Bancorp, Inc.
Form 10-Q
November 09, 2009
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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: September 30, 2009

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 ¨ 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	¨	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 October 31, 2009, there were 26,181,291 outstanding shares of Common Stock, $1.00 par value.

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PART I - FINANCIAL INFORMATION

Item 1. **Financial statements**

THE BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	September 30, 2009 (unaudited)	December 31, 2008
	(dollars in thousands)	
ASSETS		
Cash and cash equivalents		
Cash and due from banks	$ 133,453	$ 90,744
Interest bearing deposits	1,033	1,033
Federal funds sold	210,506	87,729
Total cash and cash equivalents	344,992	179,506
Investment securities, available-for-sale, at fair value	117,839	82,929
Investment securities, held-to-maturity (fair value $17,027 and $18,408, respectively)	23,549	23,529
Loans, net of deferred loan costs	1,513,131	1,449,349
Allowance for loan and lease losses	(18,436)	(17,361)
Loans, net	1,494,695	1,431,988
Premises and equipment, net	7,740	8,279
Accrued interest receivable	7,708	7,799
Intangible assets, net	10,255	11,005
Other real estate owned		4,600
Deferred tax asset, net	22,220	22,847
Other assets	12,036	19,893
Total assets	$ 2,041,034	$ 1,792,375
LIABILITIES		
Deposits		
Demand (non-interest bearing)	$ 790,538	$ 340,013
Savings, money market and interest checking	890,587	804,502
Time deposits	71,000	357,831
Time deposits, $100,000 and over	23,350	23,016
Total deposits	1,775,475	1,525,362
Securities sold under agreements to repurchase	696	9,419
Short-term borrowings		61,000
Accrued interest payable	322	2,475
Subordinated debenture	13,401	13,401
Other liabilities	4,596	315

Total liabilities	1,794,490	1,611,972

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SHAREHOLDERS EQUITY		
Preferred stock - authorized 5,000,000 shares, series A, $0.01 par value; 0 and 108,136 shares issued and outstanding at September 30, 2009 and December 31, 2008;		1
Series B, $1,000 liquidation value, 45,220 shares issued and outstanding at September 30, 2009 and December 31, 2008	39,010	39,028
Common stock - authorized, 50,000,000 shares of $1.00 par value; 26,181,291 and 14,563,919 shares issued and outstanding at September 30, 2009 and December 31, 2008	26,181	14,563
Additional paid-in capital	196,827	145,156
Accumulated deficit	(16,242)	(17,517)
Accumulated other comprehensive income (loss)	768	(828)
Total shareholders equity	246,544	180,403
Total liabilities and shareholders equity	$ 2,041,034	$ 1,792,375

The accompanying notes are an integral part of these statements.

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THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
	(dollar in thousands, except per share data)			
Interest income				
Loans, including fees	$ 18,074	$ 21,971	$ 54,577	$ 67,202
Interest on investment securities:				
Taxable interest	1,423	1,510	3,960	4,548
Tax-exempt interest	411		732	
Interest bearing deposits		8	5	38
Federal funds sold	116	406	235	858
	20,024	23,895	59,509	72,646
Interest expense				
Deposits	3,766	9,521	11,681	29,891
Securities sold under agreements to repurchase	5	12	21	38
Short-term borrowings	59	630	279	2,683
Subordinated debt	219	235	668	720
	4,049	10,398	12,649	33,332
Net interest income	15,975	13,497	46,860	39,314
Provision for loan and lease losses	3,500	4,100	9,000	8,800
Net interest income after provision for loan and lease losses	12,475	9,397	37,860	30,514
Non-interest income				
Service fees on deposit accounts	330	261	966	798
Merchant credit card deposit fees	127	157	531	712
Stored value processing fees	1,956	2,086	5,996	6,573
Gain on sales of securities			670	
Other than temporary impairment on securities				(8,275)
Leasing income (loss)	306	(112)	777	178
ACH processing fees	128	65	392	185
Other	266	215	912	726
Total non-interest income	3,113	2,672	10,244	897
Non-interest expense				
Salaries and employee benefits	5,317	5,394	17,080	15,510
Occupancy expense	1,298	1,244	4,002	3,495
Data processing expense	1,721	1,039	5,207	3,085
Advertising	190	182	698	560
Professional fees	1,020	700	2,550	2,023
Amortization of intangibles	250	250	750	750
Loss on sale of other real estate owned			1,700	
FDIC insurance	746	198	2,427	572
Other	2,476	2,667	7,390	7,251

Total non-interest expense	13,018	11,674	41,804	33,246
Net income (loss) before income tax	2,570	395	6,300	(1,835)
Income tax (benefit)	818	136	2,231	(649)
Net income (loss)	1,752	259	4,069	(1,186)
Less Preferred stock dividends and accretion	(966)	(16)	(2,795)	(49)
(Income) loss allocated to Series A preferred shareholders		(2)		8
Net income (loss) available to common shareholders	$ 786	$ 241	$ 1,274	$ (1,227)
Net income (loss) per share - basic	$ 0.04	$ 0.02	$ 0.08	$ (0.08)
Net income (loss) per share - diluted	$ 0.04	$ 0.02	$ 0.08	$ (0.08)

The accompanying notes are an integral part of these statements.

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THE BANCORP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the nine months ended September 30, 2009

(dollars in thousands except per share data)

	Common Stock shares	Common Stock	Preferred Stock	Additional paid-in capital	Retained earnings (Accumulated deficit)	Accumulated other comprehensive income (loss)	Comprehensive income	Total
Balance at December 31, 2008	14,563,919	$ 14,563	$ 39,029	$ 145,156	$ (17,517)	$ (828)		$ 180,403
Net Income					4,069		$ 4,069	4,069
Cash dividends on preferred shares					(1,728)			(1,728)
Common stock warrant			(1,084)	1,084				
Common stock offering, net of offering costs	11,500,000	11,500		50,625				62,125
Series A preferred stock converted to common shares	117,372	118	(1)	(117)				
Accretion of the discount on series B preferred shares			1,066		(1,066)			
Stock-based compensation expense				79				79
Other comprehensive income, net of reclassification adjustments and tax						1,596	1,596	1,596
Balance at September 30, 2009	26,181,291	$ 26,181	$ 39,010	$ 196,827	$ (16,242)	$ 768	$ 5,665	$ 246,544

The accompanying notes are an integral part of these statements.

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THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

(dollars in thousands)

	For the nine months ended September 30, 2009	2008
Operating activities		
Net income (loss)	$ 4,069	$ (1,186)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	2,899	2,565
Provision for loan and lease losses	9,000	8,800
Net amortization of investment securities discounts/premiums	59	168
Gain on sales of investment securities	(670)	
Stock-based compensation expense	79	71
Mortgage loans originated for sale	(5,795)	(5,016)
Sales of mortgage loans originated for resale	5,614	5,034
Gain on sales of mortgage loans originated for resale	(27)	(18)
Gain on sales of fixed assets	(39)	(10)
Other than temporary impairment		8,275
Loss on sale of other real estate owned	1,700	
(Increase) decrease in accrued interest receivable	(175)	1,872
Decrease in interest payable	(2,153)	(2,069)
Decrease (increase) in other assets	7,563	(9,502)
Increase in other liabilities	4,111	914
Net cash provided by operating activities	26,235	9,898
Investing activities		
Purchase of investment securities available-for-sale	(111,400)	(12,198)
Proceeds from redemptions and repayment on securities available-for-sale	50,232	6,554
Proceeds from sales of investment securities available-for-sale	29,522	
Proceeds from sale of other real estate owned	2,900	
Net increase in loans	(71,493)	(186,358)
Proceeds from sales of fixed assets	162	164
Purchases of premises and equipment	(1,629)	(2,349)
Net cash used in investing activities	(101,706)	(194,187)
Financing activities		
Net increase in deposits	250,113	180,811
Net decrease in securities sold under agreements to repurchase	(8,723)	(597)
(Repayment) proceeds from short-term borrowings	(61,000)	38,250
Proceeds from issuance of common stock	62,125	
Dividends paid on Series A and B preferred stock	(1,558)	(49)
Net cash provided by financing activities	240,957	218,415
Net increase in cash and cash equivalents	165,486	34,126
Cash and cash equivalents, beginning of year	179,506	82,158

Cash and cash equivalents, end of the period	$ 344,992	$ 116,284
Supplemental disclosure:		
Interest paid	$ 14,802	$ 35,487
Taxes paid	$ 587	$ 4,976

The accompanying notes are an integral part of these statements.

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THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Formation and Structure of Company

The Bancorp, Inc. (the Company) is a Delaware corporation and is a registered bank holding company with a wholly owned subsidiary bank, The Bancorp Bank (the Bank). The Bank is a Delaware chartered commercial bank located in Wilmington, Delaware and is a Federal Deposit Insurance Corporation (FDIC)-insured institution. Through the Bank, the Company provides retail and commercial banking services in the Philadelphia, Pennsylvania and Wilmington, Delaware areas and related other banking services nationally, which includes private label banking, health savings accounts and prepaid debit cards. The principal medium for the delivery of the Company s banking services is the Internet.

Prior to the third quarter of 2009, the Company was registered as a financial holding company. Because the Company had not engaged in businesses which are specific to a financial holding company, it changed to a more simplified bank holding company structure during the third quarter of 2009.

Note 2. Significant Accounting Policies

Basis of Presentation

The financial statements of the Company, as of September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008 are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, in the opinion of management, these interim financial statements include all necessary adjustments to fairly present the results of the interim periods presented. The unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. The results of operations for the three and nine month periods ended September 30, 2009 may not necessarily be indicative of the results of operations for the full year ending December 31, 2009.

Note 3. Stock-based Compensation

The Company accounts for its stock options, stock appreciation rights according to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 718, *Compensation Stock Compensation,* that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise s equity instruments or that may be settled by the issuance of such equity instruments. Under ASC topic 718, all forms of share-based payments to employees, including employee stock options and phantom stock units, are treated the same as other forms of compensation by recognizing the related cost in income. The expense of the award generally is measured at fair value at the grant date. The impact of the ASC topic 718 is reflected in the net earnings and related per share amounts for the quarters ended September 30, 2009 and 2008. At September 30, 2009, the Company had two stock-based compensation plans, which are more fully described in its Form 10-K report.

The fair value of each grant of stock option and stock appreciation right is estimated on the date of the grant using the Black-Scholes option pricing model. The significant assumptions utilized in applying the Black-Scholes option pricing model are the risk-free interest rate, expected term, dividend yield, and expected volatility. The risk-free interest rate is the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term used in the assumption for the model. The expected term of an option or stock appreciation right is based on historical experience of similar awards. The dividend yield is determined by dividing per share and stock appreciation rights unit dividends by the grant date stock price. The expected volatility is

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THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

based on the volatility of the Company s stock price over a historical period comparable to the expected term. The Company did not grant any stock options or stock appreciation rights in 2009, but granted stock appreciation rights for 60,000 shares of common stock in 2008. The weighted-average assumptions used in the Black-Sholes valuation model are shown below.

	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Risk-free interest rate		2.65%
Expected term		5.5 Years
Dividend		0.00%
Expected volatility		42.79%

As of September 30, 2009, there was $190,574 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the plans; that cost is expected to be recognized over a period of 1.50 years. There were no stock options exercised for the nine month periods ending September 30, 2009 and 2008. Included in net income for the nine months ended September 30, 2009 and 2008 was compensation expense of $78,600 and $71,400 respectively. The following tables are a summary of activity in the plans as of September 30, 2009 and changes during the period then ended:

	For the nine months ended September 30, 2009			
	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2009	1,503,737	$ 12.12		
Granted				
Exercised				
Cancelled/forfeited	29,373	13.13		
Outstanding at September 30, 2009	1,474,364	$ 12.10	3.82	$
Exercisable at September 30, 2009	1,464,364		3.79	$

THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock appreciation rights:

	Shares	Weighted-Average Price	Average Remaining Contractual Term
Outstanding at beginning of the year	60,000	$ 11.41	
Granted			
Exercised			
Forfeited			
Outstanding at end of period	60,000	$ 11.41	2.5

Note 4. Earnings Per Share

Basic earnings per share for a particular period of time is calculated by dividing net income by the weighted average number of common shares outstanding during that period.

Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares and common share equivalents. The Company s only outstanding common share equivalents are stock appreciation rights and options to purchase its common stock.

The following table shows the Company s earnings (loss) per share for the periods presented:

	For the three months ended September 30, 2009		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except per share data)		
Basic earnings per share			
Net income available to common shareholders	$ 786	19,731,274	$ 0.04
Effect of dilutive securities			
Common stock warrants		680,598	
Diluted earnings per share			
Net income available to common shareholders plus assumed conversions	$ 786	20,411,872	$ 0.04

Stock options for 1,474,364 shares and stock appreciation rights for 60,000 shares, exercisable at prices between $10.00 and $25.43 per share, were outstanding at September 30, 2009 but were not included in the dilutive shares because the exercise share price was greater than the market price.

	For the nine months ended September 30, 2009		
	Income (numerator)	Shares (denominator)	Per share amount

	(dollars in thousands except per share data)		
Basic earnings per share			
Net income available to common shareholders	$ 1,274	16,305,299	$ 0.08
Effect of dilutive securities			
Common stock warrants		569,300	
Diluted earnings per share			
Net income available to common shareholders plus assumed conversions	$ 1,274	16,874,599	$ 0.08

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THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock options for 1,474,364 shares and stock appreciation rights for 60,000 shares, exercisable at prices between $10.00 and $25.43 per share, were outstanding at September 30, 2009 but were not included in the dilutive shares because the exercise share price was greater than the market price.

	For the three months ended September 30, 2008		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except per share data)		
Basic earnings per share			
Net income available to common shareholders	$ 241	14,563,919	$ 0.02
Effect of dilutive securities			
Common stock warrants			
Diluted earnings per share			
Net income available to common shareholders plus assumed conversions	$ 241	14,563,919	$ 0.02

Stock options for 1,503,737 shares and stock appreciation rights for 60,000 shares, exercisable at prices between $10.00 and $25.43 per share, were outstanding at September 30, 2008 but were not included in the dilutive shares because the exercise share price was greater than the market price.

The Company recorded a loss per share of $0.08 based on the weighted-average shares of 14,562,934 for the nine months ended September 30, 2008. Stock options for 1,503,737 shares and stock appreciation rights for 60,000 shares, exercisable at prices between $10.00 and $25.43 per share, were outstanding at September 30, 2008 but were not included in the dilutive shares because the Company had a net loss for the period.

Note 5. Investment securities

The amortized cost, gross unrealized gains and losses, and fair values of the Company s investment securities available-for-sale at September 30, 2009 and December 31, 2008 are summarized as follows (dollars in thousands):

Available-for-sale	September 30, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government agency securities	$ 7,000	$	$ (61)	$ 6,939
State and Municipal securities	38,893	3,440		42,333
Mortgage-backed securities	61,280	622	(567)	61,335
Other securities	1,019		(352)	667
Federal Home Loan and Atlantic Central Bankers Bank stock	6,565			6,565
	$ 114,757	$ 4,062	$ (980)	$ 117,839

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THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Held-to-Maturity	September 30, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities	$ 23,549	$	$ (6,522)	$ 17,027
	$ 23,549	$	$ (6,522)	$ 17,027

Available-for-sale	December 31, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government agency securities	$ 59,982	$ 894	$	$ 60,876
Mortgage-backed securities	15,102	380	(461)	15,021
Other securities	807		(96)	711
Federal Home Loan and Atlantic Central Bankers Bank stock	6,321			6,321
	$ 82,212	$ 1,274	$ (557)	$ 82,929

Held-to-Maturity	December 31, 2008			
	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value
Debt securities	$ 23,529	$	$ (5,121)	$ 18,408
	$ 23,529	$	$ (5,121)	$ 18,408

The fair value of our investment portfolio is based on quoted market prices and from the calculation of the present value of cash flows from securities. Our available-for-sale securities are based on quoted market prices while our held-to-maturity securities are based on the present value of cash flows, which discounts expected cash flows from principal and interest of securities using yield to maturity at the measurement date.

On a quarterly basis, the Company evaluates the investment portfolio for other than temporary impairment. An investment is impaired if the fair value of the investment is less than its amortized cost basis. An impairment in a debt security is considered to be other-than-temporary (i) if there is a credit loss exist, which is defined as the difference between the present value of the cash flow expected to be collected and the amortized cost basis for the security or (ii) if either of following condition is met: an entity that holds a security has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery.

Management has evaluated the securities in the tables below and has concluded that none of these securities have impairments that is other-than-temporary. In its evaluation, management considered the types of securities and their respective credit ratings. Most of the securities that are in an unrealized loss position are in a loss position because of changes in interest rates since the securities were purchased. The securities that have been in an unrealized loss position for 12 months or longer include mortgage-backed securities and other securities whose market values are sensitive to interest rates and changes in credit quality. The Company s analysis for each investment performed at the security level shows that the credit quality of the individual bonds ranges from good to deteriorating. Credit risk does exist and an individual issuer in a security pool could default which could affect the ultimate collectability of contractual amounts. The Company believes that the decrease in values of the held-to-maturity and available-for-sale securities are driven by interest rate and current economic conditions. The Company s unrealized loss for the debt securities, which include single issue and pooled issued trust preferred securities, are related to general market conditions and the resultant lack of liquidity in the market. The severity of the impairments in relation to the carrying amounts of the individual investments is consistent with market developments. The Company believes that the declines are temporary. The Company has the ability and intent to continue to hold the securities. The Company concluded, as a result of its review, that other-than-temporary impairment did not exist at September 30, 2009.

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THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amortized cost and fair value of the Company s investment securities at September 30, 2009, by contractual maturity, are shown below (dollars in thousands). Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay debt securities 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	$	$	$	$
Due after one year through five years	1,956	1,639		
Due after five years through ten years	482	523		
Due after ten years	105,754	109,112	23,549	17,027
Federal Home Loan and Atlantic				
Central Bankers Bank stock	6,565	6,565		
	$ 114,757	$ 117,839	$ 23,549	$ 17,027

At September 30, 2009 and December 31, 2008, investment securities with a book value of approximately $60.4 million and $30.9 million, respectively, were pledged to secure securities sold under repurchase agreements and Federal Home Loan Bank advances as required or permitted by law. Gross gains on sales of securities in the first nine months of 2009 was to $670,000. There were no gains or losses on securities in the nine months ended September 30, 2008.

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at September 30, 2009 (dollars in thousands):

September 30, 2009

Available-for-sale	Number of securities	Less than 12 months Fair Value	Less than 12 months Unrealized losses	12 months or longer Fair Value	12 months or longer Unrealized losses	Total Fair Value	Total Unrealized losses
Description of Securities							
U.S. Government agency securities	1	$ 6,939	$ (61)	$	$	$ 6,939	$ (61)
Mortgage-backed securities	12	18,685	(145)	793	(422)	19,478	(567)
Debt securities	1			667	(352)	667	(352)
Total temporarily impaired investment securities	14	$ 25,624	$ (206)	$ 1,460	$ (774)	$ 27,084	$ (980)

September 30, 2009

Held-to-Maturity	Number of securities	Less than 12 months Fair Value	Less than 12 months Unrealized losses	12 months or longer Fair Value	12 months or longer Unrealized losses	Total Fair Value	Total Unrealized losses
Description of Securities							
Debt securities	8	$ 1,752	$ (690)	$ 15,275	$ (5,832)	$ 17,027	$ (6,522)

Total temporarily impaired investment securities	8	$	1,752	$	(690)	$	15,275	$	(5,832)	$	17,027	$	(6,522)

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THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2008

Available-for-sale	**Number of securities**	**Less than 12 months** Fair Value	Unrealized losses	**12 months or longer** Fair Value	Unrealized losses	**Total** Fair Value	Unrealized losses
Description of Securities							
Mortgage-backed securities	11	$	$	$ 1,079	$ (461)	$ 1,079	$ (461)
Debt securities	1	$	$	$ 711	$ (96)	$ 711	$ (96)
Total temporarily impaired investment securities	12	$	$	$ 1,790	$ (557)	$ 1,790	$ (557)

December 31, 2008

Held-to-Maturity	**Number of securities**	**Less than 12 months** Fair Value	Unrealized losses	**12 months or longer** Fair Value	Unrealized losses	**Total** Fair Value	Unrealized losses
Description of Securities							
Debt securities	8	$ 1,439	$ (430)	$ 16,969	$ (4,691)	$ 18,408	$ (5,121)
Total temporarily impaired investment securities	8	$ 1,439	$ (430)	$ 16,969	$ (4,691)	$ 18,408	$ (5,121)

Note 6. Loan

Major classifications of loans are as follows (dollars in thousands):

	September 30, 2009 Amount	**December 31, 2008 Amount**
Commercial	$ 394,316	$ 353,219
Commercial mortgage	562,611	488,986
Construction	227,226	305,889
Total commercial loans	1,184,153	1,148,094
Direct financing leases, net	81,097	85,092
Residential mortgage	75,413	57,636
Consumer loans and others	170,238	157,446
	1,510,901	1,448,268
Deferred loan costs	2,230	1,081
Total loans, net of deferred loan costs	$ 1,513,131	$ 1,449,349
Supplemental loan data :		
Construction 1-4 family	$ 119,752	$ 163,718

Construction commercial, acquisition and development	107,474	142,171
	$ 227,226	$ 305,889

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THE BANCORP, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company identifies a loan as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the loan agreement. The balance of impaired loans was $18.2 million at September 30, 2009. The specific valuation allowance allocated to these impaired loans was $2.9 million. The balance of impaired loans was $8.7 million at December 31, 2008. The specific valuation allowance allocated to these impaired loans was $3.1 million at December 31, 2008.

The Company recognizes income on non-accrual loans on the cash basis when the loans are both current and the collateral on the loan is sufficient to cover the outstanding obligation to the Company. If these factors do not exist, the Company will not recognize income on such loans.

The following table summarizes the Company s non-performing loans (dollars in thousands):

	September 30, 2009	December 31, 2008
Non-accrual loans	$ 11,776	

AETNA AFFILIATE 401(k) PLAN
Notes to Financial Statements
December 31, 2014 and 2013

(8) Related Party Transactions

Certain investments in the Master Trust are managed by State Street Global Advisors (SSgA), a division of State Street. State Street is the Plan Trustee as defined by the Plan and, therefore, these investments constitute party in interest transactions.

The Master Trust invests in the Aetna Common Stock Fund, which consists primarily of the Plan Sponsor's own common stock, and therefore, the Master Trust's investments in the Aetna Common Stock Fund constitute party in interest transactions.

The Master Trust's SVO includes two Voya Retirement Insurance & Annuity Company insurance contracts. Voya IPS is the Plan recordkeeper. Both entities are owned by Voya and, therefore, these transactions constitute party in interest transactions.

Fees paid during the Plan year for legal, accounting, and other professional services rendered by parties in interest were based on customary and reasonable rates for such services.

(9) Employer Contribution Receivable

At December 31, 2014 and 2013, a contribution receivable of $59,284 and $54,794 was recorded to accrue for year end employer matching contributions for certain employees whose pretax deferrals had not been made proportionately over the course of the year, respectively.

Accrued employer matching contributions for the days remaining after the last pay cycle of the year totaled $0 and $55,710 at December 31, 2014 and 2013, respectively.

(10) Employee Contribution Receivable

Accrued participant contributions for the days remaining after the last pay cycle of the year totaled $27,434 and $178,826 at December 31, 2014 and 2013, respectively.

(11) Reconciliation of Financial Statements to Form 5500

The following are reconciliations of amounts reported in the financial statements to amounts reported on Form 5500, Schedule H as of December 31, 2014 and 2013:

	2014	2013
Net assets available for benefits per the financial statements	$78,168,767	69,012,898
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	159,119	133,567
Net assets available for benefits per Form 5500	$78,327,886	69,146,465
Increase in net assets available for benefits per the financial statements, excluding transfers in	$9,155,869	12,008,362
Net change on adjustment from contract value to fair value for fully benefit-responsive investment contracts	25,552	133,567
Net income per Form 5500	$9,181,421	12,141,929

Amounts allocated to withdrawing participants are recorded as a liability on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but not yet paid as of

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AETNA AFFILIATE 401(k) PLAN
Notes to Financial Statements
December 31, 2014 and 2013

that date. Also, investments are recorded at fair value on the Form 5500 and at fair value (with an adjustment from fair value to contract value) on the accompanying financial statements.

(12) Risk and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

(13) Subsequent Events

Effective December 31, 2014, the Plan was frozen. As a result, the Plan merged into the Aetna 401(k) Plan on May 15, 2015.

The Company has evaluated subsequent events from the balance sheet date through the date the financial statements were issued June 26, 2015 and determined there were no other items to disclose.

AETNA AFFILIATE 401(k) PLAN
Schedule H, Line 4i – Schedule of Assets
(Held at End of Year)
December 31, 2014
EIN: 23-2229683 Plan# 005

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of investment	(d) Cost**	(e) Current value
*	State Street Bank and Trust Company	Investment in Aetna 401(k) Master Trust	—	$76,121,185
*	Participant Loan Fund	Participant loans; various maturities Interest rates: 3.25% – 7.25%	—	2,119,983
			—	$78,241,168

* Party in interest

** Historical cost is not required as all investments are participant-directed.

See accompanying report of independent registered public accounting firm.

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