

Bancorp, Inc.
Form 10-Q
September 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2015

OR

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.

Edgar Filing: Bancorp, Inc. - Form 10-Q

(Exact name of registrant as specified in its charter)

Delaware	23-3016517
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

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

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

Edgar Filing: Bancorp, Inc. - Form 10-Q

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

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

As of September 24, 2015 there were 37,758,237 outstanding shares of common stock, \$1.00 par value.



THE BANCORP, INC

Form 10-Q Index

	Page
Part I Financial Information	
Item 1 <u>Financial Statements:</u>	3
<u>Unaudited Consolidated Balance Sheets – March 31, 2015 and December 31, 2014</u>	3
<u>Unaudited Consolidated Statement of Operations – Three months ended March 31, 2015 and 2014</u>	4
<u>Unaudited Consolidated Statements of Comprehensive Income – Three months ended March 31, 2015 and 2014</u>	6
<u>Unaudited Consolidated Statement of Changes in Shareholders’ Equity – Three months ended March 31, 2015</u>	7
<u>Unaudited Consolidated Statements of Cash Flows – Three months ended March 31, 2015 and 2014</u>	8
<u>Notes to Unaudited Consolidated Financial Statements</u>	9
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	31
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	48
Item 4. <u>Controls and Procedures</u>	48
Part II Other Information	
Item 1. <u>Legal proceedings</u>	50
Item 1A. <u>Risk Factors</u>	50
Item 6. <u>Exhibits</u>	51
<u>Signatures</u>	53

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (in thousands)	December 31, 2014
ASSETS		
Cash and cash equivalents		
Cash and due from banks	\$ 18,636	\$ 8,665
Interest earning deposits at Federal Reserve Bank	994,400	1,059,320
Securities purchased under agreements to resell	46,250	46,250
Total cash and cash equivalents	1,059,286	1,114,235
Investment securities, available-for-sale, at fair value	1,442,665	1,493,639
Investment securities, held-to-maturity (fair value \$91,675 and \$91,914, respectively)	93,662	93,765
Commercial loans held for sale	239,820	217,080
Loans, net of deferred loan fees and costs	870,901	874,593
Allowance for loan and lease losses	(4,243)	(3,638)
Loans, net	866,658	870,955
Federal Home Loan and Atlantic Central Bankers Bank stock	1,003	1,002
Premises and equipment, net	19,158	17,697
Accrued interest receivable	11,290	11,251
Intangible assets, net	5,791	6,228
Deferred tax asset, net	32,025	33,673
Investment in unconsolidated entity, at fair value	190,783	193,595
Assets held for sale	842,574	887,929
Other assets	43,734	45,268
Total assets	\$ 4,848,449	\$ 4,986,317
LIABILITIES		
Deposits		
Demand and interest checking	\$ 4,182,656	\$ 4,289,586
Savings and money market	307,988	330,798
Time deposits	1,400	1,400
Total deposits	4,492,044	4,621,784

Edgar Filing: Bancorp, Inc. - Form 10-Q

Securities sold under agreements to repurchase	7,959	19,414
Subordinated debenture	13,401	13,401
Other liabilities	12,992	12,695
Total liabilities	4,526,396	4,667,294
SHAREHOLDERS' EQUITY		
Common stock - authorized, 50,000,000 shares of \$1.00 par value; 37,858,152 and 37,808,777 shares issued at March 31, 2015 and December 31, 2014, respectively	37,858	37,809
Treasury stock, at cost (100,000 shares)	(866)	(866)
Additional paid-in capital	298,402	297,987
Retained earnings	(28,029)	(28,242)
Accumulated other comprehensive income	14,688	12,335
Total shareholders' equity	322,053	319,023
Total liabilities and shareholders' equity	\$ 4,848,449	\$ 4,986,317

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended March 31,	
	2015	2014
		(restated)
	(in thousands, except per share data)	
Interest income		
Loans, including fees	\$ 10,697	\$ 8,464
Interest on investment securities:		
Taxable interest	5,060	5,137
Tax-exempt interest	3,174	2,084
Federal funds sold/securities purchased under agreements to resell	164	106
Interest earning deposits	622	764
	19,717	16,555
Interest expense		
Deposits	3,099	2,777
Securities sold under agreements to repurchase	9	12
Subordinated debenture	95	115
	3,203	2,904
Net interest income	16,514	13,651
Provision for loan and lease losses	665	1,275
Net interest income after provision for loan and lease losses	15,849	12,376
Non-interest income		
Service fees on deposit accounts	1,760	1,210
Card payment and ACH processing fees	1,253	1,303
Prepaid card fees	13,132	13,468
Gain on sale of loans	1,676	5,484
Gain on sale of investment securities	80	241
Leasing income	519	381
Debit card income	460	426
Affinity fees	412	534
Other	1,485	631
Total non-interest income	20,777	23,678
Non-interest expense		
Salaries and employee benefits	15,525	15,145
Depreciation and amortization	1,202	1,050
Rent and related occupancy cost	1,385	1,027
Data processing expense	3,228	3,255
Printing and supplies	615	556
Audit expense	426	376
Legal expense	1,405	630

Edgar Filing: Bancorp, Inc. - Form 10-Q

Amortization of intangible assets	297		304
FDIC insurance	2,853		1,689
Software	1,350		1,168
Insurance	458		451
Telecom and IT network communications	550		521
Securitization and servicing expense	479		578
Consulting	1,488		696
Bank Secrecy Act and lookback consulting expenses	5,744		-
Other	3,855		3,759
Total non-interest expense	40,860		31,205
Income (loss) from continuing operations before income taxes	(4,234)		4,849
Income tax (benefit) provision	(2,427)		1,623
Net income (loss) from continuing operations	\$	(1,807)	\$ 3,226
Discontinued operations			
Income (loss) from discontinued operations	3,099		(2,475)
Income tax provision (benefit)	1,078		(876)

4

Edgar Filing: Bancorp, Inc. - Form 10-Q

Income (loss) from discontinued operations, net of tax	2,021		(1,599)	
Net income available to common shareholders	\$	214	\$	1,627
Net income (loss) per share from continuing operations - basic	\$	(0.05)	\$	0.08
Net income (loss) per share from discontinued operations - basic	\$	0.05	\$	(0.04)
Net income per share - basic	\$	-	\$	0.04
Net income (loss) per share from continuing operations - diluted	\$	(0.05)	\$	0.08
Net income (loss) per share from discontinued operations - diluted	\$	0.05	\$	(0.04)
Net income per share - diluted	\$	-	\$	0.04

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

THE BANCORP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended March 31,	
	2015	2014 (restated)
	(in thousands)	
Net income		
Other comprehensive income, net of reclassifications into net income:	\$ 214	\$ 1,627
Other comprehensive income		
Change in net unrealized gain during the period	4,522	8,583
Reclassification adjustments for losses included in income	(80)	(241)
Reclassification adjustments for foreign currency translation losses	(552)	-
Amortization of losses previously held as available-for-sale	28	5
Net unrealized gain on investment securities	3,918	8,347
Deferred tax expense		
Securities available-for-sale:		
Change in net unrealized gain during the period	1,583	3,004
Reclassification adjustments for losses included in income	(28)	(84)
Amortization of losses previously held as available-for-sale	10	2
Income tax expense related to items of other comprehensive income	1,565	2,922
Other comprehensive income net of tax and reclassifications into net income	2,353	5,425
Comprehensive income	\$ 2,567	\$ 7,052

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

THE BANCORP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2015

(in thousands, except share data)

	Common stock shares	Common stock	Treasury stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2015	37,808,777	\$ 37,809	\$ (866)	\$ 297,987	\$ (28,242)	\$ 12,335	\$ 319,023
Net income					213		213
Common stock issued as restricted shares, net of tax benefits	49,375	49		(49)	-		-
Stock-based compensation	-	-	-	464	-	-	464
Other comprehensive income net of reclassification adjustments and tax	-	-	-	-	-	2,353	2,353
Balance at March 31, 2015	37,858,152	\$ 37,858	\$ (866)	\$ 298,402	\$ (28,029)	\$ 14,688	\$ 322,053

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands except per share data)

	For the three months ended March 31,	
	2015	2014 (restated)
Operating activities		
Net income (loss) from continuing operations	\$ (1,807)	\$ 3,226
Net income (loss) from discontinued operations, net of tax	2,021	(1,599)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,499	1,354
Provision for loan and lease losses	665	1,275
Net amortization of investment securities discounts/premiums	3,573	3,441
Stock-based compensation expense	464	772
Loans originated for sale	(125,923)	(218,587)
Sale of loans originated for resale	104,859	75,441
Gain on sales of loans originated for resale	(1,676)	(5,484)
Gain on sale of fixed assets	(2)	(2)
Gain on sales of investment securities	(80)	(241)
Increase in accrued interest receivable	(39)	(1,928)
Decrease in other assets	1,203	36,401
Increase in discontinued assets held for sale	(20,392)	(43,923)
Increase (decrease) in other liabilities	297	(1,552)
Net cash used in operating activities	(35,338)	(151,407)
Investing activities		
Purchase of investment securities available-for-sale	(30,401)	(222,550)
Proceeds from sale of investment securities available-for-sale	35,226	24,173
Proceeds from redemptions and prepayments of securities held-to-maturity	89	38
Proceeds from redemptions and prepayments of securities available-for-sale	47,140	64,004
Net decrease (increase) in loans	3,632	(103,103)
Net decrease in discontinued loans held for sale	65,747	19,098
Proceeds from sale of fixed assets	144	11
Purchases of premises and equipment	(2,805)	(1,092)
Investment in unconsolidated entity	2,812	-
Net cash provided by (used in) investing activities	121,584	(219,421)
Financing activities		

Edgar Filing: Bancorp, Inc. - Form 10-Q

Net decrease in deposits	(129,740)	(25,781)
Net decrease in securities sold under agreements to repurchase	(11,455)	(4,730)
Proceeds from the exercise of options	-	71
Excess tax benefit from share-based payment arrangements	-	-
Net cash used in financing activities	(141,195)	(30,440)
Net decrease in cash and cash equivalents	(54,949)	(401,268)
Cash and cash equivalents, beginning of period	1,114,235	1,235,949
Cash and cash equivalents, end of period	\$ 1,059,286	\$ 834,681
Supplemental disclosure:		
Interest paid	\$ 3,129	\$ 2,911
Taxes paid	\$ -	\$ 1,129

The accompanying notes are an integral part of these consolidated financial 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 a wholly owned subsidiary bank, The Bancorp Bank (the Bank). 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: security backed lines of credit (SBLOC), leasing, Small Business Administration (SBA) loans and loans generated for sale into capital markets primarily through commercial mortgage backed securities (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 and health savings accounts. European operations are comprised of three operational service subsidiaries, Transact Payment Services Group Limited, Transact Payment Services Limited and Transact Payment Services Group-Bulgaria EOOD and one subsidiary, Transact Payments Limited, which offer prepaid card and electronic money issuing services.

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 March 31, 2015 and for the three month periods ended March 31, 2015 and 2014, 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 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, 2014 (Form 10-K report). Note T in those financial statements present restated interim financial statements as described therein. The results of operations for the three month period ended March 31, 2015 may not necessarily be indicative of the results of operations for the full year ending December 31, 2015.

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 usually 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 March 31, 2015, the Company had four stock-based compensation plans, which are more fully described in its Annual Report on Form 10-K for the year ended December 31, 2014 and the portions of the Company's Proxy Statement for the year ended 2014, incorporated therein by reference.

The Company did not grant stock options in the first quarter of 2015 or 2014. There were no common stock options exercised in the three month period ended March 31, 2015 and 59,999 common stock options exercised in the three month period ended March 31, 2014. The total intrinsic value of the options exercised during the three months ended March 31, 2015 and 2014 was \$0 and \$594,000, respectively.

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

Edgar Filing: Bancorp, Inc. - Form 10-Q

	Shares (in thousands, except per share data)	Weighted average exercise price	Weighted- average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at January 1, 2015	2,602,000	\$ 9.72	5.39	\$ 5,010,208
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(232,500)	14.24	-	-
Forfeited	-	-	-	-
Outstanding at March 31, 2015	2,369,500	\$ 9.27	5.66	\$ 1,684,163
Exercisable at March 31, 2015	2,019,875	\$ 9.35	5.38	\$ 1,450,426

The Company granted 86,992 restricted stock units with a vesting period of two years at a fair value of \$9.11 in the first three months of 2015. There were no restricted stock units granted in the first three months of 2014. The total fair value of restricted stock units vested for the three months ended March 31, 2015 and 2014 was \$430,000 and \$886,000, respectively.

A summary of the status of the Company's restricted stock units is presented below.

	Shares	Weighted- average grant date fair value	Average remaining contractual term (years)
Outstanding at January 1, 2015	148,381	\$ 10.46	2.07
Granted	86,992	9.11	2.00
Vested	(49,375)	10.45	-
Forfeited	-	-	-
Outstanding at March 31, 2015	185,998		1.88

As of March 31, 2015, there was a total of \$2.9 million of unrecognized compensation cost related to non-vested awards under share-based plans. This cost is expected to be recognized over a weighted average period of 1.37 years. Related compensation expense for the three months ended March 31, 2015 and 2014 was \$464,000 and \$772,000 million, respectively.

Note 4. Earnings Per Share

Edgar Filing: Bancorp, Inc. - Form 10-Q

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.

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

	For the three months ended March 31, 2015		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except per share data)		
Basic earnings (loss) per share from continuing operations			
Net income (loss) available to common shareholders	\$ (1,807)	37,745,619	\$ (0.05)

10

Edgar Filing: Bancorp, Inc. - Form 10-Q

Effect of dilutive securities				
Common stock options	-	-	-	
Diluted earnings (loss) per share				
Net income (loss) available to common shareholders	\$	(1,807)	37,745,619	\$ (0.05)

For the three months ended
March 31, 2015

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

(dollars in thousands except per share data)

Basic earnings (loss) per share from discontinued operations				
Net income (loss) available to common shareholders	\$	2,021	37,745,619	\$ 0.05
Effect of dilutive securities				
Common stock options	-	312,782	-	
Diluted earnings (loss) per share				
Net income (loss) available to common shareholders	\$	2,021	38,058,401	\$ 0.05

For the three months ended
March 31, 2015

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

(dollars in thousands except per share data)

Basic earnings (loss) per share				
Net income (loss) available to common shareholders	\$	214	37,745,619	\$ -
Effect of dilutive securities				
Common stock options	-	312,782	-	
Diluted earnings (loss) per share				
Net income (loss) available to common shareholders	\$	214	38,058,401	\$ -

Stock options for 892,000 shares, exercisable at prices between \$9.58 and \$25.43 per share, were outstanding at March 31, 2015, 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

March 31, 2014

(restated)

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

(dollars in thousands except per share data)

Basic earnings (loss) per share from continuing operations				
Net income (loss) available to common shareholders	\$	3,226	37,680,614	\$ 0.08
Effect of dilutive securities				
Common stock options	-		965,034	-
Diluted earnings (loss) per share				
Net income (loss) available to common shareholders	\$	3,226	38,645,648	\$ 0.08

For the
three
months
ended
March 31,
2014
(restated)

Edgar Filing: Bancorp, Inc. - Form 10-Q

	Income (numerator)	Shares (denominator)	Per share amount
(dollars in thousands except per share data)			
Basic earnings (loss) per share from discontinued operations			
Net income (loss) available to common shareholders	\$ (1,599)	37,680,614	\$ (0.04)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted earnings (loss) per share			
Net income (loss) available to common shareholders	\$ (1,599)	37,680,614	\$ (0.04)

For the three months ended
March 31, 2014

(restated)

	Income (numerator)	Shares (denominator)	Per share amount
(dollars in thousands except per share data)			
Basic earnings (loss) per share			
Net income (loss) available to common shareholders	\$ 1,627	37,680,614	\$ 0.04
Effect of dilutive securities			
Common stock options	-	965,034	-
Diluted earnings (loss) per share			
Net income (loss) available to common shareholders	\$ 1,627	38,645,648	\$ 0.04

Stock options for 3,000 shares, exercisable at prices between \$20.98 and \$25.43 per share, were outstanding at March 31, 2014 but were not included in diluted earnings per share computation because the exercise price per share was greater than the average market price.

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 March 31, 2015 and December 31, 2014 are summarized as follows (in thousands):

Edgar Filing: Bancorp, Inc. - Form 10-Q

Available-for-sale	March 31, 2015			
	Amortized	Gross	Gross	Fair
	cost	unrealized	unrealized	value
U.S. Government agency securities	\$ 18,345	\$ 62	\$ (26)	\$ 18,381
Federally insured student loan securities	124,124	416	(387)	124,153
Tax-exempt obligations of states and political subdivisions	529,820	17,908	(156)	547,572
Taxable obligations of states and political subdivisions	58,207	2,742	(55)	60,894
Residential mortgage-backed securities	403,145	3,514	(453)	406,206
Commercial mortgage-backed securities	107,854	1,129	(1,199)	107,784
Foreign debt securities	60,290	520	(76)	60,734
Corporate and other debt securities	116,310	723	(92)	116,941
	\$ 1,418,095	\$ 27,014	\$ (2,444)	\$ 1,442,665

Held-to-maturity	March 31, 2015			
	Amortized	Gross	Gross	Fair
	cost	unrealized	unrealized	value
Other debt securities - single issuers	\$ 17,895	\$ 379	\$ (3,834)	\$ 14,440
Other debt securities - pooled	75,767	1,468	-	77,235
	\$ 93,662	\$ 1,847	\$ (3,834)	\$ 91,675

Edgar Filing: Bancorp, Inc. - Form 10-Q

Available-for-sale	December 31, 2014				
	Amortized cost		Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government agency securities	\$ 16,519		\$ 42	\$ -	\$ 16,561
Federally insured student loan securities	125,789		613	(390)	126,012
Tax-exempt obligations of states and political subdivisions	535,622		16,027	(380)	551,269
Taxable obligations of states and political subdivisions	58,868		2,614	(103)	61,379
Residential mortgage-backed securities	419,503		3,504	(878)	422,129
Commercial mortgage-backed securities	123,519		1,220	(1,500)	123,239
Foreign debt securities	67,094		130	(346)	66,878
Corporate and other debt securities	126,610		225	(663)	126,172
	\$ 1,473,524		\$ 24,375	\$ (4,260)	\$ 1,493,639

Held-to-maturity	December 31, 2014				
	Amortized cost		Gross unrealized gains	Gross unrealized losses	Fair value
Other debt securities - single issuers	\$ 17,882		\$ 531	\$ (3,820)	\$ 14,593
Other debt securities - pooled	75,883		1,438	-	77,321
	\$ 93,765		\$ 1,969	\$ (3,820)	\$ 91,914

Investments in Federal Home Loan and Atlantic Central Bankers Bank stock are recorded at cost and amounted to \$1.0 million at March 31, 2015 and December 31, 2014.

The amortized cost and fair value of the Company's investment securities at March 31, 2015, 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	\$ 108,735	\$ 108,782	\$ -	\$ -
	325,220	328,725	7,019	7,299

Due after one year through five years							
Due after five years through ten years	413,877	425,944	-	-			
Due after ten years	570,263	579,214	86,643	84,376			
	\$ 1,418,095	\$ 1,442,665	\$ 93,662	\$ 91,675			

At March 31, 2015 and December 31, 2014, investment securities with a book value of approximately \$24.5 million and \$25.7 million, respectively, were pledged to secure securities sold under repurchase agreements as required or permitted by law.

Fair values of available-for-sale securities are based on the fair market value supplied by a third-party market data provider while the fair values 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 Company did not recognize any other-than-temporary impairment charges in the first three months of 2015.

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at March 31, 2015 (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	3	\$ 12,130	\$ (26)	\$ -	\$ -	\$ 12,104

Edgar Filing: Bancorp, Inc. - Form 10-Q

Federally insured student loan securities	10	44,090	(206)	21,479	(181)	65,569
Tax-exempt obligations of states and political subdivisions	50	10,338	(59)	22,637	(97)	32,975
Taxable obligations of states and political subdivisions	8	1,968	-	7,194	(55)	9,162
Residential mortgage-backed securities	24	34,578	(128)	44,879	(325)	79,457
Commercial mortgage-backed securities	27	13,190	(9)	59,112	(1,190)	72,302
Foreign debt securities	10	5,230	(53)	3,809	(23)	9,039
Corporate and other debt securities	13	31,924	(64)	4,283	(28)	36,207
Total temporarily impaired investment securities	145	\$ 153,448	\$ (545)	\$ 163,393	\$ (1,899)	\$ 316,841

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
Single issuers	1	\$ -	\$ -	\$ 5,141	\$ (3,834)	\$ 5,141
Total temporarily impaired investment securities	1	\$ -	\$ -	\$ 5,141	\$ (3,834)	\$ 5,141

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at December 31, 2014 (in thousands):

Edgar Filing: Bancorp, Inc. - Form 10-Q

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	Unrealized losses
Description of Securities							
Federally insured student loan securities	9	\$ 28,435	\$ (169)	\$ 34,274	\$ (221)	\$ 62,709	\$
Tax-exempt obligations of states and political subdivisions	97	21,458	(134)	46,412	(245)	67,870	(37)
Taxable obligations of states and political subdivisions	24	499	(1)	21,088	(102)	21,587	(10)
Residential mortgage-backed securities	29	43,946	(231)	67,023	(647)	110,969	(87)
Commercial mortgage-backed securities	30	41,231	(883)	47,549	(617)	88,780	(1,5)
Foreign debt securities	53	24,681	(203)	14,943	(144)	39,624	(34)
Corporate and other debt securities	61	62,984	(568)	16,609	(95)	79,593	(66)
Total temporarily impaired investment securities	303	\$ 223,234	\$ (2,189)	\$ 247,898	\$ (2,071)	\$ 471,132	\$

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	Unrealized losses
Description of Securities							
Single issuers	1	\$ -	\$ -	\$ 5,144	\$ (3,820)	\$ 5,144	

Total temporarily impaired investment securities	1	\$	-	\$	-	\$	5,144	\$	(3,820)	\$	5,144
---	---	----	---	----	---	----	-------	----	---------	----	-------

Other securities, included in the held-to-maturity classification at March 31, 2015, consisted of three securities secured by diversified portfolios of corporate securities, one bank senior note, two single issuer trust preferred securities and one pooled trust preferred security.

A total of \$17.9 million of other debt securities - single issuers is comprised of the following: (i) amortized cost of the two single issuer trust preferred securities of \$10.9 million, of which one security for \$1.9 million was issued by a bank and one security for \$9.0 million was issued by an insurance company; and (ii) book value of a bank senior note of \$7.0 million.

A total of \$75.8 million of other debt securities – pooled is comprised of the following: (i) one pooled trust preferred security for \$82,000, which was collateralized by bank trust preferred securities; and (ii) book value of three securities consisting of diversified portfolios of corporate securities of \$75.7 million.

Edgar Filing: Bancorp, Inc. - Form 10-Q

The following table provides additional information related to the Company's single issuer trust preferred securities as of March 31, 2015 (in thousands):

Single issuer	Book value	Fair value	Unrealized gain/(loss)	Credit rating
Security A	\$ 1,901	\$ 2,000	\$ 99	Not rated
Security B	8,975	5,141	(3,834)	Not rated

Class: All of the above are trust preferred securities.

The following table provides additional information related to the Company's pooled trust preferred securities as of March 31, 2015 (in thousands):

Pooled issue	Class	Book value	Fair value	Unrealized gain	Credit rating	Excess subordination
Pool A (7 performing issuers)	Mezzanine	\$ 82	\$ 173	\$ 91	CAA1	*

* There is no excess subordination for these 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 interest rates after the securities were purchased. The securities that have been in an unrealized loss position for 12 months or longer include other securities

whose market values are sensitive to interest rates and changes in credit quality. The Company's unrealized loss for other debt securities, which include two single issuer trust preferred securities and one pooled trust preferred security, is primarily related to general market conditions and the resultant 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 for 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 originates loans for sale to other financial institutions which issue commercial mortgage backed securities or to secondary government guaranteed loan markets. The Company has elected the fair value option for the entirety of these loans to better reflect the economics of the transactions. At March 31, 2015, the fair value of these loans held for sale was \$239.8 million and the unpaid principal balance was \$235.0 million. Included in gain on sale of loans in the Statement of Operations were gains recognized from changes in fair value of \$513,000 for the quarter ended March 31, 2015. There were no amounts of 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 Statement of Operations. In the three months ended March 31, 2015, the Company recognized \$1.7 million of gains upon the sale of loans.

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 the loan amount to estimated collateral value in making its credit determinations.

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

	March 31, 2015	December 31, 2014
SBA non real estate	\$ 62,385	\$ 62,425
SBA commercial mortgage	84,430	82,317
SBA construction	15,181	20,392
Total SBA loans	161,996	165,134

Edgar Filing: Bancorp, Inc. - Form 10-Q

Direct lease financing	220,559		194,464	
SBLOC	447,649		421,862	
Other specialty lending	1,862		48,625	
Other consumer loans	30,120		36,168	
	862,186		866,253	
Unamortized loan fees and costs	8,715		8,340	
Total loans, net of deferred loan costs	\$	870,901	\$	874,593

Included in the table above are demand deposit overdrafts reclassified as loan balances totaling \$2.5 million and \$1.8 million at March 31, 2015 and December 31, 2014, respectively. Overdraft charge-offs and recoveries are reflected in the allowance for loan and lease losses.

The following table provides information about impaired loans at March 31, 2015 and December 31, 2014 (in thousands):

	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
March 31, 2015					
Without an allowance recorded					
SBA non real estate	\$ 350	\$ 350	\$ -	\$ 175	\$ -
Consumer - other	342	342	-	344	-
Consumer - home equity	1,547	1,647	-	1,187	-
With an allowance recorded					
SBA non real estate	957	957	280	577	-
Consumer - other	-	-	-	-	-
Consumer - home equity	1,080	1,080	439	1,080	-
Total SBA non real estate	1,307	1,307	280	752	-

Edgar Filing: Bancorp, Inc. - Form 10-Q

Consumer - other	342	342	-	344	-
Consumer - home equity	2,627	2,727	439	2,267	-

December 31, 2014 Without an allowance recorded SBA non real estate	\$	-	\$	-	\$	-	\$	-	\$	-
Consumer - other	346	346	-	139						
Consumer - home equity	827	927	-	1,043	-					
With an allowance recorded SBA non real estate	197	197	40	967	-					
Consumer - other	-	-	-	369						
Consumer - home equity	1,080	1,080	271	885	-					
Total SBA non real estate	197	197	40	967	-					
Consumer - other	346	346	-	508	-					
Consumer - home equity	1,907	2,007	271	1,928	-					

The following tables summarize the Company's non-accrual loans, loans past due 90 days and still accruing interest and other real estate owned for the periods indicated (the Company had no non-accrual leases at March 31, 2015, March 31, 2014, or December 31, 2014) (in thousands):

March 31, March 31, December 31,

Edgar Filing: Bancorp, Inc. - Form 10-Q

	2015	2014	2014	
		(restated)		
Non-accrual loans				
SBA non real estate	\$ 1,117	\$ 1,333	\$ -	
Consumer	2,627	2,605	1,907	
Total non-accrual loans	3,744	3,938	1,907	
Loans past due 90 days or more	769	189	149	
Total non-performing loans	4,513	4,127	2,056	
Other real estate owned	-	-	-	
Total non-performing assets	\$ 4,513	\$ 4,127	\$ 2,056	

The Company's loans that were modified as of March 31, 2015 and December 31, 2014 and considered troubled debt restructurings are as follows (dollars in thousands):

	March 31, 2015			December 31, 2014		
	Number	Pre-modification recorded investment	Post-modification recorded investment	Number	Pre-modification recorded investment	Post-modification recorded investment
SBA non real estate	1	\$ 190	\$ 190	1	\$ 197	\$ 197
Consumer	1	342	342	1	346	346
Total	2	\$ 532	\$ 532	2	\$ 543	\$ 543

The balances below provide information as to how the loans were modified as troubled debt restructurings as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015			December 31, 2014		
	Adjusted interest rate	Extended maturity	Combined rate and maturity	Adjusted interest rate	Extended maturity	Combined rate and maturity
SBA non real estate	\$ -	\$ 190	\$ -	\$ -	\$ 197	\$ -
Consumer	-	342	-	-	346	-
Total	\$ -	\$ 532	\$ -	\$ -	\$ 543	\$ -

As of March 31, 2015 loans there were no loans that were restructured within the last 12 months that have subsequently defaulted.

As of March 31, 2015 and December 31, 2014, the Company had no commitments to lend additional funds to loan customers whose terms have been modified in troubled debt restructurings. There were no loans that were

restructured in the last 12 months that have subsequently defaulted.

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
March 31, 2015							
Beginning balance	\$ 385	\$ 461	\$ 114	\$ 836	\$ 562	\$ 66	\$
Charge-offs	(9)	-	-	-	-	-	(52)
Recoveries	-	-	-	-	-	-	1
Provision (credit)	517	(167)	(40)	236	28	(65)	97
Ending balance	\$ 893	\$ 294	\$ 74	\$ 1,072	\$ 590	\$ 1	\$

17

Edgar Filing: Bancorp, Inc. - Form 10-Q

Ending
balance:
Individually
evaluated
for
impairment \$ 280 \$ - \$ - \$ - \$ - \$ - \$ -

Ending
balance:
Collectively
evaluated
for
impairment \$ 613 \$ 294 \$ 74 \$ 1,072 \$ 590 \$ 1 \$

Loans:
Ending
balance \$ 62,385 \$ 84,430 \$ 15,181 \$ 220,559 \$ 447,649 \$ 1,862 \$

Ending
balance:
Individually
evaluated
for
impairment \$ 1,307 \$ - \$ - \$ - \$ - \$ - \$ -

Ending
balance:
Collectively
evaluated
for
impairment \$ 61,078 \$ 84,430 \$ 15,181 \$ 220,559 \$ 447,649 \$ 1,862 \$

December
31, 2014
Beginning
balance
(restated) \$ 419 \$ 496 \$ - \$ 311 \$ 293 \$ 1 \$
Charge-offs (307) - - (323) (3) - (871)
Recoveries 12 - - 25 - - 22
Provision
(credit) 261 (35) 114 823 272 65 (331)
Ending
balance \$ 385 \$ 461 \$ 114 \$ 836 \$ 562 \$ 66 \$
\$ 40 \$ - \$ - \$ - \$ - \$ - \$

Edgar Filing: Bancorp, Inc. - Form 10-Q

Ending
balance:
Individually
evaluated
for
impairment

Ending
balance:
Collectively
evaluated
for
impairment

Loans:

Ending
balance

Ending
balance:
Individually
evaluated
for
impairment

Ending
balance:
Collectively
evaluated
for
impairment

March 31,
2014

(restated)

Beginning
balance

(restated)

Charge-offs

Recoveries

Provision

(credit)

Ending
balance

\$	345	\$	461	\$	114	\$	836	\$	562	\$	66	\$
----	-----	----	-----	----	-----	----	-----	----	-----	----	----	----

\$	62,425	\$	82,317	\$	20,392	\$	194,464	\$	421,862	\$	48,625	\$
----	--------	----	--------	----	--------	----	---------	----	---------	----	--------	----

\$	197	\$	-	\$	-	\$	-	\$	-	\$	-	\$
----	-----	----	---	----	---	----	---	----	---	----	---	----

\$	62,228	\$	82,317	\$	20,392	\$	194,464	\$	421,862	\$	48,625	\$
----	--------	----	--------	----	--------	----	---------	----	---------	----	--------	----

\$	419	\$	496	\$	-	\$	311	\$	293	\$
----	-----	----	-----	----	---	----	-----	----	-----	----

-		-		-		-		-		-
---	--	---	--	---	--	---	--	---	--	---

-		-		-		-		-		-
---	--	---	--	---	--	---	--	---	--	---

416		238		41		(136)		27		57
-----	--	-----	--	----	--	-------	--	----	--	----

\$	835	\$	734	\$	41	\$	175	\$	320	\$	50	\$
----	-----	----	-----	----	----	----	-----	----	-----	----	----	----

\$	385	\$	-	\$	-	\$	-	\$	-	\$	-	\$
----	-----	----	---	----	---	----	---	----	---	----	---	----

Ending
balance:
Individually
evaluated
for
impairment

Ending
balance:
Collectively
evaluated
for
impairment

Loans:
Ending
balance

\$	450	\$	734	\$	41	\$	175	\$	320	\$	5
\$	53,046	\$	86,600	\$	4,748	\$	181,007	\$	319,854	\$	42,200

18



Edgar Filing: Bancorp, Inc. - Form 10-Q

Ending
balance:
Individually
evaluated
for
impairment

\$ 1,307 \$ - \$ - \$ - \$ -

Ending
balance:
Collectively
evaluated
for
impairment

\$ 51,739 \$ 86,600 \$ 4,748 \$ 181,007 \$ 319,854 \$ 42,209

The Company did not have loans acquired with deteriorated credit quality at either March 31, 2015 or December 31, 2014.

A detail of the Company's delinquent loans by loan category is as follows (in thousands):

March 31, 2015	30-59 Days		60-89 Days		Greater than		Total	
	past due		past due		90 days	Non-accrual	past due	Current
SBA non real estate	\$ 52		\$ -		\$ -	\$ 1,117	\$ 1,169	\$ 61
SBA commercial mortgage	-		-		-	-	-	84,430
SBA construction	-		-		-	-	-	15,181
Direct lease financing	5,388		1,398		769	-	7,555	213,004
SBLOC	-		-		-	-	-	447,649
Other specialty lending	-		-		-	-	-	1,862
Consumer - other	-		-		-	-	-	25,412
Consumer - home equity	327		9		-	2,627	2,963	1,745
Unamortized loan fees and costs	-		-		-	-	-	8,715
	\$ 5,767		\$ 1,407		\$ 769	\$ 3,744	\$ 11,687	\$ 859

Edgar Filing: Bancorp, Inc. - Form 10-Q

	30-59 Days	60-89 Days	Greater than			Total	
December 31, 2014	past due	past due	90 days	Non-accrual	past due	Current	
SBA non real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,400
SBA commercial mortgage	-	-	-	-	-	-	82,317
SBA construction	-	-	-	-	-	-	20,392
Direct lease financing	5,083	1,832	149	-	7,064	-	187,400
SBLOC	-	-	-	-	-	-	421,862
Other specialty lending	-	-	-	-	-	-	48,625
Consumer - other	9	-	-	-	9	-	8,654
Consumer - home equity	-	457	-	1,907	2,364	-	25,141
Unamortized loan fees and costs	-	-	-	-	-	-	8,340
	\$ 5,092	\$ 2,289	\$ 149	\$ 1,907	\$ 9,437	\$ -	\$ 865,100

The Company evaluates its loans under an internal loan risk rating system as a means of identifying problem loans. The following table provides information by credit risk rating indicator for each segment of the loan portfolio excluding loans held for sale at the dates indicated (in thousands):

March 31, 2015	Pass	Special mention	Substandard	Doubtful	Loss	Unrated subject to review *	Unrated to rev
SBA non real estate	\$ 45,020	\$ -	\$ 1,307	\$ -	\$ -	\$ 1,595	\$ -
SBA commercial mortgage	58,077	-	-	-	-	3,591	22,760
SBA construction	13,405	-	-	-	-	1,481	295
Direct lease financing	73,995	-	840	-	-	4,013	141,700
SBLOC	163,903	-	-	-	-	6,210	277,500
	237	-	-	-	-	-	1,625

Other
specialty
lending

19

Edgar Filing: Bancorp, Inc. - Form 10-Q

Consumer Unamortized loan fees and costs	9,045	835	2,627	-	-	-	-	-	17,61
	-	-	-	-	-	-	-	-	8,715
	\$ 363,682	\$ 835	\$ 4,774	\$ -	\$ -	\$ -	\$ -	\$ 16,890	\$ -
December 31, 2014									
SBA non real estate	\$ 49,214	\$ -	\$ 197	\$ -	\$ -	\$ -	\$ -	\$ 669	\$ -
SBA commercial mortgage	59,086	-	-	-	-	-	965	-	22,26
SBA construction	18,911	-	-	-	-	-	-	-	1,481
Direct lease financing	58,994	-	99	-	-	-	-	-	135,3
SBLOC	142,286	-	-	-	-	-	57,360	-	222,2
Other specialty lending	46,990	-	-	-	-	-	-	-	1,635
Consumer Unamortized loan fees and costs	14,196	346	1,907	-	-	-	73	-	19,64
	-	-	-	-	-	-	-	-	8,340
	\$ 389,677	\$ 346	\$ 2,203	\$ -	\$ -	\$ -	\$ -	\$ 59,067	\$ -

* Unrated loans consist of performing loans which did not exhibit any negative characteristics which would require the loan to be evaluated, or fell below the dollar threshold requiring review and were not loans otherwise selected in ongoing portfolio evaluation. The loan portfolio review coverage was approximately 42% at March 31, 2015 and approximately 45% at December 31, 2014. This review is performed by the loan review department, which is independent of the loan departments and reports directly to the audit committee. All classified loans are reviewed by our independent loan review function. Potential problem loans which are identified by either the independent loan review department or line management are also reviewed. Loans are subject to review by their relationship manager and senior loan personnel. As a result of transferring loans into "Discontinued Operations", management is currently reassessing the review scope for the continuing operations portfolio.

Note 7. Transactions with Affiliates

The Company entered into a space sharing agreement for office space in New York, New York with Resource America Inc. commencing in September 2011, which was terminated in the first quarter of 2015. The Company paid only its proportionate share of the lease rate to a lessor which is an unrelated third party. The Chairman of the Board of Resource America, Inc. is the father of the Chairman of the Board and the spouse of the former Chief Executive Officer of the Company. The Chief Executive Officer of Resource America, Inc. is the brother of the Chairman of the Board and the son of the former Chief Executive Officer of the Company. Rent expense is 50% of the fixed rent, real estate tax payment and the base expense charges. Rent expense was \$21,000 for the three months ended March 31,

2015 and \$26,000 for the three months ended March 31, 2014. This agreement was terminated January 31, 2015.

The Company entered into a space sharing agreement for office space in New York, New York with Atlas Energy, L.P. commencing in May 2012, which was terminated in the first quarter of 2015. As a result of certain transactions, Atlas Energy, L.P. assigned the lease to its successor, Atlas Energy Group, LLC in 2015. The Company pays only its proportionate share of the lease rate to a lessor which is an unrelated third party. The Executive Chairman of the Board of the general partner of Atlas Energy Group, LLC and, prior thereto, of the general partner of Atlas Energy, L.P. is the brother of the Chairman of the Board and the son of the former Chief Executive Officer of the Company. The Chief Executive Officer and President of Atlas Energy Group, LLC and, prior thereto, of the general partner of Atlas Energy, L.P. is the father of the Chairman of the Board and the spouse of the former Chief Executive Officer of the Company. Rent expense is 50% of the fixed rent, real estate tax payment and the base expense charges. Rent expense was \$9,000 for the three months ended March 31, 2015 and \$26,000 for the three months ended March 31, 2014.

The Bank maintains deposits for various affiliated companies totaling approximately \$32.8 million and \$15.1 million as of March 31, 2015 and December 31, 2014, respectively.

The Bank has entered into lending transactions in the ordinary course of business with directors, executive officers, principal stockholders and affiliates of such persons. All loans were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable loans with persons not related to the lender. At March 31, 2015, these loans were current as to principal and interest payments and did not involve more than normal risk of collectability. Loans to these related parties included in Assets held for sale amounted to \$27.8 million at March 31, 2015 and \$28.1 million at December 31, 2014. Loans to these related parties included in Loans, net of deferred loan fees and costs amounted to \$2.6 million at March 31, 2015 and \$2.8 million as December 31, 2014.

In addition to these lending transactions, the Bank periodically purchases securities under agreements to resell and engages in other securities transactions as follows. The Company has executed transactions through J.V.B. Financial Group, LLC, (JVB), a broker dealer in which the Company's Chairman has a minority interest. The Company's Chairman also serves as Vice Chairman of Institutional Financial Markets Inc., the parent company of JVB. The Company purchased securities under agreements to resell through JVB primarily consisting of G.N.M.A. certificates which are full faith and credit obligations of the United States government issued at competitive rates. JVB was in full compliance with all of the terms of the repurchase agreements at March 31, 2015 and had complied with all terms for all prior repurchase agreements. A total of \$46.3 million of such agreements were outstanding at March 31, 2015 and December 31, 2014, respectively.

Note 8. Fair Value Measurements

ASC 825, Financial Instruments, requires disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For the Company, as for most financial institutions, the majority of its assets and liabilities are considered to be financial instruments. However, many of such instruments lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. Also, it is the Company's general practice and intent to hold its financial instruments to maturity whether or not categorized as "available-for-sale" and not to engage in trading or sales activities, except for certain loans. For fair value disclosure purposes, the Company utilized certain value measurement criteria required under the ASC 820, Fair Value Measurements and Disclosures, and discussed below.

Estimated fair values have been determined by the Company using the best available data and an estimation methodology it believes to be suitable for each category of financial instruments. Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

Cash and cash equivalents, which are comprised of cash and due from banks, the Company's balance at the Federal Reserve Bank and securities purchased under agreements to resell, had recorded values of \$1.06 billion and \$1.11 billion as of March 31, 2015 and December 31, 2014, respectively, which approximated fair values.

Investment securities have estimated fair values based on quoted market prices, if available, or by an estimation methodology based on management's inputs. The fair values of the Company's investment securities held-to-maturity are based on using "unobservable inputs" that are the best information available in the circumstances. Level 3 investment securities fair values 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.

Loans, net of deferred loan fees and cost, have an estimated fair value using the present value of discounted cash flow where market prices were not available. The discount rate used in these calculations is the estimated current market rate adjusted for credit risk. The carrying value of accrued interest receivable approximates fair value.

Accrued interest receivable has a carrying value that approximates fair value.

Investment in unconsolidated entity, senior note has a carrying value based upon the exit price from a December 30, 2014 sale to a private securitization entity. The par value of the principal approximated the carrying value of the underlying notes as determined by a third party valuation. The exit price approximates fair value as December 31, 2014.

Investment in unconsolidated entity, subordinated note has a carrying value based upon the closing price from a December 30, 2014 sale to a private securitization entity. The fair value was based on a market rate approach for similar yielding securities. The exit price approximates fair value as December 31, 2014.

For the senior and subordinated notes discussed above, based upon a third party review, there has not been material impairment since December 31, 2014. The market rate for those notes approximates stated rates.

Assets held for sale at March 31, 2015 are held at the lower of cost basis or market value. For loans, market value was determined using the income approach which converts expected cash flows from the loan portfolio by unit of measurement to a present value estimate. Unit of measurement was determined by loan type and for significant loans

on an individual loan basis. The fair values of the Company's loans classified as assets held for sale are based on "unobservable inputs" that are the best information available in the circumstances. Level 3 fair values are based on the present value of cash flows by unit of measurement. For commercial loans, a market adjusted rate to discount expected cash flows from outstanding principal and interest to expected maturity at the measurement date, was utilized. For accrued interest, carrying value approximates market value for these performing loans. For other real estate owned, market value was based upon appraisals of the underlying collateral by third party appraisers, reduced by 7-10% for estimated selling costs.

The estimated fair values of demand deposits (comprising interest-and noninterest-bearing checking accounts, savings, and certain types of demand and money market accounts) are equal to the amount payable on demand at the reporting date (generally, their carrying amounts). Liabilities held for sale primarily consist of deposit accounts with fair values approximating carrying values. The fair values of securities sold under agreements to repurchase and short term borrowings are equal to their carrying amounts as they are overnight borrowings.

Demand deposits (comprising interest-and noninterest-bearing checking accounts, savings, and certain types of money market accounts) are equal to the amount payable on demand at the reporting date (generally, their carrying amounts). The fair values of securities sold under agreements to repurchase and short term borrowings are equal to their carrying amounts as they are overnight borrowings.

Time deposits and subordinated debentures have a fair value estimated using a discounted cash flow calculation that applies current interest rates to discount expected cash flows. Based upon time deposit maturities at March 31, 2015, the carrying values approximate their fair values. The carrying amount of accrued interest payable approximates its fair value.

Interest rate swaps have a fair value estimated using models that use readily observable market inputs and a market standard methodology applied to the contractual terms of the derivatives, including the period to maturity and interest rate indices.

The fair value of commitments to extend credit is estimated based on the amount of unamortized deferred loan commitment fees. The fair value of letters of credit is based on the amount of unearned fees plus the estimated cost to terminate the letters of credit. Fair values of unrecognized financial instruments, including commitments to extend credit, and the fair value of letters of credit are considered immaterial.

In addition, ASC 820, Fair Value Measurements and Disclosures, establishes a common definition for fair value to be applied to assets and liabilities. It clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a framework for measuring fair value and expands disclosures concerning fair value measurements. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 valuation is based on quoted market prices for identical assets or liabilities to which the Company has access at the measurement date. Level 2 valuation is based on other observable inputs for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets in active or inactive markets, inputs other than quoted prices that are observable for the asset or liability such as yield curves, volatilities, prepayment speeds, credit risks, default rates, or inputs that are derived principally from, or corroborated through, observable market data by market-corroborated reports. Level 3 valuation is based on “unobservable inputs” that are the best information available in the circumstances. A financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following tables provide information regarding carrying amounts and estimated fair values (in thousands):

Edgar Filing: Bancorp, Inc. - Form 10-Q

March 31, 2015

	Carrying amount (in thousands)	Estimated fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment securities available-for-sale	\$ 1,442,665	\$ 1,442,665	\$ 51,458	\$ 1,391,207	\$ -
Investment securities held-to-maturity	93,662	91,675	7,300	-	84,375
Securities purchased under agreements to resell	46,250	46,250	46,250	-	-
Federal Home Loan and Atlantic Central Bankers Bank stock	1,003	1,003	-	-	1,003
Commercial loans held for sale	239,820	239,820	-	-	239,820
Loans, net	870,901	858,371	-	-	858,371
Investment in unconsolidated entity, senior note	175,599	175,599	-	-	175,599
Investment in unconsolidated entity, subordinated note	15,184	15,184	-	-	15,184
Assets held for sale	842,574	842,574	-	-	842,574
Demand and interest checking	4,182,656	4,182,656	4,182,656	-	-
Savings and money market	307,988	307,988	307,988	-	-
Time deposits	1,400	1,412	-	-	1,412
Subordinated debentures	13,401	8,093	-	-	8,093
Securities sold under agreements to repurchase	7,959	7,959	7,959	-	-
Interest rate swaps, liability	1,441	1,441	-	1,441	-

Edgar Filing: Bancorp, Inc. - Form 10-Q

	December 31, 2014		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Carrying amount (in thousands)	Estimated fair value			
Investment securities available-for-sale	\$ 1,493,639	\$ 1,493,639	\$ 66,287	\$ 1,425,986	\$ 1,366
Investment securities held-to-maturity	93,765	91,914	7,448	-	84,466
Securities purchased under agreements to resell	46,250	46,250	46,250	-	-
Federal Home Loan and Atlantic Central Bankers Bank stock	1,002	1,002	-	-	1,002
Commercial loans held for sale	217,080	217,080	-	-	217,080
Loans, net	874,593	869,871	-	-	869,871
Investment in unconsolidated entity, senior note	178,187	178,187	-	-	178,187
Investment in unconsolidated entity, subordinated note	15,408	15,408	-	-	15,408
Assets held for sale	887,929	887,929	-	-	887,929
Demand and interest checking	4,289,586	4,289,586	4,289,586	-	-
Savings and money market	330,798	330,798	330,798	-	-
Time deposits	1,400	1,412	-	-	1,412
Subordinated debentures	13,401	8,042	-	-	8,042
Securities sold under agreements to repurchase	19,414	19,414	19,414	-	-
Interest rate swaps, liability	942	942	-	942	-

Edgar Filing: Bancorp, Inc. - Form 10-Q

The assets measured at fair value on a recurring basis, segregated by fair value hierarchy, are summarized below (in thousands).

	Fair value March 31, 2015	Fair Value Measurements at Reporting Date Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment securities available for sale				
U.S. Government agency securities	\$ 18,381	\$ -	\$ 18,381	\$ -
Federally insured student loan securities	124,153	-	124,153	-
Obligations of states and political subdivisions	608,466	1,184	607,282	-
Residential mortgage-backed securities	406,206	-	406,206	-
Commercial mortgage-backed securities	107,784	-	107,784	-
Foreign debt securities	60,734	12,530	48,204	-
Other debt securities	116,941	37,744	79,197	-
Total investment securities available for sale	1,442,665	51,458	1,391,207	-
Loans held for sale	239,820	-	-	239,820
Investment in unconsolidated entity, senior note	175,599	-	-	175,599
Investment in unconsolidated entity, subordinated note	15,184	-	-	15,184
Interest rate swaps, liability	1,441	-	1,441	-
	\$ 1,871,827	\$ 51,458	\$ 1,389,766	\$ 430,603

	Fair Value Measurements at Reporting Date Using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair value December 31, 2014			

23

Investment securities available for sale							
U.S. Government agency securities	\$	16,561	\$	-	\$	16,561	\$ -
Federally insured student loan securities	126,012	-		126,012		-	
Obligations of states and political subdivisions	612,648	1,182		611,466		-	
Residential mortgage-backed securities	422,129	-		422,129		-	
Commercial mortgage-backed securities	123,239	-		123,239		-	
Foreign debt securities	66,878	14,098		52,235		545	
Other debt securities	126,172	51,007		74,344		821	
Total investment securities available for sale	1,493,639	66,287		1,425,986		1,366	
Loans held for sale	217,080	-		-		217,080	
Investment in unconsolidated entity, senior note	178,187	-		-		178,187	
Investment in unconsolidated entity, subordinated note	15,408	-		-		15,408	
Interest rate swaps, liability	942	-		942		-	
	\$	1,903,372	\$	66,287	\$	1,425,044	\$ 412,041

The Company's Level 3 assets are listed below (in thousands):

Fair Value Measurements Using
Significant Unobservable Inputs
(Level 3)

Edgar Filing: Bancorp, Inc. - Form 10-Q

	Available-for-sale securities		Commercial loans held for sale	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Beginning balance	\$ 1,366	\$ 551	\$ 217,080	\$ 69,904
Transfers into level 3	-	1,279	-	-
Transfers out of level 3	-	(551)	-	-
Total gains or losses (realized/unrealized)				
Included in earnings	(23)	-	513	1,846
Included in other comprehensive income	-	87	-	-
Purchases, issuances, and settlements				
Purchases	-	-	-	-
Issuances	-	-	125,923	630,165
Sales	(1,343)	-	(103,696)	(484,835)
Settlements	-	-	-	-
Ending balance	\$ -	\$ 1,366	\$ 239,820	\$ 217,080

The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

	\$ -	\$ -	\$ 2,427	\$ 3,587
--	------	------	----------	----------

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Investment in unconsolidated entity	
	March 31, 2015	December 31, 2014
Beginning balance	\$ 193,595	\$ -
Transfers into level 3	-	-
Transfers out of level 3	-	-
Total gains or losses (realized/unrealized)		

Edgar Filing: Bancorp, Inc. - Form 10-Q

Included in earnings	-	-	-	-
Included in other comprehensive income	-	-	-	-
Purchases, issuances, and settlements				
Purchases	-		193,595	
Issuances	-		-	
Sales	-		-	
Settlements	(2,812)		-	
Ending balance	\$	190,783	\$	193,595

The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	\$	-	\$	-
---	----	---	----	---

Assets measured at fair value on a nonrecurring basis, segregated by fair value hierarchy, during the periods shown are summarized below (in thousands):

Description	Fair value March 31, 2015	Fair Value Measurements at Reporting Date Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (1) (Level 3)
Impaired loans	\$ 4,276	\$ -	\$ -	\$ 4,276

Description	Fair value December 31, 2014	Fair Value Measurements at Reporting Date Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (1) (Level 3)
Impaired loans	\$ 2,450	\$ -	\$ -	\$ 2,450
Intangible assets	6,228	-	-	6,228
	\$ 8,678	\$ -	\$ -	\$ 8,678

(1) The method of valuation approach for the impaired loans was the market value approach based upon appraisals of the underlying collateral by external appraisers, reduced by 7-10% for estimated selling costs. Intangible assets are valued based upon internal analyses.

At March 31, 2015, impaired loans that are measured based on the value of underlying collateral have been presented at their fair value, less costs to sell, of \$4.3 million through specific reserves and other write downs of \$718,000 or by recording charge-offs when the carrying value exceeds the fair value. Included in the impaired balance at March 31, 2015 were troubled debt restructured loans with a balance of \$532,000 which had specific reserves of \$34,000. Valuation techniques consistent with the market and/or cost approach were used to measure fair value and primarily included observable inputs for the individual impaired loans being evaluated such as recent sales of similar assets or observable market data for operational or carrying costs. In cases where such inputs were unobservable, the loan balance is reflected within the Level 3 hierarchy. The fair value of other real estate owned is based on an appraisal of the property using the market approach for valuation.

Note 9. Derivatives

The Company utilizes derivative instruments to assist in the management of interest rate sensitivity by modifying the repricing, maturity and option characteristics on commercial real estate loans held for sale. These instruments are not accounted for as hedges. As of March 31, 2015, the Company had entered into eleven interest rate swap agreements with an aggregate notional amount of \$66.8 million. These swap agreements provide for the Company to receive an adjustable rate of interest based upon the three-month London Interbank

Edgar Filing: Bancorp, Inc. - Form 10-Q

Offering Rate (LIBOR). The Company recorded a loss of \$500,000 for the three months ended March 31, 2015 to recognize the fair value of derivative instruments. The amount payable by the Company under these swap agreements was \$1.7 million at March 31, 2015, as recorded in other liabilities. At March 31, 2015, the Company had minimum collateral posting thresholds with certain of its derivative counterparties and had posted cash collateral of \$2.1 million.

The maturity dates, notional amounts, interest rates paid and received and fair value of the Company's remaining interest rate swap agreements as of March 31, 2015 are summarized below (in thousands):

March 31, 2015				
Maturity date	Notional amount	Interest rate paid	Interest rate received	Fair value
November 10, 2024	\$ 10,800	2.5%	0.26%	\$ (499)
January 2, 2025	15,500	2.3%	0.27%	(411)
February 26, 2025	5,100	2.1%	0.26%	(28)
February 10, 2025	6,000	2.1%	0.26%	(61)
March 6, 2025	2,600	2.2%	0.26%	(54)
March 10, 2025	4,200	2.4%	0.26%	(132)
March 23, 2025	4,000	2.0%	0.26%	(16)
March 25, 2025	4,500	2.0%	0.27%	2
September 2, 2024	4,800	2.5%	0.26%	(212)
April 1, 2025	5,800	2.1%	0.27%	(25)
April 2, 2025	3,500	2.0%	0.27%	(5)
Total	\$ 66,800			\$ (1,441)

Note 10. Other Identifiable Intangible Assets

On November 29, 2012, the Company acquired certain software rights and personnel of a prepaid program manager in Europe for approximately \$1.8 million to establish a European prepaid card presence. The Company allocated the majority of the \$1.8 acquisition cost to software used for its fraud monitoring and other utilities for its prepaid card business, with related services provided by its European data processing subsidiary. The software is being amortized over eight years. Amortization expense is \$217,000 per year (\$1.1 million over the next five years). The gross carrying amount of the software is \$1.8 million and as of March 31, 2015 the accumulated amortization was \$639,000.

The Company accounts for its customer list in accordance with ASC 350, Intangibles—Goodwill and Other. The acquisition of the Stored Value Solutions division of Marshall Bank First in 2007 resulted in a customer list intangible of \$12.0 million which is being amortized over a 12 year period. Amortization expense is \$1.0 million per year (\$4.7 million over the next five years). The gross carrying amount of the customer list intangible is \$12.0 million and as of

March 31, 2015 the accumulated amortization was \$7.3 million. For both 2015 and 2014, amortization expense for the first quarter was \$250,000.

Note 11. Recent Accounting Pronouncements

In January 2014, FASB Accounting Standards Update (“ASU”) No. 2014-04, amended ASC Sub-Topic 310-40 “Receivables—Troubled Debt Restructurings by Creditors.” The amendments clarify that an in substance repossession or foreclosure occurs, and the Company is considered to have received physical possession of residential real estate property collateralizing a mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments in this update are effective for the annual periods beginning on or after December 15, 2014 and an entity can elect to adopt the amendments in this update using either a modified retrospective transition method or a prospective transition method as allowed in ASU No. 2014-04. The implementation of ASU No. 2014-04 did not have a material effect on the Company’s consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08 (ASU 2014-08), “Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)”. ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company adopted ASU 2014-08 as

presented in the Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Cash Flows and Note W, Discontinued Operations.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". This ASU establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate and construction industries. The revenue standard's core principal is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) identify the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies the performance obligation. Three basic transition methods are available - full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the cumulative effect alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. The guidance in this ASU is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2016. The Company does not expect this ASU to have a significant impact on its financial condition or results of operations.

In June 2014, the FASB issued ASU 2014-11, "Transfers and Servicing". The amendments in this update require that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement. The amendments require an entity to disclose information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements, in which the transferor retains substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In addition the amendments require disclosure of the types of collateral pledged in repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions and the tenor of those transactions. The guidance in this ASU was effective for annual and interim periods beginning after December 15, 2014. The adoption of this ASU did not have a significant impact on the Company's financial condition or results of operations.

In August 2014, the FASB issued ASU 2014-14, "Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure". The guidance in this ASU affects creditors that hold government-guaranteed mortgage loans, including those guaranteed by the FHA and the VA. It requires that a mortgage loan be derecognized and a separate other receivable be recognized upon foreclosure if the following conditions are met:

1. The loan has a government guarantee that is not separable from the loan before foreclosure.
2. At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under the claim.
3. At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed.

Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and

interest) expected to be recovered from the guarantor. The guidance in this ASU was effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The guidance may be applied using a prospective transition method in which a reporting entity applies the guidance to foreclosures that occur after the date of adoption, or a modified retrospective transition using a cumulative-effect adjustment (through a reclassification to a separate other receivable) as of the beginning of the annual period of adoption. Prior periods should not be adjusted. A reporting entity must apply the same method of transition as elected under ASU 2014-04. The adoption of this ASU did not have a significant impact on the Company's financial condition or results of operations.

Note 12. Regulatory Matters

It is the policy of the Federal Reserve that financial holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that financial holding companies should not maintain a level of cash dividends that undermines the financial holding company's ability to serve as a source of strength to its banking subsidiaries.

Various federal and state statutory provisions limit the amount of dividends that subsidiary banks can pay to their holding companies without regulatory approval. Under Delaware banking law, the Bank's directors may declare dividends on common or preferred stock of so much of its net profits as they judge expedient, but the Bank must, before the declaration of a dividend on common stock from net profits, carry 50% of its net profits from the preceding period for which the dividend is paid to its surplus fund until its surplus fund

amounts to 50% of its capital stock and thereafter must carry 25% of its net profits for the preceding period for which the dividend is paid to its surplus fund until its surplus fund amounts to 100% of its capital stock.

In addition to these explicit limitations, federal and state regulatory agencies are authorized to prohibit a banking subsidiary or financial holding company from engaging in an unsafe or unsound practice. Depending upon the circumstances, the agencies could take the position that paying a dividend would constitute an unsafe or unsound banking practice. In August, 2015, the Bank entered into an Amendment to a 2014 Consent Order with the FDIC pursuant to which the Bank may not pay dividends without prior FDIC approval. On May 11, 2015, the Company had received a Supervisory Letter pursuant to which the Company may not pay dividends without prior Federal Reserve approval. The Federal Reserve approved the payment of the interest on the Company's trust preferred securities due September 15, 2015. Future payments are subject to future approval by the Federal Reserve.

The Company and Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification of the Company and the Bank are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Note 13. Legal

On July 17, 2014, a class action securities complaint, captioned Fletcher v. The Bancorp Inc., et al., was filed in the United States District Court for the District of Delaware. A consolidated version of that class action complaint was filed before the same court on January 23, 2015 on behalf of Lead Plaintiffs Arkansas Public Employees Retirement System and Arkansas Teacher Retirement System. Filed under the caption of In re The Bancorp Inc. Securities Litigation, the consolidated complaint asserts claims against Bancorp, Betsy Z. Cohen, Paul Frenkiel, Frank M. Mastrangelo and Jeremy Kuiper, and alleges that during a class period beginning April 24, 2013 through July 23, 2014, the defendants made materially false and/or misleading statements and/or failed to disclose that (i) Bancorp had wrongfully extended and modified problem loans and under-reserved for loan losses due to adverse loans, (ii) Bancorp's operations and credit practices were in violation of the BSA, and (iii) as a result, Bancorp's financial statements, press releases and public statements were materially false and misleading during the relevant period. The consolidated complaint further alleges that, as a result, the price of Bancorp's common stock was artificially inflated and fell once the defendants' misstatements and omissions were revealed, causing damage to the plaintiffs and the other members of the class. The complaint asks for an unspecified amount of damages, prejudgment and post-judgment interest and attorneys' fees. The defendants filed a motion to dismiss the consolidated complaint on March 24, 2015. Following Bancorp's April 1, 2015 announcement that it would be restating its financial statements, the parties entered into a stipulation dated April 10, 2015 allowing the plaintiffs to file an amended complaint within 28 days of Bancorp filing its restated financial statements, and giving the defendants 28 days to respond to the amended complaint. The court approved the parties' stipulation on April 14, 2015. This litigation is in its preliminary stages. Management has been advised by their counsel in the matter that reasonably possible losses cannot be estimated. Management believes that the complaint is without merit and we intend to defend vigorously.

In addition, management is a party to various routine legal proceedings arising out of the ordinary course of our business. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on the Company's financial condition or operations

Note 14. Segment Financials

The Company performed a strategic evaluation of its businesses in the third quarter of 2014. As a result of the evaluation the Company decided to discontinue its commercial lending operations, as described in Note 15, Discontinued Operations. The shift from a traditional bank balance sheet led the Company to evaluate the remaining business structure. Based on the continuing operations of the Company, it was determined that there would be four segments of the business; specialty finance, payments, corporate and discontinued operations. Specialty finance includes commercial loan sales, Small Business Administration loans, leasing and security backed lines of credit and any deposits generated by those business lines. Payments include prepaid cards, merchant payments and healthcare accounts. Corporate includes our investment portfolio and corporate overhead and other non allocated expenses. Investment income is allocated to the payments segment. These operating segments reflect the way the Company views its current operations.

For the three months ended March 31, 2015

Specialty finance	Payments	Corporate	Discontinued operations	Total
-------------------	----------	-----------	-------------------------	-------

Edgar Filing: Bancorp, Inc. - Form 10-Q

	(in thousands)									
Interest income	\$	10,688	\$	10	\$	9,019	\$	-	\$	19,717
Interest allocation	-		9,019		(9,019)		-		-	
Interest expense	1,212		1,790		200		-		3,203	
Net interest income	9,476		7,239		(200)		-		16,514	
Provision for loan and lease losses	665		-		-		-		665	
Non-interest income	4,012		16,739		26		-		20,777	
Non-interest expense	10,449		25,979		4,433		-		40,860	
Income (loss) from continuing operations before taxes	2,374		(2,001)		(4,607)		-		(4,234)	
Income taxes	-		-		(2,427)		-		(2,427)	
Income (loss) from continuing operations	2,374		(2,001)		(2,180)		-		(1,807)	
Income from discontinued operations	-		-		-		2,021		2,021	
Net income (loss)	\$	2,374	\$	(2,001)	\$	(2,180)	\$	2,021	\$	214

For the three months ended March 31, 2014

	Specialty finance (in thousands)	Payments	Corporate	Discontinued operations	Total
Interest income	\$ 8,449	\$ 15	\$ 8,091	\$ -	\$ 16,555
Interest allocation	-	8,091	(8,091)	-	-
Interest expense	1,006	1,487	412	-	2,904
Net interest income	7,443	6,619	(412)	-	13,651
Provision for loan and lease losses	1,275	-	-	-	1,275
Non-interest income	6,902	16,762	15	-	23,678
Non-interest expense	9,971	17,893	3,341	-	31,205
Income (loss) from continuing operations before taxes	3,099	5,488	(3,738)	-	4,849
Income taxes	-	-	1,623	-	1,623
Income (loss) from continuing operations	3,099	5,488	(5,361)	-	3,226
Loss from discontinued operations	-	-	-	(1,599)	(1,599)

Edgar Filing: Bancorp, Inc. - Form 10-Q

operations										
Net income (loss)	\$	3,099	\$	5,488	\$	(5,361)	\$	(1,599)	\$	1,627

	March 31, 2015					
	Specialty finance (in thousands)	Payments	Corporate	Discontinued operations	Total	
Total assets	\$ 1,113,693	\$ 31,633	\$ 2,860,549	\$ 842,574	\$ 4,848,449	
Total liabilities	\$ 1,213,905	\$ 3,025,623	\$ 286,867	\$ -	\$ 4,526,396	

	December 31, 2014					
	Specialty finance (in thousands)	Payments	Corporate	Discontinued operations	Total	
Total assets	\$ 1,099,914	\$ 30,503	\$ 2,967,971	\$ 887,929	\$ 4,986,317	
Total liabilities	\$ 1,165,567	\$ 3,198,129	\$ 303,598	\$ -	\$ 4,667,294	

Note 15. Discontinued Operations

Edgar Filing: Bancorp, Inc. - Form 10-Q

The Company performed a strategic evaluation of its businesses in the third quarter of 2014 and decided to discontinue its commercial lending operations and will focus on its specialty finance lending. The loans which constitute the commercial portfolio are in the process of disposition. As such, financial results of the commercial lending operations are presented as separate from continuing operations on the consolidated statements of operations and assets of the commercial lending operations to be disposed are presented as assets held for sale on the consolidated balance sheets.

The following table presents financial results of the commercial lending business included in net income (loss) from discontinued operations for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,	
	2015	2014
	(restated)	
	(in thousands)	
Interest income	\$ 8,535	\$ 12,660
Interest expense	-	-
Provision for loan and lease losses	-	13,860
Net interest income	8,535	(1,200)
Non interest income	48	477
Non interest expense	5,484	1,752
Income (loss) before taxes	3,099	(2,475)
Income tax provision	1,078	(876)
Net income (loss)	\$ 2,021	\$ (1,599)

	March 31,	December 31,
	2015	2014
	(in thousands)	
Loans, net	\$ 819,602	\$ 867,399
Other assets	22,972	20,530
Total assets	\$ 842,574	\$ 887,929

Based upon an independent third party review performed as of September 30, 2014, the first reporting date after discontinuance of commercial loan operations, the Company marked the \$1.1 billion commercial lending portfolio balance as of that date to lower of cost or market. An independent third party financial advisory firm performed the lower of cost or market valuation, using the income approach in a discounted cash flow model. Large balance commercial loans were modeled on a loan level basis. Small balance commercial loans were modeled on a pool basis

where loans are grouped by common characteristics including loan type, loan collateral, amortization type and coupon. The expected cash flows for the loans or pools were derived from the contractual loan terms, adjusted for prepayments and credit considerations as applicable. The loan level credit analysis was also performed by an independent third party which reviewed the majority of the credit portfolio for credit inputs into the model. Based on that review, weighted average fair values were applied to the loans not specifically reviewed. Discount rates used in the model were derived from observable market interest rates or credit spreads for comparable loans including national and regional commercial loan pricing surveys, dealer market research and market pricing quotations for new issuance. Market quoted interest rates were adjusted for the subject loan or pool to account for differences in loan characteristics including loan term, loan size, loan vintage and loan credit quality.

Various elements of the lower of cost or market valuation are as follows:

Measured on a recurring basis	Valuation techniques	Significant unobservable inputs	Range
Large balance commercial loans	Discounted cash flows	Discount rate	1.87%-7.93%

Small balance commercial loans Discounted cash flows Discount rate 4.12%-6.77%

As of March 31, 2015 independent third parties also performed a fair valuation and determined that a significant additional mark was not required. The results of discontinued operations do not include any future severance payments. In addition to the sales in 2014, \$150 million of loans were sold at a net gain of approximately \$2.2 million in the second quarter of 2015.

Note 16. Subsequent Events

The Company evaluated its March 31, 2015 financial statements for subsequent events through the date the financial statements were issued. In the second quarter of 2015, \$150 million of loans were sold at a net gain of approximately \$2.2 million.

In August, 2015, the Bank entered into an Amendment to a 2014 Consent Order with the FDIC pursuant to which the Bank may not pay dividends without prior FDIC approval. The Bank took this action without admitting or denying any additional charges of unsafe or unsound banking practices or violations of law or regulation relating to continued weaknesses in the Bank's BSA compliance program. On May 11, 2015, the Company had received a Supervisory Letter pursuant to which the Company may not pay dividends without prior Federal Reserve approval. The Federal Reserve approved the payment of the interest on the Company's trust preferred securities due September 15, 2015. Future payments are subject to future approval by the Federal Reserve.

Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Forward-Looking Statements

When used in this Form 10-Q, the words "believes" "anticipates" "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties more particularly described in Item 1A, under the caption "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2014 and in other of our public filings with the Securities and Exchange Commission. These risks and uncertainties could cause actual results to differ materially from those expressed or implied in this Form 10-Q. We caution readers not place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances after the date of this report except as required by applicable law.

In the following discussion we provide information about our results of operations, financial condition, liquidity and asset quality. We intend that this information facilitate your understanding and assessment of significant changes and trends related to our financial condition and results of operations. You should read this section in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operation” included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

We are a Delaware financial holding company with a wholly owned subsidiary, The Bancorp Bank, which we refer to as the Bank. Through the Bank, we provide a wide range of commercial and retail banking services, which include private label banking, healthcare accounts, prepaid and debit cards, and merchant payment processing to national markets. We are also engaged in specialty lending and offer Small Business Administration (“SBA”) loans, leases and security backed lines of credit (“SBLOC”) nationally. Our commercial mortgage backed securities department originates loans nationally for sale into secondary markets.

Nationally, we focus on providing our services to organizations with a pre-existing customer base who can use one or more selected banking services tailored to support or complement the services provided by these organizations to their customers. These services include private label banking; credit and debit card processing for merchants affiliated with independent service organizations; healthcare savings accounts for healthcare providers and third-party plan administrators; and prepaid cards, also known as stored value cards, for insurers, incentive plans, large retail chains and consumer service organizations. We typically provide these services under the name and through the facilities of each organization with whom we develop a relationship. We refer to this, generally, as affinity group banking. Our private label banking, merchant processing, healthcare accounts and prepaid card programs are a source of fee income and low-cost deposits.

In Europe, the Company maintains three operational service subsidiaries and one subsidiary through which it offers prepaid card issuing services.

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform with accounting principles generally accepted in the United States and general practices within the financial services industry. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. We believe that the determination of our allowance for loan and lease losses, our determination of the fair value of financial instruments and leveling within the valuation hierarchy, our determination of other than temporary impairment, and income taxes involve a higher degree of judgment and complexity than our other significant accounting policies.

We determine our allowance for loan and lease losses with the objective of maintaining a reserve level we believe to be sufficient to absorb our estimated probable credit losses. We base our determination of the adequacy of the allowance on periodic evaluations of our loan portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, the amount of loss we may incur on a defaulted loan, expected commitment usage, the amounts and timing of expected future cash flows on impaired loans, value of collateral, estimated losses on consumer loans and residential mortgages, and general amounts for historical loss experience. We also evaluate economic conditions and uncertainties in estimating losses and inherent risks in our loan portfolio. To the extent actual outcomes differ from our estimates, we may need additional provisions for loan losses. Any such additional provisions for loan losses will be a direct charge to our earnings. See "Allowance for Loan and Lease Losses".

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. We estimate the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, we estimate fair value. Our valuation methods and inputs consider factors such as types of underlying assets or liabilities, rates of estimated credit losses, interest rate or discount rate and collateral. Our best estimate of fair value involves assumptions including, but not limited to, various performance indicators, such as historical and projected default and recovery rates, credit ratings, current delinquency rates, loan-to value ratios and the possibility of obligor refinancing.

At the end of each quarter, we assess the valuation hierarchy for each asset or liability measured. From time to time, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs to measure fair value at the measurement date. Transfers into or out of hierarchy levels are based upon the fair value at the beginning of the reporting period.

We periodically review our investment portfolio to determine whether unrealized losses on securities are temporary, based on evaluations of the creditworthiness of the issuers or guarantors, and underlying collateral, as applicable. In addition, we consider the continuing performance of the securities. We recognize credit losses through the income statement. If management believes market value losses are temporary and that we have the ability and intention to hold those securities to maturity, we recognize the reduction in other comprehensive income, through equity.

We account for income taxes under the liability method whereby we determine deferred tax assets and liabilities based on the difference between the carrying values on our financial statements and the tax basis of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense (benefit) is the result of changes in deferred tax assets and liabilities. The Company is currently utilizing the tax expenses as calculated on year-to-date numbers, since small changes in annual estimates would have a significant change in the annual effective rate.

Recent Developments

In the third quarter of 2014, we decided to discontinue our Philadelphia-based commercial lending operations. The loans which constitute that portfolio are in the process of disposition. This represents a strategic shift to a focus on our national specialty lending programs including small fleet leasing, SBLOC, CMBS origination and SBA lending. We anticipate using the proceeds from disposition to acquire investment securities and to provide liquidity to fund growth in our continuing specialty lending lines. Yields we obtain from reinvestment of the proceeds will be subject to economic and other conditions at the time of reinvestment, including market interest rates, many of which will be beyond our control. We cannot predict whether income resulting from the reinvestment of loans we hold for sale resulting from discontinued operations will match or exceed the amount from the sold loans. To dispose of our commercial loan portfolio, we have engaged several intermediaries which are in the business of selling loans, primarily to other financial institutions, to assist in completing loan sales. As of June 30, 2015, we had sold loans with a book value of approximately \$342.2 million, of the approximately \$1.1 billion in book value of loans in that portfolio as of the September 30, 2014 date of discontinuance of operations. The \$342.2 million of loans sold had a face value of approximately \$417.1 million. These sales were comprised of the following: Loans with an approximate face and book value of \$267.6 million and \$192.7 million, respectively, were sold in the fourth quarter of 2014 to a private securitization entity. The securitization is managed by an independent investor, which contributed \$16 million of equity to

that entity. The balance of the sale was financed by the Bank and is reflected on the consolidated balance sheet as investment in unconsolidated subsidiary. See “Financial Condition-Investment in Unconsolidated Subsidiary” below. After \$74.9 million of loan charges reflected in the difference between the face value and book value of the loans sold to the securitization, we recognized a gain of \$17.0 million. In the second quarter of 2015, an additional \$149.6 million of loans were sold at a gain of approximately \$2.2 million.

We have adjusted our financial statement presentation for items related to discontinued operations. Separately, we have restated our financial statements for periods from 2010 through September 30, 2014, the last date through which financial statements previously had been filed prior to Form 10-K for the year ended December 31, 2014. The restatement reflected the recognition of provisions for loan losses and loan charge-offs for discontinued operations in periods earlier than those in which those charges were initially recognized. The majority of these loan charges were originally recognized in 2014, primarily in the third quarter, when commercial lending operations were discontinued. An additional \$28.5 million of discontinued operations losses that were not previously reported were included within these periods. Also, \$12.7 million of losses incurred in 2015 related to loans that were resolved before the issuance date of our financial statements and were reflected in our 2014 financial statements. Substantially all of the losses and corresponding restatement adjustments resulted from the discontinued commercial loan operations.

The Bank has entered into a Stipulation and Consent to the Issuance of a Consent Order, or the 2014 Consent Order, with the Federal Deposit Insurance Corporation, or FDIC, which became effective on June 5, 2014. The Bank took this action without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to the Bank’s Bank Secrecy Act, or BSA, compliance program.

The 2014 Consent Order requires the Bank to take certain affirmative actions to comply with its BSA obligations, among them: appoint a qualified BSA/OFAC (Office of Foreign Assets Control) officer; revise the written BSA Compliance Program; develop and implement additional policies and procedures for suspicious activity monitoring and reporting; review and enhance customer due diligence and risk assessment processes; review past account activity to determine whether suspicious activity was properly identified and reported; strengthen internal controls, including augmenting oversight by the Bank’s Board of Directors of BSA activities; establish an independent testing program; and develop policies and procedures to govern staffing and training for BSA compliance. The Bank has and expects to continue to expend significant management and financial resources to address the Bank’s BSA compliance program which will reduce our net income.

To date, the Bank has implemented multiple upgrades that address the requirements of the 2014 Consent Order, such as appointing a qualified BSA/OFAC officer, increasing oversight and staffing of the BSA compliance function, improving practices and procedures to monitor and report transactions, and increasing training, as well as adopting an independent testing program to ensure adherence to more effective BSA standards. Although these measures have increased and will continue to add to non-interest expense, including significant initial consulting fees, we expect that the growth in our continuing lines of business should, over time, offset these expenses. See “Non- Interest Expense”

Until the Bank submits to the FDIC a BSA report summarizing the completion of certain corrective action, the 2014 Consent Order places some restrictions on certain activities: the Bank is restricted from signing and boarding new independent sales organizations, issuing new non-benefit related reloadable prepaid card programs, establishing new distribution channels for existing non-benefit reloadable prepaid card programs and originating Automated Clearing House transactions for new merchant-related payments. Until such time as we receive the FDIC’s approval, restrictions in these specific areas may potentially impact their growth. We do not believe that these restrictions will have a material impact on current revenue levels. The Bank has utilized one primary consultant related to its BSA-AML (Anti-Money Laundering) program refinement and one primary consultant related to conducting a lookback review of historical transactions to confirm that suspicious activity was properly identified and reported in accordance with applicable law. Subsequent to December 31, 2014 the primary BSA-AML consultant performed services resulting in \$638,000 in billings reflected as expense in 2015, with no additional billings expected. The primary consultant for the

lookback performed services resulting in \$5.2 million in billings and expense in the first quarter of 2015 and \$9.1 million in billings and expense in the second quarter of 2015. We cannot now estimate expenses for remaining lookback services; however, we expect that the lookback will be completed in the second quarter of 2016.

On August 27, 2015, the Bank entered into an Amendment to Consent Order, or the Amendment, with the FDIC, amending the 2014 Consent Order. The Bank took this action without admitting or denying any additional charges of unsafe or unsound banking practices or violations of law or regulation relating to continued weaknesses in the Bank's BSA compliance program. The Amendment provides that the Bank may not declare or pay any dividend without the prior written consent of the FDIC and for certain assurances regarding management.

On May 11, 2015, the Federal Reserve issued a letter, or the Supervisory Letter, to us as a result of the 2014 Consent Order and the Amendment, (which, at the time of the Supervisory Letter, was in proposed form), which provides that we may not pay any dividends on our common stock, make any distributions to our European entities or make any interest payments on our trust preferred securities,

without the prior written approval of the Federal Reserve. It further provides that we may not incur any debt (excluding payables in the ordinary course of business) or redeem any shares of our stock, without the prior written approval of the Federal Reserve. The Federal Reserve has approved the payment of the interest on the Company's trust preferred securities due September 15, 2015. Future payments are subject to future approval by the Federal Reserve.

We learned through a compliance examination that certain actions of third parties through which we issue cards are being scrutinized by the FDIC. The FDIC has informed us that it is analyzing certain operational aspects related to these card programs which may constitute unfair or deceptive acts or practices regulations under Section 5 of the Federal Trade Commission Act. The operational practices of the third parties identified by the FDIC were the following: practices relating to the termination of a third-party rewards program tied to deposit accounts, including the timing of the notice of termination, and the disclosure of the effects of such termination on the consumer's ability to obtain unredeemed rewards; practices performed by third parties relating to the time frames within which we must respond to a consumer's notice of error with respect to electronic transactions in various types of deposit accounts; and practices relating to the timing and frequency of disclosed account fees and the manner by which the account holder is notified of these fees in periodic statements generated by third parties. While the Bank is contractually indemnified for related losses, civil money penalties, if assessed against the Bank, are not indemnified.

In December, 2014, the FDIC issued new guidance which reclassified the Bank's prepaid card deposits and most other deposits as brokered deposits because such deposits are obtained with the assistance of third parties. The reclassification resulted in a 10 basis point increase in our fourth quarter assessment, or approximately a \$1.0 million increase in FDIC expense for that quarter. A reduction in the assessment rate will depend on future FDIC evaluations of the Bank. The Bank's deposits do not exhibit the volatility normally associated with brokered deposits obtained through deposit brokers, and are considered to be stable and low cost.

We are a defendant in a class action filed in July 2014 which, if resolved adversely to us, could materially adversely affect our financial condition and results of operations. This litigation is in its preliminary stages. We believe that the complaint is without merit and intend to defend vigorously.

Results of Operations

First quarter 2015 to first quarter 2014

Net Income: Net loss from continuing operations for the first quarter of 2015 was \$1.8 million compared to \$3.2 million of net income for the first quarter of 2014. After discontinued operations, net loss for the first quarter of 2015 was \$214,000 compared to \$1.6 million for the first quarter of 2014. A \$2.9 million increase in net interest income was more than offset by a \$2.7 million decrease in non-interest income (excluding security gains), \$5.7 million of BSA related consulting expenses, \$3.9 million of higher other non interest expense and a \$610,000 decrease in the provision for loan and lease losses. Non-interest income (excluding security gains) decreased to \$20.7 million in first quarter 2015 from \$23.4 million in first quarter 2014, primarily reflecting a \$3.8 million decrease in gain on sale of loans. Gain on sale of loans was \$1.7 million for the first quarter of 2015 compared to \$5.5 million for first quarter 2014 reflecting lower margins in the current year period. Net interest income increased to \$16.5 million from \$13.7 million primarily as a result of higher loan and investment security balances. The provision for loan and lease losses decreased \$610,000 to \$665,000 in first quarter 2015, compared to \$1.3 million in first quarter 2014, reflecting the impact of higher reserves on specific loans in the first quarter of 2014. Net income from discontinued operations was \$2.0 million in first quarter 2015, compared to \$1.6 million net loss on discontinued operations for the first quarter of 2014. Diluted loss per share was \$0.00 in first quarter 2015 compared to \$0.05 in the first quarter of 2014.

Net Interest Income: Our net interest income for first quarter 2015 increased to \$16.5 million, an increase of \$2.9 million or 21.0% from \$13.7 million in first quarter 2014. Our interest income for first quarter 2015 increased to \$19.7 million, an increase of \$3.2 million or 19.1% from \$16.6 million for first quarter 2014. The increase in interest income resulted primarily from higher balances of loans and investment securities. Investment security balances have been increased to achieve higher returns compared to overnight investments. Our average loans and leases increased to \$1.23 billion for first quarter 2015 from \$839.9 million for first quarter 2014, while related interest income increased \$2.0 million on a tax equivalent basis. Our average investment securities increased to \$1.56 billion for first quarter 2015 from \$1.41 billion for first quarter 2014, while related interest income increased \$1.6 million on a tax equivalent basis.

Our net interest margin (calculated by dividing net interest income by average interest earning assets) for first quarter 2015 of 2.22% was comparable to 2.30% in the first quarter of 2014. In first quarter 2015, the average yield on our loans decreased to 3.46% from 4.17% for first quarter 2014, a decrease of 71 basis points. The decrease reflects a higher proportion of security backed lines of credit which generally carry lower yields and experience lower losses than our other loans. Yields on taxable investments were comparable at 1.97% and 2.01%. Yields on non-taxable investments were higher at 3.67% compared to 3.28%, respectively, an increase of 39 basis

Edgar Filing: Bancorp, Inc. - Form 10-Q

points. Average interest earning deposits at the Federal Reserve Bank decreased \$139.0 million, or 11.3% to \$1.10 billion in first quarter 2015 from \$1.24 billion in first quarter 2014, as overnight investments were deployed into loans and investment securities. The interest cost of total deposits and interest bearing liabilities of 0.28% for first quarter 2015 was comparable to the 0.25% in first quarter 2014.

Average Daily Balances. The following table presents the average daily balances of assets, liabilities and stockholders' equity and the respective interest earned or paid on interest-earning assets and interest-bearing liabilities, as well as average annualized rates, for the periods indicated:

	Three months ended March 31, 2015		2014 (restated)				
	Average Balance (dollars in thousands)	Interest	Average Rate	Average Balance	Interest		Average Rate
Assets:							
Interest earning assets:							
Loans net of unearned fees and costs **	\$ 1,214,378	\$ 10,507	3.46%	\$ 821,593	\$ 8,560		4.1%
Leases - bank qualified*	17,555	292	6.65%	18,288	247		5.4%
Investment securities-taxable	1,028,718	5,061	1.97%	1,020,135	5,137		2.0%
Investment securities-nontaxable*	532,324	4,883	3.67%	391,486	3,207		3.2%
Interest earning deposits at Federal Reserve Bank	1,096,344	622	0.23%	1,235,319	764		0.2%
Federal funds sold and securities purchased under agreement to resell	46,250	164	1.42%	30,545	106		1.3%
Net interest earning assets	3,935,569	21,529	2.19%	3,517,366	18,021		2.0%
Allowance for loan and lease losses	(3,640)			(2,748)			
Assets held for sale	758,111	8,536	4.50%	1,323,742	12,660		3.8%
Other assets	318,911			149,706			
	\$ 5,008,951			\$ 4,988,066			

Edgar Filing: Bancorp, Inc. - Form 10-Q

Liabilities and shareholders' equity:										
Deposits:										
Demand and interest checking	\$	4,290,835	\$	2,606	0.24%	\$	4,015,547	\$	2,238	0.2
Savings and money market		318,776		487	0.61%	498,185		504		0.4
Time		1,400		6	0.00%	13,342		35		0.0
Total deposits		4,611,011		3,099	0.27%	4,527,074		2,777		0.2
Short-term borrowings	-		-		0.00%	22		-		0.0
Repurchase agreements		13,147		9	0.27%	16,752		12		0.2
Subordinated debt		13,401		95	2.84%	13,401		115		3.4
Total deposits and interest bearing liabilities		4,637,559		3,203	0.28%	4,557,249		2,904		0.2
Other liabilities		10,610				32,950				
Total liabilities		4,648,169				4,590,199				
Shareholders' equity		360,782				397,867				
	\$	5,008,951				\$	4,988,066			
Net interest income on tax equivalent basis *			\$	26,862				\$	27,777	
Tax equivalent adjustment				1,811					1,209	
Net interest income			\$	25,051				\$	26,568	
Net interest margin *					2.22%					2.2

* Full taxable equivalent basis, using a 35% statutory tax rate.

** Includes loans held for sale.

For first quarter 2015, average interest earning assets increased to \$3.94 billion, an increase of \$418.2 million or 11.9% from first quarter 2014. The increase reflected increased average balances of loans and leases of \$392.1 million or 46.7%, and increased average balances of investment securities of \$149.4 million or 10.6%. Average demand and interest checking deposits increased \$275.3 million or 6.9%. The Bank experienced growth in prepaid, institutional banking, payment acceptance (card payment and ACH processing) and other deposit categories, due to the acquisition of new customers.

Provision for Loan and Lease Losses. Our provision for loan and lease losses was \$665,000 for the first quarter of 2015 compared to \$1.3 million for the first quarter of 2014. The \$610,000 decrease reflected the impact of higher reserves on specific loans in the first quarter of 2014. The allowance for loan losses increased to \$4.2 million or 0.49% of total loans at March 31, 2015, from \$3.6 million or 0.42% of total loans at December 31, 2014. We believe that our allowance is adequate to cover inherent losses. For more information about our provision and allowance for loan and lease losses and our loss experience, see “Financial Condition-Allowance for loan and lease losses”, “-Net charge-offs,” and “-Non-performing loans, loans 90 days delinquent and still accruing, and troubled debt restructurings,” below and Note 6 to the financial statements.

Non-Interest Income. Non-interest income was \$20.7 million in first quarter 2015 compared to \$23.4 million in first quarter 2014 before gains on securities of \$80,000 in the first quarter of 2015 and \$241,000 in the first quarter of 2014. The \$2.7 million or 11.7% decrease between those respective periods reflected a decrease in prepaid fees of \$336,000 or 2.5% to \$13.1 million for first quarter 2015. The decrease reflected a reduction of certain fees on existing business and the exit in November 2014 of one of the Bank’s prepaid card clients as described in the Company’s 8-K filed April 15, 2014. Gain on sale of loans, reflecting lower margins, decreased \$3.8 million or 69.4% to \$1.7 million for first quarter 2015 from \$5.5 million for first quarter 2014. Service fees on deposit accounts increased \$550,000 or 45.5% to \$1.8 million for first quarter 2015 from \$1.2 million for first quarter 2014 reflecting the assessment of service charges on a larger and growing number of health savings accounts. Affinity fees decreased \$122,000 or 22.8% to \$412,000 for first quarter 2015 from \$534,000 for first quarter 2014. The reduction reflected a smaller number of account openings which resulted in lower account opening fees. Other non-interest income increased \$854,000 or 135.3% to \$1.5 million for first quarter 2015 from \$631,000 in first quarter 2014. The increase resulted primarily from a \$1.0 million increase in income on investment in unconsolidated subsidiary, which resulted from the sale of loans from discontinued operations on December 30, 2014.

Non-Interest Expense. Total non-interest expense was \$40.9 million for first quarter 2015, an increase of \$9.7 million or 30.9% over \$31.2 million for first quarter 2014. The increase reflected \$5.7 million of BSA and lookback consulting expenses. Lookback expenses are being incurred to analyze historical transactions for potential BSA exceptions as required by the 2014 Consent Order. The vast majority of remaining consulting expense reflects lookback analysis which is taking longer than originally estimated by the applicable consultant. Salaries and employee benefits amounted to \$15.5 million, an increase of \$380,000 or 2.5% over \$15.1 million for first quarter 2014. The increase in salaries and employee benefits reflected staff additions and other salary expense for BSA and other compliance, institutional banking and SBA loan production. The increase was net of a reduction in CMBS loan

sales origination expenses of \$1.8 million which reflected lower incentive payments. Depreciation and amortization increased \$152,000 or 14.5% to \$1.2 million in first quarter 2015 from \$1.1 million in first quarter 2014 which reflected increased depreciation costs related to leasehold improvements and equipment for staff additions and information technology upgrades. Rent and occupancy increased \$358,000 or 34.9% to \$1.4 million in first quarter 2015 from \$1.0 million in first quarter 2014 which reflected additional main office operations and compliance space and new Florida office space for BSA staff. Data processing was comparable between periods, decreasing \$27,000 or 0.8% to \$3.2 million in first quarter 2015 from \$3.3 million in first quarter 2014. Printing and supplies increased \$59,000 or 10.6% to \$615,000 in first quarter 2015 from \$556,000 in first quarter 2014 reflecting expenses related to the outsourcing of certain printing. Audit expense increased \$50,000 or 13.3% to \$426,000 in first quarter 2015 from \$376,000 in first quarter 2014 reflecting increased external audit expense. Legal expense increased \$775,000 or 123.0% to \$1.4 million in first quarter 2015 from \$630,000 in first quarter 2014 primarily as a result of legal fees related to regulatory issues. FDIC insurance expense increased \$1.2 million or 68.9% to \$2.9 million for first quarter 2015 from \$1.7 million in first quarter 2014, the vast majority of which reflected a higher assessment rate. In December 2014, the FDIC issued new guidance which reclassified the Bank's prepaid card deposits and most of its other deposits as brokered, which resulted in a 10 bp increase in the quarterly assessment. A reduction in the assessment rate will depend on future FDIC evaluations of the Bank. Software expense increased \$182,000 or 15.6% to \$1.4 million in first quarter 2015 from \$1.2 million in first quarter 2014 reflecting additional information technology infrastructure to improve efficiency and scalability. Insurance expense of \$458,000 in first quarter 2015 was comparable to the \$451,000 in first quarter 2014. Telecom and IT network communications increased \$29,000 or 5.6% to \$550,000 for the first quarter 2015 from \$521,000 in first quarter 2014 reflecting costs associated with additional infrastructure. Securitization and servicing expense decreased \$99,000 or 17.1% to \$479,000 for the first quarter of 2015 from \$578,000 in the first quarter of 2014 reflecting a lower volume. Consulting increased \$792,000 or 113.8% to \$1.5 million for the first quarter of 2015 from \$696,000 in the first quarter of 2014 reflecting \$386,000 of expense for an independent review of BSA and AML including

consulting related to the internal audit of BSA and AML. Other non-interest expense decreased \$96,000 or 2.6% to \$3.9 million in first quarter 2015 from \$3.8 million in first quarter 2014 reflecting decreases in multiple categories.

Income Taxes. Income tax benefit for continuing operations was \$2.4 million for first quarter 2015 compared to income tax expense of \$1.6 million in first quarter 2014, a decrease of \$4.1 million.

Liquidity and Capital Resources

Liquidity defines our ability to generate funds to support asset growth, meet deposit withdrawals, satisfy borrowing needs and otherwise operate on an ongoing basis. We invest the funds we do not need for daily operations primarily in overnight federal funds or in our interest-bearing account at the Federal Reserve.

Our primary source of funds has been cash inflows from net increases in deposits. While net deposits decreased \$129.7 million in the first three months of 2015, the balance of interest earning deposits at the Federal Reserve Bank on March 31, 2015 was \$994.4 million and represented a significant amount of on balance sheet liquidity. The decrease in deposits reflected the exit of less profitable relationships. While we do not have a traditional branch system, we believe that our core deposits, which include our demand, interest checking, savings and money market accounts, have similar characteristics to those of a bank with a branch system. We seek to set rates on our deposits at levels competitive with the rates offered in our market; however we do not seek to compete principally on rate. The focus of our business model is to identify affinity groups that control significant amounts of deposits as part of their business. A key component to the model is that the deposits are both stable and “sticky,” in the sense that they do not react to fluctuations in the market. However, certain components of the deposits do experience seasonality, creating excess liquidity at certain times. We have been reducing excess liquidity as a result of low overnight rates. Accordingly, excess liquidity maintained as interest earning deposits at the Federal Reserve has decreased. These reductions resulted from deployment of overnight funds into investments and loans and exiting less profitable relationships.

Historically, we have also used sources outside of our deposit products to fund our loan growth, including Federal Home Loan Bank advances, repurchase agreements, and institutional (brokered) certificates of deposit as a significant funding source. We have shifted to primarily using our deposits as our funding source as a result of deposit growth.

We still maintain our secured borrowing lines with the Federal Home Loan Bank of Pittsburgh and other unsecured lines from our correspondent banks, which include Atlantic Central Bankers Bank and PNC Bank. We have a \$474.0 million line of credit with the Federal Home Loan Bank and \$34.0 million in additional lines of credit with correspondent banks. As of March 31, 2015, we had no amounts outstanding on our borrowing lines. We expect to continue to maintain our facility with the Federal Home Loan Bank and our correspondent banks.

In 2011, we adopted a common stock repurchase program. Shares repurchased will reduce the amount of shares outstanding. Repurchased shares may be reissued for various corporate purposes. As of December 31, 2014, we had repurchased 100,000 shares of a total 750,000 maximum number of shares authorized by the Board of Directors. The 100,000 shares were repurchased in 2011 at an average cost of \$8.66. We did not repurchase any shares in the first three months of 2015.

As a result of its discontinuance of its commercial loan operations we have received and expect to continue to receive during 2015, substantial cash proceeds. We currently anticipate that these proceeds will be deployed into investment securities. We have begun the process of selling our portfolio and have sold loans with a book value of approximately \$342.2 million, of the approximately \$1.1 billion in book value of loans in that portfolio as of the September 30, 2014 date of discontinuance of operations. The \$342.2 million of loans sold had a face value of approximately \$417.1 million. These sales were comprised of the following: Loans with an approximate face and book value of \$267.6 million and \$192.7 million, respectively, were sold in the fourth quarter of 2014 to a private securitization entity. The securitization is managed by an independent investor, which contributed \$16 million of equity to that entity. The balance of the sale was financed by the Bank and is reflected on the consolidated balance sheet as investment in unconsolidated subsidiary. After \$74.9 million of loan charges reflected in the difference between the face value and book value of the loans sold to the securitization, we recognized a gain of \$17.0 million. In the second quarter of 2015, an additional \$149.6 million of loans were sold at a gain of approximately \$2.2 million.

To manage excess cash balances maintained at the Federal Reserve, the Bank has exited and will likely continue to exit less profitable deposit relationships. We have historically down streamed the majority of the capital funding we have generated from common stock offerings to the Bank. The holding company has, as of August 2015 in excess of \$10 million in available cash. We have historically not paid dividends and have no plans to do so in the foreseeable future. In addition, as a result of a supervisory letter, Federal Reserve approval is required for any dividend from us, and FDIC approval is required for any dividend from the Bank. The Federal Reserve approved the payment of the interest on the Company's trust preferred securities due September 15, 2015. Future payments are subject to future approval by the Federal Reserve.

As a holding company conducting substantially all of our business through our subsidiaries, our need for liquidity consists principally of cash needed to make required interest payments on our trust preferred securities. As of August, 2015, we had approximate cash reserves of \$10 million at the holding company. Current quarterly interest payments on the \$13.4 million of trust preferred securities are

approximately \$125,000 based on a floating rate of 3.25% over LIBOR. We expect that the conditions under which the Amendment to the 2014 Consent Order was issued will have been remediated and the FDIC will permit the Bank to resume paying dividends to us to fund holding company operations. There can, however, be no assurance that the FDIC will, in fact allow the resumption of Bank dividends to us at the end of that period or at all and, accordingly, there is risk that we will need to obtain alternate sources of funding. There can be no assurance that such sources would be available to us on acceptable terms or at all.

Included in our cash and cash-equivalents at March 31, 2015 were \$994.4 million of interest earning deposits which primarily consisted of deposits with the Federal Reserve and included deposits for reserve requirements.

Traditionally, we sell our excess funds overnight to other financial institutions, with which we have correspondent relationships, to obtain better returns. As the federal funds rates decreased to the same 25 basis point level offered by the Federal Reserve, we have adjusted our strategy to retain our excess funds at the Federal Reserve, which also offers the full guarantee of the federal government. In addition, we diverted a portion of our excess funds to short term securities to generate better returns.

Funding was directed primarily at cash outflows required for purchases of investment securities (net of repayments), which were (\$52.0) million for the year to date ended March 31, 2015 and \$134.4 million for the prior year to date ended March 31, 2014 and funding for net loans was (\$3.6) million and \$103.3 million, respectively. Deposit outflows resulted from exiting less profitable customer deposit relationships in the three months ended March 31, 2015. We had outstanding commitments to fund loans, including unused lines of credit of \$797.4 million and \$709.1 million as of March 31, 2015 and December 31, 2014, respectively.

We must comply with capital adequacy guidelines issued by the FDIC. A bank must, in general, have a Tier 1 leverage ratio of 5.00%, a ratio of Tier I capital to risk-weighted assets of 8% and a ratio of total capital to risk-weighted assets of 10.0% in order to be considered “well capitalized.” The Tier I leverage ratio is the ratio of Tier 1 capital to average assets for the period. “Tier I capital” includes common shareholders’ equity, certain qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less intangibles. At March 31, 2015 we were “well capitalized” under banking regulations.

The following table sets forth our regulatory capital amounts and ratios for the periods indicated. Basel III capital changes became effective January 1, 2015 with an initial measurement date of March 31, 2015. Basel III added an additional ratio which measures common equity to risk weighted assets which is included below

Tier 1 capital to average assets ratio	Tier 1 capital to risk-weighted assets ratio	Total capital to risk-weighted assets ratio	Common equity tier 1 to risk
---	--	---	------------------------------------

				weighted assets
As of March 31, 2015				
The Bancorp	6.06%	12.71%	12.89%	12.71%
The Bancorp Bank	5.80%	12.20%	12.38%	12.20%
"Well capitalized" institution (under FDIC regulations-Basel III)	5.00%	8.00%	10.00%	6.50%
As of December 31, 2014				
The Bancorp	7.07%	11.54%	11.67%	n/a
The Bancorp Bank	6.46%	10.46%	10.59%	n/a
"Well capitalized" institution (under FDIC regulations)	5.00%	6.00%	10.00%	n/a

Asset and Liability Management

The management of rate sensitive assets and liabilities is essential to controlling interest rate risk and optimizing interest margins. An interest rate sensitive asset or liability is one that, within a defined time period, either matures or experiences an interest rate change in line with general market rates. Interest rate sensitivity measures the relative volatility of an institution's interest margin resulting from changes in market interest rates.

We monitor, manage and control interest rate risk through a variety of techniques, including use of traditional interest rate sensitivity analysis (also known as "gap analysis") and an interest rate risk management model. With the interest rate risk management model, we project future net interest income and then estimate the effect of various changes in interest rates and balance sheet growth rates on that projected net interest income. We also use the interest rate risk management model to calculate the change in net portfolio value over a range of interest rate change scenarios. Traditional gap analysis involves arranging our interest earning assets and interest bearing liabilities by repricing periods and then computing the difference (or "interest rate sensitivity gap") between the assets and liabilities that we estimate will reprice during each time period and cumulatively through the end of each time period.

Both interest rate sensitivity modeling and gap analysis are done at a specific point in time and involve a variety of significant estimates and assumptions. Interest rate sensitivity modeling requires, among other things, estimates of how much and when yields and costs on individual categories of interest earning assets and interest bearing liabilities will respond to general changes in market rates, future cash flows and discount rates. Gap analysis requires estimates as to when individual categories of interest-sensitive assets and liabilities will reprice, and assumes that assets and liabilities assigned to the same repricing period will reprice at the same time and in the same amount. Gap analysis does not account for the fact that repricing of assets and liabilities is discretionary and subject to competitive and other pressures. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds interest rate sensitive assets. During a period of falling interest rates, a positive gap would tend to adversely affect net interest income, while a negative gap would tend to result in an increase in net interest income. During a period of rising interest rates, a positive gap would tend to result in an increase in net interest income while a negative gap would tend to affect net interest income adversely.

The following table sets forth the estimated maturity or repricing structure of our interest earning assets and interest bearing liabilities at March 31, 2015. We estimate the repricing characteristics of deposits based on historical performance, past experience at other institutions, wholly judgmental predictions and other deposit behavior assumptions. However, we may choose not to reprice liabilities proportionally to changes in market interest rates for competitive or other reasons. The table does not assume any prepayment of fixed-rate loans and mortgage-backed securities, which are scheduled based on their anticipated cash flow, including prepayments based on historical data and current market trends. The table does not necessarily indicate the impact of general interest rate movements on our net interest income because the repricing of certain categories of assets and liabilities is beyond our control as, for example, prepayments of loans and withdrawal of deposits. As a result, certain assets and liabilities indicated as repricing within a stated period may in fact reprice at different times and at different rate levels.

	1-90 Days (dollars in thousands)	91-364 Days	1-3 Years	3-5 Years	Over 5 Years
Interest earning assets:					
Commercial loans held for sale	\$ 108,170	\$ -	\$ 39,279	\$ 5,870	\$ 86,501
Loans net of deferred loan costs	557,667	57,577	141,087	113,752	818
Investment securities	286,894	199,013	317,401	221,824	511,195
Interest earning deposits	994,400	-	-	-	-
Securities purchased under agreements to resell	46,250	-	-	-	-
	1,885,211	256,590	458,488	335,576	512,013

Total interest
earning assetsInterest bearing
liabilities:

Demand and interest checking	2,624,383	212,766	212,766	-	-	
Savings and money market	76,997	153,994	76,997	-	-	
Time deposits	1,400	-	-	-	-	
Securities sold under agreements to repurchase	7,959	-	-	-	-	
Subordinated debenture	13,401	-	-	-	-	
Total interest bearing liabilities	2,724,140	366,760	289,763	-	-	
Gap	\$ (838,929)	\$ (110,170)	\$ 168,725	\$ 335,576	\$ 512,013	
Cumulative gap	\$ (838,929)	\$ (949,099)	\$ (780,374)	\$ (444,798)	\$ 67,215	
Gap to assets ratio	-17%	-2%	3%	7%	11%	
Cumulative gap to assets ratio	-17%	-20%	-16%	-9%	1%	

The methods used to analyze interest rate sensitivity in this table have a number of limitations. Certain assets and liabilities may react differently to changes in interest rates even though they reprice or mature in the same or similar time periods. The interest rates on certain assets and liabilities may change at different times than changes in market interest rates, with some changing in advance of changes in market rates and some lagging behind changes in market rates. Additionally, the actual prepayments and withdrawals we experience when interest rates change may deviate significantly from those assumed in calculating the data shown in the table. Accordingly actual results can and often do differ from projections.

Financial Condition

General. Our total assets at March 31, 2015 were \$4.85 billion, of which our total loans and loans held for sale were \$1.11 billion. At December 31, 2014 our total assets were \$4.99 billion, of which our total loans were \$1.09 billion.

Interest earning deposits and federal funds sold. At March 31, 2015, we had a total of \$994.4 million of interest earning deposits compared to \$1.06 billion at December 31, 2014, a decrease of \$64.9 million or 6.1%. These deposits were comprised primarily of balances at the Federal Reserve Bank, which pays interest on such balances.

Investment portfolio. For detailed information on the composition and maturity distribution of our investment portfolio, see Note 5 to the Financial Statements. Total investment securities decreased to \$1.54 billion at March 31, 2015, a decrease of \$51.1 million or 3.2% from year-end 2014. The decrease reflected residential and commercial mortgage backed securities paydowns.

Other securities, included in the held-to-maturity classification at March 31, 2015, consisted of three securities secured by diversified portfolios of corporate securities, one bank senior note, two single issuer trust preferred securities and one pooled trust preferred security.

A total of \$17.9 million of other debt securities - single issuers is comprised of the following: (i) amortized cost of the two single issuer trust preferred securities of \$10.9 million, of which one security for \$1.9 million was issued by a bank and one security for \$9.0 million was issued by an insurance company; and (ii) book value of a bank senior note of \$7.0 million.

A total of \$75.8 million of other debt securities – pooled is comprised of the following: (i) one pooled trust preferred security for \$82,000, which was collateralized by bank trust preferred securities; and (ii) book value of three securities consisting of diversified portfolios of corporate securities of \$75.7 million.

The following table provides additional information related to our single issuer trust preferred securities as of March 31, 2015 (in thousands):

Single issuer	Book value	Fair value	Unrealized gain/(loss)	Credit rating
Security A	\$ 1,901	\$ 2,000	\$ 99	Not rated
Security B	8,975	5,141	(3,834)	Not rated