

Bancorp, Inc.  
Form 10-Q  
November 09, 2016

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: September 30, 2016

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.

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(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

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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 November 4, 2016 there were 55,319,204 outstanding shares of common stock, \$1.00 par value.

## THE BANCORP, INC

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## THE BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

	September 30, 2016 (unaudited) (in thousands)	December 31, 2015
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and due from banks	\$ 4,061	\$ 7,643
Interest earning deposits at Federal Reserve Bank	312,605	1,147,519
Securities purchased under agreements to resell	39,463	-
Total cash and cash equivalents	356,129	1,155,162
Investment securities, available-for-sale, at fair value	1,334,927	1,070,098
Investment securities, held-to-maturity (fair value \$91,787 and \$91,599, respectively)	93,495	93,590
Commercial loans held for sale	562,957	489,938
Loans, net of deferred loan fees and costs	1,198,237	1,078,077
Allowance for loan and lease losses	(6,058)	(4,400)
Loans, net	1,192,179	1,073,677
Federal Home Loan Bank and Atlantic Central Bankers Bank stock	11,014	1,062
Premises and equipment, net	21,797	21,631
Accrued interest receivable	10,496	9,471
Intangible assets, net	5,682	4,929
Deferred tax asset, net	29,765	36,207
Investment in unconsolidated entity, at fair value	157,396	178,520
Assets held for sale from discontinued operations	386,155	583,909
Other assets	55,519	47,629
Total assets	\$ 4,217,511	\$ 4,765,823
<b>LIABILITIES</b>		
Deposits		
Demand and interest checking	\$ 3,364,103	\$ 3,602,376
Savings and money market	402,832	383,832
Time deposits	-	428,549
Total deposits	3,766,935	4,414,757

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Securities sold under agreements to repurchase	353	925
Short-term borrowings	70,000	-
Subordinated debenture	13,401	13,401
Other liabilities	27,744	16,739
Total liabilities	3,878,433	4,445,822
<b>SHAREHOLDERS' EQUITY</b>		
Common stock - authorized, 75,000,000 shares of \$1.00 par value; 55,419,204 and 37,861,218 shares issued at September 30, 2016 and December 31, 2015, respectively	55,419	37,861
Treasury stock, at cost (100,000 shares)	(866)	(866)
Additional paid-in capital	359,793	300,549
Accumulated deficit	(83,169)	(15,449)
Accumulated other comprehensive income (loss)	7,901	(2,094)
Total shareholders' equity	339,078	320,001
Total liabilities and shareholders' equity	\$ 4,217,511	\$ 4,765,823

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

## THE BANCORP, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	(in thousands, except per share data)			
Interest income				
Loans, including fees	\$ 17,697	\$ 12,811	\$ 48,928	\$ 35,042
Interest on investment securities:				
Taxable interest	8,350	4,562	22,782	14,628
Tax-exempt interest	142	3,097	639	9,388
Federal funds sold/securities purchased under agreements to resell	146	143	301	465
Interest earning deposits	397	580	1,677	1,759
	26,732	21,193	74,327	61,282
Interest expense				
Deposits	2,906	3,277	8,692	9,591
Securities sold under agreements to repurchase	-	1	1	14
Short-term borrowings	153	-	263	-
Subordinated debenture	131	117	383	328
	3,190	3,395	9,339	9,933
Net interest income	23,542	17,798	64,988	51,349
Provision for loan and lease losses	750	625	1,810	1,800
Net interest income after provision for loan and lease losses	22,792	17,173	63,178	49,549
Non-interest income				
Service fees on deposit accounts	1,510	1,919	3,335	5,579
Card payment and ACH processing fees	1,459	1,493	4,183	4,242
Prepaid card fees	12,249	11,492	39,333	35,752
Gain (loss) on sale of loans	903	(830)	809	6,747
Gain on sale of investment securities	981	(335)	3,131	(62)
	811	1,040	(12,313)	3,141

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Change in value of investment in unconsolidated entity				
Leasing income	588	552	1,456	1,727
Debit card income (loss)	(45)	427	(202)	1,358
Affinity fees	1,091	1,083	3,507	2,391
Other	357	458	4,893	1,925
Total non-interest income	19,904	17,299	48,132	62,800
Non-interest expense				
Salaries and employee benefits	21,508	16,768	62,400	49,677
Depreciation and amortization	1,241	1,171	3,751	3,568
Rent and related occupancy cost	1,638	1,558	4,797	4,471
Data processing expense	3,769	3,747	11,459	10,735
Printing and supplies	825	622	2,194	1,805
Audit expense	246	397	746	1,596
Legal expense	814	427	3,786	2,480
Amortization of intangible assets	394	298	1,032	893
FDIC insurance	2,436	2,700	7,118	8,306
Software	2,770	1,920	7,756	4,793
Insurance	631	482	1,695	1,441
Telecom and IT network communications	582	458	1,547	1,420
Securitization and servicing expense	-	398	747	1,250
Consulting	1,701	1,125	4,214	3,345
Bank Secrecy Act and lookback consulting expenses	1,340	11,687	29,076	26,643
Other	4,276	4,037	14,127	12,666
Total non-interest expense	44,171	47,795	156,445	135,089
Loss from continuing operations before income taxes	(1,475)	(13,323)	(45,135)	(22,740)



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Income tax provision (benefit)	55	(5,706)	(15,324)	(10,817)
Net loss from continuing operations	\$ (1,530)	\$ (7,617)	\$ (29,811)	\$ (11,923)
Discontinued operations				
Income (loss) from discontinued operations before income taxes	(21,490)	2,997	(38,073)	10,193
Income tax provision (benefit)	2,531	955	(164)	3,457
Income (loss) from discontinued operations, net of tax	(24,021)	2,042	(37,909)	6,736
Net income (loss) available to common shareholders	\$ (25,551)	\$ (5,575)	\$ (67,720)	\$ (5,187)
Net loss per share from continuing operations - basic	\$ (0.03)	\$ (0.20)	\$ (0.73)	\$ (0.32)
Net income (loss) per share from discontinued operations - basic	\$ (0.51)	\$ 0.05	\$ (0.92)	\$ 0.18
Net income (loss) per share - basic	\$ (0.54)	\$ (0.15)	\$ (1.65)	\$ (0.14)
Net loss per share from continuing operations - diluted	\$ (0.03)	\$ (0.20)	\$ (0.73)	\$ (0.32)
Net income (loss) per share from discontinued operations - diluted	\$ (0.51)	\$ 0.05	\$ (0.92)	\$ 0.18
Net income (loss) per share - diluted	\$ (0.54)	\$ (0.15)	\$ (1.65)	\$ (0.14)

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

## THE BANCORP INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30,	
	2016	2015
	(in thousands)	
Net income (loss)		
Other comprehensive income (loss) net of reclassifications into net income:	\$ (67,720)	\$ (5,187)
Other comprehensive income (loss)		
Change in net unrealized gain (loss) during the period	19,207	(1,598)
Reclassification adjustments for losses included in income	(3,131)	62
Reclassification adjustments for foreign currency translation (gains)/losses	335	(449)
Amortization of losses previously held as available-for-sale	25	42
Net unrealized gain (loss)	16,436	(1,943)
Deferred tax expense		
Securities available-for-sale:		
Change in net unrealized gain during the period	7,683	(315)
Reclassification adjustments for losses included in income	(1,252)	29
Amortization of losses previously held as available-for-sale	10	14
Income tax expense (benefit) related to items of other comprehensive income	6,441	(272)
Other comprehensive income (loss) net of tax and reclassifications into net income	9,995	(1,671)
Comprehensive loss	\$ (57,725)	\$ (6,858)

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



## THE BANCORP INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2016

(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, 2016	37,861,218	\$ 37,861	\$ (866)	\$ 300,549	\$ (15,449)	\$ (2,094)	\$ 320,000
Net loss					(67,720)		(67,720)
Issuance of common stock	17,473,881	17,474	-	57,338	-	-	74,812
Common stock issued as restricted shares, net of tax benefits	84,020	84	-	(84)	-	-	-
Stock-based compensation	-	-	-	1,990	-	-	1,990
Other comprehensive income net of reclassification adjustments and tax	-	-	-	-	-	9,995	9,995
Balance at September 30, 2016	55,419,119	\$ 55,419	\$ (866)	\$ 359,793	\$ (83,169)	\$ 7,901	\$ 339,000

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



## THE BANCORP, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30,	
	2016	2015
	(in thousands)	
Operating activities		
Net loss from continuing operations	\$ (29,811)	\$ (11,923)
Net income (loss) from discontinued operations	(37,909)	6,736
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,783	4,461
Provision for loan and lease losses	1,810	1,800
Net amortization of investment securities discounts/premiums	6,066	10,279
Stock-based compensation expense	1,990	1,532
Loans originated for sale	(372,065)	(427,680)
Sale of loans originated for resale	299,855	296,907
Loss (gain) on sales of loans originated for resale	(809)	(6,747)
Gain on sale of fixed assets	(21)	(10)
Fair value adjustment on investment in unconsolidated entity	14,753	-
Loss (gain) on sales of investment securities	(3,131)	62
Decrease (increase) in accrued interest receivable	(1,025)	19
Increase in other assets	(19,290)	(8,190)
Increase in discontinued assets held for sale	(5,779)	(2,516)
Increase (decrease) in other liabilities	10,505	(5,595)
Net cash provided by (used in) operating activities	(130,078)	(140,865)
Investing activities		
Purchase of investment securities available-for-sale	(499,969)	(97,045)
Proceeds from sale of investment securities available-for-sale	115,637	94,288
Proceeds from redemptions and prepayments of securities held-to-maturity	51	118
Proceeds from redemptions and prepayments of securities available-for-sale	133,212	167,898
Net increase in loans	(120,312)	(121,169)
Net decrease in discontinued loans held for sale	203,533	278,717
Proceeds from sale of fixed assets	341	220
Purchases of premises and equipment	(4,237)	(4,974)

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Investment in unconsolidated entity	6,371	6,939
Net cash provided by (used in) by investing activities	(165,373)	324,992
Financing activities		
Net decrease in deposits	(647,822)	(242,569)
Net decrease in securities sold under agreements to repurchase	(572)	(18,380)
Proceeds of short-term borrowings and federal funds purchased	70,000	-
Proceeds from issuance of common stock	74,812	-
Net cash used in financing activities	(503,582)	(260,949)
Net decrease in cash and cash equivalents	(799,033)	(76,822)
Cash and cash equivalents, beginning of period	1,155,162	1,114,235
Cash and cash equivalents, end of period	\$ 356,129	\$ 1,037,413
Supplemental disclosure:		
Interest paid	\$ 9,514	\$ 9,584
Taxes paid	\$ 366	\$ 592

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

THE BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Structure of Company

The Bancorp, Inc. (the Company) is a Delaware corporation and a registered financial holding company. Its primary subsidiary is The Bancorp Bank (the Bank) which is wholly owned by the Company. The Bank is a Delaware chartered commercial bank located in Wilmington, Delaware and is a Federal Deposit Insurance Corporation (FDIC) insured institution. In its continuing operations, the Bank has four primary lines of specialty lending: securities-backed lines of credit (SBLOC), leasing, Small Business Administration (SBA) loans and loans generated for sale into capital markets primarily through commercial 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. 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 its 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 September 30, 2016 and for the three and nine month periods ended September 30, 2016 and 2015, are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, in the opinion of management, these interim financial statements include all necessary adjustments to fairly present the results of the interim periods presented. The unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K Report). Note T in those financial statements presents restated interim financial statements as described therein. The results of operations for the nine month period ended September 30, 2016 may not necessarily be indicative of the results of operations for the full year ending December 31, 2016.

Note 3. Share-based Compensation

The Company recognizes compensation expense for stock options in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, "Stock Based Compensation". The expense of the option is generally measured at fair value at the grant date with compensation expense recognized over the service period, which is typically the vesting period. For grants subject to a service condition, the Company utilizes the Black-Scholes



option-pricing model to estimate the fair value of each option on the date of grant. The Black-Scholes model takes into consideration the exercise price and expected life of the options, the current price of the underlying stock and its expected volatility, the expected dividends on the stock and the current risk-free interest rate for the expected life of the option. The Company's estimate of the fair value of a stock option is based on expectations derived from historical experience and may not necessarily equate to its market value when fully vested. In accordance with ASC 718, the Company estimates the number of options for which the requisite service is expected to be rendered. At September 30, 2016, the Company had three stock-based compensation plans, which are more fully described in its 2015 Form 10-K Report.

The Company granted 300,000 stock options with a vesting period of four years in the first nine months of 2016. The weighted average grant-date fair value was \$2.89. The Company did not grant stock options in the first nine months of 2015. There were no stock options exercised in the nine month periods ended September 30, 2016 or September 30, 2015.

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

	Shares	Weighted average exercise price		Weighted- average remaining contractual term (years)	Aggregate intrinsic value	
Outstanding at January 1, 2016	1,977,500	\$	8.58	5.47	\$	-
Granted	300,000	6.75		3.67	-	
Exercised	-	-		-	-	
Expired	(1,000)	20.98		-	-	
Forfeited	(240,000)	8.28		-	-	
Outstanding at September 30, 2016	2,036,500	\$	8.34	5.49	\$	-
Exercisable at September 30, 2016	1,661,500	\$	8.55	4.66	\$	-

The Company granted 789,000 restricted stock units (RSUs) in the first nine months of 2016 of which 620,000 have a vesting period of three years and 169,000 have a vesting period of one year. 489,000 RSUs have a fair value of \$4.50 and 300,000 RSUs have a fair value of \$6.75. The Company granted 86,992 RSUs with a vesting period of two years at a fair value of \$9.11 in the first nine months of 2015. The total fair value of RSUs vested for the nine months ended September 30, 2016 and 2015 was \$830,000 and \$517,000, respectively.

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

	Shares	Weighted- average grant date fair value		Average remaining contractual term (years)
Outstanding at January 1, 2016	168,045	\$	9.88	1.12
Granted	789,000	5.36		-
Vested	(84,020)	9.88		-
Forfeited	(41,250)	6.12		-
Outstanding at September 30, 2016	831,775	\$	5.77	1.88

As of September 30, 2016, there was a total of \$4.3 million of unrecognized compensation cost related to unvested awards under share-based plans. This cost is expected to be recognized over a weighted average period of approximately two years. Related compensation expense for the nine months ended September 30, 2016 and 2015 was \$2.0 million and \$1.5 million, respectively.

Note 4. Earnings Per Share

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

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

	For the three months ended September 30, 2016		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic loss per share from continuing operations			
Net loss available to common shareholders	\$ (1,530)	47,153,658	\$ (0.03)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted loss per share			
Net loss available to common shareholders	\$ (1,530)	47,153,658	\$ (0.03)

	For the three months ended September 30, 2016		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic loss per share from discontinued operations			
Net loss available to common shareholders	\$ (24,021)	47,153,658	\$ (0.51)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted loss per share			
Net loss available to common shareholders	\$ (24,021)	47,153,658	\$ (0.51)

	For the three months ended September 30, 2016		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic loss per share			

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Net loss available to common shareholders	\$	(25,551)	47,153,658	\$	(0.54)
Effect of dilutive securities					
Common stock options	-		-	-	
Diluted loss per share					
Net loss available to common shareholders	\$	(25,551)	47,153,658	\$	(0.54)

Stock options for 2,036,500 shares, exercisable at prices between \$6.75 and \$25.43 per share, were outstanding at September 30, 2016, but were not included in the dilutive shares because the Company had a net loss available to common shareholders.

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	For the nine months ended September 30, 2016		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic loss per share from continuing operations			
Net loss available to common shareholders	\$ (29,811)	40,957,247	\$ (0.73)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted loss per share			
Net loss available to common shareholders	\$ (29,811)	40,957,247	\$ (0.73)

	For the nine months ended September 30, 2016		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic loss per share from discontinued operations			
Net loss available to common shareholders	\$ (37,909)	40,957,247	\$ (0.92)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted loss per share			
Net loss available to common shareholders	\$ (37,909)	40,957,247	\$ (0.92)

	For the nine months ended September 30, 2016		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic loss per share			
Net loss available to common shareholders	\$ (67,720)	40,957,247	\$ (1.65)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted loss per share			
Net loss available to common shareholders	\$ (67,720)	40,957,247	\$ (1.65)

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Stock options for 2,036,500 shares, exercisable at prices between \$6.75 and \$25.43 per share, were outstanding at September 30, 2016, but were not included in the dilutive shares because the Company had a net loss available to common shareholders.

	For the three months ended September 30, 2015		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic earnings (loss) per share from continuing operations			
Net income (loss) available to common shareholders	\$ (7,617)	37,758,322	\$ (0.20)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted income (loss) per share			
Net income (loss) available to common shareholders	\$ (7,617)	37,758,322	\$ (0.20)

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For the three months ended  
September 30, 2015

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

(dollars in thousands except share and per share data)

Basic earnings (loss) per share from discontinued operations			
Net income (loss) available to common shareholders	\$ 2,042	37,758,322	\$ 0.05
Effect of dilutive securities			
Common stock options	-	262,608	-
Diluted income (loss) per share			
Net income (loss) available to common shareholders	\$ 2,042	38,020,930	\$ 0.05

For the three months ended  
September 30, 2015

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

(dollars in thousands except share and per share data)

Basic earnings (loss) per share			
Net income (loss) available to common shareholders	\$ (5,575)	37,758,322	\$ (0.15)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted earnings (loss) per share			
Net income (loss) available to common shareholders	\$ (5,575)	37,758,322	\$ (0.15)

Stock options for 2,348,750 shares, exercisable at prices between \$7.36 and \$25.43 per share, were outstanding at September 30, 2015 but were not included in dilutive shares because the exercise price per share was greater than the average market price.

For the nine months ended  
September 30, 2015

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

(dollars in thousands except share and per share data)

Basic earnings (loss) per share from continuing operations			
Net income (loss) available to common shareholders	\$ (11,923)	37,754,110	\$ (0.32)
Effect of dilutive securities			
Common stock options	-	-	-
Diluted income (loss) per share			



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Net income (loss) available to common shareholders	\$	(11,923)	37,754,110	\$	(0.32)
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For the nine months ended  
September 30, 2015

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

(dollars in thousands except share and per share data)

Basic earnings (loss) per share from discontinued operations					
Net income (loss) available to common shareholders	\$	6,736	37,754,110	\$	0.18
Effect of dilutive securities					
Common stock options	-		342,338	-	
Diluted income (loss) per share					
Net income (loss) available to common shareholders	\$	6,736	38,096,448	\$	0.18

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For the nine months ended  
September 30, 2015  
Income                      Shares                      Per share  
(numerator)                      (denominator)                      amount

(dollars in thousands except share and per share data)

Basic earnings (loss) per share				
Net income (loss) available to common shareholders	\$	(5,187)	37,754,110	\$ (0.14)
Effect of dilutive securities				
Common stock options	-		-	-
Diluted earnings (loss) per share				
Net income (loss) available to common shareholders	\$	(5,187)	37,754,110	\$ (0.14)

Stock options for 2,348,750 shares exercisable at prices between \$7.36 and \$25.43 per share, were outstanding at September 30, 2015 but were not included in dilutive shares 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 September 30, 2016 and December 31, 2015 are summarized as follows (in thousands):

Available-for-sale	September 30, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government agency securities	\$ 29,468	\$ 299	\$ (51)	\$ 29,716
Asset-backed securities	382,750	1,386	(2,793)	381,343
Tax-exempt obligations of states and political subdivisions	44,434	364	(51)	44,747
Taxable obligations of states and political subdivisions	79,260	4,336	(7)	83,589
Residential mortgage-backed securities	331,004	3,625	(813)	333,816
Collateralized mortgage obligation securities	174,640	1,981	(373)	176,248
Commercial mortgage-backed securities	127,364	3,978	(107)	131,235
Foreign debt securities	55,800	875	(8)	56,667
Corporate debt securities	95,639	1,956	(29)	97,566

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\$ 1,320,359 \$ 18,800 \$ (4,232) \$ 1,334,927

Held-to-maturity	September 30, 2016				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
Other debt securities - single issuers	\$ 17,973	\$ 413	\$ (3,181)	\$ 15,205	
Other debt securities - pooled	75,522	1,060	-	76,582	
	\$ 93,495	\$ 1,473	\$ (3,181)	\$ 91,787	

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Available-for-sale	December 31, 2015					
	Amortized cost		Gross unrealized gains		Gross unrealized losses	Fair value
U.S. Government agency securities	\$ 29,316		\$ 18		\$ (95)	\$ 29,239
Asset-backed securities	194,690		46		(3,642)	191,094
Tax-exempt obligations of states and political subdivisions	95,792		2,728		(74)	98,446
Taxable obligations of states and political subdivisions	94,582		2,307		(476)	96,413
Residential mortgage-backed securities	210,051		697		(882)	209,866
Collateralized mortgage obligation securities	172,623		819		(1,190)	172,252
Commercial mortgage-backed securities	127,085		386		(1,361)	126,110
Foreign debt securities	58,077		64		(333)	57,808
Corporate debt securities	89,370		170		(670)	88,870
	\$ 1,071,586		\$ 7,235		\$ (8,723)	\$ 1,070,098

Held-to-maturity	December 31, 2015					
	Amortized cost		Gross unrealized gains		Gross unrealized losses	Fair value
Other debt securities - single issuers	\$ 17,934		\$ 569		\$ (3,456)	\$ 15,047
Other debt securities - pooled	75,656		938		(42)	76,552
	\$ 93,590		\$ 1,507		\$ (3,498)	\$ 91,599

Investments in Federal Home Loan and Atlantic Central Bankers Bank stock are recorded at cost and amounted to \$11.0 million and \$1.1 million, respectively, at September 30, 2016 and December 31, 2015.

The amortized cost and fair value of the Company's investment securities at September 30, 2016, 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

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	Amortized cost	Fair value	Amortized cost	Fair value
Due before one year	\$ 26,420	\$ 26,412	\$ -	\$ -
Due after one year through five years	167,777	170,450	7,012	7,309
Due after five years through ten years	428,966	436,257	-	-
Due after ten years	697,196	701,808	86,483	84,478
	\$ 1,320,359	\$ 1,334,927	\$ 93,495	\$ 91,787

At September 30, 2016 and December 31, 2015, investment securities with a carrying value of approximately \$614.0 million and \$472.3 million, respectively, were pledged as collateral to secure Federal Home Loan Bank advances, letters of credit and securities sold under repurchase agreements as required or permitted by law.

Fair value of available-for-sale securities are based on the fair market value supplied by a third-party market data provider, while the fair value of held-to-maturity securities are based on the present value of cash flows, which discounts expected cash flows from principal and interest using yield to maturity at the measurement date. The Company periodically reviews its investment portfolio to determine whether unrealized losses are other than temporary, based on an evaluation of the creditworthiness of the issuers/guarantors as well as the underlying collateral, if applicable, in addition to the continuing performance of the securities. The amount of the credit impairment is calculated by estimating the discounted cash flows for those securities. The Company did not recognize any other-than-temporary impairment charges in the first nine months of 2016.

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The table below indicates the length of time individual securities had been in a continuous unrealized loss position at September 30, 2016 (dollars in thousands):

Available-for-sale Description of Securities	Number of securities	Less than 12 months		12 months or longer		Total	
		Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
U.S. Government agency securities	3	\$ 10,037	\$ (51)	\$ -	\$ -	\$ 10,037	\$ (51)
Asset-backed securities	24	78,621	(685)	64,595	(2,108)	143,216	(2,793)
Tax-exempt obligations of states and political subdivisions	42	17,515	(13)	7,435	(38)	24,950	(51)
Taxable obligations of states and political subdivisions	4	2,726	(7)	-	-	2,726	(7)
Residential mortgage-backed securities	43	147,529	(670)	9,992	(143)	157,521	(813)
Collateralized mortgage obligation securities	23	39,552	(136)	19,823	(237)	59,375	(373)
Commercial mortgage-backed securities	21	12,151	(64)	3,762	(43)	15,913	(107)
Foreign debt securities	6	3,273	(6)	1,451	(2)	4,724	(8)
Corporate debt securities	8	3,715	(21)	1,189	(8)	4,904	(29)
Total temporarily impaired investment securities	174	\$ 315,119	\$ (1,653)	\$ 108,247	\$ (2,579)	\$ 423,366	\$ (4,267)

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Held-to-maturity	Number of securities	Less than 12 months		12 months or longer		Total	
		Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Fair Value
Description of Securities							
Corporate and other debt securities:							
Single issuers	1	\$ -	\$ -	\$ 5,871	\$ (3,181)	\$ 5,871	\$ 5,871
Total temporarily impaired investment securities	1	\$ -	\$ -	\$ 5,871	\$ (3,181)	\$ 5,871	\$ 5,871

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at December 31, 2015 (dollars in thousands):

Available-for-sale	Number of securities	Less than 12 months		12 months or longer		Total	
		Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Fair Value
Description of Securities							
U.S. Government agency securities	3	\$ 16,500	\$ (95)	\$ -	\$ -	\$ 16,500	\$ 16,500
Asset-backed securities	33	138,244	(1,944)	41,955	(1,698)	180,199	180,199
Tax-exempt obligations of states and political subdivisions	31	13,580	(22)	6,905	(52)	20,485	20,485
Taxable obligations of states and political subdivisions	30	45,136	(450)	2,197	(26)	47,333	47,333
Residential mortgage-backed securities	29	121,997	(761)	5,964	(121)	127,961	127,961
Collateralized mortgage obligation securities	26	56,142	(600)	34,508	(590)	90,650	90,650
	43	81,990	(1,024)	14,520	(337)	96,510	96,510

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Commercial mortgage-backed securities									
Foreign debt securities	51	40,586	(273)	2,636	(60)	43,222			
Corporate debt securities	67	54,069	(631)	1,327	(39)	55,396			
Total temporarily impaired investment securities	313	\$ 568,244	\$ (5,800)	\$ 110,012	\$ (2,923)	\$ 678,244			

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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