Bancorp, Inc.
Form 10-Q
September 29, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 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.

(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 [X] 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 [X] No [ ]

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 [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	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 [X]

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

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

	June 30, 2015		December 31, 2014	
	(in thousands)			
ASSETS				
Cash and cash equivalents				
Cash and due from banks	$	13,269	$	8,665
Interest earning deposits at Federal Reserve Bank	936,989		1,059,320	
Securities purchased under agreements to resell	40,068		46,250	
Total cash and cash equivalents	990,326		1,114,235	
Investment securities, available-for-sale, at fair value	1,370,027		1,493,639	
Investment securities, held-to-maturity (fair value $91,934 and $91,914, respectively)	93,649		93,765	
Commercial loans held for sale	284,501		217,080	
Loans, net of deferred loan fees and costs	968,033		874,593	
Allowance for loan and lease losses	(4,352)		(3,638)	
Loans, net	963,681		870,955	
Federal Home Loan and Atlantic Central Bankers Bank stock	1,063		1,002	
Premises and equipment, net	19,271		17,697	
Accrued interest receivable	11,526		11,251	
Intangible assets, net	5,541		6,228	
Deferred tax asset, net	35,874		33,673	
Investment in unconsolidated entity, at fair value	187,186		193,595	
Assets held for sale	651,158		887,929	
Other assets	43,804		45,268	
Total assets	$	4,657,607	$	4,986,317
LIABILITIES				
Deposits				
Demand and interest checking	$	3,993,393	$	4,289,586
Savings and money market	321,264		330,798	

Time deposits	1,400	1,400
Total deposits	4,316,057	4,621,784
Securities sold under agreements to repurchase	2,357	19,414
Subordinated debenture	13,401	13,401
Other liabilities	10,038	12,695
Total liabilities	4,341,853	4,667,294
SHAREHOLDERS' EQUITY		
Common stock - authorized, 50,000,000 shares of $1.00 par value; 37,858,237 and 37,808,777		
shares issued at June 30, 2015 and December 31, 2014, respectively	37,858	37,809
Treasury stock, at cost (100,000 shares)	(866)	(866)
Additional paid-in capital	298,978	297,987
Retained earnings	(27,854)	(28,242)
Accumulated other comprehensive income	7,638	12,335
Total shareholders' equity	315,754	319,023
Total liabilities and shareholders' equity	$ 4,657,607	$ 4,986,317

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

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THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014 (restated)	2015	2014 (restated)
Interest income				
Loans, including fees	$ 11,534	$ 8,802	$ 22,231	$ 17,266
Interest on investment securities:				
Taxable interest	5,006	5,356	10,066	10,493
Tax-exempt interest	3,117	2,956	6,291	5,040
Federal funds sold/securities purchased under agreements to resell	158	85	322	191
Interest earning deposits	557	411	1,179	1,175
	20,372	17,610	40,089	34,165
Interest expense				
Deposits	3,215	2,695	6,314	5,472
Securities sold under agreements to repurchase	4	11	13	23
Subordinated debenture	116	113	211	228
	3,335	2,819	6,538	5,723
Net interest income	17,037	14,791	33,551	28,442
Provision for loan and lease losses	510	1,173	1,175	2,448
Net interest income after provision for loan and lease losses	16,527	13,618	32,376	25,994
Non-interest income				
Service fees on deposit accounts	1,900	1,377	3,660	2,587
Card payment and ACH processing fees	1,496	1,317	2,749	2,620
Prepaid card fees	11,128	12,898	24,260	26,366
Gain on sale of loans	5,901	5,212	7,577	10,696
Gain on sale of investment securities	193	159	273	400
Leasing income	656	1,015	1,175	1,396
Debit card income	471	456	931	882
Affinity fees	896	668	1,308	1,202
Other	2,083	287	3,568	918
Total non-interest income	24,724	23,389	45,501	47,067

Non-interest expense				
Salaries and employee benefits	17,384	15,744	32,909	30,889
Depreciation and amortization	1,195	1,133	2,397	2,183
Rent and related occupancy cost	1,401	1,122	2,786	2,149
Data processing expense	3,760	3,463	6,988	6,718
Printing and supplies	568	589	1,183	1,145
Audit expense	773	400	1,199	776
Legal expense	648	302	2,053	932
Amortization of intangible assets	298	304	595	608
FDIC insurance	2,753	1,116	5,606	2,805
Software	1,523	1,123	2,873	2,291
Insurance	501	485	959	936
Telecom and IT network communications	412	480	962	1,001
Securitization and servicing expense	373	703	852	1,281
Consulting	732	409	2,220	1,105
Bank Secrecy Act and lookback consulting expenses	9,212	2,169	14,956	2,169
Other	4,901	4,470	8,756	8,229
Total non-interest expense	46,434	34,012	87,294	65,217
Income (loss) from continuing operations before income taxes	(5,183)	2,995	(9,417)	7,844
Income tax (benetit) provision	(2,684)	1,343	(5,111)	2,966
Net income (loss) from continuing operations	$ (2,499)	$ 1,652	$ (4,306)	$ 4,878
Discontinued operations				
Income from discontinued operations before income taxes	4,097	12,063	7,196	9,588
Income tax provision	1,424	3,393	2,502	2,517

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Income from discontinued operations, net of tax	2,673	8,670	4,694	7,071
Net income available to common shareholders	$ 174	$ 10,322	$ 388	$ 11,949
Net income (loss) per share from continuing operations - basic	$ (0.07)	$ 0.04	$ (0.11)	$ 0.13
Net income per share from discontinued operations - basic	$ 0.07	$ 0.23	$ 0.12	$ 0.19
Net income per share - basic	$ 0.00	$ 0.27	$ 0.01	$ 0.32
Net income (loss) per share from continuing operations - diluted	$ (0.07)	$ 0.04	$ (0.11)	$ 0.13
Net income per share from discontinued operations - diluted	$ 0.07	$ 0.23	$ 0.12	$ 0.18
Net income per share - diluted	$ 0.00	$ 0.27	$ 0.01	$ 0.31

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

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THE BANCORP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the six months ended June 30, 2015	2014 (restated)
	(in thousands)	
Net income		
Other comprehensive income net of reclassifications into net income:	$ 388	$ 11,949
Other comprehensive income		
Change in net unrealized gain during the period	(6,512)	16,863
Reclassification adjustments for losses included in income	(80)	(400)
Reclassification adjustments for foreign currency translation losses	(449)	-
Amortization of losses previously held as available-for-sale	56	11
Net unrealized gain (loss) on investment securities	(6,985)	16,474
Deferred tax expense		
Securities available-for-sale:		
Change in net unrealized gain (loss) during the period	(2,279)	5,902
Reclassification adjustments for losses included in income	(28)	(140)
Amortization of losses previously held as available-for-sale	19	4
Income tax expense (benefit) related to items of other comprehensive income	(2,288)	5,766
Other comprehensive income (loss) net of tax and reclassifications into net income	(4,697)	10,708
Comprehensive income (loss)	$ (4,309)	$ 22,657

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

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THE BANCORP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 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,(
Net income					388		388
Common stock issued from option exercises, net of tax benefits	-	-	-	-	-	-	-
Common stock issued from option exercises, cashless exercise, net of tax benefits	-	-	-	-	-	-	-
Common stock issued as restricted shares, net of tax benefits	49,460	49		(49)	-		-
Stock-based compensation	-	-	-	1,040	-	-	1,040
Other comprehensive income net of reclassification adjustments	-	-	-	-	-	(4,697)	(4,697)

and tax												
Balance at June 30, 2015	37,858,237	$	37,858	$	(866)	$	298,978	$	(27,854)	$	7,638	$ 315,7

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

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THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands except per share data)

	For the six months ended June 30, 2015	2014 (restated)
Operating activities		
Net income (loss) from continuing operations	$ (4,306)	$ 4,878
Net income from discontinued operations, net of tax	4,694	7,071
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,992	2,791
Provision for loan and lease losses	1,175	2,448
Net amortization of investment securities discounts/premiums	7,033	4,794
Stock-based compensation expense	1,040	1,443
Loans originated for sale	(265,021)	(323,926)
Sale of loans originated for resale	205,177	250,052
Gain on sales of loans originated for resale	(7,577)	(10,696)
Gain on sale of fixed assets	(10)	(2)
Gain on sales of investment securities	(273)	(400)
Increase in accrued interest receivable	(275)	(1,954)
Decrease (increase) in other assets	1,612	(3,896)
Increase in discontinued assets held for sale	(19,264)	(24,377)
Decrease in other liabilities	(2,654)	(15,702)
Net cash used in operating activities	(75,657)	(107,476)
Investing activities		
Purchase of investment securities available-for-sale	(54,565)	(343,628)
Proceeds from sale of investment securities available-for-sale	58,666	46,507
Proceeds from redemptions and prepayments of securities held-to-maturity	90	38
Proceeds from redemptions and prepayments of securities available-for-sale	106,071	109,559
Net increase in loans	(93,901)	(166,285)
Net decrease in discontinued loans held for sale	255,723	93,525
Proceeds from sale of fixed assets	166	11
Purchases of premises and equipment	(4,127)	(2,768)
Investment in unconsolidated entity	6,409	-
Net cash provided by (used in) investing activities	274,532	(263,041)

Financing activities		
Net decrease in deposits	(305,727)	(391,179)
Net decrease in securities sold under agreements to repurchase	(17,057)	(3,740)
Proceeds from the exercise of options	-	103
Net cash used in financing activities	(322,784)	(394,816)
Net decrease in cash and cash equivalents	(123,909)	(765,333)
Cash and cash equivalents, beginning of period	1,114,235	1,235,949
Cash and cash equivalents, end of period	$ 990,326	$ 470,615
Supplemental disclosure:		
Interest paid	$ 2,309	$ 5,734
Taxes paid	$ 177	$ 2,093

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

THE BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLDIATED 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: 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 June 30, 2015 and for the three and six month periods ended June 30, 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 (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, 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 six month period ended June 30, 2015 may not necessarily be indicative of the results of operations for the full year ending December 31, 2014.

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 June 30, 2015, the Company had three 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 2014, incorporated therein by reference.

The Company did not grant stock options in the first six months of 2015 or 2014. There were no stock options exercised in the first six month period ended June 30, 2015 and 63,874 common stock options exercised in the six month period ended June 30, 2014. The total intrinsic value of the options exercised during the six months ended June 30, 2015 and 2014 was $0 and $619,000, respectively.

The Company estimated the fair value of each grant on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	June 30,	
	2015	2014
Risk-free interest rate	-	-

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Expected dividend yield	-	-
Expected volatility	-	-
Expected lives (years)	2.0	-

Expected volatility is based on the historical volatility of the Company's stock and peer group comparisons over the expected life of the grant. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury strip rate in effect at the time of the grant. The life of the option is based on historical factors which include the contractual term, vesting period, exercise behavior and employee terminations. In accordance with ASC 718, stock based compensation expense for the six month period ended June 30, 2015 is based on awards that are ultimately expected to vest and has been reduced for estimated forfeitures. The Company estimates forfeitures using historical data based upon the groups identified by management.

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	
	(in thousands, except per share data)					
Outstanding at January 1, 2015	2,602,000	$	9.72	5.39	$	5,010,208
Granted	-	-		-	-	
Exercised	-	-		-	-	
Expired	(232,500)	14.24		-	-	
Forfeited	(20,750)	8.45		-	-	
Outstanding at June 30, 2015	2,348,750	$	9.28	5.40	$	2,030,423
Exercisable at June 30, 2015	2,022,375	$	9.35	5.13	$	1,766,145

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 six months of 2015. There were no restricted stock units granted in the first six months of 2014. The total fair value of restricted stock units vested for the six months ended June 30, 2015 and 2014 was $517,000 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		1.75	
Vested	(49,460)	10.46			-
Forfeited	(11,830)	9.39			-
Outstanding at June 30, 2015	174,083			1.63	

As of June 30, 2015, there was a total of $3.3 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 1.13 years. Related compensation expense for the six months ended June 30, 2015 and 2014 was $1.0 million and $1.4 million respectively.

Note 4. Earnings Per Share

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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 June 30, 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	$	(2,499)	37,758,249	$	(0.07)
Effect of dilutive securities					
Common stock options	-		-	-	
Diluted income (loss) per share					
Net income (loss) available to common shareholders	$	(2,499)	37,758,249	$	(0.07)

	For the three months ended June 30, 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	$	2,673	37,758,249	$	0.07
Effect of dilutive securities					
Common stock options	-		394,894	-	
Diluted earnings (loss) per share					
Net income (loss) available to common shareholders	$	2,673	38,153,143	$	0.07

	For the three months ended June 30, 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	$	174	37,758,249	$	0.00
Effect of dilutive securities					
Common stock options	-		394,894	-	
Diluted earnings (loss) per share					
Net income (loss) available to common shareholders	$	174	38,153,143	$	0.00

Stock options for 877,000 shares, exercisable at prices between $9.82 and $25.43 per share, were outstanding at June 30, 2015, but were not included in the dilutive shares because the exercise price per share was greater than the average market price.

For the six months ended June 30, 2015		
Income (numerator)	Shares (denominator)	Per share amount
(dollars in thousands except per share data)		

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Basic earnings (loss) per share from continuing operations					
Net income (loss) available to common shareholders	$	(4,306)	37,751,969	$	(0.11)
Effect of dilutive securities					
Common stock options	-		-	-	
Diluted earnings (loss)per share					
Net income available (loss) to common shareholders	$	(4,306)	37,751,969	$	(0.11)

	For the six months ended June 30, 2015				
	Income (numerator)		Shares (denominator)	Per share amount	
	(dollars in thousands except per share data)				
Basic income (loss) per share from discontinued operations					
Net income (loss) available to common shareholders	$	4,694	37,751,969	$	0.12
Effect of dilutive securities					
Common stock options	-		894,248	-	
Diluted income (loss) per share					
Net income (loss) available to common shareholders	$	4,694	38,646,217	$	0.12

	For the six months ended June 30, 2015				
	Income (numerator)		Shares (denominator)	Per share amount	
	(dollars in thousands except per share data)				
Basic income(loss) per share					
Net income (loss) available to common shareholders	$	388	37,751,969	$	0.01
Effect of dilutive securities					
Common stock options	-		-	-	
Diluted income (loss) per share					
Net income (loss) available to common shareholders	$	388	37,751,969	$	0.01

Stock options for 877,000 shares, exercisable at prices between $9.58 and $25.43 per share, were outstanding at June 30, 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 June 30, 2014 (restated)				
	Income (numerator)		Shares (denominator)	Per share amount	
	(dollars in thousands except per share data)				
Basic earnings per share from continuing operations					
Net income available to common shareholders	$	1,652	37,706,491	$	0.04
Effect of dilutive securities					
Common stock options	-		560,183	-	
Diluted earnings per share					
Net income available to common shareholders	$	1,652	38,266,674	$	0.04

For the
three
months
ended
June 30,
2014
(restated)

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	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except per share data)		
Basic earnings per share from continuing operations			
Net income available to common shareholders	$ 8,670	37,706,491	$ 0.23
Effect of dilutive securities			
Common stock options	-	560,183	-
Diluted income per share			
Net income available to common shareholders	$ 8,670	38,266,674	$ 0.23

	For the three months ended June 30, 2014 (restated)		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except per share data)		
Basic earnings per share			
Net income available to common shareholders	$ 10,322	37,706,491	$ 0.27
Effect of dilutive securities			
Common stock options	-	560,183	-
Diluted earnings per share			
Net income available to common shareholders	$ 10,322	38,266,674	$ 0.27

Stock options for 227,750 shares, exercisable at prices between $15.94 and $25.43 per share, were outstanding at June 30, 2014 but were not included in dilutive shares because the exercise price per share was greater than the average market price.

	For the six months ended June 30, 2014 (restated)		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except per share data)		
Basic earnings per share from continuing operations			

Net income available to common shareholders	$ 4,878	37,693,624	$ 0.13
Effect of dilutive securities			
Common stock options	-	894,248	-
Diluted earnings per share			
Net income available to common shareholders	$ 4,878	38,587,872	$ 0.13

	For the six months ended June 30, 2014 (restated)		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except per share data)		
Basic earnings per share from discontinued operations			
Net income available to common shareholders	$ 7,071	37,693,624	$ 0.19
Effect of dilutive securities			
Common stock options	-	894,248	(0.01)
Diluted earnings per share			

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Net income available to common shareholders	$	7,071	38,587,872	$	0.18

	For the six months ended June 30, 2014 (restated)				
	Income (numerator)		Shares (denominator)	Per share amount	
	(dollars in thousands except per share data)				
Basic earnings per share					
Net income available to common shareholders	$	11,949	37,693,624	$	0.32
Effect of dilutive securities					
Common stock options	-		894,248	(0.01)	
Diluted earnings per share					
Net income available to common shareholders	$	11,949	38,587,872	$	0.31

Stock options for 3,000 shares, exercisable at prices between $20.98 and $25.43 per share, were outstanding at June 30, 2014 but were not included in dilutive shares because the exercise share price 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 June 30, 2015 and December 31, 2014 are summarized as follows (in thousands):

Available-for-sale	June 30, 2015							
	Amortized cost		Gross unrealized gains		Gross unrealized losses		Fair value	
U.S. Government agency securities	$	15,919	$	19	$	(8)	$	15,930
Federally insured student loan securities	122,173		442		(882)		121,733	
Tax-exempt obligations of states and political subdivisions	515,598		10,628		(576)		525,650	

Taxable obligations of states and political subdivisions	56,507	2,339	(38)	58,808
Residential mortgage-backed securities	383,593	2,500	(656)	385,437
Commercial mortgage-backed securities	92,676	847	(1,038)	92,485
Foreign debt securities	62,899	191	(160)	62,930
Corporate and other debt securities	107,112	257	(315)	107,054
	$ 1,356,477	$ 17,223	$ (3,673)	$ 1,370,027

Held-to-maturity	June 30, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other debt securities - single issuers	$ 17,908	$ 679	$ (3,795)	$ 14,792
Other debt securities - pooled	75,741	1,401	-	77,142
	$ 93,649	$ 2,080	$ (3,795)	$ 91,934

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

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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 $1.1 million and $1.0 million, respectively, at June 30, 2015 and December 31, 2014.

The amortized cost and fair value of the Company's investment securities at June 30, 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	$ 277,219	$ 283,052	$ -	$ -
Due after one year through five years	372,163	373,013	7,018	7,599
Due after five years through ten years	288,885	295,488	-	-
Due after ten years	418,210	418,474	86,631	84,335
	$ 1,356,477	$ 1,370,027	$ 93,649	$ 91,934

At June 30, 2015 and December 31, 2014, investment securities with a book value of approximately $22.8 million and $25.7 million, respectively, were pledged to secure 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 evaluations of the creditworthiness of the issuers/guarantors as well as the underlying collateral if applicable, in addition to the continuing performance of the securities. The amount of the credit impairment is calculated by estimating the discounted cash flows for those securities. The Company did not recognize any other-than-temporary impairment charges in the first six months of 2015.

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at June 30, 2015 (dollars in thousands):

Available-for-sale		Less than 12 months		12 months or longer		Total
	Number of securities	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value
Description of Securities						
U.S. Government agency securities	2	$ 12,261	$ (8)	$ -	$ -	$ 12,2
Federally insured student loan securities	10	25,260	(257)	40,316	(625)	65,576
Tax-exempt obligations of states and political subdivisions	118	58,419	(369)	30,353	(207)	88,772
Taxable obligations of states and political subdivisions	5	1,216	(1)	4,127	(37)	5,343
Residential mortgage-backed securities	29	31,353	(69)	56,896	(587)	88,249
	34	19,306	(90)	34,438	(948)	53,744

Commercial
mortgage-backed
securities

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Foreign debt securities	23	16,004		(115)		7,627		(45)		23,631	(16(
Corporate and other debt securities	47	49,319		(269)		3,897		(46)		53,216	(31:
Total temporarily impaired investment securities	268	$	213,138	$	(1,178)	$ 177,654	$	(2,495)	$	390,792	$

Held-to-maturity		Less than 12 months		12 months or longer		Total
	Number of securities	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value
Description of Securities						
Single issuers	1	$ -	$ -	$ 5,193	$ (3,795)	$ 5,193
Total temporarily impaired investment securities	1	$ -	$ -	$ 5,193	$ (3,795)	$ 5,193

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

Available-for-sale		Less than 12 months		12 months or longer		Total
	Number of securities	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value
Description of Securities						
	9	$ 28,435	$ (169)	$ 34,274	$ (221)	$ 62

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

Held-to-maturity		Less than 12 months		12 months or longer		Total
	Number of securities	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value
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 June 30, 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 $18.0 million of other debt securities - single issuers is comprised of the following: (i) amortized cost of the two single issuer trust preferred securities of $10.9 million, of which one security for $1.9 million was issued by a bank and one security for $8.9 million was issued by an insurance company; and (ii) the book value of a bank senior note of $7.0 million.

A total of $75.7 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 the Company’s single issuer trust preferred securities as of June 30, 2015 (in thousands):

Single issuer	Book value	Fair value	Unrealized gain/(loss)	Credit rating

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Security A	$ 1,902	$ 2,000	$ 98	Not rated
Security B	8,988	5,193	(3,795)	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 June 30, 2015:

Pooled issue	Class	Book value	Fair value	Unrealized gain	Credit rating	Excess subordination
Pool A (7 performing issuers)	Mezzanine	$ 82	$ 174	$ 92	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 market 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 market interest rates and changes in credit quality. The Company's unrealized loss for other of the debt securities, which include three single issuer trust preferred securities and one pooled trust preferred security, is primarily related to general market conditions 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 fair value treatment for these loans to better reflect the economics of the transactions. At June 30, 2015, the fair value of these loans held for sale was $284.5 million and the unpaid principal balance was $278.9 million. Included in the gain on sale of loans in the Statement of Operations were gains recognized from changes in the fair value of $1.3 million for the six months ended June 30, 2015. There were no amounts of changes in fair value related to credit risk. Intterest earned on loans held for sale during the period held are recorded in Interest Income-Loans, including fees on the Statement of Operations..

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, managements’s knowledge of market conditions, collateral and the ratio of loan amounts to estimated collateral value in making its credit determinations.

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

	June 30, 2015		December 31, 2014	
SBA non real estate	$	63,390	$	62,425
SBA commercial mortgage	85,234		82,317	
SBA construction	16,977		20,392	
Total SBA loans	165,601		165,134	
Direct lease financing	222,169		194,464	
SBLOC	512,269		421,862	
Other specialty lending	32,118		48,625	
Other consumer loans	27,044		36,168	

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	959,201		866,253	
Unamortized loan fees and costs	8,832		8,340	
Total loans, net of deferred loan costs	$	968,033	$	874,593

Included in the table above are demand deposit overdrafts reclassified as loan balances totaling $1.7 million and $1.8 million at June 30, 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 June 30, 2015 and December 31, 2014 (in thousands):

	Recorded investment		Unpaid principal balance		Related allowance		Average recorded investment		Interest income recognized	
June 30, 2015										
Without an allowance recorded										
SBA non real estate	$	263	$	263	$	-	$	205	$	-
Consumer - other	338		338		-		342		-	
Consumer - home equity	861		1,257		-		1,078		-	
With an allowance recorded									-	
SBA non real estate	976		976		259		710		-	
Consumer - other	-		-		-		-		-	
Consumer - home equity	750		750		750		970		-	
Total										
SBA non real estate	1,239		1,239		259		915		-	
Consumer - other	338		338		-		342		-	

Consumer - home equity	1,611	2,007	750	2,048	-
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 and other real estate owned for the periods indicated (the Company had no non-accrual leases at June 30, 2015, June 30, 2014, or December 31, 2014 (in thousands):

	June 30, 2015	June 30, 2014 (restated)	December 31, 2014
Non-accrual loans			
SBA non real estate	$ 1,055	$ 1,233	$ -

Consumer	1,611	2,180	1,907

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Total non-accrual loans	2,666	3,413	1,907
Loans past due 90 days or more	620	119	149
Total non-performing loans	3,286	3,532	2,056
Other real estate owned	-	-	-
Total non-performing assets	$ 3,286	$ 3,532	$ 2,056

The Company's loans that were modified as of June 30, 2015 and December 31, 2014 and considered troubled debt restructurings are as follows (dollars in thousands):

	June 30, 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	$ 184	$ 184	1	$ 197	$ 197
SBA commercial mortgage	4	16,998	16,998	-	-	-
Consumer	2	443	443	1	346	346
Total	7	$ 17,625	$ 17,625	2	$ 543	$ 543

The balances below provide information as to how the loans were modified as troubled debt restructurings loans as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 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	$ -	$ 184	$ -	$ -	$ 197	$ -
SBA commercial mortgage	-	14,050	2,948	-	-	-
Consumer	-	338	105	-	346	-
Total	$ -	$ 14,572	$ 3,053	$ -	$ 543	$ -

As of June 30, 2015, there were no loans that had been restructured within the last 12 months that have subsequently defaulted.

As of June 30, 2015 and December 31, 2014, the Company had no commitments to lend additional funds to loan customers whose loan terms have been modified in troubled debt restructurings.

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

	SBA non real estate		SBA commercial mortgage		SBA construction		Direct lease financing		SBLOC		Other specialty lending	
June 30, 2015												
Beginning balance	$	385	$	461	$	114	$	836	$	562	$	66
Charge-offs	(65)		-		-		(9)		-		-	
Recoveries	-		-		-		-		-		-	
Provision (credit)	576		(159)		(23)		41		112		21	
Ending balance	$	896	$	302	$	91	$	868	$	674	$	87

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Ending balance: Individually evaluated for impairment	$ 242	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	$ 654	$ 302	$ 91	$ 868	$ 674	$ 8
Loans: Ending balance	$ 63,390	$ 85,234	$ 16,977	$ 222,169	$ 512,269	$ 32,11
Ending balance: Individually evaluated for impairment	$ 976	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	$ 62,414	$ 85,234	$ 16,977	$ 222,169	$ 512,269	$ 32,11

December 31, 2014 Beginning balance (restated)	$ 419	$ 496	$ -	$ 311	$ 293	$
Charge-offs	(307)	-	-	(323)	(3)	-
Recoveries	12	-	-	25	-	-
Provision (credit)	261	(35)	114	823	272	65
Ending balance	$ 385	$ 461	$ 114	$ 836	$ 562	$ 6

Ending balance: Individually evaluated for impairment	$ 40	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	$ 345	$ 461	$ 114	$ 836	$ 562	$ 66
Loans: Ending balance	$ 62,425	$ 82,317	$ 20,392	$ 194,464	$ 421,862	$ 48,62
Ending balance: Individually evaluated for impairment	$ 197	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	$ 62,228	$ 82,317	$ 20,392	$ 194,464	$ 421,862	$ 48,62

June 30, 2014 (restated) Beginning balance	$ 419	$ 496	$ -	$ 311	$ 293	$ 1

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Charge-offs	-	-	-	(1)	-	-
Recoveries	-	-	-	-	-	-
Provision (credit)	235	(5)	52	678	74	54
Ending balance	$ 654	$ 491	$ 52	$ 988	$ 367	$ 5
Ending balance: Individually evaluated for impairment	$ 385	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	$ 269	$ 491	$ 52	$ 988	$ 367	$ 5
Loans: Ending balance	$ 53,046	$ 86,600	$ 4,748	$ 181,007	$ 319,854	$ 42,20
Ending balance: Individually evaluated for impairment	$ 1,307	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	$ 51,739	$ 86,600	$ 4,748	$ 181,007	$ 319,854	$ 42,20

The Company did not have loans acquired with deteriorated credit quality at either June 30, 2015 or December 31, 2014.

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

June 30, 2015	30-59 Days past due	60-89 Days past due	Greater than 90 days	Non-accrual	Total past due	Current
SBA non real estate	$ -	$ -	$ -	$ 792	$ 792	$ 62,5
SBA commercial mortgage	-	-	-	-	-	85,234
SBA construction	-	-	-	-	-	16,977
Direct lease financing	4,319	662	516	-	5,497	216,672
SBLOC	-	-	-	-	-	512,269
Other specialty lending	-	-	-	-	-	32,118
Consumer - other	1	-	-	-	1	5,659
Consumer - home equity	74	-	104	1,874	2,052	19,332
Unamortized loan fees and costs	-	-	-	-	-	8,832
	$ 4,394	$ 662	$ 620	$ 2,666	$ 8,342	$ 959,6

December 31, 2014	30-59 Days past due	60-89 Days past due	Greater than 90 days	Non-accrual	Total past due	Current
SBA non real estate	$ -	$ -	$ -	$ -	$ -	$ 62,4
SBA commercial mortgage	-	-	-	-	-	82,317
SBA construction	-	-	-	-	-	20,392
Direct lease financing	5,083	1,832	149	-	7,064	187,400
SBLOC	-	-	-	-	-	421,862

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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	$ 865,1	

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):

June 30, 2015	Pass	Special mention	Substandard	Doubtful	Loss	Unrated subject to review *	Unrat to rev
SBA non real estate	$ 61,729	$ -	$ 976	$ -	$ -	$ 1,595	$
SBA commercial mortgage	63,754	-	-	-	-	3,591	17,88
SBA construction	13,663	-	-	-	-	1,481	1,833
Direct lease financing	78,123	-	519	-	-	4,013	139,5
SBLOC	188,239	-	-	-	-	6,210	317,8
Other specialty lending	30,328	-	-	-	-	-	1,790
Consumer	7,171		3,176	-	-	-	16,69
Unamortized loan fees and costs	-	-	-	-	-	-	8,832
	$ 443,007	$ -	$ 4,671	$ -	$ -	$ 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	14,196	346	1,907	-	-	73	19,64
Unamortized loan fees and costs	-	-	-	-	-	-	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 under the Bank's internal policy and are not loans otherwise selected in ongoing portfolio evaluation. The scope of the Bank's loan review policy encompasses commercial and construction loans and leases which singly, or in aggregate for loans to related borrowers, exceed $3.0 million. The loan portfolio review coverage was approximately 46% at June 30, 2015 and approximately 45% at December 31, 2014. As a result of transferring loans into "Discontinued Operations" (see Note 15), management is currently assessing the review scope for the remaining portfolio to ensure appropriate coverage levels are maintained. This review is performed by the loan review department, which is independent of the loan origination department and reports directly to the audit committee. Potential problem loans, which are identified by either the independent loan review department or line management, are reviewed. Adversely classified loans are reviewed quarterly by the independent loan review function of the Bank. Additionally, all loans are subject to ongoing monitoring by portfolio managers and loan officers. Also, many of the Bank's loans are relatively short term, and are subject to reconsideration with a full review in loan committee between one and three years after the loan is made and after the prior review.

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 terminated January 31, 2015. The Company paid only its proportionate share of the lease rate to a lessor which was 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 was 50% of the fixed rent, real estate tax and the base expense charges. Rent expense was $9,000 for the six months ended June 30, 2015 and $51,000 for the six months ended June 30, 2014.

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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. This agreement expired in May 2015. The Company paid only its proportionate share of the lease rate to a lessor which was an unrelated third party. The Chairman of the Board 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, 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 was 50% of the fixed rent, real estate tax payment and the base expense charges. Rent expense was $35,000 and $52,000 for the six months ended June 30, 2015 and 2014, respectively.

The Bank maintains deposits for various affiliated companies totaling approximately $9.3 million and $15.1 million as of June 30, 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 on the same terms as those prevailing for comparable transactions with other borrowers. 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 June 30, 2015, these loans were current as to principal and interest payments and did not involve more than normal risk of collectability. At June 30, 2015, loans to these related parties included in other assets held for sale amounted to $4.9 million at June 30, 2015 and $30.8 million at December 31, 2014.

The Bank periodically purchases securities under agreements to resell and engages in other securities transactions as follows.The Company executed transactions through PrinceRidge Group LLC, now know as 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 compliance with all of the terms of the agreements at June 30, 2015 and had complied with all terms for all prior repurchase agreements. A total of $40.1 million of such agreements were outstanding at June 30, 2015 and $46.3 million were outstanding at December 31, 2014.

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 $990.3 million and $1.11 billion as of June 30, 2015 and December 31, 2014, respectively, which approximated fair values.

The estimated fair values of investment securities are based on quoted market prices, if available, or estimated using a methodology based on management's inputs. The fair values of the Company's investment securities held-to-maturity and loans held for sale are based on using "unobservable inputs" that are the best information available in the circumstances.

The net loan portfolio at June 30, 2015 and December 31, 2014 has been valued 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.

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.

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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 June 30, 2015 have been valued based upon an independent third party review. The third party reviewed the majority of the credit portfolio and determined fair value for each specific loan that was reviewed. Based on that review, weighted average fair values were applied to the loans not specifically reviewed. Assets held for sale at December 31, 2014 have been valued 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.

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.

The fair values of interest rate swaps are determined 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 values of certificates of deposit and subordinated debentures are estimated using a discounted cash flow calculation that applies current interest rates to discounted expected cash flows. Based upon time deposit maturities at June 30, 2015, the carrying values approximate their fair values. The carrying amount of accrued interest payable approximates its fair value. The following tables provide information regarding carrying amounts and estimated fair values (in thousands):

	June 30, 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	$ 1,370,027	$ 1,370,027	$ 51,137	$ 1,318,890	$

Investment securities held-to-maturity	93,649	91,934	7,599	-	84,335
Securities purchased under agreements to resell	40,068	40,068	40,068	-	-
Federal Home Loan and Atlantic Central Bankers Bank stock	1,063	1,063	-	-	1,063
Commercial loans held for sale	284,501	284,501	-	-	284,501
Loans, net	968,033	961,673	-	-	961,673
Investment in unconsolidated entity, senior note	172,288	172,288	-	-	172,288
Investment in unconsolidated entity, subordinated note	14,898	14,898	-	-	14,898
Assets held for sale	651,158	651,158	-	-	651,158
Demand and interest checking	3,993,393	3,993,393	3,993,393	-	-
Savings and money market	321,264	321,264	321,264	-	-
Time deposits	1,400	1,412	-	-	1,412
Subordinated debentures	13,401	8,140	-	-	8,140
Securities sold under agreements to repurchase	2,357	2,357	2,357	-	-
Interest rate swaps, asset	625	625	-	625	-

December 31, 2014

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	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	$ 1,493,639	$ 1,493,639	$ 66,287	$ 1,425,986	$ 1,
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	-

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.

		Fair Value Measurements at Reporting Date Using		
	Fair value June 30, 2015	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	$ 15,930	$ -	$ 15,930	$
Federally insured student loan securities	121,733	-	121,733	-
Obligations of states and political subdivisions	584,458	1,153	583,305	-
Residential mortgage-backed securities	385,437	-	385,437	-
Commercial mortgage-backed securities	92,485	-	92,485	-
Foreign debt securities	62,930	12,808	50,122	-
Other debt securities	107,054	37,176	69,878	-
Total investment securities available for sale	1,370,027	51,137	1,318,890	-
Loans held for sale	284,501	-	-	284,501
Investment in unconsolidated entity, senior note	172,288	-	-	172,288
Investment in unconsolidated entity, subordinated note	14,898	-	-	14,898
Interest rate swaps, asset	625	-	625	-
	$ 1,842,339	$ 51,137	$ 1,319,515	$ 47

Fair Value Measurements at Reporting Date Using		
Quoted prices in active markets for identical	Significant other observable	Significant unobservable

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	Fair value December 31, 2014	assets (Level 1)	inputs (Level 2)	inputs (Level 3)
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	$ 41

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” which the Company believes is 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 changes in the Company’s Level 3 assets measured at fair value on a recurring basis, segregated by fair value hierarchy level, are summarized below (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Available-for-sale securities				Commercial loans held for sale			
	June 30, 2015		December 31, 2014		June 30, 2015		December 31, 2	
Beginning balance	$	1,366	$	551	$	217,080	$	
Transfers into level 3	-		1,279		-		-	
Transfers out of level 3	-		(551)		-		-	
Total gains or losses (realized/unrealized)								
Included in earnings	(23)		-		1,289		1,846	
Included in other comprehensive income	-		87		-		-	
Purchases, issuances, and settlements								
Purchases	-				-		-	
Issuances	-		-		265,021		630,165	
Sales	(1,343)		-		(198,889)		(484,835)	
Settlements	-		-		-		-	
Ending balance	$	-	$	1,366	$	284,501	$	
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								

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held at the reporting date.	$ -	$ -	$ 3,910	$ 3,587

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Investment in unconsolidated entity	
	June 30, 2015	December 31, 2014
Beginning balance	$ 193,595	$ -
Transfers into level 3	-	-
Transfers out of level 3	-	-
Total gains or losses (realized/unrealized)		
Included in earnings	-	-
Included in other comprehensive income	-	-
Purchases, issuances, and settlements		
Purchases	-	193,595
Issuances	-	-
Sales	-	-
Settlements	(6,409)	-
Ending balance	$ 187,186	$ 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):

		Fair Value Measurements at Reporting Date Using		
Description	Fair value June 30, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (1) (Level 3)

Impaired loans	$ 3,188	$ -	$ -	$ 3,188

		Fair Value Measurements at Reporting Date Using		
Description	Fair value December 31, 2014	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.

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At June 30, 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 $3.2 million through specific reserves and other write downs of $1.0 million or by recording charge-offs when the carrying value exceeds the fair value. Included in the impaired balance at June 30, 2015 were troubled debt restructured loans with a balance of $522,000 which had specific reserves of $27,000. 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 June 30, 2015, the Company had entered into eight interest rate swap agreements with an aggregate notional amount of $52.8 million. These swap agreements provide for the Company to receive an adjustable rate of interest based upon the three-month London Interbank Offering Rate (LIBOR). The Company recorded a gain of $1.6 million for the six months ended June 30, 2015 on derivative instruments. The amount receivable by the Company under these swap agreements was $520,000 at June 30, 2015. At June 30, 2015, the Company had minimum collateral posting thresholds with certain of its derivative counterparties and had posted cash collateral of $750,000.

The maturity dates, notional amounts, interest rates paid and received and fair value of the Company's remaining interest rate swap agreements as of June 30, 2015 are summarized below (in thousands):

	June 30, 2015				
Maturity date	Notional amount		Interest rate paid	Interest rate received	Fair value
April 16, 2025	$	2,700	2.0%	0.28%	$ 116
May 6, 2025	20,300		2.2%	0.28%	426
May 19, 2025	5,500		2.2%	0.28%	120
June 5, 2025	6,800		2.5%	0.28%	1
June 12, 2025	5,100		2.6%	0.29%	(46)
June 16, 2025	4,700		2.4%	0.29%	7
June 19, 2025	2,400		2.5%	0.29%	1
July 2, 2025	5,300		2.5%	0.28%	(1)
Total	$	52,800			$ 625

Note 10. Other Identifiable Intangible Assets

On November 29, 2012, the Company acquired certain software rights and personnel of a prepaid card program manager in Europe for approximately $1.8 million. With this acquisition the Company expects to establish a European prepaid card presence. The Company allocated the majority of the $1.8 acquisition cost to software used 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 June 30, 2015 and the accumulated amortization was $687,000.

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 ($5.0 million over the next five years). The gross carrying amount of the customer list intangible is $12.0 million and as of June 30, 2015 the accumulated amortization was $4.5 million. For both 2015 and 2014, amortization expense for the second quarter was $250,000 and for the six months was $500,000.

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

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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, 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, and (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 Federal Housing Administration and the Veterans Administration. 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.

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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 a financial holding company 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. We have been advised by our counsel in the matter that reasonably possible losses cannot be estimated. We believe that the complaint is without merit and we intend to defend vigorously.

In addition, we are 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 our 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

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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, SBA loans, leasing and SBLOCs 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 operations.

	For the three months ended June 30, 2015				
	Specialty finance	Payments	Corporate	Discontinued operations	Total
	(in thousands)				
Interest income					