held-to-maturity Description of Securities | Number of securities | Less than 12 months | | 12 months or longer | | Total | |
|---|----------------------------|---------------------|----------------------|---------------------|-------------------|------------|------------|
| | | Fair Value | Unrealized losses | Fair Value | Unrealized losses | Fair Value | Fair Value |
| Corporate and other debt securities: | | | | | | | |
| Single issuers | 1 | \$ - | \$ - | \$ 6,039 | \$ (3,026) | \$ 6,039 | \$ 6,039 |
| Total temporarily impaired investment securities | 1 | \$ - | \$ - | \$ 6,039 | \$ (3,026) | \$ 6,039 | \$ 6,039 |

Other securities included in the held-to-maturity classification at June 30, 2017 consisted of three securities secured by diversified portfolios of corporate securities, one bank senior note and two single-issuer trust preferred securities.

A total of \$18.0 million of other debt securities - single issuers is comprised of the following: (i) amortized cost of the two single-issuer trust preferred securities of \$11.0 million, of which one security for \$1.9 million was issued by a bank and one security for \$9.1 million was issued by an insurance company; and (ii) the book value of a bank senior note of \$7.0 million.

A total of \$75.4 million of other debt securities – pooled is comprised of three securities consisting of diversified portfolios of corporate securities.

The following table provides additional information related to the Company's single issuer trust preferred securities as of June 30, 2017 (in thousands):

| Single issuer | Book value | Fair value | Unrealized gain/(loss) | Credit rating |
|---------------|------------|------------|---------------------------|------------------|
| Security A | \$ 1,913 | \$ 2,024 | \$ 111 | Not rated |
| Security B | 9,091 | 6,224 | (2,867) | Not rated |

Class: All of the above are trust preferred securities.

The Company has evaluated the securities in the above tables and has concluded that none of these securities has impairment that is other-than-temporary. The Company evaluates whether a credit impairment exists by considering primarily the following factors: (a) the length of time and extent to which the fair value has been less than the amortized cost of the security, (b) changes in the financial condition, credit rating and near-term prospects of the issuer, (c) whether the issuer is current on contractually obligated interest and principal payments, (d) changes in the financial condition of the security's underlying collateral and (e) the payment structure of the security. The Company's best estimate of expected future cash flows, which is used to determine the credit loss amount, is a quantitative and qualitative process that incorporates information received from third-party sources along with internal assumptions and judgments regarding the future performance of the security. The Company concluded that most of the securities that are in an unrealized loss position are in a loss position because of changes in market interest rates after the securities were purchased. Securities that have been in an unrealized loss position for 12 months or longer include other securities whose market values are sensitive to market interest rates and changes in credit quality. The Company's unrealized loss for other of the debt securities, which include three single issuer trust preferred securities and one pooled trust preferred security, is primarily related to general market conditions, including a lack of liquidity in the market. The severity of the temporary impairments in relation to the carrying amounts of the individual investments is consistent with market developments. The Company's analysis of each investment is performed at the security level. As a result of its review, the Company concluded that other-than-temporary impairment did not exist due to the Company's ability and intention to hold these securities to recover their amortized cost basis.

Note 6. Loans

The Company has several lending lines of business including SBA loans, direct lease financing, SBLOC and other specialty and consumer lending. The Company also originates loans for sale into commercial mortgage backed securitizations or to secondary government guaranteed loan markets. These sales are accounted for as true sales and there is no continuing involvement in these loans. Servicing rights on these loans are not retained. The Company has elected fair value treatment for these loans to better reflect the economics of the transactions. At June 30, 2017, the fair value of the loans held for sale was \$542.8 million and their book value was \$537.9 million. Included in the gain on sale of loans in the Statements of Operations were gains recognized from changes in fair value of \$2.0 million for the six months ended June 30, 2017. There were no changes in fair value related to credit risk. Interest earned on loans held for sale during the period held are recorded in Interest Income-Loans, including fees, on the Statements of Operations.

In the second quarter of 2016, the Company purchased approximately \$60 million in fleet vehicle leases which resulted in a customer list intangible of \$3.4 million. The balance of the \$8.0 million purchase price was allocated to premium which is being amortized over

the estimated average lives of the leases.

The Company analyzes credit risk prior to making loans on an individual loan basis. The Company considers relevant aspects of the borrowers' financial position and cash flow, past borrower performance, management's knowledge of market conditions, collateral and the ratio of loan amounts to estimated collateral value in making its credit determinations.

Major classifications of loans, excluding loans held for sale, are as follows (in thousands):

| | June 30, 2017 | | December 31, 2016 |
|---|------------------|----|----------------------|
| SBA non real estate | \$ 74,511 | \$ | 74,644 |
| SBA commercial mortgage | 126,224 | | 126,159 |
| SBA construction | 11,057 | | 8,826 |
| SBA loans * | 211,792 | | 209,629 |
| Direct lease financing | 371,002 | | 346,645 |
| SBLOC | 718,707 | | 630,400 |
| Other specialty lending | 44,389 | | 11,073 |
| Other consumer loans | 15,858 | | 17,374 |
| | 1,361,748 | | 1,215,121 |
| Unamortized loan fees and costs | 8,515 | | 7,790 |
| Total loans, net of deferred loan costs | \$ 1,370,263 | \$ | 1,222,911 |

Included in the table above are demand deposit overdrafts reclassified as loan balances totaling \$2.2 million and \$2.4 million at June 30, 2017 and December 31, 2016, respectively. Overdraft charge-offs and recoveries are reflected in the allowance for loan and lease losses.

* The following table shows SBA loans and SBA loans held for sale at the dates indicated (in thousands):

| | June 30, 2017 | | December 31, 2016 |
|--|------------------|----|----------------------|
| SBA loans, including deferred fees and costs | \$ 218,253 | \$ | 215,786 |

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| | | |
|-------------------------------------|------------|------------|
| SBA loans included in held for sale | 158,389 | 154,016 |
| Total SBA loans | \$ 376,642 | \$ 369,802 |

The following table provides information about impaired loans at June 30, 2017 and December 31, 2016 (in thousands):

| | Recorded investment | Unpaid principal balance | Related allowance | Average recorded investment | Interest income recognized |
|-------------------------------|---------------------|--------------------------|-------------------|-----------------------------|----------------------------|
| June 30, 2017 | | | | | |
| Without an allowance recorded | | | | | |
| SBA non real estate | \$ 367 | \$ 367 | \$ - | \$ 247 | \$ - |
| SBA commercial mortgage | - | - | - | - | - |
| Direct lease financing | - | - | - | - | - |
| Consumer - other | - | - | - | - | - |
| Consumer - home equity | 1,714 | 1,714 | - | 1,721 | - |
| With an allowance recorded | | | | | |
| SBA non real estate | 2,677 | 2,677 | 1,425 | 2,616 | - |
| SBA commercial mortgage | 908 | 908 | 141 | 606 | - |
| Direct lease financing | 606 | 606 | 143 | 675 | - |
| Consumer - other | 74 | 74 | 74 | 24 | - |
| Consumer - home equity | - | - | - | - | - |

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| | | | | | |
|-------------------------|-------|-------|-------|-------|---|
| Total | | | | | |
| SBA non real estate | 3,044 | 3,044 | 1,425 | 2,863 | - |
| SBA commercial mortgage | 908 | 908 | 141 | 606 | - |
| Direct lease financing | 606 | 606 | 143 | 675 | - |
| Consumer - other | 74 | 74 | 74 | 24 | - |
| Consumer - home equity | 1,714 | 1,714 | - | 1,721 | - |
| | 6,346 | 6,346 | 1,783 | 5,889 | - |

December 31, 2016

Without an allowance recorded

| | | | | | | | | | | |
|------------------------|-------|-----|-------|-----|----|-------|----|-----|----|---|
| SBA non real estate | \$ | 191 | \$ | 191 | \$ | - | \$ | 336 | \$ | - |
| Direct lease financing | - | - | - | - | - | - | - | - | - | - |
| Consumer - other | - | - | - | - | - | 259 | - | - | - | - |
| Consumer - home equity | 1,730 | - | 1,730 | - | - | 1,187 | - | - | - | - |

With an allowance recorded

| | | | | | | | | | | |
|------------------------|-------|---|-------|---|-------|---|-------|---|---|---|
| SBA non real estate | 2,183 | - | 2,183 | - | 938 | - | 1,277 | - | - | - |
| Direct lease financing | 734 | - | 734 | - | 216 | - | 147 | - | - | - |
| Consumer - other | - | - | - | - | - | - | - | - | - | - |
| Consumer - home equity | - | - | - | - | - | - | 549 | - | - | - |
| Total | | | | | | | | | | |
| SBA non real estate | 2,374 | - | 2,374 | - | 938 | - | 1,613 | - | - | - |
| Direct lease financing | 734 | - | 734 | - | 216 | - | 147 | - | - | - |
| Consumer - other | - | - | - | - | - | - | 259 | - | - | - |
| Consumer - home equity | 1,730 | - | 1,730 | - | - | - | 1,736 | - | - | - |
| | 4,838 | - | 4,838 | - | 1,154 | - | 3,755 | - | - | - |

The following tables summarize the Company's non-accrual loans, loans past due 90 days and still accruing and other real estate owned for the periods indicated (the Company had no non-accrual leases at June 30, 2017 or December 31, 2016) (in thousands):

| | | | | |
|-------------------------|-----|------------------|----|----------------------|
| | | June 30, 2017 | | December 31, 2016 |
| Non-accrual loans | | | | |
| SBA non real estate | \$ | 2,704 | \$ | 1,530 |
| SBA commercial mortgage | 908 | - | - | - |

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| | | | | |
|--------------------------------|-------|-------|----|-------|
| Consumer | 1,503 | 1,442 | | |
| Total non-accrual loans | 5,115 | 2,972 | | |
| Loans past due 90 days or more | 494 | 661 | | |
| Total non-performing loans | 5,609 | 3,633 | | |
| Other real estate owned | - | 104 | | |
| Total non-performing assets | \$ | 5,609 | \$ | 3,737 |

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The Company's loans that were modified as of June 30, 2017 and December 31, 2016 and considered troubled debt restructurings are as follows (dollars in thousands):

| | June 30, 2017 | | | December 31, 2016 | | |
|------------------------|---------------|--------------------------------------|---------------------------------------|-------------------|--------------------------------------|---------------------------------------|
| | Number | Pre-modification recorded investment | Post-modification recorded investment | Number | Pre-modification recorded investment | Post-modification recorded investment |
| SBA non real estate | 4 | \$ 1,088 | \$ 1,088 | 2 | \$ 844 | \$ 844 |
| Direct lease financing | 1 | 606 | 606 | 1 | 734 | 734 |
| Consumer | 1 | 285 | 285 | 1 | 288 | 288 |
| Total | 6 | \$ 1,979 | \$ 1,979 | 4 | \$ 1,866 | \$ 1,866 |

The balances below provide information as to how the loans were modified as troubled debt restructurings loans as of June 30, 2017 and December 31, 2016 (in thousands):

| | June 30, 2017 | | | December 31, 2016 | | |
|------------------------|------------------------|-------------------|----------------------------|------------------------|-------------------|----------------------------|
| | Adjusted interest rate | Extended maturity | Combined rate and maturity | Adjusted interest rate | Extended maturity | Combined rate and maturity |
| SBA non real estate | \$ - | \$ 144 | \$ 944 | \$ - | \$ 144 | \$ 700 |
| Direct lease financing | - | - | 606 | - | - | 734 |
| Consumer | - | - | 285 | - | - | 288 |
| Total | \$ - | \$ 144 | \$ 1,835 | \$ - | \$ 144 | \$ 1,722 |

The following table summarizes, as of June 30, 2017, loans that had been restructured within the last 12 months that have subsequently defaulted.

| | Number | Pre-modification recorded investment |
|---------------------|--------|--------------------------------------|
| SBA non real estate | 2 | \$ 750 |
| Total | 2 | \$ 750 |

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As of June 30, 2017 and December 31, 2016, the Company had no commitments to lend additional funds to loan customers whose loan terms have been modified in troubled debt restructurings.

A detail of the changes in the allowance for loan and lease losses by loan category is as follows (in thousands):

| | SBA non real estate | SBA commercial mortgage | SBA construction | Direct lease financing | SBLOC | Other specialty lending | Other c loans |
|--|------------------------|-------------------------------|---------------------|---------------------------|------------|----------------------------|------------------|
| June 30, 2017 | | | | | | | |
| Beginning balance | \$ 1,976 | \$ 737 | \$ 76 | \$ 1,994 | \$ 315 | \$ 32 | \$ |
| Charge-offs | (136) | - | - | (201) | - | - | (17) |
| Recoveries | 2 | - | - | - | - | - | 23 |
| Provision (credit) | 1,180 | 292 | (6) | (291) | 44 | 112 | 64 |
| Ending balance | \$ 3,022 | \$ 1,029 | \$ 70 | \$ 1,502 | \$ 359 | \$ 144 | \$ |
| Ending balance: Individually evaluated for impairment | \$ 1,425 | \$ 141 | \$ - | \$ 143 | \$ - | \$ - | \$ |
| Ending balance: Collectively evaluated for impairment | \$ 1,597 | \$ 888 | \$ 70 | \$ 1,359 | \$ 359 | \$ 144 | \$ |
| Loans: Ending balance | \$ 74,511 | \$ 126,224 | \$ 11,057 | \$ 371,002 | \$ 718,707 | \$ 44,389 | \$ |

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Ending
balance:
Individually
evaluated
for
impairment \$ 3,044 \$ 908 \$ - \$ 607 \$ - \$ - \$

Ending
balance:
Collectively
evaluated
for
impairment \$ 71,467 \$ 125,316 \$ 11,057 \$ 370,395 \$ 718,707 \$ 44,389 \$